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Moderator : Bobby Sarkar
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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. Thank you.

Now, I would like to hand the call over to Bobby. You may begin.

Bobby Sarkar: Thank you, Angela. Hi. Hello, everyone. This is Bobby Sarkar, Head of Research at QNB Financial Services. I wanted to welcome everyone to Baladna's Second Quarter and First Half 2025 Results Conference Call.

So on this call, we have Saifullah Khan, who is the GCFO at Baladna. We will conduct this conference with management first reviewing the Company's results, followed by a Q&A session.

I would like to turn the call over to Saif. Saif, please go ahead.

Saifullah Khan: Thank you, Bobby. Good afternoon, ladies and gentlemen, and welcome to Baladna's H1 2025 Conference Call.

My name is Saifullah Khan. I serve as the Group Chief Financial Officer at Baladna. Thank you all for taking time to join us today. The presentation materials have been shared in advance and are available on our website.

Before we begin, please be aware that today's discussion may include forward-looking statements which reflect our current views and assumptions. Several factors could cause actual results, performance, or events to differ materially from those expressed or implied in the statement. I will keep my opening remarks brief to ensure we have ample time for the question-and-answer session.

Let me begin by providing a quick introduction to Baladna for the benefit of the people who are joining us first time.

As Qatar's leading producer of high-quality dairy and beverage products, we continue to deliver trusted products across milk, dairy, juice, and food categories. Since our founding in 2014, we have built a robust foundation with large-scale farms, cutting-edge production, and the packaging facilities, and self-sufficient farms to support our long-term growth and sustainability growth. Our vision remains to become the leading provider of nutritious and healthy food and beverages in Qatar and beyond. We expand our presence across regions and international markets. We are committed to deliver long-term value, and the progress we have made during the first half of 2025 that reflects our commitment.

Before we begin, I am pleased to introduce Baladna's new Group Chief Executive Officer, Mr. Marek Warzywoda, who officially joined us on 7th of August. Marek brings over 20 years of global leadership experience at Lactalis, one of world's largest dairy companies, where he successfully led operations across Poland, Brazil, Croatia, South Africa, and most recently, Saudi Arabia. Throughout his career, he has consistently delivered profitable growth, executed complex business turnaround, and expanded category presence across both retail and food service channels. His appointment marks an important milestone for Baladna as he accelerated our focus on international expansions and long-term value creation. With major projects already underway in Algeria, Egypt, and Syria, Marek's deep operational expertise and proven ability to scale business globally will be instrumental in steering our future direction. Backed by his strong track record in managing a cross-functional team and delivering strategic transformation, he is well-positioned to lead Baladna into the next chapter of growth.

Let us now continue with our financial and operational performance for the six-month period ended June 2025. Revenue for the first half of 2025 reached QR 643 million, representing an 8% year-on-year increase. This growth was primarily driven by the strong performance in the evaporated milk segment, wider distribution, and continued contribution from the newly launched SKUs.

EBITDA for half year 2025 grew to QR 444 million, a 127.5% increase year-on-year. The EBITDA margin expanded to 69% compared to 32.8% in the same period last year. This was supported by strong revenue growth and return from a strategically diversified investment portfolio implemented as a part of the company plan for geographic and sectorial diversification.

Net profit for first half reached QR 331 million, an increase of 229% compared to the same period of last year. As a result, the earnings per share increased by 230% to QR 0.165 for the first half of 2025. A significant portion of this increase was driven by return from strategically diversified investment portfolio implemented as a part of the Company's plans for geographic and security diversifications. These gains reflect favorable equity market performance and active steps we have taken over the past years to allocate surplus liquidity into high-quality market credit instruments. As a result, our net profit margin rose to 52% in H1 of this year, up from 17% in H1 2024.

This part of broader strategy to strengthen returns while remaining conservative in our risk profile, we regularly review the structure and evaluation of this portfolio and continue to treat it as our core part of our capital efficiency program. That said, I want to emphasize that our primary focus remained firmly on growing our core dairy and beverages business. While investment gains provided a meaningful uplift this period, we are fully committed to expanding our product portfolio, deepening market presence, and enhancing our value overall across our integrated operations. Our goal is to continue creating sustainable long-term value through strong fundamental and operational excellence.

For the cash flow and the capital allocation segment, we continue to generate strong operating cash flow during this period, which was sufficient to cover working capital requirements and capital expenditures. Our balance sheet remains healthy, and our capital allocation priorities remain unchanged. We will continue to invest for future growth, maintain our prudent capital structure, and reward shareholders where appropriate.

And going to see the strategic and operational highlights, let me now turn to some of key strategic and operational highlights from the first half of this year. I'm pleased to report that we have made meaningful progress in advancing both our international footprint and domestic leadership to align with our vision Baladna "From Qatar to the World". On the international front, we achieved three major milestones during this period.

In Algeria, we signed an initial contract exceeding \$500 million for Phase 1 of our integrated Agri-industrial powdered milk project with a group of Algerian and international suppliers and consultants. This 117,000-hectare venture in Adrar province is 51% owned by Baladna for Trading & Investment wholly owned facility of Baladna Q.P.S.C. The project is designed to meet Algeria's powdered-milk demand, support local meat production, and contribute to national food security. Development continues to move forward steadily.

In the Syrian Arab Republic, we secured Board approval for \$250 million integrated industrial projects comprising our daily plant, our juice processing plant, and plastic packaging, manufacturing facility, and advanced water treatment facility. This marked an important step in establishing a self-sufficient vertically integrated infrastructure that supports long-term economic growth. Syria is an attractive opportunity having population of 25 million people approximately. After listing sanctions, the market is open for international players. This decision will provide an early more advantage to the Baladna.

In Egypt, the Board approved the establishment of a wholly owned subsidiary aims at enhancing operational effectiveness and scalability by centralizing key support functions and enhancing more agile execution across regional markets.

Domestically, we remain focused on strengthening our portfolio and driving volume across growth channels. We launched 25 new SKUs across high-potential categories, including Greek yogurts, drinks, protein drinkables, Laban, flavored milk, juices and yogurt. This rollout supports our innovation led growth agenda, and aligns with evolving consumer preferences. We also completed a company-wide packaging refresh to improve shelf visibility, unify brand presentation, and enhance overall consumer recognition.

As Qatar's leading food manufacturer and distributor, we continue to provide exceptional service across our core retail and HoReCa channels. In the first half of 2025, HoReCa revenue increased by 27% year-on-year, driven by strong demand from hotels, restaurants, and cafes. Retail, traditional trades also posted 3% increase, supported by ongoing demand at local outlets, while retail key accounts declined marginally by 1%. The segment remains stable, backed by a long-standing partnership and consistent product availability. The government contracts for evaporated milk progress as planned, supporting revenue growth and aligning with their national efforts to boost food security through reliable local supply. Altogether, these commercial outcomes contributed to an 8% increase in total revenue compared to the first half of 2024, reinforcing Baladna's market leadership and strong execution across the channels.

Outlook about the company. Looking ahead, our strategy will continue to focus on gaining core product categories and expanding our presence in high-potential markets. We are committed to accelerating product innovation, deepening channel presence, and capturing new demand segments through our expanded SKU portfolio. We are also building on the strong foundation, like in Algeria and Syria. These markets will be essential to our next phase of growth and are expected to deliver long-term value not only by broadening our footprint but by reinforcing food security objectives across the region. At the same time, we will continue to actively monitor the performance of our investment portfolio. All decisions regarding the portfolio will be taken with discipline and a clear focus on supporting Baladna's long-term capital efficiency objectives. In parallel, we will maintain strict cost discipline and continue to invest in process automation and digital tools to enhance value chain efficiency. These measures will help support sustainable margin performance and operational resilience in the quarters ahead.

In conclusion, Baladna is well-positioned to sustain its momentum through the rest of the year with a strong product platform, clear growth, a road map, and a disciplined financial approach. We remain focused on delivering long-term value for our shareholders and stakeholders.

Thank you for your attention. I will hand over back to the operator and open the floor for questions and answers.

Operator:

Thank you. We will now begin the question-and-answer session. If you have dialed in and would like to ask a question, please press star one on your telephone keypad to raise your hand and join the queue. If you would like to withdraw your question, simply press star one again. Thank you.

And your first question comes from the line of Hussam Moatassem with Ashmore. Your line is now open.

Hussam Moatassem:

So, a couple of questions from me. The first one is just on the revenue composition and growth, so you can see that evaporated milk, there's basically a QR 53 million increase in revenue there.

Do you see that as one-off as a result of the government's evaporated milk tender, or do you see that as something that's going to be recurring?

The second question is just on the Algeria project and the Syria expansion. So, what's the Baladna's share of the project contribution? What's the source of funds? Are you going to be leveraging the balance sheets, or are you going to be selling down the securities books that you have? And then, any details that you can give on the offtake agreement with ONIL in Algeria?

Saifullah Khan:

Okay. Thank you for your questions. Your first question about the revenue, as I mentioned, this was the first tender awarded to Baladna after completing plant 4, and plant 4 investment was specifically done for evaporated milk, which the country is importing long time, to give some goes to the food security and self-sufficiency. So this year, we got the first tender, approximately QR 100 million, and at the same time, we are increasing our market share. It's a new category for us. We have huge potential in the market, and we are increasing our sales in HORECA and also in the retail channels but about the future tenders, it's every year in September, the government will announce the next year tender and we will be participating. The good things is the country has introduced the ICV for the local producer, and they give high scoring for all the local producers where Baladna will be eligible for that score. And we have a potential upside with the international competitors for the next year's tender, also. So, we are very hopeful that this tender will remain at Baladna.

Your second question about Algeria. Yes, you mentioned that Baladna is having in this project 51% shareholding. And we provide some information about the project so at least you will understand how much project is into three phases. So, Phase 1 is approximately 50% of the project, and the rest two phases 25% each approximately. The tenure of the project construction will remain in eight years. So, the first project, Phase 1, we need to fund our share of equity, which will then start generating the revenue and profits. And the Phase 1 can generate some dividends, and eligibility for Baladna can be reinjected and come back to Qatar as well. There are two options. In terms of financing our share for this Phase 1, we don't have a plan to sell our equities. These equities are what we have, what our investment team has done in the past, very careful selection of the high-growth equities, and we are not planning to sell now. We have a plan to get a loan for this investment, and the loan will be aligned with the project's cash flows. So, we are trying to make sure that there will be no impact on Baladna's Qatar operations. I hope your question is answered.

Hussam Moatassem: Yes. So you will be increasing debt on the Baladna Qatar level to fund the equity share into the Algeria project?

Saifullah Khan: Yes. In line with the Algeria project, so the cash flows of Algeria projects will be linked to that equity. So The dividends, once received, will be used to repay the loan, thereby avoiding any additional burden on Qatar operations.

Hussam Moatassem: Okay. So it's going to be fully debt financed at the Algeria level. So there is no equity contribution coming in from the Qatar level.

Saifullah Khan: Yes. So basically, at this stage, we are planning to have the debt which will be linked with the cash flows of Algeria. So that have a very high appetite because this is an offtake agreement and a very viable, what you call a business case, and the feasibility is very attractive for any investors. So we will link the cash flows of Algeria to the project. And at this stage, maybe in the future, we need to have any plans to restructure our debt capital and debt equity, we will consider about but at this stage, yes, project is secured now.

Hussam Moatassem: Okay. Thank you. And then just sorry I've taken up a lot of your time, but just one last one is can you give any details on the agreement with ONIL and Algeria just in terms of volumes, prices, margins?

Saifullah Khan: Yes, actually, we have put one slide in our investor presentation. So this project is fully integrated. We have arable 117,000 hectares of land. This arable will produce for this project all the feed, and you have more than 240,000 number of heads where you will be producing 1.7 billion liters of milk. That milk goes to the powder factory, and roughly 200,000 tons a year produces. This is where we have an offtake with the government for 20 years, and agreed prices in US dollar terms. And there is a pricing matching mechanism in place. So if there be any inflation, it will not impacting our margins, so it will be shifted to the offtaker. So this 20-year offtake agreement is in place, and we have a very subsidized loan for the project. 51% will come from the local banks. It's the government mandate to provide 51% at the rate of 1%. And there's also the tenure; the loan is 18 years to 20 years. So you have enough grace period, and there will be no pressure on the cash flow of the project. Furthermore, we have received tax exemptions for 10 years.

I think this is enough information to give you a high level understanding, and the project officially started. First, we will start arable production maybe very early because arable will be prepared very soon, it will take six months. Then we have our pivots, we'll be working on the ground, and we can start cropping. The government needs today, the grains, wheat, crops, and they have very subsidized rates for these crops. And these projects will start generating revenues. And real production of the powder, we have in two and a half years. After that, we will be starting to the government. Is it okay? Is there enough information?

Hussam Moatassem: Thank you very much. Yes. Thank you.

Operator: Your next question comes from the line of Al Rayan Investment. Your line is now open.

Zohaib Pervez: Thank you, gentlemen, for the presentation, and congratulations to the new team member that has joined your team. So, on the evaporated milk, you said this was the first year of tender, and now there will be another tender coming.

Could you give us some sense of what is the market size is you are actually trying to look at, especially from the tender business? I think the first tender was for QR 100 million. So what is the potential this business can achieve? Thank you.

- Saifullah Khan:** Okay. Thank you, Zohaib, for your question. And this total market of evap, the government tender is approximately, I think 55 to 60%, if I'm not mistaken. So there is a reasonable market available also. And we have the HORECA and retail markets. I think, total, I would say, this is a 250 million plus market. I think, this is 40% in the range of less than 50%. So there is a market which is available now, even in the pricing, Baladna's products is very competitive with the competitors. The main competitor is Rainbow who is the market leader today. And we are seeing now very good growth on a year-on-year basis because we are capturing new contracts from HORECA customers, mainly because they're helping a lot to move our volumes. And at the same time, on the retail market, where we have Rainbow big competition, so we are increasing the market share. And having ICV score, it's giving us more robustness, and we are competitive in the coming tender, which will be in September.
- Zohaib Pervez:** Good. Thank you. My follow up is on HORECA. You mentioned that HORECA is one area that you are targeting with your new product. Is this growth in HORECA 27% because of this evaporated milk or is it or is it something else? Thank you.
- Saifullah Khan:** HORECA we have new customers. Basically, you have a full basket when you are offering to any customer; you don't go with one product. So basically, the new customers, which is coming, we're offering them multiple products. And then evap is one of them. Because everything coming today to the country is from outside, and it's not only evap.
- Zohaib Pervez:** Sounds good. Thank you.
- Operator:** Your next question comes from the line of Sarah Alhanaya with SICO Capital. Your line is now open.
- Sarah Alhanaya:** Hello, management.
- Sarah Alhanaya:** First of all, thank you for your time today. I have a few questions I'd like to ask. The first one is on your trading securities. If it's possible for you to shed some light on that specific securities held other than Juhayna? Additionally, I would like to know if you actually increased your stake in Juhayna? And I would also like to know the portfolio turnover rate if possible. I do have other questions if you like to answer this one first, and then I'll ask the rest.
- Saifullah Khan:** Thank you for your question. I think this is a very important question for all the investors. So if you take us, what was our expansion strategy when we started, so in three to four years back, the key motive was how to increase the shareholder value. And in Baladna, we have a very professional high-caliber investment team who is working on the evaluation and the investment opportunity and having a very disciplined approach to capital deployment to find out where we can have a higher return for the shareholders. So having said this, we try to mix the greenfield project investment where we have all these high returns, but it takes time, and investment in the security in different markets by using available liquidity. Our investment team has done a remarkable job by selecting long-term growth equities in the past, in the different markets, and in different sectors, which start getting higher returns for all the shareholders.

And secondly, overall, the dynamics of these markets and the indicators has already improved, which also has an impact on the regional and the local market, which is also helping. And this is what we are getting now. Even we have dividends, we diversified. We didn't pay cash dividends last year to our shareholders but it was in the form of bonus shares. That's also really can be seen that cash was diverted to the very high yielding, investment in the equities, we are starting us now a very high return. So this is very carefully selected equities where we are doing the investment, and we are expecting that the outlook is very positive on the securities.

Sarah Alhanaya: Okay. Makes sense. Is it possible to shed some light on whether you've increased your stake in Juhayna and like other stocks? Or is it not possible?

Saifullah Khan: Yes. Juhayna. Sorry, I missed your Juhayna side. Egypt is also an attractive market for us, but as of now, we didn't increase our state in Juhayna, but the stock is performing very well. And even with the performance of the Company is also very attractive and performing very good. And as of now, we are not looking for more investment, but it depends on the future. Maybe there are any other stocks that our investment team would like, maybe can consider but not very specifically on Juhayna.

Sarah Alhanaya: Okay, makes sense. So I'll move on to my next question. It's regarding your gross margin. I mean, we know that improvement for that has been driven by efficiencies mainly related to the state-of-the-art facility. But I would like to know if it's also driven by the evaporated milk contract? Just to measure the sustainability of it moving forward beyond 2025. If it's also driven by the evaporated, I would like you to quantify the magnitude of the improvement relative to the evaporated milk contract.

Saifullah Khan: Basically, evaporated milk is helping our top line growth. And definitely, when this top line is growing and your GP is being impacted also from the top line and internal operational efficiency, so there's a mix of both the top line and the internal efficiencies. And at this moment, I don't have an exact number in front of me, or what is the quantum among the efficiencies and what is coming from evap, but maybe my team can share with you later on, what exactly more detail on this.

Sarah Alhanaya: Okay Sure. But just on broad level, is evaporated considered high margin? Does it contribute to a high margin, or is it a low-margin product? It doesn't matter the exact number.

Saifullah Khan: Look, always in the dairy, if you have experience on the dairy always long life, is different than your fresh products. So fresh products always have a higher margin and the long-life is having low margin. So this is the differentiation between the categories of the product because long life, even you can import from outside, it's always having a lower margin. And now you are entering to the market and you are competing with the international players, definitely, you need to secure your market share, and you need to compete with them. You will keep your margin slightly lower because you are just starting on this. Once you have a market share then you will materialize, or you can increase your margin on the products. So this is our strategy. We do have a margin, but it's not very good; but there is still a reasonable margin at this stage. And with the ICV, with all others measure the country is improving, the local production, I think, we are expecting improvement on the margins in the tenders. And also, once we have a market here, I think there is potential for further growth.

- Sarah Alhanaya:** Okay. Makes sense. Thank you so much. One last question from my side. Since in 2026 we should expect your arable business to kick off, do you think this business would start off being profitable in terms of bottom line, or should we expect losses since it's a completely new vertical for Baladna? I would also like to know if there are available markets that you're going to export whatever crops or feed grown to?
- Saifullah Khan:** Okay, so basically Algeria market today they are shortfall. They are importing all the grains, wheat, and the powder products which we are going to produce, and this is a wholly imports substitution project. This is the concept of our project. So your question about in 2026, we will start operation in 2026 because our cows' arrival later part of 2026, and we have enough time to grow from other crops which season dominates. They want us to produce for them because they are currently importing. It will help us because they already have some incentive plans for local production. So it's attractive for us also and it's good for the country as well. Whatever we can produce extra what we need, it will be sold in a very quick profit but at this stage, we are just pushing to ensure that we deliver our main project; at the same time, we can increase the production of other crops. You can say they are willing, they are asking us to produce, we will buy from you, and there is a mechanism already in place. And this is the last 10 years, they have a very open for the local producers, the subsidized rate also. So next 2026, we will understand by end of this year when we are putting in a very detailed business plan operating how much we can increase next year 2026. Our revenues from this project we will know by end of this year. Maybe quarter three or quarter four calls, we will be discussing real results, what is projected from this project in 2026.
- Sarah Alhanaya:** Okay. So just to confirm, you're going to produce enough for the cows unless the government asks for extra, is that correct?
- Saifullah Khan:** Yes.
- Sarah Alhanaya:** Thank you so much. That's all from my side.
- Operator:** That concludes our question-and-answer session. I will now turn the conference back over to Bobby for closing remarks.
- Bobby Sarkar:** Okay. Thank you, Angela. If that's all the questions we have for today, we can end the call. I want to thank Saif and the rest of the Baladna team for taking the time to answer our questions. And we will again pick this up next quarter. Thanks, everyone.
- Saifullah Khan:** Thank you, everyone!
- Operator:** Ladies and gentlemen, that concludes today's call. Thank you all for joining. You may now disconnect.