

# EARNINGS RELEASE Q1

2022

# Tanmiah delivers Q1 2022 revenue growth of 18.0% supported by continued capacity and segmental expansion

- Continued delivery on growth plans with capacity expanded to 400,000 birds per day
- Sustained food franchise growth with 6 POPEYES® outlets now open
- Gradual recovery of gross profit and net profit margins
- Profitability achieved despite higher commodity costs

**Riyadh, 20 April 2022** -Tanmiah Food Company (“Tanmiah” or the “Company”, 2281 on the Saudi Exchange), a market leading provider of fresh and processed poultry and other meat products, animal feed and health products, and a foods brand franchise operator, today announced its results for the first quarter ended 31 March 2022. Tanmiah reported revenues of SAR 435.3 million for the first quarter, with gross profit rising by 2% year-on-year to SAR 91.1 million. Net income remained impacted due to a continuous increase in global commodity prices and the Company’s investment in operating capacity in line with its strategy.

#### Zulfiqar Hamadani CEO of Tanmiah, commented:

*“Our strong top line performance for the first quarter reflects the benefit of growing demand across categories, our continuous operational expansion program to deliver on our ambitious growth plans and the gradual introduction of price increases in the fresh chicken category to reflect inflationary cost pressures we have seen the in the past year, including higher grain prices.*

*Our revenues in fresh poultry, further processed products, and feed and animal health products, all grew significantly, while our food franchising business delivered encouraging results during the first quarter. With 6 outlets in Saudi Arabia now open, we continue to invest in our roll-out program by recruiting and training staff to service our new POPEYES® outlets. The reception from the public has been positive, and we look forward to continuing to grow the segment further.*

*We are excited by the prospect to grow our sales and capacity to capture further opportunities in the market whilst managing costs to support the gradual recovery of our margins. Our Capex program is now on track, and we delivered significant volume capacity growth during the first quarter, reaching 400,000 birds per day and adding 2 new farms to our portfolio. We will continue to invest to grow our market share and further enhance our operations.”*

According to independent market research, Tanmiah’s retail market (volume) share in Moving Annual Total (MAT) remained stable compared to the same period last year in the Saudi Fresh Chicken Category which includes Fresh Whole chicken, Fresh Chicken parts and Fresh Giblets.

#### Summary Financial Highlights

SAR million	Q1-21	Q1-22	% Change
Revenue	368.3	435.3	18%
Gross Profit (Loss)	89.3	91.1	2%
EBITDA	48.06	35.02	(27.2%)
Net Profit (Loss)	18.79	1.54	(91.8)%

**Ahmed Osilan, Executive Board Member & Managing Director of Tanmiah said:**

*“Sales during the first quarter continue to benefit from investments made during the last year in expanding our channel mix, growing our distribution network, and growing our volume capacity. We’re also pleased to report significant developments in our sustainability efforts during the quarter. During the period we announced the winner of the Tanmiah \$1 million omnipreneurship award, which will see Tanmiah collaborate to develop technologies to improve the environmental footprint of our industry. We also achieved a significant milestone in our commitment to animal welfare, which saw our slaughterhouses achieve the NSF International Global Animal Wellness Standard Certification.”*

## Revenue Analysis

Tanmiah reported first quarter revenues of SAR 435.3 million, up 18% year-on-year (y-o-y) from SAR 368.3 million. Top-line growth was primarily driven by continued growth in both the fresh poultry and further processing segments. The performance was supported by strong consumer demand and the introduction of gradual price increases in the fresh chicken category. The first quarter also reflected sales from the food franchising business which came on stream in the last month of 2021.

**Fresh Poultry** sales, the largest contributor to the Company’s revenues grew by 13.5% to SAR 289.6 million in Q1-22. Fresh poultry revenue growth was a result of a continued increase in capacity and volumes in line with the growing popularity of Tanmiah’s products, and a gradual increase in prices across the fresh chicken category. The Group’s daily capacity also increased to 400,000 birds per day as at 31 March 2022, from 370,000 birds per day at 31 December 2021.

**Further Processed Products** revenues grew by 29.3% to SAR 100.5 million for the first quarter. The increase in sales was primarily driver by growing demand in the food service channel and a gradual revision of prices for food service customers during contract renewals.

**Feed and animal health** revenues grew by 16.3% to SAR 41.3 million in Q1 2022. The increase in sales was primarily driven by increased demand for animal health products and equipment.

**Food franchise operator** revenues totalled SAR 4.0 million for Q1-22, reflecting the first full quarter since the launch of the food franchise vertical. During the quarter, Tanmiah opened 2 POPEYES® stores in Riyadh, with a total of 6 outlets now operating.

## Income Statement Analysis

**Cost of Sales** for the first quarter rose to SAR 344.3 million versus SAR 279.0 million in the prior year, while gross margin decreased to 21% from 24% in 2021. The increase in cost of sales and resulting drop in gross margin reflects the pressure of high grain pricing in global markets and the Company’s push for rapid capacity increases and lower subsidy recoveries.

**EBITDA** came in at SAR 35.02 million for Q1-22, compared to SAR 48.06 million in the same period last year.

**Net Income** was SAR 1.54 million for Q1-22 down from SAR 18.79 million in Q1-21, a decrease primarily attributed to an increase in grain prices and increases spending in line with Tanmiah’s expansion plans. However the Q1-22 figure represented a return to profit following a net loss of SAR 12.36 million in Q4-21.

## Balance Sheet Analysis

Tanmiah ended the period with total cash and cash equivalents of SAR 100 million, down from SAR 185.9 million at the end of FY21. Capex rose from SAR 12.8 million in Q1-21 to SAR 19.4 million in Q1-22. Capital expenditure included hatchery expansion, and expansion of feed storage capacity in line with Tanmiah's expansion plans.

## Growth Strategy

Capitalizing on its proven operational excellence, growing consumer preference for locally produced chicken and Saudi government support, Tanmiah intends to grow its fresh chicken business in line with the government's strategic goal of attaining 80% self-sufficiency in the poultry sector by 2025. The Company has increased its local sales of fresh chicken by 50.7% over the past four years from 66.3 million chickens in 2018 to 99.9 million in 2021 as a result of continued investments in its assets and operations.

The Company plans to further expand its capacity to serve growing local and regional demand. Planned capital expenditure in the next five years to increase feed milling, primary processing and further processing capacities will allow the Company to capture new and emerging growth opportunities. The Company's capital investments are expected to lead to higher revenues and margins due to the premium that end consumers are willing to pay for fresh domestically produced chicken meat. The recent expansion of Tanmiah's sales team will also support this growth.

Diversification efforts also include growing Tanmiah's food franchise operations business which was introduced in 2021 and cemented by an agreement with POPEYES® for its new restaurants roll-out in the Kingdom over the coming years.

## Market Overview

Tanmiah is operating in a growing defensive sector with an expanding population and consumer spending. The Saudi population has grown at a CAGR of 2.4% since 2014 with total consumer spending up by a CAGR of 1.3% since 2016 according to SAMA. This coupled with the government's poultry self-sufficiency initiative presents a unique set of opportunities for the Company to achieve growth in the coming years.

A variety of government supported projects, both direct and indirect, as part of Saudi Vision 2030 are expected to have a positive impact on Tanmiah's share of the market due to increased investment in capacity, production and distribution across Saudi Arabia and the MENA region. The Company's wide range of products coupled with its solid sector experience and efficient integrated business model will position it to capture market growth.

## ESG Commitments

Tanmiah applies a strategic and integrated approach to sustainability through the Company's Giving, Earning and Sustaining model. Tanmiah's sustainability framework aims to formulate a net positive approach towards its activities with initiatives in areas including community and environment, workplace, innovation and animal welfare. In Q1-22 4,907 tonnes of solid waste and more than 137 million liters of water were recycled. Tanmiah's tree plantation (one million trees initiative, to be achieved by 2025) made significant progress with a total of 200,000 trees planted by the end March 2022. Tanmiah's environmental credentials are strong by industry standards and the Company is committed to continuously working on improving them.

In March, Tanmiah announced the winner of the \$1 million omnipreneurship award which aims to incentivize scientists and innovators to find ways to reduce carbon emission levels as a result of food production. The winner of the grand prize was Polymeron from King Abdullah University of Science and Technology, for putting forward a creative solution to convert poultry waste into a renewable form of energy.

In Q1-22 Tanmiah achieved the NSF International Global Animal Wellness Standard Certification, which provides assurance that a strong, consistent animal wellness system is in place along the entire protein supply chain. Tanmiah was also recognized by the Saudi Ministry of Environment, Water and Agriculture with the GAP Certificate for good agricultural practices.

## About Tanmiah Food Company

Tanmiah Food Company is one of the Middle East's leading providers of fresh poultry, processed poultry and other processed meat products as well as animal feed and health products. With roots going back to 1962, and established in Saudi Arabia in 1976, Tanmiah is part of the Al Dabbagh Holding Group. Tanmiah's fully integrated and highly efficient business model includes production, further processing and distribution with products sold in Saudi Arabia, the UAE, Bahrain, Lebanon, Oman, Jordan, and Kuwait. As of 31 March 2021, Tanmiah operates 93 farms as well as 6 hatcheries, a feed mill, 3 slaughterhouses, 3 food processing plants, and 13 dry and cold storage facilities located in Saudi Arabia, Bahrain and the UAE. Tanmiah distributes its products through a network of distributors, wholesalers and retailers as well as online direct to consumers. Sustainability is a core principle at Tanmiah with initiatives including planting trees fed by wastewater from its facilities and turning waste products into fertilizer. For more information, visit [www.tanmiah.com](http://www.tanmiah.com)

## Forward-Looking Statements

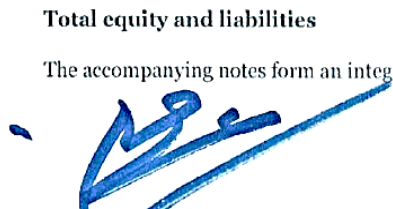
This communication contains certain forward-looking statements. A forward-looking statement is any statement that does not relate to historical facts and events, and can be identified by the use of such words and phrases as "according to estimates", "anticipates", "assumes", "believes", "could", "estimates", "expects", "intends", "is of the opinion", "may", "plans", "potential", "predicts", "projects", "should", "to the knowledge of", "will", "would" or, in each case their negatives or other similar expressions, which are intended to identify a statement as forward-looking. This applies, in particular, to statements containing information on future financial results, plans, or expectations regarding our business and management, our future growth or profitability and general economic and regulatory conditions and other matters affecting us.

Forward-looking statements reflect our management's ("Management") current views of future events, are based on Management's assumptions and involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. The occurrence or non-occurrence of an assumption could cause our actual financial condition and results of operations to differ materially from, or fail to meet expectations expressed or implied by, such forward-looking statements. Our business is subject to a number of risks and uncertainties that could also cause a forward-looking statement, estimate or prediction to become inaccurate. These risks include fluctuations prices, costs, ability to retain the services of certain key employees, ability to compete successfully, changes in political, social, legal or economic conditions in Saudi Arabia, worldwide economic trends, the impact of war and terrorist activity, inflation, interest rate and exchange rate fluctuations and Management's ability to timely and accurately identify future risks to our business and manage the risks mentioned above.

**TANMIAH FOOD COMPANY**  
**(A Saudi Joint Stock Company)**  
**Condensed consolidated interim statement of financial position**  
(All amounts in Saudi Riyals unless otherwise stated)

	Note	As at March 31, 2022 (Unaudited)	As at December 31, 2021 (Audited)
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	267,310,996	254,249,228
Right-of-use assets	7	274,491,838	236,694,369
Intangible assets		3,463,354	2,667,011
Financial assets at fair value through other comprehensive income		773,983	773,983
<b>Total non-current assets</b>		<b>546,040,171</b>	<b>494,384,591</b>
<b>Current assets</b>			
Inventories	8	285,425,612	213,996,555
Biological assets	9	106,028,018	87,611,058
Contract assets		4,570,569	4,100,209
Trade receivables and other debtors	10	212,811,537	217,274,506
Prepayments and other receivables	11	118,021,552	124,388,769
Cash and cash equivalents		100,034,239	185,891,241
<b>Total current assets</b>		<b>826,891,527</b>	<b>833,262,338</b>
<b>Total assets</b>		<b>1,372,931,698</b>	<b>1,327,646,929</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	12	200,000,000	200,000,000
Statutory reserve		15,879,313	15,879,313
Retained earnings		141,865,328	140,323,346
<b>Total equity</b>		<b>357,744,641</b>	<b>356,202,659</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Employee benefit obligations		103,087,476	98,755,351
Lease liabilities	7	179,509,485	151,092,645
Borrowings	13	16,852,455	27,384,992
<b>Total non-current liabilities</b>		<b>299,449,416</b>	<b>277,232,988</b>
<b>Current liabilities</b>			
Borrowings	13	284,840,882	295,765,461
Trade payables	14	214,254,477	194,475,477
Contract liabilities		526,968	751,837
Accrued and other liabilities	15	138,148,476	131,097,851
Lease liabilities	7	68,718,549	63,483,158
Provision for zakat	16	9,248,289	8,637,498
<b>Total current liabilities</b>		<b>715,737,641</b>	<b>694,211,282</b>
<b>Total liabilities</b>		<b>1,015,187,057</b>	<b>971,444,270</b>
<b>Total equity and liabilities</b>		<b>1,372,931,698</b>	<b>1,327,646,929</b>

The accompanying notes form an integral part of this condensed consolidated interim financial information.

  
Chairman of the Board of  
Directors

  
Chief Executive Officer

  
Chief Financial  
Officer

**TANMIAH FOOD COMPANY**  
**(A Saudi Joint Stock Company)**  
**Condensed consolidated interim statement of comprehensive income**  
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Three-month period ended	
		March 31, 2022 (Unaudited)	March 31, 2021 (Unaudited)
Revenue	18	435,329,285	368,337,554
Cost of sales	19	(344,261,915)	(279,015,760)
<b>Gross profit</b>		<b>91,067,370</b>	<b>89,321,794</b>
Selling and distribution expenses	20	(56,241,207)	(42,528,929)
General and administrative expenses	21	(26,461,029)	(19,054,938)
Impairment loss on financial assets	10	(300,000)	(1,613,595)
Other income		392,516	483,788
<b>Operating profit</b>		<b>8,457,650</b>	<b>26,608,120</b>
Finance costs		(6,304,877)	(6,128,463)
<b>Profit before zakat</b>		<b>2,152,773</b>	<b>20,479,657</b>
Zakat		(610,791)	(1,689,908)
<b>Profit for the period</b>		<b>1,541,982</b>	<b>18,789,749</b>
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified to profit or loss</i>			
Re-measurements of employee benefit obligations		-	-
<b>Total comprehensive income for the period</b>		<b>1,541,982</b>	<b>18,789,749</b>
<b>Basic and diluted earnings per share</b>	23	<b>0.08</b>	<b>0.94</b>

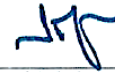
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Chairman of the Board of  
Directors



Chief Executive Officer



Chief Financial  
Officer



## Investor Relations & Media Enquiries

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