

CFO's Message



297

(QR) million - EBITDA

134

(QR) million - net profit

in 2021

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Saifullah Khan
CFO

Performance highlights

Baladna recorded a total revenue of QR 773 million for 2021, which represents 2% growth compared to the previous year. The Company achieved this growth in revenues despite a significant temporary decrease in the total retail market in Qatar, which is estimated to have contracted by around 19% year-on-year. Baladna managed to adapt to these adverse market conditions through the introduction of new product lines and by growing our market share in existing segments through higher promotions and discount programmes.

Our continuous focus on product portfolio management resulted in our total SKUs reaching 268 products by the end of 2021, compared to 235 products at the end of 2020. Out of the total product portfolio, fresh milk, UHT milk and cheese provide the highest contribution to the total revenue. In terms of revenue growth, cheese, cream and juice were the top contributors. Despite the various challenges relating to external market conditions, Baladna was able to maintain industry leading profit margins.

For the year, Baladna achieved an EBITDA of QR 297 million and net profit of QR 134 million, which represents a 38% EBITDA margin and 17% net profit margin. These margins are a testament to our operational efficiency despite the challenges we had during the year due to pandemic where feed, raw material and packaging material prices increased significantly. It is important to highlight, that government support for the current year was QR 21 million less, reflecting a planned 15% decrease compared to the previous year, confirming Baladna's strength and ability to support to the National Food Security Program while at the same time contributing to the local economy.

Baladna's 2021 commercial and financial performance confirms our key investment highlights:

- Market leader in dairy products and beverages in Qatar
- Proven ability to identify growth opportunities and successfully execute strategy
- Excellence in product innovation and development
- State-of-the-art facilities that increase efficiencies and lower operating costs
- Integrated value chain allowing full control by management
- Strong financial track record and solid financial position
- Strategic shareholder support

Healthy cash flow generation and solid financial position

Baladna generated operating cash flows of QR 213 million for the year, which played a critical role in the settlement of debt facilities used for capital expenditures. During 2021, Baladna started investing in new factory expansions to produce evaporated milk and sterilised cream. These investments have the potential to drive the revenue growth and profitability in the coming years.

Additionally, Baladna started investing in shares of major companies listed on the Qatar Stock Exchange as well as regional exchanges as a part of our investment strategy. Investment in shares during the year resulted in a fair value gain of QR 11 million. Net debt to total capital employed ratio stands at 39%, compared to 35% for last year. This year's increase in debt is due to investments relating to factory expansions and investments in securities.

Key Financial Highlights				
Operational Performance		2021 12 Months	2020 12 Months	2020 13 Months*
Revenue	QR M	773	759	815
EBITDA	QR M	297	297	323
EBITDA Margin	%	38.4%	39.1%	39.6%
Net Profit	QR M	134	141	152
Net Profit Margin	%	17.3%	18.6%	18.7%
EPS	QR Per Share	0.070	0.074	0.082

Balance Sheet		31 December 2021	31 December 2020
Total Assets	QR M	3,912	3,623
Debt	QR M	1,397	1,129
Equity	QR M	2,271	2,241
Debt to Equity	%	61.5%	50.4%

* for the period from 02 December 2019 ("Establishment Date") to 31 December 2020

Robust risk management

As a strategic and preventive measure, Baladna maintains strategic inventory levels for all major raw materials required for our operations. This is intended to support continuity in the unlikely event of any unforeseen supply disruptions. Risks related to our distribution capabilities are minimal, as we manage our own distribution channels without third party interventions. Exchange rate risk is also limited for Baladna, as we currently cater to the local market with minimal exports. Our main exposure is to the Qatari Riyal and the US Dollar, of which the exchange rate is pegged. Other foreign exchange rate exposure is negligible.

With regards to corporate governance, Baladna has developed a comprehensive risk register and relevant initiatives are taken to mitigate identified risks. This includes written policies and procedures developed in line with local regulations and industry best practices.

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Initiatives for greater efficiency

Baladna applies the latest technologies for milking and a state-of-the-art manufacturing facility designed to drive efficiencies across our business. We constantly monitor market demand and production requirements to optimise our milk production and reduce wastage. We support the natural growth of our herd, and increase milk yield by providing comfortable living conditions and necessary vaccines. We also conduct regular health and feed testing, which contributed to higher yield of milk per cow per day of 36.6 litres in the current year, under adverse weather conditions due to high humidity and temperature compared to the previous year.

Continuous product portfolio reviews and new product launches allow Baladna to maintain an optimum product mix, supporting margin improvements and accelerating the Company's growth. Baladna has introduced 44 products during the year, while 11 products were de-listed. Continuous focus on partnerships and logistics enables access of our products to a growing customer base, through our distribution network that has expanded to cover the current Qatari retail and HORECA market, resulting in lower cost of sales per unit driven by an increase in volumes.

2022 outlook

In 2022, Baladna aims to continue growing our volumes in existing product lines and through the introduction of new SKUs. The evaporated milk factory and butter processing facilities under construction are expected to be completed by the end of 2022. The increase in volumes is expected to further reduce the production cost per unit through greater economies of scale.

With the scheduled FIFA World Cup, we are expecting robust revenue and profitability growth, especially in the second half of 2022.

Strategic expansion and partnerships remain key for Baladna's long term growth. We initiated discussions with partners in Azerbaijan, Indonesia and Philippines where studies are still in the initial stages in addition to Malaysia.

During the year, Baladna also opened a new company, which is expected to own any future international agriculture expansion projects, as Baladna is currently assessing options for backward integration to have its own feed farms to grow forages and meet internal demand. In the event this strategic step is determined to be value accretive to the Company and approved by the Board, it is expected to increase the security and certainty of the supply and quality of feed.

Having a strong financial position and operational cash flow generation, Baladna is in a position to invest in large-scale projects while expanding the current business into new categories and investing in growth opportunities which have the potential to provide incremental returns. Building on the strong financial foundations established in 2021 and the diverse avenues available for diversification and expansion, the management targets favourable growth in revenue and profitability for the coming year.

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CFO

