

BLDN Alert -- In-Line Results with Lower G&A; Maintain TP & Accumulate

- **BLDN posted 1Q2021 net income of QR44.0mn in-line with our estimate and above 4Q2020's QR39.3mn.** 1Q2021 earnings grew 12.1% QoQ. EPS amounted to QR0.023 over the same period vs. QR0.022 in 4Q2020. *Please note that Baladna's 1Q2020 results were disclosed for the four month period between December 2019 and March 2020; therefore, its 1Q2020 and 1Q2021 numbers are not comparable.*
- **1Q2021 gross profit fell 9.3% QoQ.** Revenue declined by 4.3% QoQ to QR182.3mn due to seasonal factors. Gross margin retreated to 32.2% from 34.0% in 4Q2020, which is partially attributable to lower economies of scale benefits but was still above FY2020's 29.1%. As a result, Baladna's 1Q2021 gross profit declined by 9.3% QoQ to QR58.7mn.
- **On the positive front, G&A and Marketing & Sales expenses were down 16.4% and 31.2% QoQ, respectively.** 1Q2021 results did not disclose the breakdown of these items. Therefore, we will try to get color from management during BLDN's 1Q2021 conference call.
- **We maintain our estimates and TP.** Since we have changed our recommendation to Accumulate from Outperform on September 16, 2020, Baladna shares declined by 13.4% to QR1.63. *We maintain our positive view on the name and our TP of QR1.94/share now implies a 19% 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. While we have not yet incorporated its potential impact in our forecasts and valuation, Baladna expects to collaborate with the Federal Land Consolidation and Rehabilitation Authority of Malaysia (FELCRA) to implement the "Baladna model" in Malaysia. This is an attempt to increase Malaysia's self-sufficiency in dairy products by doubling the volume of local fresh milk production with an increase of 50-55mnLt/pa. We maintain our positive outlook for the company and we believe any weakness in the share price could be considered a buying opportunity. **We maintain 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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