

Baladna (BLDN)

Recommendation	ACCUMULATE	Risk Rating	R-4
Share Price	QR1.286	Target Price	QR1.515
Implied Upside	17.8%	Old Target Price	QR1.633

Strong GPM Print Lifts Profit, Dividend Outlook Weighs On Valuation; Lowering TP

Baladna maintained its earnings momentum as it reported growth of 20.7% YoY to QR58.2mn in 1Q2025, well ahead of our QR42.6mn estimate, despite revenue coming in moderately below expectations. The beat is primarily driven by a firmer GP margin – underpinned by lower feed costs & gains related to a younger herd – and higher fair value gains (FVG) on the group investment portfolio than modelled; this was partially offset by higher-than-expected finance costs. Approximately two-thirds of the profit beat is attributable to the stronger GPM, while the remainder came from higher FVG, which is becoming an increasingly material driver of earnings. However, this introduces added volatility to the bottom-line, particularly given the group’s exposure to equity markets in both Qatar and Egypt. Notably, Egyptian exposure is concentrated in a strategic stake in Juhayna, amplifying potential swings – FVG contributed 19.4% to the bottom-line in 1Q2025 vs. 11.4%/44.4% in 1Q/4Q 2024. Revenue rose 5.8% YoY on strong HORECA sales, with most of the growth coming from the newly launched evaporated milk product line, where the group has signed a QR100mn supply contract with the government for 2025. However, declining cheese and juice sales reflect rising competitive pressures, particularly in consumer segments. Looking ahead, we expect BLDN’s local operations to moderate with NP forecast to average 11.8% annually in the short- to medium-term, primarily driven by market share/volume growth in select product lines and continued expansion in the GPM margin. We have increased our 2025 NP forecast to QR248.7mn, up 34.4% YoY, vs. our previous estimate of QR209.0mn (more on page 2). Despite the earnings uplift, we lower our PT to QR1.515/share (previous: QR1.633), reflecting a downward revision in our dividend expectations. The group is unlikely to distribute dividends in the near term, as capital is being prioritized for its 51% share in the \$3.5bn Baladna Algeria project, compounded by its already relatively high financial leverage. The net debt-to-equity ratio stood at 73% in 1Q2025 vs 78%/72% in 1Q/4Q 2024. We note liquidity is being diverted towards financial investments (FI), a trend that became more apparent in 4Q2024. The group is now boasting QR561.2mn in FI, growing from QR395.8mn/QR523.7mn in 1Q/4Q 2024. While this is buttressing earnings at the moment, BLDN needs to conserve its cash ahead of considerable future funding needs. Also, given its balance sheet size, a capital raise might be required with dividends likely kicked down the road. Our valuation currently excludes the Algerian project. However, we view it as a source of long-term optionality. The project is expected to be substantially larger than Baladna’s Qatari operations, offering scale-driven cost efficiencies. Additionally, partial funding at subsidized rates may lower its effective cost of capital, supporting the potential for a positive NPV. We maintain our Accumulate rating. While short-term dividend visibility remains clouded and balance sheet risks persist, we see medium-term upside from operational efficiencies, selective product line growth, and optionality embedded in the group’s international expansion. Near-term challenges include the upcoming phase-out of government support and the need to balance expansionary ambitions with prudent capital management.

Highlights

- **Strong net profit growth on healthier GPM & investment fair value gains:** Baladna’s 1Q2025 attributable profit rose 20.7%/32.4% YoY/QoQ to QR58.2mn, ahead of our QR42.6mn estimate. The NP margin came in at 17.6% higher than 12.5% modeled, and 15.4% in both 1Q/4Q 2024. The YoY growth in the bottom-line is primarily due to the expanding GP margin and higher fair value gains related to public equity investments made by the group. GP margin improved to 26.3% (vs. 22.0% expected), up from 22.9% in 1Q2024 and 20.5% in the previous quarter. FVG jumped 105.6% YoY to QR11.3mn vs. a no-change assumption.
- **Top-line rises but misses estimate; juice sales struggle.** BLDN’s revenue rose 5.7%/15.5% YoY/QoQ to QR330.5mn in 1Q2025, below our estimate of QR340.4mn. Dairy sales rose 9.0%/17.1% YoY/QoQ to QR298.5mn, modestly lower than QR303.4mn estimated. However, juice sales declined 10.7%/4.7% YoY/QoQ to QR17.0mn, below our estimate of QR21.2mn. After reaching a historical high in the 1Q2024, juice sales have been declining ever since. Other sales (dairy byproducts + detergents) declined 37.3% YoY but rose 9.6% to QR10mn, lower than QR10.9mn modeled.

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 cut our 12-month TP to QR1.515, implying a 17.8% 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	0.124	0.139	0.161	0.147
P/E (x)	13.21	10.35	9.26	7.99	8.77
EV/EBITDA (x)	12.27	9.34	7.81	6.30	5.80
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	QR1.286
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)	1.375/1.080
3-m Average Vol. (mn)	15.4
Mkt. Cap. (\$ bn/QR bn)	0.7/2.6
EV (\$ bn/QR bn)	1.2/4.4
Shares O/S (mn)	2,001.1
FO Limit* (%)	49.0
FO (Institutional)* (%)	4.2
1-Year Total Return (%)	2.9
Fiscal Year-End	December 31

Source: Bloomberg (as of May 19, 2025), *Qatar Exchange (as of May 19, 2025); Note: FO is foreign ownership

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Financial Statements and Forecasts

1Q2025 Condensed Income Statement vs. Estimates (QR'Mn)

	1Q2024	4Q2024	1Q2025	1Q2025e	YoY	QoQ	Vs. Estimates
Revenue	312,788,194	286,198,628	330,520,589	340,373,487	5.7%	15.5%	-2.9%
Dairy Sales	273,754,186	254,963,330	298,464,462	303,225,624	9.0%	17.1%	-1.6%
Juice Sales	19,033,430	17,830,264	16,990,084	21,205,375	-10.7%	-4.7%	-19.9%
Other Sales	20,000,578	13,405,034	15,066,043	15,942,488	-24.7%	12.4%	-5.5%
Gross Profit	71,592,638	58,591,052	87,040,948	74,733,150	21.6%	48.6%	16.5%
Operating income	57,043,766	41,731,350	66,483,548	54,465,705	16.5%	59.3%	22.1%
Attributable Earnings	48,250,836	43,997,886	58,231,428	42,627,115	20.7%	32.4%	36.6%

Source: Company data, QNBFS Research

QNB FS Estimates Revision (QR'Mn)

	2024a	2025e			2026e			2027e		
		Current	Previous	▲	Current	Previous	▲	Current	Previous	▲
REVENUE	1,145,227,183	1,305,810,216	1,256,926,107	3.9%	1,341,296,349	1,307,947,973	2.5%	1,372,770,426	1,353,525,410	1.4%
Dairy Sales	1,012,218,029	1,166,399,454	1,099,525,140	6.1%	1,192,219,106	1,136,037,248	4.9%	1,213,954,597	1,167,475,744	4.0%
Juice Sales	73,935,069	73,399,398	98,319,039	-25.3%	77,069,431	107,022,921	-28.0%	80,811,568	115,355,985	-29.9%
Other Sales	59,074,085	66,011,363	59,081,927	11.7%	72,007,812	64,887,804	11.0%	78,004,261	70,693,682	10.3%
GROSS PROFIT	260,336,984	355,106,389	342,152,475	3.8%	403,154,112	393,630,672	2.4%	451,627,177	445,997,944	1.3%
OTHER INCOME	111,087,411	91,335,402	91,335,402	0.0%	70,958,371	70,958,371	0.0%	55,635,185	55,635,185	0.0%
EBITDA	340,932,810	414,129,863	401,058,360	3.3%	438,953,506	429,698,316	2.2%	469,385,375	464,208,057	1.1%
OPERATING PROFIT	206,123,442	281,311,202	270,150,091	4.1%	308,166,175	301,561,370	2.2%	344,111,533	336,071,111	2.4%
NET PROFIT	185,012,156	248,653,121	209,672,431	18.6%	278,033,219	241,369,866	15.2%	321,888,505	279,777,893	15.1%

Source: Company data, QNBFS Research

Condensed Income Statement

	2024a	2025e	2026e	2027e	2028e
REVENUE	1,145,227,183	1,305,810,216	1,341,296,349	1,372,770,426	1,403,031,939
Dairy Sales	1,012,218,029	1,166,399,454	1,192,219,106	1,213,954,597	1,234,474,838
Juice Sales	73,935,069	73,399,398	77,069,431	80,811,568	85,156,035
Other Sales	59,074,085	66,011,363	72,007,812	78,004,261	83,401,065
GROSS PROFIT	260,336,984	355,106,389	403,154,112	451,627,177	462,991,974
OTHER INCOME	111,087,411	91,335,402	70,958,371	55,635,185	7,583,027
EBITDA	340,932,810	414,129,863	438,953,506	469,385,375	429,805,328
OPERATING PROFIT	206,123,442	281,311,202	308,166,175	344,111,533	306,666,914
NET PROFIT	185,012,156	248,653,121	278,033,219	321,888,505	293,396,347

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	283,060,528	347,779,057	381,121,286	368,325,209
Cash Flow from Investing Activities	(174,589,480)	(5,692,771)	54,757,376	55,535,958	55,901,511
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)	268,019,010	393,989,937	428,846,229	417,090,176
Cash Beginning of Period	(33,365,461)	(147,474,437)	120,544,574	514,534,510	943,380,739
Restricted bank balance	-	-	-	-	-
Cash End of Period	(147,474,437)	120,544,574	514,534,510	943,380,739	1,360,470,916

Source: Company data, QNBFS Research

Balance Sheet

	2024a	2025e	2026e	2027e	2028e
Non-current asset					
Property and equipment	3,188,264,216	3,135,489,615	3,024,482,852	2,914,974,758	2,807,423,194
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	561,259,635	598,824,821	636,390,007	673,955,193
Biological assets	176,904,780	158,122,509	140,167,023	123,001,927	106,592,428
Goodwill	6,792,635	6,792,635	6,792,635	6,792,635	6,792,635
Total non-current assets	4,013,999,717	3,965,462,971	3,859,520,848	3,759,290,679	3,661,772,637
Current assets					
Biological assets	482,800	431,540	382,537	335,691	290,907
Inventories	430,058,802	462,044,386	455,939,423	447,677,873	456,861,723
Accounts receivable and prepayments	404,279,931	399,245,461	382,317,133	370,146,375	325,058,492
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	295,642,740	689,632,676	1,118,478,905	1,535,569,082
Total current assets	919,465,985	1,214,384,851	1,585,292,493	1,993,659,568	2,374,800,927
Total assets	4,933,465,702	5,179,847,822	5,444,813,341	5,752,950,246	6,036,573,564
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	91,487,048	119,290,370	151,479,221	180,818,856
Acquisition reserve	201,123,011	201,123,011	201,123,011	201,123,011	201,123,011
Retained earnings	235,285,614	452,857,094	696,136,161	977,788,603	1,234,510,407
Common equity	2,404,030,361	2,646,467,153	2,917,549,542	3,231,390,835	3,517,452,273
Non-controlling interest	3,011,202	3,400,205	3,886,458	4,469,961	5,140,991
Total equity	2,407,041,563	2,649,867,358	2,921,436,000	3,235,860,796	3,522,593,264
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	22,096,467	24,884,782	27,448,910	29,812,609
Total non-current liability	1,829,305,192	1,823,757,207	1,818,695,506	1,814,085,163	1,809,893,898
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	222,697,450	221,852,509	220,811,505	222,475,199
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	706,223,257	704,681,834	703,004,287	704,086,402
Total liabilities	2,526,424,139	2,529,980,463	2,523,377,340	2,517,089,450	2,513,980,300
Total equity and liabilities	4,933,465,702	5,179,847,821	5,444,813,340	5,752,950,246	6,036,573,564

Source: Company data, QNBFS Research

Ratios

	2024a	2025e	2026e	2027e	2028e
Growth Rates					
Revenue	8.4%	14.0%	2.7%	2.3%	2.2%
Gross Profit	23.7%	36.4%	13.5%	12.0%	2.5%
EBITDA	16.7%	21.5%	6.0%	6.9%	-8.4%
EBIT	38.4%	36.5%	9.5%	11.7%	-10.9%
NP	68.8%	34.4%	11.8%	15.8%	-8.9%
FCFF	75.2%	39.4%	6.3%	-4.2%	-9.0%
EPS	68.8%	27.7%	11.8%	15.8%	-8.9%
DPS	-100.0%	N.A	N.A	N.A	N.A
CFPS					
Operating Ratios					
Gross Margin	22.7%	27.2%	30.1%	32.9%	33.0%
EBITDA Margin	29.8%	31.7%	32.7%	34.2%	30.6%
EBIT Margin	18.0%	21.5%	23.0%	25.1%	21.9%
Net Margin	16.2%	19.1%	20.8%	23.5%	21.0%
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%	86%	78%	70%	64%
Net Debt -Equity Ratio	72%	54%	34%	16%	1%
Net Debt -to-Capital	37%	31%	22%	12%	1%
Net Debt -to-EBITDA	5.10	3.44	2.24	1.09	0.11
Interest Coverage	3.43	3.94	4.33	4.85	4.33
Return Ratios					
ROIC	4.4%	6.0%	6.8%	7.8%	7.2%
ROE	7.7%	9.4%	9.5%	10.0%	8.3%
ROA	3.8%	4.8%	5.1%	5.6%	4.9%
FCF Yield	5.2%	10.7%	15.5%	16.8%	16.4%
Liquidity Ratios					
Current Ratio	1.32	1.72	2.25	2.84	3.37
Quick Ratio	0.70	1.06	1.60	2.20	2.72
Valuation					
EV/Sales	3.77	3.06	2.65	2.25	1.87
EV/EBITDA	12.65	9.65	8.11	6.57	6.10
EV/EBIT	20.92	14.21	11.55	8.96	8.55
P/E	13.21	10.35	9.26	7.99	8.77
P/CF	12.91	9.09	7.40	6.75	6.99
P/BV	1.02	0.97	0.88	0.80	0.73
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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