

EARNINGS RELEASE FY

2021

Tanmiah delivers FY 2021 revenue growth of 27.0%; net income at SAR 13.6 million

- Tanmiah continues to deliver on growth plans and expands market share
- Company expands into food franchise operator business
- Gross profit and net profit margins impacted by significant cost pressure from feed ingredients, lower subsidy recoveries and elevated spending to increase operating capacity

Riyadh, 13 February 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 full year ended 31 December 2021, reporting revenues of SAR 1.54 billion for the full year, and fourth quarter revenues of SAR 414.5 million. Gross profit for the full year period rose by 5.5% year-on-year to SAR 326.7 million, while net income was SAR 13.6 million, a decrease attributable mainly to an increase in global grain prices, lower subsidy recovery and higher spending to increase operating capacity.

Zulfiqar Hamadani CEO of Tanmiah, commented:

“Our very strong top line growth reflects the sound fundamentals of the business as we increase our competitive advantage in our sector, while our sound balance sheet and cash flow position underpin our ongoing development strategy. After our Capex program was temporarily impacted by Covid-19 in 2021, we look forward to further acceleration of investment in 2022 and remain on course to meet our long-term development plans.

Careful management of costs and operational streamlining mitigated the pressure on our bottom line caused by sustained high global grain prices throughout 2021. At the same time, we invested further in marketing, facilities enhancement and in increasing the capacity of our operations in preparation for continuing sales expansion in the years ahead.”

According to independent market research, Tanmiah Food Company increased its retail market (volume) share from 18.5% to 20.8% in Moving Annual Total (MAT) as at December 31, 2021 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	Q4-20	Q4-21	% Change	FY-20	FY-21	% Change
Revenue	331.9	414.5	24.9%	1,211.9	1,539.3	27.0%
Gross Profit (Loss)	91.3	74.1	(18.9) %	309.6	326.7	5.5%
EBITDA	61.2	25.4	(58.5) %	183.4	141.06	(23.1) %
Net Profit (Loss)	30.4	(12.4)	-	74.4	13.6	(81.8) %

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

“We demonstrated the vitality and strength of our business model on many levels in the past year, ranging from a further increase in market share in fresh poultry for retail as we ramped up capacity, to a rapid rise in delivery of further processed products as we responded with agility to the easing of Covid-19 restrictions on restaurants and hotels. Sales in 2021 also benefited from our expanding channel mix as we developed new distribution avenues across our product lines including e-commerce. All these initiatives contributed to our substantial revenue increase.

Our exciting entry into the restaurant franchising sector during 2021, through our new relationship with the New Orleans-born global POPEYES® chain, is a significant step forward in our strategy to diversify across the value chain. We also stepped up our ESG initiatives, notably in planting trees and treating our solid and waste water. Six months after our IPO, we continue to deliver on our operational and strategic priorities.”

Revenue Analysis

Tanmiah reported full year revenues of SAR 1.54 billion, up 27.0% year-on-year (y-o-y) from SAR 1.21 billion. Top-line growth was primarily driven by continued growth in both the fresh poultry and further processing segments supported by strong consumer demand and Tanmiah’s efforts to diversify its channel mix and increase capacity and volumes. Revenue in the fourth quarter of 2021 increased 24.9% to SAR 414.5 million. Supportive market dynamics, growing demand for animal protein and Tanmiah’s recent investments in increasing its capacity are expected to continue to support top-line performance in 2022

Fresh Poultry sales, the largest contributor to the Company’s revenues grew by 22% to SAR 1.1 billion for the full year. Fresh poultry revenue growth was a result of continued increase in capacity and volumes in line with growing popularity of Tanmiah’s products, and concerted efforts to diversify the company’s sales channel mix. The Group’s daily capacity increased from 268,000 birds per day to 370,000 birds per day as at 31 December 2021.

Further Processed Products revenues grew by 63% to SAR 348.8 million for the full year. The SAR 134 million increase in sales resulted mainly from the easing of lockdown restrictions especially in the food service channel.

Feed and animal health revenues grew by 3% to SAR 130.5 million in FY-21 on a y-o-y basis. The SAR 3 million increase in sales was primarily driven by increased demand for animal health products and equipment.

Food franchise operator revenues came on stream in the last month of the year, totaling SAR 0.38 million for FY-21. During the year, Tanmiah established its food franchise operator business with the establishment of Gulf Brand for Fast Foods Company which announced an exclusive master franchise and development agreement with POPEYES® one of the world’s largest chicken quick service restaurant chains.

Income Statement Analysis

Cost of Sales for the full year rose to SAR 1.2 billion versus SAR 902.33 million the prior year, while gross margin decreased to 21% from 26% in 2020. 4Q21 cost of sales came in at SAR 340.5 million, up from SAR 240.6 million in 4Q20, and associated gross margin fell from 27% in the previous year

to18%. 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.

EBITDA came in at SAR 25.4 million for 4Q21 and SAR 141.1 million in FY21, compared to SAR 61.2 million and SAR 183.4 million in the same period last year respectively.

Net Income was SAR 13.6 million for FY21 down from SAR 74.4 million in FY 20. The company recorded a net loss of SAR 12.4 million in Q421, down from net income of SAR 30.4 million in the same quarter of the previous year.

Moreover, company incurred some pre operating expenses for newly created subsidiary Gulf Brand for Fast Food Company to operate franchise business of POPEYES®

Balance Sheet Analysis

Tanmiah ended the year with total cash and cash equivalents of SAR 185.9 million, up from SAR 60.5 million at the end of FY20. The settlement during the year of SAR 317 million due to the Company in related party receivables positively impacted financial statements. Capex rose from SAR 38.5 million in FY 20 to SAR 122.2 million in FY21. Capital expenditure included, micro dosing and storage projects, hatchery expansion, and expansion of feed storage capacity in line with Tanmiah's expansion plans.

Loan utilization rose in 2021 compared to 2020 due to finance expansion. The Company utilized SAR 501 million of facilities from commercial banks from available facilities totaling SAR 780 million.

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 Saudi 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 reinvestment 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 5 years to increase feed milling, primary processing and further processing capacities is intended to 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 will also include growing Tanmiah's food franchise operations business which was introduced in 2021 and cemented an agreement with POPEYES®, with new restaurants set to open in the Kingdom in 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. 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 our activities with initiatives in areas including community and environment, workplace, innovation and animal welfare. In 2021 we recycled 70 tonnes per day of solid waste and more than 1.9 million liters/day of water; our 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 of the year. In addition, green houses are under construction and will be irrigated by recycled wastewater from hatcheries. Solid waste converted to compost from hatcheries will be used as fertilizer or sold. Tanmiah's environmental credentials are strong by industry standards and the Company is committed to continuously working on improving them.

During the year Tanmiah expanded recruitment efforts of female employees on different levels, including jobs in hatcheries, packaging/production roles, sales promoters, and management roles. In 2021, Tanmiah hired more than 180 women. The Company is committed to the development of its employees and local talent. During the year Tanmiah launched its new learning management system to develop employee skills and launched Tanmiah Academy to provide vocational training to employees.

In 2021 Tanmiah was recognized with 37 Aviagen awards and by Ministry of Environment, Water and Agriculture for its good agricultural practices; received ISO 17025, ISO22000-2018, IS 270001 certifications and successfully completed audits by key clients including Mc Donald's and Burger King.

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 December 2021, Tanmiah operates 91 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

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)
Consolidated statement of financial position
(All amounts in Saudi Riyals unless otherwise stated)

	Note	As at December 31, 2021	As at December 31, 2020
Assets			
Non-current assets			
Property, plant and equipment	6	254,249,228	155,299,479
Right-of-use assets	7	236,694,369	199,730,189
Intangible assets	8	2,667,011	1,602,184
Financial assets at fair value through other comprehensive income	9	773,983	773,983
Total non-current assets		494,384,591	357,405,835
Current assets			
Inventories	10	213,996,555	138,997,671
Biological assets	11	87,611,058	82,232,958
Contract assets	12	4,100,209	1,969,388
Trade receivables and other debtors	13	217,274,506	472,357,282
Prepayments and other receivables	14	124,388,769	83,921,663
Cash and cash equivalents	15	185,891,241	60,459,134
Total current assets		833,262,338	839,938,096
Total assets		1,327,646,929	1,197,343,931
Equity and liabilities			
Equity			
Share capital	16	200,000,000	200,000,000
Statutory reserve	17	15,879,313	14,523,655
Retained earnings		140,323,346	133,011,913
Total equity		356,202,659	347,535,568
Liabilities			
Non-current liabilities			
Employee benefit obligations	18	98,755,351	82,555,204
Lease liabilities	7	151,092,645	124,023,286
Borrowings	19	27,384,992	-
Total non-current liabilities		277,232,988	206,578,490
Current liabilities			
Borrowings	19	295,765,461	313,440,367
Trade payables	20	194,475,477	161,394,704
Contract liabilities	12	751,837	-
Accrued and other liabilities	21	131,097,851	103,355,317
Lease liabilities	7	63,483,158	55,129,162
Provision for zakat	23	8,637,498	9,910,323
Total current liabilities		694,211,282	643,229,873
Total liabilities		971,444,270	849,808,363
Total equity and liabilities		1,327,646,929	1,197,343,931

The accompanying notes form an integral part of these consolidated financial statements.


Chairman of the Board of Directors


Chief Executive Officer


Chief Financial Officer

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

	Note	For the year ended	
		December 31, 2021	December 31, 2020
Revenue	24	1,539,326,189	1,211,932,954
Cost of sales	25	(1,212,638,668)	(902,287,666)
Gross profit		326,687,521	309,645,288
Selling and distribution expenses	26	(188,984,933)	(132,765,993)
General and administrative expenses	27	(88,585,535)	(66,281,106)
Impairment loss on financial assets	13	(3,507,127)	(4,405,605)
Other income		952,940	1,059,579
Operating profit		46,562,866	107,252,163
Finance costs	28	(26,376,498)	(25,719,671)
Profit before zakat		20,186,368	81,532,492
Zakat	23	(6,629,785)	(7,118,900)
Profit for the year		13,556,583	74,413,592
Other comprehensive loss			
<i>Items that will not be reclassified to profit or loss</i>			
Re-measurements of employee benefit obligations	18	(5,708,553)	(13,768,875)
Total comprehensive income for the year		7,848,030	60,644,717
Earnings per share attributable to owners of the Company:			
Basic and diluted earnings per share	31	0.68	3.72

The accompanying notes form an integral part of these consolidated financial statements.


Chairman of the Board of Directors


Chief Executive Officer


Chief Financial Officer

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