



KUWAIT: 18/11/2018

TO: BOURSA KUWAIT,
After Greetings,

Subject: Analyst / investors Conference for Third quarter 2018

With reference to the above subject, and pursuant to the requirements of Boursa Kuwait Rules Book issued as per Resolution No. (1) /2018 kindly note that the quarterly Analyst / Investors Conference was held through a Live Webcast on Thursday: 15/11/2018 at 1:30 pm local time.

Please refer to the attachment for the minutes of the conference and presentation (Q3/2018).

Yours sincerely,

Jassim Mostafa Boodai
Vice chairman and CEO



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INTEGRATED HOLDING COMPANY KSCP

Analyst Conference

Q3 2018 Results



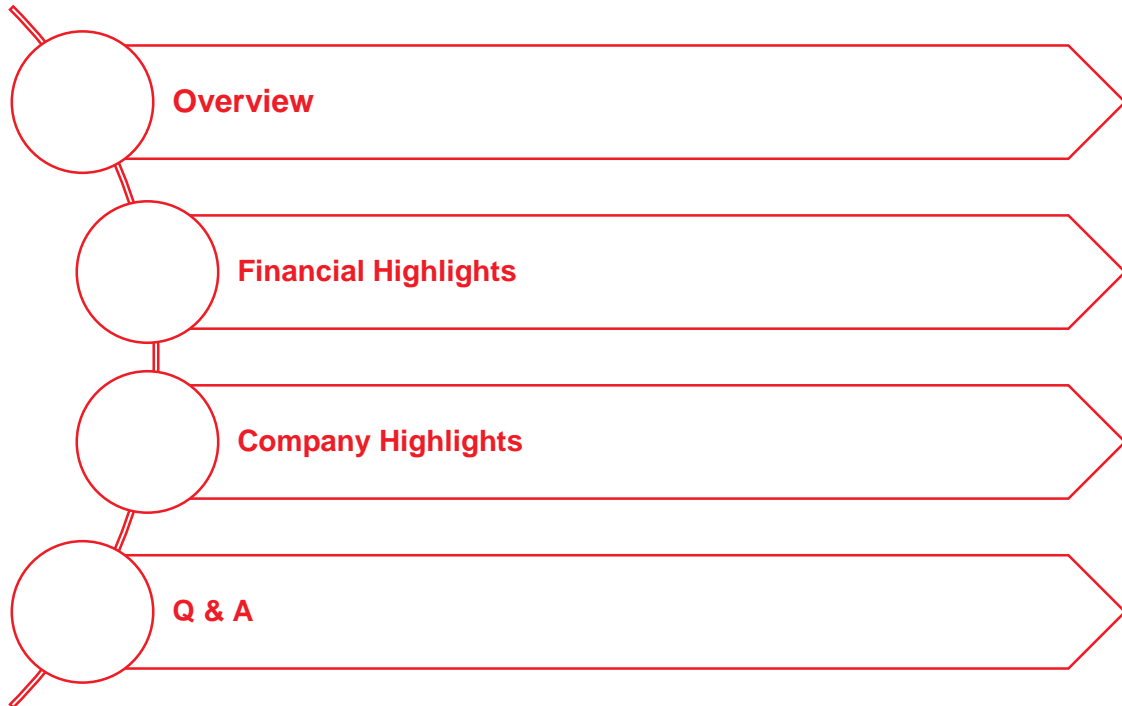
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Contents



Overview



Integrated Holding Company KSCP established in 2005 operates through its subsidiaries in the GCC across three business segments in 1) equipment operational leasing, 2) heavy lift and 3) transportation services. Over a short period of time, Integrated established itself as a market leader by providing wide range of equipment to support large and complex projects in oil & gas, energy and infrastructure projects.

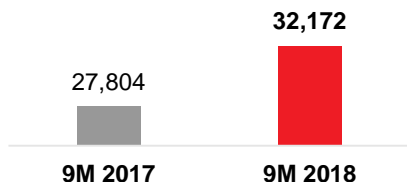
Third quarter of 2018 showed a growth in Revenue by 7.0% and Net Profit by 60.8% over comparative period of last year. This is achieved due to a combination of higher utilization of equipment, reduced finance cost and gain from foreign exchange transactions.

As of 14 November 2018, Integrated's Market capitalization stands at KD 188.1 Million.

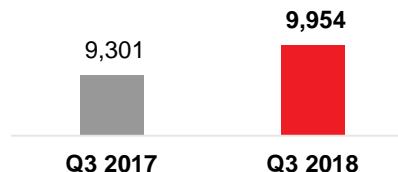
Financial Highlights

Third quarter 2018 witnessed steady growth of 7.0% in Revenue and 60.8% in Net Profit when comparing with Q3 2017.

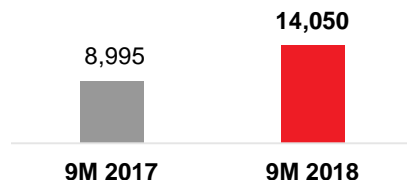
Revenue



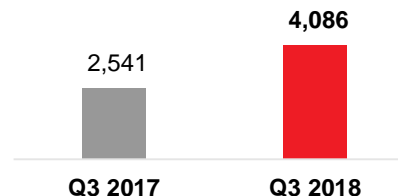
Revenue



Net Profit



Net Profit

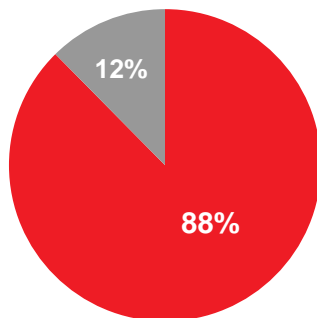


Figures in KD Thousands

Financial Highlights

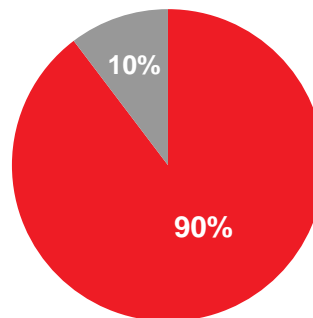
Revenue by Geography

9M 2017



■ Kuwait ■ Outside Kuwait

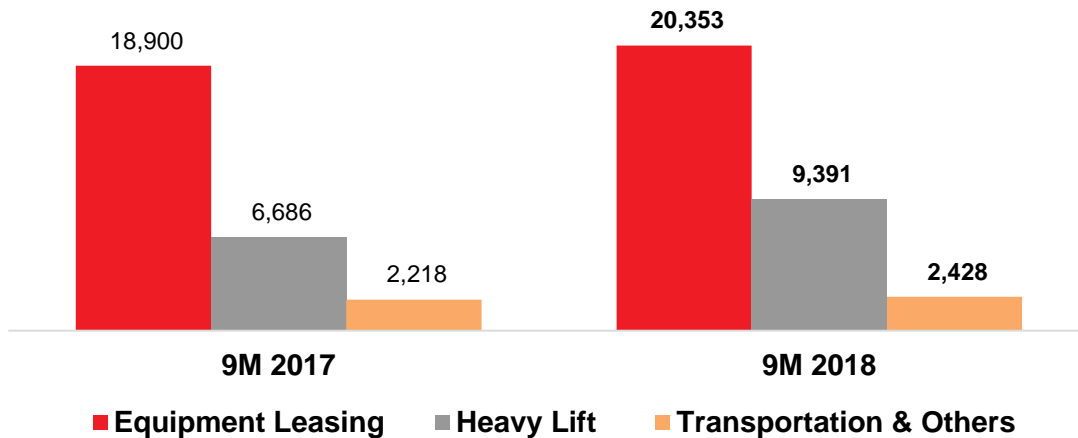
9M 2018



■ Kuwait ■ Outside Kuwait

Financial Highlights

Revenue by Operational Segment



Figures in KD Thousands

Financial Highlights

Financial Position

	2018	2017	Change (%)
	9M	9M	
Current Assets	19,850	18,975	4.6
Property & Equipment	72,863	67,935	7.3
Intangible Assets	711	711	-
Total Assets	93,424	87,621	6.6
Borrowings	7,332	19,261	(61.9)
Capex Creditors	12,530	8,547	46.6
Trade & Other Liabilities	7,196	4,987	44.3
Shareholders' Equity	66,366	54,826	21.0
Total Equity & Liabilities	93,424	87,621	6.6

Figures in KD Thousands

Financial Highlights

Statement of Income

	Quarter 3			9 Months		
	2018	2017	Change %	2018	2017	Change %
Revenue	9,954	9,301	7.0	32,172	27,804	15.7
EBITDA	7,077	6,389	10.7	22,312	19,340	15.4
Depreciation	2,722	2,874	(5.3)	8,040	7,904	1.7
Finance Costs	75	215	(65.1)	310	616	(49.7)
Net Profit	4,086	2,541	60.8	14,051	8,995	56.2
Earnings Per Share (fils)	18.57	11.55	60.8	63.87	40.89	56.2

Figures in KD Thousands

Financial Highlights

Key Statistics

	Quarter 3			9 Months		
	2018	2017	Change %	2018	2017	Change %
Gross Profit Margin %	45.5	48.6	(6.3)	51.4	49.0	4.9
EBITDA Margin %	71.1	68.7	3.5	69.4	69.6	(0.3)
Net Profit Margin %	41.1	27.3	50.5	43.7	32.3	35.3
Return on Total Assets %				15.0	10.3	45.6
Return on Equity %				21.2	16.4	29.3

Company Highlights

Capex

Integrated invested an amount of KD 10.8 Million on new equipment purchases and replacement purchases on sale of old equipment during the nine months period in 2018, out of which KD 4.6 Million is paid through internal generated funds.

Q & A



Analyst / Investors conference report for third quarter 2018 for Integrated Holding Co

- Operator:** Ladies and gentlemen, welcome to Integrated Holdings investor conference on third quarter results. I will now hand over to your host, Mr. Mohamad Haidar from Arqaam Capital. Sir, please go ahead.
- Mohamad Haidar:** Good afternoon, ladies and gentlemen, and welcome to the Integrated Holding Company third quarter, 2018 earnings conference call. This is hosted by Arqaam Capital. This is Mohamad Haidar from Arqaam Capital Research, and I am joined today by Mr. Jassim Mustafa Boodai, Vice Chairman and CEO, and Mr. Joseph Fernandes, Group Financial Controller. Without any delay, I will now turn the call to Mr. Jassim. Please go ahead.
- Jassim:** Good afternoon, gentlemen. Thank you very much for this opportunity. I would like to give you a quick overview about the third quarter, 2018 and update on our latest results. The company has done well as expected and even exceeded what we have been budgeting and forecasting. And especially the third quarter, we showed good result due to lot of factors, mainly the increase in utilization of the equipment. And on top of that, we have a good growth in our revenue, and also we have a good effect from the foreign currency on our results. Projects are still going on very strongly although some of the projects are winding up, but other side new projects are starting up as well. We have been going through this transition and in a very short period we will be utilizing our equipment fully
- As of today the company market capitalization is at KD 188 million KD, which is around \$620 million. I will give the floor to Joseph and he can give you more insights about our revenue stream and other financials.
- Joseph:** Good afternoon to you all. Now coming to the slide of revenue, slide number five, revenue for the nine-month period has shown an increase of 15.7%, comparing with the corresponding period of the previous year. However, the increase in the third quarter alone is 7%, mainly due to slow down in the project and the related work, and especially during the festival and holiday season, and also reduced overtime work during that period. Net profit for the nine-month period has increased by 56%. And for the third quarter alone, it has increased by 60.8% comparing to the corresponding period of the previous year. Main reason for the significant increase in the net profit jump is the effect of foreign exchange gain. Since in the previous year, there was foreign exchange loss, and if we exclude the FOREX impact from this net profit figure, then the comparative increase in the



net profit is 27.34% for nine-month period and for the third quarter alone, it is 25%.

Joseph:

Now, coming to the revenue by geography, Kuwait has contributed significantly, 90% of the revenue is coming from Kuwait operation alone, because of the incremental revenue, which is contributed more by Kuwait. Qatar revenue has not increased, the Qatar revenue for this nine-month period is same as that of the year 2017. And Integrated is beginning to increase the business operation in Qatar, and we expect improvement in the Qatar operation in the year 2019. Now, operational segment: it consists of three main segments; equipment operational leasing, heavy lift, transportation and others. Among these segments, heavy lift operation has increased its composition from 24%, to 29%.

Joseph:

Now, coming back to our financial position, we are showing some increase in the current assets. This is mainly due to the increase in the receivables, which will be within the norm in the coming quarter because major receivable account will be due for payment in the coming months. Property and equipment also has increased because of the additions of KD 10.8 million, which we have explained further in slide 11 of this presentation. Coming back to the borrowing, we have been able to reduce significantly the bank borrowing by KD12 million, which is supported with the better cash flow. And, also, our aim is to reduce finance costs as the local bank lending rates have gone up by 0.5% in the current year.

The creditors: we have reclassified the creditors for the clarity reason.

Joseph:

Since the major portion of our trade and other payables, consists of borrowing for CAPEX, and that is a significant portion. The increase of KD 4 million is for financing additional capex in view of lower cost of financing which was used for equipment purchase in euro currency. These liabilities were due over a period of one and two years in the previous year. In the current year, all of them now become payable within one year. As per our cash flow projection, most of these dues will be settled through internally generated funds and we have flexibility to use funds from the additional credit lines available depending upon our new CAPEX plans in the coming year,

Trade payables and other liabilities also increased. It is mainly due to the increase in the provisions for statutory liabilities like KFAS, Zakat and new NLST for the first time in this quarter and increase in the provision for employee end-of-service benefits.



Joseph:

Coming back to the statement of income, we have explained earlier the revenue growth. The 15.7% is the revenue growth, and it is supported with the improvement in EBITDA by 15.4%. The net profit increase is due to the combination of factors like, reduction in the finance costs, profit on sale of equipment, and unrealized foreign exchange gain. Earnings per share also have shown good improvement.

In the next slide 10, the gross profit margin for the quarter 3 has shown drop of 6.3%, which is mainly due to the increase in the operational cost.

Next slide is about Capex. As planned, we have invested KD 10.8 million on new equipment purchases, which includes the replacement purchases when we sold old equipment. For the additional equipment purchases we have used KD 4.6 million internal generated funds, remaining through the deferred LCs and other trade payables, and small amount of bank borrowing. Now, I hand over to Mr. Haidar.

Mohamad Haidar:

Operator, may be please open the floor for Q&A.

Operator:

Thank you. Ladies and gentlemen, if you wish to ask a question, please press 01 on your telephone keypad. Thank you for holding. And here is our first question. Our first question comes from Robin Thomas, QIC. Sir, please go ahead.

QIC:

Good afternoon, gentlemen. Thank you for doing this call. My first question is with regards to the revenue growth. You had mentioned that the first half, 2018 versus first half '17, direct new growth was 19%. However, for Q3, it has slowed down to 7% growth. You had mentioned the reasons being project slowdown festivals and holiday seasons. Can you elaborate more on the project slowdowns?

Jassim:

This is Jassim again. Specifically, during the third quarter, there were multiple factors. Number one was end of certain projects like the clean-fuel projects that where major equipment being demobilizing and will be ready to go into other projects. The other effect is for harsh summer environment that's come out, whereby a lot of the projects that halted during the daytime and most of the projects especially in the petroleum and energy sector were executed during nighttime. That also affected our ability to bill for overtime. It was the combination of multiple factors that effected the growth. But as we move forward, we see things will stabilize again and come back to the normal level.

QIC:

Okay, fine. And in Q3 '17 and Q3 '18, I can see that the revenues are generally a bit lower than the rest of the year. Is there some seasonality factor?



- Jassim: Yes, exactly. That's usually the third quarter of the year is the weakest, due to holidays, part of the Ramadan and EID holidays and then very hot summer, which is getting hotter and hotter every year. So, I think this trend will continue it in the future.
- QIC: With regards to the CAPEX guidance, I remember during the start the year you were guiding for 10 million CAPEX for this year. What is your revised guidance for this year and going ahead for 2019?
- Jassim: This year, more or less we have fulfilled our requirement and we will go up to KD 11.5 million and we are in comfortable position of our equipment and in year 2019 additional and renewal equipment purchases will be between KD 8 to KD 10 million
- QIC: So KD 8 million to KD 10 million for 2019, is it?
- Jassim: 2019, exactly. I mean, this year, we might have another KD1 million to add, and next year, it will be, let's say, about 20% lower than this year.
- QIC: Okay. And my third question is, with regards to Qatar operations, what are you trying to do to boost revenue growth there?
- Jassim: Well, at this point of time, we have added good number of equipment to the fleet. We have increased heavy lift operation. As we mentioned earlier in our last review that we are going to fill the gaps as some of the International contractors are leaving in Qatar, and we are trying to fulfill that gap. We have added good number of equipment in Qatar, even our largest crane which is 2200 tons capacity is working now in Qatar. We are keeping it in Qatar now for any future requirements. We are increasing the volume, as of now, things have not improved in Qatar with regards to the new expansions, as expected, but we believe 2019 will be definitely a year where we will be turning around. And it's also coincides with our infrastructure being completed in Qatar and having our proper permanent location. It's ready to receive more equipment in preparation for the for the additional work.
- QIC: Okay, and my final question is with regards to the recent rains in Kuwait, has there been any impact on your business or your operations?
- Jassim: Yeah, definitely. we will have a couple of weeks of rearrangement with the project. There'd be a lot of recovery. For instances some of our specialized vacuum tankers have been mobilized to strategic installations in KNPC and KOC.



As you know, when it comes to heavy lift, stability of the ground is very important. We feel that it will have a rescheduling, but it won't be that significant. It might be affected for a couple of weeks at the maximum.

QIC: Okay. Thank you for this.

Jassim: Sure. Thank you.

Operator: Ladies and gentlemen, as a reminder, if you wish to ask a question, please press 01 on your telephone keypad. Thank you for holding. We have a question from Ankit Gupta, NCB Capital. Please go.

Ankit Gupta: Hello, gentlemen. Thank you for the call. I have a couple of questions. First, related to the plant utilization, if you can give us color on how much was it for the nine month and for the third quarter. Second, is related to the mobilization. You mentioned the third quarter was impacted by the mobilization. So if you can just give us some sense of how much time was wasted because of that. And given that you offer recent trends as well, if how much would you actually anticipate the impact as well? How does related to your dividend policy if you can just guide us what it is? When you look at the dividend policy, is it in terms of the reported numbers or you do some kind of adjustments as well? Thank you.

Jassim: Yes, with regards to the mobilization, I said in any business like our business there is always transitional periods, where we move from one project to another. So here, it affected the last month and it started this month too, of course, there will be some maintenance, some scheduled maintenance and, of course, mobilization for the new project. So, from time to time, there is the transitional period whenever a large project completes like the clean fuel project, which is a multi-billion-dollar project. and, of course, during the startup of a new project like new refinery there is a period of transition. I don't see it is affecting that significantly now as we anticipate that we will be on a full swing in a couple of weeks' time.

Ankit Gupta: When you are impacted by rain, how does it really work in reality? Is it based on a daily rates. If the crane is available for being operated, but because of the extrinsic factors, it's not in operating condition. Would you still be paid or you have to give some kind of discounts? I just want to understand the mechanism of how you are generally billing your clients given the fact that you are mostly into leasing.

Jassim: No, definitely. Most of the billing continues to do on the permanent equipment unless it's a specialized lift, where it is delayed then it really links to the operation



itself. But, with regards to the equipment that is rented for a certain period, no billing continues even if they are idle. Maybe there won't be over time, or maybe we use discretion from our side to help the contractor, but the billing really continues.

You asked about the dividend policy?

Ankit Gupta: Yes, yes please.

Jassim: If you recall we have committed in our private placement that we will be distributing 37 fils. We're going as agreed and this will be the minimum which will be distributed.

Ankit Gupta: But correct me if I'm mistaken, my understanding was that you're looking at 50% payout.

Jassim: Yes, we were talking about that but as of this year, we would like to hold it at this because that was our commitment. It would be unfair to people who have participated in the placement. There might be a slight adjustment, if it's going to happen, it's going to happen upward, it won't happen downwards definitely.

Ankit Gupta: Is my understanding correct that you look at 50% payouts?

Jassim: In the future, yes. It will be in that range.

Ankit Gupta: Great. Anything on the crane utilization at this time and for the year?

Jassim: Sorry?

Ankit Gupta: Crane utilization, yes.

Joseph: Crane utilization. In the crane utilization, comparing it with the year 2017, we have a drop of around 1% in the crane in this current year. It is 72% versus 73%. However, utilization for other equipment like boom trucks, manlift, and earth moving equipment, all have increased. From average was 61% it has gone up to 68% to 70%. And for other equipment this improvement also will continue in the coming quarter. We expect the crane utilization would be around 72% in the coming quarter also because of some of the projects have finished and we are just mobilizing. It will be around 72%,



- Jassim: This is Jassim again, other equipment is picking up. And I think it will increase. And as to the effects of the rain, I think there will be increase in other equipment for site preparation and rehabilitation.
- Ankit Gupta: That's indeed helpful. If I add one more question, please? That's related to your topic. So understand that you have increased your CAPEX guidance for this year. Just wondering what's the rationale behind the same, and then which particular sub-segments are you increasing the CAPEX per se. Thank you.
- Jassim: Basically, there are two types, which is additional equipment to the fleet and replacement. We have been significantly increasing our earthmoving and medium to smaller size of equipment, but still cranes are about 74% of our CAPEX this year. So, it does contribute considerably to the total CAPEX.
- Ankit Gupta: But in general, are you seeing any major cost inflation as well for the segments you look at as far as the CAPEX is?
- Jassim: Sorry?
- Ankit Gupta: Are you looking at any major cost inflation as well for the cranes from the feed you have.
- Jassim: Well, to be frank, for the last few years we have been negotiating directly with the manufacturer. So, the price increases for the last three to four years have been the same. Sometimes, we are affected by the currency, which we are taking care of and is working favorably this year.
- Ankit Gupta: Of course, thank you very much.
- Jassim: Thank you.
- Operator: Our next question comes from Mohamad Haidar from Arqaam Capital. Sir,, please go ahead.
- Mohamad Haidar: Hello. I have two questions, please. So the first one is on margins, gross margins in Q3. Joseph mentioned that they were relatively lower because of higher operating costs. Is this specifically related to Q3 season? Or should we expected to continue later in Q4 and next year? And what exactly is driving the higher operating costs this quarter? Second question is on the weather conditions in Kuwait, are they impacting your operations anyway, domestically and have they resulted in any losses that you weren't expecting? Thank you.



- Joseph: It is the operational costs that will increase, which is due to maintaining our standard, and some sort of competition also increased and to keep our qualified and technical manpower. And there are lot of safety and other standards that requires to be adhered to keep our operational efficiency high. Revenue wise, certain equipment which gives higher margin maybe reduced mainly because of relaxing the overtime component. So that is one of the reasons for the gross profit margin impact. And considering effects of rain, it is very temporary and which is not significant at all. In some way, in some cases, equipment, we may lose it but we will get compensated in other way around as explained earlier by Mr. Boodai. During rain and other disruption activities, for recovery purpose, we must use other equipment, hence we will get compensated and this weather fluctuation is very, very insignificant and not to worry.
- Jassim: Yeah, it's once in a blue moon, such things happen. Most of the time, it works to our favor, at the end of the day because we can bill for additional work that was never budgeted for.
- Mohamad Haidar: Understood. Thank you very much.
- Joseph: Thank you.
- Operator: Ladies and gentlemen, as a reminder, if you wish to ask a question, please press 01 on your telephone keypad. Thank you for holding. We no other questions. Your speaker, thank you for the conclusion.
- Mohamad Haidar: Thank you everyone for joining the call and thank you, Mr. Jassim and Mr. Joseph. And we you look forward to having you on with us next quarter.
- Jassim: Thank you very much. I hope we have answered and satisfied all the questions. If any more questions that you acquired, please don't hesitate to send it to Joseph and Mr. Ravi , who's in charge of the investor relations. We will be more than happy to answer and give you full picture if needed Thank you.
- Mohamad Haidar: Thank you.
- Joseph: Thank you.
- Operator: Ladies and gentlemen, this concludes our conference call. Thank you for participating. You may now disconnect.