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Moderator: Mehmet Aksoy

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Operator: Good day and welcome to the Baladna Quarter 1 2021 Results Call. Today's conference is being recorded and at this time I would like to turn the conference over to Mehmet Aksoy. Please go ahead, sir.

Mehmet Aksoy: Hi, good afternoon, ladies and gentlemen. This is Mehmet Aksoy from QNB Financial Services. I want to welcome everyone to Baladna's first quarter 2021 financial results conference call. On this call from Baladna, we have Mr. Malcolm Jordan, who is the Chief Executive Officer, and Mr. Saifullah Khan, who is the Chief Financial Officer. We will conduct this conference first with brief comments on the presentation followed by the Q&A. I will now hand the call over to Mr. Jordan to get us started. Mr. Jordan, please go ahead.

Malcolm Jordan: Thank you very much Mehmet. By way of introduction, my name is Malcolm Jordan and I'm the CEO of Baladna. I'd also like to welcome you to this conference call for our first quarter period ending 31st March 2021. During this earnings conference call, I'll refer to slides in our investor presentation for Q1, which is available on our website in case you haven't received the presentation directly.

So starting off, focusing on page number 5, let's start with a brief overview of performance in Q1. Following our strong operational and financial performance in 2020, our entire team has worked really hard to continue developing positive results in Q1 2021 despite the challenges of a softening retail market and reinstated lockdown restrictions. Revenue in Q1 2021 stands at QR 182 million, compared to QR 181 million in Q1 2020, which is three months comparison. The business delivered a strong net profit of QR 44 million, which is an increase of 54% versus the same period in the previous year, representing a net profit margin of 24%. Saifullah will provide more details on the financial results. But I would like to emphasize that

we are very pleased with the strong net profit for the first quarter, which is a result of our continuous efforts and initiatives to increase efficiencies and drive shareholder value.

Product portfolio management remains a strategic imperative for Baladna. We continue to identify products which are value-accretive and meet the market demand as well as consumer trends. In the first quarter of this year, we have successfully launched an additional 13 SKUs and delisted 1 SKU, growing the total product portfolio by 5% compared to Q4 last year and 29% versus Q1 2020. As I already mentioned, and this should come as no surprise, in the short term, we expect a continuation of volatility in terms of market demand, both in retail but also in HORECA until we move through these lockdown restrictions. However, we are very confident that through business planning and our agility that locally we are well positioned to continue our growth plans in 2021.

Moving on to page number 7, I'd like to update you a little on our operations. I'd like to emphasize on the excellent performance of our farming operations. In particular, we've grown our total herd size now to just under 23,000 cows, while at the same time increasing our average daily milk yield to just under 38.5 liters per cow per day. The success of the farms has two significant positive impacts on our business, and that more milk produced from the same facility effectively reduces the cost. But it also gives us more milk which is required when we have such an aggressive innovation pipeline. So, that's encouraging to know. We've already discussed in previous earning calls our innovation program and success in identifying new products, as well as our capabilities and bringing new products to market.

Automation and digitalization of many of our processes allowed us to further enhance our operations and we continue to review internal processes and challenge ourselves to further enhance Baladna, at the same time remaining conscious of business risk and business continuity and our presence.

Moving on to page number 8 and 9, which is an overview of our share position. You can see that we've increased our market share from end of Q1 2020 to end of Q1 2021 across every

category. But you can also note that there are many categories which the share is still relatively low and we have very substantial opportunities for further share growth in the future. I'd like to point out in the two-high value – the two of the highest value categories, cheese and creams, you can see some very significant share gains over the period of the year. Then that's at the bottom of page number 9. Whilst you also note that some of these categories are challenged in retail, especially in the last year, but also in the last three months. We continue to take share, which offsets to some extent that potential decline in those markets.

Moving on to page number 10 to talk a little bit about new product development that's coming down the road. You may have seen our press release published two weeks ago. We're excited about our plans to establish an evaporated milk processing plant and to expand our current facility to process butter. Page 10 does give you a quick recap in case you didn't see the press release. I think all the key numbers are there. The establishment of our evaporated milk factory facility is expected to be complete within 12 to 16 months. Butter plant will come a little sooner than that as it's being installed in our current facility.

Currently, both segments in the State of Qatar are fully dominated by imports. There is very little production of butter, no production of evaporated milk. Therefore, we consider this to be an opportunity to establish our products to become one of the leading brands with a strong share position. Utilizing deep understanding of market trends, consumer preferences and behavior, as well as the experience of introducing new locally produced products, we are very confident to establish value-accretive new product lines.

In addition to the estimated strong revenue and net profit contribution, we're pleased to provide our customers and all residents of the State of Qatar the opportunity to purchase locally produced goods, as we have done over the past three years further supporting self-sufficiency in terms of the food security program.

Now, I'd like to hand over to Saif, who will take you through some more details on the financials before we get to the questions.

Saifullah Khan: Thank you Malcolm. Welcome all who attend the call. I will share overview of financial performance. We are very pleased with our financial performance for the first quarter of 2021. As Malcolm highlighted, market demand in Q1 continue to be impacted by ongoing implication of Covid-19 and reinstated lockdown. Therefore the achieved revenue of Q1 2021 is a true sign of the success of our strategy and initiatives. The revenue of QR 182 million achieved was marginally higher than the Q1 2020. The EBIT QR 52 million we achieved is 30% higher compared to last year's quarter, while the net profit QR 44 million is 52% higher than last year same quarter. We are very proud of the high net profit margin of 24% achieved, which is a result of continuous efficiency measures that our team is undertaking to create shareholder value. These measures include but not limited to improved herd management which have an impact on our per liter cost of milk, lower loss production and optimization of overheads across business. And material buying we are getting better and better as time passed. It also confirms our resilient and solid financial planning. Earnings per share for the first quarter of 2021 is QR 0.23.

If I will take to page 13 of the presentation, you can see the financial performance quarter on quarter providing you a view of seasonality of our business while at the same time highlighting the EBIT and net profit margin development. As you can see, quarter one marked a new record in terms of profit margins since IPO.

On the following page, we provide you a breakdown of the revenue composition by product category. Without going into too much detail, you can see we have achieved growth across most categories with a significant year on year growth within cream 108%, other dairy products 92%, cheese 19% and other revenue 47%. The growth within the specific category is due to an increase in the product range, as well as extending relationships with existing clients, while at the same time achieving penetration of new customers. Our sales team is continuously enhancing the distribution line specially in HORECA business.

From a cash flow perspective, based on our strong margin improvement and optimization of working capital, we continue to generate strong operating cash flows. The capex deployed in Q1 was used for business continuity and continuous improvement in facilities and our infrastructure. In April this year, Baladna has received QR 144 million government compensations, which is obviously is not reflected in the slide of Q1 financials. But a portion of this amount has been allocated for approved dividend distribution of QR 101 million for the period of 2020.

On page 18, you can see overview of our solid financial position. There is no significant changes to the balance sheet for the period. We are closely monitoring the key ratios on an ongoing basis to ensure balancing business continuity as well as the risk and creating shareholder value.

If you continue to next section, I'm sure you are aware that Baladna has a very strong strategic shareholder base of 52%, including the founders representing 25% while other strategic investor representing 27% in total, including GRSIA, Hassad Foods, Almeera, Mwani, Widam and other pension funds. Furthermore, we have mentioned earlier that proposed dividend for 2020 was approved at the General Assembly in Q1 providing investors with a strong total and dividend for financial year 2020 of 7.4% of nominal value of per share.

I would request Malcolm to kindly close our presentation with the overview on the outlook for the rest of the year. Please Malcolm.x

Malcolm Jordan: Thank you Saif. Look, I think it's very straightforward. We remain well positioned for growth in 2021 despite the current challenges that we face. I think that we've already demonstrated our resilience and agility through the pandemic and to be able to continue to grow, and able to continue to launch new products, make sure those products are available for consumers in Qatar and strengthen our core business. We will also, of course, continue to focus and there are many opportunities still to drive efficiencies across the entire value chain, and we will continue to work tirelessly to optimize those.

We do expect the road to be bumpy in the near term. We expect some volatility in terms of demand. Clearly retail is challenged at the moment and will do so I think until we start to see more people coming back into the country, population increasing. And we're pretty confident that as soon as the lock down on the hospitality industry ends hopefully soon, with the current trends, then we will step straight back in there and see some very strong growth within the HORECA channel. We're busy working on these new products that we discussed, including evaporated milk and butter, in addition to seeking out export opportunities to be able to leverage our asset base fully and continue to focus on the project in Malaysia, where we have, on the 17th of May, we have five or six guys from the leadership team heading out there to help to complete the feasibility study, which is effectively the next stage.

Little bit bumpy, I think, globally, that's the case. But we believe that we're well positioned for continued growth and we look forward to taking your questions and helping to share some of our thoughts on those. Thanks Mehmet.

Mehmet Aksoy: Operator, can you just put up for questions.

Operator: Certainly, sir. Thank you. Ladies and gentlemen, if you would like to ask a question over the phone, please signal by pressing star one on your telephone keypad. If you are using the speaker phone, please make sure your mute function is turned off just allow your signal return our equipment. So once again, ladies and gentlemen, that is star one on your telephone keypad. We'll pause for just a brief moment to allow everyone an opportunity to signal for questions.

Mehmet Aksoy: Hi. This is Mehmet again. And while we are calling for questions, if I can start off with a question of my own. Mr. Jordan, in the presentation, you have mentioned that Baladna has reached 247 SKUs in the first quarter with a 29% increase year on year. Shall we expect Baladna to maintain this rapid SKU increase in the coming period as well? Thank you.

Malcolm Jordan: Mehmet, thanks for your question. We do have a very aggressive innovation pipeline for the coming six months. So you can expect to see an increase, fairly significant increase in the next three to six months.

Mehmet Aksoy: Great, thank you very much. Operator we can open up for questions now, please.

Operator: Certainly. So we now move to our first question over the phone which Belal Sabbah from Jadwa Investments. Please go ahead. Your line is open.

Belal Sabbah: Hi, everyone. Thank you for the call and for the feedback. I just was wondering if you could give us your thoughts on the revenue growth. You know, you've done spectacularly well in capturing market share over the past year, but it seems like revenue growth on a year over year basis was just around 1%. And the specifically, if you can comment on the milk segment, which seems to have witnessed a decline in this quarter. And lastly, if you can please just explain what lockdowns or partial restrictions were put in place in the first quarter in Qatar; if you can share some light on that. Thank you very much.

Malcolm Jordan: Ok, Belal. Hi, thanks for your question, specifically related to revenue growth. You can see that we are flat in quarter one and a declining retail environment. The reason that we've kept our revenue flat and that you don't see a decline like you will see in others, especially is due to the innovation products that we launched between quarter one this year and last year that have supported that growth. So it's really telling us that innovation is playing a key role in our growth. We also had a very solid quarter one in HORECA and the food service channel linked again to the basket of products that we were able to develop over last year. We expect that the topline will start to grow as we start to move out of the Covid environment but we think it's going to be bumpy until then. We think it's impacted by a number of factors in the short term. One is population. We know that population in Q1 this year is substantially down on Q1 in the same period last year, which was really pre-Covid. And I think that milk, particularly both fresh and UHT milk, but particularly fresh milk does give

you a good indication where the population is and how the market is performing. So that confirms to us that the population is definitely not there.

There's also a fairly heavy component of revenue linked to tourism. And we know that tourism this year is not happening, certainly versus the same period last year. And we're very confident that once we start to see these restrictions ending, the world coming out of covid, vaccination programs, possibly vaccination passports and so on, that tourism will return and that will really help to fuel our growth probably through the later part of the year. You asked about Covid restrictions in quarter one. There was a restriction that was imposed on the 21st March, I believe, around how populated restaurants could be inside and outside. And we did feel that ripple wasn't tremendously significant, but we did feel that ripple in our HORECA business towards the end of the quarter. Of course, the real significant announcement came on the 9th April where we effectively locked down hospitality; had a slightly more and major impact going on our short term HORECA business. I hope that answers your question.

Belal Sabbah: Yes, it does. Thank you so much.

Operator: We'll now move to our next question over the phone, which comes from Ashish Prajapathi from the United Securities - Oman. Please go ahead, your line is now open.

Ashish Prajapathi: Thank you gentlemen. Thank you for this call. As I was going to your slides, slides number 8 and 9 where I can see you in most categories, the market share you have gained. So congratulations on that. But at the same time, the total market volume is going down. Now you answered partly saying that there is a population displacement which has happened, and because of that, we're going to be seeing this. But is there any pricing pressure also due to this, is what I wanted to know. And maybe anything on Baladna and Widam partnership, if we want to highlight, although it had happened some time back, if there is any new update? Thank you.

Malcolm Jordan: Ashish. Thanks for the question. I think that there is probably more promotional activity in the retail market than there's been for a long time. And you can see that also during Ramadan with many promotional items on the government Ramadan list. So there is definitely, you know, some pressure. The retailers are also pushing very aggressively for promotions. So we need to sort of factor that into our plans, just be mindful of our margin. So, I don't know if you've got that, but yeah, so I think that that's the answer to that.

The question around Widam, you're right, that contract has been in place now for more or less one year. I'm really pleased to report I think it's working really well for both of us, the bull calves gets moved out to Widam's facility without any major problems. And I think that's a really strong relationship that we have with them.

Ashish Prajapathi: And just a small follow up on the same thing. Now, what we understand is that post lifting of the embargo, are you facing a little more competition from neighboring countries?

Malcolm Jordan: Look, I think – I don't know how familiar you are, but as we speak nothing has changed. At least on the ground here in Qatar. So, you know, general comment about competition is that we welcome competition. You know, we're ready for competition. We have competition today, of course. But as we speak, that's not the situation.

Ashish Prajapathi: Thank you, gentlemen. Thank you.

Operator: We'll now move to our next question over the phone, which will come from Akbar Khan from Al Rayan Investments. Please go ahead. Your line is open.

Akbar Khan: Hi Malcolm and Saif. Just a couple of questions just on your market share. You've had a fantastic performance in both cheese and creams. I was wondering if there's something specific that led to that jump in market share, is it new product, is it new packaging, new sizes? Just a little bit more color on that, please.

Also, in terms of the evaporated milk and butter opportunity, could you just help flesh that out a little bit more in terms of the competitive landscape and why you think you should – I guess you're aiming to be a top player in both categories. But how diverse is the competitive landscape and how you planning to address that?

And the third question is, in terms of margins, you've done a fantastic job with those. Do you expect that to be sustained or do you expect them to be increased during the course of the year? Thank you.

Malcolm Jordan: Hi, Akbar. Thanks for your question. Look, you kind of answered that yourself. Really, the market share gains, particularly in cheese and creams came really from all of the above. Right. We continue to work hard on the quality. You know, we are challenging ourselves every day to improve on that. We get those products in front of consumers. We get there, we do the preference testing, we get their feedback. We continue to work to critique products. I think that continues to be extremely important. Range extensions, of course, as you mentioned, we've launched a number of new products in the same category. So in mozzarella, we had shredded, now we have block, now we have mozzarella balls and so on. So that's helping to fuel that. And also, if you look at new products on the cheese side, we all know that processed cheese is 60% of the total cheese category. We were in it, we launched our cheese, which is 25% of the total category. So a combination of all of those things are really fueling that that market share gain, but you can see that at 20%, we still have a very significant opportunity ahead of us there.

A similar story on creams; last quarter one, we didn't have cooking and whipping cream. We launched those products around this time last year. We've made some very, very strong inroads into that category, more so on the cooking cream where we're competing against imported internationally recognized brands. And we're heading on the last week on cooking cream, we were up to almost 27.5%. And we expect that our share gain over the last six

weeks as we really promoted that product heavily into Ramadan will further drive this year. And I think that's what you said. So it really is a multitude of factors coming together.

In terms of evaporated milk, yeah, it's a reasonably cluttered category. There are no locally produced products in that category. And I think that Baladna is building a reputation for quality. And I think that, you know, in terms of the fact that it's dairy, we're well positioned to launch a product that will deliver market leadership over time. But certainly we expect, like we've done in whipping cream against the international players, like we've done in jar cheese against international players, we expect that we will also take some very significant share in evaporated milk with the right product produced locally with the strength of the brand. And I think that we are well positioned to be able to do that. And that's certainly what our intention is. And that equipment also practically is able to produce sterilized ice cream, which is also not an insignificant market. Similar brands play in there, again quite cluttered also. We will certainly be looking at taking significant share in sterilized cream as well as evaporated milk.

In terms of margin, we expect to continue down a very similar path to the margins that we we've had today. I don't think that we see any major dilution in our margin in the coming months and certainly across the whole year. There's nothing that would suggest that.

Saifullah Khan: I can take this part Malcolm if you allow me. Thank you Akbar for your question. Baladna team is continuously assessing its internal operation and taking measures to optimize its value chain to increase the efficiency that ideally translates into a positive impact on the bottom line. The average quarterly net profit margin for the last year, it was below the 20% range, but that gradually improved over quarter on quarter. You can see our quarter performance. And we would expect margins to be remain within the similar range in the near future. We must stress that there are factors behind our control that may affect, because these days are not in your normal days. So but we are still expecting that we will continue to increase our margins.

Malcolm Jordan: Akbar, do you have any follow up on that? You want to come back?

Akbar Khan: Thank you for all your responses. So it's encouraging for us that you think you still have hope for a more margin/ higher margins. If I could perhaps frame the question differently, let's say, in three years from now, would you think that you could get sort of to 30% margins or is that not a realistic number?

Malcolm Jordan: It would be good if we could, but I'm not expecting that we will end up there. I think that if we are able to hold this mid 20% in the short to medium term, I think that would be considered to be an exceptionally good performance. And who knows, Akbar, what the next three years looks like. We will continue to focus on making sure that all the fundamentals are in place, as Saif discussed. We'll continue to push internally our operations extremely hard. We know that there's more to come in. The market will obviously unfold in whatever way it does. And we'll be ready to, you know, address that. But I think that where we are, I think we should be pleased with that and the contribution of everybody within the business to achieve that, in my opinion, is very, very solid.

Akbar Khan: Sure. I have one last question. Particularly with fresh and UHT where there's been a decline in the category and there's been softness in trading, has that meant that there's been greater demand for smaller pack sizes and presumably those have higher margins than the larger pack sizes?

Malcolm Jordan: I wouldn't say that that's necessarily the case. One of the things that we've seen, at the start of then Covid, is that people actually moved away from single serve packs to family serve pack so that they weren't consuming products directly from the pack. I would say that's normalized somewhat in the past six months. But if it has skewed, it's not, I think, materially skewed.

Akbar Khan: Thanks Malcolm.

Saifullah Khan: These two categories is really reflecting the market, you see Baladna gain market share. So it means the market overall is down. That's why you are seeing a decline. It's not a decline of our sales, it is overall decline in the market.

Akbar Khan: Thank you very much, gentlemen.

Operator: There are no further questions queued over the phone at this time, Mr. Aksoy, I would like to turn the call back over to yourself for any additional or closing remarks sir.

Mehmet Aksoy: Hi, this is Mehmet Aksoy again. If there are no further questions, then we can wind up for today. I would like to thank Baladna for participating in the call. Please do reach out to team QNB FS or Baladna if you have any further questions. Thank you.

Saifullah Khan: Thank you.

Malcolm Jordan: Thank you

Operator: Ladies and gentlemen, this does conclude today's call. Thank you very much for your participation. You may now disconnect.