

# EARNINGS RELEASE 9M

2021

# Tanmiah delivers 9M21 revenue growth of 27.8%; net income at SAR 25.9 million

- Tanmiah continues to deliver on growth plans and expands market share
- Lower gross profit and net profit margin due to significant cost pressure from feed ingredients, lower subsidy recoveries and spending to increase operating capacity

Riyadh, 4 November 2021 - 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, today announced its results for the nine-month period and third quarter ended 30 September 2021, reporting revenues of SAR 1.13 billion for the nine-month period, and third quarter revenues of SAR 389.9 million. Gross profit value for the nine-month period rose by 15.7% year-on-year to SAR 252.6 million, while net income was SAR 25.9 million, with a decrease of 41.1% attributable mainly to an increase in the global grain prices.

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

"Tanmiah continues to deliver strong revenue growth in 2021, in line with our ambitions to increase our market share and deliver on our expansion plans. During the third quarter we continue to make progress on our plans to ramp-up capacity. Our integrated and efficient business model will continue to enable us to increase capacity to take full advantage of supportive market dynamics."

According to independent market research, Tanmiah Food Company increased its retail market (volume) share from 16.3% to 21.0% in Moving Annual Total (MAT) September '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	Q3-21	Q3-20	% Change	9M-21	9M-20	% Change
Revenue	389.9	304.3	28.1%	1124.8	880.1	27.8%
Gross Profit (Loss)	85.1	79.1	7.6 %	252.6	218.4	15.7%
EBITDA	35.6	44.8	(20%)	115.5	122.2	(5%)
Net Profit (Loss)	3.7	17.5	(78.9%)	25.9	44.0	(41.1%)

**Ahmed Osilan Spokesperson of Tanmiah said:**

“We continued to see significant revenue growth across our core segments, primarily driven by an increase in capacity as well as enhancements in marketing efforts for our products. While margins continue to be impacted by high grain costs, we continue to look at initiatives to mitigate the effects of high commodity prices. The Company’s balance sheet has strengthened further and is poised to support the ambitious expansion plan that we have set for the coming years, which will support food security and self-sufficiency in the region. We are also pleased to announce significant progress made against our core sustainability initiatives, in line with Tanmiah’s environmental and social sustainability ambitions.”

**Revenue Analysis**

Tanmiah reported 9M revenues of SAR 1.13 billion, up 27.8% year-on-year (y-o-y) from SAR 880.1 million. This increase in revenue is a result mainly of continued growth in both the fresh poultry and further processing segments of the business amid strong consumer demand and Tanmiah’s efforts to capture market share. Revenue in the third quarter of 2021 increased 28.1% y-o-y to SAR 389.9 million. Continued strong demand for fresh and domestically produced chicken meat along with increased capacity of the Company is expected to continue to support top-line performance of the Company in 2021.

**Fresh Poultry sales**, sales, the largest contributor to the Company’s revenues grew by 22% to SAR 776 million in 9M21 on y-o-y basis. The growth was a result of continued increase in capacity and volumes in line with growing popularity of our products. The Group’s daily capacity increased from 268,000 birds per day to 370,000 bird per day in 9M21 on y-o-y basis.

**Further Processed Products** revenues grew by 89% to SAR 248 million in 9M21 on y-o-y basis. The SAR 127 million increase in sales resulted mainly from the easing of lockdown restrictions especially in the food service channel.

**Income Statement Analysis**

**Cost of Sales** in 9M21 rose to SAR 872.2 million versus SAR 661.7 million the year before, while gross margin decreased to 22.5% from 24.8% in 9M20. 3Q21 cost of sales came in at SAR 304.8 million, up from SAR 225.2 million in 3Q20, and associated gross margin fell from 25.9% in the previous year to 21.8%. 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 quick capacity increases.

**EBITDA** came in at SAR 35.6 million for 3Q21 and SAR 115.5 million in 9M21, compared to SAR 44.8 million and SAR 122.2 million in the same period last year respectively.

**Net Income** was SAR 3.7 million in the third quarter of fiscal year 2021, which compares to SAR 17.5 million in the third quarter of 2020. Nine-month 2021 net income of SAR 25.9 million compares to SAR 44.0 million for the same period last year.

### Balance Sheet Analysis

Tanmiah ended the 2021 nine-month period with total cash and cash equivalents of SAR 270.1 million, up from SAR 60.5 million at the end of FY20. Operating cash flow was SAR 345.7 million for the nine-month period, up by 134% from SAR 147.8 million in 9M20. The settlement during this period of SAR 317 million due to the Company in related party receivables positively impacted the 9M financial statements. Capex rose from SAR 29.3 million in 9M20 to SAR 87.8 million in 9M. This included, micro dosing and storage projects, hatchery expansion, and expansion of feed storage capacity.

Loan utilization rose in the nine-month period compared to 2020 due to finance expansion. The Company utilized SAR 475.5 millions of facilities from commercial banks from available facilities totaling SAR 752 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. The Company has increased its local sales of fresh chicken by 23% over the past three years from 66.3 million chickens in 2018 to 81.5 million in 2020 and up to June 2021, the Company has sold 73.7 million chickens so far 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.

### 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 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 is committed to environmental and social sustainability through the Company's Giving, Earning and Sustaining model. The three principles cover initiatives in several areas including: solid waste and wastewater recycling and convert waste to value to minimize harmful environmental impacts and contributes to both animal and human wellbeing – in Q3 2021 more than 140 mega liters of water were recycled; soil conservation (our Bio-Char initiative, which helps convert desert into cultivable land in addition to renewable energy from waste); tree plantation (one million trees initiative, to be achieved by 2025). In the third quarter of the year, Tanmiah rolled out the second phase of its one million trees initiative, planting more than 125,000 during the quarter. In addition, greenhouses 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.

Tanmiah's community support activities include hiring and training of orphans with the support of Kayan NGO and People with disabilities in collaboration with Sa3ee association. In addition, Tanmiah expanded the hiring of women on different levels with a higher focus on blue collar jobs in hatcheries, packaging/production roles, and sales promoters. In the third quarter of the year, Tanmiah hired more than 170 female employees and more than 10 orphans. The Company is committed to the development of its employees and local talent, during the quarter Tanmiah launched its new learning management system to develop employee skills and launched Tanmiah Academy to provide vocational training to employees.

In the third quarter Tanmiah completed the ISO 17025 accreditation and successfully completed the Supplier Quality Management audit conducted by McDonalds in its further processed facility in Riyadh

## 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 2020, Tanmiah operates 84 farms as well as 6 hatcheries, a feed mill, 2 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 September 30, 2021 (Unaudited)	As at December 31, 2020 (Audited)
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	226,190,544	155,299,479
Right-of-use assets	7	216,059,588	199,730,189
Intangible assets		1,186,494	1,602,184
Financial assets at fair value through other comprehensive income (FVOCI)		773,983	773,983
<b>Total non-current assets</b>		<b>444,210,609</b>	<b>357,405,835</b>
<b>Current assets</b>			
Inventories	8	168,854,461	138,997,671
Biological assets	9	80,866,102	82,232,958
Contract assets		4,331,334	1,969,388
Trade receivables and other debtors	10	210,582,512	472,357,282
Prepayments and other receivables	11	108,784,802	83,921,663
Cash and cash equivalents	12	270,077,391	60,459,134
<b>Total current assets</b>		<b>843,496,602</b>	<b>839,938,096</b>
<b>Total assets</b>		<b>1,287,707,211</b>	<b>1,197,343,931</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	13	200,000,000	200,000,000
Statutory reserve		14,523,655	14,523,655
Retained earnings		159,128,876	133,011,913
<b>Total equity</b>		<b>373,652,531</b>	<b>347,535,568</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Employee benefit obligations		93,896,971	82,555,204
Lease liabilities	7	136,715,361	124,023,286
Borrowings	14	8,769,089	-
<b>Total non-current liabilities</b>		<b>239,381,421</b>	<b>206,578,490</b>
<b>Current liabilities</b>			
Borrowings	14	314,912,498	313,440,367
Trade payables	15	163,012,987	161,394,704
Contract liabilities		1,322,974	-
Accrued and other liabilities	16	129,311,581	103,355,317
Lease liabilities	7	60,448,629	55,129,162
Provision for zakat	17	5,664,590	9,910,323
<b>Total current liabilities</b>		<b>674,673,259</b>	<b>643,229,873</b>
<b>Total liabilities</b>		<b>914,054,680</b>	<b>849,808,363</b>
<b>Total equity and liabilities</b>		<b>1,287,707,211</b>	<b>1,197,343,931</b>

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

  
Chairman of the Board of  
Directors

  
Chief Executive Officer  
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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	For the three-month period ended September 30,		For the nine-month period ended September 30,	
		2021 (Unaudited)	2020 (Unaudited)	2021 (Unaudited)	2020 (Unaudited)
Revenue	19	389,938,746	304,291,569	1,124,793,862	880,052,956
Cost of sales		(304,800,382)	(225,229,559)	(872,152,080)	(661,671,530)
<b>Gross profit</b>		<b>85,138,364</b>	<b>79,062,010</b>	<b>252,641,782</b>	<b>218,381,426</b>
Selling and distribution expenses	20	(50,654,125)	(34,276,159)	(140,536,669)	(95,772,064)
General and administrative expenses	21	(23,061,820)	(18,442,434)	(62,232,350)	(51,056,005)
Impairment loss on financial assets	10	(156,010)	(1,299,257)	(2,889,605)	(4,272,719)
Other income		163,432	245,354	714,984	394,194
<b>Operating profit</b>		<b>11,429,841</b>	<b>25,289,514</b>	<b>47,698,142</b>	<b>67,674,832</b>
Finance costs		(6,879,780)	(6,492,431)	(18,743,363)	(19,485,319)
<b>Profit before zakat</b>		<b>4,550,061</b>	<b>18,797,083</b>	<b>28,954,779</b>	<b>48,189,513</b>
Zakat		(836,945)	(1,277,097)	(3,033,852)	(4,158,804)
<b>Profit for the period</b>		<b>3,713,116</b>	<b>17,519,986</b>	<b>25,920,927</b>	<b>44,030,709</b>
<b>Other comprehensive loss</b>					
<i>Items that will not be reclassified to profit or loss</i>					
Re-measurements of post- employment benefit obligations		-	(999,297)	-	(2,997,891)
<b>Total comprehensive income for the period</b>		<b>3,713,116</b>	<b>16,520,689</b>	<b>25,920,927</b>	<b>41,032,818</b>
<b>Basic and diluted earnings per share</b>	23	<b>0.19</b>	<b>0.88</b>	<b>1.30</b>	<b>2.20</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



## Investor Relations & Media Enquiries

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