



Transcript of Investor conference for the third quarter ended 30/9/2021

Mohamad Haider Hello, everyone, and welcome to the Integrated Holding Company Q3 2021 earnings webcast. This is Mohamad Haider from Arqaam Capital. And, as usual, we are joined today by Mr Joseph Fernandes, Group Financial Controller at Integrated Holdings and Mr Vinayak Prabhu, Finance Manager at Integrated Holdings. Over to you, Joseph.

Joseph Fernandes Hello, everyone. Greetings to all the participants for this earnings call for the third quarter of 2021. After showing an improvement in Quarter 2, the revenue and project activities slowed down in Quarter 3 of 2021. Moreover, the seasonal impact of the summer, with the lower working hours, resulted in lower volumes of business. Consequently, Quarter 3 net performance is negative KD 80,000 and YTD nine months net profit of KD 265,000.

New segment of business of port operations and oil field services have shown growth contributing 10.1% and 5.6% of the total revenue respectively. With the easing of COVID-19 restrictions, we are able to mobilize idle equipment from Kuwait to other GCC locations. This will help us to consolidate our revenue. The geographical share of the revenue from outside Kuwait has increased to 35% for the nine-month period of 2021 as against 26% in the corresponding period of the previous year.

Now, over to Vinayak who will provide highlights on the financial performance.

Vinayak Prabhu Good afternoon, everyone, and thank you, Mr Joseph. I hope you all are keeping safe. Allow me to walk you through the company highlights. Beginning with slide number 6 on revenue. Consolidated revenue for the group is KD 4.6 million during the third quarter of 2021 with a decline of 2.5% over the last year of 2020. And consolidated revenues for the nine months ended 30th September, 2021, at KD 15.6 million with an increase of 6.5% over the comparative period of 2020.

The COVID-19 pandemic-led uncertainties continues to have its impact on our business by way of reduction in rental rates and lower utilisation of equipment. Seasonal fluctuations have also affected the business volume.

Moving on to slide number 7 on net profit. Integrated Group registered a net loss during the third quarter with KD 80,000 compared to the loss figure of KD 341,000 of last year comparative period. For the nine months it witnessed a marginal net profit figure of KD 265,000 as against KD 1.5 million loss for the last year, 2020. Decline in the operational cost excluding depreciation for the nine-month period comparison was only 2% over last year since incurring of staff cost and fleet maintenance were maintained due to our nature of business for keeping our resources readily available for the demand expected in future.

Expected credit loss allowance on trade receivables were provided by KD 161,000 during the nine-month period in comparison to KD 1.4 million last comparative period.

Moving on to slide number 8 on revenue contribution by geography. At the group level, revenue share from Kuwait operations contributed majorly in the revenue composition, though during the nine months of 2021 it witnessed a decline of around 9% from the previous year's trend. Revenue from outside Kuwait includes revenue from Qatar and Bahrain, which have contributed 27% and 7% respectively to the total group revenue. Qatar operations revenue grew by 31% over last year, nine-month of 2020.



The next slide is on revenue contribution by operational segment. As you can see, equipment leasing income contributed almost 59% to the total revenue, though a decline of 7% is observed from the previous year's comparative period. Income from heavy-lift operations marked 18% to the total revenue 8% in volume compared to the previous year of 2020.

Oil field services revenue recorded a revenue of KD 882,000 during the nine-month period, thereby adding a 5.6% share to the total revenue. Our new operational segment, which is stevedoring operations have earned a revenue of KD 1.58 million and have thereby contributed with 10.1% to the total revenue.

Moving on to the next slide on the statement of financial position. Total assets stood at KD 97 million with shareholders' equity of KD 60 million. A few highlighting factors here are, one, on the capex front, KD 1.8 million is incurred on new equipment which is explained in a separate slide. Number 2, during the period under review, the group has repaid borrowings to the tune of KD 2.1 million. And number 3, capex creditors of KD 8.5 million was majorly spent for the new capex, import operations, which was recorded in Year 2020.

Moving on to slide number 11 on the statement of income. Revenue and net profit have been discussed earlier. EBITDA for nine months stood at KD 7.9 million compared to KD 5.1 million in nine months of 2020. Depreciation expenses on assets have gone up by 10% from the previous year's comparative period due to the new addition of third quarter and fourth quarter of 2020, as well as the current year addition.

Finance cost, as you can see, has remained almost the same. Earnings per share stood at 1.05 fils per share as on 30th September, 2021, compared to loss per share of 6.26 fils per share for the respective period. The previous year's EPS has been restated for the bonus shares approved and issued in 2021.

Moving on the next slide, which is equipment utilisation, especially on the cranes. Utilisation of equipment in general continues to remain the same with the previous quarter's trend. Cranes which contribute 62% of revenue stood at 40% for the third quarter of 2021, as against 36% last year. In the case of other equipment, the utilisation analysis is as follows.

One, earth moving equipment contributed almost 35% in Q3 2021 compared to 34% in Q3 2020. Two, boom trucks, continued at 57% utilisation, which is an increase of 6% from the last year, same period. And, three, forklift, which has shown a marginal increase of 4% over last year's comparative period. Whereas man lift gave a utilisation of 41% for the third quarter in 2021.

Moving on to slide number 14 on capital expenditure. The company has incurred a total of KD 1.8 million during the nine-month period of 2021, which, in terms of equipment category, a major value was spent on the purchase of cranes which are utilised in Qatar. And for the fourth quarter of 2021, we do not anticipate any major capex spending.

That's all from my side. And thank you all for joining the earnings call. I think we can open up for Q&A. Thank you all, and over to Mr Haider.

Operator If you would like to ask a question, please type your question in the chat box on your screen now. As a reminder, if you would like to ask a question, please type your question in the chat box on your screen now.

Mohamad Haider We have a question from Zohaib. What is the update on the project in Qatar?

Joseph Fernandes Well, Qatar, there is good news. Many of the projects there have been awarded. It is relating to the North Field Expansion. And the main contractors in one package is Japan's Chiyoda



Corporation. They have already awarded subcontracts to other contractors. The work of execution, they are planning it up. And as per our assessment, it is likely to start more work in the second half of 2022. In the beginning, there will be smaller activities. But major activities relating to these projects will start from second or third quarter of 2022.

As you may be aware that the total value of the project is more than \$30 billion in addition to... Some other packages will be there. Awarded project is above 30 billion. That's all.

Operator As a reminder, if you would like to ask a question, please type it in the chat box on your screen now.

Mohamad Haider We have a question from Wadie. How much additional upside do you expect from the stevedoring business?

Joseph Fernandes Well, the volume of the business in port is very low. It is not as anticipated by us. And there are three other contractors also working in the port. We don't expect too much growth unless there is increase in the volume considerably.

Mohamad Haider Another question from Zohaib. Do we have an update on projects in Kuwait?

Joseph Fernandes Well, projects in Kuwait are very slow. And we expect petrochemical projects to come soon. It can start in Year 2023. Hopefully, in Year 2022 they will finish the tendering process and award. Execution may start in 2023. That is a big project, more than \$10 billion.

In addition to that, small projects in Kuwait Oil Company, it is going on. Recently, there is one project called Jurassic Production Facilities. It is in the final stage of award, tendered and they have already been closed. And hopefully, in another one or two months they will start the awarding and execution process. The value of the project is around \$824 million.

And other projects, airport expansion project is going on. That can go another six months to one year. Besides that, major projects relating to our field are not there at this moment. That's all.

Operator There are no further questions at this time.

Mohamad Haider Thank you, Joseph. We don't have further questions. Back to you for any final remarks.

Joseph Fernandes Thank you.

Mohamad Haider So, that concludes our call today. Thank you, everyone, for joining.

Joseph Fernandes Thank you, everyone.

Vinayak Prabhu Thank you.



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Q3 2021 Results

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IHC Overview

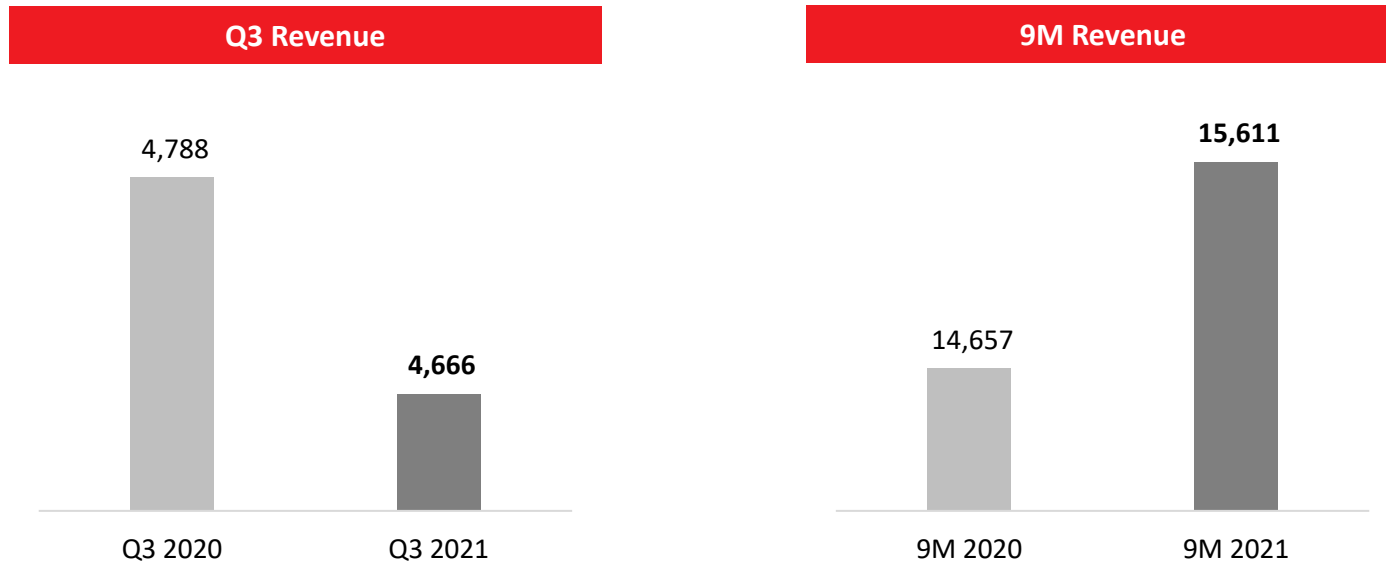
After showing improvement in Q2, the revenue and project activities slowed down in Q3 of 2021. Moreover, seasonal impact of the summer with lower working hours also resulted in low volume of business. Consequently, Q3 net performance is negative KD 79K and YTD 9 months net profit is KD 263K.

New segment of business of Port operations and Oil field services have shown growth, contributing 10.1% and 5.6% of the total revenue respectively.

With the easing of COVID 19 restrictions, we are able to mobilize idle equipment from Kuwait to other GCC locations. This will help us to consolidate our revenue and the geographical share of the revenue from outside Kuwait increased to 35% for nine months' period of 2021, as against 26% in the corresponding period of the previous year.

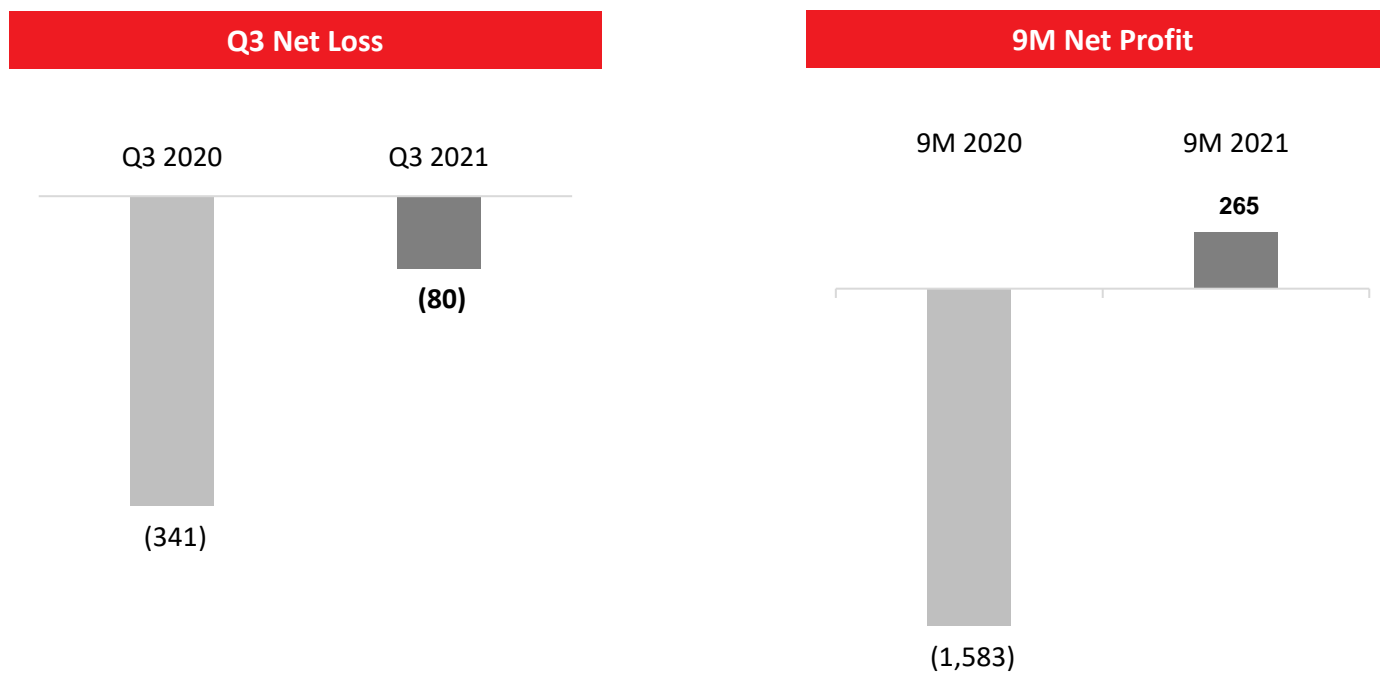
Financial Highlights

- Revenues shown a decline of 2.5% YoY in Q3 2021 and an increase by 6.5% YoY during 9M 2021.



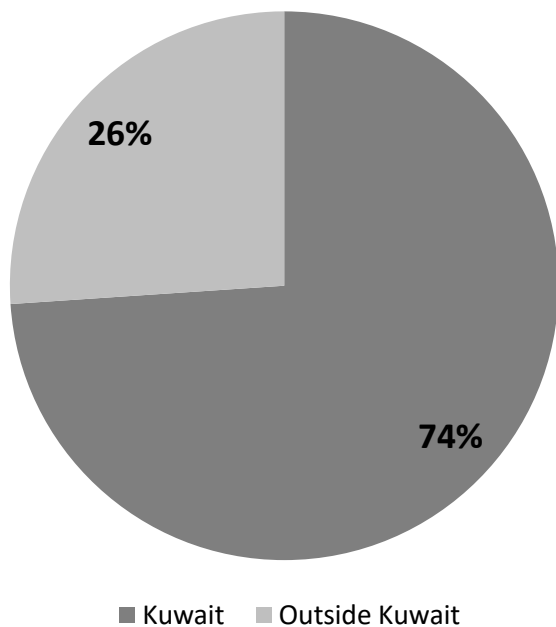
Note: Figures in KWD thousands

- Net Loss decreased by 76.6% YoY in Q3 2021 and registered a Net Profit for 9 Months period.

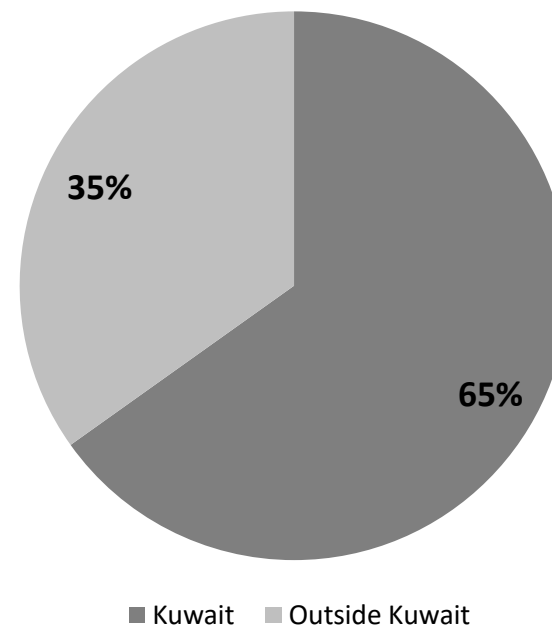


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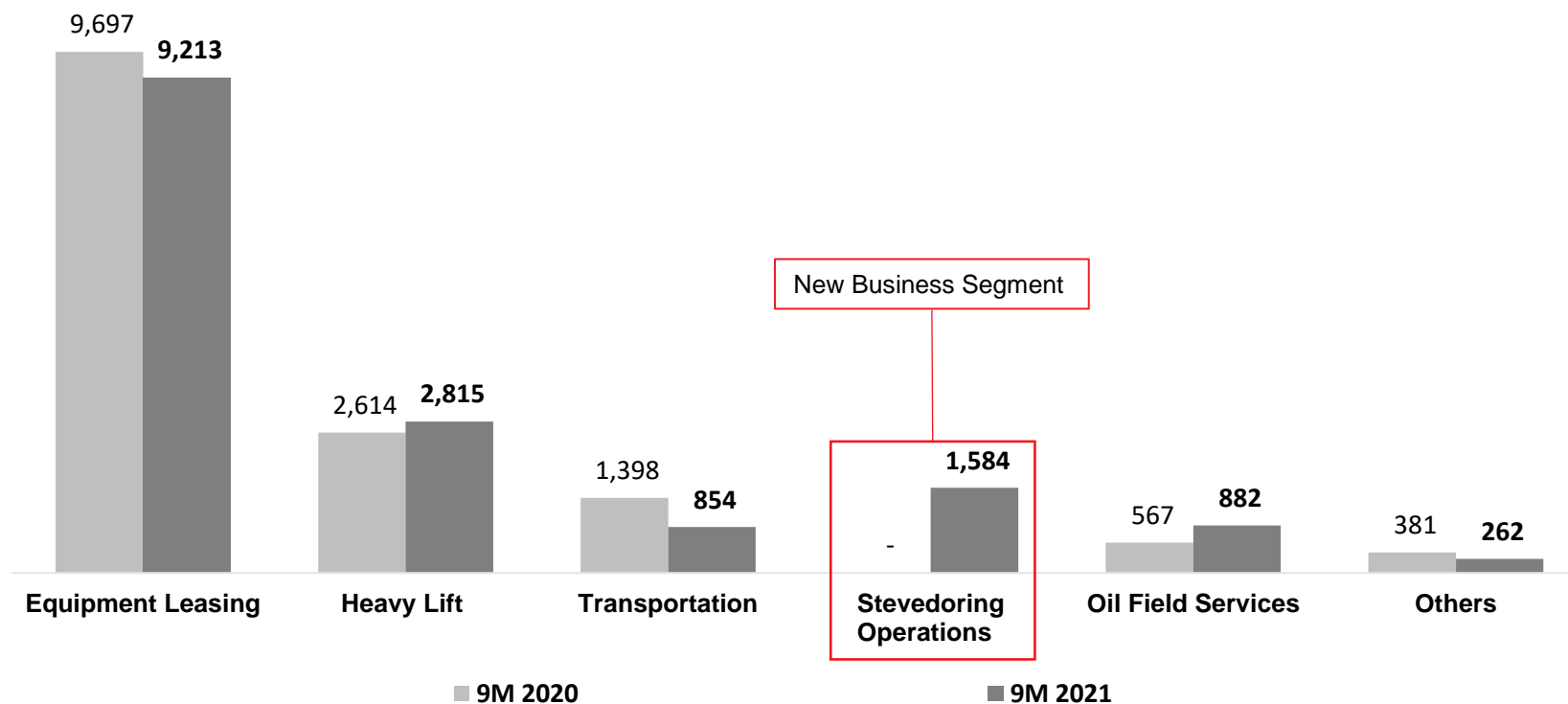
9M 2020



9M 2021



Revenue Contribution by Operational Segment



Note: Figures in KWD thousands

Financial Position

	9M 2021	9M 2020	Change (%)
Current Assets	17,818	15,085	18.1
Property & Equipment	77,444	76,628	1.1
Right-of-use Assets	597	653	(8.6)
Intangible Assets	827	828	(0.1)
Deferred Tax Asset	194	-	-
Total Assets	96,880	93,194	3.9
Borrowings	20,968	23,600	(11.1)
Capex Creditors	8,477	932	809.5
Trade & Other Liabilities	6,337	7,482	(15.3)
Lease Liabilities	691	733	(5.73)
Shareholders' Equity	60,407	60,447	(0.1)
Total Equity & Liabilities	96,880	93,194	3.9

Note: Figures in KWD Thousands

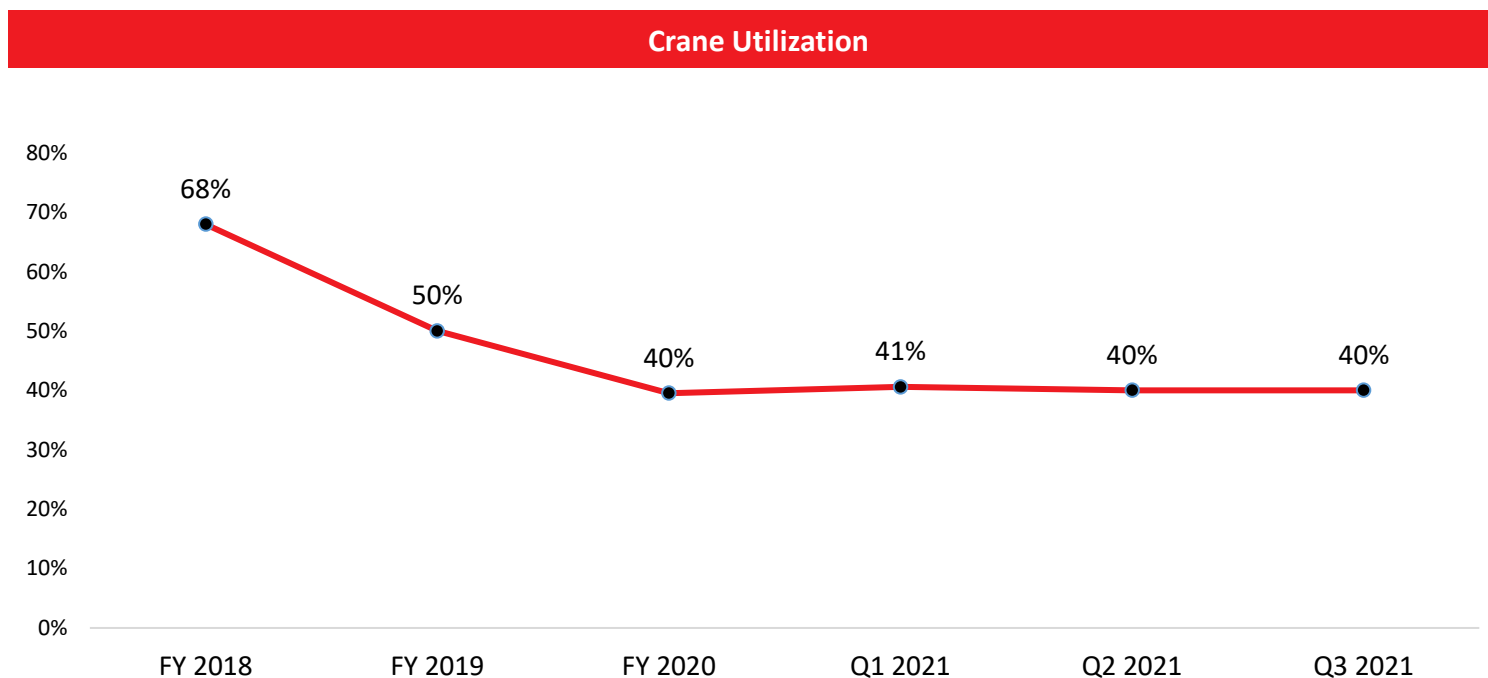
Statement of Income

	Q3			9M		
	2021	2020	Change %	2021	2020	Change %
Revenue	4,665	4,787	(2.5)	15,611	14,657	6.5
EBITDA	2,118	1,999	5.9	7,105	5,112	38.9
Depreciation	(2,234)	(2,030)	10.0	(6,664)	(6,058)	10.0
Finance Costs	(196)	(181)	8.3	(504)	(509)	(0.9)
Net Profit / (Loss)	(80)	(341)	76.5	265	(1,583)	116.7
Earnings / (Loss) Per Share (fils)	(0.32)	(1.35)	76.3	1.05	(6.26)	116.7

Note: Figures in KWD Thousands

Company Highlights

- Cranes, which contributes to the Revenue around 62%, has maintained in utilization rate during the third quarter of 2021 as previous quarter.



- During the nine months of year 2021, the company has incurred an amount of KD 1.8 Million in the nature of Capital Expenditure based on the commitments made earlier, to be used for expected new projects and for new contracts.

	Kuwait	Qatar	Total
Capital Expenditure	432	1,408	1,840

Note: Figures in KWD Thousands

info@integrated-me.com