

Input cost inflation & oversupply weigh on margins; improvement in supply-demand balance & Saudi GAP support long-term recovery

Logistic costs and feed prices saw a notable increase, after the onset of the US-Iran conflict, exerting significant pressure on poultry producers. Producers have raised prices to partially offset the increase in input costs; Tanmiah's realized price per bird increased by 8.1% Q/Q in Q1-25. However, despite these adjustments, margins remain below normalized levels as persistent oversupply is limiting full pass-through of higher costs. Tanmiah posted net loss of SAR 1.1mn in Q1-26 as compared to SAR 18.9mn profit in Q1-25 and AJBC estimate of -SAR 11mn. Due to the ongoing war, we see a low likelihood of import restrictions being tightened in the near term, as government is expected to prioritize food security. However, normalization in input costs (due to easing of geopolitical issues) and potential improvement in supply-demand dynamics following the implementation of Saudi GAP (Good Agriculture Practices) could materially enhance net income in the medium/long run; supported by the company's high operating leverage. Hence, we maintain our **"Overweight"** rating on Tanmiah with revised price target of **SAR 79.4/share**.

Losses have narrowed on a sequential basis due to price increases; however profitability is still sizably weaker than normal levels: Tanmiah posted net loss of SAR 1.1mn in Q1-26 as compared to SAR 18.9mn profit in Q1-25 and AJBC estimate of -SAR 11mn. The positive deviation to our estimate was due to better than expected gross profits and lower OPEX intensity, however below EBIT costs were higher than expected. Despite lower volumetric sales revenues grew 8.0% Y/Y (+2.6% Q/Q) to SAR 731mn in Q1-26 (-0.6% deviation to AJBC estimate of SAR 736mn), due to 8.1% increase in poultry prices. Gross profit declined by 1.0% Y/Y (+15.2% Q/Q) to SAR 167mn in Q1-26 (+6.1% deviation to AJBC estimate of SAR 157mn). Gross profit margin contracted by 206bps Y/Y (+249bps Q/Q) to 22.8% in Q1-26 (+145bps deviation to AJBC estimate of 21.4%). Operating profit declined 34.6% Y/Y (+400% Q/Q) to SAR 28.5mn in Q1-26 (+186% deviation to AJBC estimate of SAR 10 mn). Operating margin down 254bps Y/Y (+310bps Q/Q) to 3.9% in Q1-26 (+255bps deviation to AJBC estimate of 1.4%). OPEX to sales was 110bps lower than AJBC estimate of 20.0%.

Recent price increases have substantially offset the sharp rise in key input costs; however, oversupply has limited the full pass through: The recent US-Iran conflict and the resulting disruption to critical energy supply routes triggered a significant oil shock, with Brent crude and LNG prices increasing by 56% YTD and 50% YTD, respectively, since the onset of the conflict. Higher energy prices subsequently led to a 30% YTD increase in urea prices - this drove corn and soybean prices (key feed inputs) up 15.5%/19.7% – prices of corn are back to the start of the year levels, however soybean is still up 8.2% YTD. In addition to feed costs, which typically account for 60-70% of total chicken production costs, logistics expenses (including transportation and insurance) have also increased by 115% (Containerized Freight Index) since the beginning of the conflict. In response, poultry producers implemented price increases to mitigate the impact of higher input costs, with Tanmiah's realized price per bird increasing by 8.1% Q/Q in Q1-26. However, despite these pricing measures, margins remain below normalized levels, as persistent market oversupply continues to constrain the industry's ability to fully pass through elevated costs to consumers.

Recommendation	Overweight
Target Price (SAR)	79.4
Upside / (Downside)*	33.6%

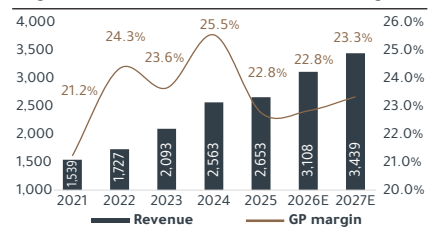
Source: Tadawul *prices as of 14th of June 2026

Key Financials

SARmn (unless specified)	FY24	FY25	FY26E	FY27E
Revenue	2,563	2,653	3,108	3,439
Growth %	22.5%	3.5%	17.1%	10.6%
Gross Profit	654	604	709	802
EBIT	172	80	114	161
Net Profit*	96	(19)	3	28
Growth %	26.2%	NM	NM	803.9%
EPS	4.80	(0.94)	0.16	1.41
DPS	2.25	-	-	0.75

Source: Company reports, Aljazira Capital Research

Fig 1: Revenue (SAR mn) and GP Margin



Source: Company reports, Aljazira Capital Research

Key Ratios

	FY24	FY25	FY26E	FY27E
GP Margin	25.5%	22.8%	22.8%	23.3%
EBIT Margin	6.7%	3.0%	3.7%	4.7%
Net Margin	3.7%	-0.7%	0.1%	0.8%
P/E (x)	23.7	NM	383.8	42.5
P/B (x)	2.9	3.2	1.7	1.6
EV/EBITDA (x)	8.5	10.6	8.2	7.3
Div Yield (%)	2.0%	0.0%	0.0%	1.3%

Source: Company reports, Aljazira Capital Research

Key Market Data

Market Cap(bn)	1.2
YTD%	4.02%
52 week (High)/(Low)	106.0/44.6
Share Outstanding (mn)	20.0

Source: Company reports, Aljazira Capital Research

Share Price Performance



Source: Bloomberg, Aljazira Capital Research

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Normalization in input costs and potential improvement in supply-demand dynamics following the implementation of Saudi GAP regulations could materially enhance net income over med/long run, supported by the company’s high operating leverage: Tanmiah’s earnings profile and stock price remain highly sensitive to relatively small movements in pricing and gross margins, given the company operates on structurally low net margins (2021-25 average 2.5%). Even modest change in realized prices or feed costs have a disproportionate impact on bottom-line and stock price, as a significant portion of incremental gross profit flows directly to net income once fixed operating expenses are absorbed. Consequently, a small improvement in gross margin – driven by stronger poultry prices (due to potential improvement in supply/demand dynamics after implementation of Saudi GAP), easing feed costs (retracement of prices once US-Iran conflict eases), or improved operational efficiency (normalization of selling & distribution costs) – can translate into a materially larger percentage increase in earnings. Conversely, even modest deterioration in realized pricing or input costs can result in a sharp contraction in profitability, highlighting the company’s high operating leverage. This was evident over 2024-2025, when a 8.3% decline in realized price per bird led to a 53.7% Y/Y decline in operating profit, while net income swung from a profit of SAR 96mn to a net loss of SAR 19mn.

Earnings likely to remain depressed in the near term, however medium/long term outlook is strong, on margin reversion, ramp up of production and further capacity additions: Due to the ongoing war, we see a low likelihood of import restrictions being tightened in the near term, as the government is expected to prioritize food security. Hence, in current backdrop we expect profits to remain under pressure in 2026, however over the medium term we see profits improving. We see net income to grow from SAR 3.1mn in 2026e to SAR 78.3mn in 2028, mainly due to a modest 100bps improvement in gross margins and 121bps improvement in OPEX to sales. We expect revenue to grow at a CAGR of 13% over 2025-28 to SAR 3.8bn, driven by price recovery, higher utilisation of existing capacities and 100,000bpd increase in installed capacity.

Investment thesis and valuation: Tanmiah’s stock price is up 26.8% from recent lows, however, it is still 60% below the peak made in 2024. Due to the ongoing war, we see a low likelihood of import restrictions being tightened in the near term, as the government is expected to prioritize food security. Hence profitability is likely to remain under pressure in 2026. However, normalization in input costs (due to easing of geopolitical issues) and potential improvement in supply-demand dynamics following the implementation of Saudi GAP (Good Agriculture Practices) could materially enhance net income in the medium/long run; supported by the company’s high operating leverage. We value Tanmiah assigning 50% weight to DCF (2.5% terminal growth and 7.4% WACC), while we assign 50% weight to EV/EBITDA (7.0x on FY28 EBITDA - discounted at 7.4% WACC). We maintain our “Overweight” rating on Tanmiah with target price of **SAR 79.4/share**, implying **33.6%** upside.

Key downside risk over supply of imported poultry, delay in Saudi GAP implementation, increase in input prices (feed and freight) and interest rate increases.

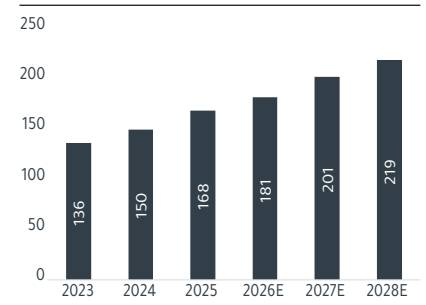
Upside risks tighter import restrictions, successful Saudi GAP implementation, lower input costs, and industry consolidation.

Blended Valuation

All figures in SAR, unless specified	Fair value	Weights	
DCF	84.9	50%	42.5
EV/EBITDA (7.0x 2028E - discounted)	73.9	50%	36.9
Weighted average price target			79.4
Upside/(Downside) potential			33.6%

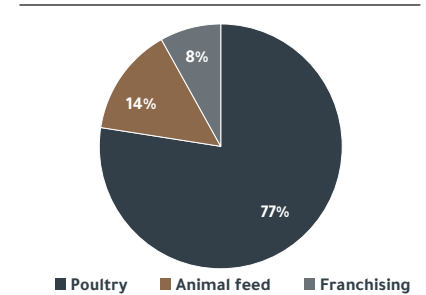
Source: Company reports, Aljazeera capital Research, prices as of 14th June 2026

Fig 2: Birds sold (mn)



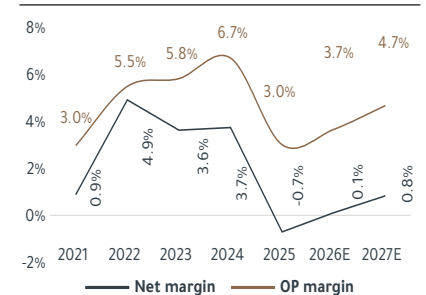
Source: Company reports, Aljazeera Capital Research

Fig 3: Segment break up



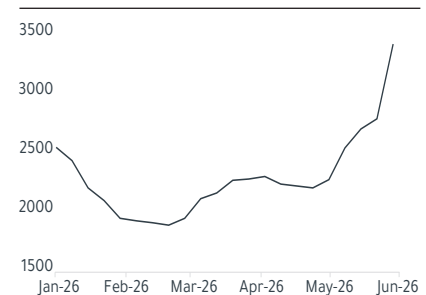
Source: Company reports, Aljazeera Capital Research

Fig 4: Margin Profile



Source: Company reports, Aljazeera Capital Research

Fig 5: Container freight



Source: Company reports, Aljazeera Capital Research

Key Financial Data

Amount in SARmn, unless otherwise specified	FY23	FY24	FY25	FY26E	FY27E	FY28E	FY29E	FY30E
Income statement								
Revenues	2,093	2,563	2,653	3,108	3,439	3,829	4,201	4,483
Y/Y	21.2%	22.5%	3.5%	17.1%	10.6%	11.3%	9.7%	6.7%
Cost of Sales	(1,598)	(1,909)	(2,050)	(2,398)	(2,636)	(2,917)	(3,198)	(3,410)
Gross profit	495	654	604	709	802	912	1,003	1,072
Gross margin	23.6%	25.5%	22.8%	22.8%	23.3%	23.8%	23.9%	23.9%
Selling, distribution and employee expenses	(252)	(327)	(378)	(440)	(483)	(519)	(548)	(562)
General and Administrative exp	(116)	(146)	(143)	(150)	(155)	(165)	(179)	(189)
Operating profit	122	172	80	114	161	225	272	317
Y/Y	28.5%	41.0%	-53.7%	42.6%	41.3%	40.0%	20.9%	16.7%
OPM	5.8%	6.7%	3.0%	3.7%	4.7%	5.9%	6.5%	7.1%
Financial charges	(31)	(62)	(108)	(123)	(141)	(149)	(151)	(154)
Profit before zakat	86	113	(12)	6	36	88	132	174
Zakat	(10)	(17)	(7)	(3)	(8)	(10)	(15)	(19)
Net income	76	96	(19)	3.1	28.2	78.3	117.5	154.8
Y/Y	-10.5%	26.2%	-119.7%	-116.6%	803.9%	177.1%	50.1%	31.8%
EPS (SAR)	3.81	4.80	(0.94)	0.16	1.41	3.91	5.87	7.74
DPS (SAR)	2.00	2.25	-	-	0.75	2.25	3.50	5.00
Balance sheet								
Assets								
Cash & bank balance	111	89	62	77	104	138	172	192
Inventory	263	350	359	417	455	499	543	575
Receivables	239	336	406	471	516	575	630	673
Other current assets	363	553	431	473	490	507	514	549
Property & Equipment	525	777	1,129	1,309	1,486	1,485	1,493	1,507
Other non-current assets	511	690	775	841	854	867	881	895
Total assets	2,012	2,795	3,161	3,589	3,904	4,071	4,233	4,391
Liabilities & owners' equity								
Payable	401	566	581	666	725	794	862	910
Total current liabilities	781	1,077	1,164	1,189	1,316	1,398	1,473	1,532
Long term debt	123	334	585	899	1,051	1,078	1,088	1,105
Total non-current liabilities	551	940	1,286	1,685	1,861	1,911	1,950	1,995
Paid-up capital	200	200	200	200	200	200	200	200
Reserves	419	482	415	419	431	466	513	567
Total owners' equity	680	779	712	715	727	763	809	864
Total equity & liabilities	2,012	2,795	3,161	3,589	3,904	4,071	4,232	4,391
Cashflow statement								
Operating activities	132	124	311	88	168	216	266	282
Investing activities	(225)	(300)	(419)	(249)	(249)	(75)	(75)	(75)
Financing activities	(63)	154	81	176	108	(107)	(158)	(186)
Change in cash	(156)	(22)	(27)	16	27	34	33	20
Ending cash balance	111	89	62	77	104	138	172	192
Key fundamental ratios								
Liquidity ratios								
Current ratio (x)	1.3	1.2	1.1	1.2	1.2	1.2	1.3	1.3
Quick ratio (x)	0.9	0.9	0.8	0.9	0.8	0.9	0.9	0.9
Profitability ratios								
GP Margin	23.6%	25.5%	22.8%	22.8%	23.3%	23.8%	23.9%	23.9%
Operating Margins	5.8%	6.7%	3.0%	3.7%	4.7%	5.9%	6.5%	7.1%
EBITDA margin	7.2%	8.6%	6.1%	6.3%	7.3%	8.1%	8.3%	8.6%
Net Margins	3.6%	3.7%	-0.7%	0.1%	0.8%	2.0%	2.8%	3.5%
Return on assets	4.0%	4.0%	-0.6%	0.1%	0.8%	2.0%	2.8%	3.6%
Return on equity	11.3%	13.1%	-2.5%	0.4%	3.9%	10.5%	14.9%	18.5%
Market/valuation ratios								
EV	1,942	2,927	3,262	2,405	2,597	2,600	2,582	2,585
EBITDA	247	345	309	295	357	426	471	515
EV/sales (x)	0.9	1.1	1.2	0.8	0.8	0.7	0.6	0.6
EV/EBITDA (x)	7.9	8.5	10.6	8.2	7.3	6.1	5.5	5.0
Market price (SAR)*	82.1	114.0	114.0	60.0	60.0	60.0	60.0	60.0
Market-Cap (SAR mn)	1,642	2,280	2,280	1,199	1,199	1,199	1,199	1,199
Dividend yield	2.3%	2.0%	0.0%	0.0%	1.3%	3.6%	5.9%	8.4%
P/E ratio (x)	21.5	23.7	(121.1)	383.8	42.5	15.3	10.2	7.7
P/BV ratio (x)	2.4	2.9	3.2	1.7	1.6	1.6	1.5	1.4

Source: Company reports, Aljazeera capital Research, prices as of 14th June 2026

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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.
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