

**Company** : **QNB Financial Services Co. WLL**  
**Conference Title** : **Baladna (BLDN) Q4 2023 Results Conference Call**  
**Moderator** : **Phibion Makuwerere**  
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Operator: Hello. Good day, and welcome to the Baladna Quarter 4 2023 Earnings Conference Call. Please note that this call is being recorded. If you'd like to ask a question during the question-and-answer session, please press star and number one on your telephone keypad. I'd like to hand over the call to the moderator for today, Phibion. Phibion, please go ahead.

Phibion Makuwerere: Thank you, Ellie. Good afternoon to you all and welcome to Baladna's Q4 and FY 2023 Earnings Conference Call. My name is Phibion, I'm a senior research analyst at QNB Financial Services. On today's call, from Baladna's management team we have the chief financial officer, Saifullah Khan. He will go over the performance and then we will have a question-and-answer session afterward.

I will now turn over the call to Saifullah to begin. Over to you, sir. Please go ahead.

Saifullah Khan: Thank you, Phibion for your time. Good afternoon, ladies, and gentlemen. I would like to welcome all of you to the earnings conference call of Baladna to present results for the year 2023. My name is Saifullah and I'm the CFO of Baladna. During this earning conference call, we will provide you with an update on Baladna's operational and financial performance during the year 2023. For additional details, please refer to our Investor Presentation, which is already published on our website, in case you have not already received it.

As an opening remark of the call, I am pleased to mention to our valued investor that the Board of Directors has decided to propose a QR 132 million dividend for the year 2023 with the strong financial results of the year. The proposed dividend payment is amounting to 6.95% of the nominal share value and a dividend yield of 6% which is higher than the market average.

If I move to explain our financial performance for the year 2023, Baladna achieved a strong revenue growth of 7% reaching QR 1,057 million. I would be happy to mention that Baladna has surpassed the revenue milestone of QR 1 billion during this year, which is a remarkable achievement for our business that started its operation just five years back. This revenue growth was mainly attributable to an increase in sales volumes covering both HORECA and the Retail channel and capturing a greater market share across the majority of our product categories. Baladna successfully demonstrated its capability to capitalize on improved market dynamics. In terms of market share, Baladna managed to increase its overall market share to 53.5% by the end of this year compared to 51% at the same time last year.

Net profit of the year marked a significant increase of 36%, amounting to QR 110 million, which represents a net profit margin of 10%, a 2% growth in net profit margin over last year. Earnings Per Share (EPS) were recorded at QR 0.058 versus EPS of QR 0.042 for the last year. The reported strong growth in net profit was mainly attributable to an increase in the sales volume, fair value gain on share investments which is mainly coming from our investment in Juhayna Food Industries, strategic cost control measures, and efficiency improvement in entire value chain.

For the same period, Baladna reported an EBITDA of QR 325 million, which accounted for an EBITDA margin of 30.7%, confirmed, Baladna remains a regional industry leader in terms of EBITDA margin in the sector.

For the fourth quarter of the year, we managed effectively to grow the top line by 3% and achieved revenue of QR 284 million compared to QR 277 million in the same period of last year, which has a significant high base set from the FIFA world cup 2022. Net profit for the quarter amounted to QR 45 million compared to QR 25 million in the same period of last year,

representing a significant growth of 80%, mainly coming from fair value gain on the shares investment.

In terms of operational performance, product portfolio management remains a key strategic pillar for Baladna's growth. SKUs introduced in the year 2023 aim to improve Baladna's margins and enhance customer experience. This is a testament of Baladna's innovative product development program which allows us to remain well-positioned and effectively identify products that are value-creative and in line with market requirements, as well as our ability to bring new products to the market in a short period of time.

During the year, Baladna managed to introduce a number of new SKUs including evaporated milk and sterilized cream, which were historically imported to the country. Furthermore, Baladna launched its first domestic production of an international brand producing spreadable cheese for the Bel Group under the brand names of La Vache qui rit and Jibnet Abu Al Walad.

If I briefly talk about our cash flows, efficient working capital management, particularly related to inventories generated better operating cash flow compared to 2022, while our steadfast management of capital expenditures contributed to a strong Free Cash Flow to the Firm (FCFF) during the year. The generated FCFE of the year amounting to QR 78 million represents 7% of revenue. Our capital expenditure program is largely focused on business improvement where necessary and supports ongoing operations as Baladna has invested significantly in the past years to build all the facilities required for the efficient running of the business. During the year, Baladna was able to commission a new factory, which was designed to produce evaporated milk and sterilized creams. We started this project in 2021 for the purpose of enhancing country's self-sufficiency and invested QR 425 million throughout the project period.

In terms of international expansion initiatives during the year 2023, Baladna increased its equity stake in Juhayna Food Industries, the largest dairy producer in Egypt, to a substantial 15%, which contributed to a notable dividend and fair value gain to strengthen the bottom line of Baladna. Furthermore, Baladna reported a positive advancement in its forthcoming Algeria project targeting

a milk production facility, anticipating significant shareholder value creation, and marking another milestone in Baladna's global growth journey.

If I look at the outlook for 2024, we expect to deliver moderate growth in the dairy market.

Baladna aims to drive growth by continuing to grow its market share in existing product lines and through the introduction of new products. Along with protecting our market share in dairy category, we will focus more to develop our presence in the juice category in which we have a greater potential to grow our market share. The operations of evaporated milk and sterilized cream processing factory started as a soft launch in 2023. The operation will be increased to cater Retail and HORECA channels, expecting reasonable contribution to the top-line growth of Baladna.

E-Life detergent business is also expected to strengthen the top line further. Along with the positive indicators of the top line growth, Baladna's continuous focus on increasing efficiency and operational excellence is expected to boost our bottom line in 2024. The growth is expected to be more than double-digit.

Baladna's continuous focus on expansion beyond Qatar will remain pivotal for the sustainable growth of business. We will focus more on our forthcoming Algeria project, anticipating significant shareholder value creation. Similarly, we will remain focused on advancing on our diversification agenda by evaluating new opportunities.

To conclude, Baladna is fully dedicated to fulfilling its role as a market leader 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 to the highest standard and ensure the safety and well-being of our employees and all stakeholders.

I would like to thank you all for your attention, and we will now open the floor for any questions.

Operator:

If you'd like to ask any questions, please press star number one on your telephone keypad. Our first question comes from Mark Krombas from TFI. Your line is now open.

Mark Krombas: Thanks for the call, gentlemen. Just a question. I've noticed on the shelves that you've introduced some price rises across your product mix. Would you mind outlining roughly what impact that might have on your margins going forward, like just overall? That's the first question.

And then the second question relates to your Algeria venture. Could you somehow quantify the size of the likely investment that Baladna might make in that project? And that's it.

Saifullah Khan: Thank you very much for your question. For your first question, Baladna received the price increase approval last year in June, and we started from July. For the annualized impact, we are expecting up to QR 50 million on our profitability. This is a full-year annualized impact. In terms of percentage, it depends on how much we will deliver revenues and volumes, and which we are expecting the market to be quite positive and give a year-on-year better growth.

Your second question about the Algeria project. It's a project with the Algerian government. They are looking for a substitution to their powdered milk which they are importing today from outside, more than 360 metric tons imported every year, they are the second largest importer of milk powders. Baladna aims to help the Algerian government to have their own fresh milk and to convert it to powder and use it in the same channel that they are using right now. So, our target is to provide Algeria with 50% to 60% self-sufficiency in a 10-year timeframe. It will be a fully integrated project. So, we are working right now with the Algerian government to identify the size, the area with water availability, the soil quality testing, and the land that could be potentially used and which areas for this massive project size will be ideal. So, this is where we are right now, and we are heading towards our objectives very soon. We will close that MOU, and then we will disclose the financial figures of the project, including what will be the capital structure, total funding requirements, and how we will structure this project. So, the probability is that it will be funded locally in that country, and the funds, including the required debt will be locally arranged.

Mark Krombas: Okay, thank you.

Operator: Our next question comes from Shabbir Kagalwala from Al Rayan. Your line is now open.

Shabbir Kagalawala: Thank you, gentlemen. I'm sorry if we weren't able to connect to the call earlier. So, if I'm asking the same question, I'm sorry in advance for that. My question is regarding the demand outlook for 2024. I mean, considering we have had Asian Cup over here, and we are already having the Doha, the event in Al Bidda Park. So, I just wanted to have your sense of how do you see the demand panning out for 2024? Thank you.

Saifullah Khan: Thank you, Shabbir. It's a good question. I think what we have seen so far, is a very positive momentum in terms of country population, which we saw a year-on-year 6-7% increase in the population number. I think in the last month of January, the published data was 3.1 million for the population, which has a very positive impact on Baladna's growth. Especially on our market share, as our efforts are growing, and it has a direct impact on our volume growth and overall revenue growth. So year-on-year, as we speak, we are seeing a very positive momentum so far. And due to the Qatar government initiatives, we are also expecting this year to maintain this momentum and there are a lot of events they are organizing to keep the momentum on the population growth and the visitors side. This will have a direct impact on Baladna, in the overall volume growth and revenue growth.

Shabbir Kagalawala: Sounds good, thank you.

Operator: We don't have any raised hands as of the moment. I'd now like to hand it back over to the management for the final remarks.

Saifullah Khan: Okay, thank you, everyone, for your time. And our investor team is available for any questions. If you have any clarification needed, please drop us an email or give us a call. We will be happy to answer any questions and thanks for your time. I look forward to seeing you in the coming quarters. Inshallah, hopefully, that will be also something exceptional for you. Thank you.