

FMCG

BUY: 12M TP @ 5.85

Valuation Summary (TTM)

Price (AED)	4.71		
PER TTM (x)	13.5		
P/Book (x)	1.3		
P/Sales (x)	0.8		
EV/Sales (x)	1.3		
EV/EBITDA (x)	6.5		
Dividend Yield (%)	3.6		
Free Float (%)	29%		
Shares O/S (mn)	792		
YTD Return (%)	14%		
Beta	0.6		
(mn)	AED	USD	
Market Cap	3,602	981	
Total Assets	5,181	1,411	
Price performance (%)	1M	3M	12M
Agthia Group PJSC	-3%	-10%	1%
FTSE ADX GENERAL INDE	-2%	-4%	-10%
Trading liquidity (,000)	1M	3M	6M
Avg daily turnover (AED)	2,212	1,762	2,275
Avg Daily Volume (,000)	502	370	471
52 week	High	Low	CTL*
Price (AED)	5.31	3.87	17.6

* CTL is % change in CMP to 52wk low

Major shareholders

General Holding Corp	63%
Norges Bank	4.1%
Emirates Internation	3.8%
Others	29.3%

Other details

Exchange	Abu Dhabi		
Sector	Food		
Index weight (%)	0.2%		
Key ratios	2020	2021	2022
EPS (AED)	0.06	0.29	0.31
BVPS (AED)	3.16	3.49	3.55
DPS (AED)	0.17	0.08	0.17
Payout ratio (%)	289%	29%	53%



Agthia: in line with expectations

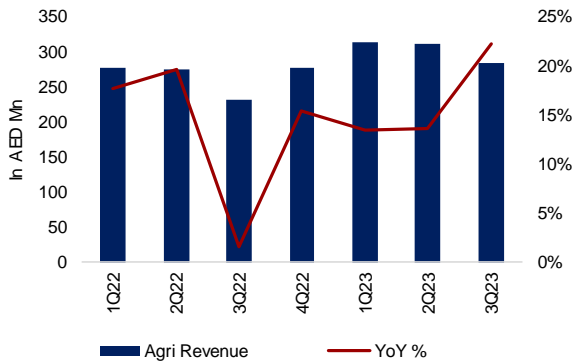
Agthia is a multinational FMCG player with leadership position across product segments such as water, flour, protein food and animal feed. Post the restructuring of the organization and six acquisitions in 2021-22 the company is on a consolidation path, synergizing its operations and focusing on cost efficiencies. This is the first year since the entities have started full operations under the Agthia umbrella and we are witnessing positive trends. The 3Q23 results saw all the segments reporting growth and overall revenue increasing by +12% YoY and for the 9M23 it increased by +10.9% YoY, this was in line with what we had expected. Net profit was reported at AED 61mn higher by 30.3% YoY during 3Q23 beating our estimate by 17%. Significant cost savings and improvement in working capital management led to increase in margins during the quarter. Gross margins rose to 31.7% in 3Q23 vs 28.1% in the same period previous year and a similar level in 2Q23. The improvement in margins led to EBITDA growth of 13.5% which was higher than the revenue growth. Most other admin and marketing expenses have become centralized thereby saving in cost and retaining robust operating margins. For the 9M23 period net profit was reported at AED 205.5mn, +12.7% YoY, in line to achieve the management guidance of 10-12% for the full year 2023e. We reduce our full year 2023e revenue estimate marginally by 1% to 4.56bn to accommodate for the impact of fx devaluation in Egypt and retain our net profit estimate at AED 346mn. Based on the current results and our forecasts, we also retain our BUY recommendation and target price of AED 5.85/share.

Overall a decent performance and in line with guidance: The transformation phase from a commodity business into a multi brand company is moving as desired and evidenced by the growth across segments. During the quarter there was notable gains in the agri segment which grew by 22.2% YoY. The snacking business continues to outperform with a growth rate of 46% YoY. The only spoiler however has been the negative impact of EGP which reduced the protein revenues by 13.6% (it grew by 19.4% YoY excluding the devaluation impact). Out of the overall group revenue growth of 10.9%, 9.1% was on account of volume and 1.8% attributed to price increases. We expect significant increase in volume during the fourth quarter, which is seasonally the best one for the company. The Jeddah facility is likely to come on stream by 1Q24 and will add to the exposure in Saudi.

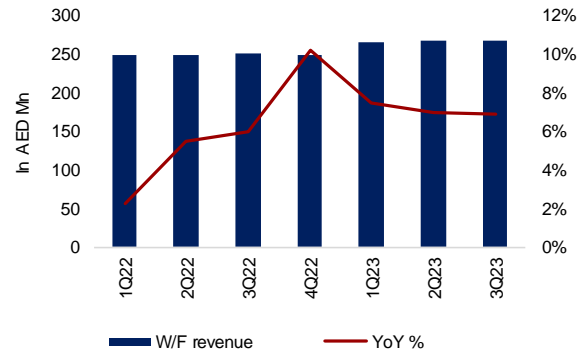
During the quarter there was significant reduction in the cash cycle from an average of 40-50 days to 13 days. Better collections, higher payables, optimized stock levels and better negotiations with customers led to this improvement. The management believes this to be a sustainable trend and would self-finance the operations going forward.

Valuations and outlook: We are optimistic on the current trends and expect the same to continue going forward. The focus on improving key parameters is providing tangible results. The stock currently trades attractively at 11.9x 2023e PE and has a dividend yield of 5.1%.

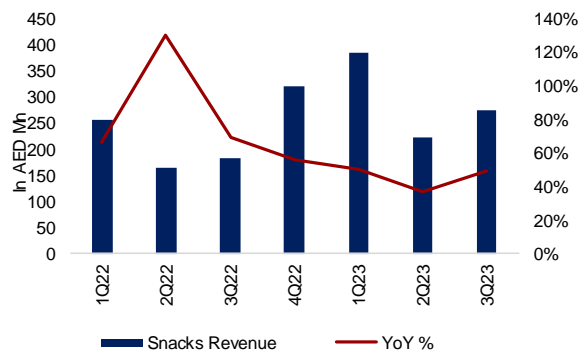
Surprise growth in Agri segment during the quarter



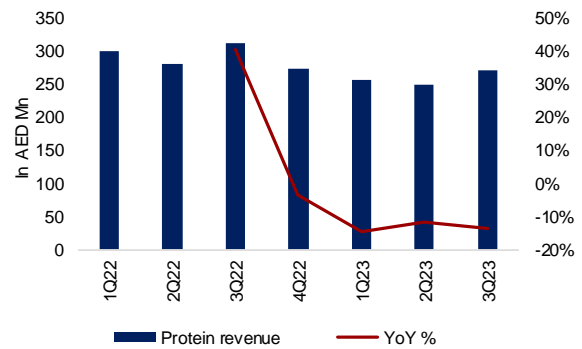
Steady growth in Water and Food segment



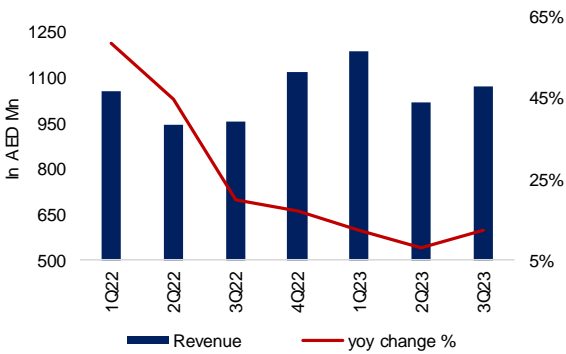
Snacks revenue continues high double digit growth



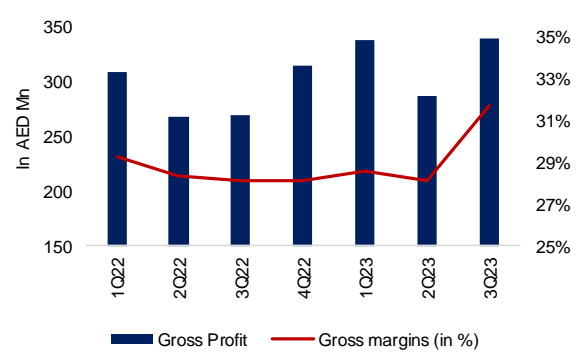
Protein & Frozen impacted by currency devaluation



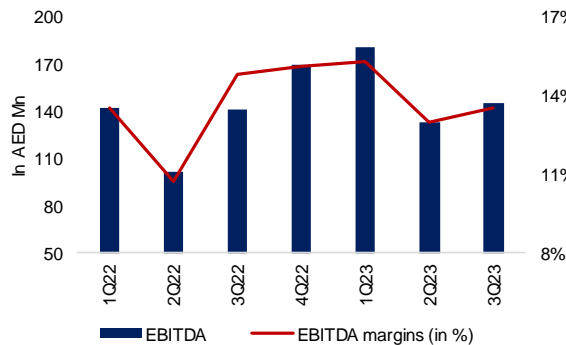
Group revenue in line to achieve management guidance



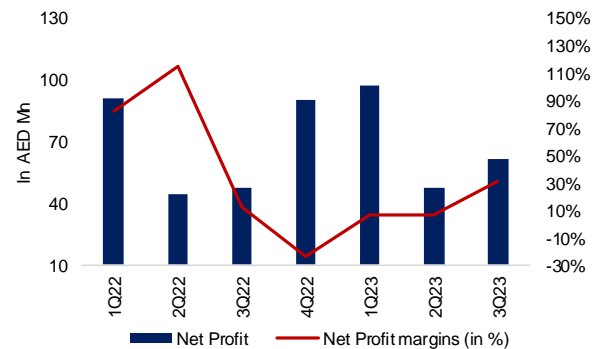
Gross margins rebound on better cost management



EBITDA margins higher, grows faster than revenue



Net margins on a linear rise post consolidation



Income statement (in AED Mn)	2019	2020	2021	2022	2023e	2024e	2025e	2026e	2027e
Revenue	2,039	2,061	3,068	4,067	4,560	5,246	5,903	6,607	7,411
Direct Costs	1,382	1,421	2,111	2,910	3,186	3,680	4,119	4,582	5,159
Gross Profit	657	641	957	1,158	1,374	1,566	1,784	2,025	2,251
Selling and distribution expenses	358	357	449	508	593	630	694	760	852
Administrative and general expenses	168	234	271	346	349	420	443	462	519
Research and development costs	7	7	10	9	9	26	30	33	37
Other operating Income / (expense)	10	-9	28	52	37	10	12	13	15
EBIT	133	33	255	347	460	501	630	782	858
EBITDA	260	167	443	553	734	806	955	1,121	1,200
Finance income	21	22	17	27	28	64	47	48	59
Finance costs	22	17	21	76	113	123	91	50	32
Share of profit/(loss) of JV/associate	-	-	-3	3	4	5	5	5	5
PBT	132	37	248	301	380	448	591	785	890
Income tax and Zakat expenses / credit	-4	1	17	29	34	40	53	71	80
Net Profit	136	36	231	273	346	408	537	714	810

Balance Sheet (in AED Mn)	2019	2020	2021	2022	2023e	2024e	2025e	2026e	2027e
Right-of-use assets	76	73	109	87	87	68	43	24	19
Property, plant and equipment	1,102	1,050	1,500	1,446	1,382	1,396	1,445	1,527	1,590
Goodwill	276	276	1,524	1,859	1,859	1,859	1,859	1,859	1,859
Intangible assets	83	80	494	563	563	563	563	563	563
Other non-current asset	3	-	24	17	17	17	17	17	17
Total non-current assets	1,539	1,479	3,652	3,972	3,908	3,903	3,927	3,989	4,047
Current inventories	336	346	708	847	860	1,104	1,236	1,375	1,548
Trade and other current receivables	580	528	816	891	1,140	1,311	1,476	1,652	1,853
Cash and bank balances	637	776	1,123	1,043	711	976	1,375	1,065	1,477
Other current assets	29	13	25	56	48	55	62	69	77
Total current assets	1,582	1,662	2,673	2,836	2,758	3,447	4,148	4,160	4,954
TOTAL ASSETS	3,121	3,141	6,325	6,809	6,667	7,350	8,075	8,149	9,002

Share capital	600	600	792	792	792	792	792	792	792
Share premium	-	-	652	652	652	652	652	652	652
Legal reserve	202	206	227	252	252	252	252	252	252
Translation reserve	-57	-64	-78	-151	-151	-151	-151	-151	-151
Retained earnings	1,216	1,157	1,167	1,268	1,483	1,890	2,428	3,142	3,952
Total Equity attributable to shareholders	1,961	1,899	2,760	2,813	3,028	3,436	3,973	4,687	5,497
Non controlling interests	29	30	210	273	299	340	393	464	544
Total equity	1,990	1,928	2,969	3,086	3,328	3,775	4,366	5,151	6,041
Prov for employees end of service benefits	80	81	124	116	122	147	155	162	182
Bank borrowings	8	237	1,637	1,711	1,678	1,678	1,678	525	250
Lease liabilities	57	53	74	56	51	27	-8	-47	-108
Deferred government grant	-	-	29	24	20	-	-	-	-
Total non-current liabilities	146	372	1,864	1,906	1,870	1,852	1,825	641	324

Bank borrowings	513	299	422	676	29	17	4	250	250
Lease liabilities	17	19	33	30	22	12	-3	-20	-46
Trade and other current payables	446	518	976	990	1,274	1,546	1,771	2,016	2,322
Other current liabilities	9	5	60	121	143	148	111	111	111
Total current liabilities	986	841	1,491	1,817	1,469	1,722	1,884	2,358	2,637
Total liabilities	1,132	1,213	3,355	3,723	3,339	3,574	3,709	2,998	2,961
Total equity and liabilities	3,121	3,141	6,325	6,809	6,667	7,350	8,075	8,149	9,002

Cash Flow (in AED Mn)	2019	2020	2021	2022	2023e	2024e	2025e	2026e	2027e
Cash from operations	287	304	498	316	735	686	925	1,087	1,156
Investing cash flow	-184	-79	-1,642	-315	140	100	50	-	-
Financing cash flow	-142	-97	1,222	9	-680	-351	-871	-1,053	-783
Change in cash	66	138	348	-81	-332	266	398	-309	411
Beginning cash	571	637	776	1,123	1,043	711	976	1,375	1,065
Ending cash	637	776	1,123	1,043	711	976	1,375	1,065	1,477

Ratio Analysis	2019	2020	2021	2022	2023e	2024e	2025e	2026e	2027e
Per Share									
EPS (AED)	0.228	0.057	0.273	0.312	0.397	0.468	0.618	0.821	0.931
BVPS (AED)	3.269	3.164	3.487	3.554	3.825	4.340	5.019	5.922	6.945
DPS (AED)	0.150	0.165	0.165	0.165	0.238	0.281	0.371	0.493	0.559
FCF per share (AED)	0.172	0.375	-1.446	0.001	1.105	0.992	1.232	1.373	1.460
Valuation									
Market cap (AED Mn)	2,160	2,550	4,077	3,150	3,728	3,728	3,728	3,728	3,728
EV (AED Mn)	2,118	2,383	5,120	4,580	4,798	4,486	4,025	3,372	2,598
EBIDTA (AED Mn)	260	167	443	553	734	806	955	1,121	1,200
P/E (x)	15.8	74.0	18.9	12.8	11.9	10.1	7.6	5.7	5.1
EV/EBITDA (x)	8.2	14.3	11.6	8.3	6.5	5.6	4.2	3.0	2.2
Price/Book (x)	1.1	1.3	1.5	1.1	1.2	1.1	0.9	0.8	0.7
Dividend Yield (%)	4.2%	3.9%	3.2%	4.1%	5.1%	6.0%	7.9%	10.5%	11.9%
Price to sales (x)	1.1	1.2	1.3	0.8	0.8	0.7	0.6	0.6	0.5
EV to sales (x)	1.0	1.2	1.7	1.1	1.1	0.9	0.7	0.5	0.4
Liquidity									
Cash Ratio (x)	0.6	0.9	0.8	0.6	0.5	0.6	0.7	0.5	0.6
Current Ratio (x)	1.6	2.0	1.8	1.6	1.9	2.0	2.2	1.8	1.9
Quick Ratio (x)	1.3	1.6	1.3	1.1	1.3	1.4	1.5	1.2	1.3
Returns Ratio									
ROA (%)	4.4%	1.1%	3.7%	4.0%	5.2%	5.5%	6.7%	8.8%	9.0%
ROE (%)	6.8%	1.8%	7.8%	8.8%	10.4%	10.8%	12.3%	13.9%	13.4%
ROCE (%)	6.4%	1.5%	4.8%	5.5%	6.6%	7.2%	8.7%	12.3%	12.7%
Cash Cycle									
Inventory turnover (x)	4.1	4.1	3.0	3.4	3.7	3.3	3.3	3.3	3.3
Accounts Payable turnover (x)	3.1	2.7	2.2	2.9	2.5	2.4	2.3	2.3	2.2
Receivables turnover (x)	3.5	3.9	3.8	4.6	4.0	4.0	4.0	4.0	4.0
Inventory days	89	89	122	106	99	110	110	110	110
Payable Days	118	133	169	124	146	153	157	161	164
Receivables days	104	93	97	80	91	91	91	91	91
Cash Cycle	75	49	51	62	44	47	44	40	37
Profitability Ratio									
Net Margins (%)	6.7%	1.7%	7.5%	6.7%	7.6%	7.8%	9.1%	10.8%	10.9%
EBITDA Margins (%)	12.7%	8.1%	14.4%	13.6%	16.1%	15.4%	16.2%	17.0%	16.2%
PBT Margins (%)	6.5%	1.8%	8.1%	7.4%	8.3%	8.5%	10.0%	11.9%	12.0%
EBIT Margins (%)	6.5%	1.6%	8.3%	8.5%	10.1%	9.6%	10.7%	11.8%	11.6%
Effective Tax Rate (%)	-3.0%	4.0%	6.8%	9.5%	9.0%	9.0%	9.0%	9.0%	9.0%
Leverage									
Total Debt (AED Bn)	596	608	2,166	2,472	1,780	1,734	1,672	709	346
Net Debt (AED Bn)	-42	-167	1,043	1,430	1,069	757	297	-356	-1,130
Debt/Capital (x)	1.0	1.0	2.7	3.1	2.2	2.2	2.1	0.9	0.4
Debt/Total Assets (x)	0.2	0.2	0.3	0.4	0.3	0.2	0.2	0.1	0.0
Debt/Equity (x)	0.3	0.3	0.7	0.8	0.5	0.5	0.4	0.1	0.1
Net Debt/Capital (x)	-0.1	-0.3	1.3	1.8	1.4	1.0	0.4	-0.5	-1.4
Net Debt/Total Assets (x)	-0.0	-0.1	0.2	0.2	0.2	0.1	0.0	-0.0	-0.1
Net Debt/Equity (x)	-0.0	-0.1	0.4	0.5	0.3	0.2	0.1	-0.1	-0.2

Ratio Analysis	2019	2020	2021	2022	2023e	2024e	2025e	2026e	2027e
Per Share									
EPS (AED)	0.228	0.057	0.273	0.312	0.402	0.471	0.606	0.796	0.906
BVPS (AED)	3.269	3.164	3.487	3.554	3.831	4.348	5.014	5.889	6.885
DPS (AED)	0.150	0.165	0.165	0.165	0.241	0.282	0.364	0.478	0.544
FCF per share (AED)	0.172	0.375	-1.446	0.001	0.718	1.019	0.852	1.000	1.306
Valuation									
Market cap (AED Mn)	2,160	2,550	4,077	3,150	4,061	4,061	4,061	4,061	4,061
EV (AED Mn)	2,118	2,383	5,120	4,580	5,368	5,004	4,768	4,368	3,709
EBIDTA (AED Mn)	260	167	443	553	677	725	842	1,015	1,110
P/E (x)	15.8	74.0	18.9	12.8	12.8	10.9	8.5	6.4	5.7
EV/EBITDA (x)	8.2	14.3	11.6	8.3	7.9	6.9	5.7	4.3	3.3
Price/Book (x)	1.1	1.3	1.5	1.1	1.3	1.2	1.0	0.9	0.7
Dividend Yield (%)	4.2%	3.9%	3.2%	4.1%	4.7%	5.5%	7.1%	9.3%	10.6%
Price to sales (x)	1.1	1.2	1.3	0.8	0.9	0.8	0.7	0.6	0.5
EV to sales (x)	1.0	1.2	1.7	1.1	1.2	0.9	0.8	0.6	0.5
Liquidity									
Cash Ratio (x)	0.6	0.9	0.8	0.6	0.4	0.7	0.8	0.6	0.8
Current Ratio (x)	1.6	2.0	1.8	1.6	2.1	2.5	2.8	2.3	2.6
Quick Ratio (x)	1.3	1.6	1.3	1.1	1.3	1.6	1.7	1.5	1.6
Returns Ratio									
ROA (%)	4.4%	1.1%	3.7%	4.0%	5.5%	5.9%	6.9%	8.7%	9.1%
ROE (%)	6.8%	1.8%	7.8%	8.8%	10.5%	10.8%	12.1%	13.5%	13.2%
ROCE (%)	6.4%	1.5%	4.8%	5.5%	6.7%	7.2%	8.4%	11.3%	11.7%
Cash Cycle									
Inventory turnover (x)	4.1	4.1	3.0	3.4	3.3	3.3	2.9	3.3	2.9
Accounts Payable turnover (x)	3.1	2.7	2.2	2.9	3.3	3.3	3.3	4.0	4.2
Receivables turnover (x)	3.5	3.9	3.8	4.6	4.5	4.5	4.5	4.0	4.8
Inventory days	89	89	122	106	110	110	128	110	128
Payable Days	118	133	169	124	110	110	110	91	88
Receivables days	104	93	97	80	80	80	80	91	77
Cash Cycle	75	49	51	62	80	80	99	110	117
Profitability Ratio									
Net Margins (%)	6.7%	1.7%	7.5%	6.7%	7.6%	7.7%	8.8%	10.3%	10.4%
EBITDA Margins (%)	12.7%	8.1%	14.4%	13.6%	14.7%	13.6%	14.0%	15.1%	14.7%
PBT Margins (%)	6.5%	1.8%	8.1%	7.4%	8.3%	8.5%	9.7%	11.3%	11.5%
EBIT Margins (%)	6.5%	1.6%	8.3%	8.5%	10.1%	9.5%	10.6%	11.8%	11.5%
Effective Tax Rate (%)	-3.0%	4.0%	6.8%	9.5%	9.0%	9.0%	9.0%	9.0%	9.0%
Leverage									
Total Debt (AED Bn)	596	608	2,166	2,472	1,794	1,778	1,761	1,356	1,075
Net Debt (AED Bn)	-42	-167	1,043	1,430	1,308	943	707	307	-352
Debt/Capital (x)	1.0	1.0	2.7	3.1	2.3	2.2	2.2	1.7	1.4
Debt/Total Assets (x)	0.2	0.2	0.3	0.4	0.3	0.3	0.2	0.2	0.1
Debt/Equity (x)	0.3	0.3	0.7	0.8	0.5	0.5	0.4	0.3	0.2
Net Debt/Capital (x)	-0.1	-0.3	1.3	1.8	1.7	1.2	0.9	0.4	-0.4
Net Debt/Total Assets (x)	-0.0	-0.1	0.2	0.2	0.2	0.1	0.1	0.0	-0.0
Net Debt/Equity (x)	-0.0	-0.1	0.4	0.5	0.4	0.2	0.2	0.1	-0.1

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Rating Criteria and Definitions

Rating	Rating Definitions
	Strong Buy This recommendation is used for stocks whose current market price offers a deep discount to our 12-Month target price and has an upside potential in excess of 20%
	Buy This recommendation is used for stocks whose current market price offers a discount to our 12-Month target price and has an upside potential between 10% to 20%
	Hold This recommendation is used for stocks whose current market price offers a discount to our 12-Month target price and has an upside potential between 0% to 10%
	Neutral This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential between 0% to -10%
	Sell This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential between -10% to -20%
	Strong Sell This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential in excess of 20%
	Not rated This recommendation used for stocks which does not form part of Coverage Universe

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