

Baladna (BLDN)

Recommendation	ACCUMULATE	Risk Rating	R-4
Share Price	QR1.540	Target Price	QR1.577
Implied Upside	2.4%	Old Target Price	QR1.515

FV Gain Lifts 2Q Profit, Expansion Plans Firmly Underway – Maintain Accumulate

Baladna's 2Q2025 results featured an extraordinary equity investments windfall that catapulted net profit to record levels, overshadowing a softer core performance. Attributable profit surged 422.9% YoY to QR272.8mn in 2Q2025, far exceeding our ~QR61.6mn estimate. This upside was driven entirely by a QR231.1mn fair-value gain on the company's equity portfolio (vs. our modeled QR11.9mn), while core operating profit and recurring earnings declined. Excluding this non-operating gain, net profit would have fallen ~13% YoY and would have missed our estimate by ~16%. Revenue grew 10.7% YoY to QR312.0mn – continuing a steady rise, but coming in 3.7% below our forecast. The top-line was primarily buoyed by a new sales pipeline of evaporated milk, underpinned by a QR100mn government supply contract, even as other core dairy volumes flattened and juice sales remained soft. Baladna's gross profit margin held up well at ~25.5% (vs. ~25.1% in 2Q2024), thanks to lower feed costs and efficiency gains, though it dipped from 26.3% in the previous quarter. The huge investment gain means ~85% of 2Q's net profit came from non-core sources, highlighting increased P&L volatility from Baladna's growing investment portfolio. Despite outsized equity portfolio returns (including a 16.25% stake in Egypt's Juhayna, which was actually down in 2Q), management stresses that its primary focus remains on expanding the core dairy and beverage business. We have revised our 2025 net profit estimate to ~QR431mn from ~QR249mn, primarily due to the 2Q equity windfall and revenue/margin assumptions adjustments (see page 2). Despite this near-term earnings uplift, our PT only slightly increased to ~QR1.577/share as we have normalized the big/volatile equity gain impact. Most of the uplift to the PT is WACC-related due to falling global yields; without the abnormal FV gain, our PT would have declined to QR1.456. Moreover, these equity gains remain unrealized. Our valuation excludes the Algeria and Syria projects, which we view as longer-term optionality, and we remain cautious on near-term cash flow given heavy investment commitments. Baladna's dividend outlook stays cloudy; despite the 2Q profit spike, we do not expect any near-term payouts as excess cash is likely earmarked for expansion. In fact, Baladna plans to initially leverage its balance sheet further for growth before the Algerian megaproject starts generating cashflows – net debt was ~50% of equity at end-June 2025, down from ~71% at end-FY2024, thanks to the 2Q colossal FV gain. International expansion is accelerating: in 2Q, Baladna signed >\$500mn of Phase-1 contracts in Algeria and approved a \$250mn integrated venture in Syria. To lead this next chapter, the company appointed a new Group CEO in August – Marek Warzywoda, a 20-year Lactalis veteran with deep global dairy experience – signaling a reinforced commitment to its "From Qatar to the World" strategy. We maintain our Accumulate rating on the back of this medium- to longer-term optionality. In our view, the short-term earnings volatility and stretched balance sheet are balanced by Baladna's resilient margins in core operations, its demonstrable ability in finding new growth avenues (evaporated milk and other new SKUs), and the transformative growth potential embedded in its overseas projects.

Highlights

- Blow-out net profit on investment gain; underlying miss vs. estimate. Baladna's 2Q2025 attributable profit soared to QR272.8mn (422.9% YoY, 368.4% QoQ), over 4x our estimate.** The upside came entirely from an unprecedented QR231.1mn fair-value gain (FVG) on the group's securities portfolio. **Core operating profit declined: Excluding the FVG, net profit would have been ~QR41mn (-13% YoY), missing our estimate by ~16%.** That is primarily due to dairy sales and GPM coming in lower than estimates. The reported net profit margin jumped to ~87% (from ~19% a year ago), but on an underlying basis was ~13% (2Q2024: ~17%), as higher finance costs and competitive pressures weighed. This quarter starkly illustrates the growing influence of Baladna's investment activities on its P&L. While these investments have boosted returns, they also introduce volatility – a point we have highlighted in the past given Baladna's exposure to equity markets in Qatar and Egypt. Management views the investment portfolio as a strategic use of surplus liquidity for capital efficiency but reaffirmed that core business growth is the priority. (Cont. /page 2.)
- Revenue rises on evaporated milk; juice is still weak. 2Q2025 revenue increased 10.7% YoY to QR312.0mn (-5.6% QoQ), continuing the top-line growth that we have seen for years.** However, it came in 3.7% below our forecast (QR323.9mn), as certain core categories underperformed expectations. The new evaporated milk product line was a key driver of YoY growth. Baladna secured a ~QR100mn government evaporated milk contract for 2025 – this contributed strongly in 2Q and is expected to recur annually (tenders each September, in which Baladna now has an edge through local content scoring). Beyond the tender, Baladna is rapidly gaining share in the domestic evaporated milk market (est. ~QR250mn size) by leveraging its HORECA relationships and competitive pricing to challenge the leading imported brand (Rainbow). (Cont. /page 2.)

Catalysts

- Catalysts: (1) Market share gains (2) New product launches (3) Moderating feed costs (4) Advanced manufacturing capabilities (5) Fruition of international expansion plans, exporting the "Baladna Model."**

Recommendation, Valuation and Risks

- Recommendation and Valuation: We maintain an Accumulate rating on the name but raise 12-month TP to QR1.577, implying a 2.4% upside potential.** Our TP is a weighted average of various valuation models: DCF, EBITDA Exit Multiple & Relative-Valuation methodologies. Our primary thesis is that, internally, there is headway for volume growth in select product lines, complemented by scope for margin expansion. Inorganically, the scope to export its model creates PE-like payoff optionality.
- Key risks: (1) Price controls (2) Volatile soft commodity prices (3) Cessation of government support (4) High and sticky interest rates on elevated debt burden (5) Animal disease outbreak (6) Dairy alternatives, i.e., plant-based substitutes.**

Key Financial Data and Estimates

Group	2024a	2025e	2026e	2027e	2028e
EPS (QR)	0.097	0.216	0.110	0.123	0.128
P/E (x)	15.82	7.14	13.97	12.51	12.00
EV/EBITDA (x)	14.14	11.07	9.87	8.57	7.45
DPS (QR)	-	-	-	-	-
DY (%)	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Company data, QNBFS Research; Note: All data based on current number of shares; These estimates may not reflect the most recent quarter

Key Data

Current Market Price	QR1.540
Dividend Yield (%)	0.0
Bloomberg Ticker	BLDN QD
ADR/GDR Ticker	N/A
Reuters Ticker	BLDN.QA
ISIN	QA000T98R9J4
Sector*	Consumer Goods
52wk High/Low (QR)	1.723/1.080
3-m Average Vol. (mn)	25.3
Mkt. Cap. (\$ bn/QR bn)	0.8/3.1
EV (\$ bn/QR bn)	1.2/4.5
Shares O/S (mn)	2,001.1
FO Limit* (%)	49.0
FO (Institutional)* (%)	5.3
1-Year Total Return (%)	18.9
Fiscal Year-End	December 31

Source: Bloomberg (as of September 15, 2025),

*Qatar Exchange (as of September 14, 2025); Note:

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Financial Statements and Forecasts

2Q2025 Condensed Income Statement vs. Estimates (QR'Mn)

Income Statement Item	2Q24a	1Q2025	2Q2025	2Q25e	YoY	QoQ	Variation (%)
Revenue	281,873,549	330,520,589	311,987,371	323,873,350	10.7%	-5.6%	-3.7%
Dairy Sales	249,139,657	298,464,462	279,053,103	294,985,513	12.0%	-6.5%	-5.4%
Juice Sales	18,768,581	16,990,084	18,562,205	15,310,857	-1.1%	9.3%	21.2%
Other Sales	13,965,311	15,066,043	14,372,063	13,576,980	2.9%	-4.6%	5.9%
Gross Profit	70,856,898	87,040,948	79,510,948	84,207,071	12.2%	-8.7%	-5.6%
EBIT	59,888,822	66,483,548	61,748,243	67,684,091	3.1%	-7.1%	-8.8%
Attributable Earnings	52,169,893	58,231,428	272,779,129	61,573,710	422.9%	368.4%	343.0%

Source: Company data, QNBFS Research

- **Dairy segment recorded QR279.1mn in sales during 2Q (+12.0% YoY, -6.5% QoQ), a bit below our model as some sub-categories (e.g. cheese) faced increased competition. Meanwhile, juice sales remained a weak spot at QR18.6mn (-1.1% YoY, though +9.3% QoQ off a low base) as market competition in juices remains intense, even as it bettered our estimates.** "Other" sales (by-products, etc.) were QR14.4mn (+2.9% YoY). In summary, Baladna's top-line growth is intact (1H revenue +8% YoY to QR642.5mn, driven by new products and channels), but the mix is shifting: robust gains in long-life dairy and foodservice channels are offsetting flat or declining trends in juices and certain consumer dairy lines. HORECA channel sales jumped ~27% YoY in 1H2025, partly on the evaporated milk rollout and broader product bundles to hotels/restaurants.
- **Margins healthy with feed cost relief; evaporated milk dilutes mix slightly; government support declines. Baladna's gross profit margin improved to 25.5% in 2Q2025 (from 25.1% in 2Q2024, and vs. 26% modeled), reflecting continued benefits from lower global feed prices and operational efficiencies (e.g. higher-yielding younger herd).** Gross profit was QR79.5mn (+12.2% YoY, -8.7% QoQ). The QoQ decline in GPM (from 26.3% in 1Q) was anticipated due to seasonality and its impact on the product mix. Notably, evaporated milk, being a long-life product competing with imports, carries a lower margin than fresh dairy and is initially being sold at competitive prices to build market share – management noted it has a "reasonable but not high" margin now, with scope to improve later. Other income, which is primarily government support, declined 19.7% YoY (+0.2% QoQ) to QR22.1mn in line with the agreed schedule. On the expense side, SG&A rose 3.6% (-6.4% QoQ) to QR39.9% vs. QR38.5mn modeled, with operating income coming in at QR61.7mn (+3.1% YoY, -7.1% QoQ). Overall, going forward, we expect Baladna to maintain gross margins between mid/upper-20s and lower-30s, as feed cost outlook remains benign and the company continues to optimize its product mix (introducing more value-added SKUs like high-protein yogurts, while managing pricing on staples to defend market share).

QNB FS Estimates Revision (QR'Mn)

	2024a	2025e			2026e			2027e		
		Current	Previous	▲	Current	Previous	▲	Current	Previous	▲
REVENUE	1,145,227,183	1,239,804,197	1,305,810,216	-5.1%	1,268,245,374	1,341,296,349	-5.4%	1,292,481,722	1,372,770,426	-5.8%
Dairy Sales	1,012,218,029	1,114,617,116	1,166,399,454	-4.4%	1,134,921,028	1,192,219,106	-4.8%	1,150,982,447	1,213,954,597	-5.2%
Juice Sales	73,935,069	68,466,953	73,399,398	-6.7%	71,718,223	77,069,431	-6.9%	75,007,157	80,811,568	-7.2%
Other Sales	59,074,085	56,720,128	66,011,363	-14.1%	61,606,123	72,007,812	-14.4%	66,492,119	78,004,261	-14.8%
GROSS PROFIT	260,336,984	319,727,643	355,106,389	-10.0%	351,529,175	403,154,112	-12.8%	383,011,467	451,627,177	-15.2%
OTHER INCOME	111,087,411	89,484,901	91,335,402	-2.0%	69,405,679	70,958,371	-2.2%	54,082,493	55,635,185	-2.8%
EBITDA	340,932,810	390,456,488	414,129,863	-5.7%	399,130,797	438,953,506	-9.1%	412,196,168	469,385,375	-12.2%
OPERATING PROFIT	206,123,442	242,856,492	281,311,202	-13.7%	253,852,214	308,166,175	-17.6%	272,741,477	344,111,533	-20.7%
NET PROFIT	185,012,156	431,460,176	248,653,121	73.5%	220,629,534	278,033,219	-20.6%	246,423,760	321,888,505	-23.4%

Source: Company data, QNBFS Research

Condensed Income Statement

	2024a	2025e	2026e	2027e	2028e
REVENUE	1,145,227,183	1,239,804,197	1,268,245,374	1,292,481,722	1,315,422,528
Dairy Sales	1,012,218,029	1,114,617,116	1,134,921,028	1,150,982,447	1,165,678,039
Juice Sales	73,935,069	68,466,953	71,718,223	75,007,157	78,854,975
Other Sales	59,074,085	56,720,128	61,606,123	66,492,119	70,889,514
GROSS PROFIT	260,336,984	319,727,643	351,529,175	383,011,467	434,804,815
OTHER INCOME	111,087,411	89,484,901	69,405,679	54,082,493	6,030,335
EBITDA	340,932,810	390,456,488	399,130,797	412,196,168	412,727,719
OPERATING PROFIT	206,123,442	242,856,492	253,852,214	272,741,477	275,737,773
NET PROFIT	185,012,156	431,460,176	220,629,534	246,423,760	256,847,588

Source: Company data, QNBFS Research

Condensed Cash Flow Statement

CASH FLOW STATEMENT	2024a	2025e	2026e	2027e	2028e
Cash Flow from Operating Activities	189,429,338	272,428,687	296,712,588	317,852,322	365,074,203
Cash Flow from Investing Activities	(174,589,480)	(34,479,390)	50,317,397	51,124,419	51,502,215
Cash Flow from Financing Activities	(128,948,834)	(9,348,747)	(8,546,497)	(7,811,015)	(7,136,543)
Change in Cash	(114,108,976)	228,600,550	338,483,488	361,165,726	409,439,874
Cash Beginning of Period	(33,365,461)	(147,474,437)	81,126,113	419,609,601	780,775,327
Cash End of Period	(147,474,437)	81,126,113	419,609,601	780,775,327	1,190,215,201

Source: Company data, QNBFS Research

Balance Sheet

	2024a	2025e	2026e	2027e	2028e
Non-current asset					
Property and equipment	3,188,264,216	3,145,209,280	3,018,671,875	2,893,915,101	2,771,431,931
Right of use assets	110,394,944	99,272,779	88,150,614	77,028,449	65,906,284
Intangible assets	7,948,693	4,525,798	1,102,903	1,102,903	1,102,903
FVTPL assets	523,694,449	784,805,099	822,370,285	859,935,471	897,500,657
Biological assets	176,904,780	164,694,705	153,022,111	141,863,338	131,195,767
Goodwill	6,792,635	6,792,635	6,792,635	6,792,635	6,792,635
Total non-current assets	4,013,999,717	4,205,300,296	4,090,110,423	3,980,637,897	3,873,930,177
Current assets					
Biological assets	482,800	449,477	417,621	387,167	358,053
Inventories	430,058,802	447,159,457	445,526,316	442,004,770	427,982,364
Accounts receivable and prepayments	404,279,931	392,586,386	375,032,973	362,141,172	316,324,125
Due from related parties	57,020,723	57,020,723	57,020,723	57,020,723	57,020,723
Cash and bank balances	27,623,729	256,224,279	594,707,767	955,873,493	1,365,313,367
Total current assets	919,465,985	1,153,440,322	1,472,705,400	1,817,427,324	2,166,998,632
Total assets	4,933,465,702	5,358,740,618	5,562,815,822	5,798,065,221	6,040,928,809
EQUITY AND LIABILITIES					
Equity	1,901,000,000	1,901,000,000	1,901,000,000	1,901,000,000	1,901,000,000
Legal reserve	66,621,736	109,767,754	131,830,707	156,473,083	182,157,842
Acquisition reserve	201,123,011	201,123,011	201,123,011	201,123,011	201,123,011
Retained earnings	235,285,614	612,813,267	805,864,109	1,021,484,899	1,246,226,539
Common equity	2,404,030,361	2,824,704,032	3,039,817,827	3,280,080,993	3,530,507,392
Non-controlling interest	3,011,202	3,328,167	3,724,373	4,199,821	4,746,585
Total equity	2,407,041,563	2,828,032,199	3,043,542,201	3,284,280,814	3,535,253,977
Non-current liability					
Islamic financing	1,707,522,765	1,707,522,765	1,707,522,765	1,707,522,765	1,707,522,765
Lease liabilities	102,724,863	94,137,975	86,287,959	79,113,488	72,558,524
Employees' end of service benefits	19,057,564	22,105,197	24,910,180	27,498,201	29,892,378
Total non-current liability	1,829,305,192	1,823,765,937	1,818,720,904	1,814,134,454	1,809,973,667
Current liability					
Lease liabilities	9,114,108	8,352,249	7,655,769	7,019,225	6,437,645
Due to related parties	3,669,134	3,669,134	3,669,134	3,669,134	3,669,134
Accounts payable and accruals	212,831,282	223,416,675	217,723,391	217,457,171	214,089,962
Islamic financing	211,153,966	211,153,966	211,153,966	211,153,966	211,153,966
Short term borrowings	85,252,291	85,252,291	85,252,291	85,252,291	85,252,291
Bank overdraft	175,098,166	175,098,166	175,098,166	175,098,166	175,098,166
Total current liability	697,118,947	706,942,481	700,552,717	699,649,952	695,701,165
Total liabilities	2,526,424,139	2,530,708,419	2,519,273,621	2,513,784,406	2,505,674,831
Total equity and liabilities	4,933,465,702	5,358,740,618	5,562,815,822	5,798,065,220	6,040,928,809

Source: Company data, QNBFS Research

Ratios

	2024a	2025e	2026e	2027e	2028e
Growth Rates					
Revenue	8.4%	8.3%	2.3%	1.9%	1.8%
Gross Profit	23.7%	22.8%	9.9%	9.0%	13.5%
EBITDA	16.7%	14.5%	2.2%	3.3%	0.1%
EBIT	38.4%	17.8%	4.5%	7.4%	1.1%
NP	68.8%	133.2%	-48.9%	11.7%	4.2%
FCFF	75.2%	38.2%	4.2%	10.1%	-13.1%
EPS	68.8%	121.5%	-48.9%	11.7%	4.2%
DPS	-100.0%	N.A.	N.A.	N.A.	N.A.
Operating Ratios					
Gross Margin	22.7%	25.8%	27.7%	29.6%	33.1%
EBITDA Margin	29.8%	31.5%	31.5%	31.9%	31.4%
EBIT Margin	18.0%	19.6%	20.0%	21.1%	21.0%
Net Margin	16.2%	34.8%	17.4%	19.1%	19.6%
Working Capital Ratios					
Inventory Days	177.4	177.4	177.4	177.4	177.4
Average Collection Period	36.8	36.8	36.8	36.8	36.8
Payable Days	45.9	45.9	45.9	45.9	45.9
NWC days	168.3	168.3	168.3	168.3	168.3
Finance Ratios					
Debt-Equity Ratio	95%	81%	75%	69%	64%
Net Debt -Equity Ratio	72%	44%	28%	14%	0%
Net Debt -to-Capital	37%	26%	18%	10%	0%
Net Debt -to-EBITDA	5.10	3.18	2.14	1.09	(0.01)
Interest Coverage	3.43	3.23	3.39	3.65	3.69
Return Ratios					
ROIC	4.4%	5.0%	5.4%	5.9%	6.2%
ROE	7.7%	15.3%	7.3%	7.5%	7.3%
ROA	3.8%	8.1%	4.0%	4.3%	4.3%
FCF Yield	4.3%	7.6%	11.1%	11.8%	13.4%
Liquidity Ratios					
Current Ratio	1.32	1.63	2.10	2.60	3.11
Quick Ratio	0.70	1.00	1.47	1.97	2.50
Valuation					
EV/Sales	4.21	3.49	3.10	2.73	2.34
EV/EBITDA	14.14	11.07	9.87	8.57	7.45
EV/EBIT	23.39	17.80	15.51	12.95	11.16
P/E	15.82	7.14	13.97	12.51	12.00
P/CF	15.45	11.31	10.39	9.70	8.44
P/BV	1.22	1.09	1.01	0.94	0.87
Dividend Yield	0.00%	0.00%	0.00%	0.00%	0.00%

Source: Company data, QNBFS Research

Recommendations		Risk Ratings	
<i>Based on the range for the upside / downside offered by the 12-month target price of a stock versus the current market price</i>		<i>Reflecting historic and expected price volatility versus the local market average and qualitative risk analysis of fundamentals</i>	
OUTPERFORM	Greater than +20%	R-1	Significantly lower than average
ACCUMULATE	Between +10% to +20%	R-2	Lower than average
MARKET PERFORM	Between -10% to +10%	R-3	Medium / In-line with the average
REDUCE	Between -10% to -20%	R-4	Above average
UNDERPERFORM	Lower than -20%	R-5	Significantly above average

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