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**Moderator:** Bobby Sarkar  
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Operator: Good day and welcome to Baladna Q1 2022 Results Conference Call. Today's conference is being recorded. At this time, I would like to turn the conference over to Bobby Sarkar. Please go ahead, sir.

Bobby Sarkar: Thank you, Tracy. Hello, everyone. This is Bobby Sarkar, Head of Research at QNB Financial Services. I wanted to welcome everyone to Baladna's First Quarter 2022 Results Conference Call. So, in this call we have Saifullah Khan, who is the CFO of Baladna. We will conduct this conference with management first reviewing the company's results, followed by a brief Q&A. I would like to turn the call over now to Saif. Saif, please go ahead.

Saifullah Khan: Thank you, Bobby. Good morning, everyone. Ladies and gentlemen, I would like to welcome all of you to the earnings conference call of Baladna for the first quarter of 2022. My name is Saifullah. I am the CFO of Baladna.

During this call today, I will provide you with an update on our operational and financial performance for this quarter. For additional details, please refer to our investor presentation, which is already published on our website in case you have not already received it.

During the first quarter of 2022, Baladna achieved a revenue of QAR 239 million and net profit of QAR 26 million. This represents a revenue growth of 31% compared to the same period of last year. Baladna displayed its resilience by mitigating a challenging

macroeconomic environment through increasing sale volumes, by capturing a greater market share across the majority of product lines and increasing its focus on Horeca channels.

Baladna achieved an EBITDA margin of 29%, which is equivalent to QAR 70 million for the first quarter of 2022, this represents a decrease of 14% compared to the same period of last year. Baladna has submitted an official request to the Ministry for increasing its prices and is currently awaiting an approval. This should help Baladna maintain its strong margins recorded over previous periods.

In terms of our operations, Baladna enhanced its operational efficiency, in particular, managing its herd, which resulted in a higher milk yield per cow of 39.3 litres per day in Q1 2022 compared to 38.4 litres per day in Q1 2021. Additionally, efficiencies in manufacturing processes and a reduction in wastage through improved controls and systems, as well as control of overheads contributed to our strong profitability margins.

Product portfolio management remains a key strategic pillar for Baladna's growth. We maintained our total SKUs at 268 as of the end of Q1 2022 and managed to increase our market share across the majority of products line. Baladna aims to continue its product innovation and introduce new products throughout the rest of the year to capture a greater market share. For more detail on our operational performance, please refer to slides 7 to 11 of our investor presentation.

Moving to Baladna's financial performance, while macroeconomic challenges, as I previously mentioned, including rising global commodity prices and inflation dominated the retail sphere, Baladna achieved a revenue of QAR 239 million, which represents a growth of 31% compared to the same period of last year.

Top line improvements were a result of an increased market share across the majority of our product categories through targeting a greater number of customers, especially in Horeca channels. Our highest growth categories include Creams, Cheese, and Juices.

Our net profit for Q1 2022 was of QAR 26 million, which represents a 41% decrease compared to the same period of last year and a decrease of 19% compared to the last quarter. Reduction in net profit, was primarily caused by higher commodity prices, especially feed, raw materials, and packaging costs. While these challenges dominated the sector, Baladna managed to maintain strong margins. We believe that this is an even greater accomplishment considering that Baladna had previously not increased product prices and is currently awaiting Ministerial approval, which should help Baladna maintain robust margins.

The net profit achieved translates into Earnings Per Share of QAR 0.014 for the quarter. Baladna achieved these results on a solid asset base, primarily funded with equity. Investments in shares increased to QAR 172 million from QAR 144 million and were funded mainly through Islamic financing. For more details on our financial performance, please refer to slides 12 to 18 of our investor presentation.

Baladna is continuously assessing potential value accretive opportunities for expansion. In our previous earnings call, we had mentioned that Baladna had signed MoUs for potential geographic expansions. Talks with our foreign partners are progressing well and feasibility studies are ongoing. Additionally, Baladna is considering potential strategic options for backward integration.

I would like to give you a quick update on the two projects, which we had previously announced during last year. Both the evaporated milk factory and the butter expansion facility projects are progressing well and are expected to become operational by early

2023. Furthermore, Baladna has a strong pipeline of new SKUs to be launched and brought to the market in 2022.

If we look towards the remainder of 2022, we expect the retail market to gain momentum and management plans on implementing new initiatives to capitalize on improving market dynamics. Furthermore, with the schedule of the FIFA World Cup, we are expecting robust revenue and profitability growth, especially in the second half of 2022, and we intend to explore further opportunities across retail and Horeca channels to improve our product portfolio through high quality and innovative products. Additionally, we will keep assessing further opportunities to drive efficiencies and further optimize our value chain.

To conclude, Baladna is fully dedicated to fulfilling its role as a market leader and to contribute to the national food security program and self-sufficiency program in Qatar. We maintain our focus on creating shareholder value while at the same time ensuring to serve our customers with the highest standard, and to ensure the safety and well-being of our employees and all stakeholders. And lastly, I would like to thank you for your attention. I will now open the floor for any questions you may have.

Operator: Thank you, sir. If you would like to ask a question, please signal by pressing star one on your telephone keypad. If you're using a speakerphone, please make sure your mute function is turned off to allow your signal to reach our equipment. Again, press star one to ask a telephone question. We'll pause for just a moment to allow everyone an opportunity to signal. We now take our first question from Faisal Al-Zaabi from NBK Capital. Please go ahead.

Faizal: Yes, thank you for the presentation, and we look forward for the improvement as we go into the second half of this year. However, I have a question. What are the steps taken in order to position Baladna for the upcoming World Cup? And has there been any

contracts or tender won by Baladna? And if you can elaborate further on that part or that, let's say catalyst, that would be great. Thank you.

Saifullah Khan: Thank you for your question. Baladna considers the upcoming FIFA 2022 World Cup to be a big opportunity for the company, and the country as a whole. It is a long-awaited opportunity, which is coming during the second half of this year.

As of today, Baladna will be supplying the majority of catering companies during this event. Additionally, Baladna, is meeting with major suppliers to identify additional opportunities. We will attempt to capture a greater market share with major companies and hotels. Furthermore, we are engaging with Ministries who are handling this topic as they have a greater knowledge of the expected population during the upcoming event and the overall impact of the World Cup.

Accordingly, we have our estimates, and our plans are in place already to identify how much overall volumes are required and which product categories will be impacted. In summary Baladna aims to benefit from the overall impact of the upcoming World Cup and we believe that we are well positioned to do so due to our existing customer base.

Speaker: All right, thank you.

Operator: As another reminder to ask a telephone question, please signal by pressing star one on your telephone keypad. We will now take our next question from Lee Beswick from QNB. Please go ahead. Your line is open.

Lee Beswick: Hi. How much was the subsidy, the government subsidy in Q1 2022, please?

Saifullah Khan: The government subsidy amounted to QAR 28 million in the first quarter of 2022.

Lee Beswick: Okay. And the sliding scale where the subsidy is to be removed gradually over the next three or four years, that continues to be the case, is it?

Saifullah Khan: Based on the agreement, the subsidy will be phased out overtime. The subsidy was higher during the initial years, and is gradually decreasing. The subsidy has decreased by 10% compared to the previous year.

Lee Beswick: Right, okay. And so I'm just trying to see where the company goes over the next few years because you say you're trying to increase market share in some categories. And to be honest, the main categories were milk, you have 87% market share in fresh milk, 83% in UHT milk, to be honest, realistically, those aren't going up much. Some of the other product categories can, but they're quite small on the revenue line. So I'm just trying to see how in two or three years time, the company will still be making a net profit because once the subsidy goes, you're potentially breakeven or loss making, and that's before any cost increases that are coming through right now. So I'm just trying to see where that profitability goes, given subsidy removal and also now cost increases.

Saifullah Khan: Your question relates to maintaining our margin with our overall performance? We already have a market share greater than 80% in main product categories. Other categories still have a room for improvement. These categories include Cheese, Creams, Juices, Yogurt and Labneh, where we are still targeting to increase our market share.

These are the categories where we believe there is still potential for further growth. Additionally, Baladna has already made an investment in the evaporated milk factory and butter processing facility, which will be completed by the end of the year and production is expected to start during next year.

These are the key opportunities in the current market locally. Management believes that there is still high potential for our growth in the top line, which will drive our bottom line to improve due to economies of scale.

Furthermore, opportunities relating to our operations and supply chain still exist. Nowadays, supply chain is a great challenge for the industry given the macroeconomic environment and given the Ukraine situation which impacted freight costs. As a results, backward integration opportunities still exist which will involve us growing our own feed. This would help Baladna improve the cost and quality of its feed. Feed quality has an impact on our cow yield, which plays a major part in our operational efficiency.

In terms of Baladna's Bottom line, I already mentioned that if we compare ourselves with other players, most of the regional players have already shifted the effect of increasing costs to their consumers, which Baladna has not done yet. As such, this is an area where we have opportunities to increase our margins regardless of any reduction in the compensation. I hope I have answered your question.

Lee Beswick: Yeah, thank you.

Operator: Another reminder to ask a telephone question, please signal by pressing star one. We will now take our next question from Zohaib Pervez from AI Ryan Investment. Please go ahead.

Zohaib Pervez: Thank you for the presentation. I probably joined late, so if I'm asking a repeat question, I apologize in advance. As I understand, your gross margins declined in the year during this quarter compared to the first quarter of last year. Higher feed cost and higher shipping cost is the only reason for this decline, and they are the major contributors is my understanding, correct?

Saifullah Khan: Yes, you correctly pointed out what I mentioned in my speech already, a major impact is coming from commodity prices, mainly feed, packaging and raw materials. Additionally, one other element on the cost side is freight costs.

If you have a look at our operations, we maintained our operational efficiency. If you compare our G&A and selling cost as a percentage of revenue, it is decreasing compared to last year. This indicates that our operational efficiency is still improving, and the major impact was from a material cost perspective.

Zohaib Pervez: Okay, and this cost and now that we are in May, are this cost gone up, going down since the first quarter or they are where they are similar to first quarter?

Saifullah Khan: It depends on the type of material, commodity, and seasonality. If we look at feed, and there are several types of feed. Feed has a seasonality. If there is a season, the price will be lower. If something is off the season, the price will be higher.

Additionally, we were indirectly impacted by the Ukraine situation, as you may already be aware of, we do not import anything directly from Ukraine and Russia. Additionally, we are currently seeing that the overall impact is normalizing.

Zohaib Pervez: And you mentioned in your presentation also that you have applied for a price increase. This price increase is for which products?

Saifullah Khan: The price increase will be across categories, but once we get the approval, based on our margins and based on the overall market sentiment, we will try to make a rational decision on whether we should transfer the cost to consumers. Our marketing team is working on this topic, and we are very closely working with the Ministry to get the



approval. Once the approval is received, we will then make an informed decision accordingly.

Zohaib Pervez: But is this like in the milk segment, is it in the juice segment, which segment have you applied for?

Saifullah Khan: It will be across dairy products, but it will mainly impact fresh dairy.

Zohaib Pervez: Mainly fresh dairy. And when can we expect a decision on this?

Saifullah Khan: We are very close. Due to Eid holidays Ministries are closed, but we expected the decision to be made in the near future.

Zohaib Pervez: Okay, thank you.

Saifullah Khan: Thank you.

Operator: As a final reminder to ask a telephone question, please signal by pressing star one. We'll pause for just a moment to allow everyone an opportunity to signal for questions. There appears to be no further questions. I'd like to turn the conference back to the host for any additional or closing remarks.

Bobby Sarkar: Thank you, Tracy. This is Bobby Sarkar again. So, if we have no further questions, we can end the call for today. I want to thank Saif and Baladna for taking the time to answer our questions and we will pick this up next quarter. Thank you so much.

Saifullah Khan: Thank you very much. Thank you.

Operator: This concludes today's call. Thank you for your participation. You may now disconnect.