

Baladna (BLDN)

Recommendation	MARKET PERFORM	Risk Rating	R-4
Share Price	QR1.292	Target Price	QR1.380
Implied Upside	6.8%	Old Target Price	QR1.472

1Q Beat on GPM Surprise; Algeria Optionality Becoming Harder to Ignore; Market Perform

Baladna's 1Q2026 results were better than our expectations, driven almost entirely by a sharp gross margin uplift rather than top-line strength. Attributable net profit came in at QR61.5mn in 1Q2026 (+5.6% YoY, -61.2% QoQ), 43.1% above our QR43.0mn estimate, even though revenue was broadly flat YoY at QR330.0mn (-0.2% YoY, +1.1% QoQ) and 1.9% below our forecast. The key positive surprise was gross profit, which jumped 22.1% YoY and 16.1% QoQ to QR106.3mn, with GPM expanding to 32.2% from 26.3% in 1Q2025, 28.0% in 4Q2025 and our estimate of 25.6%. While revenue was flattish, the quality of the earnings beat was still encouraging. Management indicated the absence of the evaporated milk government tender contribution in 1Q2026, and that the 2026 evaporated milk tender commenced in April, with contribution expected from 2Q onward. The sharp decline in evaporated milk sales was partially offset by launch of a new product/SKU milk powder, however. The main takeaway from the quarter is that Baladna's operating platform appears to be extracting more profit from broadly stable revenue. Management attributed the margin improvement to higher milk yield, lower-cost farm production, material cost reduction, optimized overheads and cost savings across the value chain. **1Q also marks a notable shift in the earnings narrative versus 2025. Unlike 2Q2025 and 4Q2025, when fair-value gains from the investment portfolio materially distorted reported profitability, 1Q2026 reported earnings were not boosted by FVTPL gains.** In fact, investment securities gains were nil in 1Q2026 versus QR11.3mn in 1Q2025, which makes the reported 5.6% YoY attributable earnings growth cleaner than it first appears. Excluding fair-value gains and dividend income, earnings rose 31.0% YoY to QR61.5mn and were 43.1% above our estimate. **We have raised our near-term earnings forecasts meaningfully, mainly reflecting the larger-than-expected GPM uplift, a higher normalized fair-value gain assumption for 2026, and, to a lesser extent, incremental contribution from milk powder sales.** Our 2026e net profit estimate rises to QR365.1mn from QR220.1mn, while 2027e net profit is nudged up to QR251.9mn from QR245.1mn; 2028e net profit declines to QR236.1mn from QR255.6mn as we normalize investment gains beyond 2026. **Despite the earnings upgrade, we reduce our 12-month TP to QR1.380 from QR1.472, principally due to a higher WACC and compressed comparable multiples, which more than offset stronger earnings estimates.** Using the old WACC and comparable multiples, the TP would have been QR1.520. We therefore maintain our Market Perform rating. **In this Market Perform call rating we are cognizant of the near-term dilution risk surrounding the Algeria project funding.** The rights issue was postponed because of regional tensions, and the Board will decide the appropriate timing to return to the market. Management also stated that financing costs related to the Algeria project should be capitalized and should not impact Baladna's P&L this year or next year, given the grace period and project-level financing structure. **Meanwhile, Algeria is becoming increasingly difficult to ignore as an embedded option. The project has moved from planning into large-scale execution. We still exclude Algeria and Syria from our formal TP, consistent with our previous approach, but we now discuss Algeria explicitly as a strategic call option. In our base-case economic-profit framework, using 13.0% project ROIC, 10.0% WACC and a 20-year contractual period, we estimate Baladna's attributable NPV at ~0.4bn, or ~QR1.4bn (QR0.634/share). This is not part of our formal valuation, but it illustrates why investors may increasingly view Algeria as a material upside option if execution continues to de-risk (See Addendum below).**

Highlights

- **International execution is advancing but remains outside our formal valuation.** Algeria has progressed to broader execution, with Phase 2 contracts exceeding \$635mn, dairy cattle airlift plans from November 2026, groundwater development, arable farming, commencement of dairy farm civil works and ongoing design/planning for processing facilities. Syria also progressed across site preparation, design and permitting, while Baladna signed an upstream engagement agreement with IFC to evaluate a large-scale dairy investment in Syria. Specifically, the Algerian project introduces long-dated optionality with potentially material upside if the company can export its integrated dairy model at returns above its cost of capital. However, we believe investors should wait for further evidence on project execution, funding, ramp-up economics, offtake pricing and cash-flow conversion before assigning full valuation credit. **Domestically, Baladna is demonstrating that stable revenue can still translate into better earnings through mix, yield and cost discipline. (See Addendum)**

Catalysts

- **(1) Sustainability of 1Q margin uplift (2) Resumption/contribution of the evaporated milk tender from 2Q (3) New product launches and milk powder category growth (4) Retail channel market share gains (5) Realization or further mark-up of investment portfolio gains (6) Continued execution/de-risking of Algeria and Syria, exporting the "Baladna Model."**

Recommendation, Valuation and Risks

- **Recommendation and Valuation: We maintain our Market Perform rating and revise our 12-month TP to QR1.380 from QR1.472.** Our TP is a weighted average of DCF, EEM, international comparison and local comparison methodologies. The reduction in TP is driven primarily by a higher WACC and compressed comparable multiples, despite upward revisions to our earnings estimates from the sharp gross margin uplift, normalized fair-value gains and incremental milk powder sales. **Our base valuation does not include Algeria or Syria, but we now explicitly flag Algeria as a potentially material call option.**
- **Key risks: (1) Price controls (2) Volatile soft commodity prices (3) Cessation or reduction of government support (4) Higher funding costs and elevated leverage (5) Potential dilution from funding international expansion (6) Animal disease outbreak (7) Execution risk in Algeria and Syria (8) Dairy alternatives, including plant-based substitutes.**

Key Data

Current Market Price	QR1.292
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)	1.608/1.067
3-m Average Vol. (mn)	21.9
Mkt. Cap. (\$ bn/QR bn)	0.8/2.8
EV (\$ bn/QR bn)	1.3/4.6
Shares O/S (mn)	2,144.0
FO Limit* (%)	49.0
FO (Institutional)* (%)	5.2
1-Year Total Return (%)	10.1
Fiscal Year-End	December 31

Source: Bloomberg (as of June 10, 2026), *Qatar Exchange (as of June 10, 2026); Note: FO is foreign ownership

Key Financial Data and Estimates

Group	2025a	2026e	2027e
EPS (QR)	0.252	0.170	0.117
P/E (x)	5.13	7.59	11.00
EV/EBITDA (x)	10.88	8.23	7.28
DPS (QR)	-	-	-
DY (%)	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

Phibion Makuwerere, CFA

+974 4476 6589

phibion.makuwerere@qnbfs.com.qa

Saugata Sarkar, CFA, CAIA

+974 4476 6534

saugata.sarkar@qnbfs.com.qa

Financial Statements and Forecasts

1Q2026 Condensed Income Statement vs. Estimates (QR)

Income Statement	1Q2025	4Q2025	1Q2026	1Q26e	YoY	QoQ	Vs. Est.
Revenue	330,520,589	326,474,015	329,984,593	336,318,472	-0.2%	1.1%	-1.9%
Dairy Sales	298,464,462	292,598,885	300,390,976	303,700,027	0.6%	2.7%	-1.1%
Juice Sales	16,990,084	18,215,226	15,716,019	17,288,118	-7.5%	-13.7%	-9.1%
Other Sales	15,066,043	15,659,904	13,877,598	10,228,939	-7.9%	-11.4%	35.7%
Gross Profit	87,040,948	91,521,519	106,280,856	86,138,850	22.1%	16.1%	23.4%
<i>GPM</i>	<i>26.3%</i>	<i>28.0%</i>	<i>32.2%</i>	<i>25.6%</i>			
Operating income	66,483,548	62,208,547	80,013,251	62,490,357	20.4%	28.6%	28.0%
<i>EBITM</i>	<i>20.1%</i>	<i>19.1%</i>	<i>24.2%</i>	<i>18.6%</i>			
Attributable Earnings	58,231,428	158,390,608	61,495,616	42,986,775	5.6%	-61.2%	43.1%
Earnings ex. FVG	46,953,666	7,788,978	61,495,616	42,986,775	31.0%	689.5%	43.1%
Earnings ex. FVG+Div. Inc.	46,953,666	7,788,978	61,495,616	42,986,775	31.0%	689.5%	43.1%

Source: Company data, QNBFS Research

- **Margin-led earnings beat; cleaner than 2025's fair-value-driven quarters.** Baladna's 1Q2026 attributable earnings printed at QR61.5mn (+5.6% YoY, -61.2% QoQ), beating our estimate by 43.1%. Unlike the investment-gain-heavy quarters in 2025, the 1Q beat was operationally driven: gross profit rose 22.1% YoY to QR106.3mn, while GPM expanded to 32.2% vs 26.3% in 1Q2025 and our 25.6% estimate. Operating income rose 20.4% YoY to QR80.0mn, 28.0% above our forecast, with EBIT margin at 24.2%. **We note, however, that margin gains could be reversed if the war persists for much longer.**
- **Revenue flat, but underlying picture better than headline because evaporated milk tender was absent in 1Q, partially offset by new SKU milk powder sales.** Revenue was QR330.0mn (-0.2% YoY, +1.1% QoQ), 1.9% below our forecast. Dairy sales were QR300.4mn (+0.6% YoY, +2.7% QoQ), juice sales declined to QR15.7mn (-7.5% YoY, -13.7% QoQ), and other sales were QR13.9mn (-7.9% YoY, -11.4% QoQ). Management noted that 1Q2026 lacked the evaporated milk government tender contribution that supported 1Q2025, and that the 2026 tender began in April, with contribution expected from 2Q.
- **Cost optimization and milk yield appear to be doing the heavy lifting.** Management cited higher milk yield, low-cost farm production, material cost reduction, optimized overhead and continued value-chain savings as the main drivers of profitability improvement. The company also stated that operational profitability reached a new high and that efficiency gains should continue as volumes increase, particularly in manufacturing.
- **Retail channel resilience offset softer HoReCa.** The 1Q2026 presentation shows total revenue of QR330mn, with HoReCa revenue down 9% YoY to QR109mn, somewhat reflecting the war impact, while Retail-KA increased 4% YoY to QR141mn and Retail-TT increased 10% YoY to QR66mn. Management similarly indicated that retail growth across modern and traditional trade helped offset softer HoReCa, which reflected a more normalized demand environment.

QNB FS Estimates Revision (QR)

INCOME STATEMENT	2025a		2026e		2027e		2028e	
	Current	Previous	Current	Previous	Current	Previous	Current	Previous
REVENUE	1,267,847,003	1,328,863,722	1,268,245,374	1,369,143,386	1,292,481,722	1,403,142,767	1,315,422,528	
Dairy Sales	1,132,924,050	1,192,749,852	1,134,921,028	1,221,120,577	1,150,982,447	1,247,092,982	1,165,678,039	
Juice Sales	70,699,654	70,147,587	71,718,223	77,618,319	75,007,157	81,657,661	78,854,975	
Other Sales	64,223,299	65,973,786	61,606,123	70,404,491	66,492,119	74,392,124	70,889,514	
GROSS PROFIT	329,778,016	419,588,704	351,529,175	443,340,379	383,011,467	468,259,420	434,804,815	
OTHER INCOME	89,932,764	69,358,808	69,405,679	54,035,622	54,082,493	5,983,464	6,030,335	
EBITDA	394,590,021	458,989,799	402,521,732	465,041,829	415,739,964	439,252,106	416,356,261	
OPERATING PROFIT	243,022,792	311,702,101	253,844,019	322,693,291	272,782,105	298,732,301	275,763,458	
PORTFOLIO FV GAINS	408,007,466	136,525,850	37,565,186	-	37,565,186	-	-	
NET PROFIT	539,736,320	365,126,908	220,110,231	251,903,333	245,145,340	236,056,250	255,595,787	

Source: Company data, QNBFS Research

Condensed Income Statement (QR)

INCOME STATEMENT	2025a	2026e	2027e	2028e	2029e
REVENUE	1,267,847,003	1,328,863,722	1,369,143,386	1,403,142,767	1,425,930,707
Dairy Sales	1,132,924,050	1,192,749,852	1,221,120,577	1,247,092,982	1,262,730,590
Juice Sales	70,699,654	70,147,587	77,618,319	81,657,661	85,750,806
Other Sales	64,223,299	65,973,786	70,404,491	74,392,124	77,449,310
GROSS PROFIT	329,778,016	419,588,704	443,340,379	468,259,420	476,292,414
OTHER INCOME	89,932,764	69,358,808	54,035,622	5,983,464	5,983,464
EBITDA	394,590,021	458,989,799	465,041,829	439,252,106	444,340,290
OPERATING PROFIT	243,022,792	311,702,101	322,693,291	298,732,301	305,919,125
PORTFOLIO FV GAINS	408,007,466	136,525,850	-	-	-
NET PROFIT	539,736,320	365,126,908	251,903,333	236,056,250	251,757,070

Source: Company data, QNBFS Research

Condensed Cash Flow Statement (QR)

	2025a	2026e	2027e	2028e	2029e
Cash Flow from Operating Activities	273,322,902	341,833,401	346,170,781	367,109,460	332,134,699
Cash Flow from Investing Activities	(634,686,539)	36,249,125	46,157,856	49,158,747	54,515,880
Cash Flow from Financing Activities	662,706,484	(20,611,638)	(15,746,812)	(15,109,286)	(14,731,668)
Change in Cash	301,342,847	357,470,888	376,581,825	401,158,920	371,918,910
Cash Beginning of Period	(92,941,383)	208,202,503	565,673,392	942,255,216	1,343,414,136
Restricted bank balance	145,563,741	145,563,741	145,563,741	145,563,741	145,563,741
Translation Differences	(198,961)	-	-	-	-
Cash End of Period	208,202,503	565,673,392	942,255,216	1,343,414,136	1,715,333,047

Source: Company data, QNBFS Research

Balance Sheet (QR)

	2025a	2026e	2027e	2028e	2029e
Non-current asset					
Property and equipment	3,285,605,491	3,182,571,880	3,071,295,730	2,958,847,423	2,843,140,622
Right of use assets	105,276,839	93,451,174	81,625,509	69,799,844	57,974,179
Intangible assets	4,914,015	1,641,047	1,641,047	1,641,047	1,641,047
FVTPL assets	994,476,800	1,131,002,650	1,131,002,650	1,131,002,650	1,131,002,650
Biological assets	193,661,272	175,840,525	158,019,779	140,199,032	122,378,286
Goodwill	6,792,635	6,792,635	6,792,635	6,792,635	6,792,635
Advance to suppliers	372,583,615	372,583,615	372,583,615	372,583,615	372,583,615
Other non-current assets	3,524,427	3,524,427	3,524,427	3,524,427	3,524,427
Total non-current assets	4,966,835,094	4,967,407,954	4,826,485,392	4,684,390,673	4,539,037,461
Current assets					
Biological assets	446,200	405,141	364,081	323,022	281,962
Inventories	400,494,534	388,201,379	395,257,757	399,134,473	405,433,876
Accounts receivable and prepayments	336,242,665	322,109,409	310,983,941	266,422,047	268,784,430
Due from related parties	29,457,007	29,457,007	29,457,007	29,457,007	29,457,007
Cash and bank balances	374,789,122	732,260,011	1,108,841,835	1,510,000,755	1,881,919,666
Total current assets	1,141,429,528	1,472,432,946	1,844,904,622	2,205,337,304	2,585,876,941
Total assets	6,108,264,622	6,439,840,900	6,671,390,014	6,889,727,977	7,124,914,402
EQUITY AND LIABILITIES					
Equity	2,143,984,962	2,143,984,962	2,143,984,962	2,143,984,962	2,143,984,962
Legal reserve	120,595,369	157,108,060	182,298,393	205,904,018	231,079,725
Acquisition reserve	201,123,011	201,123,011	201,123,011	201,123,011	201,123,011
Retained earnings	464,569,931	784,055,976	1,004,471,392	1,211,020,611	1,431,308,047
Translation reserves	(198,961)	(198,961)	(198,961)	(198,961)	(198,961)
Common equity	2,930,074,312	3,286,073,048	3,531,678,797	3,761,833,641	4,007,296,784
Non-controlling interest	390,288,880	390,520,240	390,797,872	391,117,148	391,468,353
Total equity	3,320,363,192	3,676,593,288	3,922,476,669	4,152,950,790	4,398,765,137
Non-current liabilities					
Islamic financing	1,939,005,167	1,939,005,167	1,939,005,167	1,939,005,167	1,939,005,167
Lease liabilities	87,245,526	66,653,552	50,921,763	35,826,892	21,109,279
Employees' end of service benefits	22,244,706	25,194,705	27,929,951	30,470,836	32,835,931
Total non-current liabilities	2,048,495,399	2,030,853,424	2,017,856,881	2,005,302,895	1,992,950,377
Current liabilities					
Lease liabilities	83,316	63,651	48,628	34,213	20,159
Due to related parties	7,997,391	7,997,391	7,997,391	7,997,391	7,997,391
Accounts payable and accruals	201,963,875	194,971,697	193,648,995	194,081,239	195,819,890
Islamic financing	508,338,571	508,338,571	508,338,571	508,338,571	508,338,571
Bank overdraft	21,022,878	21,022,878	21,022,878	21,022,878	21,022,878
Total current liability	739,406,031	732,394,188	731,056,463	731,474,293	733,198,888
Total liabilities	2,787,901,430	2,763,247,612	2,748,913,345	2,736,777,187	2,726,149,265
Total equity and liabilities	6,108,264,622	6,439,840,900	6,671,390,014	6,889,727,977	7,124,914,402

Source: Company data, QNBFS Research

Ratios

	2025a	2026e	2027e	2028e	2029e
Growth Rates					
Revenue	10.7%	4.8%	3.0%	2.5%	1.6%
Gross Profit	26.7%	27.2%	5.7%	5.6%	1.7%
EBITDA	16.1%	16.3%	1.3%	-5.5%	1.2%
EBIT	18.6%	28.3%	3.5%	-7.4%	2.4%
NP	191.7%	-32.4%	-31.0%	-6.3%	6.7%
FCFF	31.9%	104.2%	1.7%	3.9%	-8.5%
EPS	191.7%	-32.4%	-31.0%	-6.3%	6.7%
CDPS					
Operating Ratios					
Gross Margin					
EBITDA Margin	26.0%	31.6%	32.4%	33.4%	33.4%
EBIT Margin	31.1%	34.5%	34.0%	31.3%	31.2%
Net Margin	19.2%	23.5%	23.6%	21.3%	21.5%
Working Capital Ratios	42.5%	27.5%	18.4%	16.8%	17.7%
Inventory Days					
Average Collection Period	156.2	156.2	156.2	156.2	156.2
Payable Days	38.5	38.5	38.5	38.5	38.5
NWC days	33.3	33.3	33.3	33.3	33.3
Finance Ratios	161.5	161.1	161.1	161.1	161.1
Debt-Equity Ratio					
Net Debt -Equity Ratio	99%	87%	81%	75%	70%
Net Debt -to-Capital	52%	31%	17%	5%	-5%
Net Debt -to-EBITDA	28%	19%	12%	4%	-4%
Interest Coverage	3.86	2.19	1.32	0.45	(0.42)
Return Ratios	3.10	3.66	3.82	3.56	3.67
ROIC					
ROE	5.4%	7.1%	7.7%	7.4%	7.9%
ROA	16.2%	9.9%	6.4%	5.7%	5.7%
FCF Yield	8.8%	5.7%	3.8%	3.4%	3.5%
Liquidity Ratios	3.9%	13.5%	14.0%	14.9%	13.8%
Current Ratio					
Quick Ratio	1.54	2.01	2.52	3.01	3.53
Valuation	1.00	1.48	1.98	2.47	2.97
EV/Sales					
EV/EBITDA	4.17	3.69	3.30	2.92	2.60
EV/EBIT	10.88	8.23	7.28	6.76	5.81
P/E	21.75	15.75	13.99	13.72	12.14
P/CF	5.13	7.59	11.00	11.73	11.00
P/BV	10.13	8.10	8.00	7.55	8.34
Dividend Yield	0.83	0.75	0.71	0.67	0.63

Source: Company data, QNBFS Research

Addendum – Algeria: A Potentially Material “Call Option” on Baladna’s International Expansion Strategy

- **Baladna’s Algeria project is increasingly moving from strategic optionality to executable growth platform, but we still believe it should be treated as a call option rather than embedded fully into core valuation at this stage.** In our previous reports we highlighted that our valuation model did not incorporate the Algeria and Syria projects, while also noting that Baladna’s ability to export its operating model creates “PE-like payoff optionality.” That framing remains appropriate, in our view: **The opportunity is potentially material relative to Baladna’s current equity value, but the project still lacks enough disclosed pricing, margin, ramp-up and cash-flow detail to support a full DCF with high conviction.**
- The disclosed scale is substantial, however. The Algeria project entails total investment cost of **\$3.493bn**, comprising **\$949mn** for the arable farm, **\$2.032bn** for the dairy farm and **\$512mn** for the processing plant. The funding structure is shown as **\$875mn from Baladna, \$840mn from Algeria’s National Investment Fund, and \$1.785bn of local subsidized debt.** Operationally, the platform is designed around **117,000 ha of leased land, 2.5mn tons of forage production, 240,000-head herd, 1.7bn litres of milk production and 198,000 tons of milk powder production**, supported by a **20-year offtake agreement, 20-year bank payment guarantee and 10-year tax exemption.** These contractual and fiscal features are critical: they potentially reduce demand, collection and early-stage tax leakage risks, while making the project less comparable to a conventional greenfield dairy investment. Execution momentum also appears to have improved. During 2025, the project moved from planning into on-ground development, with **186 drilling permits secured, 45 wells completed**, irrigation and pivot systems installed, and the first crop cycle initiated. In 1Q2026, management indicated that **Phase 2 contracts exceeding \$635mn** had been awarded, while the dairy cattle airlift program from the US is scheduled to start in **November 2026**, supporting the phased import of around **30,000 high-quality dairy cows over 10 months.**
- Management has also guided toward first milk production by the end of 2027, implying that the valuation debate is gradually shifting from conceptual strategic value to eventual ramp-up economics. For a preliminary valuation, we use an economic-profit shortcut rather than a full DCF. The logic is straightforward: If the project can earn a return on invested capital above its cost of capital, the value created equals the spread between ROIC and WACC capitalized over the relevant economic life. Our base case assumes **\$3.493bn** of invested capital, **13.0% project ROIC, 10% WACC, 0% long-term growth** and a **20-year contractual period**, aligned with the disclosed offtake term. **While the absolute levels of ROIC/WACC are educated guesstimates, we believe their spread is more important for the valuation, and we think a spread of 1-3% is reasonable.**
- On this basis, our base-case **project NPV is c.\$0.9bn**, with implied **project EV of c.\$4.4bn**. Using the disclosed equity funding split, Baladna’s equity contribution of **\$875mn** versus FNI’s **\$840mn** implies Baladna owns roughly **51% of project equity funding**, before considering any detailed shareholder, dividend or waterfall mechanics. After deducting the disclosed **\$1.785bn** project debt, this translates into Baladna-attributable equity value of c.\$1.4bn at COD, or value creation of c.\$0.5bn over its \$875mn contribution. Discounted back to today, this suggests attributable NPV of roughly **\$0.4bn**, or **QR1.4bn**, in our base case.

Baladna Algeria Valuation Sensitivity Analysis – 20-yr Contractual Period

ROIC	Spread (ROIC-WACC)	Annual econ. profit (\$ bn)	Project NPV (\$ bn)	Implied project EV (\$ bn)	Baladna NPV today (\$ bn)	Baladna NPV today (QR bn)
11.0%	1.0%	0.03	0.30	3.79	0.12	0.45
13.0%	3.0%	0.10	0.89	4.39	0.37	1.36
15.0%	5.0%	0.17	1.49	4.98	0.62	2.27
17.0%	7.0%	0.24	2.08	5.57	0.87	3.19

Source: Company data, QNBFS Research

- At **11.0% ROIC**, project NPV falls to c.\$0.3bn; at **15.0% ROIC**, it rises to c.\$1.5bn; and at **17.0% ROIC**, it rises to c.\$2.1bn. In attributable terms, Baladna’s NPV today could range from roughly **\$0.1bn to \$0.6bn** under the 11.0%-15.0% ROIC range. If economic profit is capitalized in perpetuity rather than limited to the 20-year offtake period, the base-case project NPV increases to c.\$1.6bn, but we would treat this as an upside/residual-value sensitivity rather than the core case because the disclosed offtake agreement is explicitly **20 years**.

Baladna Algeria Valuation (QR’bn) Sensitivity Analysis – Perpetual Capitalization

		RoIC-WACC Spread				
		1.0%	2.0%	3.0%	3.5%	4.0%
growth	0.0%	0.53	1.06	1.60	1.87	2.13
	0.5%	0.55	1.12	1.68	1.97	2.25
	1.0%	0.59	1.18	1.78	2.08	2.37
	1.5%	0.62	1.25	1.88	2.20	2.51
	2.0%	0.66	1.33	2.00	2.34	2.67

Source: QNBFS Research

- **Management commentary provides some comfort on early-stage earnings risk.** On the 1Q2026 call, management said the Algeria pricing arrangement includes higher prices initially, gradually declining as operations are optimized, and that the project should not have a negative P&L impact from day one. Management also stated that project finance costs are expected to be capitalized, with a five-year grace period, and should not impact Baladna’s P&L in the near term. This is relevant because one of the market’s likely concerns is whether Algeria creates a near-term earnings drag before scale benefits materialize.

Investment view: We would not yet capitalize Algeria into our formal PT until more disclosure emerges on offtake pricing, operating margin, tax treatment after the holiday, ramp-up costs, working capital and debt service. However, the project is now sufficiently advanced to warrant explicit discussion as a potentially material embedded option. **In our base-case ROIC framework, Algeria could be worth ~QR1.4bn to Baladna shareholders (QR0.634/share) on a risked economic-profit basis, equivalent to almost half (49%) of Baladna's market current capitalization of QR2.8bn (QR1.292/share). We therefore view Algeria as a strategic call option: Limited near-term recognition in core valuation, but potentially significant upside if management successfully executes the ramp-up and proves that the Baladna model can be exported at returns above the cost of capital.**

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

Contacts

QNB Financial Services Co. W.L.L.
Contact Center: (+974) 4476 6666
info@qnbfs.com.qa
Doha, Qatar

Saugata Sarkar, CFA, CAIA
Head of Research
saugata.sarkar@qnbfs.com.qa

Shahan Keushgerian
Senior Research Analyst
shahan.keushgerian@qnbfs.com.qa

Phibion Makuwerere, CFA
Senior Research Analyst
phibion.makuwerere@qnbfs.com.qa

Dana Saif Al Sowaidi
Research Analyst
dana.alsowaidi@qnbfs.com.qa

Disclaimer and Copyright Notice: This publication has been prepared by QNB Financial Services Co. WLL (“QNB FS”) a wholly-owned subsidiary of Qatar National Bank Q.P.S.C. (“QNB”) QNB FS is regulated by the Qatar Financial Markets Authority and the Qatar Exchange QNB is regulated by the Qatar Central Bank. This publication expresses the views and opinions of QNB FS at a given time only. It is not an offer, promotion or recommendation to buy or sell securities or other investments, nor is it intended to constitute legal, tax, accounting, or financial advice. QNB FS accepts no liability whatsoever for any direct or indirect losses arising from use of this report. Any investment decision should depend on the individual circumstances of the investor and be based on specifically engaged investment advice. We therefore strongly advise potential investors to seek independent professional advice before making any investment decision. Although the information in this report has been obtained from sources that QNB FS believes to be reliable, we have not independently verified such information and it may not be accurate or complete. QNB FS does not make any representations or warranties as to the accuracy and completeness of the information it may contain, and declines any liability in that respect. For reports dealing with Technical Analysis, expressed opinions and/or recommendations may be different or contrary to the opinions/recommendations of QNB FS Fundamental Research as a result of depending solely on the historical technical data (price and volume). QNB FS reserves the right to amend the views and opinions expressed in this publication at any time. It may also express viewpoints or make investment decisions that differ significantly from, or even contradict, the views and opinions included in this report. This report may not be reproduced in whole or in part without permission from QNB FS

COPYRIGHT: No part of this document may be reproduced without the explicit written permission of QNB FS.