



Margins pressured from imports and local expansions; growth visibility driven by poultry capacity addition, franchise expansion and value-added strategy

Tanmiah has devised a multi-pronged growth strategy, with core focus on expanding franchise and the poultry business. It has set a target to expand its fresh poultry capacity to 760K birds per day (bpd) by FY25e and 1,000K bpd over long-term. For Popeyes it has strategized to deepen its presence in Kuwait, Bahrain and KSA. However, ongoing poultry pricing pressure and stiff competition make us conservative of the management ambitions. Hence we assume the fresh poultry capacity to reach 890K bpd by FY29e and 24 Popeye store additions over FY24-29e. To drive the Animal Feed business growth, Tanmiah has renewed its focus for the business and has adopted a manufacture and sell model. Sectoral tailwinds and Tanmiah's multi-pronged growth strategy shall help it scale its overall revenues from SAR 2.6bn in FY24 to SAR 4.9bn by FY29e, with growth being broad-based across segments. Despite lower soyabean/corn prices (key animal feed raw materials), Tanmiah's margins remain pressured by higher freight, diesel, S&D costs and weak poultry pricing. Although management is optimistic about easing of the poultry pricing in Q3-25, we opt to stay more conservative and expect normalization from the start of FY26e. We expect the gross/operating margins to fall in FY25e to 24.0/4.9%, with recovery only from FY26e driven by i) Popeyes store rollout, ii) slowdown in imports, and iii) growth in value-added offerings. This could drive the gross/operating margins to 24.5/6.1% by FY29e. Our positive view on Tanmiah is driven by its i) plans to expand poultry capacity, ii) scale up franchise business and iii) enhanced focus on the value-added businesses. We expect a revenue CAGR of 13.7% and net income CAGR of 12.7% over FY24-29e. Thus, we reiterate our **"Overweight"** rating on Tanmiah with a lower TP of **SAR 111.6/share**, implying an upside of **33.7%**.

Pricing pressure in Fresh Poultry take a toll on Q2 financials: Tanmiah's Q2-25 revenue rose 1.5% Y/Y to SAR 649.5mn, slightly below our estimate of SAR 686.1mn due to weakness in Fresh Poultry as a result of lower selling price. All the business segments witnessed robust growth in volumes, but lower selling price for Fresh Poultry led to low-single digit revenue growth. Revenue growth was purely driven by Franchisee business (+67%), reflecting organic growth and higher number of new stores. The Animal Feed business declined 1% Y/Y due to challenging market conditions. Meanwhile Fresh Poultry (down 2.1% Y/Y) was significantly impacted by pricing pressures, which intensified during the quarter. Increased overall poultry supply and a combination of higher local production and import levels resulted in 10.7% Y/Y decline in the average selling price. However, 10% Y/Y increase in the volume saved the grace. With the revenue growing slower than the cost of goods, the gross margins contracted 210bps Y/Y to 23.5%. The operational margin contracted by 240bps Y/Y to 3.8%, primarily due to elevated fuel charges, alongside higher S&D spends for promoting Popeyes outlets. Further higher than expected financing cost and reduction in government subsidy took a toll on the net income which decreased 97.9% Y/Y to SAR 0.5mn (vs AJC estimate of SAR 16.1mn)

Despite pricing pressure and intensified competition, Tanmiah maintains growth focus in fresh poultry segment: Tanmiah's focus on its largest segment remains intact, as it has expanded its capacity from 565K birds per day (bpd) in Q1-25 to 588K in Q2-25. The management is poised to expand this to 760K bpd by the end of FY25e. Over the longer term, the company aims to increase this capacity to 1,000K bpd. However, we remain conservative and expect the capacity to reach 890K bpd by the end of FY29e. Our conservative approach is driven by the ongoing pricing pressure within local fresh and frozen chicken, which have declined 3.1% Y/Y and 2.6% Y/Y, respectively in June 2025 (GASTAT). Further majority of the local incumbents are undertaking capacity expansion, which has intensified the competition. However, Tanmiah's long operating history, deep penetration in the market through its integrated production facilities and its brands being a common and trust name within Saudi households will enable it to drive the fresh poultry revenues from SAR 2.0bn in FY24 to SAR 3.5bn by FY29e, implying a 12.4% CAGR.

Recommendation	Overweight
Target Price (SAR)	111.6
Upside / (Downside)*	33.7%

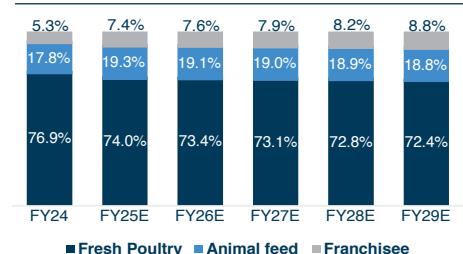
Source: Tadawul *prices as of 19th of Aug 2025

Key Financials

in SAR mn, (unless specified)	FY24	FY25E	FY26E	FY27E
Revenues	2,563	2,723	3,331	3,819
Growth %	22.5%	6.2%	22.3%	14.6%
Gross Profit	654	655	810	932
EBITDA	345	376	474	555
EBIT	172	132	182	218
Net Income	96	37	66	96
Growth %	26.2%	-61.0%	76.3%	45.7%
EPS	4.80	1.87	3.29	4.79
DPS	2.50	1.00	1.75	2.75

Source: Company accounts, AlJazira Capital Research

Segmental revenue



Source: Company accounts, AlJazira Capital Research

Key Ratios

	FY24	FY25E	FY26E	FY27E
Gross Margin	25.5%	24.0%	24.3%	24.4%
EBITDA Margin	8.6%	7.5%	7.9%	8.0%
EBIT Margin	6.7%	4.9%	5.5%	5.7%
Net Margin	3.7%	1.4%	2.0%	2.5%
ROE	13.1%	4.7%	8.1%	11.3%
ROA	4.0%	1.2%	1.8%	2.4%
P/E	25.2	44.6	25.4	17.4
P/B	3.1	2.1	2.0	1.9
EV/EBITDA (x)	8.9	7.1	6.1	5.6
Dividend Yield	2.0%	1.1%	2.0%	3.2%

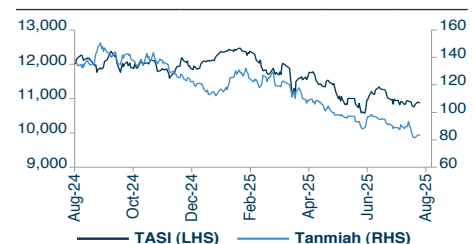
Source: Company reports, AlJazira Capital Research

Key Market Data

Market Cap (bn)	1.7
YTD%	-31.1%
52 weeks (High)/(Low)	152.0/80.0
Share Outstanding (mn)	20.0

Source: Company reports, AlJazira Capital Research

Price Performance



Source: Tadawul, AlJazira Capital research

Senior Equity Analyst
Fahad Qureshi, CFA
+966 11 2256315
f.iran@aljaziracapital.com.sa





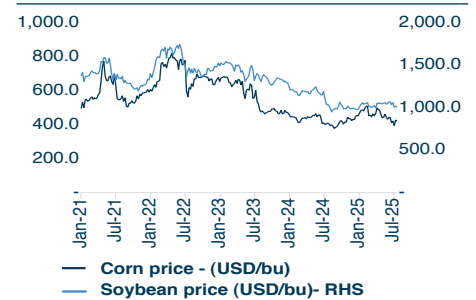
Popeyes rollout and Animal Feed strategy to drive next leg of growth for Tanmiah: Since its launch in 2021, Tanmiah has reported robust growth in its franchise business, which has grown at 19.0% CQGR (over Q3-22 to Q2-25). The number of Popeyes stores has scaled up from 13 in Q3-22 to 88 by Q2-25. Going forward the company shall be focusing on brand enhancement and store expansion within KSA, Bahrain and Kuwait. Consequently, we forecast the stores to grow at 5.5% CAGR over FY24-29e to reach 112 stores. This shall translate into a revenue CAGR of 25.7% over the period with the revenues reach SAR 428mn. In terms of the Animal Feed business, the company has renewed its focus on external sale of animal feed. The segment benefits from a shift to integrated manufacture and sell model, which could enable it to expand its revenues from SAR 455mn in FY24 to SAR 918mn by FY29e.

Margins to be pressurized until FY25e; recovery driven by Popeyes and Value-added expansion: US corn and soybean prices are falling due to strong domestic and global supply expectations, weak export demand (particularly from China for soybeans), rising ending stocks, bearish speculative positioning, seasonal trends, falling soyabean oil and crude prices, and uncertainty around biofuel and trade policies. The prices of these key animal feed raw materials have fallen 49% (corn) and 42% (soyabean) from their respective peak levels. However, the benefit of price softening has not been reflected in Tanmiah's margins as freight charges have been on the rise due to escalation of Red Sea Crisis. Although the raw material prices have softened, but i) elevated diesel and freight costs, ii) higher S&D expenses for scaling-up Popeyes stores and Poultry business and iii) fresh poultry pricing pressure due to oversupply could contract gross and operating margins till FY25e. We remain more conservative than the management expectations of easing of pricing pressure after back-to-school season. However, from FY26e we expect the margins to expand due to i) slowdown in imports, ii) upgradation of existing product offerings, iii) strategic expansion of value-added products and iv) ramping up of popeyes. We expect the gross margins to expand by 50bps over FY25-29e to reach 24.5%, while operating margins to expand by 130bps over FY25-29e to reach 6.1%.

Near-term capex and debt to rise amid poultry and franchise expansion; gradual capex normalization seen by FY29e: The company has planned expansion of poultry business via capacity expansion, expansion of fresh poultry in GCC and North Africa, expansion of Popeyes outlets in Kuwait and Bahrain, apart from KSA. These planned activities could elevate the capex intensity in the near-term. Post FY25e we expect the intensity to normalize and reach 1.6% of revenues by FY29e (2022-24 average 10.5%). To support this expansion plan, Tanmiah could seek external funding which could increase its debt levels to SAR 1.1bn by FY25e.

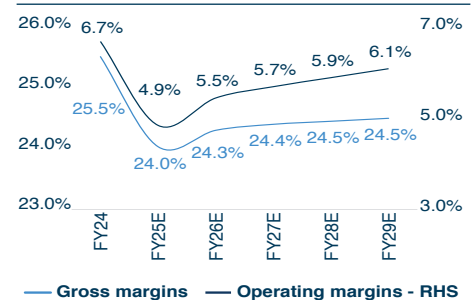
AJC View and Valuation: In the near term, Tanmiah and the entire poultry sector continue to face competitive pricing pressure from imports and increased local production. However, in the medium term, we believe Tanmiah is set to benefit from favorable demographics of large young population, increasing tourism, growing expatriate population and increase in HORECA industry. Our liking for the company is premised on, 1) the company is in the process of increasing poultry capacity by more than 40% in 2025, and 2) it is expanding franchise business and value-added product business. In this backdrop, we expect the company to deliver topline CAGR of 13.7% over 2024-29, and a net income CAGR of 12.7%. However, withdrawal or change in terms & conditions of existing master franchise agreement, increase in feed costs, and changes in government policies are key risks to our investment thesis. We apply a blended valuation approach for Tanmiah. Our 50% weightage to DCF (WACC = 7.4% and terminal growth = 2.5%), 50% weightage to EV/EBITDA multiple of 8.0x for FY26E EBITDA, help us arrive at a blended TP of **SAR 111.6 per share**, implying an upside of 33.7%. Thus, we reiterate our **"Overweight"** rating on the company.

Raw Material Pricing



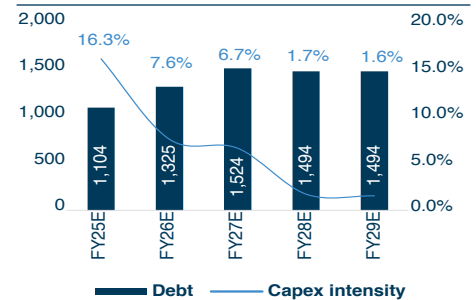
Source: Investing.com, Aljazira Capital research

Margin profile



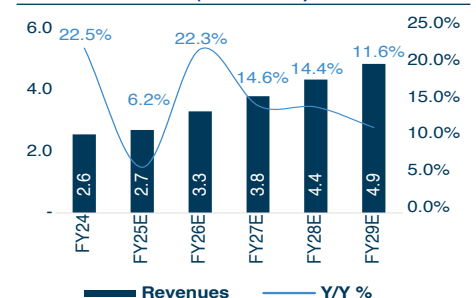
Source: Company reports, Aljazira Capital Research

Capex intensity & Debt levels



Source: Company reports, Aljazira Capital Research

Overall revenues (in SAR bn)



Source: Company reports, Aljazira Capital Research

Valuation Methodology	TP (SAR)	Weight	Weighted TP
DCF	112.8	50%	56.4
EV/EBITDA (FY26E)	110.4	50%	55.2
Blended TP			111.6
Upside/(Downside) potential			33.7%

Source: Aljazira capital Research




Key Financials

Amount in SAR mn, unless otherwise specified

	FY22	FY23	FY24	FY25E	FY26E	FY27E	FY28E	FY29E
Income statement								
Revenues	1,727	2,093	2,563	2,723	3,331	3,819	4,371	4,880
Y/Y	12.2%	21.2%	22.5%	6.2%	22.3%	14.6%	14.4%	11.6%
Cost of Sales	(1,307)	(1,598)	(1,909)	(2,069)	(2,521)	(2,887)	(3,302)	(3,684)
Gross profit	420	495	654	655	810	932	1,069	1,196
Gross margin	24.3%	23.6%	25.5%	24.0%	24.3%	24.4%	24.5%	24.5%
Selling, distribution and employee expenses	(218)	(252)	(327)	(361)	(439)	(499)	(567)	(628)
General and Administrative exp	(104)	(116)	(146)	(152)	(178)	(202)	(229)	(254)
Operating profit	95	122	172	132	182	218	258	298
Y/Y	108.0%	28.5%	41.0%	-23.1%	37.6%	19.9%	18.4%	15.4%
OPM	5.5%	5.8%	6.7%	4.9%	5.5%	5.7%	5.9%	6.1%
Financial charges	(31)	(31)	(62)	(93)	(117)	(124)	(122)	(123)
Profit before zakat	93	86	113	46	75	107	152	194
Zakat	(8)	(10)	(17)	(9)	(10)	(11)	(16)	(21)
Net income	85	76	96	37.3	65.8	95.8	136.3	173.8
Y/Y	526.2%	-10.5%	26.2%	-61.0%	76.3%	45.7%	42.2%	27.6%
EPS (SAR)	9.35	3.81	4.80	1.87	3.29	4.79	6.81	8.69
DPS (SAR)	3.50	2.00	2.50	1.00	1.75	2.75	3.75	5.25
Balance sheet								
Assets								
Cash & bank balance	267	111	89	110	96	107	85	96
Inventory	288	263	350	376	455	517	587	650
Receivables	198	239	336	354	428	486	550	607
Property & Equipment	338	525	777	1,156	1,341	1,522	1,522	1,529
Total assets	1,801	2,012	2,795	3,343	3,820	4,198	4,378	4,568
Liabilities & owners' equity								
Total current liabilities	747	781	1,077	1,171	1,258	1,411	1,505	1,593
Total non-current liabilities	391	551	940	1,374	1,732	1,914	1,939	1,972
Paid -up capital	200	200	200	200	200	200	200	200
Total owners' equity	663	680	779	797	830	873	935	1,004
Total equity & liabilities	1,801	2,012	2,795	3,343	3,820	4,198	4,378	4,568
Cashflow statement								
Operating activities	53	132	124	259	220	331	399	483
Investing activities	116	(225)	(300)	(443)	(255)	(255)	(77)	(77)
Financing activities	(75)	(63)	154	206	20	(64)	(344)	(395)
Change in cash	94	(156)	(22)	21	(15)	11	(22)	11
Ending cash balance	267	111	89	110	96	107	85	96
Key fundamental ratios								
Liquidity ratios								
Current ratio (x)	1.4	1.3	1.2	1.2	1.3	1.3	1.3	1.4
Quick ratio (x)	1.0	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Profitability ratios								
GP Margin	24.3%	23.6%	25.5%	24.0%	24.3%	24.4%	24.5%	24.5%
Operating Margins	5.5%	5.8%	6.7%	4.9%	5.5%	5.7%	5.9%	6.1%
EBITDA margin	8.4%	7.2%	8.6%	7.5%	7.9%	8.0%	8.0%	7.9%
Net Margins	4.9%	3.6%	3.7%	1.4%	2.0%	2.5%	3.1%	3.6%
Return on assets	5.4%	4.0%	4.0%	1.2%	1.8%	2.4%	3.2%	3.9%
Return on equity	16.7%	11.3%	13.1%	4.7%	8.1%	11.3%	15.1%	17.9%
Market/valuation ratios								
EV/sales (x)	1.0	0.9	1.1	1.0	0.9	0.8	0.7	0.6
EV/EBITDA (x)	7.3	7.9	8.5	7.1	6.1	5.6	4.9	4.4
EPS (SAR)	9.4	3.8	4.8	1.9	3.3	4.8	6.8	8.7
BVPS (SAR)	33.1	34.0	38.9	39.9	41.5	43.7	46.7	50.2
Dividend yield	4.3%	2.3%	2.1%	1.1%	2.0%	3.2%	4.5%	6.2%
P/E ratio (x)	8.8	21.5	23.7	44.6	25.4	17.4	12.3	9.6
P/BV ratio (x)	2.5	2.4	2.9	2.1	2.0	1.9	1.8	1.7

Source: Company reports, AlJazira capital Research





RESEARCH DIVISION

Head of Sell-Side Research - AGM
Jassim Al-Jubran
+966 11 2256248
j.aljabran@aljaziracapital.com.sa

RESEARCH
DIVISION

AlJazira Capital, the investment arm of Bank AlJazira, is a Shariaa Compliant Saudi Closed Joint Stock company and operating under the regulatory supervision of the Capital Market Authority. AlJazira Capital is licensed to conduct securities business in all securities business as authorized by CMA, including dealing, managing, arranging, advisory, and custody. AlJazira Capital is the continuation of a long success story in the Saudi Tadawul market, having occupied the market leadership position for several years. With an objective to maintain its market leadership position, AlJazira Capital is expanding its brokerage capabilities to offer further value-added services, brokerage across MENA and International markets, as well as offering a full suite of securities business.

RATING
TERMINOLOGY

1. **Overweight:** This rating implies that the stock is currently trading at a discount to its 12 months price target. Stocks rated "Overweight" will typically provide an upside potential of over 10% from the current price levels over next twelve months.
2. **Underweight:** This rating implies that the stock is currently trading at a premium to its 12 months price target. Stocks rated "Underweight" would typically decline by over 10% from the current price levels over next twelve months.
3. **Neutral:** The rating implies that the stock is trading in the proximate range of its 12 months price target. Stocks rated "Neutral" is expected to stagnate within +/- 10% range from the current price levels over next twelve months.
4. **Suspension of rating or rating on hold (SR/RH):** This basically implies suspension of a rating pending further analysis of a material change in the fundamentals of the company.

Disclaimer

The purpose of producing this report is to present a general view on the company/economic sector/economic subject under research, and not to recommend a buy/sell/hold for any security or any other assets. Based on that, this report does not take into consideration the specific financial position of every investor and/or his/her risk appetite in relation to investing in the security or any other assets, and hence, may not be suitable for all clients depending on their financial position and their ability and willingness to undertake risks. It is advised that every potential investor seek professional advice from several sources concerning investment decision and should study the impact of such decisions on his/her financial/legal/tax position and other concerns before getting into such investments or liquidate them partially or fully. The market of securities, macroeconomic or microeconomic variables are of a volatile nature and could witness sudden changes without any prior warning, therefore, the investor in securities or other assets might face some unexpected risks and fluctuations. All the information, views and expectations and fair values or target prices contained in this report have been compiled or arrived at by Al-Jazira Capital from sources believed to be reliable, but Al-Jazira Capital has not independently verified the contents obtained from these sources and such information may be condensed or incomplete. 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. Al-Jazira Capital shall not be liable for any loss as that may arise from the use of this report or its contents or otherwise arising in connection therewith. The past performance of any investment is not an indicator of future performance. Any financial projections, fair value estimates or price targets and statements regarding future prospects contained in this document may not be realized. The value of the security or any other assets or the return from them might increase or decrease. Any change in currency rates may have a positive or negative impact on the value/return on the stock or securities mentioned in the report. Some securities maybe, by nature, of low volume/trades, or may become so, unexpectedly in special circumstances, and this might increase the risk on the investor. Some fees might be levied on some investments in securities. Aljazira Capital, its employees, one or more of its board members, its affiliates, or its clients may have investments in the securities or assets referred to in this report. This report has been produced independently and separately by the Research Division at Al-Jazira Capital and no party (in-house or outside) who might have interest whether direct or indirect have seen the contents of this report before its publishing, except for those whom corporate positions allow them to do so, and/or third-party persons/institutions who signed a non-disclosure agreement with Al-Jazira Capital. No part of this report may be reproduced whether inside or outside the Kingdom of Saudi Arabia without the written permission of Al-Jazira Capital. 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.