

# Tanmiah Food Co. (BUY, TP: SAR 92, 2281.SE) 1Q26 Results Review

## Higher operational and fixed costs of expansion impacted margins

Tanmiah swung to a net loss of SAR 1mn (LPS: SAR 0.06) from a profit of SAR 19mn in 1Q25, though improving from a loss of SAR 22mn in 4Q25. Revenue grew 8% Y/Y, supported by higher Poultry volumes and average selling prices and growing Restaurant contributions, partially offset by weaker Animal Feed and Health performance. Gross margin was pressured by higher fuel, utility, and logistics costs, increased D&A from newly commissioned facilities, and elevated Restaurant ramp-up and aggregator spend. Higher fuel-driven S&D costs weighed on operating margin, partially offset by lower G&A. Finance costs tied to newly commissioned facilities were an additional drag on the bottom line.

- Revenue grew 3% Q/Q and 8% Y/Y to SAR 731mn. Poultry expanded 10% Y/Y to SAR 552mn (75% of revenue), Restaurants surged 52% Y/Y to SAR 62mn (8%), and Animal Feed and Health declined 13% Y/Y (16%). Poultry volumes reached 43mn birds (+8.6% Y/Y), supported by commissioning of the Majma 2 and Dahna feed mills, lifting engineered capacity to ~795k birds/day. Average processing capacity reached 604k bpd (+7.8% Y/Y). Q/Q volumes were lower due to fewer operating days from Eid seasonality. Pricing pressures were partially offset through channel and go-to-market mix optimization, with average selling prices up 7-8%. Animal Feed and Health demand remained soft as smaller producers scaled back purchases amid sector-wide tightening. Restaurants posted no new openings and one closure in the quarter, with revenue per restaurant improving to SAR 0.66mn from SAR 0.51mn in 1Q25.
- Gross margin declined 206bps Y/Y but recovered 249bps Q/Q. The Y/Y compression reflected higher fuel, utility, and logistics costs, incremental depreciation from newly commissioned facilities, and elevated restaurant ramp-up costs including aggregator fees during Ramadan and geopolitical headwinds in certain markets, partially offset by Poultry ASP improvement. Gross profit fell 1% Y/Y but rose 15% Q/Q to SAR 167mn.
- Selling and distribution expenses rose 18% Y/Y but declined 6% Q/Q to SAR 102mn, driven by fuel costs. G&A fell 6% Y/Y but rose 12% Q/Q to SAR 39mn. Opex-to-sales expanded 48bps Y/Y (contracted 61bps Q/Q), resulting in operating margin declining 254bps Y/Y alongside 310bps Q/Q expansion. Operating profit fell 1% Y/Y but grew 15% Q/Q to SAR 29mn.
- Finance costs rose 52% Y/Y to SAR 29mn, reflecting capitalized interest reclassification to the P&L as projects were completed, incremental lease costs from restaurant and farm expansion (farms up 20% Y/Y to 161), and a larger debt base.
- The net income bridge shows pricing contributing +SAR 8mn, volume and mix +SAR 5mn, and Restaurant operations +SAR 5mn. Offsetting items included financing costs (SAR 9mn), route and branch expansion (SAR 8mn), diesel costs (SAR 7mn), production ramp-up (SAR 7mn), inflationary costs (SAR 6mn), and depreciation from new facilities (SAR 4mn).
- Tanmiah's restaurant segment continues to scale, with management pausing further expansion to deepen utilization of existing locations. The Animal Health and Feed segment posted revenue declines amid a difficult poultry market environment. Poultry segment average selling prices edged up in 1Q26 on better channel and product mix, though market prices remained below normalized levels. Retail prices through 2Q26 to date have held around Mar'26 levels, implying flat pricing unless further mix benefits materialize this quarter. Frozen poultry prices rose double digits post the geopolitical conflict, but the narrowing price gap between frozen and fresh has not yet impacted fresh poultry prices meaningfully. 2Q is therefore expected to see continued margin pressure, as higher feed prices due to the conflict would reflect in costs. Saudi Gap import restriction measures remain partially unimplemented due to the geopolitical backdrop and will now take longer to balance the local market. On the capacity-side, vertical farm integration, a new mega hatchery, and a feed mill are due for commissioning in 2H26, supporting utilization of the Majma 2 facility launched in 4Q25. Ramp-up speed is critical to absorbing the expanded fixed cost base. Gross margin pressures from higher utility, fuel, and other inflationary costs appear structural, likely persisting even as poultry pricing and restaurant margins recover toward 2027, as channel mix towards aggregators is also impacting margins. We reduce our long-term gross margin forecast by 2ppts to reflect more permanent shift in channel mix and local competition, trim Animal Health and Feed revenue estimates, and lower planned restaurant openings. Our 12-month forward target price declines to SAR 92/sh. We maintain BUY, premised on earnings upside from the poultry and restaurant ramp-up.

## Rating and Risks

We maintain a BUY rating on Tanmiah, with a target price of SAR 92/sh. Key upside risks include a faster-than-expected ramp-up of new poultry capacity, stronger growth in restaurants, and recovery in the feed and animal health segment. Downside risks include potential delays in planned expansions, continued price competition from other poultry producers, and challenges in scaling up sales volumes for increased production.

SAR mln	1Q26	4Q25	1Q25	Q/Q %	Y/Y %
Revenues	731	713	677	3%	8%
Cost of Sales	-564	-568	-509	-1%	11%
Gross Profit	167	145	168	15%	-7%
Operating Expenses	-138	-139	-125	-1%	11%
Operating Profit	29	6	44	400%	-35%
<b>Net Income</b>	<b>-1</b>	<b>-22</b>	<b>19</b>	<i>N/A</i>	<i>N/A</i>
EPS	-0.06	-1.12	0.94	<i>N/A</i>	<i>N/A</i>

## Margins (%)

Gross Margin	22.8	20.3	24.9	249 bps	-206 bps
Operating Margin	3.9	0.8	6.4	310 bps	-254 bps
Net Margin	-0.2	-3.1	2.8	<i>N/A</i>	<i>N/A</i>

## Rating Summary and Forecasts

### Rating Summary

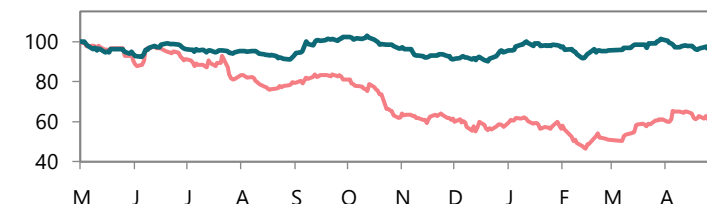
Rating	Buy
Market Price	60.0
12-month Target Price	92
Upside / Downside	53%
Mkt Cap (SAR mn)	1,200
52 week High/Low	100.4/54.9

### Forecasts

	12/25 A	12/26 E	12/27 E	12/28 E
Net Income (SAR mn)	-19	-3	63	102
PER (x)	NM	NM	19.1	11.8
PBV (x)	1.9	2.0	1.8	1.6
EPS (SAR)	-0.9	-0.2	3.1	5.1
DPS (SAR)	0.0	0.0	2.7	3.0
RoE (%)	-3.1	-0.6	9.4	13.6
Dividend Yield (%)	0.0	0.0	4.4	5.0

## Price Chart

● TANMIAH ● TASI



---

## Rating Framework

### Buy

Shares of the companies under coverage in this report are expected to outperform relative to the sector or the broader market.

### Hold

Shares of the companies under coverage in this report are expected to perform in line with the sector or the broader market.

### Sell

Shares of the companies under coverage in this report are expected to underperform relative to the sector or the broader market.

---

### Saudi Fransi Capital

(Closed Joint Stock Company Owned by Banque Saudi Fransi)

Authorized and regulated under Capital Market Authority license 11153-37. The company is operating under commercial registration 1010231217 with a paid up capital of SAR 500,000,000.

#### Head Office

8092 King Fahd Road | Riyadh 12313-3735 | Kingdom of Saudi Arabia

#### Mailing Address

P.O. Box 23454 Riyadh 11426 | Kingdom of Saudi Arabia

Tel: +966 11 282 6828 | 800 125 9999

[www.bsfcapital.sa](http://www.bsfcapital.sa)

## Important Disclaimer

This report is prepared by Saudi Fransi Capital (“SFC”), a fully-fledged investment firm providing investment banking, asset management, securities brokerage, research, and custody services. SFC, and its affiliate, might conduct business relationships with the company that is subject of this report and/ or own its security.

This report is based on current public information that we consider reliable, but we do not represent it is accurate or complete, and it should not be relied on as such. Accordingly, no representation or warranty, express or implied, is made as to, and no reliance should be placed on the fairness, accuracy, completeness or correctness of the information and opinions contained in this report.

This report is intended for general information purposes only, and may not be reproduced or redistributed to any other person. This report is not intended as an offer or solicitation with respect to the purchase or sale of any security. This report is not intended to take into account any investment suitability needs of the recipient. In particular, this report is not customized to the specific investment objectives, financial situation, risk appetite or other needs of any person who may receive this report. SFC strongly advises every potential investor to seek professional legal, accounting and financial guidance when determining whether an investment in a security is appropriate to his or her needs.

To the maximum extent permitted by applicable law and regulation, SFC shall not be liable for any loss that may arise from the use of this report or its contents or otherwise arising in connection therewith. Any financial projections, fair value estimates and statements regarding future prospects contained in this report may not be realized. All opinions and estimates included in this report constitute SFC’s judgment as of the date of production of this report, and are subject to change without notice. Past performance of any investment is not indicative of future results. The value of securities, the income from them, the prices and currencies of securities, can go down as well as up. An investor may get back less than what he or she originally invested. Additionally, fees may apply on investments in securities. Changes in currency rates may have an adverse effect on the value, price or income of a security. No part of this report may be reproduced without the written permission of SFC. Neither this report nor any copy hereof may be distributed in any jurisdiction outside the Kingdom of Saudi Arabia where its distribution may be restricted by law. Persons who receive this report should make themselves aware of, and adhere to, any such restrictions. By accepting this report, the recipient agrees to be bound by the foregoing limitations.