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Moderator : **Phibion Makuwerere**
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Operator: Hello, and welcome to the Baladna Quarter 1 2023 Earnings Conference Call. I would like to advise all participants that this call is being recorded. Thank you, I would now like to welcome Phibion from QNB to begin the conference. Phibion, over to you.

Phibion Makuwerere: Thank you, Bella. Good afternoon. Thank you all for joining us for Baladna's Q1 2023 Earnings Conference Call. My name is Phibion Makuwerere from QNB Financial Services. On today's call, we have from Baladna's management team, Saifullah Khan, who is the chief financial officer. Saifullah will go over the performance of the company for the first quarter and immediately after we have a question-and-answer session. I will now turn over the call to Saifullah to begin. Please go ahead, Saifullah.

Saifullah Khan: Thank you, Phibion. Good afternoon, ladies, and gentlemen. I would like to welcome all of you to the Earnings Conference Call of Baladna to present results for Quarter One of 2023.

My name is Saifullah Khan, I am the CFO of Baladna. During this conference call, I will provide you with an update on Baladna's operational and financial performance during the first quarter of 2023. For additional details, please refer to our Investor Presentation which is already published on our website in case if you have not received it.

While macroeconomic challenges including rising global commodity prices and inflation continued to dominate the market, Baladna achieved a revenue of QR 254 million in Q1 2023, which represents a growth of 6% compared to the same period of last year. This growth was achieved through an increase in volumes across both HORECA and retail channels, driven by management initiatives to capitalize on improving market dynamics.

Baladna achieved a net profit of QR 20 million in quarter one of 2023 compared to QR 26 million in the previous year. This translates into a net profit margin of 8% and earnings per share of QR 0.011 for the quarter. These results were achieved without increasing selling prices across our key product categories, despite the impact of higher global commodity prices, especially feed for our animals, raw materials, and packaging materials as well as an increase in finance cost compared to last year.

To compensate for the adverse effect of macroeconomic challenges and inflationary pressure on Baladna's performance, we are actively engaged in discussions with regulatory authorities, and we are confident that the matter will be communicated effectively and result in a favorable response in the near future.

Additionally, to offset the negative impact of rising commodity prices, Baladna continued to pursue strategic initiatives aimed at capitalizing on the improved market dynamics arising from population growth by focusing on driving sales volumes through the development and introduction of innovative products to optimize our product portfolio, reduce sales wastage and further strengthening overhead cost control practices across the business. This resulted in Baladna achieving a strong EBITDA margin of 30% in Q1 2023, which means that Baladna remains a regional industry leader in terms of EBITDA margin in the sector.

If I brief you about our operations, product portfolio management remains a key strategic pillar for Baladna's growth. We managed to grow our total SKUs to 256 in quarter one of 2023 compared to 254 in the fourth quarter of last year. SKU introductions in Q1 2023 are strategic in nature and expected to be value accretive for Baladna as they aim to contribute to improving Baladna's margin and enhance our customer experience and overall product quality. This is a testament of our innovative product development programs, which allow us to remain well-positioned and effectively identify products that are value accretive and in line with market requirements, as well as our ability to bring new products to the market in a short period of time.

In terms of market share, Baladna managed to increase its overall market share to 51% in quarter one of 2023 compared to 48.8% for the same period of last year. This was achieved through increasing sale volumes across the majority of product categories and across both retail and HORECA channels.

If I update you on the evaporated milk factory project, which we had previously announced last year, we are pleased to announce the commencement of the commercial operation of the factory. The first product of evaporated milk, 170g value pack, targeting the retail category already soft launched to the market. The construction of this factory is in line with our business expansion plans in the local market and this product launch represents a significant milestone towards achieving that goal.

Furthermore, Baladna has successfully integrated the operations of E-Life Detergent Factory, a Qatari detergent manufacturing factory that was recently acquired. The expected revenue contribution from this business will consolidate with Baladna's results from quarter two of this year.

International expansion opportunities and partnerships are key for the long-term growth of Baladna and we are continuously working on identifying opportunities with relevant local and foreign partners to expand our current business internationally.

With the expected improvement in the market dynamics, normalization of material prices, robust cost control practices, and positive response from the government, we expect to achieve a strong growth in the coming months.

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 the stakeholders.

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

Operator: This time I would like to remind everyone in order to ask a question, press star then the number one on your telephone keypad. We will pause for just a moment to compile the Q&A roster.

Zohaib Pervez: Thank you, Sir, for the presentation. I have got a couple of questions. Firstly, what is the benefit that we can see in terms of profitability from the detergent factory and the evaporated milk factory which has started production? That is our first question.

The second question is on the subsidy. It seems the subsidy was higher during the quarter. Was it? Is there any change to the subsidy regime or this is just the original subsidy that is being drawn down? Thank you.

Saifullah Khan: Okay. Thank you, Zohaib. You always bring a very valuable question for us. Thank you for your question.

Regarding your first question relating to the profitability of the evaporated milk factory and detergent factory, both projects are expected to be profitable. But at the moment, our detergent factory, is still in its initial stages, as we are growing our market share and trying to capture a significant share. Our strategy is to first focus on the B2B segment as Baladna has existing contracts in place. As such, we are offering an additional product to our existing customers. We will first try to maximize our market share, following which we will look into the profitability and aim to maximize our capacity utilization. As a summary, for this year we aim to maximize our customer base as we are bringing new products to the market. Profitability is expected to hit our bottom line during next year. For this year, we are expecting relatively lower margins as our strategy is to maximize the customer base and market share.

Regarding the evaporated milk factory, yes, we do have a strong margin for that business, because it is a product which is being 100% imported into the country at the moment, and the pricing in the retail market is based on that. As such, we are expecting good sales mainly being generated from government tenders. Evaporated milk is expected to become a major revenue stream and we are also trying to capture the retail and HORECA market.

Regarding your last question on the government compensation, there is no major change in the government compensation value over the last year. It is presented in the other income. The slight change compared to last period is mainly due to changes in other categories of income.

Zohaib Pervez: Ok. Yes.

Saifullah Khan: Ok. And I hope your question is answered.

Zohaib Pervez: Yes, thank you. Just another follow-up. Is it possible to classify what benefits you receive because of Ramadan advancement during this period? Was that one of the reasons for the strong revenue growth?

Saifullah Khan: Actually only 10 days of Ramadan have been covered in this quarter. The main driver is the population growth which has been better than last year and directly impacted our sales. This consistent growth trend has continued even until today.

Zohaib Pervez: Sounds good. Thank you, Saifullah.

Saifullah Khan: Thank you.

Operator: Again, if you would like to ask a question, press star then the number one on your telephone keypad. There are no further questions at this time, I would like to turn the call back over to Phibion.

Phibion Makuwerere: Okay. Thank you, Bella. I think I've got just one question before I close for Saifullah.

Saifullah, I just want to have a few of your expectations for the rest of the year. I see here you mentioned that you grew market share from around 48% in the first quarter 2022 to about 51%. Is this something that you expect to continue throughout the year? What are your expectations generally relative to over last year?

Saifullah Khan: Yes, as I mentioned earlier, Baladna is focused on product developments and bringing new categories to the market, as we aim to enhance our consumer experiences. This will help in capturing a greater market share. If you look at our investor presentation, in some specific categories, you can see that we still have room for increasing our market share. So, we are targeting those categories and we are expecting to achieve further growth.

Phibion Makuwerere: All right. Thank you. I will close now. Thank you, ladies and gentlemen, for joining us for Baladna's Conference Call. Thank you to our people who dealt in and the questions that have been asked, and I would like to thank Saifullah as well for addressing all investors' questions. This brings us to the end and have a good afternoon.

Saifullah Khan: Thank you, everyone. And if you have any questions, you can contact our Investor Relations, and we will be available to answer your inquiries. Thank you.

Operator: This concludes today's conference call. You may now disconnect.