

EARNINGS RELEASE 1H

2021

Tanmiah delivers 1H21 revenue growth of 27.6%; net income at SAR 22.2 million following IPO; plans major expansion

- **Strong financial position underpins Company's plans to expand further in growing defensive sector**
- **Lower gross profit and net profit margin caused by unprecedented global hike in commodity prices, lower subsidy recoveries and spending to increase operating capacity**

Riyadh, 22 August 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 first half and second quarter ended 30 June 2021, reporting revenues of SAR 734.9 million for the first half, and second quarter revenues of SAR 366.5 million. Gross profit value in first half 2021 rose by 20.2% year-on-year to SAR 167.5 million, while net income was SAR 22.2 million, with a decrease of 16.2% attributable mainly to an increase in the global grain prices.

Zulfiqar Hamadani CEO of Tanmiah, commented:

"Following the success of our recent IPO and the clear vote of confidence investors have placed in Tanmiah, our strong revenue growth in 2021 positions the business for an ambitious expansion. Combined with a planned rapid ramp-up in spending on production, distribution and brand assets, our integrated and efficient business model will enable us to increase capacity to take full advantage of the growing market demand in our defensive sector. Thanks to committed Tanmiah team, the Company has produced a healthy set of results. Our commitment to delivering on our strategic goals has never been stronger"

According to a recent market study, Tanmiah Food Company increased its retail market (volume) share from 16.3% to 19.6% in Moving Annual Total (MAT) June'2021 compared to the same period last year in Saudi Fresh Chicken Category*.

(Category* includes Fresh Whole chicken, Fresh Chicken parts and Fresh Giblets)

Initial Public Offering (IPO)

Tanmiah Food Company listed on the Saudi Exchange and began trading under symbol 2281 on 4 August 2021, following a successful IPO. The shares were oversubscribed with an institutional and retail coverage ratio of 9,534% and 1,170% respectively. The IPO was priced at SAR 67; the top end of the range previously set at SAR 59-67. In accordance with the IPO Prospectus, six hundred thousand (600,000) Ordinary Shares were allocated to individual investors, representing 10% of the total shares offered for public subscription, while five million four hundred thousand (5,400,000) Ordinary Shares were allocated to institutional investors, representing 90% of the total offered shares. Proceeds of SAR 402 million were raised by the offering.

Summary Financial Highlights

SAR million	Q2-21	Q2-20	% Change	1H-21	1H-20	% Change
Revenue	366.5	280.1	30.8%	734.9	575.8	27.6%
Gross Profit (Loss)	78.2	66.3	17.9%	167.5	139.3	20.2%
EBITDA	32	35.6	(10.3%)	80	77.5	(3.3%)
Net Profit (Loss)	3.4	10.5	(67.6%)	22.2	26.5	(16.2%)

Ahmed Osilan Spokesperson of Tanmiah said:

“Our business segments have continued to provide significant revenue growth driven mainly by a strong performance in the farming and further processing segments. Our cost management initiatives have continued to bear fruit, even as we have strategically increased spending on selling and distribution, and general and administrative items. While margins have been impacted in the short term by much higher grain costs, we are confident in our business model going forward as we prepare to undertake major capital expenditure. 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”

Revenue Analysis

Tanmiah reported 1H21 revenues of SAR 734.9 million, up 27.6% year-on-year (y-o-y) from SAR 575.8 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 a resurgence in consumer spending as pandemic restrictions have eased. Revenue in the second quarter of 2021 increased 30.8% y-o-y to SAR 366.5 million. Continued strong demand for fresh and domestically produced chicken meat along with increased capacity of the Company is expected to support top-line performance of the Company in the second half of 2021.

Fresh Poultry sales, the largest contributor to the Company’s revenues grew by 23% to SAR 510.6 million in 1H21 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.

Further Processed Products revenues grew by 90.2% to SAR 152.1 million in 1H21 on y-o-y basis. The positive performance in the segment resulted mainly from the easing of lockdown restrictions especially in the food service channel.

Income Statement Analysis

Cost of Sales in 1H21 rose to SAR 567.4 million versus SAR 436.4 million the year before, while gross margin decreased to 22.8% from 24.2% in 1H20. 2Q21 cost of sales came in at SAR 288.3 million, up from SAR 213.8 million in 2Q20, and associated gross margin fell from 23.7% in the year-ago period to 21.3%. 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 32 million for 2Q21 and SAR 80 million in 1H21, compared to SAR 35.6 million and SAR 77.5 million in the same period last year respectively.

Net Income was SAR 3.4 million in the second quarter of fiscal year 2021, which compares to SAR 10.5 million in the second quarter of 2020. First half 2021 net income of SAR 22.2 million compares to SAR 26.5 million for the same period last year.

Balance Sheet Analysis

Tanmiah ended the first half of 2021 with total cash and cash equivalents of SAR 369.9 million, up from SAR 60.5 million or an increase of 511.9% from the end of FY20. Operating cash flow was SAR 381.0 million for the half-year, up by 208.6% from SAR 123.5 million in 1H20. The settlement during this period of SAR 317 million due to the Company in related party receivables positively impacted the 1H21 financial statements. Capex rose from SAR 10.8 million in 1H20 to SAR 30 million in 1H21. This included micro dosing and storage projects, hatchery expansion, and expansion of feed storage capacity.

Loan utilization rose in the first half of 2021 compared to 1H20 to finance expansion. The Company utilized SAR 544 millions of facilities from commercial banks from available facilities totaling SAR 752 million. The Company maintained a Net Debt to EBITDA ratio of 1.3, the same as at FY20.

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 49.2 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. The Company's efforts are focused on 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; 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 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. In April 2021, King Abdul Aziz City for Science and Technology (KACST) and Tanmiah signed an MoU to collaborate on innovative and sustainable solution for food production. 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. Majority of these ladies have managed to exit government welfare and social security programs after joining Tanmiah. We ensure that we cover most regions in KSA to support in regional development programs.

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

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 Closed Joint Stock Company)
Condensed consolidated interim statement of financial position
(All amounts in Saudi Riyals unless otherwise stated)

		As at June 30, 2021	As at December 31, 2020
	Note	(Unaudited)	(Audited)
Assets			
Non-current assets			
Property, plant and equipment	6	174,364,517	155,299,479
Right-of-use assets	7	214,612,263	199,730,189
Intangible assets		1,326,178	1,602,184
Financial assets at fair value through other comprehensive income		773,983	773,983
Total non-current assets		391,076,941	357,405,835
Current assets			
Inventories	8	158,404,795	138,997,671
Biological assets	9	78,588,501	82,232,958
Contract assets		1,274,553	1,969,388
Trade receivables and other debtors	10	200,265,895	472,357,282
Prepayments and other receivables	11	85,012,707	83,921,663
Cash and cash equivalents	12	369,945,902	60,459,134
Total current assets		893,492,353	839,938,096
Total assets		1,284,569,294	1,197,343,931
Equity and liabilities			
Equity			
Share capital	13	200,000,000	200,000,000
Statutory reserve		14,523,655	14,523,655
Retained earnings		155,415,760	133,011,913
Total equity		369,939,415	347,535,568
Liabilities			
Non-current liabilities			
Employee benefit obligations		91,951,236	82,555,204
Lease liabilities	7	138,872,552	124,023,286
Total non-current liabilities		230,823,788	206,578,490
Current liabilities			
Borrowings	14	309,660,583	313,440,367
Trade payables	15	193,143,681	161,394,704
Contract liabilities		2,801,433	-
Accrued and other liabilities	16	116,454,190	103,355,317
Lease liabilities	7	56,918,559	55,129,162
Provision for zakat	17	4,827,645	9,910,323
Total current liabilities		683,806,091	643,229,873
Total liabilities		914,629,879	849,808,363
Total equity and liabilities		1,284,569,294	1,197,343,931

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

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Chairman of the Board of
Directors

Chief Executive Officer

Chief Financial Officer

TANMIAH FOOD COMPANY
(A Saudi Closed 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 June 30,		For the six-month period ended June 30,	
		2021 (Unaudited)	2020 (Unaudited)	2021 (Unaudited)	2020 (Unaudited)
Revenue	19	366,517,562	280,141,356	734,855,116	575,761,387
Cost of sales		(288,335,938)	(213,847,045)	(567,351,698)	(436,441,971)
Gross profit		78,181,624	66,294,311	167,503,418	139,319,416
Selling and distribution expenses	20	(47,353,615)	(29,787,379)	(89,882,544)	(61,495,905)
General and administrative expenses	21	(20,115,592)	(16,372,432)	(39,170,530)	(32,613,571)
Impairment loss on financial assets	10	(1,120,000)	(2,032,994)	(2,733,595)	(2,973,462)
Other income		67,764	34,296	551,552	148,840
Operating profit		9,660,181	18,135,802	36,268,301	42,385,318
Finance costs		(5,735,120)	(6,199,387)	(11,863,583)	(12,992,888)
Profit before zakat		3,925,061	11,936,415	24,404,718	29,392,430
Zakat		(506,999)	(1,472,304)	(2,196,907)	(2,881,707)
Profit for the period		3,418,062	10,464,111	22,207,811	26,510,723
Other comprehensive loss					
<i>Items that will not be reclassified to profit or loss</i>					
Re-measurements of post- employment benefit obligations		-	(999,297)	-	(1,998,594)
Total comprehensive income for the period		3,418,062	9,464,814	22,207,811	24,512,129
Basic and diluted earnings per share	23	0.17	0.52	1.11	1.33

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

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Chairman of the Board of
Directors


Chief Executive Officer


Chief Financial Officer

Investor Relations & Media Enquiries

Mr. Hussam Al Shareef, IRO
Tanmiah food Company
Tel. +966 114775912
Email ir@tanmiah.com
P.O. Box 86909
Riyadh 11632, Kingdom of Saudi Arabia
www.tanmiah.com

