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Moderator: Saifullah Khan
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Operator: Good day and welcome to the Baladna Quarter 3 2021 Results Conference Call. Today's conference is being recorded, and at this time I would like to turn the conference over to Mr. Saifullah Khan who is the Chief Financial Officer of Baladna. Please go ahead, sir.

Saifullah Khan: Thanks, Simon. Good afternoon, ladies and gentlemen. I would like to welcome all of you to the earnings conference call of Baladna for the 3rd quarter 2021. My name is Saifullah Khan, I am the CFO of Baladna. During this earnings conference, I will provide you with an update of our operational and financial performance during this quarter. For additional details, please refer to our investor presentation which is published on our website, in case you have not already received it.

During the 3rd quarter of 2021, Baladna achieved a revenue of QAR 182 million and a net profit of QAR 16 million. In terms of financial performance during the first 3 quarters of this year, the revenue generated was QAR 563 million, with a net profit of QAR 102 million. That means our net profit for the first three quarters of this year is equal to the net profit achieved for the same period in 2020, despite the challenging market environment specifically in the 3rd quarter of this year. Additionally, Baladna managed to effectively adapt to temporary changes in demographics by introducing new product lines and growing its share in existing segments. During this quarter, we have seen a smaller number of residents compared to last year in Q3 due to COVID restrictions as people couldn't travel, which happened during this year due to an ease in restrictions.

In our Q2 2021 earnings conference call, we highlighted that the overall market demand was soft, and as expected, we witnessed a continuation of the temporary decline in demand in the 3rd quarter. Due to these market conditions, we used aggressive promotions, and discounts to uplift volume and revenue, which helped in driving the top line but also had an impact on margins. Margins also decreased due to an increase in commodity prices, including feed and planned reduction in compensation as per the agreement.

Overall, our operational efficiency partially offset the impact of all these elements during this quarter. That means that Baladna remains a regional industry leader in terms of 23% EBIT margin and 18% net profit margin for the first three quarters of 2021. Baladna also displayed its adaptability and resilience by obtaining further market share in the retail sector and shifting its new customer acquisition efforts to HORECA clients which led to securing several new high profile corporate contracts and as a result Baladna increased its portfolio penetration across its customer base.

As I'm sure you are aware and we previously highlighted, product portfolio management is a key strategy for Baladna, through our Innovative Products Development Program, we are extremely well positioned and have successfully identified products that are value accretive and in line with market requirements, as well as our ability to bring new products to the market in a short period of time. For more details on our operational performance, please refer to slides 7 to 13 of the investor presentation which was already shared. You will see that we have managed to slightly increase our herd size and continued to grow our total SKUs to 266 by the end of September this year.

Moving on to Baladna's financial performance during this quarter and as of year-to-date September 2021. While challenges around market demand continued to dominate the retail sphere, revenue achieved in the 3rd quarter of QAR 182 million was stable compared to level achieved in the same period last year. Some of our significant achievements during this quarter

included reduction in our overhead expenses as we continued to further enhance performance. As a result, the EBIT margin achieved for the first 3 quarters of 2021 was 23% which is an even greater achievement considering that the compensation Baladna receives is phased out over a period of 10 years and reducing.

In addition to operations, we have successfully managed to decrease our financing cost through favorable corporate profit rates for Islamic financing, reducing the profit rates from 3.5% to 3.0%. We are very proud of the net profit margin of 18% achieved over the first 3 quarters in 2021. It is in line with our expectation and industry leading across our regional peers. The net profit achieved translates into Earnings Per Share of QAR 0.054 for the first three quarters of 2021. Baladna achieved this result on a solid asset base, primarily funded by equity. For more details on our financial performance, please refer to slides 14 to 20 of the investor presentation.

If we look forward to the remainder of 2021, I would like to give you a quick update on a project which was announced in the second quarter of this year. The evaporated milk facility project is progressing well. And furthermore, Baladna has a strong pipeline of new SKUs estimate to be launched and brought to the market in the 4th quarter and beginning of next year.

In terms of demand for the last quarter of this year, as we speak, there is a good recovery from the previous 2 quarters and we are expecting a recovery in the market, which will be better than last year's same period, as we explore further opportunities derived from the FIFA Arab Cup scheduled in December this year. In terms of next year, we expect potential opportunities from the FIFA World Cup as we would explore further opportunities of growth in the retail and HORECA channels to drive growth.

In addition, we forecast further revenue and margins from the evaporated milk project as well as an increase of market share in existing categories. In the long term, Baladna is focused on international expansion. As dairy farming globally is facing increasing challenges related to an

ageing farming demographic where there is very low milk yield in developing markets and declining milk self-sufficiency ratios in many parts of the world. Baladna received inquiries from other countries which rely on Baladna's expertise and excellence in operation which is a clear testimony to the success and the quality of Baladna. At the moment, three countries are under consideration, in Malaysia, as we know, MOUs are signed with FGV and FELCRA both government owned entities to carry out a comprehensive feasibility. PwC has already started work on the detailed feasibility which is expected to be completed by end of Q1 of next year.

If you take a look at the second country, in Ukraine, Baladna is working very closely with the Ministry of Agrarian Policy on food with whom we also signed an MOU and with the Association of Milk Producers of Ukraine on the possibility of developing a large scale fully integrated "grass to glass" facility in the south of Ukraine where irrigated lands are more freely available.

And the third one is Kazakhstan. Baladna has signed two MOUs and discussions are in early stage. The first was with the Kazakhstan Investment Development Fund (KIDF) and the second with Samruk-Kazyna Invest and Agroholding Dinara Group.

Kazakhstan Investment Development Fund Management Company is a management company of the State Direct Investment Fund.

Samruk Kazyna Invest LLP is the investment division of the Sovereign Wealth Fund of the Republic of Kazakhstan.

Agroholding Dinara Group is one of the largest agro industrial holding companies in Kazakhstan with substantial land holdings and existing dairy, beef and sheep farm operations. These are all international expansions, which are under consideration by Baladna management.

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 customers to a higher standard and ensure the safety and well-being of our employees and all the stakeholders.

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

Operator: Thank you very much sir. Ladies and gentlemen, if you would like to ask a question over the phone today for today's call, please signal by pressing star one on your telephone keypad. If you are using a speakerphone, please make sure your mute function is turned off just to allow your signal, reach our equipment. So once again, ladies and gentlemen, that is star one on your telephone keypad to queue for a question on today's call. And we'll pause for just a moment to give everyone an opportunity to signal for questions. Well, I move to our first question over the phone, which comes from Ritwik from Commercial Bank. Please go ahead, your line is open.

Ritwik: Yeah. So my question was regarding commencement of operations at your international initiative in your international operations and when do you expect revenues to start flowing from some of these initiatives that you have undertaken? For example, Ukraine and other geographies. And also, I also saw in your presentation that you have plans to expand in the South Asian markets. So if you could throw some light on that as well.

Saifullah Khan: Okay, thank you for your question. So I couldn't hear you well, but I understand what you are saying about international investment. So as I said, we have considered at the moment three countries. One is Malaysia. And if you know about Malaysia, a population of 32 million, 97% depending on the import of dairy from outside and then driven by the powder products. So, we can see a big opportunity here with MOUs already signed with FGV and FELCRA. PwC is working on the initial feasibility to form integrated dairy farms with 10,000 milking cows with an annual production of 100 million liters of milk. This is where the land has been selected in Perlis. And what we are expecting that feasibility for Malaysia will be done in the first quarter of 2022. Then respective board will take a decision to start this project on the ground. This will be a

completely greenfield project. So, we are expecting at least a two-year time period for this project to be operational.

If we talk about others, Ukraine, we will work with the respective parties and we are still exploring opportunity and similarly in that Kazakhstan. There's a big interest from the relevant government, as I said, with giving attractive investment opportunities where we can leverage our expertise, what we gained in Qatar where you see in a short time, Baladna developed that massive facility and gained the market share and have become a leading player in this Qatar market. So we have expertise that we are going to utilize as incentives. When the initial feasibilities are completed, we will be in a position to provide the time frame and investment requirements for these products.

Ritwik: I saw in the presentation that there are some expansion plans in the South Asian region. So could you throw some more light on your strategy in that particular geographical market in the future?

Saifullah Khan: I said, Baladna is looking for opportunities, any potential where we see that is there any opportunity to increase the shareholder value. We are reviewing multiple opportunities at the moment and south Asian region is also included there. So what you are referring here, we are also looking for some export opportunities from some selected strategic emerging markets in the Middle East and Africa side where Baladna currently has excess capacity where we can leverage in these countries, and specifically with Jordan, Iraq and strengthen our position in Oman with the combination of dairy and Juices. This is where we are very early stage and the next year we are targeting some other countries as well to expand our portfolio in these countries. So this is what we think that we have opportunity to leverage our existing underutilized capacity.

Ritwik: Thank you very much.

Operator: Just a reminder, ladies and gentlemen, it is star one on your telephone keypad if you would like to ask a question on today's call. Just to confirm, Mr. Khan, we have no further questions queued over the phone at this time, sir.

Saifullah Khan: Thank you so much for your time. Thank you, everyone. We really appreciate your time. If someone has any questions about our Baladna investor presentation, any operational information, we are happy to answer. We already showed our Investor Relations email and telephone number, and please do not hesitate to contact us if you need any information. Thank you very much for your time.

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

Saifullah Khan: Thank you.