

EARNINGS RELEASE 9M

2022

Tanmiah announces surge in net profit, driven by a strong sales momentum

- Robust topline growth predominantly supported by fresh poultry sales
- Continued recovery of margins during the period
- Completion of landmark transaction with Tyson Foods to unlock future growth opportunities and substantial shareholder returns

Riyadh, 7 November 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 nine-month ending on 30 September 2022, with a 35.6% year-on-year (YoY) increase in revenues to SAR 1,525.4 million.

Meanwhile, the gross margin improved to 24.1%, up from 22.5% during the same period last year, while EBITDA of SAR 185.9 million (+61% YoY) yielded a margin of 12.2%. Net profit went up 144.9% YoY from SAR 25.9 million to SAR 63.5 million, underpinned by a continued increase in sales volumes, supported by Tanmiah’s sustained production capacity expansion and rising consumer demand for domestically produced fresh poultry.

Zulfiqar Hamadani CEO of Tanmiah, commented:

“We concluded the third quarter with a robust growth in both the top and bottom line, thanks to our sustained capacity expansion plans and favorable market conditions, in addition to our ability to meet customer’s changing demands through the diversity of offerings within Tanmiah’s extensive portfolio.

Our position as a leading regional poultry player, the rising popularity of many of our products, and the government’s continuous support towards promoting domestic food production and self-sufficiency have cushioned us from turbulent changes in commodity prices. It has also enabled us to firmly control our pricing structures, thus improving margins for the third consecutive quarter.

With the recent completion of our landmark deal with Tyson Foods, we look forward to beginning the next exciting chapter in Tanmiah’s story. This strategic partnership will not only open doors to many future growth opportunities and create significant value for all stakeholders but will also further solidify our leadership in the market by promoting substantial improvements in scale, geographical presence, and operating efficiencies, as well as provide us with access to advanced and innovative production techniques.”

Summary Financial Highlights

SAR million	Q3-22	Q3-21	% Change	9M-22	9M-21	% Change
Revenue	559.5	389.9	43.5%	1,525.4	1,124.8	35.6%
Gross Profit (Loss)	141.9	85.1	66.8%	366.9	252.6	45.3%
EBITDA	78.4	35.6	120.3%	185.9	115.5	61.0%
Net Profit (Loss)	31.7	3.7	755.53%	63.5	25.9	144.9%

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

“Tanmiah’s rapid growth within the food sector reflects our ambitious goals to become the pioneering company in promoting food security and self-sufficiency to support Vision 2030, and the objectives of the Ministry of Environment, Water and Agriculture, by implementing the best practices in terms of production and sustainability. Furthermore, our entry into the global Halal market, by attracting global investments to the Kingdom, will enable the transfer of knowledge, localize jobs and local content, and contribute to enhancing the sector’s competitiveness, and the competitive advantages of local products, that are “Halal and Saudi Made” for export of our products, capturing opportunities in growing global halal market. This will contribute to our sustainability goals and maximize profit for shareholders, whilst providing the highest level of quality for customers and consumers.”

Segmental Revenue Analysis

Tanmiah announced nine-month revenues of SAR 1,525.4 million, up 35.6% YoY from SAR 1,124.8 million. The growth in the topline performance was predominantly due to the expansion of sales volumes across the Company’s portfolio of product and service lines, particularly fresh poultry and feed and animal health segments.

Fresh Poultry sales, the most significant contributor to Tanmiah’s revenues (69%), increased 36.3% YoY in 9M22 to SAR 1,057.6 million from SAR 775.8 million during the same period last year. The segment’s positive performance is supported by Tanmiah’s sustained production capacity expansion plans, which are underpinned by strategic government initiatives to enhance poultry production and a continuous rise in local consumer demand for fresh poultry.

Further Processed Products, representing 19% of the Company’s total revenues, increased by 16.9% YoY to SAR 290.1 million during 9M22. This comes on the back of growth in demand from the food service channel, which thus led to an increase in sales volumes.

Feed and animal health revenues grew by 60% YoY to SAR 161.1 million from SAR 100.7 million, primarily due to increased demand for animal health products and equipment.

Food franchise operator revenues amounted to SAR 16.5 million in 9M22, with Q3 representing the third full quarter since the launch of the Company’s food franchise vertical. During the quarter, Tanmiah opened 3 POPEYES® stores in the Kingdom, bringing the total to 13 operational outlets as of 30 September 2022.

Income Statement Analysis

Cost of Sales increased 37.0% YoY to SAR 417.6 million in 3Q22, up from SAR 304.8 million in 3Q21, due to Tanmiah’s sustained production capacity expansion, and an increase in sales volumes during the quarter. Nevertheless, gross profit increased by 66.8% YoY to SAR 141.9 million from SAR 85.1 million, driven by significant growth in sales volumes and margin recovery. For 9M22, cost of sales increased 32.8% YoY to SAR 1,158.5 million, up from SAR 872.2 million during the same period last year. It was mainly due to the pickup in sales volumes and the extensive investments to expand the Company’s production capacity for fresh poultry and further processed products. Despite that, gross profit in 9M22 increased by 45.3% YoY to SAR 366.9 million from SAR 252.6 million in 9M21, driven by the recovery in margins, enhanced utilization of assets, and greater operational efficiencies.

EBITDA surged to SAR 78.4 million in 3Q22, compared to SAR 35.6 million in 3Q21. For 9M22, EBITDA increased to SAR 185.9 million, compared to SAR 115.5 million in 9M21, despite the 33.7% YoY rise in selling, general, and administrative expenses.

Net Income climbed to SAR 31.7 million in 3Q22, a 755.53% increase YoY from SAR 3.7 million in 3Q21. For 9M22, net income rose by 144.9% YoY to SAR 63.5 million from SAR 25.9 million as a result of the substantial topline growth during the period, as fresh poultry sales continued their rising trend.

Balance Sheet Analysis

Tanmiah ended the period with SAR 125.4 million in cash and cash equivalents.

Total borrowings amounted to SAR 395.7 million as of 30 September 2022, up from SAR 321 million at the end of June 2022.

Capex decreased from SAR 87.8 million in 9M21 to SAR 82.7 million in 9M22. The planned capital expenditure in the next five years will focus on ramping up feed milling, primary processing, and further processing capacities, enabling the Company to seize new growth opportunities.

Growth Strategy

Tanmiah remains on track to achieving its ambitious growth plans, which include expanding its production capacity for fresh poultry and further processed products and developing new and innovative products and services that cater to the changing demands of domestic and international consumers.

The Saudi government continues to implement various initiatives to reinforce the local poultry sector and achieve self-sufficiency in food production. For instance, according to the Ministry of Environment, Water, and Agriculture, the Kingdom is looking to localize 85% of the domestic food industry by 2030. The Public Investment Fund has also recently announced the launch of Halal Products Development Co., which targets localizing the halal industry in the Kingdom, covering sectors such as food, pharmaceuticals, and cosmetics while enabling Saudi companies to expand into global halal markets. In addition, the government is planning to invest SAR 17 billion towards expanding domestic poultry production to achieve a targeted capacity of 1.3 million tons of broiler chickens annually. In light of such strategic measures, Tanmiah is firmly positioned to unlock several growth opportunities and further reinforce its competitiveness in the regional poultry market.

A significant milestone for Tanmiah is the strategic partnership with Tyson Foods, which was recently completed. This collaboration, which is expected to foster growth and generate significant shareholder returns in the short and long term, demonstrates and strengthens Tanmiah's commitment to supporting Saudi Arabia's food security and self-sufficiency objectives. With the potential for several avenues of significant value creation, Tanmiah is set to witness substantial enhancements across all stages of the supply chain while gaining exposure to advanced production techniques and industry know-how to further support the Company's focus on sustainability and innovation in food production.

Market Overview

The domestic operating landscape is characterized by favorable dynamics, including sustainable economic growth, a rapidly expanding population, and a relatively high consumption of poultry per capita. Industry reports also indicate that KSA's poultry market will experience a steady growth in the coming few years.

Moreover, a variety of government-supported projects, both direct and indirect, as part of Saudi Vision 2030 are expected to positively impact Tanmiah's market share, due to increased investment in capacity, production, and distribution across Saudi Arabia and the MENA region. The Company's wide range of products, solid sector experience, and fully integrated and highly efficient business model will strongly position it to capture market growth and deliver sustainable long-term value to shareholders.

Meanwhile, the global Halal food market is expected to achieve unprecedented growth over the long term, with industry reports pointing to a Compound Annual Growth Rate of nearly 10% by 2032. Such trends are conducive to Tanmiah's growth, particularly in light of the strategic partnership with Tyson Foods.

ESG Commitments

Tanmiah uses a strategic, integrated approach to achieving environmental and social sustainability through its Giving, Earning, and Sustaining model. The Company's sustainability framework aims to promote a net positive approach towards all its activities and includes various initiatives involving the community and environment, workplace, innovation, and animal welfare. Tanmiah's environmental practices are aligned with best practices, and the Company endeavors to improve them continuously.

Furthermore, Tanmiah has recently announced the launch of another edition of its \$1 million global Omnipreneurship Awards Sustainability Challenge. The challenge is to discover innovative technological solutions to transition from imported corn and soy-based feed to sustainable, domestically produced poultry feed.

About Tanmiah Food Company

Tanmiah Food Company, established in 1962, 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. It is a publicly listed company on the Saudi stock market. It is worth noting that Al-Dabbagh Holding Group is a partner and founding shareholder of Tanmiah Food Company. Tanmiah's fully integrated and highly efficient business model includes production, further processing, and distribution with products sold in Saudi Arabia, the UAE, Bahrain, Oman, Jordan, and Kuwait. As of 30 September 2022, Tanmiah operates 102 farms as well as six hatcheries, two feed mills, four slaughterhouses, three 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 wholesalers, retailers, and food service outlets, as well as online direct to consumers. Sustainability is a core principle at Tanmiah, with initiatives including planting a million trees by the end of 2025, using wastewater from its facilities, and turning waste products into fertilizer. For more information, visit 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)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2022

	Notes	September 30, 2022 SR (Unaudited)	December 31, 2021 SR (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	5	316,302,216	254,249,228
Right-of-use assets	6	362,814,107	236,694,369
Intangible assets		3,408,098	2,667,011
Financial assets at fair value through other comprehensive income		773,983	773,983
Total non-current assets		683,298,404	494,384,591
Current assets			
Inventories	7	400,715,853	213,996,555
Biological assets	8	118,502,927	87,611,058
Contract assets		4,066,123	4,100,209
Trade receivables and other debtors	9	241,779,195	217,274,506
Prepayments and other receivables	10	180,873,171	124,388,769
Cash and cash equivalents		125,399,917	185,891,241
Total current assets		1,071,337,186	833,262,338
TOTAL ASSETS		1,754,635,590	1,327,646,929
EQUITY AND LIABILITIES			
Equity			
Share capital	1	200,000,000	200,000,000
Statutory reserve		15,879,313	15,879,313
Retained earnings		193,713,520	140,323,346
Total equity		409,592,833	356,202,659
Non-current liabilities			
Employee benefit obligations		110,848,829	98,755,351
Lease liabilities	6	261,973,310	151,092,645
Borrowings	11	-	27,384,992
Total non-current liabilities		372,822,139	277,232,988
Current liabilities			
Borrowings	11	395,703,365	295,765,461
Trade payables, accruals and other liabilities	12	492,883,310	326,325,165
Lease liabilities	6	75,502,448	63,483,158
Provision for zakat	13	8,131,495	8,637,498
Total current liabilities		972,220,618	694,211,282
Total liabilities		1,345,042,757	971,444,270
TOTAL EQUITY AND LIABILITIES		1,754,635,590	1,327,646,929

Chairman of the Board of Directors

Chief Executive Officer

Chief Financial Officer

TANMIAH FOOD COMPANY
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**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS AND NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2022**

	Notes	For the three months period ended September 30,		For the nine months period ended September 30,	
		2022	2021	2022	2021
		SR	SR	SR	SR
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	15,21	559,508,749	389,938,746	1,525,417,566	1,124,793,862
Cost of sales	16	(417,601,887)	(304,800,382)	(1,158,501,889)	(872,152,080)
Gross profit		141,906,862	85,138,364	366,915,677	252,641,782
Selling and distribution expenses	17	(66,323,028)	(50,654,125)	(185,485,582)	(140,536,669)
General and administrative expenses	18	(30,378,721)	(23,061,820)	(85,614,814)	(62,232,350)
Impairment loss on financial assets	9	(1,025,000)	(156,010)	(2,170,000)	(2,889,605)
Other income		143,476	163,432	697,652	714,984
Operating profit		44,323,589	11,429,841	94,342,933	47,698,142
Finance costs		(11,292,065)	(6,879,780)	(25,664,789)	(18,743,363)
Profit before zakat		33,031,524	4,550,061	68,678,144	28,954,779
Zakat	13	(1,294,966)	(836,945)	(5,200,056)	(3,033,852)
NET PROFIT FOR THE PERIOD		31,736,558	3,713,116	63,478,088	25,920,927
Other comprehensive income					
<i>Items that will not be reclassified subsequently to profit or loss</i>					
Re-measurements of employee benefit obligations		-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		31,736,558	3,713,116	63,478,088	25,920,927
Basic and diluted earnings per share	20	1.59	0.19	3.17	1.30

Chairman of the Board of Directors

Chief Executive Officer

Chief Financial Officer

Investor Relations & Media Enquiries

Mr. Hussam Al Shareef, IRM
Tanmiah food Company

Tel. +966 114775912

Email ir@tanmiah.com

P.O. Box 86909

Riyadh 11632, Kingdom of Saudi Arabia

www.tanmiah.com

