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Moderator : Phibion Makuwerere
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Operator: Hello, and welcome to Baladna Conference Call. Please note that this call is being recorded. You will have the opportunity to ask questions to our speakers later on during the Q&A session. If you'd like to ask a question by that time, please press star one on your telephone keypad.

I will now hand the call over to our moderator, Phibion. Please go ahead.

Phibion Makuwerere: Thank you, Janis. Good afternoon to you all, and I would like to welcome you all to the Baladna First Quarter of 2026 Earnings Conference Call.

On the call from Baladna's management team, we have Saifullah Khan, the Group Chief Financial Officer. And as usual, he will first give us an overview of what transpired during the first quarter, and we'll have a question-and-answer segment immediately afterwards.

Let me turn over the call to Saifullah without further ado. Saifullah, please go ahead.

Saifullah Khan: Thank you, Phibion. Good afternoon, everyone. Thanks for joining us today. My name is Saifullah Khan, I'm the Group CFO at Baladna. Thank you all for taking time to join us today. The presentation materials have already been shared on our website.

Before we begin, please note that today's discussion may include forward-looking statements based on current expectations and assumptions, and the actual results may differ due to external factors, including ongoing regional developments.

The first quarter of 2026 was shaped by continued regional tension, and in that context, I want to spend a moment on how we approached the quarter. In situations like this, the priority is to safeguard food security in Qatar, ensuring that the domestic market continued to be fully and reliably served. This was supported by maintaining continuity across operations with stable production, resilient supply chains, and the ability to respond proactively to a potential disruption. This is not something we approach reactively. It is built in Baladna's DNA.

We have seen similar conditions before, including during COVID and the Red Sea disruption. And the same principles apply each time, which are early visibility on risk, forward planning on critical input, disciplined inventory management, and side coordination across procurement, production, and distribution. During this quarter, these systems were tested again under a more sensitive regional backdrop, and we maintained full operational stability with no disruption to supply. As part of this

context, we welcome the Minister of Municipality to our facility. The visit was conducted in light of the evolving regional situation, with a focus on reviewing operational readiness, supply continuity, and overall resilience of the food system. During the visit, Baladna's ability to maintain stable production and ensure consistent supply to the domestic market was acknowledged, reinforcing our role in supporting Qatar's food security during periods of external pressure.

Going to the financial performance, revenue for the Q1 stood at QR 330 million, broadly in line with the same period last year without EVAP government tender in Q1 2026, which contributed to revenue in Q1 last year, excluding this impact, underlying revenue growth was approximately 8% year-on-year. The EVAP government tender for 2026 commenced in April, and its contribution will be reflected from the second quarter onwards.

From a channel perspective, performance continued to be supported by the retail segment, which saw steady growth across both modern trade and traditional trade channels. This helped offset softer performance in the HoReCa segment, reflecting a more normalized demand environment. We delivered a strong improvement in profitability, with gross profit up 22% year-on-year to QR 106 million, and margin expanding to 32% from 26%, supported by higher milk yield and ongoing cost optimization across the business.

Operational profitability reached an all-time high, increasing by 26% year-on-year, driven by continued efficiency improvements across the entire value chain. Net profit rose 6% year-on-year to QR 61.5 million, with margins improved to 18.6% from 17.6%, supported by continued cost optimization and improved operating leverage. It is also worth noting that the prior year net profit included contributions from investment income, which impacted the year-on-year comparison. In addition, the business continued to generate strong operating cash flow during the quarter, supported by stable profitability and disciplined working capital management. This enabled us to comfortably fund ongoing capital expenditure and strategic investments, while maintaining a healthy liquidity position. Overall, the quarter reflects stable revenue performance, combined with improved profitability driven by operational efficiencies and disciplined cost management.

From an operational perspective, during the quarter in discussion, the business remained stable across all core areas, including farm operations, production, and distribution, with no disruption to output and no interruption to supply in the domestic market. Operational efficiency was primarily driven by improved farm performance supported by higher yields and lower cost per litre.

This was further enhanced by reductions in material costs, optimized overheads, and continued cost savings across the entire value chain, compared to the same period of last year. This is supported by structured planning across procurement, inventory, and logistics, allowing us to manage variability in the external environment without impacting availability in the market. At the same time, we continued to expand commercially, with the product portfolio reaching 268 SKUs, including 16 new product launches, while the customer base increased to 3,821, and the number of sales routes

expanded to 149. We also initiated further steps on efficiency, including the introduction of electric vehicles within the logistics network on a test basis.

On the strategic side, we continued to make progress on our international projects during the quarter, while maintaining a measured and disciplined pace of execution.

In Algeria, the integrated agri-industrial project continued to make solid progress across key workstreams with activity increasingly, shifting from early-stage development toward large-scale execution. During the period, a major milestone was achieved with the award of Phase 2 contracts exceeding \$635 million. This was complemented by the initiation of a dairy cattle airlift program from the United States, scheduled to commence in November 2026. The program will facilitate the phased import of approximately 30,000 high-quality dairy cows over a 10-month period, supporting herd build-up and advancing operational readiness.

On the infrastructure side, groundwater development progressed well, with a substantial number of wells completed and additional wells advancing through development and regulatory approvals underpinning the project's long-term water requirements. Arable farming activities also moved forward with the cultivation of key crops, including barley, wheat, alfalfa, rhodes grass, and corn, supported by the continued expansion of irrigation systems.

From a construction perspective, civil works for the dairy farm have commenced, while engineering, design, and planning activities for the processing facilities are progressing in line with the overall project timeline. Overall, Phase 2 is driving a broader scale of construction and infrastructure across farms and supporting assets, positioning the project for its next phase of development and supporting the long-term objective of local milk powder production in Algeria.

In Syria, development of the manufacturing project progressed steadily across site preparation, design, and permitting activities. Site layouts and grading works advanced during the period, alongside the completion of key design submissions for major facilities including dairy warehouse and utilities. Geotechnical assessments and foundation planning remained on track, while permitting processes, including environmental and building approvals, continued to progress in line with expectations.

In parallel, Baladna entered into an upstream engagement agreement with the International Finance Corporation (IFC) to evaluate the feasibility of a large-scale dairy processing investment in Syria. Under this engagement, IFC will conduct a comprehensive supply-side diagnostic of the country's smallholder dairy sector, assessing milk supply potential, productivity levels, infrastructure readiness, and the farm-level economics. The study will also provide detailed market analysis, scenario modeling, and a bankability assessment to support potential private sector financing.

The engagement is scheduled to commence in May 2026 and is expected to play a key role in de-risking the project, while strengthening institutional and lender confidence in Baladna's broader integrated dairy expansion strategy. Across both markets, execution remains structured and phased, with progress aligned to long-term development plans while remaining responsive to the broader environment. In parallel,

we continue to evaluate additional opportunities, particularly across Africa, as part of our long-term expansion strategy.

To conclude, the first quarter reflects a business that remained stable and disciplined in a complex environment, with the revenue holding steady, profitability improving, operations continuing without disruption and supply to the domestic market maintained throughout.

This quarter reinforces the strength and resilience of our operating model, which has consistently enabled us to sustain performance and continuity through periods of disruption and external volatility while continuing to play a critical role in supporting food security. The integrated model, from input sourcing to production and distribution, provides a level of control that allows us to maintain continuity even when external conditions are less predictable. This is something we have demonstrated consistently over time, and it remains a defining characteristic of how the business operates.

Looking ahead, the focus remains consistent with continued emphasis on operational stability, cost-efficiency, disciplined execution of international projects, and ensuring reliable supply within Qatar. With the structure we have in place and the experience we have built over time, we remain well-positioned to continue managing effectively through external uncertainty.

Thank you all for joining us today. Now I will hand it back to Phibion to conduct the questions and answers section.

Operator:

Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. If you would like to ask a question, please press star followed by the number one on your touch-tone phone, and you will hear a prompt that your hand has been raised. If you wish to repeat a question, please press star one again. If you're using a speakerphone, we kindly ask you to lift the handset before pressing any keys. Please hold for a moment while we gather questions.

Our first question comes from the line of Aashish Agarwal from The First Investor. Sir, please go ahead.

Aashish Agarwal:

Hi, Saifullah. Hi team. Thanks for taking my question. Aashish here from The First Investor. So, I believe the rights issue has been postponed slightly, given the regional conflict. So, can you just confirm that?

And also, would it be correct to see any debt increases this year for the expansions, which may drive up your finance cost? Because I'm assuming, given the huge increases in the advance to suppliers, you may have taken care of your immediate Capex requirements.

And another follow-up would be, what is the subsidy situation from the government side in terms of support for the cost increases that are happening because of the conflict? So, supply chain increase costs. So, is there any support from the government side? That would be all from my side. Thanks.

Saifullah Khan: Okay. Aashish, thanks for your questions. You covered three parts. Starting with your first question, you asked about the rights issue. So basically, the rights issue process was postponed mainly due to the ongoing regional tensions, as overall market environment was not considered suitable for executing the transaction at that time. And This decision was well understood and supported by the relevant regulators, as it was viewed as prudent to delay the issuance under the prevailing conditions.

Now we are reconsidering this because whenever the time is right, we will bring this back. So, we will communicate to the market once a decision is made. However, at the moment, I don't have any approval from the Board of Directors who will decide this, what is the right time, and we will come back to the market.

Your second question is about our debt increasing and the finance costs increasing.

Aashish Agarwal: This year, specifically for this year only.

Saifullah Khan: Basically, this year, our debt is increasing, because of the Algeria project, we have financed the project and this finance cost is capitalized. It's not going to impact on our P&L because we have a grace period for finance cost and the repayment of principal. So, in line with that, all the finance costs will be capitalized as its related to the project So there will be no impact on P&L.

Aashish Agarwal: Sorry to interrupt. So, the current trend rate of the finance cost is good enough for the full year?

Saifullah Khan: Yes. There will be no impact on the finance cost, not in this year, not in the coming year, because our grace period is five years. So, basically, mostly the loans when we are arranging is linked to the dividend from that project. So, it will be not having any impact on the P&L because it's linked to the dividend. And also, this is subsidiary, we have the debt, which is capitalized, all the finance costs and everything.

That's your third question about cost increase impact. The Ministry has already informed us to capture all the additional costs. Due to this scenario, we are rerouting our material, especially the logistics side. They will reimburse the additional cost, and they have put some mechanism in place, and we are sharing real-time information with the ministry.

Aashish Agarwal: Have you already received money from the ministry or that you will receive afterwards?

Saifullah Khan: At present, we are still utilizing inventory that was procured well before the war situation. However, as new purchase orders are being received, the impact of the regional tensions is now gradually flowing into the business. Accordingly, we are separately recording the additional costs arising from these regional tensions. We have been sharing the relevant information and cost details with the Ministry. During the period of regional tensions, the Minister of Municipality and his team visited our facilities and confirmed that the additional costs incurred are expected to be reimbursed in the future.

Aashish Agarwal: All right. Thanks a lot.

- Operator:** Thank you. Again, should you have a question, please press star followed by the number one. Our last question comes from the line of Adnan Muhammad from AlRayan Investment. Please go ahead.
- Muhammad Adnan:** Hi. Good afternoon. This is Muhammad Adnan from AlRayan Investments. I have two questions. One is related to the margin expansion that you have explained that this quarter margin expansion is due to the higher milk yield and cost optimization. So, can we expect the same margin for the rest of the year? Because in the third quarter, this tension rises, and you are saying that some cost is increasing. So, can we expect that the margins will remain or it will decline?
- Saifullah Khan:** Basically, what you have seen is over the period, Baladna's performance is improving when it comes to operational efficiency. So, this will maintain over the period. And we are expecting further improvement as the volumes are increasing, you will see better efficiency on the operation side, especially the manufacturing side. So, the farm is getting in very good shape now. And because of the last two years, what we have done, so now we are seeing the result of that the cows come for securing very good feed and management. And now we are seeing very high productivity rate in terms of this is conceiving new births, because overall health of the animals has improved. So these types of factors will remain over the period. It's not over one time that cows improved and now they will be sick. So, this is what we are expecting in the rest of the year that it will remain profitability in the same trends that you need to take into consideration.
- Adnan Muqeem:** And how will the current situation, and in any case, like the current situation is impacting the margins?
- Saifullah Khan:** I mentioned that the impact which is the Ministry already promised us that they will bear the additional cost, so we don't see any impact on the margins now.
- Adnan Muqeem:** Okay. But the other question is related to the Algeria project, whenever it comes online. So, is there any scenario that we will see any ramp up cost initially?
- Saifullah Khan:** Okay, in Algeria, if you see our arrangement with the Algerian government, it's after 20 years. So, it's the agreed price linked to the input index. So, we have a higher price initially. So, business should not have any negative impact on the P&L. So, price was agreed in a way that initially the business should get more support and gradually price would be down as operation will be optimized. So, there will be no impact on the P&L from the day one.
- Adnan Muqeem:** Okay, so like no dilution to the earning, okay. Thank you, thank you so much.
- Operator:** Thank you. I will now turn the call over to the management for closing remarks.
- Saifullah Khan:** Okay. Thank you, everyone, for joining us today.
- Operator:** This concludes today's call. You may now disconnect.