



# **BALADNA Q.P.S.C.**

**Q3 2020 Financial Results Investor Presentation**

*2<sup>nd</sup> November 2020*



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## Message from the CEO

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- Despite the continuation of strong headwinds due to the impact of the Covid-19 pandemic and the precautionary measures established, 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
- We achieved a revenue of QAR 182 million in Q3, totaling our revenue for the 10 months since incorporation to QAR 624 million. Net profit attributable to Q3 stands at QAR 29 million, with a total net profit for the 10 months period of QAR 113 million. Correspondingly, our net profit margin achieved is 18%
- With a decline in revenue compared to the second quarter impacted by a decline in consumers (that we believe to be short term), depressed consumer sentiment and the delay in school openings. Added to that, the HORECA channel has not yet recovered from the restrictions even although phase 4 was introduced at the end of August. The trading environment across all channels remains challenging
- Baladna's operational results continue to confirm our strong position in the market, being the customers' preferred choice for dairy products and beverages in Qatar. We are pleased with the strong profit margins achieved which is a result of strategic planning, enhancing automation of processes and our continuous efficiency improvement programs. 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
- Product portfolio management is key in volatile times. Baladna continues to focus on introducing innovative and value accretive products, having launched 28 new SKUs in Q3 and delisted 13 to optimise yield
- Our market share in high growth and high profit segments such as creams continues to grow according to our targets



## Performance Highlights from 2 Dec 2019 to 30 Sep 2020

**225**

Total SKUs

+88% (vs. previous year)

**QAR 624m**

Revenue

+92% (vs. previous year)

**QAR 249m**

EBITDA

+45% (vs. previous year)

**QAR 113m**

Net profit

+233% (vs. previous year)

**QAR 144m**

Free cashflow to the firm

Not comparable to previous year

### Third quarter standalone – update on 3 months period ended 30<sup>th</sup> Sept 2020

- Revenue quarter on quarter decreased, achieved solid QAR 182 million revenue
- EBITDA of QAR 70 million
- Net profit of QAR 29 million, representing a net profit margin of 16% for the third quarter

## Key investment highlights

- |   |   |   |                      |
|---|---|---|----------------------|
| 1 | Market leader in dairy and beverages in Qatar       | ✓ | c. 80% in total milk |
| 2 | State of the art facilities and technology          | ✓ | No interruption      |
| 3 | Integrated value chain                              | ✓ | Independent          |
| 4 | Innovation and product development                  | ✓ | 225 SKUs             |
| 5 | Strong financial performance and financial position | ✓ | 40% EBITDA margin    |
| 6 | Strategic shareholders support                      | ✓ | 53% long term        |

# Key challenges in Q3 and Baladna's immediate actions



Decline in market demand



- Increased communication campaigns and consumer promotions/offers
- Strengthened Trade activity
- Increased HORECA/Deli portfolio



Interruption to innovation launch programme



- Re-scheduled launch program
- Fast track visas for engineering/commissioning engineers
- Remote commissioning



Managing additional costs associated with COVID-19



- Efficient cash flow management with expenditure prioritization initiatives
- Managing working capital with a focus on cash-to-cash conversion cycle
- Digitalization of various operational functions (i.e. team meetings, data access and business approval processes)



Remote working



- Utilization of technological means of communication where applicable
- Recruitment of local human capital to replace persons unable to return
- Organizing team outings in controlled numbers and arranging activities within accommodation whilst maintaining social distancing rules



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# Key operational highlights

		Q2 2020	Q3 2020	Growth	
1	Total no. of SKUs	210	225	+7%	<ul style="list-style-type: none"><li>Portfolio efficiency provides platform for profitable growth</li><li>The rationalization program continues to review the product portfolio to maximise returns</li></ul>
2	No. of new SKUs	19	28	+47%	<ul style="list-style-type: none"><li>Portfolio gaps continue to be addressed with the innovation program successfully launching 28 SKU's across 4 categories</li></ul>
3	No. of sales routes	118	119	+1%	<ul style="list-style-type: none"><li>Maintained focus on existing sales routes to enhance quality of client relationships</li></ul>
4	Total herd	20,336	20,760	+2%	<ul style="list-style-type: none"><li>Optimising total herd size for existing operations and production levels</li></ul>

# Market share remains robust (1/2)

		Q1 2020	Q2 2020	Q3 2020	
Fresh milk		85.6%	86.6%	86.3%	<ul style="list-style-type: none"> <li>▪ MAT 2020 market size: QAR 227m</li> <li>▪ Total market volume decreasing by 4% for MAT 2020 vs. MAT 2019</li> <li>▪ Baladna retains strong #1 position within the core fresh milk category</li> </ul>
UHT milk		74.8%	81.2%	77.2%	<ul style="list-style-type: none"> <li>▪ MAT 2020 market size: QAR 146m</li> <li>▪ Total market volume increasing by 1% for MAT 2020 vs. MAT 2019</li> <li>▪ Baladna retains strong #1 position within the UHT milk category – total market share of 80.8% (July/Aug 2020) including co-packing of private label</li> </ul>
Laban		40.0%	46.1%	38.7%	<ul style="list-style-type: none"> <li>▪ MAT 2020 market size: QAR 108m</li> <li>▪ Total market volume decreasing by 8% for MAT 2020 vs. MAT 2019</li> <li>▪ Diluted laban remains a significant growth opportunity for Baladna</li> </ul>
Juice		14.7%	20.6%	19.4%	<ul style="list-style-type: none"> <li>▪ MAT 2020 market size: QAR 279m</li> <li>▪ Total market volume increasing by 10% for MAT 2020 vs. MAT 2019</li> <li>▪ Juice remains a significant growth opportunity for Baladna</li> </ul>

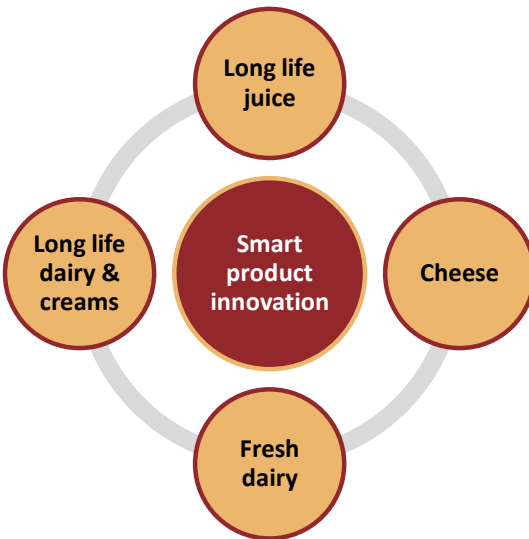
## Market share remains robust (2/2)

		Q1 2020	Q2 2020	Q3 2020	
Yoghurt		34.2%	39.2%	40.0%	<ul style="list-style-type: none"> <li>▪ MAT 2020 market size: QAR 107m</li> <li>▪ Total market volume decreasing by 2% for MAT 2020 vs. MAT 2019</li> <li>▪ Baladna achieved value leadership within the yoghurt category.</li> </ul>
Labneh		40.5%	51.9%	52.1%	<ul style="list-style-type: none"> <li>▪ MAT 2020 market size: QAR 22m</li> <li>▪ Total market volume increasing by 10% for MAT 2020 vs. MAT 2019</li> <li>▪ Baladna achieved clear leadership position</li> </ul>
Cheese		13.1%	23.2%	21.1%	<ul style="list-style-type: none"> <li>▪ MAT 2020 market size: QAR 277m</li> <li>▪ Total market volume increasing by 14% for MAT 2020 vs. MAT 2019</li> <li>▪ Entered processed cheese sector at the end of Q3 2020 – processed cheese accounts for more than 60% of total cheese sales</li> </ul>
Creams		4.4%	10.5%	18.6%	<ul style="list-style-type: none"> <li>▪ MAT 2020 market size: QAR 56m</li> <li>▪ Total market volume increasing by 31% for MAT 2020 vs. MAT 2019</li> <li>▪ Accelerated gains driven by Q2 NPD – whipping and cooking cream</li> </ul>

# New product development and portfolio optimisation

**1 STRATEGIC product innovation – 28 new SKUs launched in Q3**

- Long life juice category accounts for 53% of total juice sales. With the launch of Awafi long life juice, Baladna is well positioned to build growth momentum
- Baladna’s market leadership position within the long-life dairy sector is further consolidated with the launch of Awafi milkshake in the higher value flavored milk segment
- Fresh dairy innovation strategy targeting higher value consumption occasion
- Suite of dairy beverages in the new 360ml serve size to address adult impulse occasion
- Introduction of Greek yoghurt leveraging the emerging popularity for healthy yet indulgent dairy snacks



- Penetration of the high margin cheese category remains a strategic priority. Key achievement in Q3 is entry into the processed cheese sector with the launch of spreadable cheese

**2 Product portfolio review**

- Continuous product portfolio review and immediate actions taken
- Elimination of products which do not generate expected revenues, fallen out of customers’ preferences or can be replaced with higher yielding products
- 13 products delisted in Q3

**3 Most value enhancing**

225 SKUs in current product portfolio across all brands

- ✓ Customers’ choices and market trends
- ✓ Strong demand today and future revenue drivers
- ✓ Focus on high profit margin products

**Value accretive to our shareholders**



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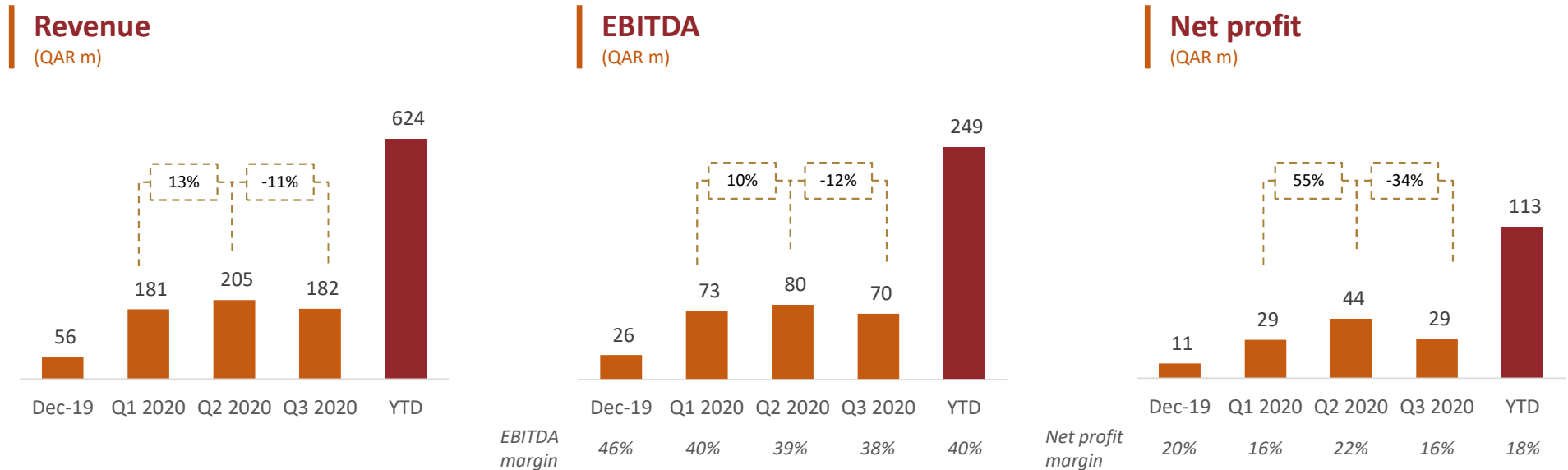


# Key financial highlights

		Q3 2020	YTD 2020	
1	Revenue	QAR 182m	QAR 624m	Revenue generation continues as Baladna maintains solid market share positions, YoY growth 92%, QoQ decline by 11% due to seasonality and current market trends
2	EBITDA	QAR 70m	QAR 249m	Strong EBITDA margin of 40% for YTD 2020 a result of Baladna's efficient operations, despite having the extra ordinary cost of current circumstances
3	Net profit	QAR 29m	QAR 113m	Continuous net profits quarter on quarter reflect Baladna's resilience during Covid-19, achieved 18% YTD
4	EPS	QAR 0.015	QAR 0.061	Each quarter has been value accretive to shareholders



# Financial performance development quarter by quarter



- Revenue remains strong throughout the year as Baladna continues to dominate in market share across several categories, adding new product lines while market is trending negative in Q3 due to several elements
- Key categories that contributed significantly to revenue include fresh milk, UHT milk, and cheese
- Q3 2020 margins similar to Q1 2020 margins – reflects Baladna’s robust operations while excluding the effects of seasonal variations
- Despite setbacks experienced due to the ongoing effects of the COVID pandemic, Baladna was still able to generate a strong net profit margin of 18% year-to-date



# Profit and loss statement

<i>QAR m</i>	<i>For the three-month period ended 30 September 2020</i>	<i>For the period from Establishment Date to 30 September 2020</i>
Revenue	182.3	624.2
Cost of revenue	(136.3)	(452.2)
Gross profit	46.0	172.0
Other income	36.8	134.4
Selling and distribution expenses	(22.9)	(72.2)
General and administrative expenses	(19.5)	(91.2)
Operating profit for the period	40.4	143.0
Finance costs and bank charges	(11.3)	(30.0)
Profit before tax for the period	29.1	113.0
Income tax expense	(0.1)	(0.1)
Profit after tax for the period	29.0	112.9
Other comprehensive income	0.0	0.0
Total comprehensive income for the period	29.0	112.9
Basic and diluted earnings per share (QAR per share)	0.015	0.061

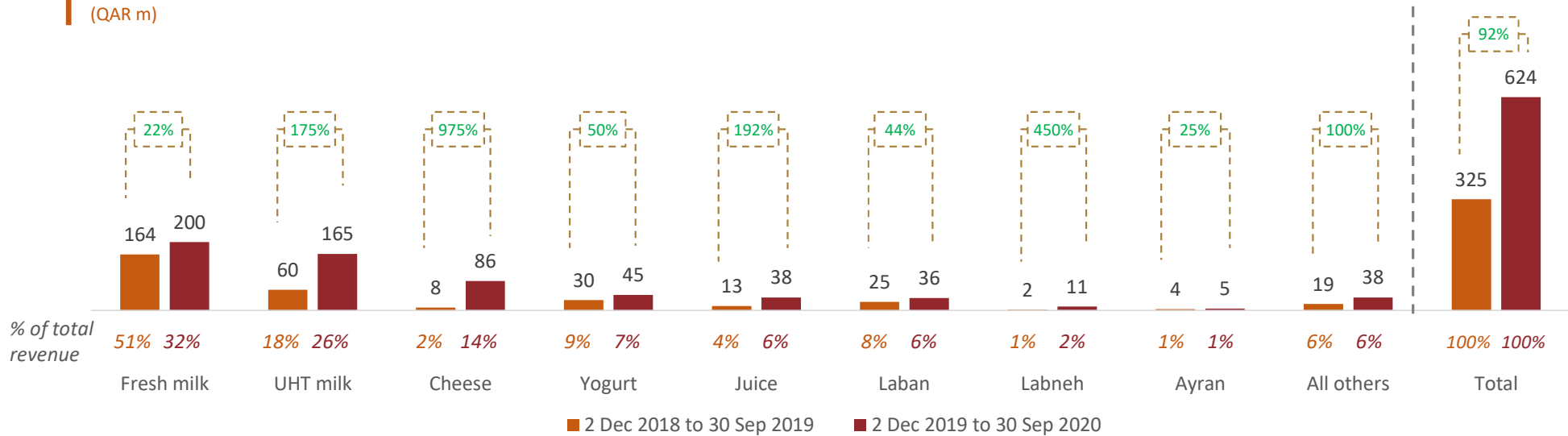




# Revenue composition and growth – Year-on-year

## Revenue per category

(QAR m)

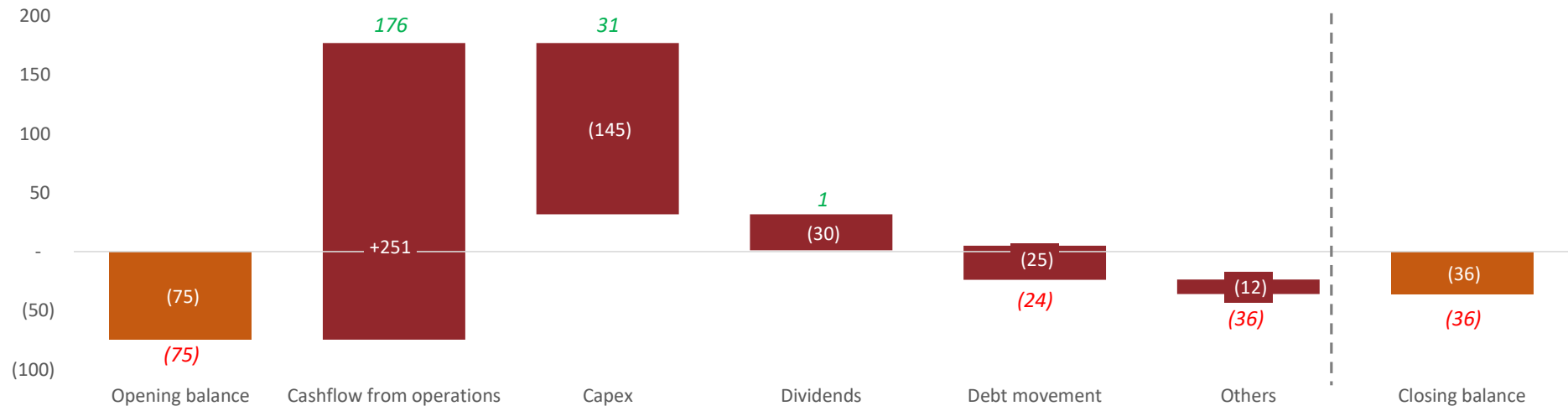


- Strong growth of 92% in current period compared with same period of last year due to increased product portfolio from 120 products to 225, fuelled by robust NPD program
- Maintained focus on existing sales routes to enhance quality of client relationships, instead of expanding the distribution network, routes to the market increased from 113 to 119 to cover modern trade, traditional trade and HORECA
- Growth across all categories with significant growth within UHT milk, cheese, labneh and juices
- Farm performance significantly improved in form of higher yield and herd size

# Cashflow management (from Dec 2019 to Sep 2020)

## Cashflow

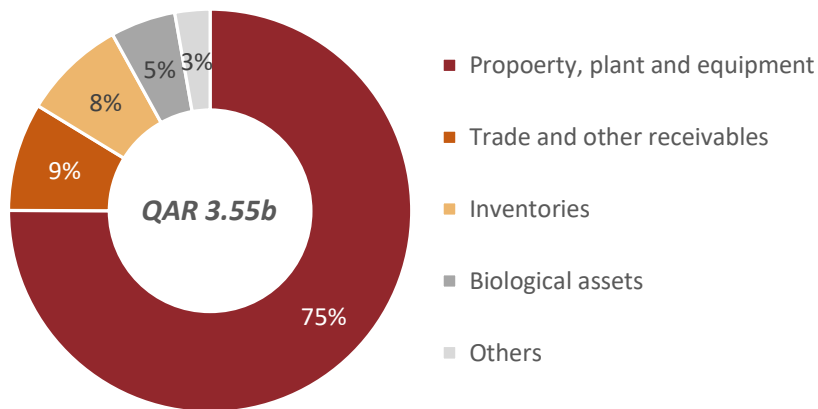
(QAR m)



- Baladna continues to generate healthy cash from operations a result of strong revenues, efficient working capital management and Government support
- Additions in capex represent business continuity and continuous improvements in facilities and infrastructures
- Dividend payment obligations of QAR 30 million have been paid (out of the declared amount of QAR 40 million)
- Further reduction of outstanding debt by QAR 25 million
- Available unutilized working capital facilities QAR 141 million by end of the period

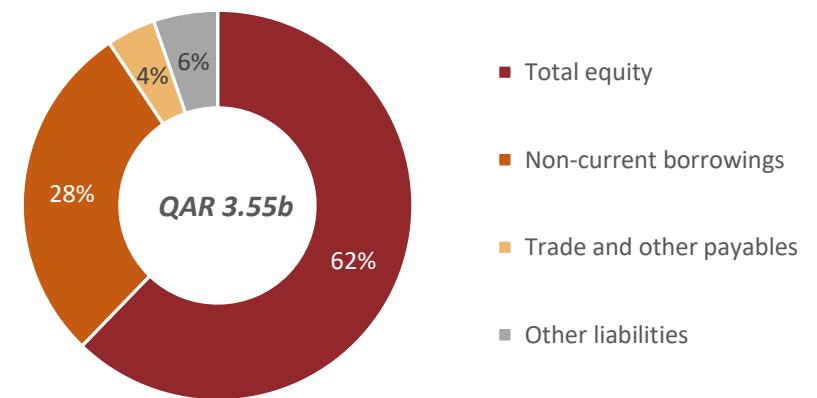
# Financial Position as at 30 Sept 2020

## Total assets



Current assets: QAR 0.64b      Non-current assets: QAR 2.91b

## Total shareholders' equity and liabilities



Current liabilities: QAR 0.28b      Non-current liabilities: QAR 1.06b  
Equity: QAR 2.21b

- Strong assets base primarily funded by equity - equity includes QAR 201 million acquisition reserve
- The current ratio of 2.28 indicates Baladna's ability to cover its short-term liabilities and demonstrates its efficient working capital management
- Net debt to total capital ratio stands at 33% which shows the sound equity base of the company



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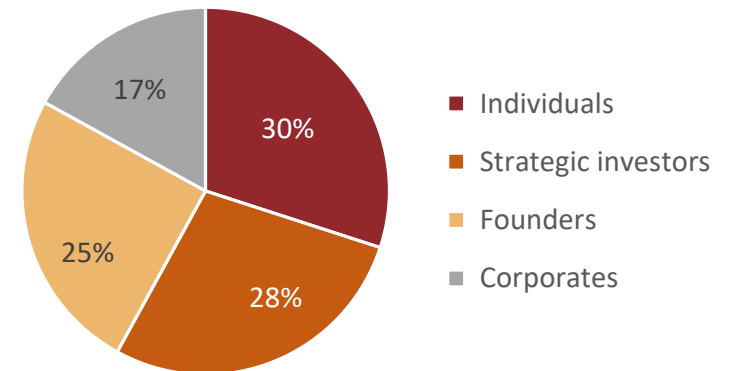
# Shareholder information (as at 30 Sept 2020)

## General information

<b>Company name</b>	<b>Baladna Q.P.S.C.</b>
<b>Ticker (QE)</b>	<b>BLDN</b>
<b>Share price</b>	<b>QAR 2.20</b>
<b>Market Capitalization</b>	<b>QAR 4.2b</b>
<b>Common Shares Outstanding</b>	<b>1.9b</b>
<b>Free float</b>	<b>75%</b>

Figures as at 30 Sep and in QAR. Unless, otherwise stated.

## Shareholder structure



## Investor relations contact

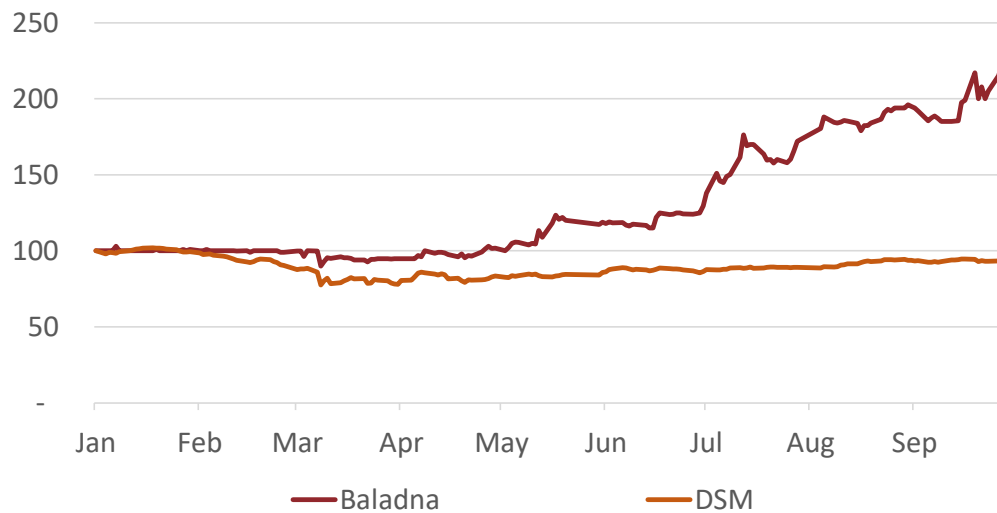
[ir@baladna.com](mailto:ir@baladna.com)



# Shareholder value creation

## Share price performance versus DSM since 1<sup>st</sup> January 2020

(Rebased to 100)



- Management of the Company has delivered to the IPO investors share price uplift by 120% as compared to QE index which declined by 4% as at 30<sup>th</sup> September 2020, in addition to the interim dividend having been paid in the first half of 2020
- Baladna is now included in the QE Index, QE Al Rayan Islamic Index, QE All Share Index and QE Consumer Goods and Services Sector Index
- Since IPO, Company's shares have outperformed the QE Index which attributable to:
  1. Strong financial and operational results
  2. Baladna's defensive business characteristics, which significantly reduces COVID-19 related disruption risks
  3. Announcement of interim dividends in April.
  4. MSCI Small Cap Index inclusion in May
  5. QE index, QE Al Rayan Islamic Index and QE All Share Index & Sectors inclusion announced on 15<sup>th</sup> September, effective 1<sup>st</sup> of October

Share price performance (YTD)	Baladna % change	DSM % change
Q1 2020	-5%	-21%
Q2 2020	25%	-14%
Q3 2020	120%	-4%

Source: Bloomberg



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# Key takeaways

## Performance

- 1 Strong revenue generation at high profit margin, gaining market share across product portfolio
- 2 Operational excellence leading to high efficiencies and value creation
- 3 Smart product development, innovation and active product portfolio management

## Key challenges / Opportunities

- 1 Potential uncertainty due to disruptions of demand caused by Covid-19 pandemic (HORECA)
- 2 Potential for business development outside of Qatar as Baladna's operations remain unaffected
- 3 Continuation of increasing market shares in Qatar based on innovation and access to market





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# Company profile

## About us

Baladna is 100% Qatari, and one of the largest cattle farms in the region, spreading over an area of 2.4 million sqm. Our farm has a capacity to house up to 24,000 cows in a comfortable and well-conditioned environment, allowing them to reach their production capacity comfortably. Our farm provides an authentic model of freshness and nutritional value. Cows are milked daily using the most advanced rotary milking system to provide a wide selection of dairy products. The farm is open to the public and features the region's most advanced rotary milking parlour, as well as a restaurant, a carefully manicured garden, a children's play area, and a petting zoo

## Mission

To ensure consumers' wellness by providing natural, nutritious and tasty foods and beverages, while maintaining the most rigorous food safety and biosecurity protocols

## Vision

To be the most trusted brand of nutritional foods and healthy beverages in Qatar and to expand to new markets

## Product range



## Success story

**+3,000**  
Points of sale

**+20,500**  
Head of cows

**+225**  
Products available

**+1,650**  
Employees



# Glossary

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<b>EBITDA</b>	Earnings Before Interest, Tax, Depreciation, and Amortization
<b>EPS</b>	Earnings Per Share
<b>HORECA</b>	Hotels, Restaurants and Catering
<b>MAT</b>	Moving Annual Total
<b>NP</b>	Net Profit
<b>NPD</b>	New Product Development
<b>SKU</b>	Stock Keeping Unit
<b>UHT</b>	Ultra-High Temperature
<b>YTD</b>	Year-To-Date



Q&A