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**Moderator:** Mehmet Aksoy  
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**Mehmet Aksoy:** Hi, good afternoon, ladies and gentlemen. This is Mehmet Aksoy from QNB Financial Services, I want to welcome everyone to Baladna Quarter 2 2021 Financial Results conference call. On this call from Baladna, we have Mr. Saifullah Khan, who is the CFO, and Mr. Upendra Jayamaha, who is the Finance Manager and IRO. 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. Khan to get us started. Saifullah, please go ahead.

**Saifullah Khan:** Thank you, Mehmet. Good afternoon, ladies and gentlemen, I would like to welcome all of you to earnings conference call for Baladna for second quarter 2021. My name is Saifullah Khan. I'm a CFO of Baladna. Apologies because I'm not feeling very well. So if hear not nice sound, please accept my apologies. So during this earnings conference, I will be presenting you with an update of our operational and financial performance during this quarter. For additional detail, please refer to our investor presentation which is updated with Q2 2021 results and available on our website in case you have not already received it.

During the second quarter 2021, Baladna achieved QR 198 million and net profit of QR 42 million, which is marginally lower compared to net profit of QR 44 million in the second quarter of 2020. I would like to highlight here, last year Q2 witnessed panic buying when covid started, that impacted sales number. In terms of financial performance during the first half of this year, the revenue generated was QR 381 million with net profit of QR 86 million. That means our net profit for the first half of this year was 23% higher than the 19% net profit margin achieved for the same period in 2020.

In our Q1 2021 earnings conference call, we highlighted the overall market demand was soft and as expected we witnessed a continuation of the temporarily declining demand in the second quarter. In particular the retail market since we anticipated the trends to continue in Q2, we shifted our efforts on acquiring new customers within our HORECA sector, which led to securing several high-profile corporate contracts and allowed us to increase our portfolio penetration by 25% across our customer base. Baladna's ability to rapidly shift focus and significantly gain market share in a declining market is a true sign of our resilience and agility as a company. You can notice the market share has gained in most of the categories in our presentation.

As I'm sure you are aware, product portfolio management is a key strategic pillar of Baladna. Through our innovative product development program, we are extremely positioned to successfully identify products that are value-accretive and in line with market requirements, bringing them to the market in a short period of time. For more details on our operational performance, please refer to slides 7 to 10 of investor presentation. You will see we maintained the high average daily yield per cow, herd size management as well as continuation of growing our total SKUs to 256 as of end of June this year.

Moving to financial performance of Baladna. We are very pleased with our results for H1 2021.

Revenue achieved in second quarter of QR 198 million, though marginally lower year on year, was not unexpected as the challenges around the market demand continue to dominate the retail market. That said, revenue has increased by 9% quarter on quarter. Some of our most significant achievements during this quarter included a reduction in our operating expenses as we continue to further enhance operations. As a result, the EBIT margin achieved in this quarter was 26%. This is an even greater achievement, considering that the compensation Baladna receives is phased out over the period of ten years and in declining trend. In addition to operations, we have successfully managed to decrease our finance costs to favorable profit rates for Islamic financing, reducing the profit rates from 3.5% to 3.0%. We are very proud of net profit margin of

23% achieved, which is in line with our expectation and remain industry-leading across our regional peers. The net profit achieved translates into earnings per share of QR 0.022 for the second quarter of 2021. Baladna achieved these results on a solid asset base which is primarily funded by equity. For more details on our financial performance, please refer to slides 12 to 16 also in the presentation.

If we look towards the remaining of 2021, I would like to give you a quick update on the two projects which we announced in the first quarter of this year. Both the evaporated milk factory and butter processing facility projects are progressing well and are expected to be completed on time. Furthermore, in true Baladna fashion, our teams have identified further business potential within the evaporated milk facility by relocating shredded cheese and processed jar cheese to improve manufacturing efficiency. Both are expected to be of value-accretive to the new projects.

As you may have seen in our press release published yesterday, Baladna has signed a Memorandum of Collaboration with Malaysian state-owned FELCRA Berhad and FGV Holdings to assess the feasibility of establishing an integrated dairy farm in Malaysia to start housing 10,000 milking cows and producing the majority of dairy products consumed in Malaysia to reduce the country's dependency on imports. The MOC is a key step forward in Baladna international expansion plan and at the same time a recognition from third parties on the quality of our products, our operations and technical know-how.

We will continue to assess opportunities for geographic expansion and leverage on our existing asset base to enhance our exports business, while at the same time continue to explore strategic partnerships and investment opportunities where we can deploy our experience and knowledge.

In terms of market demand outlook for the year, we expect to see short term continuation of volatility in demand. However, we remain dedicated to improving and exploring further

opportunities, including new products, categories, and distribution channels, while driving further efficiencies and optimizing our operations.

To conclude, Baladna is fully dedicated to fulfilling its role as a market leader to contribute to the National Food Security Program and self-sufficiency program in Qatar. We maintain our focus on creating shareholder value while at the same time ensuring to serve our customer to the highest standard and ensure the safety and well-being of our employees and all the stakeholders.

I thank all of you for your attention and will now open the floor for any questions you may have please.

**Mehmet Aksoy:** Hi, this Mehmet Aksoy again. And while we are calling for questions, if I can start off with a question of my own. Regarding the Malaysia project, what could be the further steps to come after the signing of a Memorandum of Collaboration? Thank you.

**Saifullah Khan:** Thank you Mehmet for your question. I think this is a hot question as of today. Though Malaysia project was – first MOU was signed sometime back, but it got delayed due to different political changes in Malaysia. But now Malaysian delegation were on visit to Baladna during last week, including their Minister of Agriculture and Management of FGV and FELCRA. Both are government-owned entities. During this visit, Baladana has signed a Memorandum of Collaboration with these both companies, which will start project of 10,000 milking cows. And it will cater at least 100 million liters of milk in the first year of production, which will cater the fresh milk production of the dairy of Malaysia.

So overall projects which we are expecting construction phase should be a two years timeframe. And third party, PwC has been assigned to confirm or validate all the assumptions behind the business plans. So, they are going to start their work on that. Based on their conformation on

the full-fledged feasibility, all companies Board including Baladna, FGV and FELCRA, they will officially announce the project. So we are expecting very soon that outcome will come.

**Mehmet Aksoy:** Mr. Khan, thank you very much. Operator, can you open up for questions now, please?

**Operator:** Thank you. If you would like to ask a question, please signal by pressing star one on your telephone keypad. If you're using a speakerphone, please make sure your mute function is turned off to allow your signal to reach our equipment. Again, that's star one to ask a question. Once again, please press star one on your telephone keypad if you would like to ask a question. It appears we have no further questions at this time.

**Mehmet Aksoy:** Hi. This is Mehmet Aksoy again. If there are no further questions, then we can wind up the call for today. I would like to thank Baladna for participating in the call. Please do reach out to [info@qnbfs.com.qa](mailto:info@qnbfs.com.qa) or Baladna if you have any further questions. Thank you.

**Saifullah Khan:** Thank you very much, gentlemen, ladies and gentlemen, for your participation. Thank you.

**Operator:** This concludes today's call. Thank you for your participation. You may now disconnect.