

CEO's Review

44

new SKUs

38%

EBITDA margin

in 2021

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Piet Hilarides
CEO

“Securing our people, business and market”

Baladna delivered on its strategy with focus and determination, expanding brand leadership in our traditional products and diversifying to new dairy & juice categories. The results of our investments were good throughout 2021 and, more importantly, they have laid the foundations for many more successes in the years to come.

Diversity to Overcome Adversity

For many companies, 2021 was a difficult year. The effects of the pandemic were still rocking markets across the world, continuing to knock confidence and feed uncertainty. In the first half of 2021 the population of Qatar was impacted as many expatriate workers returned to their home countries. This had an adverse influence on the retail sector. In the second half of the year Horeca rebounded after consumers picked up their normal routine and started frequenting restaurant and catering.

Towards the end of the year, lives and businesses are beginning to return to pre-pandemic norms, although the virus is still impacting markets and supply chains. There is still a double digit market decline compared to 2020, but Baladna has recovered and recorded a revenue growth of 2% vs 2020 which was driven by a good performance in the last quarter.

At Baladna, we looked at this year as a tremendous opportunity to renew our presence and introduce new products. Our ongoing analysis and research into the many segments which make up our sector have played a large part in determining the paths we have taken and will continue to take.

Our diversification and growth in market share – driven by new categories such as cream, cheese and long-life Juice as well as the launch of 44 new SKUs – is a great achievement in a year when many businesses were restricting their output rather than investing in new lines and products. The strategy not only helped to mitigate the disruptions of the pandemic, our turnover showed growth versus 2020.

Our investment in technology has also played a large part in the drive for reorganisation and company development including sales, procurement and operational efficiency innovation. As part of Sales and Distribution, we have implemented “Route Pro Merchandising and Sales” and “SAP Sales and Operation Planning modules”. In addition, we have implemented “SAP Ariba Supplier Life Cycle Performance” in order to improve our Supply Chain Process. Information Security is one of the key concerns and we have invested in latest IT security control to predict, prevent, respond, detect and monitor any security concerns.

A Robust Performance

In 2021, Baladna was able to grow its top line by 2% in terms of revenue and manage a 38% EBITDA margin while the global material cost increased substantially. Total revenue for year 2021 stands at QR 773 million compared to QR 759 million in the last year same period. Our EBITDA for the year was QR 297 million which is same as last year similar period.

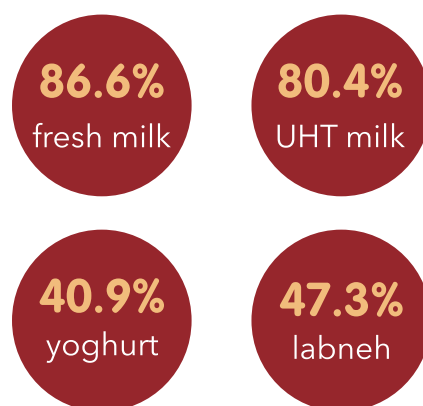
Capitalising on our Strong Brands

Due the unprecedented challenges brought about by COVID-19, our net profit slightly decreased compared to 2020. We increased revenues through challenging market conditions with cream, Juice and cheese sales being the segments which had year-on-year growth at 39%, 14% and 13% respectively.

Overall, margins decreased due to the pandemic effects which was caused by substantially increased raw material prices (+8.9%), packaging material prices (+6.8%) and logistic costs (+245%). The increase in promotions and discounts to increase revenue, as well as a reduction in government compensation as per the agreement contributed to the profit pressure. In light of the challenges, Baladna has delivered a good net profit margin which only declined 1% vs 2020.

Market Share #1 Leader

To achieve long term growth Baladna has invested in market share growth. This has led to the result that Baladna is market leader in its key categories:



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Farming

Total herd reached to 23,581 which is 6.0% growth compared to the last year. Total milk production for year 2021 was 141 million liters while we are managing our yield per cow / day at the same level last year despite the extreme humid and hot weather conditions compared to last years. This is a huge achievement.

Manufacturing, new products and processes

Investment in new lines of products and manufacturing methods have raised our operational efficiency to new levels, including our processing expansion with GEA, increased cooling capacity and the new UHT filling line. The new high total solids pasteuriser has improved our processing quality for products such as traditional labneh, desserts and processed cheeses as well as significantly increasing our capability to produce GDL feta.

Our own research and development teams along with the introduction of more sophisticated industry technology have played a major role in launching new, high-quality products and facilitating our increased production (Production rose with 5%).

However, the most significant factor in our manufacturing progress for 2021 is the construction of the evaporated milk factory which will be up and running in 2023.

Sales, Marketing and Brands

Product portfolio management is one of the key factors for our growth and we are continuously focusing on introducing innovative and value-added products to our existing consumers as well as new target consumers. We have dedicated Research and Development team to focus on new product developments as well as adding value to the existing products based on consumer preferences. This resulted in launching 44 new products during the year whilst de-listing 11 products to optimize our portfolio.

Powered by our People

The employees at Baladna continue to be one of our most important attributes, thanks to an innate sense of loyalty, a remarkable work ethic and a passionate community spirit. Our colleagues maintain the highest standards and give us the confidence that we can realize the strategy to achieve our most ambitious goals.

Over the past year we embarked on a journey of intense training, investing more than 20,000 hours in terms of developing productivity, management and technical capabilities. The quality of our workforce and the potential to further grow their careers is part of our mission to become a continuously learning organisation.

Accelerating towards a brighter future

The foundations we laid in 2021 pave the way for many exciting new avenues as we manufacture new products and enter new international markets. With the opportunities to diversify even further we can raise our market share and increase what is effectively the established brand of Qatar's dairy and beverage sector. We feel confident about 2022.

The FIFA World Cup 2022 will be a great opportunity for us to both increase our sales in the short- term and promote the brand to an international audience with the possibility of longer term benefits.

In line with ongoing commitment, we will continue to drive the Qatar National Food Security Strategy 2018-2023 by ensuring that we remain as self-sufficient and cost-effective as possible, supplying the population with an abundant supply of good quality, nutritious and affordable food.

Acknowledgements

I would like to wholeheartedly thank every member of the Baladna team for their unwavering loyalty and outstanding efforts towards achieving our shared objectives under these unique and unpredictable circumstances.

I would also like to share my deep appreciation to our Chairman and Board of Directors for their support and guidance, as well as to our all shareholders and customers for their confidence and trust.

Together, our combined efforts have seen us through a challenging and yet highly successful year, and we look forward to building on those achievements in the future.

Piet Hilarides
CEO

