

# Agthia Group PJSC – ADX: AGTHIA



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# *Earnings Call*

## *1<sup>st</sup> Half 2017*

*Abu Dhabi, 27 Jul 2017*



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## Agenda

Highlights

Financial Review

Q&A

# KEY WINS

- Quick, effective response to **subsidy withdrawal**
- **Water** continues to drive the growth – both revenues and profit
- Vigorous **cost saving** initiatives maximizing profit protection
- Eminent (profit) **turnaround** in Dairy, Egypt, Turkey
- Reasonable headway in Saudi



# WATER

## *Engine of growth*

Group	% Growth vs. YA	
	<u>Revenue</u>	<u>Profit</u>
Group	+2.2	-18.7
Water	+31.8	+38.7

- Saudi contributes the most

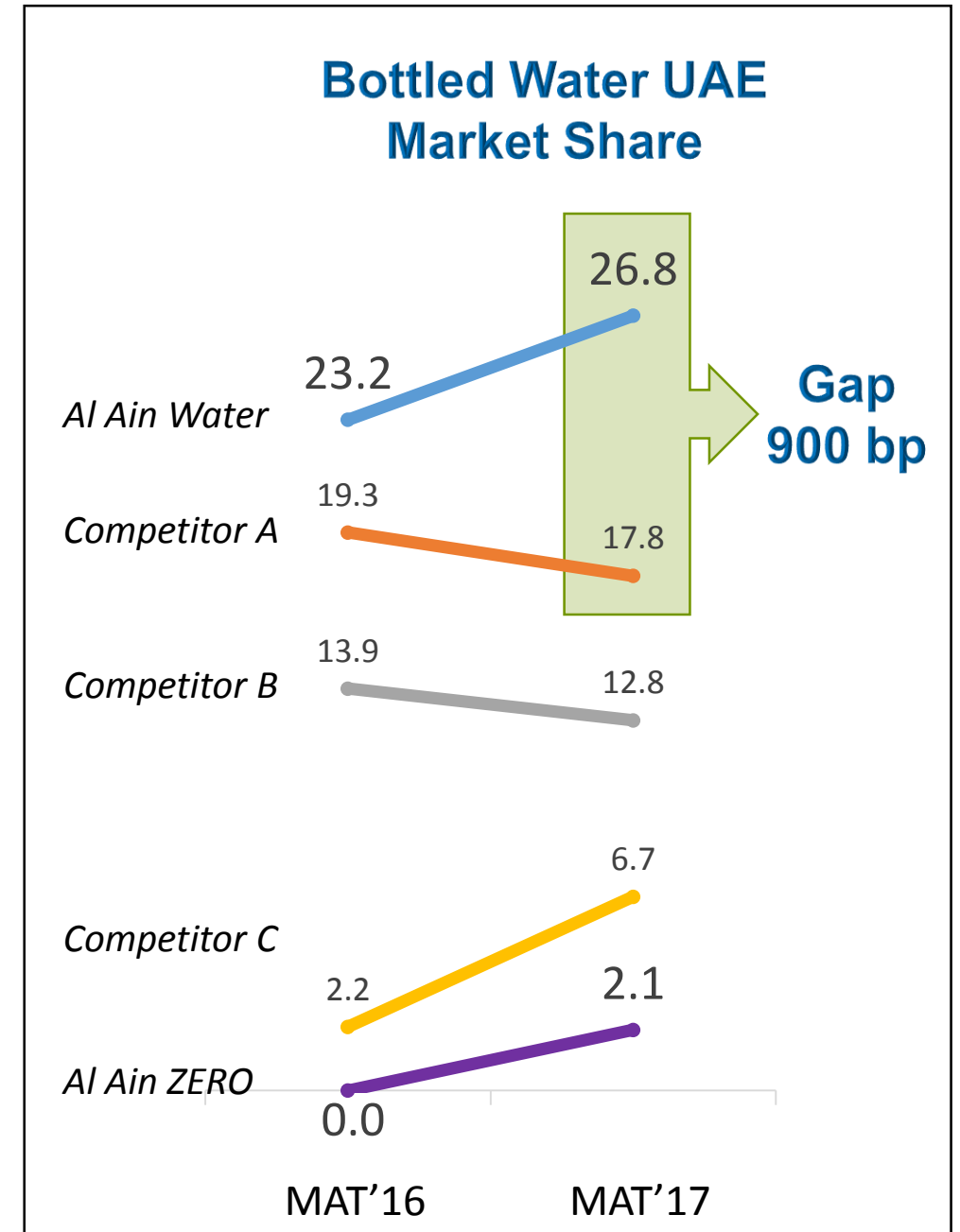
- UAE keeps growing

- Profit turnaround in Turkey



# WATER – UAE

- Al Ain Zero reached 4% in less than one year
- Overall Al Ain Water increases gap versus runner up
- Al Ain Zero in 5-gallon also a big success; double-digit growth in HOD business



# PROFIT TURNAROUND

## BLEEDING BUSINESSES

AED'000	1H16	1H17	Change
Yoplait	(5,461)	(2,454)	3,007
Turkey	(3,157)	(262)	2,895
Egypt	(711)	No more 557	1,268
TP (UAE)	(138)	bleeding 912	1,050
Bakery	(6,250)	(5,881)	369
Total	(15,717)	(7,128)	8,589



- Higher volume, lower costs
- Restructuring, cost cutting, efficiency



# OUTLOOK

- **Water will continue to drive the Group growth**
- **Animal Feed mostly stabilized**
- **Flour subsidy cuts Phase 2**
- **Cost optimization to defend bottom line**
- **Saudi Arabia: fix the basics, seek opportunity to expand**
- **Continued focus on turnaround**







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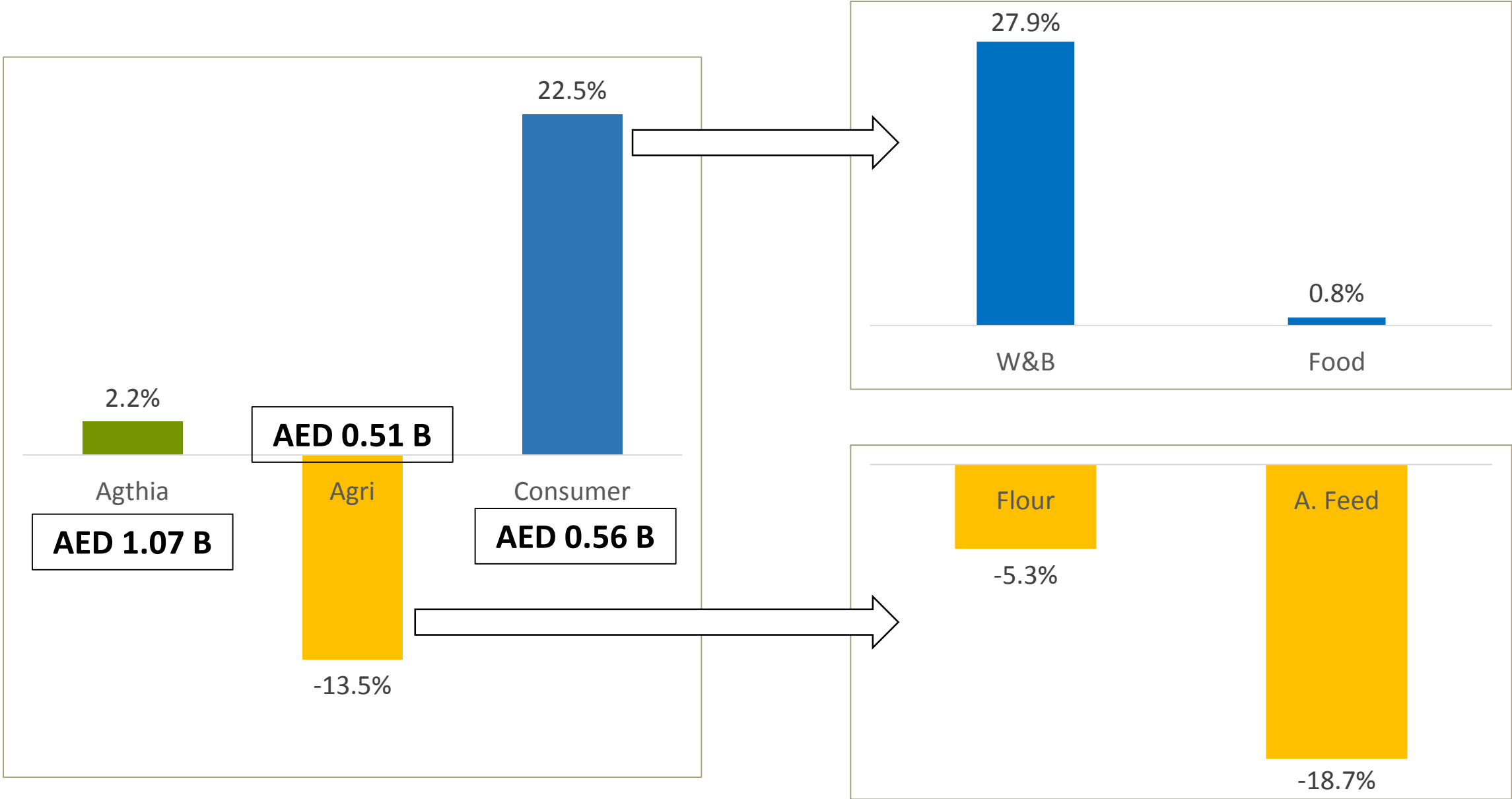
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# REVENUES

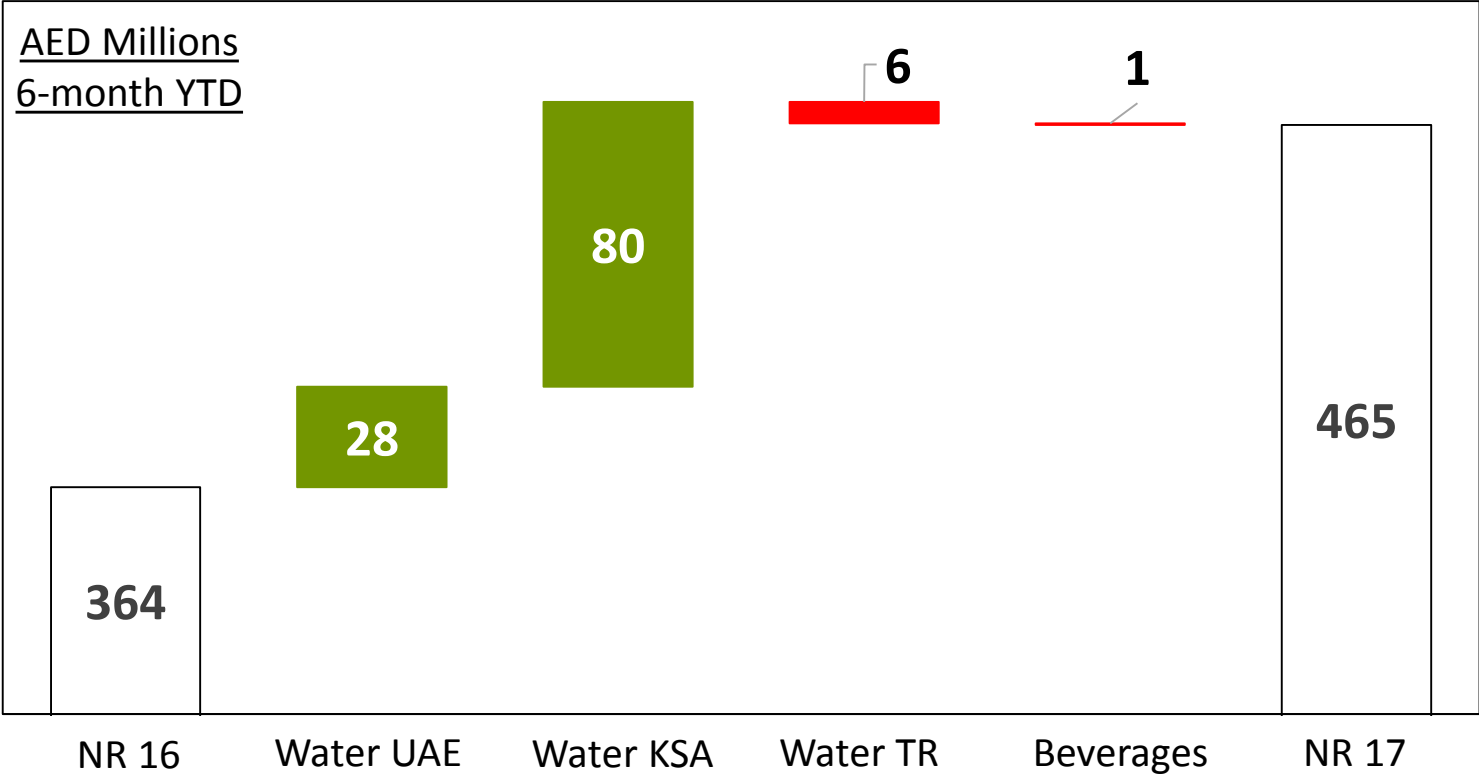
6-month YTD



# CONSUMER BUSINESSES

## Water & Beverages

NR: AED 465M  
Growth: + AED 101M (+27.9%)



## Food

NR: AED 91M  
Growth: + AED 0.7M (+0.8%)

- Except TP/FV business, all other Food segments are growing
- Dairy +2.2%, Bakery +21.4%, Other Food +27.6%
  - TP/FV -15.6%, driven by Egypt



## Impact of Subsidy cuts

<u>Total Flour</u>	2017	2016	Change
Volume (Ton K)	168.4	167.2	+0.7%
Net Revenue	217.5	229.8	-5.4%
GP Margin	37.8%	47.4%	-956 bps

<u>Excluding Trading</u>	2017	2016	Change
Volume (Ton K)	134.3	148.1	-9.3%
Net Revenue	191.7	210.9	-9.1%
GP Margin	42.6%	51.1%	-861 bps

- No major surprises vs. volume loss estimates in retail trade
- Up to 1K ton/month volume losses in B2B due to low-priced imported flour
- Impact on GPM on target
- Ready for the second phase with solid plans and strong profitability



# ANIMAL FEED

## Impact of Subsidy Cuts

6-month YTD

<u>Total Feed</u>	<b>2017</b>	<b>2016</b>	<b>Change</b>
Volume (Ton K)	295.7	344.8	-14.2%
Net Revenue	292.6	359.8	-18.7%
GP Margin	13.1%	20.1%	-700 bps

<u>Excluding Trading &amp; CP*</u>	<b>2017</b>	<b>2016</b>	<b>Change</b>
Volume (Ton K)	236.0	269.4	-12.4%
Net Revenue	235.8	268.6	-12.2%
GP Margin	15.5%	23.2%	-770 bps

- Subsidy related volume loss less than anticipated: 6 – 7K tons/month vs. 8 – 9
- Higher trading volume largely offsetting CP\* gap but with much lower profitability
- Market showing increasing signs of stability



<u>AED Millions</u>	Current Year	Last Year	Change	Excl. Saudi
Net Revenue	1,068	1,045	+2%	988
Net Profit	118	145	-19%	115
<i>Gross Profit Margin %</i>	34.1%	34.9%	-79bps	33.3%
<i>Marketing Exp. % of NR</i>	-2.5%	-3.6%	+105bps	
<i>SG&amp;A % of NR</i>	-22.2%	-18.1%	-411bps	-20.8%
<i>OOI, Interest, Tax % of NS</i>	+1.7%	+0.7%	+102bps	
<i>NP Margin %</i>	11.1%	13.9%	-284bps	11.7%
<i>EBITDA Margin %</i>	15.9%	17.8%	-194bps	



# PROFIT PROTECTION

- Combined impact of lower subsidy and higher utility costs was AED 104M in the first half
- Profit decline was only AED 27M – 77 million dirhams recovered back!
  - Higher volume
  - Saudi rendered approx. AED 3 million
  - **Cost savings** brought over AED 25 million including profit turnaround





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