Target Price: SAR110/share
Current Price: SAR80.4/share
Upside: 37% (+Div. Yield: 0.9%)
Rating: Overweight

Tanmiah Food Company (Tanmiah)

Capacity ramp up + Govt. support = Long term pick

- Tanmiah is one of the beneficiaries of the Kingdom's program for poultry self-sufficiency. The company plans to expand capacity by 3.2x (1200k birds/day) by 2025 from 2021 levels though we factor in a 2.2x increase (~800k birds/day) by 2026.
- We may see discounting/price cuts eventually as domestic capacity increases, to gain market share from importers.
- We use the DCF method to arrive at our target price of SAR 110/share and initiate with an Overweight rating. We find value at current levels for a long-term investor.

High growth in a defensive sector: With SAR17bn investments coming in the sector for food security, local Poultry manufacturers are set to gain more market share (80% by 2025 from originally 60% in 2020 and currently at ~68%) from importers in the coming few years based on targets set by the Govt. Importers are disincentivized with a 20% duty, while local players such as Tanmiah receive subsidies and Govt. support.

Price war inevitable: Poultry prices increased by ~20% in 1H22, the largest hike in the past decade (~2% CAGR during 2011-2021 incl. VAT). As Corn & Soybean (~50% of COGS) prices are already down ~12% q/q in 3Q22, this will boost 2H22 margins. However, given the significant increase in domestic poultry, one could expect a price war as we approach 2025 (2024 in our model). This could accelerate domestic market share gains, in the event of no regulatory bans. Also, we forecast only marginal Opex efficiencies for Tanmiah given the expansions and as a large part of the costs are variable because of the asset-light model.

Valuation and risks: The stock is trading at SAR80.4/share (-2% YTD), and is underperforming TASI (+10% YTD). Despite the possibility of lower-than-guided capacity addition, there is value in the stock based on our DCF model which helps to capture longer-term price/capacity changes. However, given the likely mid-term earnings weakness/uncertainties the stock is more of a longer-term pick. Key downside risks include adverse changes in Govt. support or self-sufficiency targets, delay in procurement of equipment, epidemics, rise in mortality, and increase in feed costs.

Figure 1: Key financial metrics

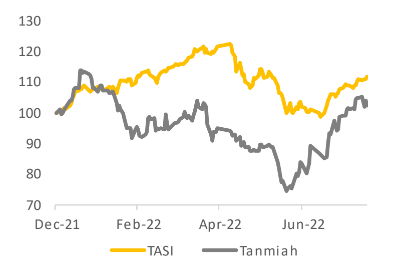
SARmn	2020a	2021a	2022e	2023e
Revenue	1,212	1,539	2,067	2,307
Revenue growth	*6%*	*27%*	*34%*	*12%*
Gross Profit	310	327	576	691
Gross Profit margin	*26%*	*21%*	*28%*	*30%*
EBITDA	183	141	285	384
Op. income	107	47	209	286
Net profit	74	14	165	229
Net profit margin	*6%*	*1%*	*8%*	*10%*
EPS (SAR)	3.7	0.7	8.3	11.4
DPS (SAR)	0.0	0.5	0.8	1.0
P/E	21.6x	118.6x	9.7x	7.0x

Source: Company, GIB Capital

Stock data	
TASI ticker	2281.SE
Mcap (SARmn)	1,608
Avg. Trd. Val (3m) (SARmn)	12.0
Free float	30%
QFI holding	0.9%
TASI FF weight	.022%

Source: Bloomberg

Prices indexed to 100



Source: Bloomberg

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Investment case

High growth in a defensive sector with Govt. support and targets

The company is a major domestic poultry producer in Saudi Arabia with a fresh chicken production capacity of 420,500 birds per day (as of 2Q22). The company's pricing for Poultry is considered at the lower end of the spectrum of fresh chicken prices in KSA even as Tanmiah's products enjoy consumer perception of high quality. Tanmiah has an asset-light business model (giving it a high sales/asset ratio of 100%+) wherein the company leases most of its farms, hatcheries, and other production facilities that allow better speed and scalability against competitors. Tanmiah has an integrated business model wherein a part of fresh chicken produce (whole and parts) is sent for Further Poultry Processing (FPP) for manufacturing value-added products - ~20% of revenue. A large part of the chicken for FPP is frozen/imported in our view. The company sells its products through its network of distributors and retailers as well as via online channels. It also caters to HORECA customers such as Burger King, Subway, and McDonald's. The company has the master franchise agreement for Popeye stores in KSA which is fast growing.

The sector witnessed its largest poultry price hike in a decade to offset the increase in input costs. 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.

To capitalize on this opportunity, the company plans to expand its production capacity by around 3.2x in 4 years from 2021 levels though we believe a 2.2x capacity is more likely, for now (more details on page 3). In any case, this should result in a proportional jump in earnings in the longer term. The high per capita chicken consumption in Saudi Arabia and other GCC markets, owing to the regional food habits, is likely to continue to support demand for poultry products. Additionally, favorable demographics including steady population growth and an influx of foreign tourist arrivals of 30mn by 2030 (compared to ~4mn in 2021) and a shift in consumer preferences to greater eating-out culture, are expected to strengthen demand in the long-term.

Figure 2: Key performance indicators for Tanmiah

KPIs	2020a	2021a	2022e	2023e	2024e	2025e	2026e
Bird capacity per day ('000)	268	370	435	544	653	750	803
Change in bird capacity per day	17.0%	38.1%	17.6%	25.0%	20.0%	15.0%	7.0%
Change in poultry sales volume	14.4%	12.3%	23.9%	12.6%	9.9%	23.9%	18.9%
Gross margin	25.5%	21.2%	27.9%	30.0%	24.6%	23.9%	25.3%
Net margin	6.1%	0.9%	8.0%	9.9%	4.8%	4.3%	6.1%

Source: Company, GIB Capital

Market dynamics

Currently, 68% of the market is already supplied by local poultry producers (from around 60% in 2020) leaving around 12% market share for the local players as per the Govt. targets by 2025. 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). While exact numbers are not available, the import ban (mid-2021) on mainly JBS's imports, and some other importers could have been instrumental in the 60% to 68% increase achieved so far. In our view, there are two ways to meet the target – 1) a blanket ban on imports and 2) a price war that drives out the weaker importers – both supported by an increase in domestic poultry supply.

If there are no regulatory bans, restriction of imports may have to be through financial infeasibility for importers in KSA. For example, while Saudi segmental revenue and profits are not available, BRF is expected to report losses in 2022 and only a 1.8% net margin in 2023 (Bloomberg cons.). Thus, if fundamentals weaken, importers such as BRF may not be able to find it profitable to export to KSA. However, there may be a lot of other importers that may try to increase their sales. Thus, a price cut of as high as ~15% (higher than the cash margins of the importers) may ensure the acceleration of domestic market share gains. However, there is a lot of uncertainty given the additional factors to be considered:

- BRF and PIF made plans to create a poultry joint venture with BRF holding a 70% stake. The investment is for US$350mn (SAR1.3bn), the same as Tanmiah's total Asset size in 2021. We estimate production of around 150k tons by 5 years. If the JV assumes a similar asset-light path, then the company would be able to ramp up operations fast, being able to replace around ~50% of its sales volume. Also, its plant in Abu Dhabi received the go-ahead to resume chicken exports to Saudi Arabia following a three-year suspension. BRF inaugurated its new plant 'Al Joody' in Dammam recently. The unit was acquired in January 2021 and received investments of around US$18mn and has increased its monthly production capacity to 1,200 tons of food.
- Almarai plans to double its poultry capacity with a SAR6.6bn investment over 5 years. In 2021, the company produced 200mn tonnes.
- The largest poultry company in Saudi – Al Watania has plans to expand in a significant manner. As per SDFA, the expansion project will increase the farm's daily production from 850,000 to 1 million chickens per day.
- We believe other players such as 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). JBS is also creating its proprietary distribution platform in the region with units in Saudi Arabia, the UAE, and Kuwait.

Overall, we believe the competition could intensify as the plans materialize leading to an inevitable price war. Assuming an annual 4% increase in poultry demand from 2020-25, the market's incremental demand would be 481mt/annum for local players by 2025.

Figure 3: Incremental local supplies between 2020-25 are around 480kt

(in kt)	2020	2025	change
Imports	613	350	(263)
Imp. wt(%)	40%	20%	
Local	920	1,400	481
local wt(%)	60%	80%	
Total	**1,533**	**1,751**	

Source: Company, GIB Capital

If even a large 40% of this demand would be met by Tanmiah alone (likely on the higher end)– this implies around a capacity of 800k birds/day by 2026 as per our analysis. It would depend on how fast the company plans its expansions vis-à-vis its competitors. Given the asset-light model, and the company's expansions from 229k birds/day in 2019 to around 420k birds per day by 2Q22, we believe 800k birds/day by 2026 may not be unreasonable.

Valuation, assumptions, and risks

We use an FCF model to value the company to capture the longer-term capacity expansion plans and pricing changes as per our views.

Revenue: Poultry revenue is the largest top-line contributor for Tanmiah (70% in 2021), followed by processed poultry revenue (20% in 2021). The company has a strategic plan to increase its production capacity in the poultry business to 1.2mn birds per day by 2025 (implying a CAGR of 26% in capacity). We forecast a 2.2x increase in capacity and assumed volume growth to track the capacity expansion with a delay of 1 year as the capacity utilization picks up.

Three key inputs in our valuation are:

a) Capacity expansion
b) Lease/capex payments
c) Longer term Gross Margin

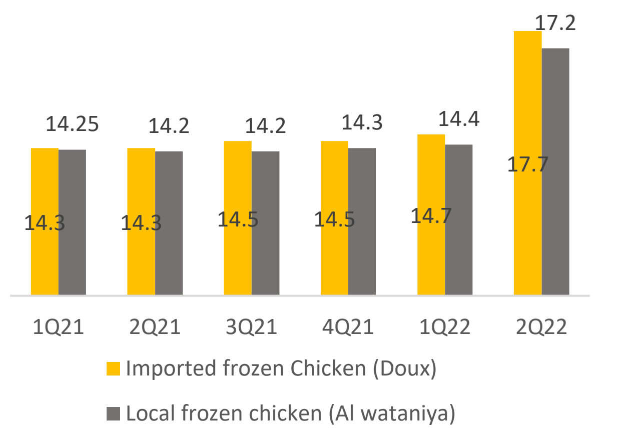
Prices: In line with global inflationary trends, chicken prices in Saudi Arabia have risen substantially in H122. These increases have been across both local and imported chicken categories, indicating a broad-based rise in prices. The increase has been caused by rising feed prices such as soybean and corn (mostly imported). As detailed before, we expect pricing to remain tight esp. as local capacity increases, and accordingly model poultry prices 14% lower in 2024. It may not necessarily happen in 2024 but we believe this to happen at some point to push out the weaker players. The timing of the pricing cut wouldn't materially matter in our DCF model. Prices of Frozen and fresh poultry are at par now and we expect this to revert to the previous position of a premium for fresh chicken. This will further hurt the suppliers of frozen chicken (importers). Currently, importers of Frozen chicken (such as Almunajem) are making higher than usual margins. We expect the older inventory to phase out (in a year) and we will see them revert to prior lower margins. Reports of Brazilian poultry show that cost of producing chicken has substantially increased and hence the importers will likewise have to follow price hikes.

Feed is the biggest cost component

Costs: Feed is the largest cost component for the business as it accounts for ~50% of the total COGS (that is ~40% of revenues in 2021). Corn and soybean are the primary feeds for chicken breeding and their prices witnessed unprecedented increases in 2021. A big fluctuation in these cost items could result in significant volatility in profits. However, as seen from their future pricing curves, their prices are expected to cool off during the year, which would help gross profit margins improve in 2H22.

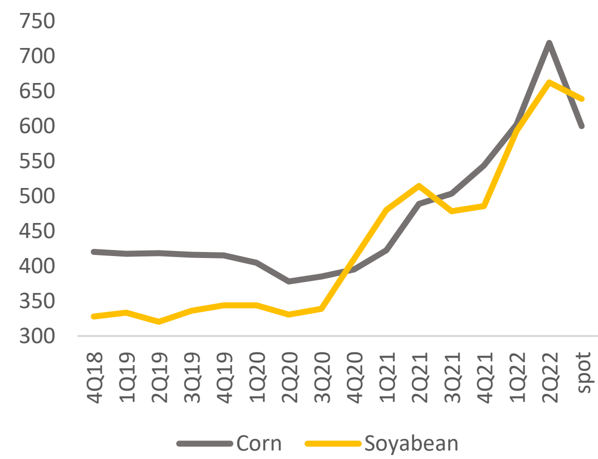
Capex/lease payments: We have forecasted lease liabilities and Capex growth to be in line with the capacity expansion. The Capex spending is focused on hatchery capacity, processing plant renovation, and feed storage expansion.

Figure 4: Quarterly Average Chicken prices (SAR/900 gm)



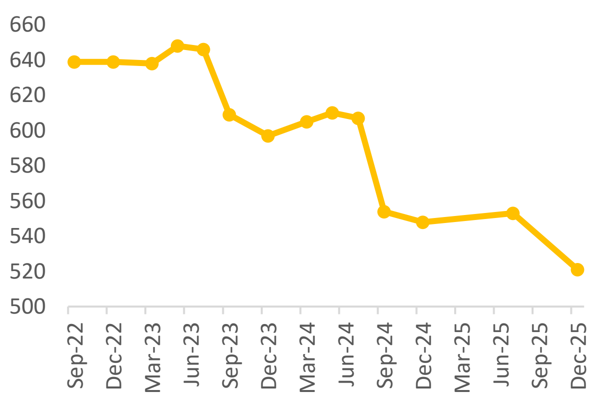
Source: GASTAT

Figure 5: Corn and Soybean prices (USD/Bu)



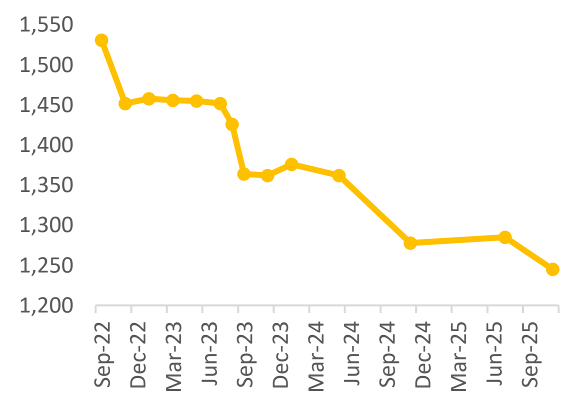
Source: Bloomberg, GIB Capital

Figure 6: Corn Futures curve (USD/bu)



Source: CME Group, GIB Capital

Figure 7: Soybean Futures curve (USD/bu)



Source: CME Group, GIB Capital

Other factors to consider in valuation are:

- Subsidies are substantial – ~SAR50mn in 2021 vs net profit of 13.5mn and hence payment delays or downward revision could affect the company's numbers.
- We found the valuation to be extremely sensitive to the prices of corn/soybean.
- The company has thin net margins and hence profits could significantly fluctuate due to smaller changes in costs/pricing.

Our longer-term gross margin estimate is conservative as compared to the 2H22 gross margin which may average 32% based on near-term movements in input prices. Other risk factors are global recessions, supply chain issues, increase in competition, adverse changes in government subsidy support and/or poultry self-sufficiency targets, unfavorable cost of corn and soybean, brand dilution, entry of newer players, and weaker demand for products.

Figure 8: DCF model

SAR 000	FY22E	FY23E	FY24E	FY25E	FY26E	FY27E	FY28E	FY29	FY30
EBIT	209,309	285,975	179,949	190,372	271,086	332,790	360,587	381,591	399,515
Taxes	*-10,494*	*-18,280*	*-17,356*	*-17,636*	*-18,251*	*-19,393*	*-19,482*	*-23,409*	*-24,499*
EBIT minus taxes	**198,815**	**267,694**	**162,593**	**172,736**	**252,835**	**313,396**	**341,105**	**358,182**	**375,016**
(+) Depreciation & amortization	75,758	98,262	118,275	135,981	145,261	144,964	144,802	144,684	144,563
(+/-) Change in working capital	-21,697	-40,115	-56,320	-58,800	-42,077	-28,776	-12,586	-9,009	-9,144
(-) Capex	-63,640	-148,822	-132,756	-120,134	-101,930	-73,447	-75,855	-77,599	-79,384
(-) Lease payment	-97,159	-125,365	-150,438	-173,003	-185,113	-185,113	-185,113	-185,113	-185,113
Free Cash Flow to Firm	**92,077**	**51,653**	**-58,646**	**-43,221**	**68,975**	**171,023**	**212,353**	**231,144**	**245,939**
Terminal value									**3,938,862**
PV of FCF (explicit period)	**504,137**								
PV terminal	**1,991,350**								
EV	**2,495,487**								
(-) Net debt	-304,794								
(-) Other liabilities	-98,755								
(+) Investment in associates	774								
Equity value	**2,092,711**								
Number of Shares	20,000								
Target price (1 yr fwd)	**110**								

Source: Company, GIB Capital

Other assumptions include 2.5% terminal growth, 11% cost of equity, 8.9% WACC, and a target capital structure (D/A) of 30%.

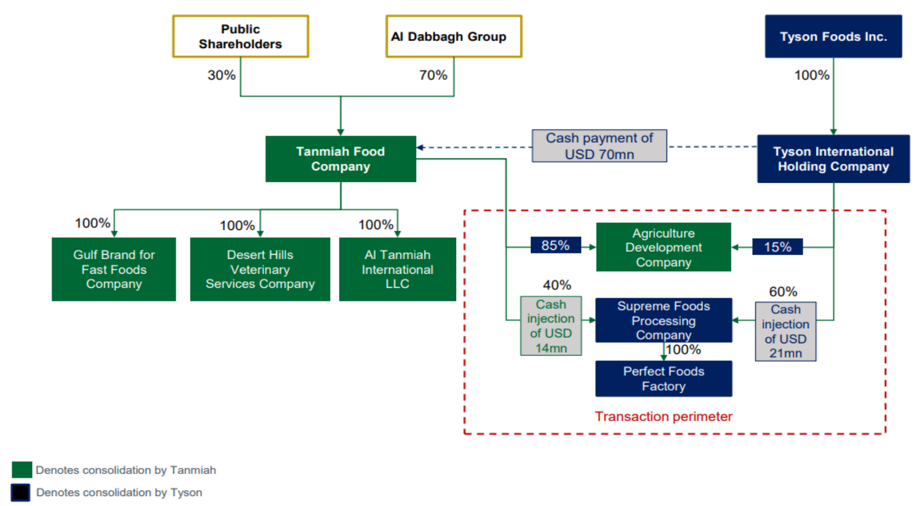
Company Profile

Tanmiah is a local integrated Poultry producer

Tanmiah Foods company is one of the leading poultry producers in KSA with an estimated volume-based retail market share of 19.5% currently. It has production capabilities spread across the GCC region. The company sells its products across geographies through a network of distributors, wholesalers, and retailers. The company operates in three segments which include:

1. **Poultry Production Segment**: It primarily consists of the production and selling of fresh poultry products. The branded products are Fresh Whole birds and Fresh Cutups. Whole birds come in various sizes ranging from 600 grams to 1,500 grams. Cut-ups include a range of fresh chicken parts, including boneless breasts, thighs, legs, drumsticks, giblets, etc. sold in convenient retail packs.
2. **Further Food Processing Segment**: It consists of manufacturing, processing, and selling processed poultry and other meat products. The sub-segments include Processed Poultry and Processed Meats. These consists of ready-to-cook, ready-to-eat and bespoke poultry products made for QSR, hotel chains, and export markets. We believe it relies on mainly imports to produce the final product.
3. **Feed and Veterinary Services Segment:** It consists of the manufacturing and sales of animal feed, selling of broiler chicks, hatching eggs, animal health products, turnkey poultry, and greenhouse projects, and sale of poultry and greenhouse equipment.

Figure 9: Current ownership



Source: Company data

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. ADC is a fully integrated poultry company that produces broiler chickens and operates hatcheries and feed mills. This is the main company that sells fresh chicken in Saudi Arabia under the Tanmiah brand. Supreme Foods, on the other hand, produces a variety of value-added and cooked chicken and beef products.
The company has a distribution network spread across Saudi Arabia, Kuwait, Bahrain, UAE, Oman, Lebanon, and Jordan among other Middle Eastern countries. The Tanmiah-Tyson transaction is subject to approval by KSA regulators. However, when realized, the deal will

provide Tanmiah with the strategic support of one of the largest US poultry players and boost exports. The announced plans of the partnership include expansion of the processing capacities of Supreme Foods and introducing new complementary products to the market.

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.

Current production process and facilities:
Tanmiah's business model has a fully integrated value chain from farming to production and distribution of its products to distributors and retailers.

1. **Breeding and Hatching:** Tanmiah produces its broiler hatching eggs and broiler chicks and sells excess produce to third parties. The breeder flocks are acquired from breeding companies that specialize in the production of breeder stock of well-known breeds. The Group operates six hatcheries and had 8.3 million hatchery eggs (2021).
2. **Broilers:** The broiler chicks are placed on the group's 102 farms (1H22) which are leased from independent landowners and these chicks are grown for a period of four to five weeks. The farms provide sufficient housing capacity, and it is fully operated by the group.
3. **Feed Mills:** The company produces mash and pellets for its poultry rearing with a production capacity of 250,000 MT (2021). The group uses 80% of the feed for its use and the remaining is sold to external parties through its trading arm. The feed mill process starts from receiving raw materials, their cleaning and storage in grain silos, batching and weighing according to the recipe required, then the grinding of grains, mixing them with macro and micro feed ingredients, steam conditioning, pelleting, cooling, crumbling and finish feed packing.
4. **Processing Facilities:** Processing facilities include fresh poultry slaughterhouses, further food processing plants, and storage facilities. The group's 4 slaughterhouses were able to slaughter 106.4 million broiler birds in 2021. The group has 3 food processing plants in Jeddah and Riyadh which are used to produce ready-to-eat and ready-to-cook processed meat products. The total production capacity of plants is 23,000 Mt per year (2021). The group also operates thirteen eased dry and cold storage facilities for raw materials, finished materials, and packaging materials.

Customers: The company has customers across specific categories in both the fresh and further processed segments. The company has a diverse customer base with the top five customers contributing to 17% of total revenue in 2021. The customer base includes clients from food service, distributors, van sales, national and international restaurants, and veterinary service customers.

Suppliers: Tanmiah sources its raw materials from major global producers and suppliers. The raw materials include feed grains, medications, vaccines, feed additives, poultry equipment, and nutritional ingredients for the poultry, feed, and veterinary services segment. The procurement strategy includes a mix of long-term and short-term contracts. The largest suppliers which constitute ~ 5% of the group's purchases are as below.

Figure 10: Tanmiah's suppliers

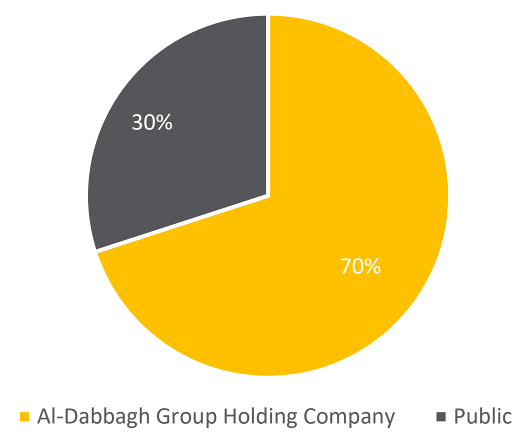
Supplier	Country	Segment	% Of Group's purchase
Al Ghurair for Grain Trading	UAE	Food Segment	4.90%
Invivo Trading Asia PTE Ltd – Grains	France	Fresh Poultry	6.70%
Ahmed Al-Sameet Contracting	Kingdom	Services	6.20%

Source: Company, GIB Capital

Ownership

Tanmiah is majorly owned by the Al Dabbagh group. Al-Dabbagh Group is a family conglomerate, established in 1962 by His Excellency Sheikh Abdullah Al-Dabbagh. The Food portfolio represents the oldest of Al-Dabbagh Group businesses, with Tanmiah Food Group as the holding company of the portfolio. QFI holding for the company is 0.9% currently.

Figure 11: Current ownership



Source: Bloomberg

About the sector

From a 60:40 local:imports in 2020, the mix is likely to improve to 80:20 by 2025

Local brands such as Al Watania, Alyoum, Tanmiah are in an expansion mode anticipating growth in demand

The chicken industry in Saudi Arabia consists of local players and imported products.

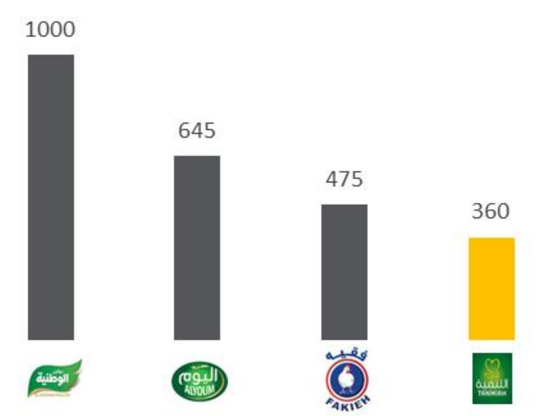
Local players include Al Watania, Fakieh, Alyoum (Almarai group), Tanmiah, Intaj, Aseer Co-op, Radwa, Golden Chicken, and other smaller players. Top 10 firms control up to 95% of production, as per a US Department of Agriculture report dated September 2021. These top brands along with mid-market players such as Tanmiah have announced aggressive capacity addition plans anticipating a rise in demand, led by Vision 2030 initiatives to attract 100mn tourists by 2030.

The demand for chicken is expected to grow to ~1,700 KT driven by factors such as demographic demand (from a predominantly young population) and an expected rise in tourism (both religious and leisure tourism). Saudi consumers prefer locally produced fresh chicken meat, which would also be a key factor influencing the growth of local players.

Anticipating higher demand, local companies have undertaken aggressive expansion plans. The Government is also supportive of local industry with measures such as Broiler Self Sufficiency Goals being set (60% self-sufficiency already achieved by 2020). Further measures taken such as subsidy reforms (subsidies linked to the weight of chicken produced from earlier linkage to imported feed) and support in land acquisition for poultry have helped in the growth of the local industry. The ban on select imported chicken brands from Brazil in 2020 has also helped the local industry to increase its brand visibility in the market.

The Saudi Ministry of Environment, Water, and Agriculture (MEWA) has collaborated with the private sector to increase self-sufficiency levels to 80% by 2025. 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. As per a report by the US Department of Agriculture, MEWA's assistance has been instrumental in resolving impediments such as highland prices, land ownership disputes, and zoning/environmental restrictions. Further, in terms of subsidies, since January 2020 the system has changed from feed import subsidies to production-based monthly financial payments to producers, which has resulted in faster release of payments.

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



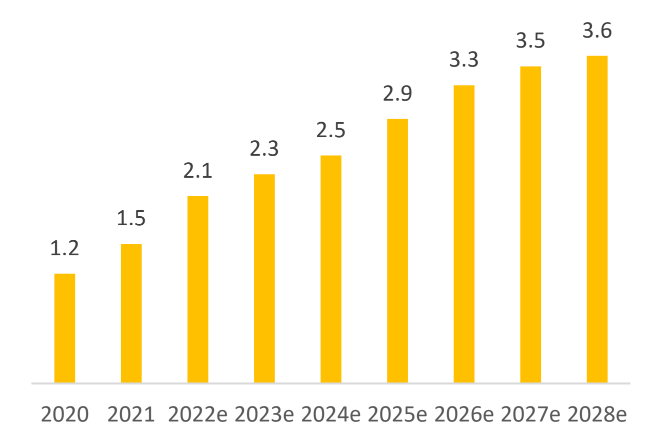
Source: Company data, GIB Capital

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 as many domestic poultry producers have switched their chicken meat production lines from frozen to chilled products.
- Fresh poultry meat constituted 52% of the total poultry market while the remaining, 48% was Frozen chicken.
- The retail distribution channel constituted 70% of the channel mix while HORECA constituted 30% in 2020.
- 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 HORECA segment usually prefers to buy birds that weigh between 900-1,000g at the lowest possible price, as their end product is also dependent on the yield of meat along with the method and scale of preparation.
- The shelf life for fresh chicken is nine days from the date of its slaughter in the Kingdom, which presents an opportunity for local producers to meet the demand for fresh chicken.
- Breaded processed chicken products, such as nuggets, fillets, and burgers, are prominent in modern trade, accounting for 65.0% of the processed meat market. Non-breaded patties, such as beef and sausages, are popular in hotels, cafés, and QSRs, 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.

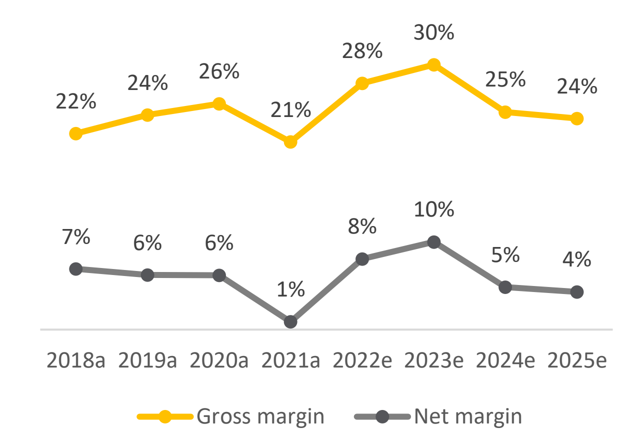
Financial analysis in charts

Figure 13: Annual revenues (SARbn)



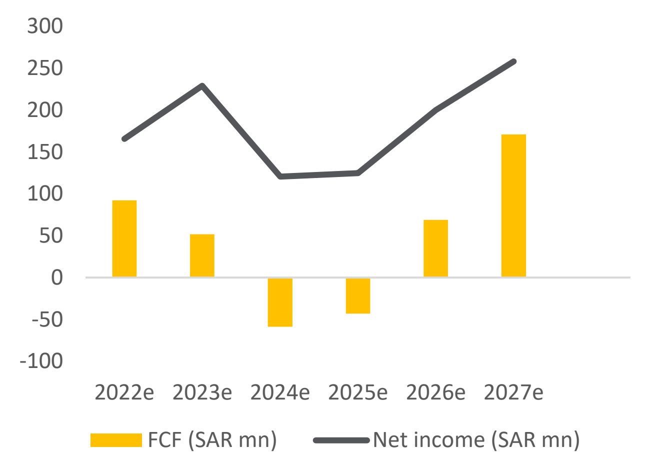
Source: Company data

Figure 14: Annual gross and net margin



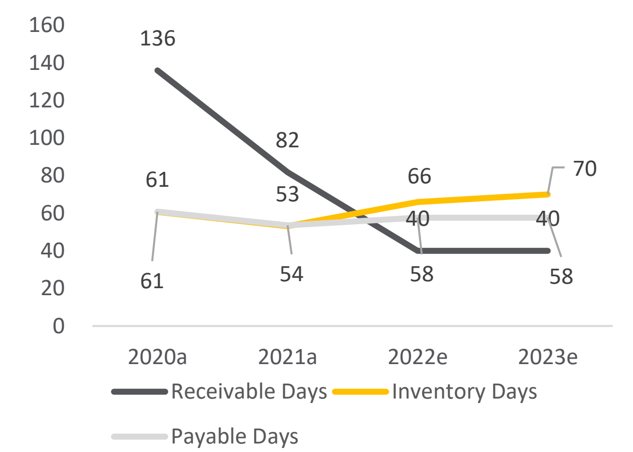
Source: Company data, GIB Capital

Figure 15: FCF and net income



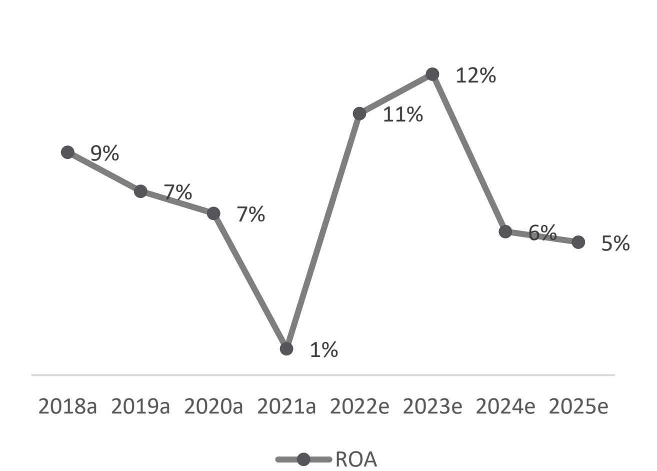
Source: Company data, GIB Capital

Figure 16: Inventory, receivables, and payable days



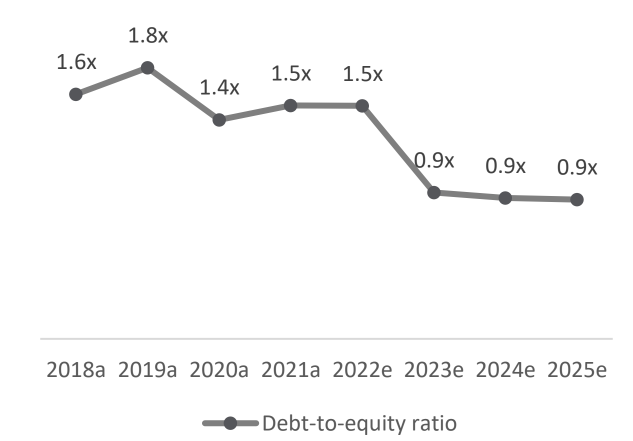
Source: Company data, GIB Capital

Figure 17: Return on assets



Source: Company data, GIB Capital

Figure 18: Debt-to-equity



Source: Company data, GIB Capital

Financials

Figure 19: Summarized basic financial statements (SARmn)

Income statement	2020a	2021a	2022e	2023e
Revenue	**1,212**	**1,539**	**2,067**	**2,307**
Revenue y/y	*6%*	*27%*	*34%*	*12%*
COGS	902	1,213	1,491	1,616
Gross Profit	**310**	**327**	**576**	**691**
Gross Profit margin	*26%*	*21%*	*28%*	*30%*
Sales & Marketing	133	189	250	278
G&A	66	89	115	126
Operating profit	**107**	**47**	**209**	**286**
Operating margin	*9%*	*3%*	*10%*	*12%*
Finance costs	(26)	(26)	(33)	(39)
Other income	1	1	1	1
PBT	**82**	**20**	**176**	**247**
Zakat/tax	(7)	(7)	(10)	(18)
Net income	**74**	**14**	**165**	**229**
Net margin	*6%*	*1%*	*8%*	*10%*
Net profit y/y	*5%*	*-82%*	*1120%*	*38%*
EPS	**3.7**	**0.7**	**8.3**	**11.4**
DPS	0.0	0.5	0.8	1.0
Payout	0%	75%	9%	9%
EBITDA	**183**	**141**	**285**	**384**
Net debt (w/o lease liabilities)	253	137	43	(12)
Net debt (w/ lease liabilities)	432	352	305	304

Balance Sheet	2020a	2021a	2022e	2023e
Inventories	139	214	270	310
Cash and cash equivalents	60	186	466	383
Biological assets	82	88	90	108
Contract assets	2	4	4	4
Trade receivables and other debtors	472	217	227	253
Prepayments and other receivables	84	124	154	149
Total Current Assets	**840**	**833**	**1,210**	**1,206**
Property, plant, and equipment	155	254	289	402
Right-of-use assets	200	237	287	346
Total Non-Current Assets	**357**	**494**	**581**	**754**
Total Assets	**1,197**	**1,328**	**1,791**	**1,960**
Current Liabilities	643	694	972	896
Non-current Liabilities	207	277	307	339
Equity	348	356	511	725
Total Equity and Liabilities	**1,197**	**1,328**	**1,791**	**1,960**
BVPS	17.4	17.8	25.6	36.3

Cashflow	2020a	2021a	2022e	2023e
Cashflow from Operations	161	325	265	345
Cashflow from Investing	-38	-124	-64	-149
Cashflow from Financing	-86	-75	79	-279
Total Cashflows	**37**	**125**	**280**	**-83**

Source: Company, GIB Capital

Figure 20: Key ratios

Key ratios	2020a	2021a	2022e	2023e
Profitability ratios				
RoA	6%	1%	9%	12%
RoE	21%	4%	32%	32%
Sales/Assets	101%	116%	115%	118%
Net margin	6.1%	0.9%	8.0%	9.9%
Liquidity ratios				
Current Assets/ Current Liabilities	1.3	1.2	1.2	1.3
Debt to Total Equity	1.4	1.5	1.5	0.9
Receivable Days	136	82	40	40
Inventory Days	61	53	66	70
Payable days	61	54	58	58
Cash conversion cycle	136	81	48	52
Debt ratios				
Net Debt/EBITDA	2.4	2.5	1.1	0.8
Debt/Assets	0.4	0.4	0.4	0.4
Valuation ratios				
P/E	21.6	118.6	9.7	7.0
P/B	4.6	4.5	3.1	2.2
EV/EBITDA	13.6	17.7	8.8	6.5
Div. yield	0.0%	0.6%	0.9%	1.2%

Source: Company, GIB Capital

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