Equity Research report
TANMIAH AB Equity
30 March 2026

Target Price: SAR60.2/share
Current Price: SAR54.40/share
Upside: 10.7% (+Div. Yield: 0.3%)
Rating: Overweight

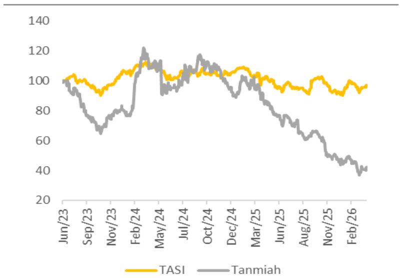
Tanmiah Food Company (Tanmiah)

Market pressures continue to burden; Revise TP to SAR60.2/sh.

Stock data	
TASI ticker	2281
Mcap (SARmn)	1,088
Avg. Trd. Val (3m) (SARmn)	3.8
Free float	30.0%
QFI holding	2.0%
TASI FF weight	0.01%

Source: Bloomberg

Prices indexed to 100



Source: Bloomberg

- Earnings are likely to remain soft, with GPM hovering at ~24–25% and NPM at below 2% over 2026-28e as cost pressures, oversupply, and higher financing expenses continue to weigh on profitability.
- Topline expected to grow at an 8% CAGR over 2024-28e, underpinned by expanding poultry capacity and rising contributions from the scaling restaurant business.
- We revise our 1-year forward TP to SAR60.2/sh. based on DCF valuation approach. Implying an upside of ~10.7% and Overweight rating.

Oversupply hits 2025, gradual recovery ahead: Unfavorable market conditions continued to pressure local poultry producers in 2025, with average selling prices for local fresh and frozen poultry declining by 3.3% y/y and 2.1%, respectively (Figure 2) compared to 2024 levels. The pressure was amplified mostly by an oversupply of imported frozen poultry, which saw the steepest price drop at 5.7% y/y. Against this backdrop of sustained pricing challenges, Tanmiah' s poultry average selling price fell 8.9% y/y. We expect Tanmiah's average selling prices to gradually recover through 2026, supported by a more favorable product mix. Additionally, the official enforcement of the Saudi Good Agricultural Practices (Saudi GAP) certification requirement for imported agricultural products—effective March 2026—should further strengthen the sector, with a meaningful easing of imports likely to materialize by 2Q26.

Scaling capacity and restaurant growth support medium-term revenue outlook: Despite the soft pricing environment, Tanmiah expanded its poultry capacity significantly, raising 45% y/y to 795k bpd by 4Q25, supported by the integration of the "Majmaah 2" facility (13.5k bph). While this engineered capacity is not yet fully utilized, rising utilization should gradually contribute to volumes. By 2028e, we expect Tanmiah's capacity to reach roughly 1mn bpd. However, further capacity additions and higher utilization rates will likely hinge on market stabilization. We expect Tanmiah—and other local producers—to postpone some expansion plans until pricing and supply dynamics become more favorable. Overall, we project the poultry segment to deliver an 8.5% revenue CAGR over 2024–28e.

Figure 1: Key financial metrics

SARmn	2024a	2025a	2026e	2027e	2028e
Revenue	**2,563**	**2,653**	**2,934**	**3,174**	**3,486**
Revenue growth	*22%*	*4%*	*11%*	*8%*	*10%*
Gross profit	**654**	**604**	**690**	**756**	**858**
Gross profit margin	*25.5%*	*22.8%*	*23.5%*	*23.8%*	*24.6%*
EBITDA	**357**	**308**	**373**	**417**	**487**
EBITDA margin	*13.9%*	*11.6%*	*12.7%*	*13.1%*	*14.0%*
Net profit	**96**	**(19)**	**6**	**16**	**50**
Net profit growth	*26.2%*	*NM*	*NM*	*147.5%*	*213.4%*
Net profit margin	*3.7%*	*-0.7%*	*0.2%*	*0.5%*	*1.4%*
EPS (SAR)	4.8	(0.9)	0.3	0.8	2.5
DPS (SAR)	1.9	2.2	0.2	0.4	1.2
P/E	11.4x	NM	169.2x	68.3x	21.8x
EV/EBITDA	6.2x	7.2x	5.9x	5.3x	4.5x

Source: Company data, GIB Capital, NM: not meaningful.

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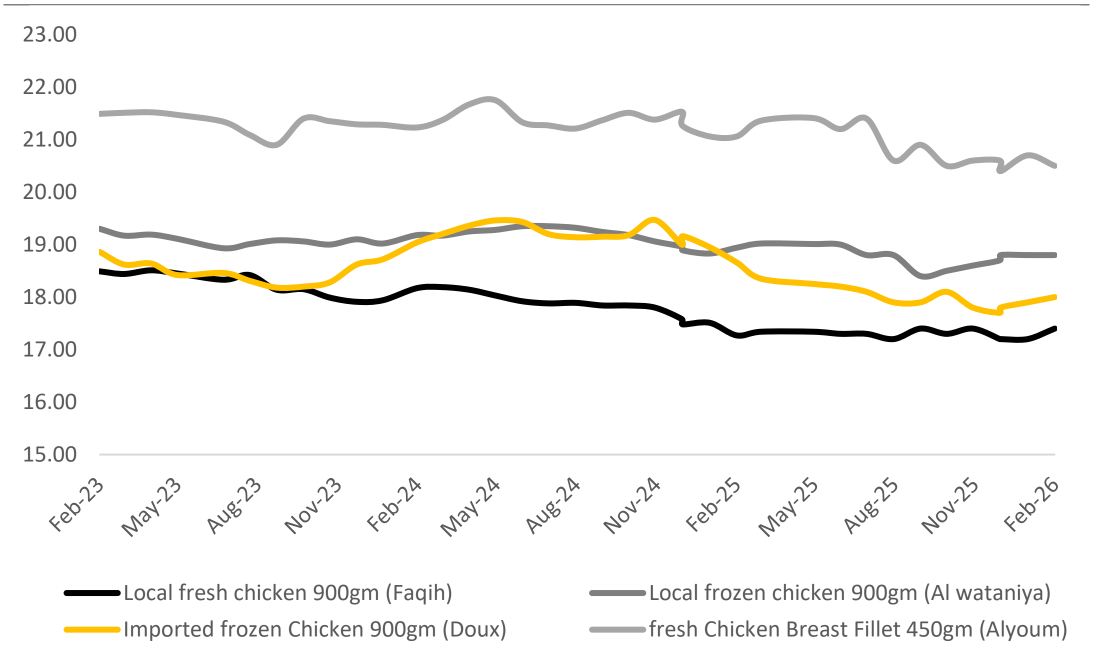
Moreover, the animal feed and health products segment (now consolidated with poultry under Agribusiness) also encountered market headwinds, recording a 3.4% y/y decline in 2025, driven by weaker demand for equipment and veterinary medicines, although a strong 12.9% y/y increase in feed supplement sales helped cushion the downturn. We expect these challenges to persist in the medium term, resulting in a largely flat topline for the Feed & Animal Health Products segment through 2026. In contrast, the restaurant operations business continued to scale. By the end of 2025, the network expanded to 95 stores (17% y/y), including 87 in Saudi Arabia, 4 in Bahrain, and 4 in Kuwait. While outlet expansion is expected to moderate during 2026, a refreshed localized strategy focused on increased store traffic and value offerings supports continued double-digit topline growth for the segment in 2026 and a CAGR of 17.7% over 2024–28e. Overall, we expect Tanmiah' s total revenue to grow at a CAGR of 8.0% over the same period.

Figure 2: Poultry prices movements in Saudi Arabia (SAR)



Source: GASTAT, GIB Capital.

Profitability likely to remain under strain despite cost-cutting efforts: Tanmiah's GPM contracted by2.8ppts y/y to 22.8% in 2025, its lowest level in four years. Despite management's ongoing efficiency initiatives and prices decline in key feed inputs, with corn falling 0.8% y/y and soybean declining 5.8% y/y. The deterioration was driven primarily by a 7% y/y increase in COGS, amplified by a sharp 27% surge in depreciation expenses. Further, the company witnessed a ~16% y/y rise in S&D costs, mainly driven by increased aggregator charges and employee-related costs, resulting in a contraction in operating margin, which reached 3.5% in 2025 compared to 7.3% in 2024. Looking ahead, although raw material costs are expected to edge higher on rising demand and geopolitical tensions, we anticipate a gradual recovery in profitability with GPM likely stabilizing in the 24.5–25% range, supported by an improved product mix that emphasizes higher-margin offerings. Moreover, OPM is expected to improve to 4.3–5.5%, supported by tighter cost discipline. Nevertheless, elevated finance costs—stemming from increased leverage used to fund expansion—are likely to keep earnings subdued, with net profit margins expected to hover around 1.1–2% over 2024–28e.

Recap of 4Q25 results: Tanmiah reported revenues of SAR713mn (+4.1% y/y increase), exceeding our estimate of SAR644mn. This growth was driven primarily by an 18.7% increase in fresh poultry sales volumes, supported by a 45% y/y expansion in poultry capacity to 795k bpd (still not fully utilized) and a 10% y/y increase in its distribution network to 445 routes. These factors helped offset ongoing pricing pressure and ultimately enabled an 8.6% y/y rise in poultry revenues. In parallel, QSR revenues grew 30.3% y/y, driven by stronger like-for-like sales and the opening of seven new Popeyes outlets during the quarter (vs. three expected), bringing the total to 95 outlets. However, this momentum was partially offset by weaker performance in the animal feed and health products segment, where revenue fell 21.3% y/y, primarily due to softer demand.

However, gross profit declined 18.8% y/y to SAR145mn, broadly in line with our SAR141mn estimate, as the gross margin contracted to 20.3% from 26.0% level in 4Q24. This margin compression reflected inflationary pressures, particularly higher diesel and utility costs, as well as ramp-up expenses tied to new facilities. Consequently, operating profit fell sharply to SAR6mn (-90% y/y), further weighed down by a 13.9% y/y increase in sales and marketing expenses and other expansion-related costs. Overall, Tanmiah recorded a net loss of SAR22.4mn, of which restaurant operations account for SAR14mn—performing slightly better than our projected SAR27mn loss (consensus: SAR27.5mn), as elevated financing costs continued to weigh on earnings.

Figure 3: 4Q25 results summary

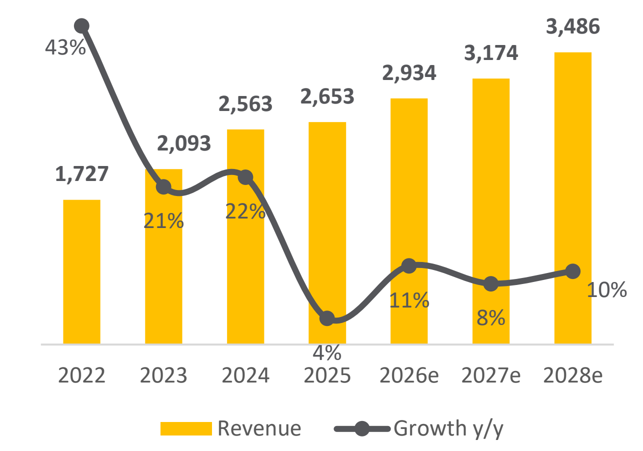
SARmn	4Q25	4Q24	y/y %	3Q25	q/q %	GIBC est.	Variance %
Revenues	**713**	**685**	**4.1%**	**614**	**16.0%**	**644**	**10.7%**
Cost of sales	568	507	12.1%	476	19.2%	503	13.0%
Gross profit	**145**	**178**	**-18.8%**	**138**	**5.1%**	**141**	**2.7%**
Net opex	139	122	13.9%	121	14.8%	131	6.5%
Operating profit	**6**	**56**	**-89.9%**	**17**	**-65.7%**	**10**	**-45.1%**
Net income/loss	**(22)**	**27**	**-183.6%**	**(16)**	**NM**	**(27)**	**NM**
Margins							
Gross margin	20.3%	26.0%		22.4%		21.9%	
Operating margin	0.8%	8.2%		2.7%		1.6%	
Net margin	-3.1%	3.9%		-2.6%		-4.2%	

Source: Company data, GIB Capital, NM: not meaningful.

Valuation and risks: Post FY25 results and current market dynamics, we revise our estimates and roll our valuation one year forward. Using a DCF valuation approach, we derive a target price of SAR60.2/sh, implying an upside of 10.7% with an Overweight rating. Key downside risks include adverse changes in Govt support or self-sufficiency targets, delays in the procurement of equipment, a rise in mortality, an increase in feed costs, global recessions, supply chain issues, an increase in competition, unfavorable cost of corn and soybean, brand dilution, entry of newer players, and weaker product demand.

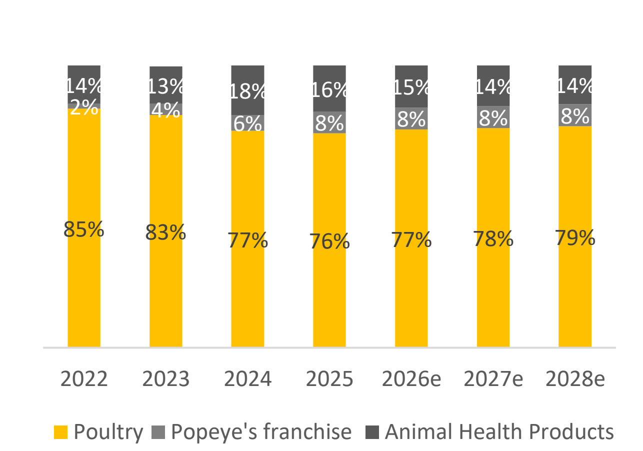
Financial analysis in charts

Figure 4: Revenue growth (SARmn)



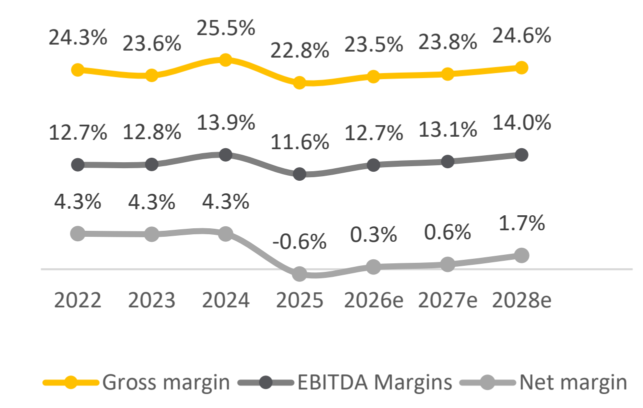
Source: Company data, GIB Capital

Figure 5: Revenue breakdown



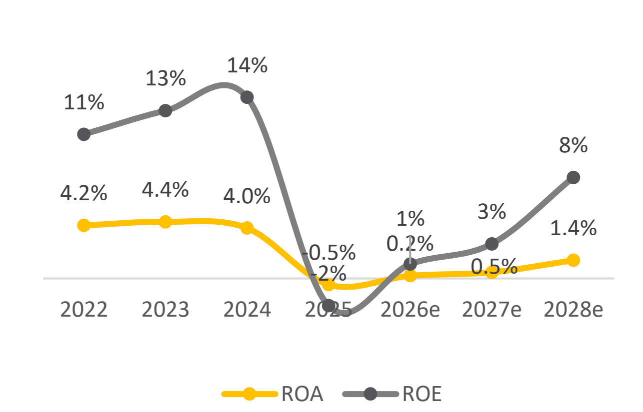
Source: Company data, GIB Capital

Figure 6: Margins trend



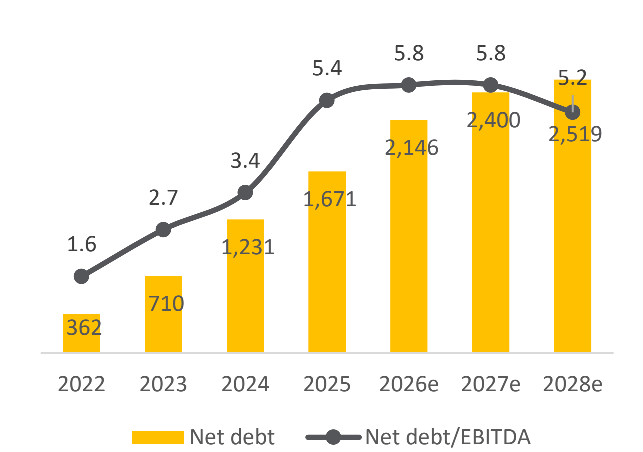
Source: Company data, GIB Capital

Figure 7: ROA and ROE



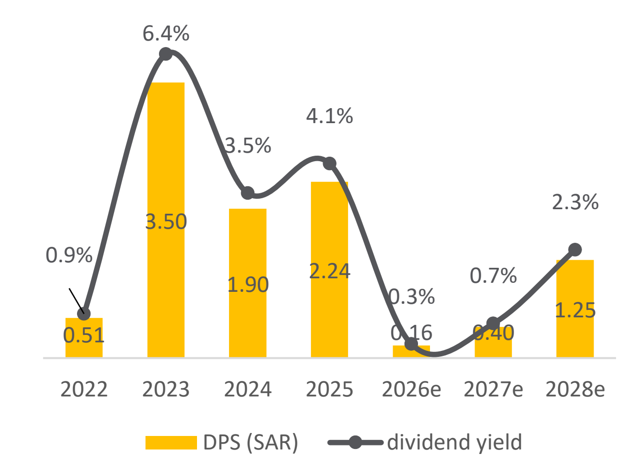
Source: Company data, GIB Capital

Figure 8: Leverage trend including lease liability (SARmn)



Source: Company data, GIB Capital

*Figure 9: Dividend yield**



*Source: Company data, GIB Capital, *higher dividend during 2023 as a result of one-time income from selling of a subsidiary.*

Financials

Figure 10: Financial statement

Income statement	2024	2025	2026e	2027e
Revenue	**2,563**	**2,653**	**2,934**	**3,174**
revenue y/y	*22%*	*4%*	*11%*	*8%*
COGS	1,909	2,050	2,244	2,418
Gross Profit	**654**	**604**	**690**	**756**
Gross Profit margin	*25.5%*	*22.8%*	*23.5%*	*23.8%*
Sales & Marketing	327	378	414	448
G&A	146	143	159	172
Operating profit	**187**	**94**	**127**	**146**
Operating margin	*7.3%*	*3.5%*	*4.3%*	*4.6%*
Finance costs	(62)	(108)	(125)	(131)
Other income	15	14	14	14
PBT	**128**	**(8)**	**9**	**22**
Zakat/tax	(17)	(7)	(1)	(3)
Net income before minority	**111**	**(15)**	**8**	**19**
Net margin	*4.3%*	*-0.6%*	*0.3%*	*0.6%*
y/y	*24%*	*NM*	*NM*	*148%*
Net income after minority	**96**	**(19)**	**6**	**16**
EPS after minority	**4.8**	**(0.9)**	**0.3**	**0.8**
DPS	1.9	2.2	0.2	0.4
Payout	40%	NM	50%	50%
EBITDA	**357**	**308**	**373**	**417**
Net debt (w/o lease liabilities)	647	982	1,340	1,478
Net debt (w/ lease liabilities)	1,231	1,671	2,146	2,400

Source: Company data, GIB Capital, NM: not meaningful.

Balance Sheet	2024	2025	2026e	2027e
Inventories	350	359	388	418
Cash and cash equivalents	89	62	34	46
Biological assets	195	241	235	254
Contract assets	20	5	5	5
Trade receivables and other debtors	336	406	410	444
Prepayments and other receivables	338	185	205	222
Total Current Assets	**1,329**	**1,257**	**1,277**	**1,389**
Property, plant and equipment	777	1,129	1,398	1,528
Right-of-use assets	590	672	745	822
Total Non-Current Assets	**1,467**	**1,904**	**2,253**	**2,466**
Total Assets	**2,795**	**3,161**	**3,530**	**3,855**
Current Liabilities	1,077	1,164	1,436	1,571
Non-current Liabilities	940	1,286	1,420	1,594
Equity	779	712	674	690
Total Equity and Liabilities	**2,795**	**3,161**	**3,530**	**3,855**
BVPS	38.9	35.6	33.7	34.5

Cashflow	2024	2025	2026e	2027e
Cashflow from Operations	124	311	158	227
Cashflow from Investing	-300	-419	-354	-223
Cashflow from Financing	154	81	168	9
Total Cashflows	**-22**	**-27**	**-28**	**12**

Source: Company data, GIB Capital

Figure 11: Key ratios

Key ratios	**2024**	**2025**	**2026e**	**2027e**
Profitability ratios				
RoA	4%	0%	0%	0%
RoE	14%	-2%	1%	3%
Sales/Assets	92%	84%	83%	82%
Net margin	4.3%	-0.6%	0.3%	0.6%
Liquidity ratios				
Current Assets/ Current Liabilities	1.2	1.1	0.9	0.9
Debt to Total Equity	1.7	2.4	3.2	3.5
Receivable Days	41	51	51	51
Inventory Days	59	63	63	63
Payable days	43	51	40	40
Cash conversion cycle	56	63	74	74
Debt ratios				
Net Debt/EBITDA	3.4	5.4	5.8	5.8
Debt/Assets	0.5	0.5	0.6	0.6
Valuation ratios				
P/E	11.4	NM	169.2	68.3
P/B	1.4	1.5	1.6	1.6
EV/EBITDA	6.2	7.2	5.9	5.3
Div. yield	3.5%	4.1%	0.3%	0.7%

Source: Company data, GIB Capital, NM: not meaningful.

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