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**Moderator** : **Roy Thomas**  
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Operator: Hello, everyone, and welcome to Baladna Conference Call. Please note that this call is being recorded. I'd now like to hand over the call to Roy Thomas, the moderator for today. Thank you.

Roy Thomas: Thanks, Ellie. Hello, everyone. This is Roy Thomas from QNB Financial Services. I want to welcome everyone to Baladna's First Quarter 2024 Financial Results Conference Call. On this call from Baladna, we have Ghulam Abbas, the Financial Controller. We will conduct this conference call with Ghulam first, reviewing the company's results followed by a Q&A. I will turn the call now over to Ghulam, go ahead.

Ghulam Abbas: Hi. Thank you so much, Roy. Good morning, ladies and gentlemen. I would like to welcome all of you to the earning conference call of Baladna to present the results for the first quarter of 2024.

My name is Ghulam Abbas, and I am the Financial Controller of Baladna. I'm handling the conference call this time as our CFO, Mr. Saifullah Khan, is out of the country on a business tour. During this earning conference, we will provide you with an update on Baladna's operational and financial performance during the three-month period ended March 2024. For additional details, please refer to our Investor presentation which is published on our website in case you haven't received it yet.

As an opening remark of the call, I'm pleased to mention that we have distributed QR 132 million, as a dividend for the year 2023, owing to the strong financial results of the year 2023. This was done subsequently with the approval of the General Assembly meeting held on 19th of March 2024.

Now, moving to the financial performance of the quarter, in terms of top line, Baladna achieved a revenue of QR 313 million, which represents a strong growth of 23% in comparison with the same period of last year. This revenue growth was mainly attributable to an increase in the sales volume covering both HORECA and Retail channels and capturing a greater market share across the majority of our product categories. The additional days of Ramadan in comparison to the same period of last year fueled by the strong execution of the Ramadan campaign, also boosted the revenue of the company. This highlights Baladna's capability of successful capitalization of improved market dynamics.

In terms of market share, Baladna managed to increase its overall market share to 54.1% by the end of Q1 2024 as compared to 52.5% in the same period last year. Net profit of the quarter marked a record increase of 141%, amounting to QR 48 million, which represents a net profit margin of 15.4%, almost double the net profit margin which we had in the same period last year. Earnings per share were recorded at QR 0.025 versus QR 0.011 in Q1 2023. The reported remarkable growth in net profit was mainly attributable to an increase in sales volume, reduction in finance costs through effective negotiation with the government, strategic cost control measures, and efficiency improvements in the entire value chain of Baladna.

For the same period, Baladna reported an EBITDA of QR 96 million, which accounted for an EBITDA margin of 30.8%, confirms Baladna remains the regional industry leader in terms of EBITDA margin in the dairy and juice sector.

In terms of operational performance, product portfolio management remains a key strategic pillar for Baladna's growth. Notable development in the quarter includes the production of evaporated milk to bolster the country's food security, the launch of Mango Greek Yogurt, Breakfast Cream Lite, and the relaunch of juices with the improved flavors and fresh look aimed at enhancing the consumer experience. These initiatives underscore Baladna's commitment to ensure countries food self-sufficiency, delivering quality products, and meeting evolving consumer preferences.

Now, briefly talking about the cash flows, efficient working capital management, particularly related to inventories generated better operating cash flows compared to Q1 2023. The generated FCFE of the quarter amounted to QR 153 million, which supported to fund the dividend payments through internally generated cash flows.

In respect of international expansions, Baladna is making significant progress on its upcoming projects in Algeria. As you can see, we have already concluded the signing of the framework agreement with the Algerian government yesterday and quickly progressing towards the next step of the project. As we previously mentioned, this venture focused on establishing large-scale milk production facilities with the aim of creating substantial shareholder value. This mega project is expected to mark a significant milestone in Baladna's global growth strategy.

With this strong financial performance at the start of the year, the outlook for rest of year 2024 remains very promising. We expect to continue the same momentum throughout the year. Baladna will be aiming to grow its market share in existing product lines and through the introduction of new products as well. Along with protecting our market share in the dairy category, we will focus more to improve our appearance in juice category. We already took material steps to re-launch our chilled juices with new flavors and the appearance and expected to grow our market share in the juice category with the year going forward. Along with the positive indicators of the top line growth, the expected normalization of material prices and annualized impact of the finance rate reduction with Baladna's focus on increasing efficiencies and operational excellence, expect to boost the bottom line in 2024.

Baladna's continuous focused on expansion beyond Qatar will remain pivotal for the sustainable growth of the business. While the Algeria project will stay as our main priority, we will remain focused on furthering our diversification agenda by evaluating new opportunities.

To conclude, Baladna is fully dedicated to fulfilling its role as a market leader to contribute to the National Food Security 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 the highest standards and ensure the safety and well-being of our employees and all stakeholders.

Thank you for your attention and we will now open the floor for any questions you may have.

Thank you.

Operator: We are now opening the floor for the question-and-answer session. If you'd like to ask a question, please press star then number one on your telephone keypad.

Our first question comes from Mark Krombas from TFI. Your line is now open.

Mark Krombas: Congratulations on the results. I have a question about your Algeria venture. First of all, is this going to be a company and if so, what would the initial equity investment contribution be from Baladna in approximate size?

Ghulam Abbas: Hi, thank you so much for your question. Yes, talking about the Algeria project, as I spoke in the speech as well, this is one of the largest projects that Baladna is going to have now. Total Investment is around \$3.5 billion and Baladna is going to own 51% of the equity shares of this new venture. This shareholding will be partially funded through our own cash internally generated by Baladna operation in Qatar, and through the other funding channels. So, the overall equity share of Baladna will be 51%.

Mark Krombas: Yes, understood. But could you quantify how much you believe it is? May be 20% of the project size or 10% of the project size in equity? And what is the commitment initially? Is there going to be further capital calls?

Ghulam Abbas: Basically, half of the project amount will be funded through equity and half of the amount will be funded through the debt.

Mark Krombas: Okay. Thank you.

- Operator: The next question comes from Aashish Agarwal from TFI. Your line is now open.
- Aashish Agarwal: Hello gentlemen, two questions from my side. Can you quantify the top line growth in terms of its contribution? Within dairy specifically, how much fresh milk contributed and how much evaporated milk contributed? That is my first question.
- My second question is how much of your performance in the first quarter of 2024 was contributed by the Ramadan month, Ramadan quarter? Thank you.
- Ghulam Abbas: Okay. Thank you so much for your question. Moving to your first question, in terms of the category contribution towards the revenue. Most of the revenue is coming from the dairy sector because we have the largest share in the dairy. So if we talk about fresh milk, there's a 20% growth in fresh milk revenue versus the same period last year. In UHT milk, there's a 16% growth. Cheese category is also growing by the same percentage and yogurt is grown by 21%. So overall, there's a healthy growth in the dairy sector around 20% to 25% in all the categories. In terms of juices, it is also healthy, it's around 20%. While we talk about the evaporated milk still, it is just a starter, I mean a few commercial runs has been taken and moved to the market and we are getting a good response. So it's just the start. In the next quarter, we'll be able to give you a reasonable growth number in this category as well.
- Aashish Agarwal: Just a follow up on the evaporated milk. So when you say that it is just a start, will it be fair to say that the contribution was negligible in the first quarter top line from evaporated milk?
- Ghulam Abbas: Yes, it is negligible because it is just the start. But the good thing is that we're getting good feedback and the room for growth is there in the market. So next quarters will hopefully, present better picture.
- Aashish Agarwal: Understood. Thanks. The second question was related to the Ramadan. So can you quantify how much?
- Ghulam Abbas: Yes, Ramadan. We have around 10 to 11 additional days this year versus the previous year. So you may have been aware of the 10 days moved back every year. So, we have around 4% to 5% sales coming from the advancement of Ramadan period.

- Aashish Agarwal: Right. Okay. 4% to 5% is the sales growth or 4% to 5% of the revenues?
- Ghulam Abbas: This is 4% to 5% of the additional volumes that we got in March.
- Aashish Agarwal: All right. Thank you.
- Operator: We have our next question coming from Zohaib Pervez from Al Rayan Investments. Your line is now open.
- Zohaib Pervez: Thank you for the presentation. So, few questions. Firstly, why are you losing market share in Labneh, cheese, and creams? Cream is more or less flattish, but even in juice. So what do you think about losing these markets there, your product is not being accepted, or there's increased competition? What are your thoughts on that? That's the first question.
- The second question is on the margins. So you mentioned that the commodity prices are now kind of filtering into the margins. Do you think the prices are like this is where the prices should be or there is more benefit to be driven from lower commodity prices? Because I think by now the commodity price decline should be impacting the most now, right? Thank you.
- Ghulam Abbas: Moving to your first question regarding the share gain and share loss in Labneh. If you see overall dairy, we are doing very well and even in terms of Labneh, we are still the market leader. But over the period, we have observed that a lot of competitors are entering into the market from other GCC countries. And the international players are also coming in the same category. So it's something that we are working on and we are focusing more so that we can regain our share in the next couple of months. It is very well known to the management. Sometimes market share goes down because of the category overall shrinks.
- Zohaib Pervez: And the same should be applied to cheese also, right?
- Ghulam Abbas: Yes, cheese. The problem with cheese in Ramadan, the international players are giving a lot of discounts even just to make sure that they're entering and they're disturbing the overall market pattern. We are there to compete with them, but of course, we cannot destroy the shareholder

values in terms of giving unusual discounts on the product. We believe, this is a temporary phase and competitors cannot retain these discounts for a longer period of time. Otherwise, there's no purpose of having a business.

Zohaib Pervez: Okay. The second question was on commodity prices.

Ghulam Abbas: Yes, commodity prices. Yes, it is getting better, and we might have a much better result if Red Sea issue would not have occurred. So what we are seeing is that the commodity prices will become better. However, we are anticipating the logistics cost will go slightly up because the shipments has to take a longer route now to reach to Qatar. But overall, we are very much projecting these things. We are making sure that we are putting enough orders, and enough stocks are available with us so that we don't have much hit of those logistic cost. So, the inventories may not go down to the same percentage that we were planning in our budgeting process. Overall, we are making sure that there is not much hit to our P&L, while managing this risk of Red Sea. So, In summary, commodity prices to your question, it is getting normalized. but on the other hand, logistic cost is a risk right now. So, we make sure that both are managed. You might not see overall, a very big decrease in the material prices when we will be talking about at the quarter three or quarter four of the year.

Zohaib Pervez: Okay. So, logistics, I mean, where do you import from, that logistics being impacted?

Ghulam Abbas: Yes, they're coming from many places. It's coming from Europe. It is coming from America. It's coming from Asian regions as well. So most of the things which are coming through European or the Western regions, they are the ones who are getting impacted.

Zohaib Pervez: Okay. And how much is this logistics cost as a percentage of your total cost this year, any substantial amount?

Ghulam Abbas: It's not substantial. 4% to 5% additional logistics cost somehow 10%, not very substantial, but to manage and to cater that what we are doing is that we are making sure that we have enough stocks with us, enough deals booked with our vessel providing vendors.

- Zohaib Pervez: Okay. And on your evaporated milk, you mentioned that the contribution is still negligible. Who are your main competitors in this category and what would be the total size of this, the size of the market?
- Ghulam Abbas: Rainbow is the main competitor. Before we launched, they are the only one in the market and most of the tea chains are using Rainbow. We are working with them. Tasting sessions and recipe approvals are under process now. We are getting good response from them and from their customers. We are hoping that we will be able to get a good share from Rainbow in 2024 and of course, in the next year, it will become even better.
- Zohaib Pervez: Sorry, Rainbow right now you're saying is about 100% of the market share, right?
- Ghulam Abbas: Yes, almost. Almost 100% is Rainbow.
- Zohaib Pervez: And your target market share for this year?
- Ghulam Abbas: See market. Let me tell you, the market size, overall. The market size is around, between QR 125 to QR 150 million and we are hoping to get around 25% through organic growth this year. We are hoping for that in a couple of years, we'll be 50% in the market.
- Zohaib Pervez: Sounds good. Thank you.
- Ghulam Abbas: Thank you.
- Operator: We don't have any pending questions right now. I'd now like to hand it back over to the management for the final remarks.
- Roy Thomas: Before Ghulam goes ahead, I want to just thank Ghulam Abbas for the results update and answering all the queries, and we look forward to speaking to you all for the second quarter 2024 results conference call. Go ahead, Ghulam, you can give the final comments.
- Ghulam Abbas: Thank you so much. And thank you so much for all the participants and for your questions and we look forward to meet you again in quarter two of 2024 with even better results, inshallah.



Operator: Thanks for attending today's call. We hope you have a wonderful day. Stay safe. You may now all disconnect to the session.

Ghulam Abbas: Thank you.