

## **Building An F&B Giant: Agthia's CEO On Growing Its Global Footprint**

Situated in a high-rise overlooking Abu Dhabi's skyline, Agthia's office is busy despite it being a late Thursday afternoon. Its meeting rooms are abuzz with activity, showing no signs of slowing down—just like its CEO.

"It is very important to own the business (you work for)," says Tariq Al Wahedi as he settled himself in the company's boardroom. "You (need to) have a passion for it not just as an employee. That mentality is very important for us."

For Agthia, adopting such ethics helped it weather challenging times in the last two years, when subsidies it once received for its animal feed and flour business were reduced. Profits at the food and beverage giant dipped 19% in 2017 to reach AED206 million (\$56 million) in 2017. Group revenues marginally improved to AED 2.05 billion (\$559 million), compared to AED2.01 billion (\$548 million) a year ago. Its consumer business revenues, which included its water business, rose by 20% that year. Meanwhile its agri business, under which its animal feed and flour business divisions were included, saw a revenue decline of 13% in 2017—a much heavier decline than 2016 when the company started to feel the pain of reduced subsidies.

At that time, Al Wahedi headed the company's animal feed and flour business units as the COO. Agthia's troubles compounded when the U.A.E. announced that value added tax was on the horizon. Sliding oil prices meant that the Gulf countries were putting in place austerity measures, which were bad news for a company that drives a substantial part of its revenues from consumer business. Shares in the company fell 32.48% in 2017, recording a steeper decline than 2016 when it dropped by just 11%. Agthia started preparing for some setback.

In January 2017, Al Wahedi moved up the ranks as CEO after Agthia's then chief executive, Iqbal Hamzah, resigned. A veteran of Agthia's parent firm, Senaat, Al Wahedi was well aware of the company's operations and got down to the task of reshaping the business to deal with the challenges assailing its commercial units, staving off an almost 50% drop in profits. He put in processes to optimize operations, reexamined the profitability of every business arm and adopted technology to add value. His efforts are paying off as Agthia's quarterly profits have been growing steadily.

"Two values we really focused on—one is the ownership, second was the agility. The speed to the market, the speed to the process, the speed to talking to the vendors, the speed to knowing what is happening globally and not just here in the region were very important. For us to be up in the game, to be able to defend our market share and keep growing, these two values were very crucial," says the 45-year-old CEO.

Faced with intense competition in its home market of the U.A.E. and fluctuating consumer

sentiments, Agthia transformed itself from a local player to a pan- Arab firm, branching out to the GCC, Europe and the Far East. Although Agthia is the market leader in the Emirates with a 30% share in water segment, it has got strong competition from the U.A.E.'s first bottled water brand Masafi and Dubai Electricity and Water Authority-owned Mai Dubai.

Started in 2004 as an umbrella company to house water brand Al Ain and the government's agri business division including Grand Mills Flour and Agrivita, Agthia has grown over the years to become a major player with interests in water, dairy, retail, flour mill and animal feed. But it soon became clear that its revenue-yielding division is its consumer business unit, which includes the eponymous Al Ain water brand along with its dairy product Yoplait and its juices Capri Sun and Al Ain Fresh. It also owns a food business division called Al Ain Foods that produces various foodstuff such as frozen vegetables and tomato paste.

From a single water brand, Agthia built its portfolio and acquired smaller brands to grow its business. In 2015, it bought Al Bayan Purification and Bottled Water for an undisclosed sum to strengthen its presence in the 5-gallon segment and to gain headway in the Northern Emirates and Oman where the latter has operations. Its acquisition of Delta Bottled Water Factory Company in 2017 gave it a direct presence in one of the GCC's largest economies. These were preceded by the acquisition of Pelit Su, a mineral water company in Turkey in 2012 that was later rebranded to Alpin. This helped it penetrate European markets such as Germany, the U.K., Holland and Austria along with Singapore, Indonesia and China.

"Agthia has room to grow its water and beverages division, particularly in Saudi Arabia (a high potential market due to its size and newly added capacity) as well as Kuwait," says Nada Amin, an analyst at Egypt-based investment bank EFG Hermes, who recommended a "buy" of Agthia's stock at the time of publishing.

The Abu Dhabi-based company has also added to its manufacturing capacity over the last year. Agthia opened its first bottling plant in Kuwait in September 2018 through a joint venture with Kuwait's Al Wafir Marketing Services Company. Under Al Wahedi's stewardship, the company is expanding to newer markets such as Iraq where it has opened distribution for its flagship Al Ain water and Al Kawthar—another local drinking water brand. In 2019, Al Wahedi is planning on expanding Agthia geographically after closely scanning for potential.

"Morocco is an interesting market and Africa is also becoming an interesting one as well. We are seeing big potential in markets like Serbia and Ethiopia. Here we are talking about mass population ... of about 70+ million."

Al Wahedi says that Agthia, which is 51% owned by Abu Dhabi government firm Senaat, will constantly hunt for targets to complement its portfolio and to propel it closer to its target of achieving \$1 billion in revenues by 2020. EFG Hermes' Amin says that Agthia's expansion outside the U.A.E. is quite well timed. "With economic challenges at play, expansions outside of the U.A.E. are the most viable option for meeting its \$1 billion revenue target as well as sustaining earnings growth momentum. Also, given that the majority of expansions are not in new categories, the company can leverage on its extensive know-how to translate success overseas, in our view."

Deal making, though, is not new to Al Wahedi who has dabbled in various businesses. Hailing from a family of traders from Abu Dhabi, he started his first business of importing vehicles when he was just 19. Al Wahedi ventured into automotive trading during his time

as a student of engineering at the University of Tulsa. “It was more of a hobby and when you see the buying and selling, it teaches you to keep your ear to the ground on what is happening,” he says.

However, he did not pursue the line of business further but returned to the U.A.E and joined state-owned oil giant ADNOC as a petroleum engineer. He later moved to Senaat, where he was exposed to a range of sectors including petrochemicals, plastics, automotive, metals and eventually food and beverage.

Jamal Al Dhaheri, CEO of Senaat, who has worked with Al Wahedi on a number of projects at Senaat, remembers him as a practical person. “He is very sharp and knowledgeable and keen to learn.”

Al Wahedi’s habit of keeping his ear to ground has prompted him to segment the beverage giant’s products to drive profitability. Agthia recently introduced Bambini, water that is sterilized and ready to be used for mixing baby formulas. He has also led the company to ramp up its spending in research and development, with 0.5% of its revenues going to this stream. Agthia opened an R&D center in Al Wathba region in Abu Dhabi to improve innovation across its products.

In 2018, the company filed its first patent after it developed water that contained Vitamin D that was bereft of any flavor or color. Not easily dissolvable, Al Wahedi says it required commitment to research in order to produce water containing vitamin D without any extra color or taste. It also developed Al Ain Zero, a ph-free and sodium-neutral water and has managed to produce eggs containing vitamin D as well. All these are a part of Agthia’s efforts to increase innovation and stay relevant in the fast-moving consumer goods market.

“Innovation is key for our growth to keep ahead of the crowd and to maintain our edge. Without innovation we will not be able to continue,” Al Wahedi admits.

Agthia’s innovation has also extended to its agribusiness where it is using technology to develop feed that contains more vitamins and pre-mixes. In its flour business, the company has moved to niche products such as cake mixes to improve its bottom line. But Al Wahedi mentions that any move will be strictly evaluated for its profitability. “We try to avoid niches that do not have a future.”

Come 2019, Al Wahedi plans to continue innovating while expanding Agthia’s influence in new markets. He might, after all, have led the company through the worst.

“Headwinds that the company faced over the past two years such as weakened consumer sentiment, implementation of VAT and subsidy withdrawal should mostly be behind us; we see earnings having bottomed out in 2018 with a recovery story to begin in 2019,” says EFG Hermes’ Amin.

<https://www.forbesmiddleeast.com/building-an-fb-giant-agthias-ceo-on-growing-its-global-footprint>