

EARNINGS RELEASE FY

2022

Tanmiah achieves substantial improvement in profitability, with strong prospects for growth

- Enhancement of revenues and gross profit during the year, supported by ongoing execution of expansion plans
- Fresh poultry continued to lead the 43% top line growth in 2022

Riyadh, 12 February 2023 - 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 ending on 31 December 2022, with a 42.8% year-on-year (YoY) increase in revenues to SAR 1,727.0 million.

Gross margin substantially improved from 19.2% in FY2021 to 24.3%, while EBITDA of SAR 220.3 million (+142.5% YoY) yielded a margin of 13%. Net profit attributable to owners of the company increased significantly from SAR 13.6 million to SAR 186.8 million. This increase is due to a one-off gain amounting to SAR 101.9 million recorded in the income statement, resulting from the Tyson transaction, which involved acquisition of a 60% equity stake in Supreme Foods Processing Company (SFPC). As per the applicable accounting standards, this business is now classified as discontinued operations. The gain due to the acquisition of the 15% stake in Agricultural Development Company Limited (ADC) by Tyson amounting to SAR 74 million, was recorded directly in equity.

Zulfiqar Hamadani CEO of Tanmiah, commented:

“We are pleased to announce that Tanmiah has ended the year on a solid note, with a robust set of financial results. This significant achievement is credited to continued operational excellence, the current operating environment that is conducive to growth, our ongoing capacity expansion, and the trust our customers have continued to place in us.

Reflecting on the critical milestones for Tanmiah during 2022, we completed the strategic partnership with Tyson Foods, which will help consolidate our position as the region’s leading poultry producer. This is also set to pave the way for a wealth of potential growth opportunities and generate enormous value for our shareholders as we gain access to cutting-edge production techniques and cost efficiencies.

We are eager to begin the next phase of Tanmiah’s exciting journey. Our focus on operational excellence, sustainable food production and providing high-quality products within the Kingdom and abroad is unwavering. We are proud to be at the forefront of innovation and growth in our industry and will continue to cater to the evolving demands of our customers with the same dedication.”

Summary Financial Highlights

Reflecting the impact of the Tyson Foods transaction on both periods:

SAR million	FY22	FY21	%Change
Revenue	1727	1209.6	%42.8
Gross Profit (Loss)	420.2	231.8	%81.3
EBITDA	220.3	90.85	%142.5
Net Profit attributable to owners of the company	186.8	13.6	%1277.7

Ahmed Osilan, Managing Director of Tanmiah said:

“We are marking the close of yet another very successful year for Tanmiah, as our focused strategy continued to bear fruit, with the strengthening of our partnerships, advances in our market share, and a sustained growth momentum for our business. Our commitment to food security and self-sufficiency, as well as our focus on best practices in production and sustainability, has indeed positioned us as a leading player in the regional food sector.

We remain committed to supporting the transformative initiatives under the Vision 2030 umbrella and are grateful for the remarkable opportunities for our industry, that are continuing to emerge. We look forward to further promote Tanmiah as a “Halal and Saudi Made” brand that sets the standard for quality, innovation, and sustainability in the domestic and overseas markets. At Tanmiah, we prioritize generating long-term returns for our shareholders by capitalizing on our solid market positioning, fully-integrated business model, and favorable market dynamics.”

Revenue Analysis

Tanmiah announced full year 2022 revenues of SAR 1,727.0 million, up 42.8% YoY from SAR 1,209.6 million in 2021. The enhanced topline performance was predominantly due to the increase in sales volumes across the Company’s portfolio of product and service lines, particularly fresh poultry, feed and animal health segments.

Fresh Poultry sales, the most significant contributor to Tanmiah’s revenues (84.7%), increased 35.6% YoY in FY22 to SAR 1,462.9 million from SAR 1,078.7 million last year. The segment’s positive performance continues to be driven by Tanmiah’s capacity expansion, which is supported by wide-ranging transformative government programs targeted towards boosting poultry production, as well as an increase in demand for fresh poultry in the domestic market. The Group’s daily capacity increased from 370,000 birds per day to 456,000 birds per day as at 31 December 2022.

Feed and animal health revenues grew by 79.8% YoY to SAR 234.5 million from SAR 130.4 million, predominantly due to increased demand for animal health products and equipment.

Food franchise operator revenues amounted to SAR 29.6 million in FY22, which represents the first full year since the launch of the Company’s food franchise vertical. During the year, Tanmiah opened 16 POPEYES® stores in the Kingdom, bringing the total to 20 operational outlets as of 31 December 2022.

Further Processed products revenues grew by 10% YoY, displaying steady growth. This business is operated by SFPC. As part of the Tyson Foods transaction, an equity stake of 60% of SFPC was acquired by Tyson. Tanmiah’s financial statements for FY22 are presented to reflect this as discontinued operations of the Group.

Income Statement Analysis

Cost of Sales increased 33.7% YoY to SAR 1,306.9 million in FY22, compared to SAR 977.8 million in FY21, as a result of the Company's expansion of production capacities, complemented with a rise in sales volumes during the year. Nevertheless, gross profit increased by a remarkable 81.3% YoY to SAR 420.2 million, from SAR 231.8 million, in line with the continued rise in sales volumes and margin recovery as well as enhanced utilization of assets, and greater operational efficiencies.

EBITDA increased substantially to SAR 220.3 million in FY22, compared to SAR 90.85 million in FY21, despite the 38.9% YoY rise in selling, general, and administrative expenses.

Net Profit attributable to the owners of the company jumped from SAR 13.6 million in FY21 to SAR 186.8 million, primarily the result of the one-off gain of SAR 101.9 million.

Balance Sheet Analysis

Tanmiah's cash position remarkably improved by 44% YoY from SAR 185.9 million to SAR 267 million as of 31 December 2022.

Total borrowings reduced to SAR 308.4 million, from SAR 323 million at the end of December 2021. Capex increased from SAR 122.2 million in FY21 to SAR 160.5 million in FY22. The planned capital expenditure in the next few years will focus on ramping up feed milling and primary processing capacities, enabling the Company to seize new growth opportunities.

Growth Strategy

As the company concludes yet another successful year in its long journey, the solid foundation has remained in place, to allow Tanmiah to continue to progress well in terms of its expansion agenda. The Company is strongly positioned to embark on a new phase of growth and development, aided by expansion across all stages of the value chain and access to new geographies that will enable Tanmiah to unlock multiple opportunities in the fast-growing global Halal food market. This collaboration is set to accelerate the Company's growth and reinforce its commitment to the Kingdom's objectives of food security and self-sufficiency, whilst bringing world-class industry know-how to the domestic market.

Operating within a promising and favorable environment, supported by comprehensive government initiatives and strong underlying economic fundamentals, Tanmiah is expected to witness further growth in the future. Saudi Arabia is looking to elevate its position as a global Halal hub, which will be driven by Halal Products Development Company, a new organization established by the Public Investment Fund to localize the Halal production industry, whilst focusing on improving efficiency and innovation, and promoting investment opportunities in one of the country's crucial sectors. The Agricultural Development Fund has extended financing facilities valued at nearly SAR 1.54 billion (\$409 million) for the import of agricultural commodities and products, as a mechanism of supporting KSA's food security objectives and ensuring stability in supply chains. The government is also planning to inject SAR 17 billion into the expansion of poultry production, in order to achieve a targeted capacity of 1.3 million tons of broiler chickens annually.

ESG Commitments

Tanmiah adopts a strategic, and integrated approach to achieving environmental, economic and social sustainability through its “Giving, Earning, and Sustaining model.” Commitment to sustainability is built on 3 key pillars: Sustaining People, Sustaining the Planet and Sustaining livestock production. The company established its ESG Committee in 2022, which has finalized the focus areas that are aligned to the economic and social goals of the Kingdom’s Vision 2030 as well as the UN’s Sustainable Development Goals.

During the year, Tanmiah announced the launch of another edition of its \$1 million global Omnipreneurship Awards Sustainability Challenge, which aims to discover innovative technological solutions to sustainable, domestically produced poultry feed raw materials, which will enhance Saudi Arabia’s objectives to attain food security and self-sufficiency in food production.

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 31 December 2022, Tanmiah operates 108 farms as well as six hatcheries, two feed mills, four slaughterhouses, and 13 dry and cold storage facilities located in Saudi Arabia, and Bahrain. 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)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2022

	Note	2022 SR	2021 SR
ASSETS			
Non-current assets			
Property, plant and equipment	6	338,290,728	254,249,228
Right-of-use assets	7	348,711,825	236,694,369
Intangible assets	8	4,148,845	2,667,011
Financial assets at fair value through other comprehensive income	9	773,983	773,983
Investment in an associate	10	87,493,524	-
Total non-current assets		779,418,905	494,384,591
Current assets			
Inventories	13	288,202,232	213,996,555
Biological assets	14	128,748,293	87,611,058
Contract assets	15	11,358,204	4,100,209
Trade receivables and other debtors	16	197,882,300	217,274,506
Prepayments and other receivables	17	127,924,746	124,388,769
Cash and cash equivalents	18	267,048,085	185,891,241
Total current assets		1,021,163,860	833,262,338
TOTAL ASSETS		1,800,582,765	1,327,646,929
EQUITY AND LIABILITIES			
Equity			
Share capital	19	200,000,000	200,000,000
Statutory reserve	20	34,560,302	15,879,313
Other reserve	20	73,977,280	-
Retained earnings		305,832,956	140,323,346
Equity attributable to owners of the Company		614,370,538	356,202,659
Non-controlling interests	12	48,242,042	-
Total equity		662,612,580	356,202,659
Non-current liabilities			
Employee benefit obligations	21	86,252,675	98,755,351
Lease liabilities	7	264,323,720	151,092,645
Borrowings	22	40,593,000	27,384,992
Total non-current liabilities		391,169,395	277,232,988
Current liabilities			
Borrowings	22	267,835,956	295,765,461
Trade and other payables	23	240,740,585	194,475,477
Contract liabilities	15	287,848	751,837
Accrued and other liabilities	24	171,604,124	131,097,851
Lease liabilities	7	55,819,552	63,483,158
Provision for zakat and income tax	26	10,512,725	8,637,498
Total current liabilities		746,800,790	694,211,282
Total liabilities		1,137,970,185	971,444,270
TOTAL EQUITY AND LIABILITIES		1,800,582,765	1,327,646,929



Chairman of the Board of Directors



Chief Executive Officer



Chief Financial Officer

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

TANMIAH FOOD COMPANY
(A SAUDI JOINT STOCK COMPANY)

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME**
FOR THE YEAR ENDED DECEMBER 31, 2022

	Note	2022 SR	2021 SR
CONTINUING OPERATIONS			
Revenue	27	1,727,041,745	1,209,567,731
Cost of sales	28	(1,306,853,067)	(977,750,068)
Gross profit		420,188,678	231,817,663
Selling and distribution expenses	29	(217,769,866)	(159,330,997)
General and administrative expenses	30	(88,888,704)	(61,443,750)
Impairment loss on financial assets	16	(3,525,000)	(1,335,000)
Share of results from an associate	10	284,324	-
Other income		3,364,327	661,443
Operating profit		113,653,759	10,369,359
Finance costs	31	(31,169,465)	(20,594,679)
Profit before zakat		82,484,294	(10,225,320)
Zakat and income tax	26	(7,618,394)	(5,155,061)
Profit for the year from continuing operations		74,865,900	(15,380,381)
DISCONTINUED OPERATION			
Profit for the year from discontinued operation	5	12,368,946	28,936,964
Gain on disposal of discontinued operation	11	101,927,470	-
Profit for the year		189,162,316	13,556,583
Other comprehensive income (loss) for the year			
<i>Items that will not be reclassified subsequently to profit or Loss:</i>			
Re-measurements of employee benefit obligations	21	8,419,155	(5,708,553)
Share of other comprehensive income of an associate	10	328,244	-
Total comprehensive income for the year		197,909,715	7,848,030

TANMIAH FOOD COMPANY
(A SAUDI JOINT STOCK COMPANY)

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME (CONTINUED)**
FOR THE YEAR ENDED DECEMBER 31, 2022

	Note	2022 SR	2021 SR
Profit for the year attributable to:			
<u>Owners of the Company</u>			
Profit for the period from continuing operations		72,513,478	(15,380,381)
Profit for the period from discontinued operations		114,296,416	28,936,964
Profit for the period attributable to owners of the Company		186,809,894	13,556,583
<u>Non-controlling interests</u>			
Profit for the period from continuing operations		2,352,422	-
Profit for the period from discontinued operations		-	-
Profit for the period attributable to non-controlling interests		2,352,422	-
		189,162,316	13,556,583
Total comprehensive income for the year attributable to:			
<u>Owners of the Company</u>			
Profit for the period from continuing operations		79,982,097	(21,088,934)
Profit for the period from discontinued operations		114,296,416	28,936,964
Profit for the period attributable to owners of the Company		194,278,513	7,848,030
<u>Non-controlling interests</u>			
Profit for the period from continuing operations		3,631,202	-
Profit for the period from discontinued operations		-	-
Profit for the period attributable to non-controlling interests		3,631,202	-
		197,909,715	7,848,030
Earnings per share attributable to owners of the Company:			
From continuing operations			
Basic and diluted earnings per share	34	3.63	(0.77)
From continuing and discontinued operations			
Basic and diluted earnings per share	34	9.34	0.68



Chairman of the Board of Directors



Chief Executive Officer



Chief Financial Officer

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