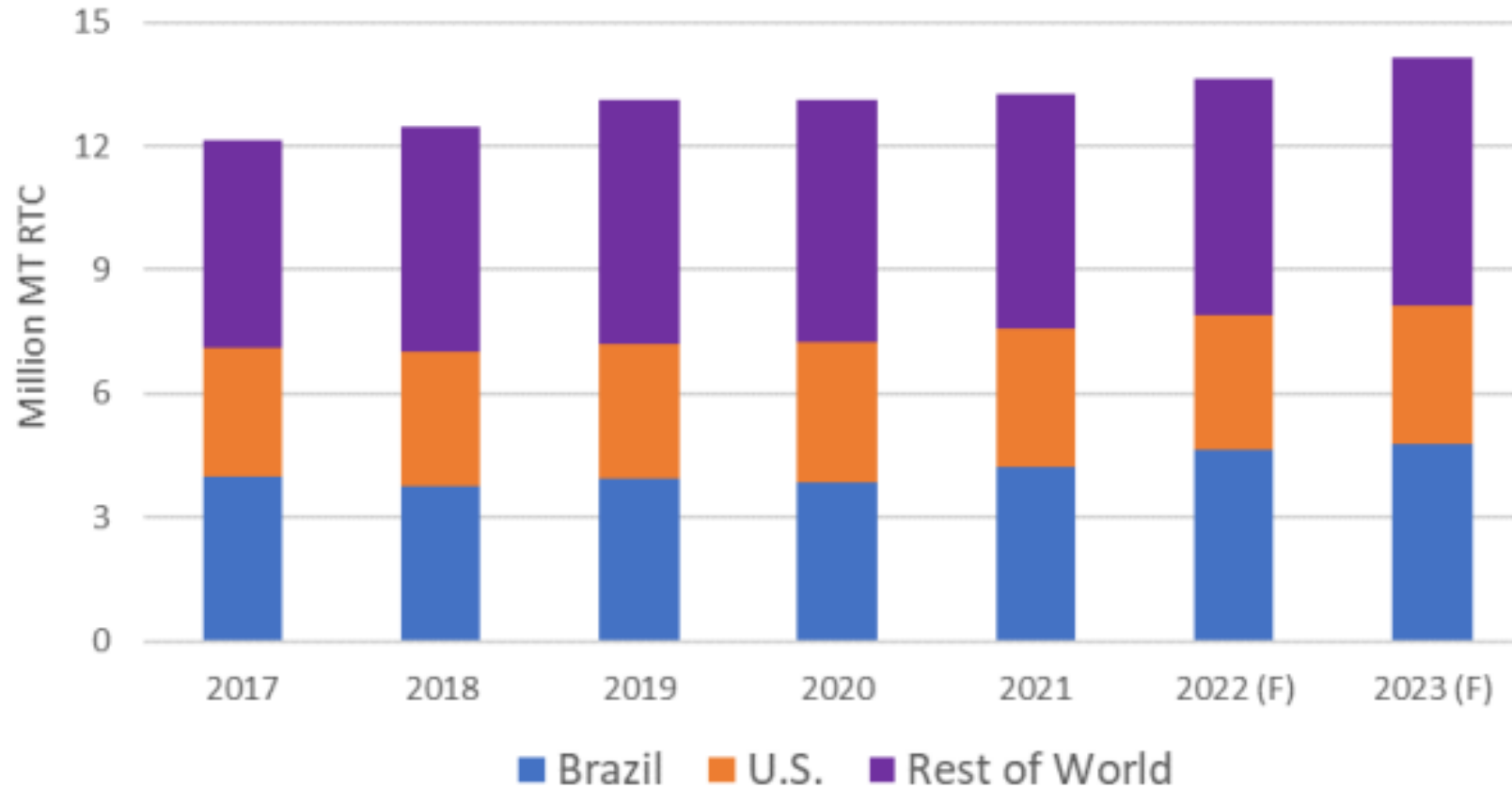


ตะวันออกกลางกับ นโยบายธุรกิจภาคปศุสัตว์

โครงการอบรมผู้ตรวจรับรองมาตรฐานตามหลักการฮาลาล (องค์การศาสนา)

ดร.วัชร แววดำ (ประธานเจ้าหน้าที่สายงานธุรกิจระหว่างประเทศ กลุ่มบริษัทสมาร์ท เวท)

Chicken Meat Trade Growth Continues Buoyed by Brazil



Source: USDA-FAS-PSD

Chicken Meat Production - Top Countries Summary

1,000 Metric Tons (Ready to Cook Equivalent)

	2018	2019	2020	2021	2022	2023 Oct
Production						
Brazil	13,355	13,690	13,880	14,500	14,400	14,850
China	11,700	13,800	14,600	14,700	14,300	14,300
European Union	10,618	10,836	11,030	10,860	10,920	10,970
Russia	4,684	4,668	4,680	4,600	4,750	4,850
Mexico	3,485	3,600	3,725	3,815	3,900	4,000
Thailand	3,170	3,300	3,250	3,220	3,270	3,360
Turkey	2,157	2,138	2,136	2,246	2,315	2,400
Argentina	2,068	2,171	2,215	2,290	2,335	2,380
Colombia	1,695	1,761	1,685	1,773	1,880	1,925
Peru	1,582	1,763	1,723	1,752	1,775	1,800
Others	18,785	19,641	20,078	20,363	20,241	20,738
Total Foreign	73,299	77,368	79,002	80,119	80,086	81,573
United States	19,361	19,941	20,255	20,391	20,845	21,163
Total	92,660	97,309	99,257	100,510	100,931	102,736
Total Dom. Consumption						
China	11,595	13,952	15,211	15,032	14,400	14,475
European Union	9,354	9,458	9,653	9,667	9,945	10,065
Brazil	9,588	9,756	10,010	10,280	9,780	10,055
Mexico	4,301	4,469	4,560	4,725	4,807	4,922
Russia	4,785	4,712	4,688	4,632	4,650	4,700
Japan	2,761	2,789	2,757	2,848	2,890	2,895
Thailand	2,255	2,389	2,299	2,280	2,306	2,381
United Kingdom	2,154	2,142	2,068	2,173	2,365	2,300
Argentina	1,911	1,941	2,025	2,116	2,165	2,190
Colombia	1,781	1,871	1,779	1,869	1,950	2,015
Others	23,493	24,475	24,716	25,294	25,379	26,208
Total Foreign	73,978	77,954	79,766	80,916	80,637	82,206
United States	16,185	16,702	16,994	17,164	17,613	17,900
Total	90,163	94,656	96,760	98,080	98,250	100,106

Notes: Chicken paws are excluded. The notation of a month beneath a year conveys the month in which the forecast for that year was released.

Chicken Meat Trade - Top Countries Summary
1,000 Metric Tons (Ready to Cook Equivalent)

	2018	2019	2020	2021	2022	2023 Oct
Total Imports						
Japan	1,074	1,076	1,005	1,077	1,115	1,120
Mexico	820	875	842	917	915	930
United Kingdom	774	792	732	689	915	875
European Union	740	770	660	645	775	815
China	342	580	999	789	650	750
Saudi Arabia	629	601	618	615	500	600
Iraq	529	494	468	388	475	500
Philippines	321	366	336	437	435	450
United Arab Emirates	321	341	270	388	416	418
South Africa	521	485	434	371	370	380
Others	3,830	4,023	4,158	4,446	4,359	4,571
Total Foreign	9,901	10,403	10,522	10,762	10,925	11,409
United States	64	61	66	72	88	79
Total	9,965	10,464	10,588	10,834	11,013	11,488
Total Exports						
Brazil	3,770	3,939	3,875	4,225	4,625	4,800
European Union	2,004	2,148	2,037	1,838	1,750	1,720
Thailand	925	961	941	907	965	1,000
Turkey	413	402	440	510	550	600
China	447	428	388	457	550	575
Ukraine	318	407	428	458	420	450
United Kingdom	370	376	443	357	300	325
Russia	131	173	216	218	225	250
Argentina	168	235	196	183	190	200
Belarus	168	174	190	184	150	175
Others	524	598	586	595	638	683
Total Foreign	9,238	9,841	9,740	9,932	10,363	10,778
United States	3,244	3,259	3,376	3,356	3,267	3,356
Total	12,482	13,100	13,116	13,288	13,630	14,134

Notes: Chicken paws are excluded. From 2019, Yemen is excluded. The notation of a month beneath a year conveys the month in which the forecast for that year was released.

MARKET OVERVIEW

KINGDOM'S MARKET OVERVIEW

- › Kingdom's Poultry Market
- › Kingdom's Feed Market and Animal Vaccine Market
- › Competitive Landscape

UAE MARKET OVERVIEW

- › UAE poultry Market
- › UAE processed Meat Market
- › UAE Feed Market and Animal Vaccine Market

Kingdom's Poultry Market

- Market size Evolution
- Market Break-up by distribution Channels (Retail vs HORECA)
- Market Drivers and Challenges

Kingdom's Poultry Market

The Kingdom's poultry market is primarily dominated by chicken meat, which accounts for about 90.0% of the total volume of the poultry market, with other poultry forms, such as quail and turkey, belonging to the niche categories.

The consumption of poultry meat in the Kingdom is high compared to other animal protein alternatives. The per capita consumption of poultry meat in 2020G was estimated at approximately 40 – 43 kg (the estimates are subject to oversupply and surplus), which increased from about 39 kg in 2018G as per Saudi poultry sector trend analysis for 2019G by Agriculture and Agri-Food Canada and USDA reports. While most poultry meat consumption is in the form of whole chicken, the demand for chicken parts has soared in the past several years due to expansion of the food catering industry, the growth of fast-food outlets, the establishment of informal restaurants with table settings, and higher demand by hotels for chicken parts. Higher demand for chicken parts accounted for 32.0% of the market in 2020G, as compared to 28% of the market in 2018G. More than 80.0% of the local chicken meat is sold in the form of chilled meat as many domestic poultry producers have switched their chicken meat production lines from frozen to chilled products. Fresh and frozen poultry meat is sold, either raw or prepared at an additional fee, to entities that transform it into chicken fingers, burgers, mortadella, sausages, etc.

Kingdom's Poultry Market

Nearly half of the local market demand was fulfilled by frozen chicken meat imports from countries such as Brazil from 2018G to 2020G. In 2020G, the Kingdom imported 550,000 mt of poultry meat, which was down by about 12.7% compared to 2018G, as reported by supplying countries. This was due to (i) trade disruptions due to the novel coronavirus pandemic, and (ii) increasing local production against the backdrop of Government support. On the other hand, imports were temporarily interrupted primarily from Brazil, the biggest importing country, due to Halal issues or non-tariff measures. Such interruption was intended to assist the competitiveness of local poultry producers, who are getting multiple support initiatives from the Government, with local production reaching 930,000 mt in 2020G.

Breeders and veterinarians are the key stakeholders during the farming and processing stages, as they decide on the poultry feed and vaccination doses that are to be administered to the chickens under directives and guidelines from MEWA

Market size Evolution

- › The Kingdom's Poultry Meat Market (2018G - 2020G)

Kingdom's Poultry Meat Market	2018G Actual	2019G Actual	2020G Estimated	CAGR (2018G - 2020G)
Domestic Production (kt)	710	800	930	14.4%
Import (kt)	630	601	550	(6.5%)
Export (kt)	40	44	45	6.1%
Net Market Size (kt)	1,300	1,357	1,435	5.1%

Source: ITC Trademap, USDA, FAO, Indexmundi, the Market Consultant's market study report.

Note: Poultry meat includes chicken only.

- › Kingdom's Poultry Market Break-Up by Product Type (2020G)

Poultry Meat			
1,435 kt			
Fresh		Frozen	
52.0%		48.0%	
Whole	Parts	Whole	Parts
70.0%	30.0%	65.0%	35.0%

Source: The Market Consultant's market study report.

Market Break-up by distribution Channels (Retail vs HORECA)

- Kingdom's Poultry Meat Market in Kilotons, Segmented by Distribution Channels (2018G - 2020G)

Kingdom's Poultry Meat Market	2018G Actual	2019G Actual	2020G Estimated
Net Market (kt)	1,300	1,357	1,435
Retail (%)	50.0	55.0	70.0
HORECA (%)	50.0	45.0	30.0

"Retail" refers to modern and traditional stores and wholesale outlets.

Source: The Market Consultant 's market study report.

Kingdom's Feed Market and Animal Vaccine Market

- Kingdom's Feed Market
- Kingdom's Animal Vaccine Market

Kingdom's Feed Market

- Kingdom's Feed Production Market, in MMT (2018G - 2020G)

Parameter	2018G Actual		2019G Actual		2020G Estimated	
	Animal Feed	Compound Feed	Animal Feed	Compound Feed	Animal Feed	Compound Feed
Domestic Production (MMT)	21.0	13.5	23.0	13.8	25.0	14.0
Import (MMT)	5.0	0.2	6.0	0.5	4.0	0.5
Export (MMT)	Negligible	Negligible	Negligible	Negligible	Negligible	Negligible
Net Market (MMT)	26.0	13.7	29.0	14.3	29.0	14.5

Source: The Market Consultant's market study report.

- Kingdom's Feed Consumption Market Segmentation by Livestock Type in 2020G

Kingdom Compound Feed Market 14.3 MMT	Market Share (%)
Poultry Feed	44.0%
Ruminant Feed (Including Cattle, Sheep, Goat, Camel and Others)	56.0%

Source: The Market Consultant's market study report.

Kingdom's Animal Vaccine Market

› Kingdom's Livestock Population, in Thousands (2018G – 2020G)

	2018G	2019G	2020G (Estimate)
Camels	491	501	511
Sheep	9,409	9,597	9,780
Goat	3,707	3,781	3,857
Cows	368	375	388
Poultry	54,510	56,145	59,670
Total	68,484	70,399	74,206

Source: MEWA.

Competitive Landscape

- › Market Share of the Largest Poultry Companies in the Kingdom by Volume of Birds (2020G-Estimated)

Al Watania	BRF	JBS	Alyoum	Fakieh	Al Munajem	Tanmiah	Others	Total
22.0%	19.0%	16.0%	12.0%	8.0%	8.0%	7.0%	8.0%	100%

Source: The Market Consultant's market study report.

- › Percentages of Distribution of Domestic Poultry Production by Region in 2020G (Estimated)

Al-Qassim	Makkah	Riyadh	Aseer	Hail	Eastern Region
37.0%	16.0%	15.0%	14.0%	13.0%	5.0%

Source: The Market Consultant's market study report.

UAE MARKET OVERVIEW

- UAE poultry Market
- UAE processed Meat Market
- UAE Feed Market and Animal Vaccine Market

UAE poultry Market

Market size Evolution

- › UAE Poultry Meat Market (2018G - 2020G)

UAE Poultry Meat Market	2018G Actual	2019G Actual	2020G Estimated	CAGR (2018G - 2020G)
Domestic Production (kt)	47.0	49.0	50.0	3.1%
Import (kt)	597.4	675.7	678.1	6.5%
Export (kt)	10.8	62.0	62.9	21.2%
Net Market (kt)	603.6	662.7	665.2	4.9%

Source: ITC Trademap, USDA, FAO, Indexmundi, the Market Consultant's market study report.

- › UAE Poultry Market Break-up by Product Type (2020G)

Poultry Meat			
665.2 kt			
Fresh		Frozen	
9.0%		91.0%	
Whole	Parts	Whole	Parts
70.0%	30.0%	43.0%	57.0%

Source: The Market Consultant's market study report.

UAE processed Meat Market

Market Break-up by distribution Channels (Retail vs HORECA)

- UAE Poultry Meat Market in Kilotons, Segmented by Distribution Channel (2018G - 2020G)

UAE Poultry Meat Market	2018G Actual	2019G Actual	2020G Estimate
Net Market (kt)	603.6	662.7	665.2
Retail (%)	55.0	55.0	70.0
HORECA (%)	45.5	45.5	30.0

"Retail" includes modern trade, traditional trade and wholesale

Source: The Market Consultant's market study report.

- UAE Processed Meat Market in Kilotons (2017G - 2019G)

UAE Processed Meat Market	2018G Actual	2019G Actual	2020G Estimate	CAGR (2018G - 2020G)
Domestic Production	126	133	140	5.4%
Import (kt)	33	37	40	10.1%
Export (kt)	45	50	50	5.4%
Net Market (kt)	114	120	130	6.8%

Source: ITC Trademap, the Market Consultant's market study report.

UAE Feed Market and Animal Vaccine Market

› UAE Animal Feed Market, in MMT (2018G - 2020G)

Parameter	2018G Actual		2019G Actual		2020G Estimated	
	Animal Feed	Compound Feed	Animal Feed	Compound Feed	Animal Feed	Compound Feed
Domestic Production (MMT)....	1.2	1.2	1.2	1.2	1.4	1.3
Import (MMT)	1.9	0.20.2	2.0	0.2	2.0	0.2
Export (MMT)	Negligible	Negligible	Negligible	Negligible	Negligible	Negligible
Net Market (MMT)	3.1	1.4	3.2	1.4	3.4	1.5

Source: The Market Consultant's market study report.

strategy

› Expand Capacity to Serve Growing Demand Locally and in the MENA Region

The Group seeks to grow its fresh chicken business in line with the Saudi Government's strategic goal of meeting 80% of the local poultry demand within the next five years through domestic production, Pursuant to the Ministry of Environment Water and Agriculture (MEWA) strategy and the Kingdom's Vision 2030G. The Saudi Arabian poultry market is moving towards self sufficiency as domestic producers are increasing their production supported by the Government in the form of direct and indirect subsidies, stricter import regulations on frozen poultry and growing consumer preference for locally produced fresh poultry. However, there is a supply gap that needs to be bridged.

The fresh product margins are higher as they command a better price and partly because chilling reduces costs by eliminating freezing and cold storage charges. Consumers, particularly Saudi nationals, are used to paying a premium for fresh/chilled domestic chicken meat. The Group has systematically increased its local sales of fresh chicken over the past three years, from 66.3 million chickens in 2018G to 81.5 million chickens in 2020G to grow and build market share. The Group has been continuously growing its capacity in terms of broiler farms, and processing and distribution capability, to ensure that it can meet the growing market demand for fresh chicken products.

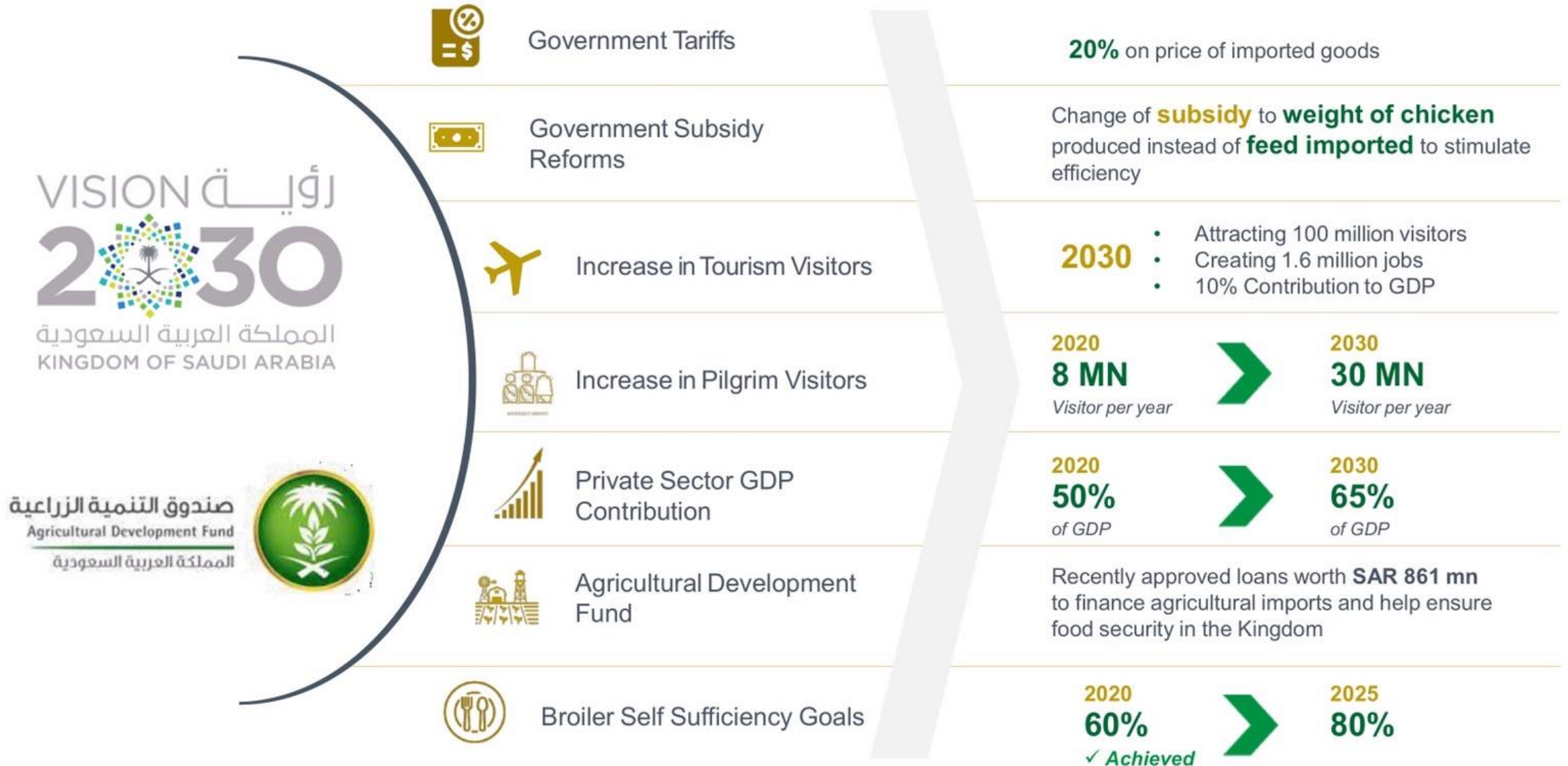
In relation to the processed meat business, there has also been a stable demand from the HORECA segment. This demand is being catered to from the further processed food facilities of the Group, which has resulted in a stable volume of around 14,000 MT per year in the 2018G - 2020G period that the Group met by ensuring efficient capacity utilization and effective planning and improved process flow.

› Deliver Differentiated Products and Solutions

The Group continually assesses opportunities for delivering high quality, fresh, further processed and custom-made products and services as a solution to the ever demanding and rapidly expanding retail, food and poultry industry. The Group has set-up an in-house product development team that supports new product development, tailored to meet market needs. The Group's focus on quality and food safety allows it to target customers that place a high value on quality, consistency, food safety and predictability of products and services.

Supported by Government Initiatives

The Saudi government continues to support the Food sector directly and indirectly as part of the 2030 vision initiatives and programs



Sources: Vision 2030, Agricultural Development Fund Media Center, Export.gov, International Trade Administration, the Company

FOOD PROCESSING VALUE ADDED POULTRY PRODUCTS

Public / متاح

High Potential

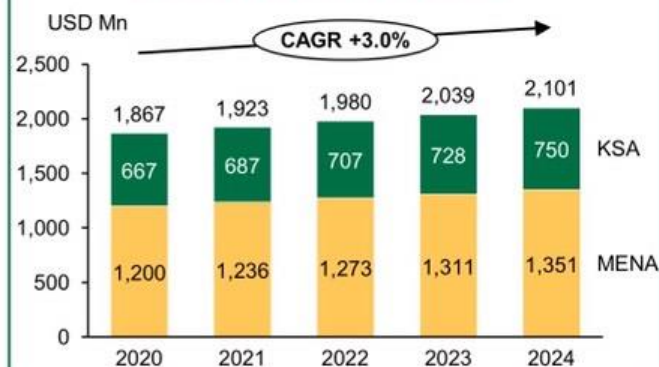
Moderate Potential

Low Potential

OPPORTUNITY'S DESCRIPTION: Opportunity to establish a processing facility in KSA for poultry value-added products to serve the local and regional markets

DEMAND

MARKET SIZE, USD MN



INVESTMENT HIGHLIGHTS

- Investment size for value-added poultry farm ~ USD 108 Mn
- Expected IRR: 9%
- Expected payback period: 9.3 years
- Investment model: 100% private investment

INVESTMENT OVERVIEW

VALUE PROPOSITION

- The Saudi government has a national strategy to increase self sufficiency to 85% by 2025
- Government provides subsidies for interest free loans and rebates on purchase of certain poultry equipment
- SFDA has banned electrical immobilization, which has led to significant reduction of imports from USA
- Catering contractors serving food to government institutions (hospitals, schools, universities) are mandated to use more than 70 percent local content

KEY DEMAND DRIVERS

- One of the Vision 2030 objectives is to achieve 85% self-sufficiency in poultry sector
- Poultry is one of the most consumed animal protein in KSA and GCC region
- Estimated chicken meat consumption in KSA in 2019 was ~1.33 million MT and projected to increase by 4% to ~1.38 million MT in 2020, due to continuous increase in population and high number of religious visitors
- Demand for value added poultry is mainly driven by expansion of the food catering industry, growth of fast-food outlets, and increased demand by hotels and restaurants

MARKET OVERVIEW

MARKET READINESS AND COMPETITOR ANALYSIS

- Currently KSA value added poultry market served by select global and local players

COMPETITOR ANALYSIS



GLOBAL TRENDS

- Global processed poultry meat industry estimated to generate revenue of USD 289 Bn in 2020
- Manufacturers of processed poultry meat have been capitalizing on expansion opportunities recently. Whether it is an expansion of their processing capabilities or entry into new markets in order to increase their market share
- Rising awareness for protein rich diets, coupled with higher nutritional value of poultry meats, is significantly contributing towards increasing demand for value-added poultry products

FOOD PROCESSING VALUE ADDED POULTRY PRODUCTS

Public / متاح

SUPPLY

SCALABILITY AND LOCALIZATION

Grade: Low Medium High

- The poultry value chain right from breeding farms, hatchery, grow out farms are already localized in Saudi Arabia
- Easy access to labor, approval of foreign suppliers, and an expedited process for licenses and permits will allow for quicker localization of the industry
- KSA has high poultry production, strong logistics infrastructure and supportive regulatory ecosystem to enable export of value-added poultry globally

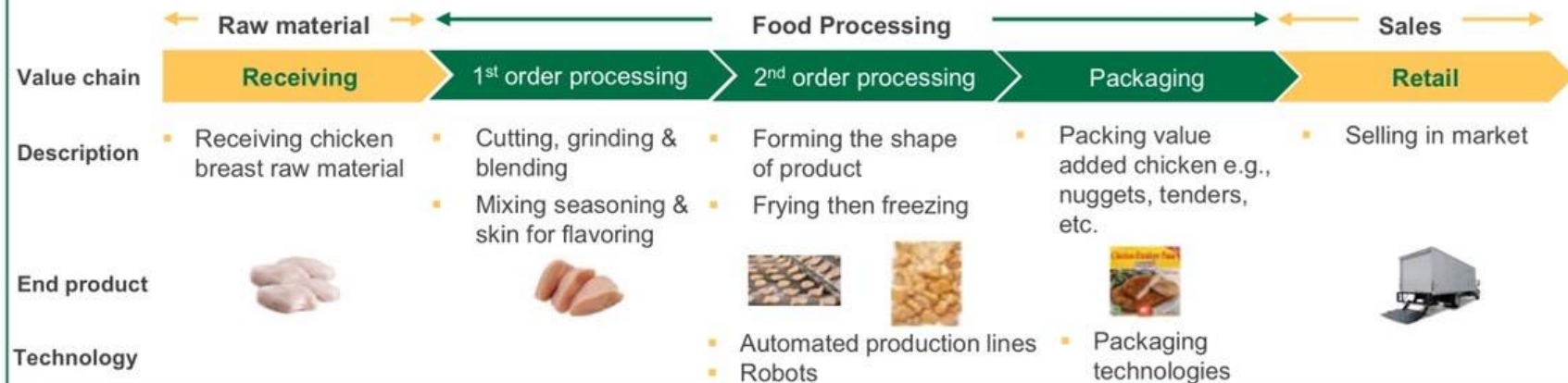
IMPORT DEPENDENCY

- In 2019, KSA imported poultry value-added products worth ~USD 426 Mn

Country	% of Saudi imports in 2019
UAE	55.4%
Thailand	39.4%
Others	5.2%

Source: UN COMTRADE

VALUE CHAIN ANALYSIS



KEY STAKEHOLDERS



ENABLING FACTORS

ENABLERS

- Government supporting low financing cost ~75% of capex
- Protection against imports of low-priced finished goods from neighboring countries
- Government subsidy for reducing production cost of poultry in KSA in form of monthly production based direct financial subsidies, interest free loans and rebates on purchase of poultry equipment

COST OF DOING BUSINESS IN KSA

Factor	Ranking Amongst Regional Peers
Electricity tariffs for industrial players	\$48 /MWh
Productivity adjusted wages	\$3.3 /hour
Logistics Performance Index (1 – 5)	3.2
Customs Clearance Index (1 – 5)	2.7
Ease of getting credit (0 – 100)	50



LOCALIZATION OF POULTRY VERTICAL INTEGRATION

OPPORTUNITY DESCRIPTION: Establish a broiler farm and a processing facility locally for selling in the local market and exports to regional markets

DEMAND

MARKET SIZE, USD MN



KEY DEMAND DRIVERS

- One of the Vision 2030 objectives is to achieve 80% self-sufficiency in Poultry sector
- Poultry is one of the most consumed animal protein in KSA and GCC region
- Growing population, rising incomes and increasing per capita consumption are the key drivers for poultry demand in KSA and the wider GCC region
- There is growing demand for poultry from religious visitors that are poised to rise from 7 mn visitors in 2019 to 30 mn visitors by 2030

INVESTMENT OVERVIEW

INVESTMENT HIGHLIGHTS

- With an initial investment of USD 90-120 Mn, the vertically integrated poultry farm could achieve an IRR of 8%
- Estimated to create 100 direct and 200 indirect jobs
- Secondary processors have the highest estimated profit as compared to other processes in the supply chain

VALUE PROPOSITION

- The Saudi government has a national strategy to increase self sufficiency to 60% by 2023
- Government provides subsidies for animal feed, interest free loans and rebates on purchase of certain poultry equipment
- SFDA has banned electrical immobilization, which has led to significant reduction of imports from USA
- Saudi Arabia can form a base for exporting poultry products to the other GCC countries

MARKET OVERVIEW

MARKET READINESS AND COMPETITOR ANALYSIS

- Chicken production in Saudi Arabia is concentrated in about ten vertically integrated companies (three large companies: AlWatania, Fakieh and Almarai and 7 medium farms) which control more than 80% of production.

VALUE CHAIN PRESENCE

BRANDS

MARKET SHARE

Vertically Integrated



~50-60%

Processors



~10-15%

Distributors



~25-35%

GLOBAL TRENDS

- The global production of chicken meat in 2020 is expected to reach 100.5 mn MT
- Brazil and US together account for over 60% of global poultry trade
- Demand for poultry is expected to be more resilient due to its position as a low-cost versatile animal protein culturally acceptable in virtually all markets



LOCALIZATION OF POULTRY VERTICAL INTEGRATION

SUPPLY

SCALABILITY AND LOCALIZATION

Grade: Low Medium High

- Feed consists of corn and soymeal and is mostly imported
- Rest of the value chain right from breeding farms, hatchery, grow out farms and processing facilities can be localized in Saudi Arabia
- Easy access to labor, approval of foreign suppliers, and an expedited process for licenses and permits will allow for quicker localization of the industry

IMPORT DEPENDENCY

- 45% of the current consumption is imported. By 2023, only 40% of consumption is expected to be imported

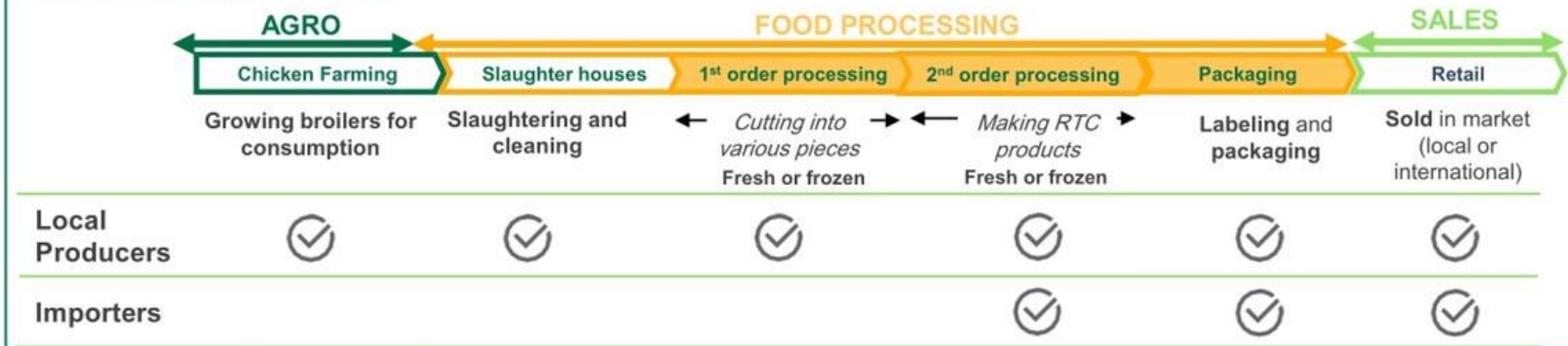
COUNTRY	% OF SAUDI IMPORTS (VOLUME) IN 2018
Brazil	79%
France	13%
Ukraine	5%
Others	3%

ENABLING FACTORS

ENABLERS

- Government supporting low financing cost - 75% of capex (up to SAR 75 Mn)
- SFDA approved production line to process poultry products
- Protection against imports of low priced finished goods from neighboring countries

VALUE CHAIN ANALYSIS



KEY STAKEHOLDERS



COST OF DOING BUSINESS IN KSA

Factor	Ranking amongst regional peers
Electricity tariffs for industrial players	\$48 /MWh
Productivity adjusted wages	\$3.3 /hour
Logistics Performance Index (1 – 5)	3.2
Macro Economic Risk (1 – 100)	30
Ease of getting credit (0 – 100)	50

Competitive Advantages (1)

There are a number of factors that give the Group an advantage over its existing and potential competitors, provide a platform for sustainable and profitable growth, and deliver added value to its Shareholders. These include:

› Efficient and Integrated Business Model

The Group currently operates in-house all critical production stages, allowing it to streamline its operations, reduce production costs, ensure optimal breeding and feeding decisions, and ultimately to provide high quality products. The Group's facilities and equipment have been modernized as a result of SAR 76.2 million spent in capital expenditures in the past three financial years.

The Group has invested in its primary and further processed plants to ensure that quality products are made, such as state of the art Revo equipment which produces a variety of products that look and taste like whole muscle products, delivering better value to the customers. Equipment is in general sourced from leading international manufacturers and is customized to ensure products are manufactured as per the Group's customer specifications and demand. In its fresh poultry meat business, the Group has improved and upgraded its packaging by adopting modified air packaging for its fresh chicken, and customized processing lines to process larger birds. Moreover, the Group is continuously improving its sales strategy, increasing capacity utilization, identifying cost savings initiatives, and further contributing to improving its performance. The Group has also set up an in-house product development team that supports new product development, tailored to meet market needs.

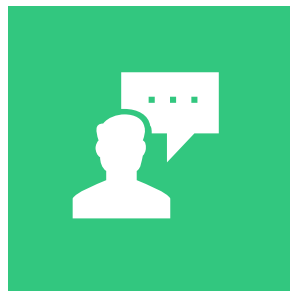
As a result of the above, the Group has been at the forefront of delivering competitive results when it comes to poultry mortality, hatchability, feed conversion ratios and other important KPIs within the poultry industry.

› A Unique Asset Light Model

The Group follows a unique and successful "asset light" model. Instead of significant CAPEX expenditures, and, through DHV, provides assistance to landowners by sharing their expertise and providing advisory services that help them build and plan their farms efficiently. Furthermore, it leases and fully manages such farms through ADC. Similarly, the Group does not own its farms, primary processing and hatching facilities (except for one) but instead leases and manages them. This model allowed the Group to grow more rapidly and stand out from most players in the Saudi Arabian poultry industry. The asset light model also ensures that investment is optimally utilised in areas where it is strategically important for sustainable and profitable growth. Additionally, it gives the Group the flexibility to move any of its farms or facilities if it becomes unsuitable for operations.

Tanmiah Food Company

- › The poultry market is highly competitive in the Kingdom but the targeted self-sufficiency of 80% by 2025 is expected to benefit the domestic poultry producers. The government support for domestic poultry producers includes subsidies, import tariffs, and strict Halal compliance, providing them an edge over foreign players. If there are no regulatory bans on imports, market share gains would likely come mainly from a price war.



Capacity ramp up
+ Govt. support = Long term pick

Competitive Advantages (2)

› Award Winning Business Focusing on Quality

› Recognitions and Award

The Group has also been recognised for its best practices in the fresh poultry segment and became in March 2018G the first Saudi Arabian company to be enrolled in the prestigious 'Ross 140 club' at the VIV MEA, Abu Dhabi. The Ross 140 club is recognition of the productivity efficiencies at the breeder farm in terms of the number of chicks that are produced per hen house. In addition, the Group was also recognised in January 2014G as a "Superbrand" in the poultry sector in the Gulf for 2014G. This recognition was awarded after a market study, which was conducted by Superbrands International, which operates in more than 80 countries, that measures the equity of brands, in both direct-to-consumer and business-to-business markets. In March 2019G, the Group was awarded the prestigious Product of the Year Award Gulf for 2019G for its fresh chicken range. "Product of the Year" is the world's largest consumer-voted award for product innovation. Established in 1987G in France, it operates in more than 40 countries and a brand is selected based on a voting process conducted by the research company ACNielsen. "Product of the Year" is an endorsement for the Tanmiah brand by GCC consumers for both quality and innovation. Moreover, in the further processed category, the Group has also received Quality awards from International QSR customers such as Burger King, Subway and Dairy Queen. Delivering consistent quality and service has helped the Group gain recognition as an efficient and reliable business partner.

Competitive Advantages (3)

› Diversified and Attractive, Blue-Chip Customer Base

The Company's customer base, in both the fresh and further processed segments, is characterised by strong, long-term partnerships with leading blue-chip companies, which represent some of the largest accounts in the Kingdom. At present, the Group has more than 2,300 customers balanced across its various businesses and distribution channels, including international quick service restaurants (such as Burger King, Subway, Hardees and Pizza Hut), and other local chains and retail (e.g., Carrefour, Danube, Othaim, Lulu and Sadhan). As a distributor, the Company also represents well-known brands like Zoetis, Boehringer Ingelheim, Synbiotics, Cumberland, Evonik and Lallemand through its veterinary and animal health business. The Group's leadership in cultivating long-standing strategic partnerships is evidenced by the average length of the Group's customer relationships. As of 31 December 2020G, the average length of the Group's relationship with its top ten customers was more than five years. Furthermore, the Group benefits from limited customer concentration in which its three largest customers collectively accounted for approximately 12.46% of its total sales and no single customer contributed more than 6% of its total sales as of 31 December 2020G. The depth of the Group's customer relationships provides a foundation for recurring revenues as well as a platform for growth.

Competitive Advantages (4)

› Wide Self-Operated Distribution Network

The Group runs a self-operated cold-chain distribution network and manages a growing fleet of multi-temperature-controlled vehicles carrying fresh poultry and processed cargo to all major cities in the Kingdom, including Jeddah, Riyadh, Dammam, Makkah, Madinah, Abha, Tabuk and Hail. It has an average of 8,500 deliveries every week to various outlets across the Kingdom and other GCC markets. The Group operates sales offices/warehouses in major regions in the Kingdom – Central/Western/ Eastern, UAE and Bahrain. The rest of the Kingdom is serviced through third-party distributors. The Group strives to ensure high quality product delivery as well as exceptional customer service around the year.

› Operating in a Market Difficult to Penetrate by Foreign Producers

Due to the increasing support by the Saudi Government to domestic producers in form of direct and indirect subsidies, stricter import norms, tariffs on frozen poultry imports and the requirement for food products to be Halal compliant, the entry of foreign brands into the Saudi Arabian markets is becoming increasingly difficult. As a consequence, Saudi Arabian poultry producers, including the Group, have a competitive advantage over foreign producers which has among other things resulted in limiting the influx of imported frozen chicken products.

Import Tariffs on Food/Agricultural Products

- › According to Saudi Customs, a clear majority of food products are subject to a five percent import duty (Saudi Customs). To protect local production and food processors from competitively priced imports, Saudi Arabia ties import duties to the level of local production of similar products.
- › Poultry imports face a mixed tariff; 25 percent or SAR 1.00 (\$0.267) per kilogram, whichever is higher.
- › Imports of rice, baby milk and animal feed (barley, corn, rice, sorghum, and soybean meal, etc.) coffee, tea and fresh red meat enter the country duty-free.

Policy

- › On January 1, 2020, the Saudi government stopped paying animal feed import subsidies (except for some types of forage.)
- › The government provides up to \$187 million in direct production-based subsidies to the poultry industry annually, and subsidies are listed in the table below.

Saudi Production Based Poultry Subsidies		
Poultry Type	Subsidy in SAR per Month	Production Unit
Broiler parent chick	SAR0.40	Per chick
Layer parent chick	SAR0.20	Per chick
Broiler chick	SAR0.14	Per chick
Broiler meat	SAR0.65	Per kg
Table eggs	SAR15	Per carton of 360 eggs

Market dynamics (1)

- › BRF and JBS were the largest Brazilian importers that constituted the bulk of the poultry imports in 2020 (~35% of KSA Poultry supply and around 70% of imports).
- › There are two ways to meet the target
 - › 1) a blanket ban on imports
 - › 2) a price war that drives out the weaker importers – both supported by an increase in domestic poultry supply.

Market dynamics (2)

- › BRF and PIF made plans to create a poultry joint venture
- › Almarai plans to double its poultry capacity with a SAR6.6bn investment over 5 years.
- › The largest poultry company in Saudi – Al Watania has plans to expand in a significant manner.
- › Almunajem have plans to increase investments.
- › JBS also announced the acquisition of two production units in the Middle East (located in Saudi Arabia and the UAE, and mainly producing frozen foods including beef, chicken, vegetables, and fruit).

Strategic Partnership with Tyson Foods of the US



- › Tanmiah entered a strategic partnership with Tyson Foods of the US in July 2022. As per the deal, Tyson Foods will acquire a 15% equity stake in Agriculture Development Company (ADC) and a 60% equity stake in Supreme Foods Processing Company.
- › The deal will provide Tanmiah with the strategic support of one of the largest US poultry players and boost exports.

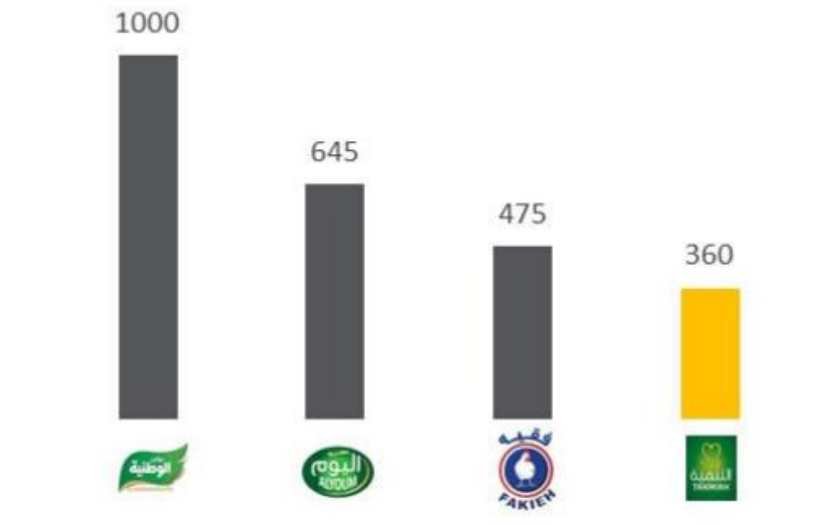
The master franchise agreement with Popeyes

- › In December 2021, Tanmiah's fully owned subsidiary Gulf Brand Fast-Food Company signed a master franchise and development agreement with Popeyes, one of the world's leading chicken quick service restaurants. The deal will help the brand expand its footprint in Saudi Arabia, with new restaurants set to open in the coming years, and provide growth opportunities for Tanmiah.

About the sector

- › The chicken industry in Saudi Arabia consists of local players and imported products. Local players include Al Watania, Fakieh, Alyoum (Almarai group), Tanmiah, Intaj, Aseer Co-op, Radwa, Golden Chicken, and other smaller players. Top 10 firms control up to 95% of production.
- › MEWA launched an expansion plan to pump SAR17bn worth of investments in the poultry sector until 2025. The ministry has been active in helping private producers overcome challenges such as the acquisition of land for poultry production, providing loans for equipment purchases, and introducing reforms in its subsidy system for feed, livestock, and poultry.

Figure 12: Capacity of key local brands (Bird' 000/day) (2021)



Source: Company data, GIB Capital

Snippets from the company IPO prospectus on the sector



- › Higher demand for chicken parts accounted for 32% of the market in 2020G, as compared to 28% of the market in 2018G.
- › More than 80% of the local chicken meat is sold in the form of chilled meat
- › Fresh poultry meat constituted 52% of the total poultry market while the remaining, 48% was Frozen chicken.
- › Local consumers prefer chickens weighing 900-1,100g, while large chickens of 1,200-1,500g are perceived as old and not tender and consumers associate them with artificial fattening.
- › The shelf life for fresh chicken is nine days from the date of its slaughter in the Kingdom,
- › Breaded processed chicken products, accounting for 65.0% of the processed meat market. Non-breaded patties, with the remaining 35.0% of the processed meat market.
- › MEWA estimates the current chicken mortality rate at less than six percent, which is an incredible achievement compared to the 25 percent mortality rate less than a decade ago.

Saudi PIF launches new firm to localize halal production industry

- › Saudi Arabia's Public Investment Fund has announced the launch of Halal Products Development Co. aimed at localizing the halal production industry in the Kingdom.



Saudi PIF launches new firm to localize halal production industry

- › The launch of the new firm is expected to help promote Saudi Arabia as a global halal hub,
- › It will also help develop the halal production industry in Saudi Arabia through partnerships with key local and international players, along with creating job opportunities.
- › With a particular focus on poultry, HPDC and BRF, one of the world's leading poultry exporters, also announced the signing of a joint venture agreement.
- › The JV will establish operations for the whole poultry production chain in Saudi Arabia and enrich the offerings of fresh, frozen, and processed poultry products



Thank You