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Mehmet Aksoy: Good afternoon, ladies and gentlemen. This is Mehmet Aksoy from QNB Financial Services. I want to welcome everyone to Baladna's Third Quarter 2020 Financial Results Conference Call. On this call from Baladna, we have Mr Malcolm Jordan who is the Chief Executive Officer and Mr Saifullah Khan who is the Chief Financial Officer. We will conduct this conference first with brief comments on the presentation followed by the Q&A. I will now hand the call over to Mr Jordan to get us started. Mr Jordan, please go ahead.

Malcolm: Good afternoon or good morning, wherever you might be. My name is Malcolm Jordan. I'd like to welcome you, add my welcome for you to join the call. I'm moving to slide number four, which are some comments message from the CEO slide, and just maybe talk you through these four or five different points. Point number one refers to the trading environment and the headwinds that we faced in quarter three, a continuation of COVID and the impact that that's had on the country and on the company. I am pleased to be able to share with you that we had no business interruption, no supply interruptions during this period and we were able to safeguard our employees and our customers and the market was well-served. During the quarter we achieved a revenue of QAR 182 million. That's QAR 624 million for the 10 months since incorporation. Our net profit in Q3, QAR 29 million and net profit for the ten months, to the end of Q3, QAR 113 million, and our net profit margin over that period at 18%.

We talked about the headwinds and the trading environment. I just wanted to maybe qualify that. In terms of the retail environment I think that we saw a decline in consumers. There are many people who are not currently in Qatar today that would like to be here. We have depressed consumer sentiment. People are fearful of their roles or their employment. They're worried about their jobs. They're keeping an eye on their savings and their spend. And of course, normally what happens in Q3, it's quite a significant event for most FMCG businesses that schools go back and we start to see from mid-August a fairly major push within retail to get ready for back to school supported by many different activities and promotions. And as we all know that didn't happen.

Added to that within the horeca channel we expected that as the phases of reopening happened horeca come back faster than it has done. And this also had an impact on our revenue through phase three. And we can talk a little bit more about that later on in terms of what we're doing to mitigate the challenges that I've just discussed. Needless to say that the trading environment actually remains – continues to remain challenging. Right now we see very much some light at the end of the tunnel, when it comes to horeca, we're starting to get some momentum and growth. Retail remains quite flat. As we speak I'm sure there'll be maybe some questions on that later on.

I think that what I'd like to say is that whilst the trading environment remains challenging, we are and continue to be the consumer's preferred choice. Our market share remains robust through this period. So we're not losing volume and revenue to others which is extremely encouraging. We continue to focus on that. At the same time, in order to manage the challenges of the top line, we continue to drive end to end efficiency throughout our organization across all aspects of the value chain. And that programs continue to work well.

Portfolio management is critically important for us. We have launched many new products in Q3 despite COVID but we've also delisted a number of products to allow us to keep our portfolio well-managed. And as I mentioned, our share growth in certain categories including creams continues to be in line with our targets.

And moving on to slide number five, which are the key performance highlights across the ten months. You can see now that we've already mentioned 225 SKUs, so our portfolio continues to develop over time up 88% on the previous year, revenue for the ten months up to QAR 624 million, 92% up, QAR 249 million EBITDA, net profit QAR 113 million. If we moved to the quarter, we certainly saw a decrease from quarter two. Within quarter two I think we had still some pantry buying, because people were unaware or uncertain about what COVID meant here in Qatar and it was also in quarter two. So we would expect to see a slightly softer Q3, EBITDA of QAR 70 million in the period, and net profit, as I've already mentioned, QAR 29 million.

Moving to slide number six, key investment highlights. Hasn't changed since the last call in principle. We have a very strong market leadership position here in Qatar, supplying in the region of 80% of total fresh milk. I think that we talked about before, but the facilities, the technology that we have allows us to drive efficiency, but I think what's also important to note is that it is here – proximity, close proximity to the market, which gives us the agility we need to react to the types of situations that we're facing now. We do have an integrated value chain from our farms to the stores, which also gives us, again, more flexibility to be able to react. We have and continue to have an innovation, a very aggressive innovation product development plan, making sure that the portfolios are complete and we enter into new categories or new segments of categories over time. We have a strong financial performance with 40% EBITDA margin. And last point on this slide that we do have 53% of our shareholders that we would continue to be strategic and extremely supportive.

Just to talk a little bit about the challenges in Q3 and what we are doing to work through those challenges and to mitigate the risks associated with them. I mentioned already this decline in market demand, and we talked about the reasons why; so there's definitely some headwinds out there. You know, over the period we have many different initiatives to help to continue to try to drive growth, driving shelf space in store, increased visibility, increased impact that supported as well with additional communication campaigns and consumer promotions that whoever's shopping in Qatar will be able to see the benefit of that. We've had a significant focus on the dairy portfolio, making sure that we have many products across all of the dairies – the delicatessen areas in the store in Qatar, and also an additional focus on the traditional trade, which has tended to fare a little bit better across the last three months, looking at long-term agreements temporary credit, French expansion programs and so on. So a lot of work going on, both in retail and in horeca.

In terms of interruption, we've had many products that we would like to have launched in quarter three. However, whilst the equipment had already landed in Qatar allow us to develop and finalize those products, we couldn't actually get the engineers and the commissioning teams from across the world here to be able to get that equipment operational. So we have had to reschedule our launch program. We brought some products forward that we were planning to launch later in the year or early next year to compensate. However, I'm pleased to report that those engineers and commissioning teams are now on the ground. And we will start to see another wave of new product development from these delayed launches, starting from more or less the next 10 to 12 days. So that program is on back on track, and we are expecting a significant increase in our launch program in the coming three or four months.

We did have additional costs associated with COVID. We did increase our inventory to make sure that we had no supply interruptions. We did have to extend and segregate our teams to try to manage any potential risks around our people. So we had additional rentals and then we had to of course, cater for them. We've been able in the last month to regroup and re-look at how we manage going forward and those expenses have now been managed out of the business to a large extent so we're expecting that to come back into line with our plans. We've also had a look at cash to cash conversion cycle and how we can actually improve that. So a good progress in the last month or two in terms of managing our costs back towards our plans. And of course, whilst the use of technology during this period has been incredibly important, I don't believe that it is a complete substitute for getting the teams back on the ground. And I'm also pleased to report that we've been able to get most of our guys and ladies back to the office, and we're starting to see the efficiency and the morale improve and improvement as a result of that.

I'm moving to slide number eight, which is just the table of contents, operational and commercial, and then onto number nine, which looks at some of our key operational highlights and improvement, in our SKUs over the periods. A number of sales routes marginally increased. Our herd size has also remained relatively static, up 2%, but continuing to drive our milk yield as hard as we can.

In terms of slide number ten market share, fresh milk remains at 86%, no major issues there. UHT milk slight drop to 77%. But when we add the product that we are co-packing also now that gets us back to over 80% during this period. We also made some strong gains in the flavored milk UHT segment. On laban, you see laban is the category where we see the drop and that's largely been impacted by the growth in the diluted laban segment, as opposed to the fresh laban. And so in fresh laban we held our share, but in the total laban and category, the diluted category actually grew substantially as we would expect over the summer months with the temperature, high temperatures. We have a product that we will launch in the coming weeks that was intended to have been launched before the summer. But as I mentioned previously, the challenges we had on some of the projects around COVID delayed that launch in juice relatively static 19%, still some very substantial growth opportunities in the long life segment for Baladna.

On yogurt, it's up marginally. And we are the value leader in yogurt at 40%. On labneh we also noted some reasonable growth over the year, up marginally on the quarter. Cheese at 21% versus 23%, up from 13% at the start of the year. Again, that slight reduction is a relation to the processed cheese gains that we saw. And as you know, we are not yet fully into processed cheese, although we have launched the spreadable cheese in the last month or so. And you can see on creams, a very substantial increase in our market share in creams.

I mentioned earlier around portfolio optimization. The slide is for your reference, that really something that we have to – that we focus on extremely carefully over time, not only launching products but also delisting products that we don't believe are performing or adding overall value to the category. So actually about taking complexity out of our organization in order to be able to drive our efficiencies harder.

And that really concludes it from me on the operational part of the presentation. And I'm sure there'll be some questions but for the moment I'll pass over to Saifullah to be taking you through the financial performance so he will start on slide number 14.

Saifullah: Thank you, Malcolm. Good afternoon, everyone in Baladna Q3 call. Malcolm has given a light on the market conditions and the trends which we are facing at the moment. And Baladna initiatives all what we have taken to maintain our market share and the product availability that really support our growth story. Okay this slide, you can see our revenue from last year to this year. This is a comparison of the ten months, what we have for the plan this year. Our revenue mainly is increasing 92% compared to last year. And quarter three as Malcolm has mentioned due to seasonality the market trends revenue is down by 11%. EBITDA margin, a strong margin. We are maintaining 40% year to date as a result of Baladna efficient operation, despite having the extraordinary cost of circumstances of COVID. We mitigate that. Net profit continues – net profit quarter on quarter reflect Baladna resilience during COVID-19 achieved 18% year to date net profit. Earnings per share end of this quarter 0.061.

Financial performance in the next slide, number 15. So we break down over the quarter on quarter. You can see our revenue, EBITDA and net profits. So revenues remain strong throughout the year as Baladna continues to dominate in the market share across several categories, adding new products while market is trending negative in Q3 due to several elements which Malcolm has mentioned. And the key category that contributed significant revenue include fresh milk, UHT and cheeses. Q3 2020 margins similar to Q1 margin reflect Baladna robust operation while excluding the effects of seasonal variations. Despite the setback, what we experienced during this COVID situation, Baladna able to maintain net profit of 18% year to date, which reflects our overall operational efficiencies that what we are maintaining. Despite having a challenge of Q3. Our top line was a bit down, but still be able to maintain our bottom line, due to efficiency and our operational cost.

Okay. So next slide is, is a P&L. What you are seeing on the slide 16 is that reviewed by external auditors. You can see three months our revenue and year to date revenue, earning per share is QAR 0.061 what we achieved year to date.

We will go to next slide. Okay. Revenue composition and growth year on year, and the top line you can see a green growth in each category. Okay. And the last the total growth, 92% last year revenue was QAR 325 million. And this year QAR 624 million. So every category there is a growth. And down, you can see the composition of the revenue is also changing. Like milk was 41% last year now it's 32%, but overall there is 22% growth in revenue. So revenue composition is changing because our growth in many categories is increasing.

So if you see, this is mainly due to our new NPD programs is increased from 120 products to 225 products. This is the reflection of our robust NPD program. And maintaining the focus on the sales route and also quality of client relationship, instead of just expanding the distribution network, routes to the market increased from 113 to 119 to cover the modern trade, traditional trade and horeca. So we are covering almost in retail right now a hundred percent. And horeca with support of a few partners, we are covering a hundred percent in whole Qatar market. So growth across all categories with a significant growth within UHT, cheese, laban and juices is very clear. You can witness on the top bar.

Farm performance was also key to enhance our efficiency. In our revenue for farm yield increased significantly compared to last year, number of animals increased and which contributed overall milk performance.

Okay. So next slide it's just overview of the cash flow for this – of the ten months. So continue generate a very healthy cash flow due to our operational results. Strong revenue, efficient working capital management, and one of the elements that government supports. Addition in capex represents business continuity on the continuous improvement and facilities and infrastructures, which you can see QAR 145 million. These mainly is driving our new NPD programs where we are adding new products. Dividend we only paid QAR 30 million out of QAR 40 million. Further reduction of outstanding debt was QAR 25 million. After all this, we have available working capital facility QAR 141 million by end of the period. So this is all very strong cash flows what we have even with the addition of capex. Financial position on 30th September. Okay. You can see QAR 3.5 billion total asset base, very strong mainly funded by equity. And in equity, very important part QAR 201 million is reflecting that acquisition reserve at the time of IPO, which company gained from a founder shareholders. And the current ratio indicates, you can see Baladna ability to cover all the short-term liabilities 2.28. Net debt to capital ratio representing 33% which shows the sound equity base of the company.

Okay. We will move to next slide. Okay. Shareholding information slide number 21. So share price was on 30th September was QAR 2.2 and market capitalization QAR 4.2 billion and our common shareholding base 1.9 billion. And free float to the market 75%. On the right side shareholding structure. Individual structure is decreasing, is a very good sign for us. Last quarter, our individual was representing 34%, now is 30%. So our corporate is increasing. It was 13%, now is 17%. So strategic investors and the founders representing 28% and 25% respectively.

So going to the next slide. Okay. Shareholder value creation. What management of the company has delivered to IPO investors, share price uplift over the period 120%, as compared to the QE index, which declined by 4% in similar period, so this is the good sign that what Baladna management is contributing to the IPO shareholders. And in addition to this, we have paid dividends in last – during April. This was the interim dividend. It's also what we given to our shareholders. Baladna is now included. This is a good sign. During this quarter, QE Index and QE Al Rayan Islamic Index and all share index and consumer goods and services sectors during this quarter, we are on the new indexation.

Since Baladna IPO, shares have outperformed on QE index, which attributed by followings. Strong financial and operational reserves, Baladna defensive business characteristic, which significantly reduce COVID-19 impact. Announcement of interim dividend, MSCI small cap index inclusion in May and the recent QE indexation. So you can see on the bottom quarter on quarter improvement or the share price, reflecting the Baladna performance.

Okay. Going to almost last slide, the key take away. You can see a strong revenue generation at high profit margin, gaining market shares across all product portfolio. Operational excellence leading to high efficiency and value creations, small product development, innovation and active product portfolio management. So these are the key performance, just we are trying to summarize what we are achieving as of today. And the key challenges and opportunity, what business has, what we are seeing, potential uncertainty due to disruption demand caused by COVID-19 pandemic, especially horeca business. We have our initiatives in plan how to mitigate that risk. And potential for business development outside of Qatar Baladna operations remain unaffected and which we have our unutilized facilities which we can use here to dominate. And continuation of increasing market share in Qatar based on innovation and access to the markets. So these are key opportunities.

So now financials slides are over. This slide just showing the Baladna profile. Now we can open the question and answer session. So now you have a time to ask if you have any question to myself or Malcolm, we both are here to answer your questions.

Operator: Thank you, speakers. Ladies and gentlemen, if you would like to ask a question, please signal by pressing star one on your phone keypad. If you're using a speakerphone, please make sure your mute function is turned off. Once again, please press star one on your phone keypad.

Speakers, we have a first question from Belal Sabbah of Jadwa Investments. Please go ahead, sir, your line is open.

Belal Sabbah: Hi. Yes. Hi, thank you for the call and for the presentation. You mentioned a lot was happening with the horeca segment. I was hoping you could kind of give us an indication on what the total size of the horeca market is in Qatar. And how penetrated are you in that market? And did I hear correctly that I think your products now reach a hundred percent of horeca outlets. So any kind of, feedback you can give us on the market size, the penetration that you've reached, how you see the market developing in the coming few years would be very helpful. Thank you.

Malcolm: Yeah. It’s Malcom. Thanks for your question. With regard to horeca, we’ve done a lot of detailed studies on horeca in terms of the size related to the retail sector. And of course, the split in different categories varies quite widely between both so that is something we are putting together our plans. The next thing that I would say is that our market share possession. We believe in horeca is less than our market position in retail for the reason that we actually focused on retail following the blockade, and then as that settled and we started to focus more and more on horeca. And you can see when we break down our numbers that our growth in horeca in 2020 is higher than our growth in retail. And we believe that that will continue.

The other point, I think that's worth making on horeca is that when we went into the start of the lock downs and the controls that was placed on the hospitality, horeca industries by the government, our portfolio we're still under development and we've actually launched quite a lot of products and including things like the long life juice was just launched prior to the start of the lockdowns. We've subsequently launched a whole range of long-life creams and processed cheese. So the basket that we have now in horeca is substantially more comprehensive than it was at the start of the lockdown. And we starting to see that those benefits starting to come through. We didn't have – we had a long life Turkish labneh, for example. But it wasn't designed in a way to be cooked stable, and that's now available in the portfolio. And we're starting to see that more and more. If you want more sort of granular, very specific details about the market itself we are happy to share that with you offline.

Belal Sabbah: Okay. Thank you very much. And just one follow up question. I am – according to what I've read, a big part of the horeca market is basically long life milk or milk powder that's sold to labor camps. Is that correct? And just trying to kind of get a sense on how much would that represent roughly out of the total horeca markets.

Malcolm: Yeah. Okay. Thanks. Thanks again. For us, it's not, of course it's not insignificant. But as a percentage of our business that we would describe as horeca, labor camps is certainly part of it, but it's still a relatively small part of our business today. You know, we'd have to add institutional customers, as you can imagine, like Qatari Airways, cafes, restaurants, hotels would certainly together make up a much larger part of our business than the labor camps. And just in reference to the product mix, UHT, of course, as you rightly say, is important, but cheese is also critically important. And when you consider quick service restaurants, the international pizza chains, the local companies producing local desserts when they need – there's a need for akawi and mashmoula, then that also is not – is a relatively critical and important part of the portfolio.

Belal Sabbah: Thank you very much.

Mehmet Aksoy: Hi, this is Mehmet Aksoy from QNB Financial Services. Can you please share with us if there are any developments on the Malaysia project ? Thank you.

Malcolm: Hi. Yeah, look, as we speak, we have one of our key guys he's currently in Malaysia, he's working with our potential partners there. They're working on more details around what the structure of that business would look like as well as a number of land deals that they're working on. So, – but we're making progress. It's moving very much in the right direction, and I think we'll have more to share in the coming months.

Mehmet Aksoy: Thank you very much.

Operator: Thank you. We have our next question from Mr Sultan Al Shaalan of Jadwa Investments. Please go ahead, sir.

Sultan Shaalan: Yes. Hi thank you for the call. I have a couple of questions. So what would be the growth drivers in the local market and how much additional growth can be derived from the local market?

The second question would be, what would be your total or blended utilization rate at this point?

And my third question would be about export markets. How do you see the performance there and what would be your guidance going forward?

Malcolm: Hi, good afternoon. And thanks for the question. I think a short question, but maybe with a long answer, so I will to try and split it down and keep it brief. As I've mentioned before, you know, and if we split this into retail and horeca for the local market, there are definitely some categories where we have an extremely high share position and we would need to grow the category in order to grow the business. And that can happen and does happen with investment in category growth, but also in the population growth. I believe that will happen. There are many other categories where our share position is actually relatively modest. And I believe that the substantial opportunities for share gain in those categories. And there are also some categories within in retail where our share position is relatively low and/or we are not in the category.

So if I give you an example and we look at something with long life, just a very, very substantial part of the market, it represents 50% of the category; and our share position is 6%, so huge growth potential in there. The same as true of categories like diluted laban and ayran. In processed cheese, we mentioned processed cheese. You know, this is a very significant part of the market in Qatar. It represents 62% of the total cheese market. And if you look at jar cheese within the processed cheese sector, it's very, very substantial. It represents 37% of that category, 23% of total cheese category. And we've only very recently launched into that category. So we expect raise substantial growth opportunities there.

When it comes to horeca, as I mentioned, we are relatively new entrant into that channel, and we now have a significantly wider basket, significantly wider portfolio than we did even six months ago at the start of COVID. And if we actually start to drill down into what we sell to whom, there are many products that we have today that we could sell to many of our existing customers, as well as expanding our customer base in horeca. I think we were pretty much there in retail, but in horeca, there's still a room to expand that base.

In terms of – I hope that sort of addresses the question around the growth potential in Qatar. We see it substantial even in dairy and juice. And then of course there are many other categories that that exist today in the market that we are currently exploring to see if that makes sense for Baladna to be able to win in those categories that we're not in today.

When it comes to export as Saifullah mentioned, we do have capacity to be able to produce volumes for export. And interestingly, and in the most recent past, many of the products that we've launched actually have this longer shelf life that you need to be able to compete in some of these export markets. So long-life juices fall into that category. Our range of UHT creams would fall into that category, as well as things like processed cheese that I've just mentioned. So I believe that the future for export also looks pretty bright considering the portfolio that we now have.

I think that I addressed question one and question three. Would you repeat question two again?

Saifullah: Yeah. currently what we have, about a 50% capacity utilization, we consider that our new lines, which is under commissioning maybe three which have a big bearing for our export products. Very soon we are expecting will be commissioned and we will start out our production

Sultan Shaalan: does the 50% include the new line?

Saifullah: Yes, we had in this 50%

Sultan Shalaan: Thank you so much. Appreciate it.

Operator: Thank you. Next question comes from Meet Bhatt of Axience. Please go ahead.

Meet Bhatt: Hi, thank you for the presentation. And I have a question regarding the amount – the number of annual purchases which the company might do in the coming period. So I guess as per the prospectus we were looking at the 24,000 at the end of this year. However, it is – we are somewhere around 21,000 right now. So by when are you planning to achieve this 24,000 herd of cows? And what are the Capex plans over the next three or four years? Thanks.

Saifullah: You have a question regarding for, first of all, for animals in the business plan, it was based on what we are looking at animals required for milking. So what we believe – currently, what we have the numbers for milking, we have enough animals for milking, which size is different than what was in that in the prospectus. So we have now more milking animals, which in the overall herd 21,000, representing more milking animals. So this we believe we don't need more animals even considering our next year requirement.

What you asked second question about our capex plan, is completely depends on the project. If there's a new revenue lines, if there's a good payback, if there's any efficiency in operations, if we are seeing any capex, new capex can bring some saving to the business, or is there any regulatory requirements, then we are considering. This is just to case to case basis. Otherwise right now, this is only what we have a plan in our budget, what board has approved, we are just executing that. But otherwise we are taking case to case basis if there's any additional efficiency or new revenue lines, the new capex is bringing, we are considering.

Malcolm: If you allow me just one note to add to Saif's comments that milk balancing for us is very critical. We don't just look at milk. We look at the componentry of the milk and we make our very informed decisions around the composition of our herd and when we might need more milk or more milk fat, or more milk solids. And this is something that we review very regularly.

Meet Bhatt: Okay. Fair enough. And just one follow up question on the point of which you mentioned that you might not need more animals, considering that the number of animals that are there currently are sufficient for the milking requirement. So will it be safe to assume that in the next two or three or four years the number of herds will be somewhere around the current levels or somewhere around 21,000 range?

Malcolm: Yeah, I think it will increase, it will increase over time and we will reach the numbers that you're referring to. And we may need to exceed that at some point in time. But in terms of the herd itself, the herd will grow as a result of our calving policies culling policies. And we don't see the need today to bring additional cows from outside Qatar which I think is really good news for the country and for Baladna. So it will increase, but it will be something that will grow organically within our own herd. You know, we have 10,000 calves that are born every year, 5,000 of them are milking. So we have a lot of options that we can manage an order. But critically, and from a profitability point of view, managing the herd size and the liters of milk that we get every day broken down into the milk components is quite a significant impact on our profitability. And it's something that we're very, very aware of and manage very closely.

Meet Bhatt: Okay. So any guidance or any color on how many number of you know replaced with the new ones, or – so basically I'm looking at looking at guidance regarding the number of cows that die or are no longer milking, and the number of and how will we replace them.

Malcolm: It does vary; but in a normal herd of this sort, it can vary between 20 and 25%, but that has – that looks at productivity, animal welfare health and so on. But if you wanted the number 20-25% per annum.

Meet Bhatt: Okay. Okay. That was helpful. Thanks a lot.

Operator: Thank you. Speakers, we have no further questions. We have one question that just came in. If you'd like to take it, it's from Zohaib Pervez from Al Rayyan Investment. Please go ahead. Sir, your line is open.

Zohaib Pervez: Thank you for holding the call. I have questions regarding the market share and the slide number 10. You have shown the market share 10 and 11. The key categories where the market size is large, the market share has increased from compared to Q1, but has it decreased from Q2 to Q3. So this is a time when you said seasonality happen, we understand it. And who gained the market share when the market contracted? This is the question, I mean, you are losing in all the key categories; for example, the fresh milk, UHT, labneh juice and cheese. These are the big categories in terms of market share. And in each of these categories, Baladna seems to be having a lesser market share than the previous quarter. So can you help us understand what happened when the matter contracted and why you have a lower market share?

Malcolm: Let me, let me try and walk that through for you, right. I mean, the first point I'd make is that from Nielsen perspective, 86.6% and 83.3% on fresh milk doesn't – that, to me, I don't read that as a share loss. I think there's enough flexibility in the numbers to say that we are holding our milk share, and that does no – that doesn't give me any major cause for concern on one read. And I think the milk we look at MAT, and we would see a positive MAT.

On UHT milk, I don't know if you caught it, but we started to produce milk for a co-packer and for another brand in Qatar, and they took 3% or 4% of the markets, so added to our own share, we're relatively flat. And I expected that will continue to stay. But you can see up from up from January at 75%. So, look, I think we're looking at the last feed, but we're also looking at the long-term trends here. And I think that's important that you look at both in the context of the overall market.

When it comes to laban, we did – what happened in Q2, and I mentioned this I think in the last call was that during Q2, there was a fairly major disruption in the industrial area. And we took share, some short-term share gain from two of our competitors. They've taken some of that share, not all of it back, but what happened in laban is that the diluted laban segment of the total category actually grew substantially in the summer. So our share in fresh laban actually remains extremely robust. Our opportunity in diluted laban is very significant. And 60% of that category is in a format that we are not in – which is the 225ml cup. That was one of the projects that we would like to have launched before the summer, that got caught up with the projects, so we are excited to launch that in the coming weeks. So I think that that covers laban.

Juice, again, 20.6%, 19.4%. But with a long-term share gain in six months we are up 5% share points. Five share points gain in a relatively short period is not I would say insignificant. So no major issues there. We did stop our long-life juice promotion. We've seen a slight drop in long-life juice. As a result of that, our fresh share remains very robust. In terms of yogurt, it's up on the quarter, up on the year. Labneh is the same. I mentioned cheese, is a reflection of the process. Cheese market increasing through the summer. That may also been linked to COVID and pantry fill and so on. We were holding our own with very high share positions in the natural cheese category. And now that we've entered the processed cheese market, and we've entered that we're in a category that represents 23% of total cheese, we're really excited about that. And we expect to see that having a significant impact on our share, overall share going forward. And then creams at 18, it continues to make strong gains. Cooking cream, for example, in the last week was up to 25%. I don't know if that helps. Does that answer your question?

Zohaib Pervez: I don't understand who are gaining the market share? I mean, when – in some of the categories, okay, they're small, but who – I mean, is it something, is it premium market is contacted and the smaller, I mean, the cheaper which I guess a lesser value has been not been contracted? I just want to try to understand what's happening in the market.

Malcolm: Okay. In UHT, so it's not – fresh milk is flat. UHT, Al Badia took 3.6% share in the last street. We produced that product for them here in Qatar. But that's the change there. When it comes to laban, Dandi in the diluted laban category took share in the last street in the diluted category. In the juice category, the fresh juice was pretty static. Nobody specifically took share in long life juice, it's a massively fragmented category. So that share, that 1% that we lost was taken up by many different players. I wouldn't say there was any necessarily real winners in long life juice.

Yogurt is up, labneh is up. Cheese, you know, processed cheese went up, the normal winners in processed cheese would be companies like Puck and from Formagerie Bel with La Vache Quirit and so on. And in creams, we're up. Does that, does that help?

Zohaib Pevez: Yes, thank you.

Saifullah: Al Badia company is a Baladna product. So indirectly it's a Baladna share. So we produce and we sell to them and they are selling in the market.

Zohaib Pervez: Understood. And are you seeing any pricing pressure anywhere in any of the segments?

Malcolm: I think we're seeing promotion pressure from the retailers as their performance is also under pressure.

Zohaib Pervez: Okay. Thank you. Thank you.

Operator: We have a question from Mr Nikhil Arora of Franklin Templeton. Please go ahead, sir, your line is open.

Nikhil Arora: Yes. Hi, Malcolm. And hi Saifullah. Thank you so much for hosting the call. A couple of questions from my end. So I think, Malcolm, you have spoken earlier about, you know, various products where you believe you're lacking in terms of market share or SKUs and you want to grow those areas. But let's say – if we were to think of the business two to three years down the line, what kind of top line are you budgeting? Because if you look at your asset base, which is QAR 3.5 billion today, typically in this business, companies have been able to achieve a turnover ratio of around 70-80%. I mean, do you see this company going there pretty much soon? How should we think about growth? Let's say if you can quantify in terms of the top line.

And then the second question that I have is, taking a look at your EBITDA margin, excluding the government support, where do you see that going over the next couple of years? Thank you.

Saifullah: Thank you for your questions. You have a two part of the question. First, you raised that our assets turnover is relatively is less compared to our peers. But if you consider, this is a new company we are just you call it not a start-up, but we didn't finish optimization of all the asset utilization, where we are growing very fast. If you compare last year, 92% growth. So this is a one-off indication that our turnover asset will increase. So we are a relatively new company and you cannot compare company which established 40 years back and their assets almost depreciated. So their base of assets would be definitely less. If you want to compare, you have to compare similar new company, state of art facility, you know, so in company is growing market share and capturing local, and then going to internationals. So these are indicators where once you have captured, then you can compare. And also relative you are a new company.

So answer to your second question, that EBITDA margin, we are maintaining this margin if – or compared to last year and this year, almost is consistent, though our compensation gradually is decreasing. Last year it was QAR 248 million, this year QAR 144 million. So next year it will be QAR 120 million. This composition was planned that business will grow gradually and business will gradually capture all efficiency in its operations, which will increase your profitability. So in the long run business should not be reliant on the government compensation. That was the idea behind the government compensation, that business need assistance initially three to four years, normally in the dairy sector, wherever you are in the world you will see initially you need support because you develop your facility, develop your product, develop your market. So all of these, at least three to four years plan, which Baladna still is in that phase. So we believe that margin will be – more or less will be consistent because we are increasing our top line, our revenues which definitely is reducing your fixed cost portion, as increase your margins relatively. So we believe that that margin will be consistent, or it will be increased once we've increased our volumes.

Nikhil Arora: So you're saying the net margin – just a bit of clarification on both the answers. So on the margin, you're saying the net margin of 18-19% you think it's going to held stable or increase a bit as company –

Saifullah : It will improve. Right now we are planning it will improve. We are taking lots of measures how to improve in operational efficiency, like our accommodation of the people we were hiring from outside. And now we are thinking about how we can build our own accommodation. There's a huge saving yearly. And then you have warehousing costs where I was utilizing from outside. I'm putting inside and the parallel efficiency in the plant – manufacturing, distribution, and the farming side. So you are buying – best buying is happening. Economy of scale ideas is working across in the company and there is a very strategic directions to all the departments to think long-term, not too short term. Now we are out of initial stage. So we believe that this 18%, what you are saying it will further improve.

Nikhil Arora: Okay, thank you for that. And I mean, looking back to your answer on the asset, or what I think I understand that your assets are fairly new versus the depreciated assets of the peers. So that's the reason why I asked that question. So on the top line this year you have grown 92%. Do you expect a very high growth next year as well or the next couple of years as well? I mean, do you believe you can still grow at 40-50% next year?

Saifullah: We cannot commit at the moment any numbers, what our in-house plan, our NPD program actually is robust. Even week to week basis and month to month basis, we are working on this subject, how to increase maximize market share, and how to penetrate in the export markets. This plan is going on. And at least we are expecting a definite strong double digit growth in the next year, one or two. This is what we are expecting. So – but at the moment, I cannot commit exact numbers, but we believe there is a lot of room for growth for this company.

Nikhil Arora: Okay. Thank you.

Operator: Yes, sir. We have a few more questions. There’s a repeat question from Mr. Meet Bhatt. Please go ahead, sir.

Meet Bhatt: Thank you so much, but my question has been what has already been answered. So, Thanks.

Operator: Thank you very much sir. Speakers, would you like to continue?

Mehmet Aksoy: Hi. This is Mehmet Aksoy.

Operator: Yes, sir, we have a few more questions lined up.

Mehmet Aksoy: Please. Go ahead.

Operator: Thank you. Our next question comes from Mr. Saad Asim from Q Invest. Please go ahead sir. Your line is open.

Saad Asim: Thank you for taking the call. I just have one question regarding your products. So in terms of the – with respect to different categories, have you done any recent quality surveys just to find out what the – how your products rank against the competitors? And, if yes, I mean, are there any categories where you have received the lower ratings, versus the competitors? You know, and if yes, have you, started taking any steps towards improving those?

Malcolm: Hi, thanks for your question. It's Malcolm. Yeah, we have a program that we call CPT, which is Consumer Product Tests. They form part of our overall marketing strategy to ensure that we have product superiority against the competitive set. And we normally look at sort of 60/40 blind improvement. And then if we don't get it, then we would start to work on what could we do to improve the liking of that product to the consumer. And we have started that in 2020. We've looked at a number of our core products as you would expect us to do first. We've been – we were reasonably comfortable with the results that we have for things like milk, yogurt, laban which we will continue to do that on an ongoing basis that forms part of our plan.

I would say that we have had – the feedback that we've had where we working quite hard on products is more, not so much from the retail consumer through the testing, but from our food service customers, where they would like us to tailor-make products for them where they don't feel that our product today might be exactly what they need. So I guess a good example of that would be whipping cream where the amount of Sterlin incorporation you can get into products is quite important for their cost structure. And if I were a retail product, you can't get enough air in there and it's not stable enough for long, for a long period of time, then that's something that we would need to work on and are actively working on.

Other examples of that would be things like the mozzarella cheese, where each of the big international pizza chains have their own specifications, and we need to tailor-make formulas in line with what their requirements are. And they would give us constant feedback about what improvements that they would like. So on the consumer side, all pretty positive so far, but I'm sure that there will be a day where we will look at that and we will need to react to that. And ensure that we are at superiorities there, is a major part of the brand strength that we have there. On the horeca side, lots of projects where we are working quite hard to improve the product and its functionality.

Saad Asim: Thank you.

Operator: Thank you. Our next question is from Mr Belal Sabbah again from Jadwa Investment. Please go ahead. Your line is open.

Belal Sabbah: Yes, hi. Thank you. Just a follow up question, please. You know, you mentioned that you were producing diluted laban for one of the competitors, and that was one of the reasons why market share looks slightly lower. I'm just wondering if you could share the rationale behind, why would you produce a product for a competitor. Wouldn't it be maybe in your benefit to leave the competitor with capacity constraints and then try to gain market share from them? Thank you.

Malcolm: Look, there’s a product that I referred to that we were producing for a third party, is UHT milk, not diluting laban. We will enter diluted laban our sales in a new format soon enough. So I can – so the specific product we were referring to was UHT milk. And I believe is your question – do you want me to answer it in relation to UHT milk?

Belal Sabbah: Yeah. I mean, just the rationale regardless of what the product was.

Malcolm: Yeah, look, I think that is a very fair question. And I think that maybe the short answer is that it gives consumers more choice. I mean, we understand that that UHT category is relatively limited. We are one of the very few companies or the only company in Qatar who actually have that capability, and there may be consumers who are looking for some other choice of some other brands that the shop across many different other categories the deal that we did, at the time it made sense for us to join forces with that particular company, to be able to produce that product for them rather than them going and getting it somewhere else.

Belal Sabbah: Thank you so much.

Operator: We have a question from Mr Zohaib Pervez of Al Rayan Investment. Please go ahead, sir.

Zohaib Pervez: Thank you. Quickly. We have seen Q3 was impacted seasonality because the population Qatar was down like 2.5% as a preliminary number that we have. But when I look at the revenues for the company, it is down 11%. So clearly there's some seasonality impact. But can you help me understand how much was the volume decline compared overall revenue, and how much is the price decline?

Malcolm: Hi. Just trying to pull that number up for you if we can. The 11% that I referred to earlier with some information that we had, where there was up to 300,000 people who are sitting currently outside of Qatar and who are expecting to – or who would like to have already returned to Qatar, but because of permits – return permits, quarantine challenges and so on, and the number of releases that were happening every day, that was a reflection of – that number is related to that 300,000. I think that I'd be interested to know the 2.5% that you referred to, if you're able to share with us after the call your source of that, that could be useful, but the numbers that we're hearing are substantially higher than that. You know, of course, it's complex for us right now to try and get a complete handle on it.

The seasonality that we referred to also we expect that when Ramadan falls heavily in Q2 people would normally leave after Ramadan and they would come back before the schools open. And we know that that also didn't happen. So some of the people who were actually outside who can't – who were outside already when the problem happened and then can't get back were somehow, you're right, offset by maybe some people who would have planned to travel who didn't travel. And then you overlay that with sentiment and consumer confidence certainly in retail. And the fear around the whole general COVID situation was having an overarching, I think, impact on Q3 people watching their money.

So I think Q3, there is a seasonality element, there is people outside, there are people who didn't go, it's heavily skewed by consumer sentiment. So I think it's a little bit trickier to try to look at that versus normal – the normal seasonality. And that's something that we're continually watching to see how this is impacting. Now, and of course we talked about back to school where people would come back in and start to pantry fill and there'll be substantial offers. And what would also happen then is that the occasions would revert to norm. So people would have breakfast, kids would get up and have breakfast. They would go to school with lunch boxes, none of that is happening right now. And that's also having a bearing, I think, on the categories that we are operating within. So that – again, that's I guess a long-winded answer for a short question. You asked the question about –

Zohaib Pervez: Thanks. Thanks. Thanks a lot. We will share and we will take this offline. Maybe we'll share the source of the data and we take it offline. I'm conscious of time because the call is already too long. Thank you for your time.

Operator: Thank you everyone for the questions.

Mehmet Aksoy: Do we have any more questions?

Operator: Yes, we have one last question, please. Go ahead, Mr. Meet Bhatt from Axience.

Meet Bhatt: Yeah. Thank you so much. So my question was regarding the interest charges, considering this low interest rate environment, how do you see your interests costs, you know, planning or going further. Any color – any guidance on the restaurant franchise about the future outlook?

Saifullah: Again can you repeat your question please?

Meet Bhatt: So my first question is regarding this interest cost. So how are you in this current low rate environment, how are you expecting the interest costs to decline in the coming period?

And my another question is regarding your restaurant franchise that you have, any outlook on that?

Saifullah: So thank you for your question. Interest cost we have currently 3.5% or our long-term loan and our current facility, which we currently working with the bank to further reduce it. So we are still expecting some room for improvement on this interest cost because the market is going down and even now our rate was quite low as compared to others, you know, banks, it was a very competitive rate, what QNB offered us, but we are still working with them.

Your restaurant question, we are not well intended, or we don't have any plans to extend our restaurant business. Just what we have right now, our restaurant is being operated by one of our related parties. So that is what we have in plan. So we don't have any expansion plan on the restaurant business.

Meet Bhatt: Okay. Okay. Thanks a lot.

Operator: Thank you, sir.

Mehmet Aksoy: Hi, this is Mehmet Aksoy again. If there are no further questions, then we can wind up the call for today. I would like to thank Baladna for participating in the call. Please do reach out to team in QNB Financial Services or Baladna if you have any further questions. Thank you.