EFG HERMES

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Agthia Q1 '20 Results Call Transcript

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Corporate Participants

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Nada Amin: Hello, everyone. My name is Nada Amin. I am part of EFG Hermes' consumer and retail team. It's our pleasure to be hosting Agthia's first quarter 2020 results conference call. The management will begin with a presentation and then we'll open the floor to Q&A. I will hand over the line to Miss Sahar. Please go ahead.

Sahar Srour: Thank you, Nada. Good afternoon, ladies and gentlemen. Thank you for joining us today in Agthia Group's conference call for the first quarter of 2020 hosted by Jamal Al Dhaheri, acting CEO, and Ammar Al Ghoul, CFO. Jamal will first talk about the performance highlights during the quarter. Afterwards, Ammar will cover the financial results. We will then continue with the Q&A session.

For your reference, the relevant presentation is available in the investor section of the company's website. Please note that this call may contain forward looking statements, which should be considered in conjunction with the disclaimer included in the presentation. Over to you, Jamal.

Coordinator: Jamal, your line is open.

Jamal Al Dhaheri: Sorry, may apologies. I was on mute. Good afternoon, everyone. This is Jamal Al Dhaheri, acting CEO of Agthia. We commenced 2020 embracing sustainability in February during Gulfood as we unveiled the region's first plant-based water bottle—Al Ain Plant Bottle— and initiated an endeavour for PET collection and recycling in partnership with Veolia. In March, we were set in front of unprecedented circumstances as we face a global pandemic with the COVID-19 outbreak. At Agthia, we have proven our 'commitment to healthier living' via sticking to our core values. As a critical player in the Nations' food security, we are collaborating with the government in ensuring continuous supply and increasing security stocks of essential food, water and beverages products to better serve the community. Demonstrating our agile business model, we launched an online application embracing all our product range, expanded our e-commerce footprint and activated home delivery service. Our determination in overcoming headwinds is additionally endorsed by our flexible supply chain and robust sales force contributing to our top-line growth and preserving market leadership across core categories. Amid all this, we continue to prioritize our responsibility towards preserving health and safety of our employees and consumers.

In the first quarter of 2020, Group revenues stood at AED 571 million. This implies a 12 percent growth year on year largely driven by our Flour, Food and 5-gallon water segments. Group net profits came in at AED 27 million.

Moving on to the following slide, let us look at the bottled water market and key players in the UAE retail environment.

The first 2 charts depict the volume and value shares of major players for the last 12 months ending February 2020 versus 2019. Agthia's portfolio—Al Ain Water, Al Bayan, and Alpin— sustained leadership in both volume and value share at respective 29.0 and 26.4 percent. Our flagship brand, Al Ain water defended number one ranking in the UAE despite an aggressive competitive landscape.

As a testament to our continuous efforts amidst a shrinking overall category, we succeeded in systematically growing our market share on a monthly basis since October 2019 as shown in the chart at the bottom of the slide.

Let us check our sold water volumes across board.

Our 5-gallon water business in the UAE recorded strong growth as we continue to expand our customer base specifically in homes and Northern Emirates which more than offset lost sales in corporates post closure of most offices and schools in the last month of the quarter.

During the same period, we sold over 18 million cases of bottled water across the UAE, KSA, Turkey and Kuwait. In the UAE, the uplift in sold volumes largely came in as a result of consumer stockpiling in March in response to COVID-19 outbreak. Our international markets recorded mixed results; wherein the outperformance of our Kuwaiti and Turkish operations was offset by the drop in KSA sales, with the latter reflecting our effort to improve the quality of credit sales and the cancelation of Umra activities that normally start prior to the month of Ramadan.

Under the consumer business, Food segment is now inevitably a positive contributor to our P&L. Food segment net revenue increased by 21 percent driven by Trading items and tomato paste / frozen vegetables in both UAE and Egypt as consumers responded to COVID-19.

Trading items which now constitute 53 percent of Food revenues, recorded 19 percent year on year growth in its top-line as we quickly responded to current challenges to better serve the community via opening 2 new branches, adding new SKUs and activating home delivery orders and drive through facility.

In tomato paste / frozen vegetables, revenues from UAE and Egypt grew by 39 percent versus last year as we expanded to catering channel and accommodated for consumer stockpiling in March. Meanwhile, dairy sales were largely impacted by closure of Eateries and Bakery sales on the cancelation of ADNOC Flex scheme.

Finally, on the Agri business..

Flour segment posted a significant top-line growth of 52 percent versus last year driven by strong domestic demand, escalation in export sales (including an order to the World Food Program-WFP) and higher wheat trading. Additional milestones under the flour segment are maintaining number one leading position for retail flour and improving overall segment profit margin versus last year.

Similarly, Animal Feed recorded enhanced profitability on favorable channel mix despite lower segment sales on lower grain sales and reduced demand from small-sized farms.

I now pass the line over to Ammar for the financial review. Thank you.

Ammar Al Ghoul: Thank you, Jamal. Hello. This is Ammar. Thank you for joining Agthia investors' conference. Starting with the revenue, the Group revenue grew by 12% year-on-year, reaching 571 million in Q1 2020. Net revenue contribution by consumer-businesses reached 52 percent whereas agri-businesses generated the remaining 48 percent.

Consumer-business revenues reached AED 298 million, implying a 6 percent y-o-y growth largely driven by the 21 percent y-o-y growth in the Food segment revenues of AED 82 million. Water & beverage segment posted AED 216 million top-line as higher sales from Kuwait operations and 5-gallon water business largely offset the slip in Bottled Water sales in UAE and Saudi.

Agri-business revenues recorded AED 273 million and grew by 21 percent y-o-y on higher Flour sales as previously elaborated by Jamal.

Moving on to the next slide where we show Group gross profit margin.

Current quarter gross margin came in at 29.9 percent versus 31.4 percent in Q1 2019. Drop in margin is largely attributed to lower bottled water pricing in both domestic and international operations coupled with lower beverage volume sales on excise tax and pressure on food service channel. While prices of bottled water are surfing from price erosion, Agthia is still marginally able to cope with the same in slower pace due to better deal making with major customers.

Next let's talk about Net profits.

Group net profit prevailed at AED 27 million. Excluding the bad debt provision this year and the tax credit recorded in Turkey last year, shortfall in net profit for the period is largely reduced as better agri-business profitability and cost optimization counter the impact of the de-growth in bottled water category in the UAE.

This is further explained on the next slide where we are showing two waterfalls that explain top-line and bottom-line reconciliation between last year and this year.

Starting with revenues, AED 39 million related to WFP Flour order plus AED 6 million higher grain trading have more than offset the AED 10 million lost revenues against lower bottled water pricing in the UAE and lower volumes in the Beverage segment and KSA operations. Robust growth momentum across our Flour and Food segments, Kuwait operations and 5-gallon water business resulted in the additional "organic" growth, taking our net revenues to AED 571 million.

In addition to the resulting impact of the above items on profits, we highlight 3 more factors. We recorded AED 9 million of cost savings which marginally offset the one-off AED 5 million tax incentive from our Turkey subsidiary recorded last year and this year's bad debt provisioning against longer collection days in international markets.

With this, we conclude today's prepared remarks and the floor is now open for questions and answers. Thank you so much.

Coordinator: Ladies and gentlemen, if you'd like to ask a question, please press star, followed by one on your telephone keypad now. If you change your mind, please press star, followed by two. And if you're joining online, please press the flag icon. Our first question comes from Nishit Lethotia. Nishit, please go ahead.

Nishit Lekhotia: Good evening and thank you for the call. I mainly have questions on the water and beverages business among your segment. The profitability has been extremely low. It's around one to two million that you're making at net profit level, and even if I add back that seven, eight million bad debt provision that you've done, even then, the profitability of the segment is just 35% of what it was last year. On an average of assuming 25 or 30 million profit from this segment.

So, I'm a bit concerned because the macro environment is just getting difficult and next quarter, even the Hajj is not going to be there this year, given the situation in Saudi Arabia. I'm not sure whether your bad debt and ECA provisioning will go down or just be at these levels. So, I want to know more of what's your outlook on the profitability of your water business.

Also, if I look at the one-offs in this quarter, you had one gain of 39 million sales from your flour business to the World Food Programme. So, you must have made at least five or six million Dirham there. So, if you remove that one-off gain, then you are at 20 million on a recurring basis for a quarterly profit. Is there any risk to dividend if this kind of quarterly profit is maintained, because you have a very health cash balance? Anything on that front, also, will be very helpful. Thank you.

Ammar Al Ghoul: Thank you for the question. As much as I remember, I will answer, and please remind me, if I miss anything. Let's first talk about the profitability effect. I agree with you on the profitability side. This is mainly due to the changes in the portfolio mix, mainly given the surrounding circumstances.

For example, highly profitable segments are not contributing to our revenue like before the pandemic situation where we currently are. A good example is the hotels, restaurants, schools, and food services sector. While other bottled water sectors have more sales, but with less profitable items. Looking into the future, I can't imagine when this pandemic will slow down.

However, what I can share with you and with everybody on the call is Agthia is progressing very well, in terms of maintaining and defending its market share. The market share will be a very good element that will determine future success in the water industry. So, until now, with Agthia being able to defend its market share and leadership position, I think that the outlook will be better than in the case of losing any of such market share.

You asked me another question about the order to the World Food Programme. I wouldn't really call it a one-off, though we wanted to mention this one. The profit generated from this order was around 4.5 million and the revenues were 39 million. I don't see this order never coming again, but there is less probability.

When it comes to the holy season in Saudi Arabia, the Hajj and Umrah, this is an overall negative impact on the entire economy of the region and for any business with direct operation with Saudi Arabia. This is not only going to affect water and FMCG, it will also affect airlines, transportation, logistics, services like hotels, and a lot of other sectors.

Now, this has already affected us and it is among the contributors to the slowdown and the collectability. The accounting terminology, bad debt, is a bit aggressive for the current situation. We are providing receivables provisions in recognition to Agthia's conservative provisioning policy, as well as IFRS9.

So, what's coming in the future, towards the end of Q1, we will have more visibility and we will be in a better position to assist the adequacy of the provisions we provided last year in 2019 and what we have provided for in Q1.

Nishit Lekhotia: Thank you so much. Just following up on that first question, if I look at your gross profit in the water and beverages segment year-on-year, your gross profit is five million less than what you made last year, say from 102 million to 97 million. But your bottom line is 25 million less. So, I understand seven or eight million is coming from bad debt, but what exactly is the other part of the difference that you're looking at the bottom line level below growth?

And what strategy do you have to push the profitability of this segment up? Because unless this segment recovers, overall this year, we will not be able to make any meaningful… the profit side will be around 25 or 20 million per quarter. I want to understand what strategy you have to push the profitability. In the end, I understand the market share gain, but in terms of profitability, what would happen?

And what is the reason for the sharp drop in profitability? Even if I understand the bad debt part of your Saudi business and the seven or eight million you've done there, the maths does not add up.

Ammar Al Ghoul: The answer for all these questions is one line item, which is, basically, the logistics and additional distribution expenses we incurred, particularly during the month of March, to play an essential role as a food security company. The cost of delivery, due to the increase in volume sales, that was the main contributor to the increase in sales and distribution expenses.

Now, with the pandemic situation slowing down going forward, I believe these kind of expenses will cool down gradually during Q2 onwards. As far as the short term.

Tariq Al Wahedi: I want to add one more comment. Also, on the GP level, it's worth mentioning that one of our important sectors was impacted, which is the food service sector. And that is considered to be one of the good profitable segments that we have, so we need to keep this in mind as well.

Jamal Al Dhaheri: If I may, competition is very tough. There's a lot of promotion happening around us, and for us to maintain that market share, we had to balance it a little bit. But at the same time, what makes us very comfortable is that if we compare our margin to our competitors, we have better numbers. So, we are not discounting at below our competitors. We are trying to balance as best we can, so it is between margin and the market share.

Coordinator: Our next question comes from Divye Arora. Divye, please go ahead.

Divye Arora: Hi. Thank you for the call. Could you give us some highlight on the price erosion part? How much the price has fallen? There used to be a slide that you used to use in presentations before, which is to show how the prices have been moving up and down in the market. So, if you can just throw some colour on that. And the other one is regarding the competition.

We have seen the competition has been there for the last two or three years now and has been putting pressure on your margins continuously. The margins are going down in the water business and this was the worst quarter, obviously. As the previous gentleman pointed out, the profitability was the lowest ever. So, what is the outlook, basically, if the competition would continue for, let's say, for the year.

Do you think there are few competitors that can give up, ultimately? Or do you see this continuing for the next two or three years and the prices further declining? We are going to have weak economy this year. We are seeing job losses in different sectors in general, F&B is going to be weak.

So, what do you think? Can this lead to some form of a consolidation? Are you looking out? Are you trying to acquire someone? Are some of your biggest competitors trying to merge with you or is there anything in the market? That's on the UAE side.

On the VAT thing that we have seen in Saudi today, if you can throw some colour on this environment. What do you feel about the impact of that on the consumption and would you be taking the major share of this VAT, so as not to impact the consumer? Thank you.

Ammar Al Ghoul: Thank you, Divye. If you look on the last slide in the presentation, we mentioned that the price erosion affected the profitability by around four million. On a more specific basis, I can tell you that the prices for the water sector were reduced by approximately 2.8%, 2.9% in the water sector and a little above that in the food sector.

Which were the main drivers for the effect on profitability, as driven by the price reduction or price erosion. Jamal, would you like to comment on the outlook of the competition?

Divye Arora: This 2.8% drop in pricing, is it on a year-on-year basis or a quarter-on-quarter basis?

Ammar Al Ghoul: It's year-on-year.

Divye Arora: And can you give us the number on a quarter-on-quarter basis? The last quarter, what was the price erosion?

Ammar Al Ghoul: I will give it to you. I don't have it right now.

Tariq Al Wahedi: The competition, the second question.

Ammar Al Ghoul: Divye asked about how long do we think that competitors can survive with the pricing pressure. Honestly speaking, it depends on what the profitability margins are, as the current prices, I don't think, if you don't operate with specific limits of capacity utilisation, you can't turn out profitable. And we don't know about the competitors. We are trying to protect and defend our market share for now.

Jamal, Divye asked a question regarding the outlook of potential or probable acquisition. Maybe some sort of elimination to the competition we discussed.

Tariq Al Wahedi: I can answer this one for Jamal. As mentioned before, our strategy is that we are always looking for opportunities for acquisition, and definitely, the market is in consolidation mode and we are actively looking for these targets going forward to find the potential to consolidate market share.

Divye Arora: Are you looking at the targets right now or do you think you will look out for something in the next six months to one year?

Tariq Al Wahedi: We are actively looking at several targets within UAE and Saudi Arabia. We are trying to find the right target that will match the future strategy of Agthia in terms of profitability and gaining market share.

Divye Arora: What is the scope of cutting costs? Because we know that it is going to be a tough environment for six months to one year. What is the plan, in terms of reducing costs?

Jamal Al Dhaheri: We are working very actively within the business in order to mitigate the impact that's happening due to COVID-19 on the front in terms of efficiency, in terms of how we are securing, how we efficiently secure the suppliers and all of that, looking at our marketing expense, looking at our manpower, looking at so many things within the cost structure and all of that.

So, we are very focused, trying to make sure that whatever we decide on, to have a positive impact to our P&L and as a commitment, always we add to it in a way to balance the profitability, making sure that whatever we do, it doesn't impact us also going forward because the market going forward is also not clear, as such, when things will be back to normal and all of that. So, we are doing things while we are very closely monitoring the market.

Divye Arora: On the VAT side in Saudi, the impact of it?

Ammar Al Ghoul: Say that again, please.

Divye Arora: The VAT impact in Saudi?

Ammar Al Ghoul: You mean the new one, which was announced this morning? We will evaluate the effect. I think there will be an effect on every sector in the market, not only FMCG. But we will definitely evaluate that one and come up with plans to minimise the effect on our business.

Divye Arora: This is my last question. In terms of you have been looking out for a target in Saudi to expand your operations into Riyadh, to all Saudi. So, how far are you on that? Have you identified any targets? And if you have is it the right time to go and do the deal or will there be any delay, given the environment is uncertain right now?

Ammar Al Ghoul: There are targets that we are currently looking at and evaluating, and whether it's the right time or not depends on the clear strategy and the capitalisation on the synergies. I think the way we approach the acquisition idea from Agthia's perspective is heavily depending on maximising the synergies and the cost savings, as well as the technology transfer and the logistics between the Saudi Arabia containment, in terms of logistics and sales and distribution.

So, not specifically on a specific sector, whether it's water or any other category. On an Agthia global basis, I don't see a problem right now for evaluating targets in Saudi Arabia and then a decision can be made.

Divye Arora: Why don't you see a problem? Because how will you evaluate the top line or the growth of your target, given the uncertain environment and the VAT impact? How the population growth is going to be in the country in the next two or three years. The oil prices. So, don't you think this is a very uncertain scenario to go and value a target in?

Ammar Al Ghoul: Of course it is.

Jamal Al Dhaheri: It is. Of course, what's happening at the moment, no one knows what's going to come out of it. So, there's a lot of impact, even during our discussions, because of COVID-19 and because of limitation and restriction of travelling and all of that, that does limit the discussion. So, we try to push it in a way to do something outside the box in terms of negotiations.

But, yes, of course, whatever is happening at the moment, we need to have a clear evaluation of this, which includes, as you say, the 15% VAT, COVID-19, how that will affect the demand, people, and all of that. So, there's a number of things that we're going to be focusing on, especially on the deals that look interesting to do in terms of acquiring or expanding our business in Saudi.

At the same time, looking at the existing business that we have. This is something that's very important for us and which we are focusing very carefully on.

Coordinator: As a reminder, ladies and gentlemen, that's star, followed by one, or the flag icon to ask any further questions. Our next question comes from Fatema Aldoseri. Fatema, please go ahead.

Fatema Aldoseri: Hi. I have a couple of questions. First, regarding your water business. The growth that we've seen in Kuwait, is it driven by an increase in market share or an overall growth in the market because of the panic buying that's happening there? And in Saudi, just to clear things up, the decline in sales, is it because of the Hajj? Have you got lower sales because of Hajj and Umrah? Again, just in terms of the water business.

Ammar Al Ghoul: Can I answer these two questions first?

Fatema Aldoseri: Sure.

Ammar Al Ghoul: Kuwait actually started last year, so last year was not a full year of sales and operations, so this year is full operations. So, you will see an increase in the top line and as we progress in profitability as well. On KSA, the reduction is driven by two reasons. Number one is the cancellation of the holy season activities due to the pandemic situation. And the second was due to revision and the credit policy. The revision of the credit policy was driven by improving the quality of credit sales. So, these are the two main reasons affecting the top line in KSA.

Jamal Al Dhaheri: On top of that also, on Saudi Arabia, there have been a number of lockdowns, so it was restrictions on mobility and movement of our products to the customers.

Fatema Aldoseri: Regarding Kuwait, in particular, has there been any pressure on pricing for the water segment, like you've seen in the UAE?

Ammar Al Ghoul: At least not on Q1 of 2020.

Fatema Aldoseri: Just regarding your volumes sold. I know the volumes that you announced are based on cases. Is it fair to assume that there is 24 bottles per case? That's the usual measure.

Ammar Al Ghoul: That's the general measurement. It differs sometimes.

Tariq Al Wahedi: In Saudi, the cases are 40. Saudi is an exception. And Kuwait, UAE, Oman, and everywhere else is 24.

Fatema Aldoseri: And my last question is regarding the flour sales. In the domestic market, there has been an increase, again, because of the whole COVID situation. Do you see this going on in April and May as well? Have you seen panic buying and have you seen an increase in the prices of flour in the retail market? Or were you able to increase prices in the retail market?

Ammar Al Ghoul: I don't see panic going on, but what we see is sustainability and the sales for flour and feed in line with our original expectations. Increase in prices, no. Actually, there was no tangible increase in prices.

Jamal Al Dhaheri: Just to highlight on the pricing, I think it's because in January, we implemented a price increase in our flour. So, we are still benefitting from that effect.

Coordinator: As a reminder, that's start, followed by one, or the flag icon to register a question. We have no further questions on the line, so I'll hand back. We have received two more questions. We have a question from Divye Arora. Divye, please go ahead.

Divye Arora: I have a follow-up on the Saudi receivables. You were saying that you were going to improve your current quantities. So, what can we expect now? Because we were seeing that continuously the receivables base was increasing from the last three years since you moved into Saudi. So, what should we expect?

Ammar Al Ghoul: Are you talking about the receivables base in Saudi or the receivables base in the Group?

Divye Arora: In the Group the receivable base was going up. I believe the reason was your expansion into Saudi. So, what can we expect now…

Ammar Al Ghoul: Before we progress, let me tackle this one. If you look at Q1, at least, the receivables base went down from 85 days to 83 days. And if you look at the cash flow, the group reported 32 million of cash from operations compared to 33 million at the end of 2019. If you dig further into the cash flow statement, you will see that the increase in receivables was AED 70 million.

Now, 70 million actually includes receivables and prepayments as well. So, out of the 70 million, only 45 million is direct receivables, and the majority of this amount is coming from the increase in sales in UAE. So, out of the 45 million, 40 million is coming from our high quality customers in the UAE. Do you have anything else, I would be happy to elaborate.

Divye Arora: Just in terms of the provisioning, do you think you are mainly done with this? Because last year, you took 28 million. I think in the first quarter, it was around seven million. What can we expect for the year?

Ammar Al Ghoul: Last year, the full provision provided was 23 million and it was not technically all due to sales that took place in 2019. It has also relation to sales that took place previously, earlier than that. The management can't know that there is doubt about collectability and towards the end of 2019. Honestly speaking, this is a very critical question. I don't know, at this stage.

What we did was to exercise the highest level of professional judgement to evaluate the collectability of the receivables portfolio as of March 31st. And we were on the conservative side, honestly speaking. We applied IFRS and we applied Agthia's conservative provisioning approach. We compared the two and we went to the highest amount.

I think that towards the end of Q2, the management both at the local level, Saudi Arabia and UAE, together would have more visibility and will both be in a better situation to evaluate the collectability. But rest assured that at any cut off point of time, Agthia management will make sure to provide provisions that will protect the company equity and will present the receivables at a reasonably collectable value.

Divye Arora: Do you think Saudi is also impacted by the food service channel?

Jamal Al Dhaheri: In Saudi, we went down in food service. We are tightening in Saudi in the food service and wholesale, these two channels, but we are growing into other channels.

Divye Arora: And was there a pricing impact also in Saudi because of competition? Because competition is very high in Saudi, did you see prices decline in Saudi also in the first quarter?

Ammar Al Ghoul: Can you come again with the question?

Divye Arora: Was there a price decline in Saudi in the first quarter?

Ammar Al Ghoul: Yes, there was. Not mainly in Q1, but I can tell you that eventually, throughout 2018, 19, and Q1 of 2020, there was a fairly good amount of price reduction. I can talk of at least 10% to 15% since 2017.

Coordinator: Our next question comes from Fatema Aldoseri. Fatema, please go ahead.

Fatema Aldoseri: Just a follow-up on the previous question regarding receivables. What percentage of your receivables comes from the businesses and corporates? So, excluding grocery stores or organised retail.

Ammar Al Ghoul: Slightly less than 14%.

Coordinator: Our next question comes from Osman Farooqui. Osman, please go ahead.

Osman Farooqui: Hi. I have a big picture question regarding where you see your water business in a couple of years' time. I know this is an unprecedented and will probably last six to 12 months, but from where I look at it in the UAE, you have a market leading share and you're trying to protect that. The Saudi and the Kuwait business are growth areas, so in terms of the Saudi business, what's your market share there?

And do you think Agthia can build up a brand name going forward, where you can increase your pricing? Or do you think that the water business is just a commodity business where every other competitor has the same products, literally and you have no control over pricing. So, if that's the case, where do you see the normalised water margins?

And secondly, over the long term, do you see the water business as really driving the long term growth? Or do you think the beverages segment, where you have Capri Sun, that's where you would do more acquisitions to drive? Because that's probably where your branding and margins can play out better than compared to the water business.

Tariq Al Wahedi: I can answer this one. Speaking about Saudi and market share in Saudi, if you look at the western region, again, Saudi cannot just assume the total Saudi. But if you look into the western region, we are number three now and we have moved in the ranks. We have doubled our market share over there throughout last year.

We totally believe that there is a strong brand equity for Al Ain, and that is something that is proven, as seen in Kuwait when we haven't reduced Al Ain brands, when we went to Iraq, when we went to Oman, when we went to Saudi. So, it's just unfortunate that maybe COVID-19 plus the microeconomic situation in Saudi, a lot of changes have happened last year, as you might all recall, that have slowed down that growth.

But we believe that there is a strong brand equity for our Al Ain brands and that's what drives. We don't believe that the water is a commodity..

Osman Farooqui: Yes. He was explaining about the water, why he thinks the brand equity is so strong for Al Ain.

Ammar Al Ghoul: If you've noticed, Osman, I don't know how long you've been following the company, the brand equity has been built based on trust over time. And not only that, based on the new initiatives, new launches coming out directly from Agthia R&D laboratories. We were the leaders in the vitamin D water, for example, and a number of other products.

Coordinator: As a reminder, ladies and gentlemen, that's star, followed by one for any further questions.

Osman Farooqui: Just the rephrase the question. Tariq was talking about the brand equity you have, so my question is on the Al Ain brand, within the markets for years, the UAE, you're the market leader. Have you thought of a situation where you have to reduce prices and see where that takes you? Or do you take the consumer is very, very cost sensitive?

Can you talk about the consumer behaviour in the water segment, both in the UAE and Saudi? Is it very price sensitive or does brand value matter?

Tariq Al Wahedi: Let me clarify that, the issue of brand in the water segment. There are multiple tiers of brands and brand equities. You have the likes of Evian, which is considered to be a premium. And then you have the premium, but consumed day-to-day. And then you have the value brands, basically. So, you have multiple brands that you could use. Now, the elasticity of price is always there.

So, you definitely realise premium and different pricing. But other brands with lower value would be driving the prices down, then as you say, they will drag everybody with them. So, the premium is always achieved there, in terms of pricing. It's a strategy that we always maintain to have.

However, the gap has become so big, then definitely, the consumers would go for value every time. Back to your question. Market price down, but definitely, we protect our market share very, very fiercely. We don't let people come and attack us on market share. And we manage that through different ways, not only through discounting, but through marketing, brand equity campaigns.

And I'm sure for those of you who are in UAE, they would see our existence all the time and the brand equity that we built. Of course, below the line, we're quite active as well and that normally encourages tactical promotions. But our marketing campaigns are always balanced in terms of brand building and brand equity.

So, going back to your question for UAE. Our market share has been progressively increasing, as you have seen in the presentation. Especially in the last three months, we have been gaining nicely. We have crossed the 30% line. This is the first time that we crossed that line. And now we are beyond the 30%. You need to consider that number two in the market today is 15%, so we are double numbers, basically, in the UAE.

And in Saudi, I was saying when I got cut off, today we are number three in the western region. Of course, we are developing our brand equity there, but again, we are ramping up last year only, where we introduced a new high street line with a new capacity. So, we are still, effectively, in the go to market, so we are filling up the market before we go heavily on brand equity and brand building.

Of course, that will put a break on pricing and price, the downward spiral trend once we start doing this, but the plans are already in place to build that.

Osman Farooqui: What's the market share in Saudi in the western region?

Tariq Al Wahedi: In Saudi in the western region, I believe we are 9% or 10% at the moment, I can't recall, somewhere in that range.

Osman Farooqui: Thank you. And the final question was the beverage business. Where do you see the future of that? Are you looking at expansion and new bands being added?

Tariq Al Wahedi: Could you repeat the question, please?

Osman Farooqui: My final question is on the consumer brand side, so yoghurt and juices. Do you see more brands being added there?

Tariq Al Wahedi Of course. We started the presentation talking about our innovation where we are driving more variances of the brands that we have, but there are more brands that will emerge as we speak. Our activity in Kuwait is slightly different than our activity in Saudi and UAE, and each market will dictate certain market research, and then that will dictate certain branding that relates to the people there.

Coordinator: As a reminder, ladies and gentlemen, for any further questions, that's star, followed by one, or the flag icon, if you're joining online. We have no further questions on the line, so I'll hand back.

Sahar Srour: Thank you, all, for joining again. If you have any further enquiries, please don't hesitate to contact me. Good evening from us. Thank you.