



# BALADNA Q.P.S.C.

Financial Results Presentation

For the Period From Establishment Date to 30 June 2020



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# Message from CEO

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- I am proud to announce that Baladna has achieved significant growth in revenues and margin improvement in the period ending 30th of June, resulting in a net profit for the period of QAR 84 million.
- Despite the strong headwinds due to the impact of the Covid-19 pandemic and precautionary measures established globally, we were able to ensure the continuous production and supply of our products to our customers while safeguarding the health and well-being of our customers and employees.
- Our technology deployed and well-planned operational processes as well as internally managed logistics allowed us to adapt quickly to the challenge and change in demand in the second quarter – specifically the obvious decrease from demand in HORECA to increase retail demand.
- Baladna stands for quality and innovation – the company’s constant efforts to bring new products to the market continued even during the second quarter with 19 new SKUs being launched. Innovation and improvement is practiced throughout all business units, our farming division was able to increase the average daily milk yield per cow significantly from c. 31.1 liters to 37.9 liters.
- A 13% increase in revenue and a 55% increase in net profit quarter on quarter is evidence the strategic steps Baladna has undertaken are materializing.
- We continue to focus on driving business efficiency through actively streamlining all aspects of the value chain, remaining committed to serve our customers and delivering shareholder value.



# Performance Highlights for the Period Ended 30<sup>th</sup> June 2020

Total SKUs (#)

210

↑ 75% YoY

Revenue

QR 442 Mn

↑ 115% YoY

Net Profit

QR 84 Mn

↑ 326% YoY

Net Profit Margin (%)

19%

↑ 9% YoY

Free Cash Flow to the Firm – FCFF

QR 189 Mn

# Key Investment Highlights

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- Market leader in dairy and beverages in Qatar
- State of the art facilities
- Integrated value chain
- Innovation and product development
- Strong financial track record and solid financial position
- Strategic shareholder support



# Operational and Commercial Performance



# Response to COVID-19 - Business Continuity Plan

FEBRUARY



## Taking Control

- Formed Crisis Team – Covid-19 Coordinator appointed
- Suspended all outbound/inbound travel
- Initiated Covid-19 awareness training
- Purchased and implemented PPE protocols, temperature checks and pass system

MARCH



## Protect The Core

- Postponed all visits/projects
- Stationed critical staff on site and transferred non-essential staff from site – supported by technology
- Transferred Sales Operation to depot
- Implemented segregation between key departments

APRIL/MAY



## Reorganizing The Operating Model

- Deployed entire sales organization to main site
- Implemented further segregation
- Strengthened Protocols
- Protected the farm and factory

JUNE/JULY



## Monitoring & Control

- Retaining robust controls
- Resuming outdoor projects with control
- Planning post lockdown
- Supporting customers as they re-open

# New Products Fueling Growth

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- Baladna retains a strong commitment to innovation as we strive to strengthen our market leadership position. Sustainably expanding the product portfolio ensures Baladna will reach and delight more consumers, across more consumption occasions, on a more frequent basis.
- The innovation strategy is underpinned by two growth pillars - launching consumer-oriented products in the retail channel and building a sustainable platform to provide optimal solutions for our food service partners.
- Despite Covid 19, our rigorous innovation process successfully launched 19 new SKUs during Q2-2020. YTD achievement for the introduction of new SKUs stands at 43 (Since establishment date to 30 June 2020 – 53 SKUs) with the total portfolio now offering just over 200 SKUs.
- To date, the new product development program has focused on evolving the portfolio to ensure coverage of all key market segments.
- Going forward, Baladna will balance product launches with the necessity to protect and grow our core dairy business and rapidly drive market share in categories where there are significant opportunities such as cheese, creams and juice.



# New Products January to March 2020 – 24 SKUs

January

February

March



# New Products April to June 2020 – 19 SKUs

April



May



June





# Market Dynamics-Retail (Fresh Dairy)

## Total Fresh Dairy Market



Ltr/kg Mn

-2.9%

72.2

70.1

MAT '19

MAT '20

QR Mn

+1%

504.7

509.1

MAT '19

MAT '20

### Category (12 month ending):

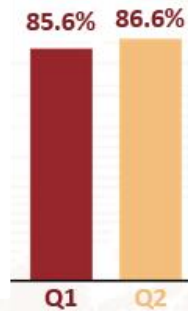
- Fresh Dairy represents 41% of retail basket Baladna operates in.
- Fresh dairy category- flat.

### Baladna Market share (Q2 vs Q1):

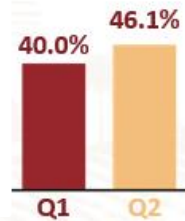
- Fresh milk: plain remains stable. Flavors experiencing strong growth, +10% (65% to 75%).
- Laban: achieved market leadership position- volume & value.
- Yoghurt: achieved market leadership- value.
- Labneh: consolidated #1 position.

## Baladna Market Share

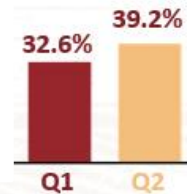
### FRESH MILK



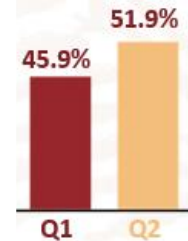
### LABAN



### YOGHURT



### LABNEH





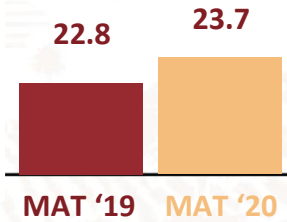
# Market Dynamics-Retail (Long Life Dairy & Creams)

## Total Long Life Dairy & Creams Market



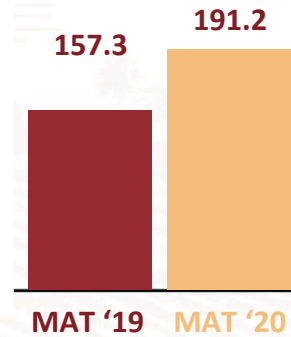
Ltr/kg Mn

+3.9%



QR Mn

+21.5%



### Category (12 month ending):

- Long life dairy and creams represent 15% of retail basket Baladna operates in.
- Long life dairy & creams: modest growth in UHT milk. Very strong growth in creams.

### Baladna Market share (Q2 vs Q1):

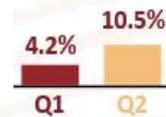
- UHT milk: strong share gains for plain, flavors segment under pressure.
- Creams: new entry into long life creams driving market share gains.

## Baladna Market Share

UHT MILK

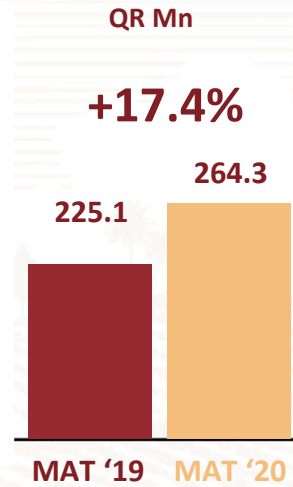
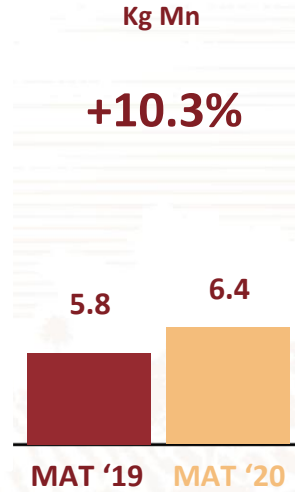
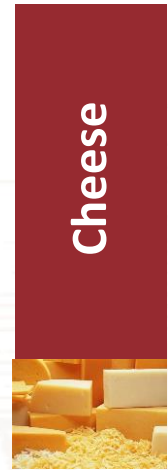


CREAMS



# Market Dynamics-Retail (Cheese)

## Total Cheese Market



### Category (12 month ending):

- Cheese represents 21% of retail basket Baladna operates in.
- Processed/natural cheese ratio: 64:36.
- Very strong growth in high value category.

### Baladna Market share (Q2 vs Q1):

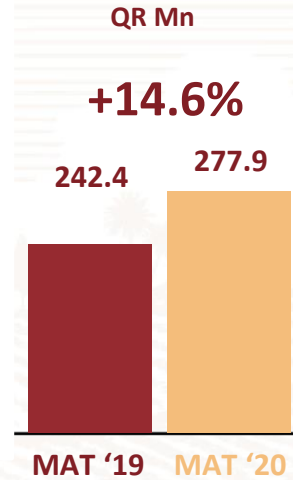
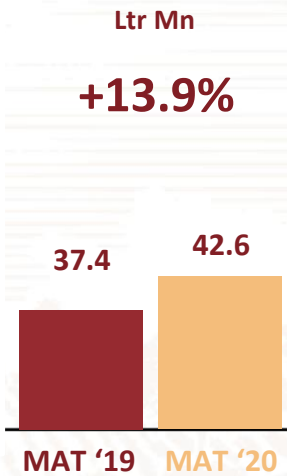
- Achieved leadership position- volume & value.
- Recent entry into the processed cheese sector (beginning Q3).

## Baladna Market Share



# Market Dynamics-Retail (Juice)

## Total Juice Market



### Category (12 month ending):

- Juice represents 23% of retail basket Baladna operates in.
- Long life/fresh juice ratio: 53:47.
- Very strong growth in fresh segment, +44%. Long life declining -5%.

### Baladna Market share (Q2 vs Q1):

- Fresh juice: achieved market leadership.
- Long life juice: new entry continues to gain share.

## Baladna Market Share







# Financial Performance

(Since Establishment date to 30 June 2020)

# Performance Highlights for the Period Ended 30<sup>th</sup> June 2020

Financial Highlights

Revenue



EBITDA



Net Profit



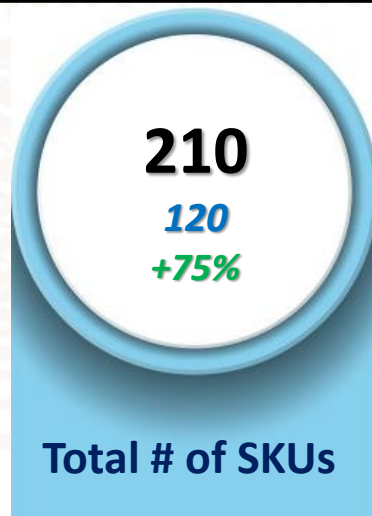
FCFF



EPS



Operational Highlights

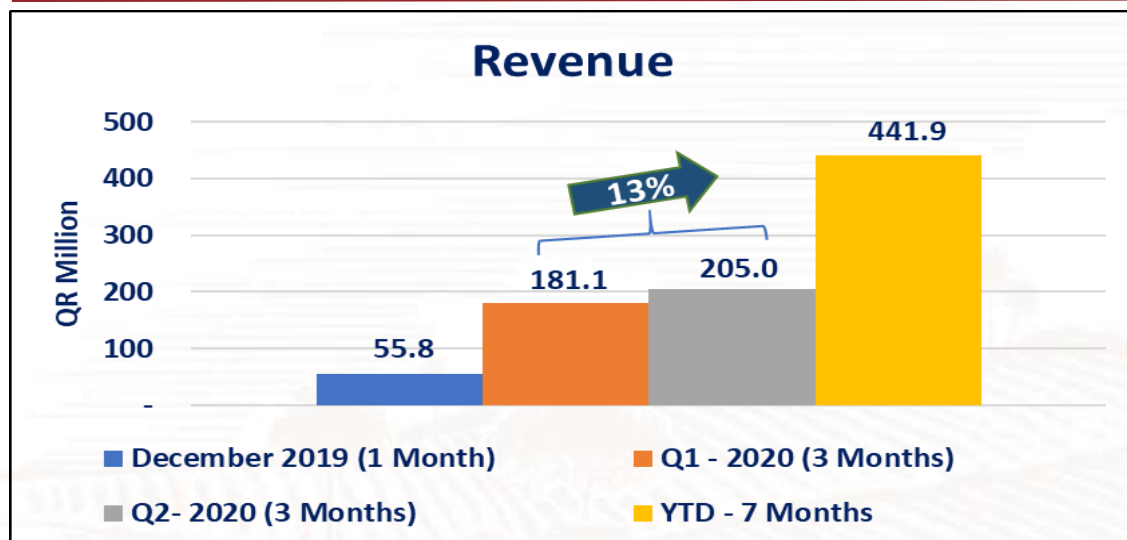


Top Line with **Black Color** refers to the Current Period Performance  
 Percentage in **Green Color** reflects the Growth % compared to Previous Period

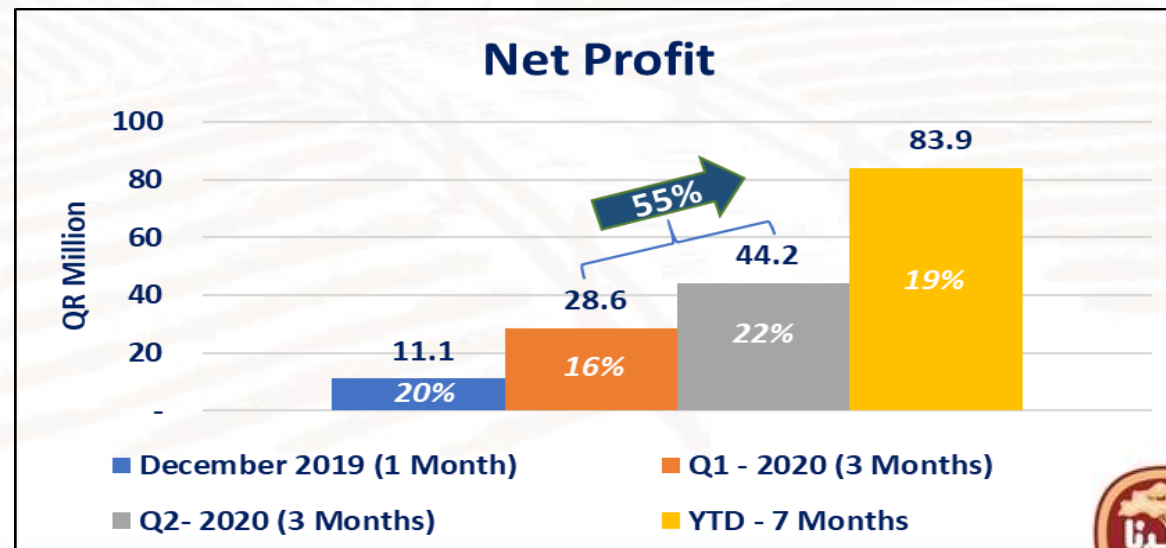
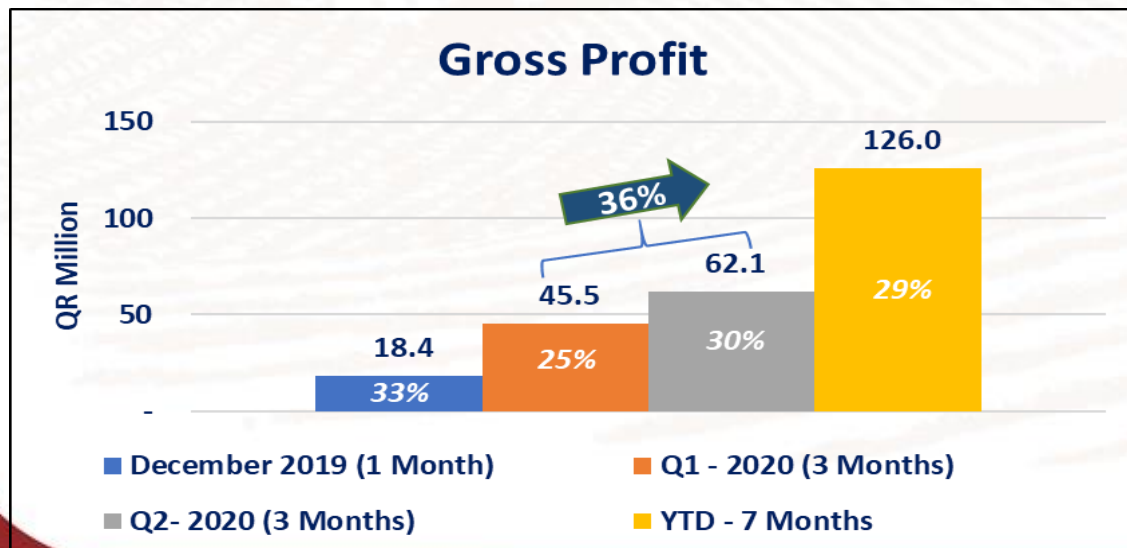
Second Line with **Blue Color** refers to the Previous Period Performance



# Financial Performance – Growth across major financial indicators



- Revenue increasing Quarter on Quarter mainly due to overall increase in product portfolio and market share.
- Key categories contribution to revenue growth are Cheese, Juice, Yogurt and Cream.
- Gross profit improved due to improved cow yield resulting in reduction of per liter cost of milk, better buying and efficiency across the operations including manpower.
- Net profit increased due to strong control on expenses and reduction in depreciation cost (due to change in useful life) and interest rates.



\* December 2019 refers from 02<sup>nd</sup> December 2019 (Establishment Date) to 31<sup>st</sup> December 2019





# Profit and Loss Statement

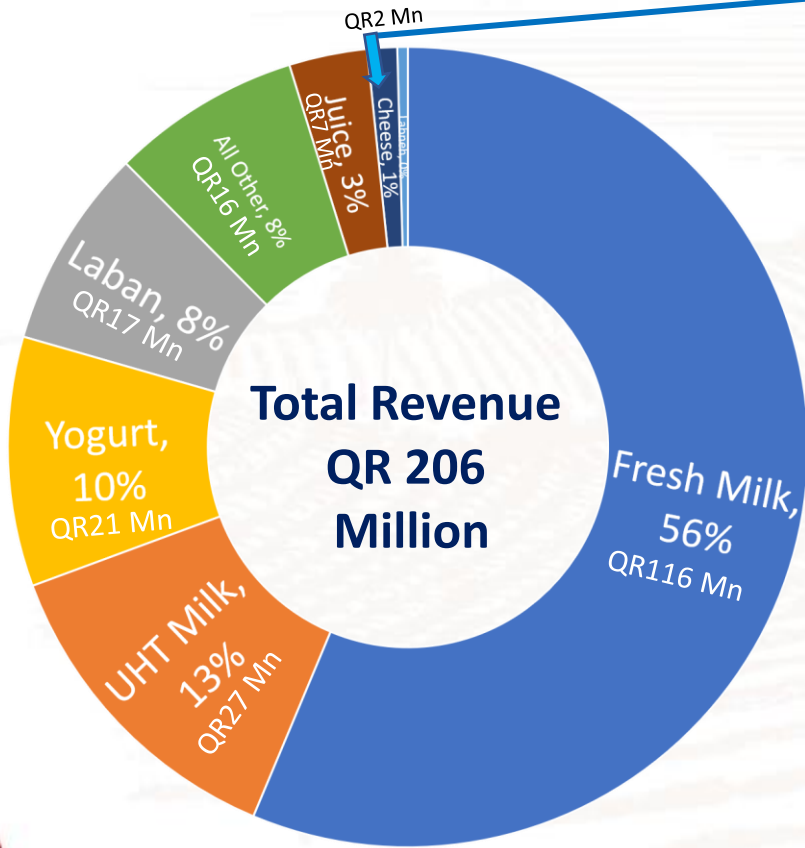
| QR Million   | <i>For the three-month<br/>period ended 30 June<br/>2020</i> | <i>For the period from<br/>Establishment Date to<br/>30 June 2020</i> |
|--|--|---|
| <b>Revenue</b>   | <b>205.0</b>   | <b>441.9</b>  |
| Cost of revenue  | (142.9)  | (315.9)   |
| <b>Gross profit</b>  | <b>62.1</b>  | <b>126.0</b>  |
| Other income   | 37.0   | 97.6  |
| Selling and distribution expenses  | (22.9)   | (49.3)  |
| General and administrative expenses  | (21.9)   | (71.7)  |
| <b>Operating profit for the period</b>   | <b>54.3</b>  | <b>102.6</b>  |
| Finance costs and bank charges   | (10.1)   | (18.7)  |
| <b>Profit for the period</b>   | <b>44.2</b>  | <b>83.9</b>   |
| Other comprehensive income   | -  | -   |
| <b>Total comprehensive income for the period</b>                               | <b>44.2</b>  | <b>83.9</b>   |
| <br>   |  |   |
| <b>Basic and diluted earnings per share</b> <i>(Expressed in QR per share)</i> | <b>0.023</b>   | <b>0.046</b>  |

*Other Income includes government compensation of QR 92.6 Million from establishment date to 30<sup>th</sup> June 2020. (from From 01<sup>st</sup> April 2020 to 30<sup>th</sup> June is QR 36.0 Million)*

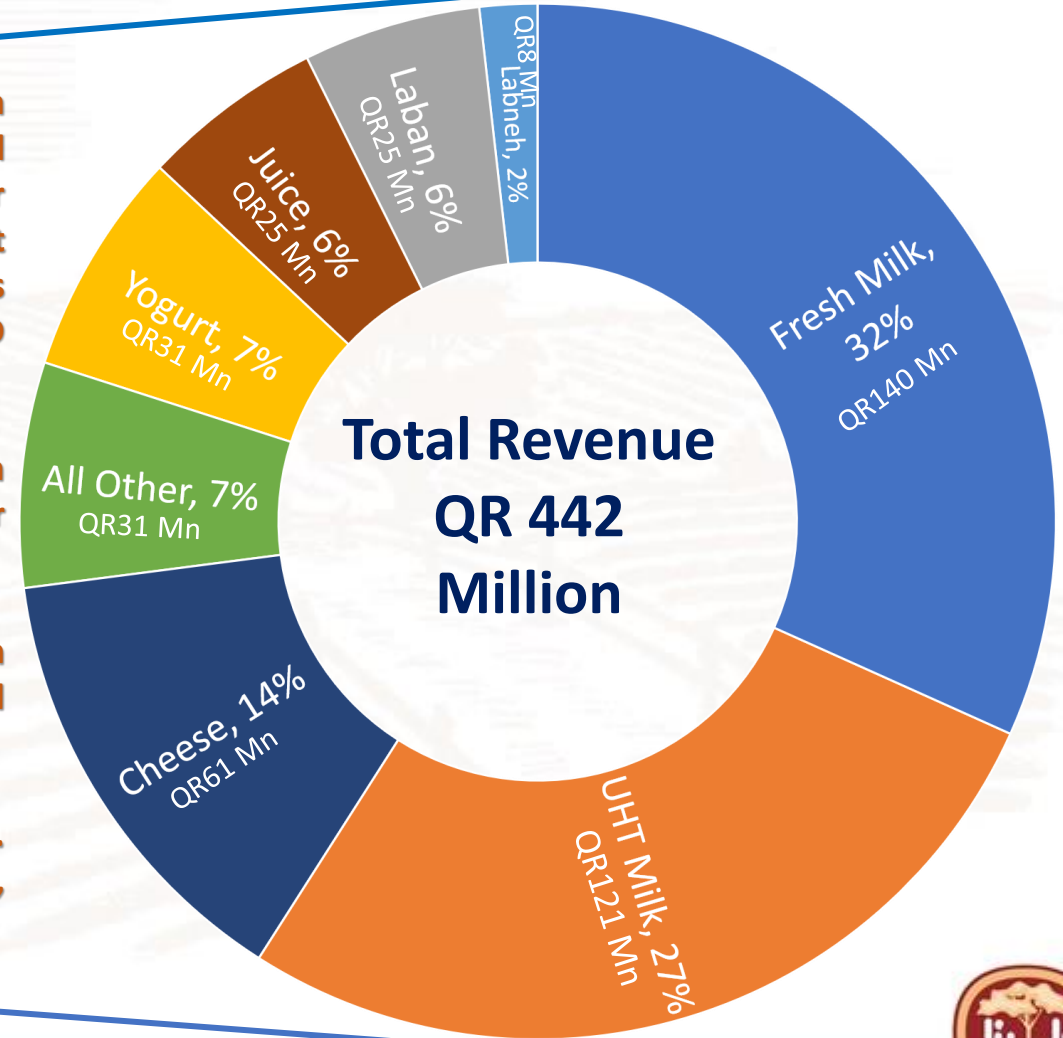


# Revenue Composition and Growth Comparison with Last Year

From 02 December 2018 to 30 June 2019



From 02 December 2019 to 30 June 2020

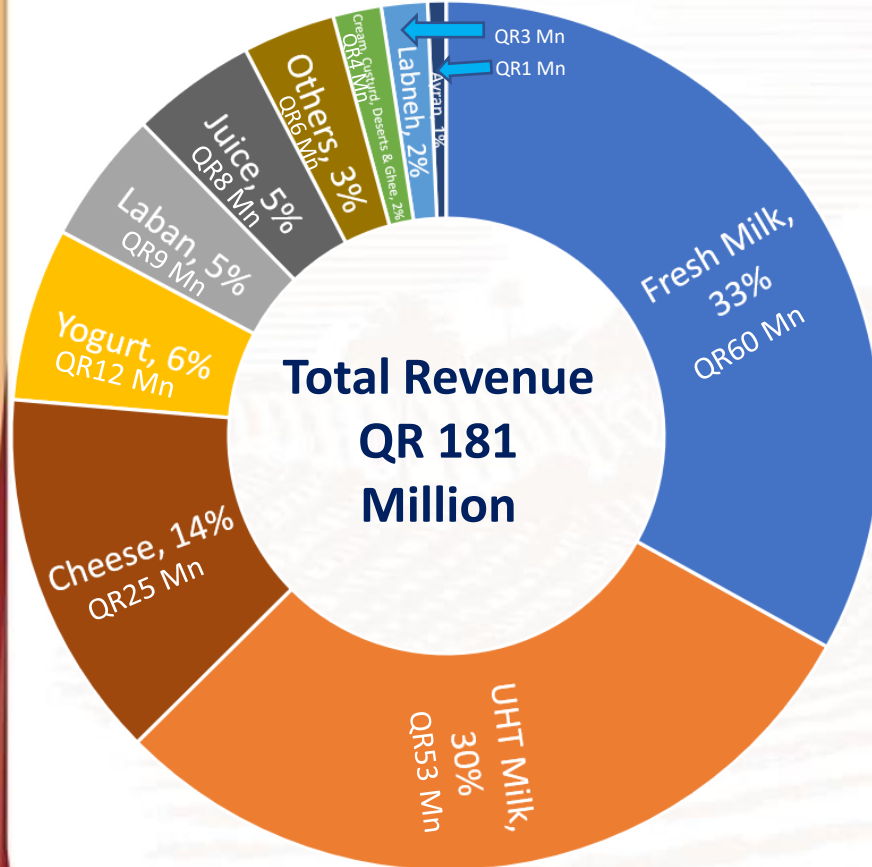


- Strong growth of 115% in current period compared with same period last year due to increased product portfolio from 120 products to 210, fuelled by robust NPD program.
- Higher milk yield and growth in herd size resulted in higher production.
- Sales routes increased from 109 to 118 to capture full Qatar market.
- Growth across all categories. Particularly in UHT Milk, Cheese and Juices.

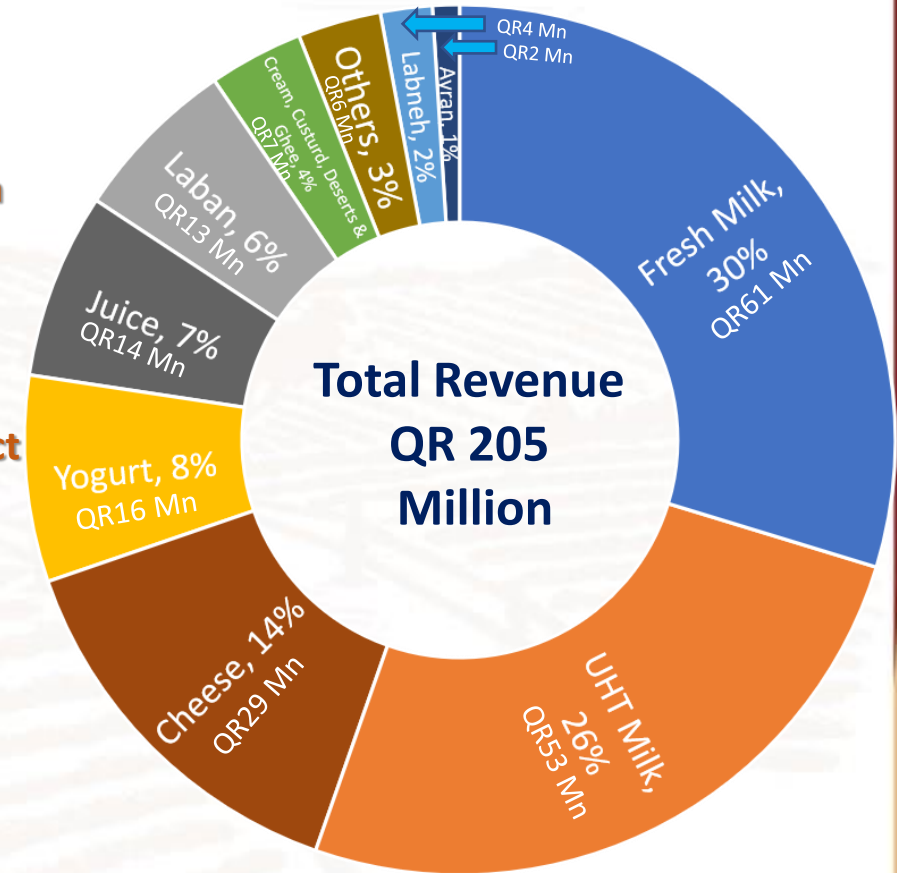


# Revenue Composition and Growth Quarter on Quarter

From 01<sup>st</sup> January 2020 till  
31<sup>st</sup> March 2020



From 01<sup>st</sup> April 2020 till 30<sup>th</sup>  
June 2020

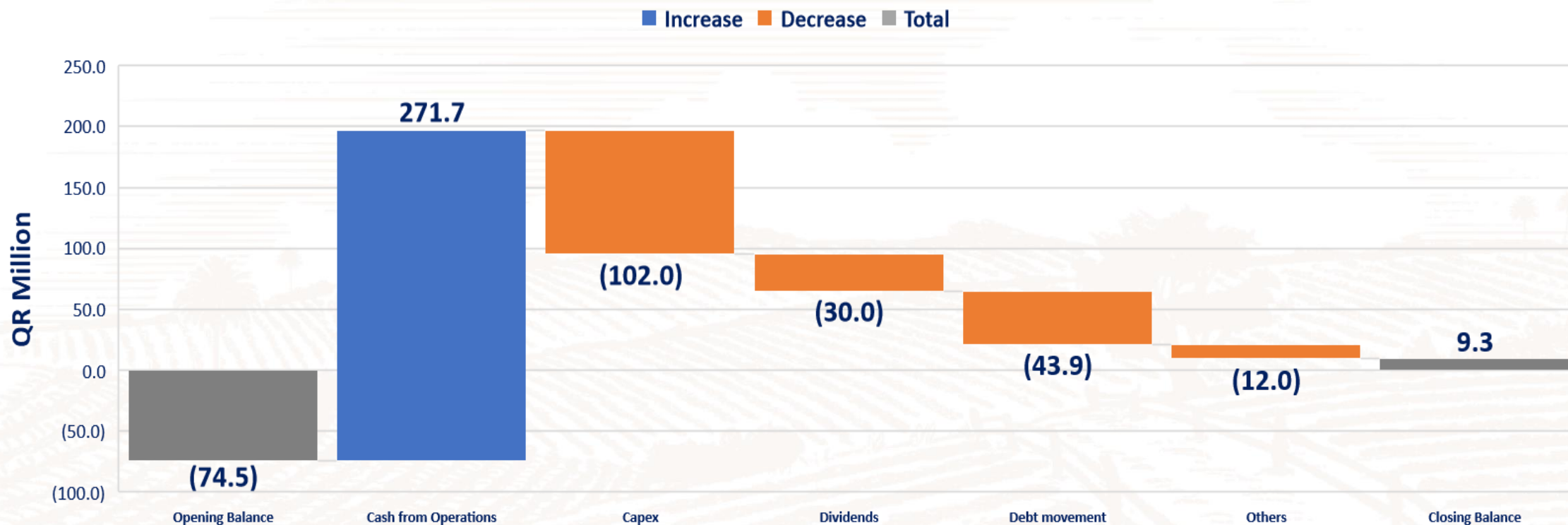


- Despite the Covid-19 challenges during Q2, revenue growth is up 13% versus Q1.
- Ongoing portfolio expansion with the innovation process successfully launching 19 new SKUs.
- Positive Ramadan seasonal impact driving increased household consumption.
- Sales at retails channel improved and Horeca busines was negatively impacted during Q2.

## Note

- Other Revenue includes the Compost & Manure Sales, External Plastic Sales, Livestock Sales etc.
- In order to have same period comparison, we have compared the Revenue for the 3 months period ending 31<sup>st</sup> March 2020 and 30<sup>th</sup> June 2020.

# Cash Flow Management (From Establishment Date to 30 June 2020)

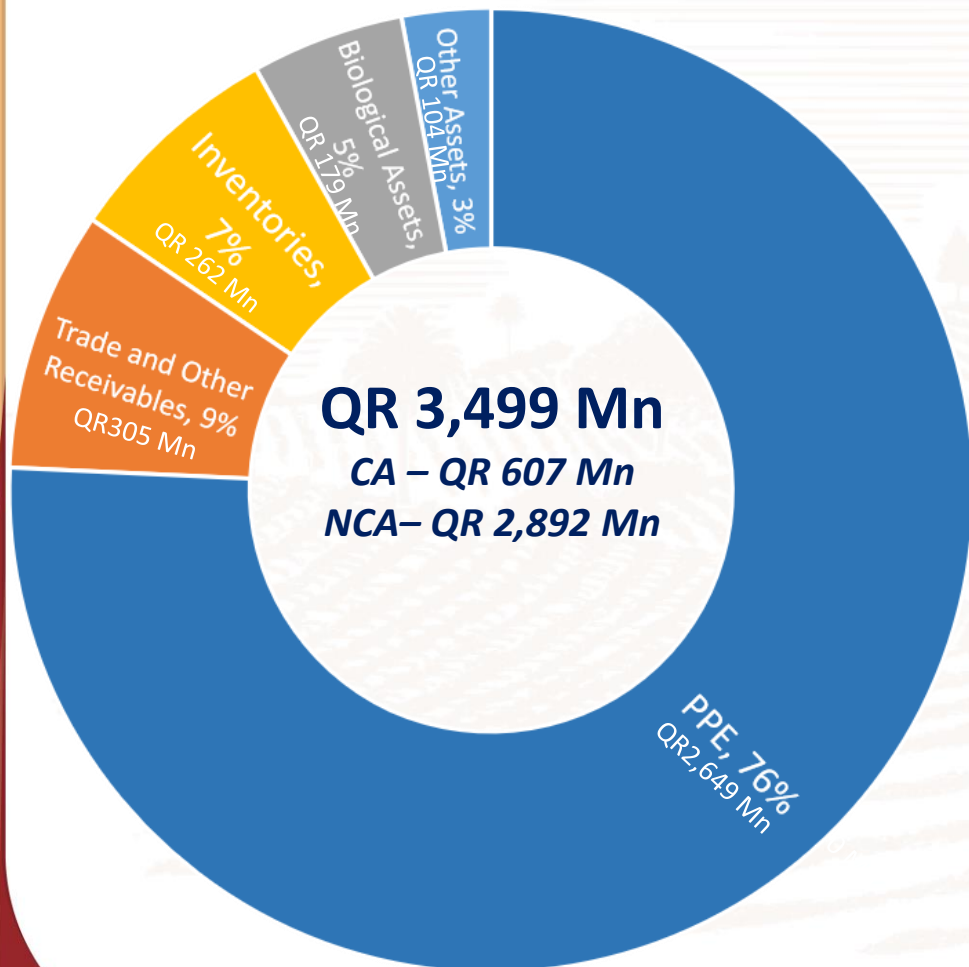


- **Healthy cash from operations.** Thanks to revenue growth, margin improvements, efficient working capital management and **Government Support**.
- **Additions in capex represent business continuity and continuous improvements in facilities and infrastructures.**
- **QR 30 million dividend paid out of declared dividend of QR 40 million.**
- **Further reduction of outstanding debt by QR 43.9 million.**
- **Available unutilized working capital facilities QR 219 million by end of the period.**

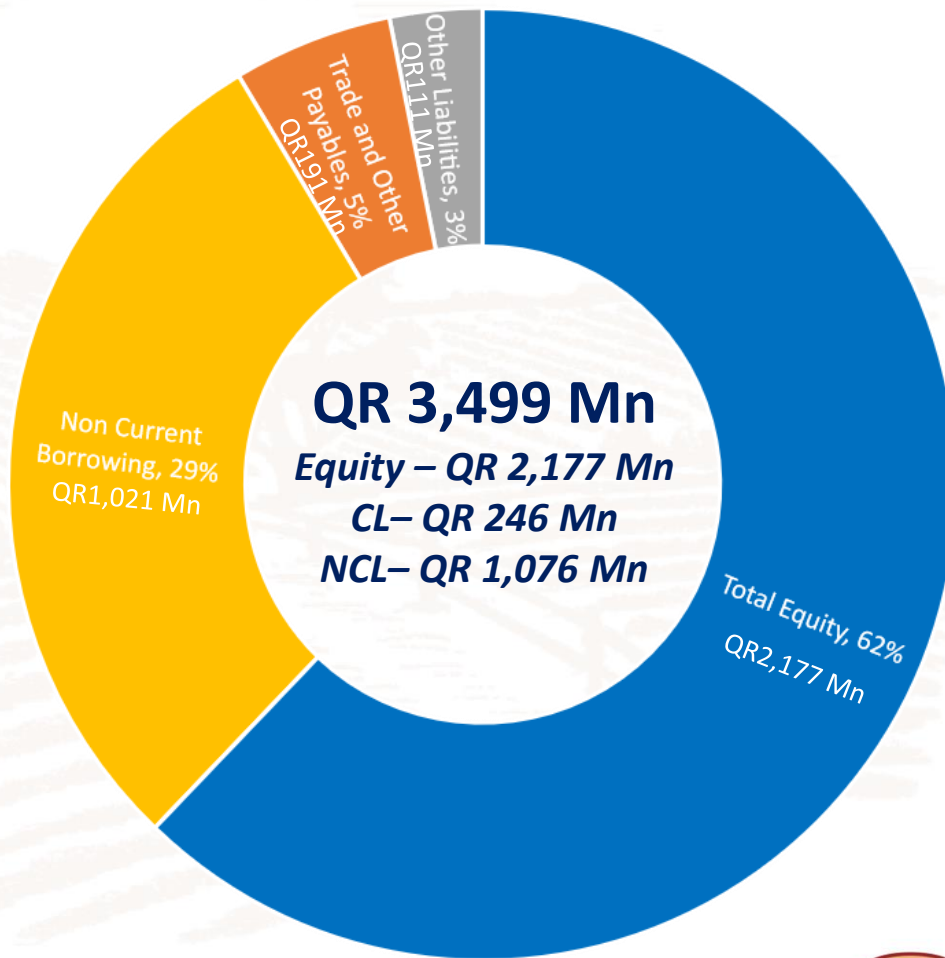


# Financial Position as of 30 June 2020

## Total Assets



## Total Shareholders' Equity and Liabilities



- Strong assets base mainly funded by equity.
- Healthy Current Ratio due to efficient working capital management.
- Increased safety stock of key categories from 3 months to 6 months to ensure business continuity under prevailing Covid-19 scenario.
- Net Debt to total capital ratio stands at 32% which shows the sound equity base of the Company.
- Equity includes QR 201 million acquisition reserve.

▪ Other Assets and other liabilities include QR 21 million cash and bank balances and QR 32Mn short term borrowings and overdraft respectively

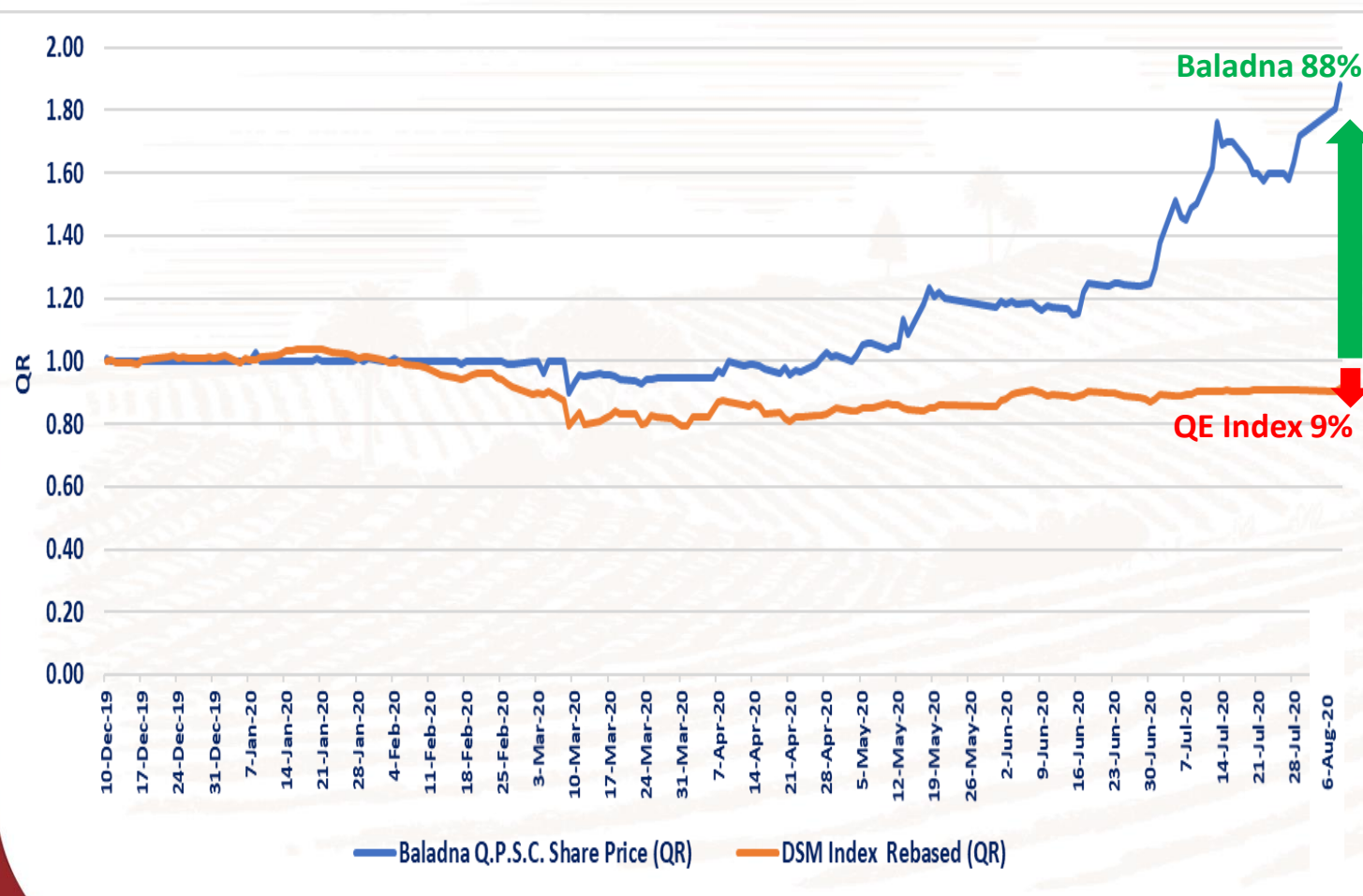


# Share Trading and Shareholder Value



# Shareholder Value Creation

## Baladna Share Price Movement Vs DSM Index Rebased



- Management of the Company has delivered to the IPO investors share price uplift by 25% as compared to QE index which declined 13% as on 30th June in addition to interim dividend QR 0.021.
- Following the disclosure of H1 results on 5<sup>th</sup> August 2020, as of 6th August share price uplift by 88% as compared to QE index which has declined by 9%.
- Since IPO, Company's shares have outperformed the QE Index which attributable to:
  - Strong Financial and Operational results.
  - Baladna's defensive business characteristics, which significantly reduces Coronavirus-related disruption risks.
  - Announcement of interim dividends in April.
  - MSCI Small Cap Index inclusion in May.

Source: Qatar Stock Exchange



# Key Share Information (As of 30 June 2020)

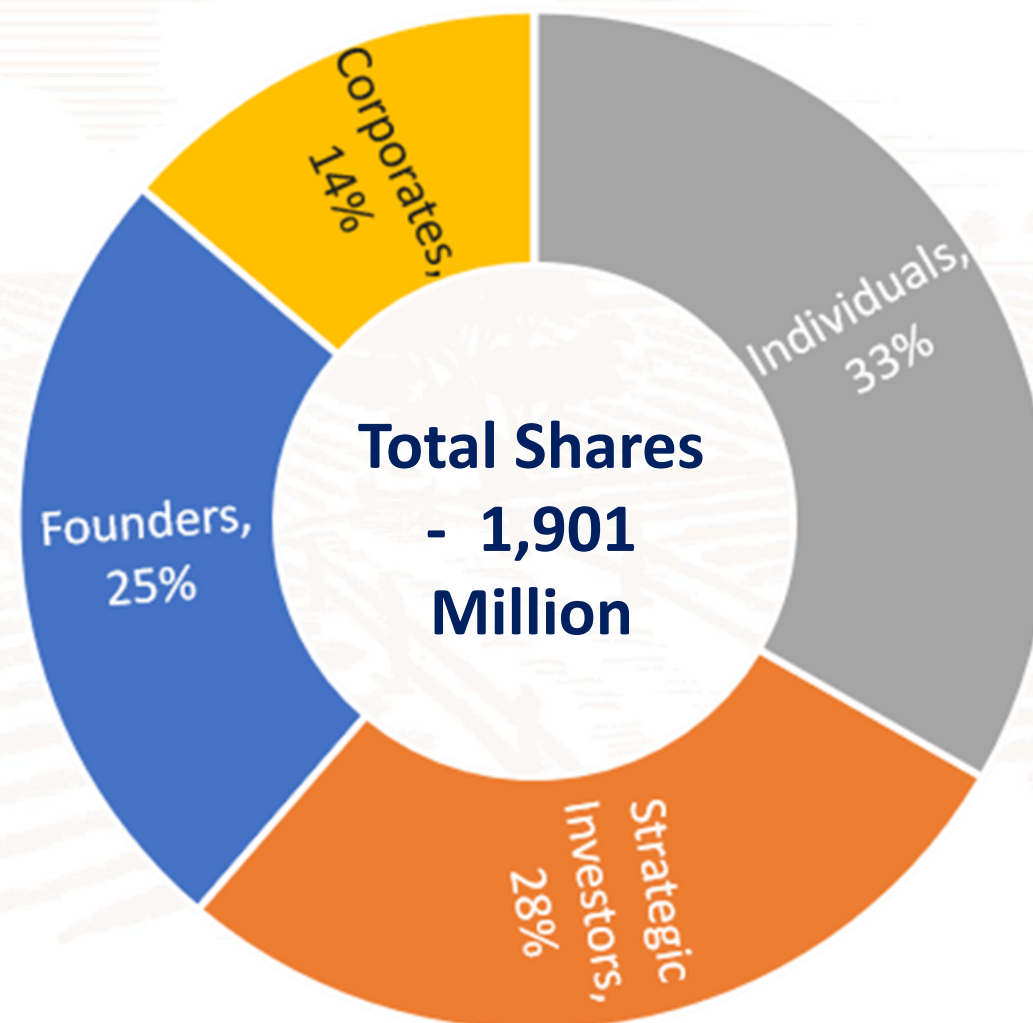
## Key Statistics

|                                       |               |
|---------------------------------------|---------------|
| Shares Outstanding (Number of Shares) | 1,901,000,000 |
| Share Price                           | 1.248         |
| Market Capitalization (QR)            | 2,372,448,000 |
| Foreign Ownership Limit (FO Limit)    | 49%           |
| Free Float (Number of Shares)         | 1,425,750,000 |

## Investor Relations Contact

[ir@baladna.com](mailto:ir@baladna.com)

## Shareholder Structure



Source: Qatar Stock Exchange / QCSD





# Key Takeaways

# Key Takeaways

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## Current Performance:

- New product introductions and market share gains in all categories supporting growth
- Efficiencies and cost control across value chain driving profitability
- Strong revenue, margin and net profit growth

## Key Challenges / Opportunities:

- HORECA sales remain challenging, expect staged growth in line with continued lifting of restrictions from September 01
- Strong innovation plan for 2<sup>nd</sup> half however a few key project delayed as a result of Covid-19
- One-off exceptional Covid-19 related cost will reduce over the remainder half of the year
- Continued focus on efficiency and productivity
- Significant growth opportunities in number of key categories
- Excess capacity available to support future growth

# Glossary

|        |  |
|--------|--|
| CA     | Current Assets   |
| CL     | Current Liabilities  |
| EBITDA | Earnings Before Interest, Taxes, Depreciation and Amortization |
| EPS    | Earnings Per Share   |
| FCFF   | Free Cash Flow to the Firm                                     |
| HORECA | Hotels, Restaurants and Catering                               |
| MAT    | Moving Annual Total  |
| NCA    | Non-Current Assets   |
| NCL    | Non-Current Liabilities  |
| NPD    | New Product Development  |
| QCSD   | Qatar Central Securities Depository                            |
| SKU    | Stock Keeping Unit   |
| UHT    | Ultra-High Temperature   |



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# Q & A