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9M 2024 Results

Management Discussion & Analysis Report

6 November 2024

9M 2024: Solid Revenue Growth and Continued Profitability Expansion

- 9M 2024 Group net revenue +10.3% YoY with growth across all four segments
- 9M 2024 Group EBITDA +15.5% YoY; margin at 14.9% (+68bps)
- 9M 2024 Group net profit +24.0% YoY; margin at 7.1% (+78bps)
- Maintain full-year guidance¹: 10%-12% revenue growth, EBITDA margin +40-60bps, net profit margin +30-50bps

Agthia Group PJSC (ADX: AGTHIA) today announces its interim results for the nine months ending 30 September 2024.

Financial highlights

Revenue

Group net revenue grew 10.3% year-on-year to AED 3.6 billion during 9M 2024 (8.5% growth from volume and 1.8% from pricing). This performance was primarily driven by a strategic shift of our product portfolio towards higher growth segments in key target markets, along with innovations. Notably, 57% of Agthia's growth in 9M 2024 came from innovation alone (excluding one-off recorded in Q1 2024).

Figure 1: Reported revenue by segment – nine months ending 30 September 2024

Revenue (AED MN)	9M 2024	9M 2023	% change YoY
Snacking	996.9	873.0	14.2%
Protein & Frozen	774.3	766.0	1.1%
Water & Food	803.7	759.4	5.8%
Agri-Business	1,032.6	872.7	18.3%
Total Group	3,607.6	3,271.0	10.3%

Figure 2: Impact of USD / EGP exchange rate on revenue growth – assuming an average rate of 40 vs. 44 during the nine months ending 30 September 2024

The table below shows revenue growth for the nine months of 2024, assuming an average USD / EGP exchange rate of 40 in line with FY 2024 guidance.

Revenue growth	Snacking	Protein & Frozen	Total Group
Adjusted for USD / EGP exchange rate	16.4%	3.9%	11.5%

Our Egyptian businesses combined delivered a solid 10.6% year-on-year revenue growth in AED terms during 9M 2024, after absorbing an AED 264.5 million negative impact from EGP devaluation. Excluding EGP devaluation, Agthia Group's total revenue growth would have stood at 18.4% year-on-year (+12.4% in Q3 2024).

- **Snacking:** Revenue increased 14.2% year-on-year during 9M 2024 (+2.5% year-on-year in Q3), mainly led by strong performance in coffee and dates, with over 5% of the increase attributed to newly launched products. Excluding the FX impact, the segment's revenue growth was 27.1% year-on-year (+21.6% in Q3 2024).

Abu Auf continued to deliver strong growth, gaining both volume and value share in Egypt's premium-brand coffee market, resulting in a 32.1% year-on-year increase in revenue (+17.7% in Q3 2024). The brand's growth during 9M 2024 was further supported by new product launches and ongoing organic

¹ Guidance targets assume FY average FX rate of up to USD / EGP 40 (20% devaluation), no further acquisitions, 3M SOFR rates 5.5%, and no significant deterioration in geopolitical outlook

expansion of its retail chain, with 49 new stores openings, including in sporting clubs, universities, and new residential compounds.

Al Foah's performance in Q3 2024 was impacted by a later-than-expected date harvest. Typically, the date harvest season in the UAE begins in mid-August and runs through mid-November. However, due to weather patterns this year, the harvest timing has been delayed with lower overall volume. On a 9M basis, Al Foah has achieved significant value growth across retail channels, both domestically and in key international markets.

- **Protein & Frozen:** Revenue grew 1.1% year-on-year in reported currency during 9M 2024, despite the pressure from the EGP devaluation. Excluding the FX impact, the segment's revenue growth was 21.0% year-on-year (+15.3% in Q3 2024).

In Egypt, balanced pricing strategy and a favorable product mix across domestic channels helped mitigate macroeconomic challenges, showcasing strong brand equity and effective tiering. This, combined with double-digit growth in revenue from domestic and export frozen vegetables, resulted in local currency revenue growth of 36.9% year-on-year in 9M 2024.

In Jordan, overall category and general market headwinds posed a challenge for the local business, resulting in a 1.7% year-on-year decline in Nabil revenue (-6.0% year-on-year in Q3). Pending the recent startup of the new protein facility in KSA, Agthia has focused on growing Nabil's export sales into other regional markets, resulting in a 20.9% year-on-year increase in 9M 2024 Nabil export sales excluding Saudi Arabia.

Agthia's recently launched KSA frozen protein facility is gradually increasing its production volumes as it obtains the various approvals necessary to supply products to local quick-service restaurants (QSRs) and catering services.

- **Water & Food:** The Water & Food segment delivered 5.8% year-on-year revenue growth in 9M 2024 (+9.5% in Q3 2024). Total UAE water revenue rose by 9.6% year-on-year during the reporting period, with Al Ain bottled water maintaining its market leadership position. Al Ain glass bottles continued to maintain double-digit revenue growth. A commitment to the continued delivery of excellent customer service within our Home and Office Delivery (HOD) business led to a strong growth of 9.4% year-on-year during 9M 2024 (+8.5% in Q3 2024).

In 9M 2024, international water business revenue increased 4.0% year-on-year, with strong performance in Oman (+9.4%) and Kuwait (+6.6%).

Excluding the adverse impact from our lower margin food trading and dairy businesses, aggregate segment revenue growth would have stood at 7.7% year-on-year for 9M 2024 (+9.5% in Q3 2024).

In Q3 2024, we completed the closure of our loss-making Yoplait Dairy Business in the UAE. While this has a slight adverse impact on segment revenue growth, it will allow Agthia to focus on core business and improve the overall profitability of the Water & Food segment.

Agthia continues to explore new opportunities in the food sector that can leverage its expansive distribution network across the UAE. In line with this, Agthia signed a new distribution agreement in Q3 2024, becoming the exclusive distributor of Australian rice under the "SunRice" brand in the UAE.

- **Agri-Business:** Revenue grew by 18.3% year-on-year during 9M 2024 (+4.6% excluding one-off wheat trading activity recorded during Q1 2024). This growth was driven by strong performance in our Animal Feed division, which delivered 8.2% revenue growth during the period.

Strong sales growth in Feed was driven by volume growth as we scaled up our business under the Abu Dhabi Agriculture and Food Safety Authority's (ADAFSA) compound feed program. Feed sales through our Agrivita app continue to perform well on a growing userbase, offering end users added convenience and further enhancing our competitive advantage.

In the Flour business, Agthia continuously strives to increase market share across the UAE, specifically in the retail channel. Driving productivity and efficiency is also an important facet of Agthia's operations, and during 9M 2024 we unlocked additional capacity by further reducing unplanned downtime and improving the overall equipment effectiveness of the flour mills.

EBITDA (Earnings before interest, tax, depreciation, and amortization)

On a 9M basis, Agthia delivered revenue growth across all segments, with our continued focus on profit protection in Egypt and group-wide efficiency generation leading to a 15.5% year-on-year growth in EBITDA to AED 537.4 million during the reporting period.

Group EBITDA margin increased by 68bps year-on-year to 14.9% with accretion across all four segments (Q3 EBITDA margin +66bps year-on-year).

In 9M 2024, the negative impact of EGP devaluation on EBITDA amounted to AED 56.8 million. Excluding this impact, EBITDA would have grown 27.8%, with EBITDA margin standing at 15.3% (an expansion of 112bps year-on-year).

Figure 3: Reported EBITDA and margin by segment – nine months ending 30 September 2024

EBITDA (AED MN)	9M 2024	9M 2023 (restated) ²	% change YoY
Snacking			
- EBITDA	176.5	140.4	+25.8%
- EBITDA margin	17.7%	16.1%	+163 bps
Protein & Frozen			
- EBITDA	96.3	84.8	+13.6%
- EBITDA margin	12.4%	11.1%	+137 bps
Water & Food			
- EBITDA	126.5	110.9	+14.1%
- EBITDA margin	15.7%	14.6%	+114 bps
Agri-Business			
- EBITDA	166.7	118.6	+40.5%
- EBITDA margin	16.1%	13.6%	+255 bps
Total Group			
- EBITDA	537.4	465.1	+15.5%
- EBITDA margin	14.9%	14.2%	+68 bps

- **Snacking:** EBITDA grew by 25.8% year-on-year in 9M 2024, outpacing revenue growth due to a combination of product innovation, premiumization, and strategic procurement initiatives in the coffee category. This resulted in a 163bps expansion in EBITDA margin.
- **Protein & Frozen:** EBITDA grew by 13.6% year-on-year, significantly outpacing revenue growth. This improvement in profitability was achieved despite input cost volatility and currency headwinds in Egypt, as well as external geopolitical challenges affecting Jordan. Agthia's focus on productivity enhancements and disciplined cost management drove profitability expansion, with the segment's EBITDA margin increasing by 137bps during 9M 2024.
- **Water & Food:** A continued focus on mix and pricing management, supported by disciplined cost control, procurement and improved efficiency across our supply network, resulted in EBITDA growth of 14.1% year-on-year and EBITDA margin expansion of 114bps. Notable performances came from UAE bottled

² Restatement of 9M 2023 segment numbers: Comparable period reported segment EBITDA figures have been restated for head office cross-charge in accordance with the new transfer pricing policy effective Q1 2024 to comply with the UAE's new corporate tax law. The objective is to ensure LFL comparability of reported segment performance. The restatement solely pertains to the allocation methodology and does not impact the total financial performance of the Group.

water (EBITDA +35.9% year-on-year). The decision to exit our loss-making Yoplait business resulted in a one-off asset write-off of AED 10 million, which negatively impacted profitability during 9M 2024. This strategic decision, however, is expected to result in annual savings of AED 5 million going forward.

- **Agri-Business:** EBITDA growth of 40.5% year-on-year outpaced revenue growth. This strong performance was driven by a continuous focus on product mix and quality, high factory utilization and cost productivity contributed to margin expansion.

Group net profit: Group net profit increased 24.0% year-on-year to AED 254.9 million during 9M 2024, with net profit margin standing at 7.1%, reflecting a 78bps expansion, notwithstanding FX headwinds, namely from currency devaluation in Egypt, and the introduction of income tax in the UAE.

Strong balance sheet: Our balance sheet remains robust with cash and equivalents of AED 0.6 billion and total liquidity of AED 2.0 billion. Our net debt to EBITDA ratio of 1.4x (net debt of AED 1.1 billion). Our debt is USD and AED-denominated, and we continue to achieve favorable borrowing terms leveraging our strong balance sheet and network of leading banks.

Full-year guidance³ maintained: Building on the strong momentum across Agthia's business and despite persistent currency headwinds impacting the Group's Egyptian operations, Agthia anticipates full-year 2024 revenue growth between 10% and 12%, with a 40-60bps increase in EBITDA margin and a 30-50bps increase in Group net profit margin.

Expanding in-house capabilities and leveraging efficiencies to future proof our growth

We continue to make strong progress in expanding our capabilities and driving efficiencies.

- **Leveraging our Egyptian platform:** We continued to execute our strategy of transforming Egypt into export hub. During 9M 2024, export revenue from Egypt reached AED 73.2 million (+31.5% growth year-on-year). Abu Auf has significantly expanded its retail presence since its acquisition. During this period, it opened 49 new stores, strategically located in sporting clubs, universities, and new residential compounds, further solidifying its position in the market and enhancing the brand's accessibility across diverse consumer segments.
- **Investing in innovation:** Innovation is central to our goal of becoming a leading food and beverage company in the MENA region. Spearheading these efforts is the Group's dedicated Central Innovation Team, which ensures seamless collaboration across business units, R&D, and external innovation. Notably, 57% of Agthia's 9M 2024 growth was driven by innovation (excluding a one-off in Q1). Here are some of our innovation highlights since the beginning of the year:
 - **Snacking:** Abu Auf expanded its coffee offerings with instant coffee jars and espresso beans to diversify its coffee portfolio while diversifying its snacking range with savory flavored popcorn, crackers, coated peanuts, protein bars, and nut bars. Date Crown introduced an organic date range.
 - **Protein & Frozen:** Nabil launched premium beef and chicken burgers in Jordan and a new frozen potato range in the UAE.
 - **Agri-Business:** Introduced two new specialty flour products tailored to specific client needs and launched the Agrivita Dairy Premix to support the growing demand for improved animal nutrition among UAE farmers.
- **Progressing on our sustainability agenda:** We continue to make progress across our sustainability agenda. Notably, during 9M 2024, we have reduced our Group CO2 emissions by 9.7% year-on-year, underscoring its commitment to environmental responsibility.

³ Guidance targets assume FY average FX rate of up to USD / EGP 40 (20% devaluation), no further acquisitions, 3M SOFR rates 5.5%, and no significant deterioration in geopolitical outlook

Agthia's efforts were further recognized at the prestigious Gulf Sustainability Awards, where the Group received the Gold Award for "Best Sustainable Product" and the Bronze Award for "Best Circular Economy Practice." These accolades highlight Agthia's leadership in sustainability, notably as the first UAE-based company to introduce 100% rPET Al Ain bottles and close the UAE's recycling loop through its Infinity Circular Economy initiative.

- **Accelerating our digital roadmap:** This quarter we continued to deliver on our 5-year digital transformation journey with a focus on improving customer experience and our commercial foundations, making Agthia a data-driven organization connected with its customers, all while ensuring secure and reliable digital and technology operations.

We launched our new B2B Customer Portal, which further streamlines how our HORECA customers can order our products. Our Home and Office Delivery (HOD) application is consistently improving, now providing an even better and further enhanced user experience.

We have also deployed a first-of-its-kind date AI image recognition model in collaboration with Mohamed Bin Zayed University of Artificial Intelligence (MBZUAI) and support from Next50. This AI model can identify and classify the major types of dates we receive from the farmers that constitute our local supply network, building on the vast Agthia team expertise as being the world's biggest dates processor. This unique AI model will continuously evolve, and it serves as the foundation for the application of AI and automation across our value chain process.

Khalifa Sultan Al Suwaidi, Chairman of Agthia Group, commented:

"Agthia's strong year-to-date performance reflects the strength of our diversified portfolio and strategic growth initiatives, even amidst global challenges such as currency fluctuations and inflationary pressures. Our ability to balance innovation, operational efficiency, and sustainability positions us well to navigate macroeconomic headwinds while continuing to deliver long-term value for our stakeholders. These results highlight our resilience and strategic focus on driving sustainable value across our diverse portfolio. As we look ahead, our focus remains on accelerating growth across the region and fortifying our leadership in key markets."

Alan Smith, Group Chief Executive Officer of Agthia Group, commented:

"We are making significant strides in protecting our core business, benefiting from value-accretive M&A, and investing in innovation and capabilities. Our results for the first nine months of 2024 demonstrate Agthia's operational resilience and relentless focus on executing our strategy. We've delivered solid revenue growth and expanded profitability across all segments, with 57% of our growth driven by innovation. Despite external challenges, particularly in Egypt, we've maintained robust margin improvement through efficiency gains and prudent cost management. Our teams have exhibited remarkable focus and agility, fueling sustainable growth through strategic investments in our brands and people, capturing synergies, and enhancing operational efficiency. I am especially proud of our advancements in our ESG agenda, which are underpinned by strong governance and a unified culture around sustainability."

– End of announcement –



Khalifa Sultan Al Suwaidi
Chairman
6 November 2024

Conference Call Details

The Consolidated Financial Statements for nine months ended 30th September 2024 will be available through the following link on Agthia Website: <https://www.agthia.com/investors/quarterly-results/>.

A conference call for analysts and investors will be held at 4:00pm UAE time on 7th November 2024. The presentation accompanying the call will be available on Agthia Group's website under the Investors section from 4:00pm on 7th November 2024: <https://www.agthia.com/investors/results-call-materials/>

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