

# Consumer Staples (Food & Beverage)

Impact

**POSITIVE**

Degree

**STRONG**

## All You Can Eat Festival

Consumer names trade at a deep discount to M&amp;A multiples

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**The Event:** Last Wednesday, EFG Hermes Holding [**HRHO**] announced that its investment banking arm has successfully concluded advisory on UAE-based Agthia Group's [**ADX: AGTHIA**] acquisition of a majority stake of 75.02% in the Egyptian processed meat producer **Ismailia Investments** (also known as **Atyab**). We see the acquisition as a catalyst for the market to revisit current valuation levels of other consumer staples names.

**The Target:** Atyab is a producer of frozen chicken and beef products, with a portfolio of four brand names: (1) Atyab, (2) Meatland, (3) Shiketita, and (4) Furat. Atyab's founder Attito Raslan will maintain a stake in the company post Agthia's acquisition. Although not officially announced, the majority stake sale is said to hover around AED573mn or the equivalent to c.EGP2.45bn. Atyab's revenues grew at a 4-year CAGR (2016-2020) of 28% to AED424mn (c.EGP1.8bn) in 2020 with an EBITDA of AED79mn (c.EGP338mn), implying an EBITDA margin of 19%.

**Macro drivers – a top-down view:** As noted in our **MACRO**View note titled [Deciphering the Din of Battle](#), taking a top-down approach, macro trends are evidencing the capacity of companies now to pass through costs to end consumers. This should leave companies with healthier margins and more solid financial positions. Granted, this also depends on each industry's dynamics. For companies within the consumer staples space, we could start seeing room for them to pass through higher costs resulting from higher commodity prices, while at the same time being cognizant not to lose market share.

**Industry-specific view – one level down:** Taking a closer look at the consumer staples industry, we believe the [news](#) of Agthia Group's majority acquisition of Atyab could be a catalyst for EGX-listed names. With the absence of the deal's specific details, we use the publicly-available info to gauge the implied valuation multiples for the Atyab deal then we compare them to EGX-listed names. The Atyab acquisition implies an equity value of EGP3.27bn or a P/Revenues of 1.8x and a P/EBITDA of 9.7x. On [Page 2](#), we compare consumer staples multiples in Egypt and the MENA region vs. Atyab's implied acquisition multiples. The comparison underlines the existing mispricing within the EGX-listed names, suggesting further upside potential.

**Bottom line – POSITIVE on Consumer Staples:** In view of the above, we are POSITIVE on the consumer staples industry. Specifically, we see a potential re-rating for Arabian Food Industries [**DOMT**], Cairo Poultry [**POUL**], Edita Food Industries [**EFID**], Juhayna Food Industries [**JUFO**], and Obour Land Food Industries [**OLFI**]. These five names trade at a 49-61% discount to Atyab's implied acquisition multiples.



## Regional, Egypt and UAE stocks multiples

Ticker	Name	Country	Market Cap (USDmn)	Price per share (trading currency)	Cons. PT (trading currency)	P/E	Price/Revenues	Price/EBITDA
<b>MENA (ex-UAE), average</b>			<b>2,334</b>			<b>27.7x</b>	<b>1.9x</b>	<b>11.3x</b>
ALMARAI	Almarai	KSA	15,387	57.70	54.82	31.1x	3.8x	12.5x
SAVOLA	Savola Group	KSA	5,682	39.90	42.18	31.3x	1.0x	10.3x
SADAFECO	SADAFECO	KSA	1,427	164.60	182.27	23.1x	2.6x	13.7x
NADEC	NADEC	KSA	1,027	37.90	35.45	na	1.7x	10.2x
HB	Halwani Brothers	KSA	952	101.00	64.05	37.1x	3.4x	18.4x
OFMI	Oman Flour Mills	Oman	327	0.80	0.85	15.1x	1.3x	9.4x
MUT	Mutandis Sca	Morocco	235	260.00	327.00	31.1x	1.6x	10.1x
SNRA	Siniora Food Industries Co	Jordan	210	5.32	na	20.3x	2.0x	11.3x
UMR	Unimer	Morocco	164	129.00	na	na	0.1x	9.7x
DRI	Dari Couspate	Morocco	134	4,019	na	20.0x	2.1x	8.8x
SPFI	A'Saffa Foods	Oman	132	0.42	na	40.3x	1.6x	9.7x
<b>Egypt, average</b>			<b>204</b>			<b>12.7x</b>	<b>0.7x</b>	<b>4.9x</b>
EFID	Edita Food Industries		345	7.50	13.46	13.7x	1.2x	8.3x
JUFO	Juhayna Food Industries		340	5.68	10.18	12.7x	0.7x	4.6x
OLFI	Obour Land For Food Industries		145	5.71	8.26	8.3x	0.8x	4.8x
POUL	Cairo Poultry		108	3.55	5.02	16.1x	0.4x	2.8x
DOMT	Arabian Food Industries Co. (Domty)		79	4.36	7.83	12.5x	0.4x	4.3x
<b>UAE, average</b>			<b>339</b>			<b>66.0x</b>	<b>7.1x</b>	<b>11.5x</b>
AGTHIA	Agthia Group		1,312	6.09	7.05	75.2x	2.1x	18.7x
DRC	Dubai Refreshments		446	18.20	na	20.7x	2.7x	13.5x
RAPCO	Ras Al Khaima Poultry		91	3.50	na	197.4x	23.7x	na
UNIKAI	United Kaipara Dairies		74	8.44	na	27.5x	1.2x	10.0x
ERC	Emirates Refreshments		71	8.67	na	na	12.4x	na
UFC	United Foods		42	5.05	na	9.2x	0.3x	3.8x
<b>Atyab (acquisition implied multiples)</b>			<b>208</b>				<b>1.8x</b>	<b>9.7x</b>
<b>Average Egypt peers</b>			<b>204</b>				<b>0.7x</b>	<b>4.9x</b>
<b>Discount vs. Atyab</b>							<b>-61%</b>	<b>-49%</b>

Source: Bloomberg, Prime Research.

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