



# BALADNA Q.P.S.C.

Q3 2021 Financial Results Presentation

02 November 2021

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Key Messages





# Key Messages

## Performance Update

- Baladna recorded revenue of QAR 182 million and net profit of QAR 16 million in Q3 2021 (compared to QAR 182 million and QAR 29 million in Q3 2020, respectively). Revenue in Q3 2021 remained stable year on year during a continued volatile market, and net profit achieved for the nine months period ended Q3 2021 was QAR 102 million
- Baladna had a great revenue performance YTD; no revenue growth due to temporary lower number of residents which was fully compensated by introducing new products & market share growth in existing segments. We are proud of having managed the same revenue YoY
- Profit declined due to heavy promotions and discount to drive the volumes, commodity price increases, Government Compensation decrease as per the agreement. Cost management has allowed Baladna to maintain YTD profit
- Despite the continuation of a weakening retail market in Q3 2021, Baladna presented its resilience and agility by gaining further market share in the retail sector and shifting its new customer acquisition efforts on the HORECA sector. These key initiatives led to several new high profile corporate contracts and as a result, Baladna increased its portfolio penetration across its customer base
- Product portfolio management remains a key strategic pillar of Baladna's success. Identifying products which are value accretive and in-line with the market requirements, having the R&D capabilities to create innovative products and the ability to bring products successfully to market in a very short period of time. Therefore, Baladna managed despite a temporarily overall lower market demand in Q3 2021 as Baladna launched 10 SKUs, growing total product portfolio by 13% compared to the beginning of the year
- Baladna remains committed to its vision and mission by delivering superior products and expanding its dairy and juice portfolio to become the most trusted brand of nutritional foods and healthy beverages in Qatar, as well as delivering shareholder value
- In line with Baladna's strategy to expand in selected and strategically important markets outside of Qatar, Baladna is pleased to have signed Memorandum of Understandings (MoU) in Kazakhstan, Malaysia and most recently in Ukraine
- The enquiries from other counties to rely on Baladna's expertise & excellence in operations, is a clear testimony to the success & quality of Baladna

# Key Messages

## Key investment highlights

#1 leader in dairy and beverages in Qatar	Excellent product innovation and consumer insights program	Integrated value chain	Strong financial performance and position	Strong shareholder support and growth opportunities										
Strong #1 market share across 4 out of 8 categories...	Best understanding of the local markets through research...	Efficient supply management and operations...	Industry leading net profit margins and cash generation...	Strategic & founding shareholders account for 52% of base...										
<p><b>By volume</b></p>	<ul style="list-style-type: none"> <li>✓ Identification of market trends and value accretive products</li> <li>✓ Product optimization through two-way customer interaction</li> <li>✓ Creating quality brand and fulfilling customer preferences</li> </ul>	<p>Proximity to suppliers and clients ensures continuity</p> <p><b>Increased customer confidence</b></p> <p>State-of-the-art technology</p> <p><b>Uninterrupted supply chain and high efficiencies</b></p> <p>International best practice quality control processes</p> <p><b>Optimization of operations</b></p>	<p><b>Net profit (QARm)</b></p> <table border="1"> <tr> <td>101.8</td> <td>101.9</td> </tr> <tr> <td>YTD 2020</td> <td>YTD 2021</td> </tr> </table> <p><b>Net profit margins</b></p> <table border="1"> <tr> <td>17.9%</td> <td>18.1%</td> </tr> </table>	101.8	101.9	YTD 2020	YTD 2021	17.9%	18.1%	<p><b>Founding members</b></p> <p><b>Strengthening food security and self-sufficiency in Qatar, backed by Government support</b></p>				
101.8	101.9													
YTD 2020	YTD 2021													
17.9%	18.1%													
...driven by significant and highly efficient size of operations	...continuously enhancing product portfolio & innovative marketing	...resulting in excellent reach of Retail and HORECA clients	...based on strong financial position and solid balance sheet	...supporting Baladna to continue its growth										
<table border="1"> <tr> <td>Farm size</td> <td>2.4 million sqm</td> </tr> <tr> <td>Total herd size</td> <td>23,502</td> </tr> <tr> <td>Daily yield per cow</td> <td>36.7 Liters</td> </tr> </table>	Farm size	2.4 million sqm	Total herd size	23,502	Daily yield per cow	36.7 Liters	<p>SKUs <b>266</b></p> <p>Highly appreciated brand names created</p> <p>Premium      Affordable</p>	<table border="1"> <tr> <td>No. of sales routes</td> <td>130</td> </tr> <tr> <td>No. of customers</td> <td>3,488</td> </tr> </table>	No. of sales routes	130	No. of customers	3,488	<ul style="list-style-type: none"> <li>Strong asset base primarily funded by equity – Net debt to total capital 34%</li> <li>Conservative leverage deployed focuses on value creation for shareholders</li> <li>Excellent and immediate access to external funding, as required</li> </ul>	<p><b>Growth at the heart of Baladna's management</b></p> <ul style="list-style-type: none"> <li>Continuously assessing horizontal or vertical expansion</li> <li>Unwavering dedication to vision and mission</li> <li>Excellent track record</li> </ul>
Farm size	2.4 million sqm													
Total herd size	23,502													
Daily yield per cow	36.7 Liters													
No. of sales routes	130													
No. of customers	3,488													



Operational and  
Commercial Update



# Operational and Commercial Update



## Key operational highlights

	Q3 2020	Q3 2021	YoY growth			
1	<b>Total herd size</b> 		20,760	23,502	▲ 13%	<ul style="list-style-type: none"> <li>Optimising total herd size for existing operations and production levels</li> </ul>
2	<b>Av. daily yield/cow</b> 		37.1	36.7	▼ 1%	<ul style="list-style-type: none"> <li>Herd management efficiencies have slightly decreased due to higher humidity levels in 2021</li> </ul>
<i>The above figures represent 9 months averages</i>						
3	<b>Total no. of SKUs</b> 		225	266	▲ 18%	<ul style="list-style-type: none"> <li>Portfolio efficiency provides platform for profitable growth</li> <li>The rationalization program continues to review product portfolio to maximise returns</li> </ul>
4	<b>No. of sales routes</b> 		119	130	▲ 9%	<ul style="list-style-type: none"> <li>Focus is on enhancing quality of existing client relationships and attracting new customers</li> <li>More focus on HORECA customers going forward</li> </ul>



# Operational and Commercial Update

Introduction of 10 new SKUs in Q3 2021...



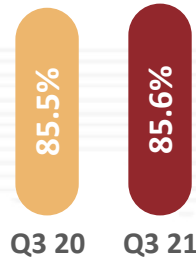
- Baladna is constantly looking to enhance its product mix by adding additional products to its portfolio
- Over the first three quarters in 2021, Baladna has already introduced 36 SKUs including 10 new SKUs in Q3 alone
- Additionally, Baladna is planning on adding 4 new SKUs to the mix over the next quarter including the following:
  - **New product lines:** Latte drinks such as Karak Latte and Espresso Latte
  - **New products to existing product lines:** Baladna plans on introducing additional variations to its cream cheese product line

# Operational and Commercial Update


## Market Segmentation (1/3)



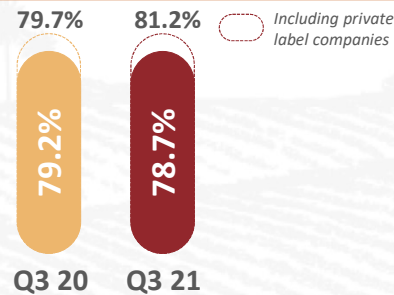
**Fresh milk**  
**85.6%**  
Market share



- **Market size:** QAR 211m
- **3m growth:** -24%
- Retained #1 position
- **Key growth drivers:**
  - Optimized distribution



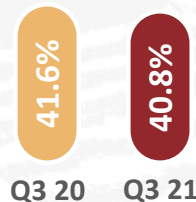
**UHT milk**  
**81.2%**  
Market share



- **Market size:** QAR 136m
- **3m growth:** -35%
- Retained #1 position
- **Key growth drivers:**
  - Flavored UHT promotional activation
  - Launch of 125ml



**Laban milk**  
**40.8%**  
Market share



- **Market size:** QAR 101m
- **3m growth:** -22%
- Strong #2 position
- **Key growth drivers:**
  - Decline in diluted laban SKUs

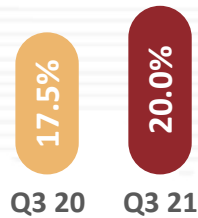
Source: AC Nielsen

# Operational and Commercial Update

## Market Segmentation (2/3)



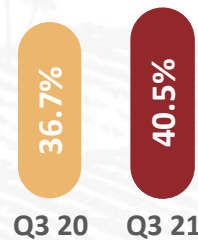
**Juice**  
**20.0%**  
Market share



- **Market size:** QAR 229m
- **3m growth:** -27%
- Strong #2 player
- **Key growth drivers:**
  - Optimized shelf space
  - Introduction of new flavours
  - Launch of 900ml



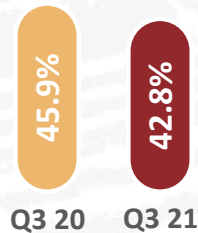
**Yoghurt**  
**40.5%**  
Market share



- **Market size:** QAR 97m
- **3m growth:** -24%
- Retained #1 position (Value share)
- **Key growth drivers:**
  - Optimized distribution/Shelf Space
  - Launch of Greek yoghurt, Awafi execution



**Labneh**  
**42.8%**  
Market share



- **Market size:** QAR 19m
- **3m growth:** -36%
- Retained #1 position
- **Key growth drivers:**
  - Heavy price discounts from competitors affected by market share

Source: AC Nielsen

# Operational and Commercial Update

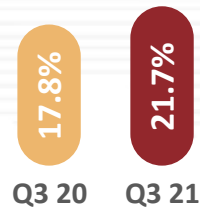
## Market Segmentation (3/3)



**Cheese**

**21.7%**

Market share



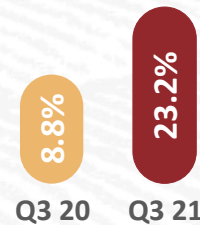
- **Market size:** QAR 203m
- **3m growth:** -45%
- # 2 position
- **Key growth drivers:**
  - Portfolio expansion into pizza cheese, jar cheese, mozzarella lite, mozzarella cheddar mix, shredded cheddar



**Creams**

**23.2%**

Market share



- **Market size:** QAR 47m
- **3m growth:** -39%
- Retained #2 position
- **Key growth drivers:**
  - Entrance into whipping cream and cooking cream sector

# Update on strategic international expansions

Opportunity in Ukraine (in addition to MoUs already signed in Kazakhstan and Malaysia)

1

## The market



- Ukraine is one of the world's largest exporters of wheat and corn, however, Ukrainian dairy farmers are small operators producing 15 liters of milk per day, and demand for dairy products is expected to grow

3

## The vision



- Through industrial transformation and expertise in process and operations, Baladna will support Ukraine's effort to produce and export dairy products. The deal ties with Ukraine's aim to transform its agricultural sector

2

## The strategy



- The recent MoU signed with Ukraine involves a state-of-the-art facility which is set to "revolutionize" the dairy farming sector in Ukraine with increased efficiency and ability to expand product offerings

4

## The facility



- The facility is set to have a 10,000 strong herd with the capacity to produce up to 100 million liters of milk per year



Financial  
Performance



# Financial Performance

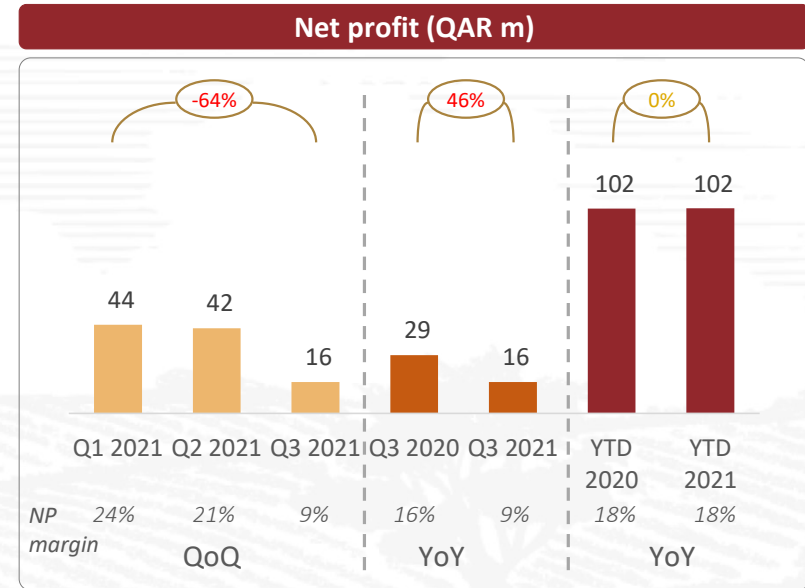
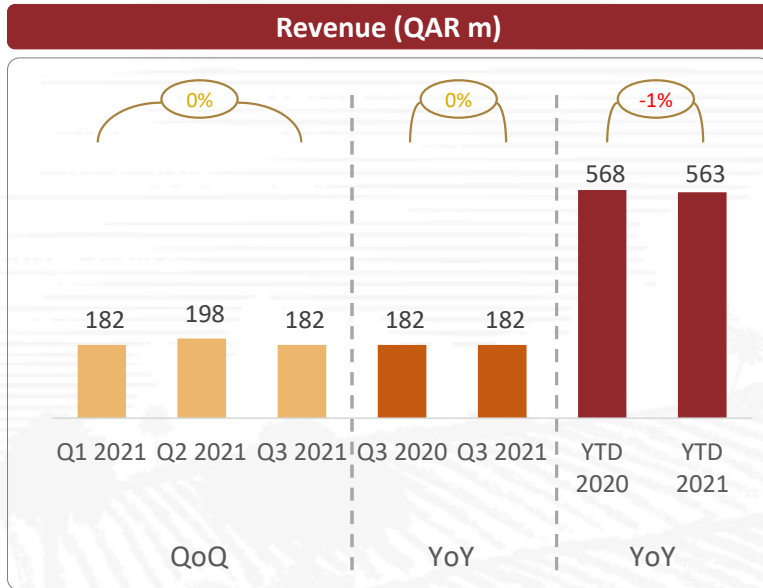


## Key Financial Highlights

	Q3 2020	Q3 2021	YoY growth		
1	<b>Revenue</b> 	QAR 182m	QAR 182m	◀▶ 0%	Baladna managed to overcome unfavorable market conditions by maintaining stable YoY revenue levels in Q3 2021
2	<b>EBIT</b> 	QAR 40m	QAR 24m	▼ -39%	Reduction as a result of challenging market conditions & higher promotions, discounts, increase in commodity prices & reductions in Govt. compensation as per the agreement compensated by efficiencies in overheads
3	<b>Net profit</b> 	QAR 29m	QAR 16m	▼ -46%	While above factors resulted in lower profitability, net profit decline was partially off-set by lower interest rates on financing
4	<b>EPS</b> 	QAR 0.015	QAR 0.008	▼ -46%	Decrease in net profit resulted in a subsequent decrease Earnings Per Share

# Financial Performance

Financial performance development



- Stable revenues through challenging market conditions with cream, cheese and juice sales being the segments which had the largest YoY growth in Q3 2021 at 34%, 11% and 5% respectively.
- Margins decreased due to challenging market conditions which resulted promotions and discounts, increase in commodity prices, reduction in government compensation as per the agreement.
- Lower finance costs for Islamic financing were secured by management; profit rates reduced from 3.5% in 20 to 3.0% in 2021
- YTD net profit remained stable compared to the same period last year at QAR 102m

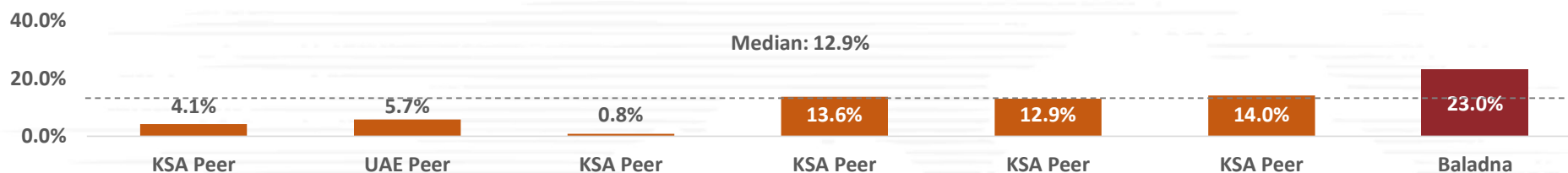


# Financial Performance

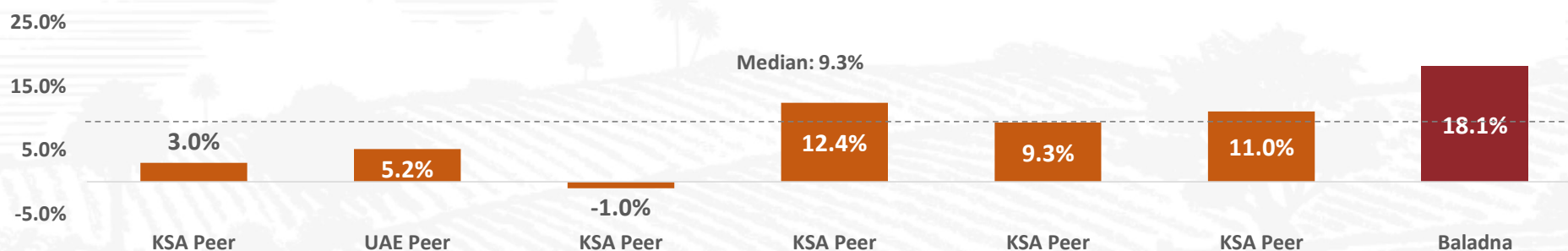


Industry leading EBIT margin and net profit margin

## EBIT margin



## Net profit margin



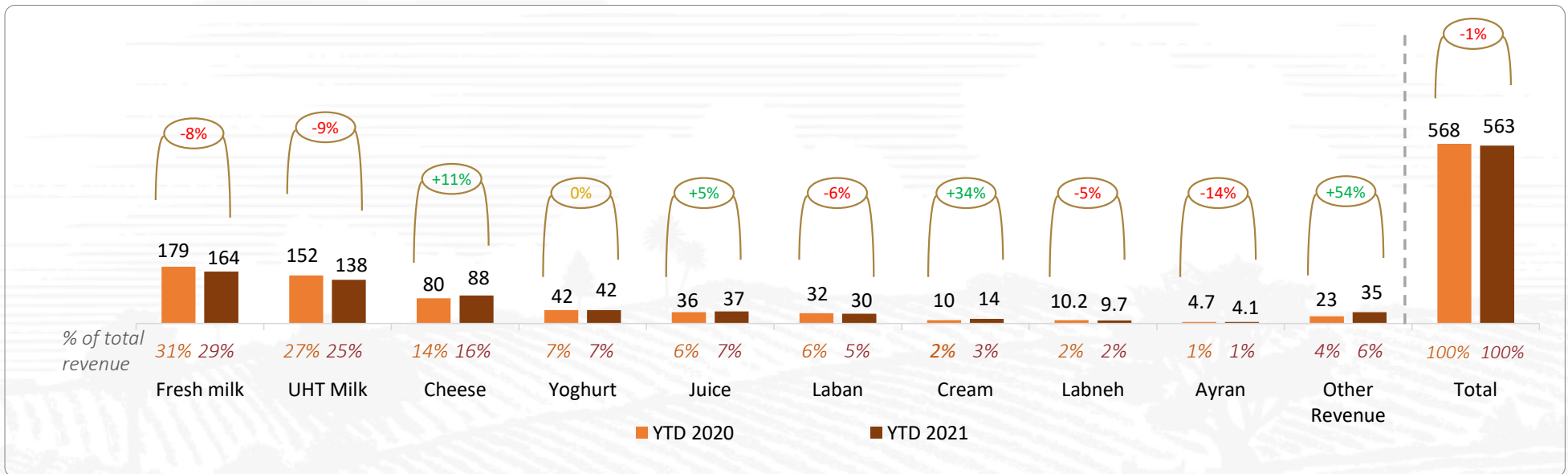
- Baladna remains a regional industry leader in terms of both EBIT margin and net profit margins:
  - On a year-to-date basis Baladna recorded an EBIT margin of 23.0% while GCC peers recorded a median of 12.9%
  - Additionally, Baladna recorded the highest net profit margin on a year-to-date basis at 18.1% which is significantly greater than the regional peer median of 9.3%

Source: Bloomberg as of 20 October  
Margins represent YTD results as per latest filings

# Financial Performance

## Revenue composition and growth – Year-on-year

Revenue composition (QARm)



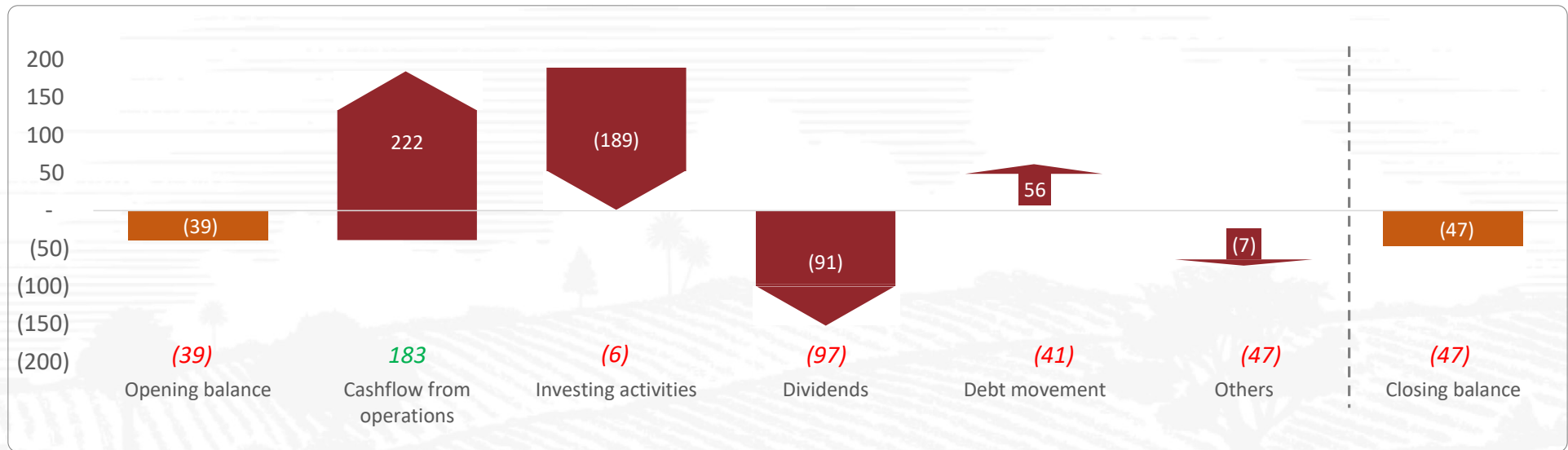
- Launched 10 new products to increase product portfolio from 256 in Q2 2021 to 266 in Q3 2021
- Refocused on increasing HORECA channels amidst a softening retail market
- Continuing to enhancing existing client relationships while targeting new customers
- Significant YoY growth within creams (34%) and other revenue (54%)

Note: "Other revenue" includes other dairy (i.e. desserts, custard, ghee, and butter), livestock, compost, manure, plastic, feed sales, etc.

# Financial Performance

## Cashflow management for YTD 2021

Cashflow (QAR m)

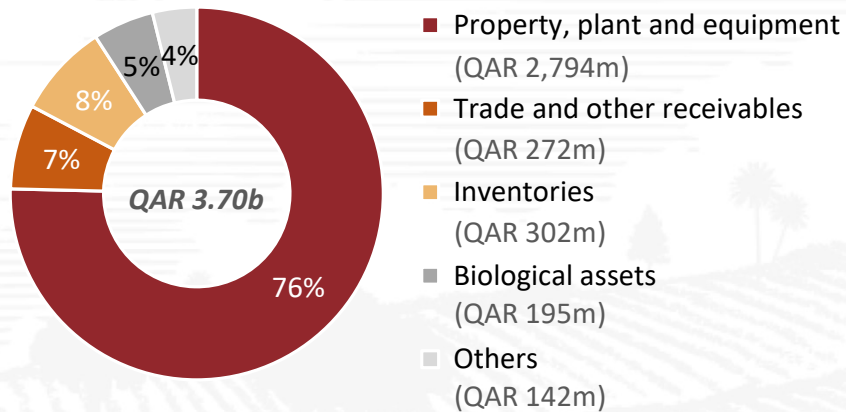


- Baladna continues to generate healthy cash from operations a result of strong revenues, efficient working capital management and Government support
- Investing activities represent capex for business continuity, continuous improvements in facilities and infrastructures as well as the investment in shares
- Of the interim and final dividend declared for the year 2020 (QAR 141 million), QAR 18 million remains outstanding

# Financial Performance

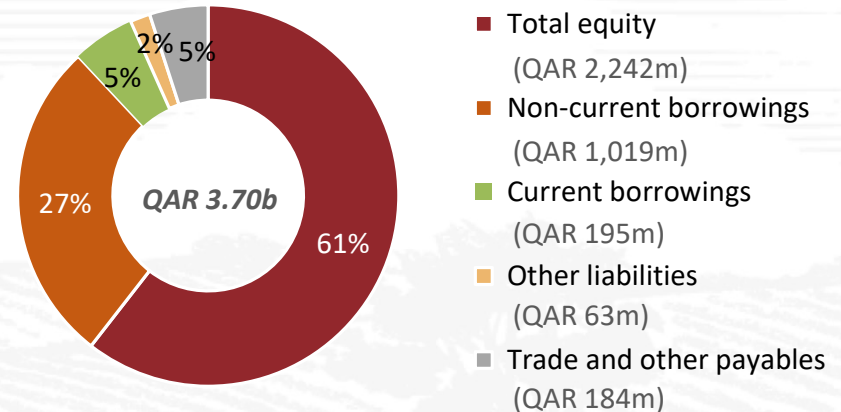
Financial position as at 30 September 2021

## Total assets



Current assets: QAR 0.62b      Non-current assets: QAR 3.08b

## Total shareholders' equity and liabilities



Current liabilities: QAR 0.40b      Non-current liabilities: QAR 1.06b  
Equity: QAR 2.24b

- Strong assets base primarily funded by equity
- Healthy current ratio due to efficient working capital management
- Net debt to total capital ratio stands at 34% which shows the sound equity base of the company
- Equity includes QAR 201 million acquisition reserve

*Note: Absolute values may differ due to rounding*

Shareholder  
Information





# Shareholder Information

Shareholder information (as at 30 September 2021)

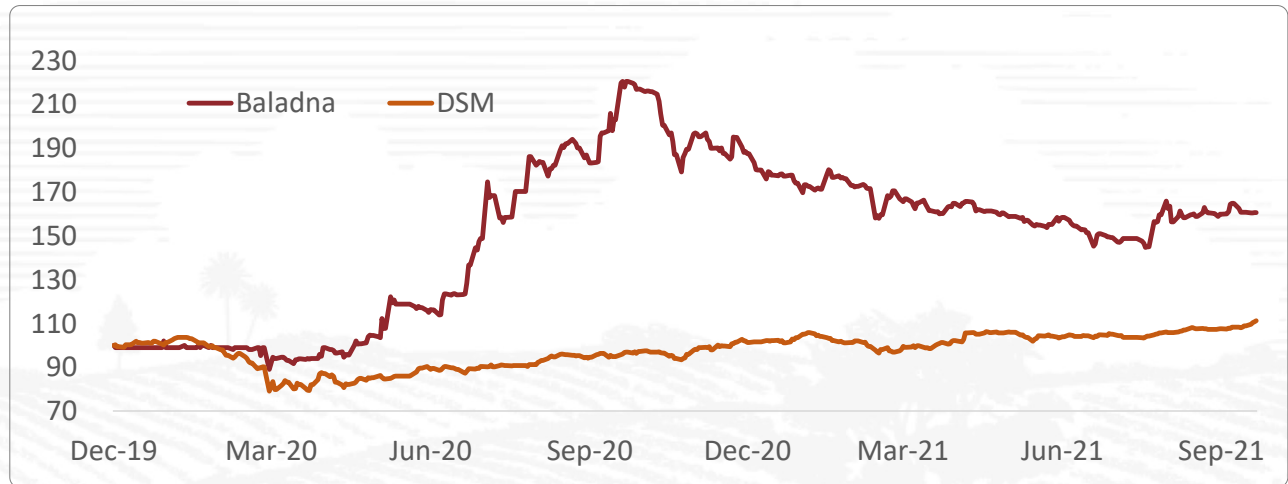
## General information

- **Company name** Baladna Q.P.S.C.
- **Ticker (QE)** BLDN
- **Market cap:** QAR 3.1b
- **Free float:** 75%
- **Common shares outstanding** 1.9b

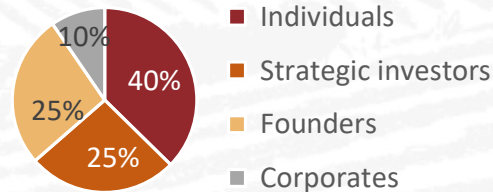
## Company key stats

- **Spot price:** QAR 1.62
- **52w high/low:** QAR 2.079 / 1.420
- **Y-o-Y % change:** -26.3%
- **YTD % change:** -9.4%

## Share price versus DSM 11 December 2019 to 30 September 2021



## Shareholding structure



## Investor relations contact

For all IR inquiries, please contact:

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

For more information please visit our website:

[www.baladna.com](http://www.baladna.com)

Figures as at 30 September 2021 and in QAR unless otherwise stated.



Management  
Outlook 2021





# Management Outlook

## Management outlook 2021

### Next quarter

- Explore potential opportunities derived from back-to-school season, higher population and the FIFA Arab World Cup scheduled in December 2021
- Reduction in Promotions will positively impact for improved margins
- Assess further opportunities to drive efficiencies and further optimize value chain

### Next year

- Explore opportunities across the retail and HORECA channels to drive the growth
- Focus on growth in 2022 on EVAP (investing in new plant) , cheese capacity and enhance market share in existing categories
- Potential opportunities from the FIFA World Cup

### Long term

- Continuously assess growth opportunities within Qatar and abroad – leverage on our existing asset base to:
  - transfer our experience, knowledge and business model to South Asia and other strategically selected locations (MoUs signed with Malaysia, Kazakhstan and most recently with Ukraine)
  - expand the export business





Appendix





# Appendix

## Profit and loss statement – Q3 2021

<i>QAR m</i>	<i>For the three-month period ended 30 September 2021</i>	<i>For the three-month period ended 30 September 2020</i>
Revenue	182.0	182.3
Cost of revenue	(149.2)	(136.3)
Gross profit	32.9	46.0
Other income	31.2	36.8
Selling and distribution expenses	(20.9)	(22.9)
General and administrative expenses	(18.4)	(19.5)
Loss on investment	(0.3)	0.0
Operating profit for the period	24.4	40.4
Finance costs and bank charges	(8.7)	(11.3)
Profit before income tax	15.8	29.1
Income tax expense	(0.3)	(0.1)
Profit after tax for the period	15.5	29.0
Other comprehensive income	0.0	0.0
Total comprehensive income for the period	15.5	29.0
Basic and diluted earnings per share (QAR per share)	0.008	0.015

# Appendix

## Company Profile

### Our purpose

To ensure healthy, natural food and beverages that delight our customers and contribute to the food security of Qatar.

### Who we are

Established in 2014, Baladna is Qatar's leading dairy and beverage company, with a diversified product offering, world-class facilities and a self-sufficient farm with breeding capabilities to accelerate future growth.

### What we do

Baladna is an integrated dairy and beverage company, with two large-scale farms, state-of-the-art production lines, processing and packaging facilities, and its own distribution network that delivers over 250 dairy and juice products to customers across Qatar and beyond every day.

### Vision

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

### Mission

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

### Product range



### Success story

**+3,000**  
Points of sale

**23,502**  
Herd size

**266**  
Products available

**+1,700**  
Employees

# Appendix

## Board of Directors



**Moutaz Al-Khayyat**  
*Chairman*



**Mohammed Badr Al Sada**  
*Vice Chairman*



**Ramez Al-Khayyat**  
*Managing Director*



**His Excellency Sheik Faleh Bin  
Nasser Bin Ahmad Al-Thani**  
*(Minister of Environment and Climate  
Change) Board Member*



**Hamad Bin Abdullah Bin  
Khalid Al-Attia**  
*Board Member*



**Mazen Alsbeti**  
*Board Member*



**Aidan Tynan**  
*Independent Board Member*

# Appendix

## Baladna senior management team



**Ramez Al-Khayyat**  
*Managing Director*



**Piet Hilarides**  
*Chief Executive Officer*



**Saifullah Khan**  
*Chief Financial Officer*



**Khaled Zi Alnon**  
*GM - New Ventures*



**Adam Douglas Peffer**  
*GM - Farms*



**Nigel Ian Macdonald**  
*GM - Manufacturing*



**Julian Marcolini**  
*GM - Quality*



**Firas Khalil**  
*Information Technology Director*



**Omar Marar**  
*Project Management Office and  
Engineering Director*



**Francis Higgins**  
*Media Relations Manager*

# Appendix

## Glossary

<b>EBIT</b>	Earnings Before Interest, and Tax
<b>EPS</b>	Earnings Per Share
<b>HORECA</b>	Hotels, Restaurants and Catering
<b>NP</b>	Net Profit
<b>NPD</b>	New Product Development
<b>SKU</b>	Stock Keeping Unit
<b>UHT</b>	Ultra-High Temperature



Q & A





**THANK YOU**