

BLDN Alert – Memorandum to Produce Dairy Products in Malaysia is a Positive; Accumulate

- **According to the local media, Baladna has signed a Memorandum of Collaboration (MoC) with Malaysia’s state owned FELCRA Berhad (FELCRA) and FGV Holdings (FGV) to produce 100mn liters of fresh milk per year.** For perspective, BLDN’s Qatar fresh milk production was roughly 130mn liters last year.
- **This project should commence after the parties successfully complete a feasibility study and we believe is a step forward in exporting “Baladna’s model” to other countries.** Baladna has been very successful in Qatar and has managed to establish a herd of 22,754 cows by 1Q2021, from scratch, within three years and has filled Qatar’s production gap in fresh milk and dairy products successfully.
- **Similar to Qatar, Malaysia aims to increase its self sufficiency in milk & dairy products; therefore, we think Baladna’s model could be good fit for Malaysia as well.** This project is an attempt to increase Malaysia’s self-sufficiency in dairy products by doubling the volume of local fresh milk production. The news states that the initial focus will be on establishing a dairy herd of 10k high-yielding milking cows by jointly investing with its Malaysian partners in an integrated farm in the town of Chuping in Malaysia’s Perlis state.
- **We believe BLDN stock should react positively to this news.** We think it is too early to incorporate the prospective Malaysia Project in our model as further steps are pending the outcome of the feasibility study. However, as we have mentioned in our initiation report, we think the signing of the MoC is one of the milestones investors have been looking forward to.
- **We maintain our estimates and TP for now.** Since we have changed our recommendation to Accumulate from Outperform on September 16, 2020, Baladna shares have declined by 18.7% to QR1.605. *However, we maintain our positive view on the name and our TP of QR1.94/share now implies a 20.8% upside.* Baladna, a key pillar of the Qatari National Food Security program, is the undisputed leader in the Qatari dairy market. The company spent QR2.7bn (\$0.74bn) over the last three years to expand its capacity and production capabilities. Therefore, BLDN has ample capacity for growth through upcoming new and value-added products as well as exports. **We maintain our positive outlook and retain our Accumulate rating and our TP at QR1.94.**

Recommendations

Based on the range for the upside / downside offered by the 12-month target price of a stock versus the current market price

OUTPERFORM Greater than +20%

ACCUMULATE Between +10% to +20%

MARKET PERFORM Between -10% to +10%

REDUCE Between -10% to -20%

UNDERPERFORM Lower than -20%

Risk Ratings

Reflecting historic and expected price volatility versus the local market average and qualitative risk analysis of fundamentals

R-1 Significantly lower than average

R-2 Lower than average

R-3 Medium / In-line with the average

R-4 Above average

R-5 Significantly above average

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