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Moderator: Bobby Sarkar
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Operator: Good day and welcome to the Baladna Q4 2021 Results Conference Call. Today's conference is being recorded. At this time, I would like to turn the call over to Bobby Sarkar. Please go ahead.

Bobby Sarkar: Thank you Operator. Hello. Good afternoon, everyone. This is Bobby Sarkar, Head of Research at QNB Financial Services. I wanted to welcome everyone to Baladna's Q4 2021 Results Conference Call. On this call from Baladna, we have Saifullah Khan, who is the CFO. We will conduct this conference with management first reviewing the company's results, followed by Q&A. I would like to turn the call over now to Saifullah. Saifullah, please go ahead.

Saifullah Khan: Thanks, Bobby. Good afternoon, ladies and gentlemen, I would like to welcome all of you to the earnings conference of Baladna to present the annual results for 2021. My name is Saifullah Khan, I'm the CFO of Baladna. During this earnings conference call, I will provide you with the update of our operational and financial performance for the financial year. For additional details, please refer to our investor presentation, which is published on our website in case you have not already received it.

During the fourth quarter of 2021, Baladna managed to achieve a revenue of QAR 210 million and net profit of QAR 32 million. This represents a revenue growth of 16% and net profit growth of 106% compared to the previous quarter. In terms of financial performance during full year 2021, revenue generated was QAR 773 million with a net profit of QAR 134 million. That means our revenue for the year is 2% higher than what

was achieved in year 2020, despite challenging market conditions, specifically in the third quarter of this year. Additionally, Baladna managed to effectively adapt to our challenges during the year in terms of low number of population and increase in global commodity prices.

The market gained momentum in Q4 this year compared to the previous quarter, as we have witnessed an increase in terms of both revenue and net profit. Global market conditions had a slight impact on our margins due to increased commodity prices, especially feed, raw materials, and packaging materials. Baladna introduced heavy promotions and discounts to uplift our volumes to mitigate the impact on input cost.

That being said, Baladna remains a regional industry leader in terms of EBITDA margin and net profit margin for 2021. Baladna achieved an EBITDA margin of 38% and net profit margin of 17%, respectively. Baladna also displayed its adaptability and resilience by gaining further market share in the retail sector and shifting its new customer acquisition efforts on HORECA.

In terms of our operations, we managed to slightly increase our herd size to 23,581 and managed to maintain a high average daily cow yield of 36.6 liters despite high temperature and humidity levels faced in 2021 compared to previous years. Managing this yield under extreme weather conditions is a significant achievement in our farm section.

Additionally, product portfolio management remains a key strategic pillar for Baladna's growth. We managed to continue growing our total SKUs to 268 as of end of year 2021.

SKUs introduced in Q4 2021 are strategic in nature and value accretive for Baladna and have the aim to contribute to improving Baladna's margins. This is a testament of our

innovative product development programs, which allows us to remain well-positioned and effectively identify products that are value accretive and in line with consumer demand and the market requirements, as well as our ability to bring new products to the market in a short period of time. For more details on our operational performance, please refer to the operational and the commercial update section in our investor presentation.

Moving to Baladna's financial performance. Revenues achieved in the fourth quarter of QAR 210 million have grown compared to levels achieved in the same period of last year, as well as last quarter of the current year. Some of our significant achievements during this quarter include a reduction in our selling, general and administrative expenses as a percentage of revenue compared to the same period last year as we continued to further enhance our performance. As a result, EBITDA margin achieved for the financial year was 38%, which is an even greater achievement considering the compensation that Baladna receives is phased out over a period of 10 years and is decreasing as per the agreement.

We are proud of the net profit margin of 17% achieved over the year of 2021, which is in line with our expectation and remains industry-leading across our regional peers. The net profits achieved translate into earnings per share of QAR 0.070 for the year. Baladna achieved these results on a solid asset base, which is primarily funded by equity. For more details on our financial performance, please refer to the financial performance section our investor presentation.

If we look towards 2022, I would like to give you a quick update on the two projects, which were announced in the first quarter of the year. Both the evaporated milk factory and butter expansion facility projects are progressing well and are expected to be completed by end of year 2022 and commercial operations are expected to follow from

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

In terms of market demand outlook for 2022, we intend to explore further opportunities derived from the FIFA 2022 World Cup and opportunities across the retail and HORECA channels to improve our product portfolio and produce quality and innovative products. Additionally, we will keep assessing further opportunities to drive efficiency and further optimize our value chain.

In terms of expansion opportunities, in addition to the Malaysia project, we have initiated discussions with our foreign partners in Azerbaijan, Indonesia and Philippines where studies are in initial stage and the plan is to proceed with the feasibility studies in the first half of 2022. As a part of our investment strategy in green-field and brown-field projects, we had invested in Juhayna food industries, a leading dairy company listed in Egyptian Stock Exchange and on 6th March of this year, we have reached a 5% equity stake in the company.

To conclude, Baladna is fully dedicated to fulfilling its role as a market leader in Qatar and to contribute to the National Food Security Program and Self-sufficiency Program. We maintain our focus on creating shareholder value while at the same time ensuring to serve our customers with the highest standard and ensure the safety and well-being of our employees and all stakeholders.

I thank you for your attention and will now open the floor for any questions you may have.

Operator: Thank you. If you would like to ask a question, please signal by pressing star one on your telephone keypad. If you are 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 the question. We will pause for just a moment to allow everyone an opportunity to signal for questions. We will take our first question. Ashish Kumar from United Securities-Oman. Your line is open. Please go ahead.

Ashish Kumar: Thanks a lot for providing this opportunity, and I had one question on your strategy to acquire a company outside of Qatar and why did we acquire only 5% to the market? And is there a strategy to acquire more post this acquisition or this is just a financial investment? Thank you.

Saifullah Khan: Thanks Kumar, for your question. As I highlighted, according to our developed strategy, the company wants to continue its growth path within Qatar and expand to other countries outside Qatar by taking into consideration both green-field and brown-field projects to enhance shareholder value. Based on this objective, we found that the Egyptian market, with a population of more than 100 million, is a large and promising F&B market.

Being a market leader, Juhayna Company has a strong distribution network, a very strong financial performance, double-digit growth in the top line and bottom-line. Based on our assessment we believe that the company has potential for further growth. Additionally, we are planning to assess potential collaboration opportunities with Juhayna, which could be beneficial for both parties and this is what we are seeing today.

Ashish Kumar: Yes. So do you plan to acquire more of this through off-market or market transaction in the near future?

Saifullah Khan: This decision will be based on several factors including our appetite, the company's performance, and if we deem the opportunity to be value accretive. If these criteria are met, we may potentially assess the opportunity at that time.

Ashish Kumar: Thank you. I'll be in queue to ask.

Operator: Again, press star one to ask a question. We'll take our next question. Mustafa Amer from Al Rayan investment. Your line is open. Please go ahead.

Mustafa Amer: Hello, thank you for the presentation today. Just had a question related to rising commodity costs that you faced in 2021, obviously, 2022 is a different set of challenges with what's going on between Russia and Ukraine. So how is that affecting you and your margins in terms of your feed costs? Thank you.

Saifullah Khan: Thank you. What we are seeing today in the market, is that overall commodity prices are increasing across the world. If you compare our results with peers, you can see who had a greater impact. So definitely, at the company level, we are evaluating internally on how to best compensate this impact. And since the Russian and the Ukrainian tension started, we don't see any direct impact on Baladna because we are not importing our commodities or any stock from this region, but it is expected to have an overall impact on the economy and the oil and gas sector.

We are putting a strategy in place on how to minimize this impact. And in line with our strategy, we are even looking at potential backward integration opportunities. We are trying to implement a hedging strategy in place to acquire our long-term supplies. All efforts are in place, this is not expected to have a major impact on the company's profitability.

Mustafa Amer: Right. Just to follow on with that, will you be able to pass this cost to the end customer should there be the inflationary pressure?

Saifullah Khan: If you look at the region and most of the players, it is relatively easy to transfer your cost back to the consumer, but at Baladna, we are trying our best to not impact our customers. We want to serve our consumer in the best way where we can give them the best quality. We aim to satisfy our customers and we are seeing that the market is trending in a very positive way and as seen in Q4 2021, the market is giving promising signals and we are expecting additional growth from the FIFA 2022 World Cup as well. We are expecting volume growth which could offset the temporary increase in commodity prices.

Mustafa Amer: All right. Thank you, Mr. Saifullah. I appreciate your comments.

Operator: Once again, if you would like to ask a question, please press star one.

Bobby Sarkar: Hi operator, this is Bobby Sarkar. So, I have a couple of questions, if I may. One is the announcement that you made about this deal with Inter Plastic to procure packaging material together. Obviously, it's going to have a positive impact, but if you can quantify what level of cost savings or synergies we can expect from this deal. And then secondly, on the Philippines press release a few weeks ago, do you have any further details other than the factors in the MOU for half a billion-dollar deal? When do we think the timelines are for production and sales there? Thank you so much.

Saifullah Khan: Thank you Bobby, for your question. The first answer to your question, regarding the MOU with the local supplier on the packaging side – our vision at Baladna is to maximize value within the country because we are a part of food security in the country. We are maximizing our expansion locally in terms of value. It's a broader initiative from the authorities to add value to that level and also at the same time is giving you supply without any interruption and saving on our warehousing.

So, it's beneficial from a synergy point of view, we will potentially be saving costs and achieving less interruptions with the best market prices because these are new players in the market. They can provide some stock, which we were importing from outside of Qatar. Definitely, it's a win-win situation for them and for Baladna as well, at a broader level we will both be contributing to the national economy.

And for the second question regarding Philippine. We have signed the MOU and at the moment, we are discussing with our counterparty in detail on how a project can work and we will be having a feasibility study very soon and based on that feasibility outcome, a decision will be made by the board of the company on how we are going to execute that project. So that detail will come in the later stage.

Bobby Sarkar: Okay. Thank you. And just to follow up on the Plastic's arrangement. Do you have a sense of the level of cost savings those synergies? Or is it too early?

Saifullah Khan: Yes, if you are buying from the local supplier, you do not need to have your own storage, which you are keeping for at least four to five months for any stock because our stocks are mostly coming from outside. So that will result in savings in terms of working capital and storage costs and also on the pricing side, procuring from the local suppliers will help achieve uninterrupted supply. So, we are expecting to see some benefits financially.

Bobby Sarkar: Okay. Thanks. Great. Operator, do we have any other questions now from outside?

Operator: There are no questions at this time.

Bobby Sarkar: If there are no further questions, I would like to end the call now. I want to thank Saifullah and Baladna for taking the time to answer our questions, and we will pick this up next quarter. Thank you, everyone.

Saifullah Khan: Thank you very much, everyone. It's nice to talk to you. Thank you.

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