



KUWAIT : 3/4/2024

الكويت في: 2024/4/3

To: Boursa Kuwait Company

السادة / شركة بورصة الكويت المحترمين،،،

تحية طيبة وبعد ،،،

**Subject: Analyst / investors
Conference Transcript for Q4-2023**

**الموضوع : محضر مؤتمر المحللين / المستثمرين
للمربع الرابع من عام 2023**

With reference to the above subject, and pursuant to the requirements of Boursa Kuwait Rules , as per Resolution No.(1) /2018 kindly note that the quarterly Analyst / Investors Conference (Q4/2023) was held through a Live Webcast on Monday: 1/4/2024 at 2:00 pm local time.

بالإشارة الى الموضوع أعلاه ، وعملاً بقواعد البورصة الصادرة بموجب القرار رقم (1) لسنة 2018 نحيطكم علماً بأن مؤتمر المحللين / المستثمرين للمربع الرابع من عام 2023 قد انعقد في يوم الاثنين الموافق 2024/4/1 في تمام الساعة الثانية ظهراً وفق التوقيت المحلي عن طريق البث المباشر علي الانترنت (webcast).

Please refer to the attachment for the minutes of the Conference (Q4/2023).

مرفق طيه محضر المحللين / المستثمرين للمربع الرابع لعام 2023 .

Yours sincerely,

وتفضلوا بقبول وافر الاحترام ،،،

Mahmoud Ahmed Abdelhamid
BOD Secretary

محمود أحمد عبد الحميد
امين سر مجلس الإدارة



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Analyst / Investors Conference Transcript Q4 2023

Mohammad Haidar : Hello everyone and welcome to the Integrated Holding Company Fourth Quarter and Full Year 2023 earnings call. This is Mohammad Haidar from Arqaam Capital, and from Integrated Holding we are joined today by Mr. Joseph Fernands- group financial controller and Mr. Mouath Al Rayyes, head of investor relations. Over to you Joseph.

Joseph Fernands: Thank you, greetings to all the participants in this analyst call for the Q4 and Full Year 2023.

The performance for the year 2023 cemented the recovery path of growth, noteworthy being significant increase in the operating profit by 142% compared to the previous year. The Net Profit for the year 2023 is KD 4.1 million, an increase of 29% compared to the Net Profit of KD 3.2 million in 2022. Net profit growth is not commensurate with the operating profit growth due to the incremental provision of KD 1 million for expected credit loss as per IFRS 9, finance cost increased by KD 0.7 million to support additional CAPEX and other income during 2023 is lower by KD 0.97 million.

The overall market in project spending in the region has shown the momentum of growth except for Kuwait. Implementation of major projects in Qatar and the KSA will give us momentum for higher utilization of our Equipment going forward, despite the slowdown in Kuwait. Though the utilization of the equipment has shown recovery, the challenges of lower revenue rates is still a threat, and with the acceleration of project implementations from 2024 onwards there is a hope for upward revision in the revenue rates.

A cash dividend of 20 fills per share has been recommended by the Board of Directors, a payout ratio more than 100% of 2023 earnings. This reflects the confidence of the Board in the Company's earnings in the future.

Now, moving over to the highlights on financial performance. Revenues for year 2023 increased by 27% compared to the revenues for year 2022, while comparative revenue growth figure in 2022 was 18%. For the Q4 23 vs Q4 22, revenue growth is 38%. Net profit for the year 2023 is KD 4.1 million higher by 29% compared to KD 3.2 million net profit for year 2022. Net profit in Q4 2023 is KD 1.2 million showing an increase of 74% compared to Q4 2022.

As for revenue composition by geography, share of the revenue from the Kuwait operations for 2023 is 48%, which was at 49% during the year 2022. The share of revenue from operations outside Kuwait, that is from Qatar, Bahrain, and KSA has improved to 52%, from 51%.

Revenue contribution of each operating segment is presented in slide 9. Equipment leasing is the major contributor to the total revenue with 71.4% to the total revenue and increased by 20% in 2023 compared to the previous year. Port operations revenues contributed 21.7% to total revenues and has significantly increased by 69% versus the year 2022. Revenue from oil field services contributes 3% to total revenues, with marginal increase of 3% over the previous year.



In the Statement of Financial Position, property and equipment increased by 18% over the previous year, due to the capital expenditure of KD 22m during 2023. Net receivables increase contributed to the current asset increase of 6% compared to 2022. On the liability side, bank borrowings increased by KD 13m to support the capital expenditure. Significant increase in borrowing resulted in an increase in debt-to-equity ratio to 0.51x vs. 0.31 in 2022.

Moving to the Statement of Income, explanations on revenues and net profit has been discussed in the previous slide. Here, EBITDA increased by 17% during 2023, which is 48% of the revenue. EBITDA to revenues is lower by 4% compared to the previous year, mainly due to the provision of KD 1.27m for expected credit loss during 2023.

There is an overall increase in equipment utilization ratio during 2023, mainly the utilization rate of the cranes to 53% from 50% in 2022. Utilization of other equipment on an average have also shown similar increase.

On capital expenditures, KD 22m is the total capital expenditure during 2023, and was used to strengthen our equipment pool to take up the additional demand for heavy equipment for the additional projects. 69% of this capital expenditure is in Qatar. Notably 90% of this capital expenditure was dedicated for the procurement of cranes. For the year 2024, planned capital expenditure will be around KD 17m.

That is all from my side, thank you all for joining, and now I'm open for Q&A. Over to Mr. Haidar and thank you all for joining.

Mohammad Haidar : Thank you Mr. Joseph. If you wish to ask a question, please type it in the chat box and send it directly to Arqaam Capital.

Mohammad Haidar : Have the company pursued some projects in Qatar in general, and in the North Field project in specific?

Joseph Fernands: We have regular contracts with Qatar Gas, Qatar Petroleum, and Qatar Shell, those are long term basis. In addition, since last year the North Field expansion project also started, and we are the subcontractor with other EPC contractors. These contracts are ongoing.

Mohammad Haidar : What is your expectations on utilization rates in 2024?

Joseph Fernands: We are targeting utilization rates to touch 58%-60% during 2024.

Mohammad Haidar : Have you mobilized any equipment from Kuwait to Qatar?

Joseph Fernands: Mobilization of equipment was taking place since the last 2-3 years. It depends on the demand and how we balance the demand in the region. Most of last year's new equipment have been sent to Qatar.

Mohammad Haidar : Crane utilization was expected to increase to more than 60% but that did not happen in 2023. Can you explain why?

Joseph Fernands: We were expecting utilization to pick up during the year end before December 2023. However, there was a delay in execution and implementation of projects in Qatar specifically.

Mohammad Haidar : Can you please shed some light on the total number of fleet expansion in 2024?



Joseph Fernands: We have a planned capital expenditure of KD 17m during 2024.

Mohammad Haidar : What is the outlook on ECLs going forwards. Is it safe to expect that gain of sales will be relatively lower as well due to higher utilization rates.

Joseph Fernands: ECL provision was created based on IFRS 9 provisions where we have already filed legal cases and expect to receive this claim favourably in our side, which may be realised in the year 2024 or 2025, its difficult to tell now. Going forward the ECL provision will not be much.

Mohammad Haidar : Can you please comment on the reasons for the increase in General and Administrative expenses during Q4?

Joseph Fernands: During Q4 General and Administrative expenses have increased mainly in the subcontracting and mobilization expenses, which was required to mobilize a lot of idle fleet from Kuwait to KSA where the area of operation is larger. Other increases in expenses are in line with the scale of operation increase, exception being subcontracting and mobilization expenses.

Mohammad Haidar : Can you also please comment on the trend of leasing rates of the cranes in Qatar, Saudi, and Kuwait.

Joseph Fernands: Leasing rate is almost steady in all the regions. Leasing revenue rates hasn't picked up in Kuwait. In Qatar, we were expecting that it will improve on project execution, but the demand side hasn't picked up and we are expecting acceleration in project implementation in 2024, more in Q2 or Q3 2024 where we can see an increase in the rate. In KSA, the rates are slightly higher than that of Kuwait and Qatar. Again, the operating cost is also higher in KSA.

Mohammad Haidar : Can you please give us the size of the fleet currently, and how much do you expect it is going to increase to in 2024 and 2025?

Joseph Fernands: Current size of the fleet, including equipment of all sizes is 2,555. This fleet can increase another 60-70 units on the bigger capacity equipment. However, for smaller capacity equipment, we can increase 100 or 200 units, but we are waiting for the confirmed orders.

Mohammad Haidar : How much contribution is expected from KSA in 2024?

Joseph Fernands: 8% of our total revenues are from KSA, and we are expecting to add another 6-7% in the coming years, to around 14-15% of total revenues.

Mohammad Haidar : Any updates on the expansions of port operations?

Joseph Fernands: We have done significant increase in the last year. During 2024, there won't be much higher revenues from port operations.

Mohammad Haidar : We saw gross margins increasing to 35% in Q4, do you think these are sustainable in 2024, and can they grow beyond that?

Joseph Fernands: We think it is sustainable according to current market trend, with potential for higher margins later.



Mohammad Haidar : Why increasing the Capex to buy more fleet, despite utilizations not reaching 90% or 100%?

Joseph Fernands: Utilization is based on the demand side of the project. Currently, project implementation is in the starting stages and hasn't picked up. As a result, our utilization rates during the past few years have been low. In 2023, there has been a 3% improvement, and we expect 5-7% more utilization in 2024, with similar increase in 2025. For our type of equipment, specifically cranes, 90% utilization target is very difficult to achieve due to mobilization, maintenance, and other issues.

Mohammad Haidar : Can you please provide revenue and profit guidance for 2024?

Joseph Fernands: We are anticipating an increase of 20% in both revenues as well as profit.

Mohammad Haidar : Have you reached peak leverage, or do you expect the leverage to continue going up in 2024 due to further expansions.

Joseph Fernands: It may go up a little bit because of expansions and growth targets. In 2024, there will be a higher leverage, and from 2025 onwards we are bringing it back to normal levels.

Mohammad Haidar : If you are expecting revenues to grow at 20%, why are you also expecting bottom line to grow at the same rate and not higher due to operating leverage.

Joseph Fernands: Expanding into KSA, and higher depreciation because we are adding new capital expenditure and increased finance cost. However there will be a good jump in EBITDA. Net profit can grow more than 20% while revenues growing at 20%, there is chance for that, especially in the case of lower financing costs.

Mohammad Haidar : Any risk of a slowdown in Kuwait?

Joseph Fernands: Currently the slowdown is continuing, I don't expect more slowdown. But we are targeting for new projects, which may come in 2025 or 2026.

Mohammad Haidar : It appears we don't have any further questions. Thank you everyone for joining today, and we hope to see you in the next quarter. Take care.

Joseph Fernands: Thank you Mr. Haidar and thank you to all the participants.



Integrated Holding Co. KSCP
Analyst Conference
Q4 2023 Results

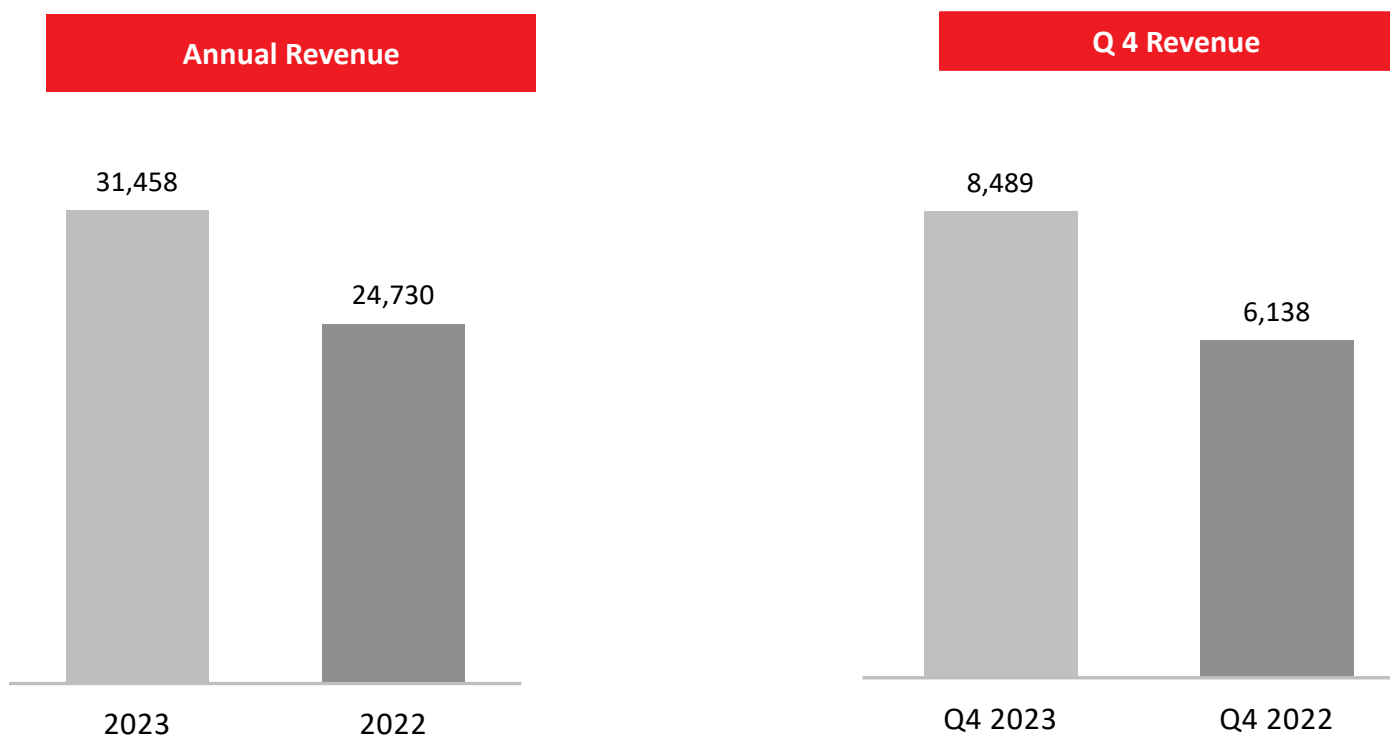
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IHC Overview

- The performance for the year 2023 cemented the recovery path of growth, noteworthy being significant increase in the operating profit by 142% compared to the previous year.
- The Net Profit for the year 2023 is KD 4.1 million, an increase of 29% compared to the Net Profit of KD 3.2 million in 2022. Net profit growth is not proportionate with the operating profit growth due to the incremental provision of KD 1 million for expected credit loss as per IFRS 9, finance cost increased by KD 0.7 million to support additional CAPEX and other income during 2023 is lower by KD 0.97 million
- The overall market in project spending in the region has shown the momentum of growth except for Kuwait. Implementation of major projects in Qatar and the KSA will give us momentum for higher utilization of our Equipment going forward, despite the slowdown in Kuwait.
- Though the utilization of the equipment has shown recovery, the challenges of lower revenue rates is still a threat, and with the acceleration of project implementations from 2024 onwards there is a hope for upward revision in the revenue rates.
- A cash dividend of 20 fills per share has been recommended by the Board of Directors, a payout ratio more than 100% of 2023 earnings. This reflects the confidence of the Board in the Company's earnings in the future.

Financial Highlights

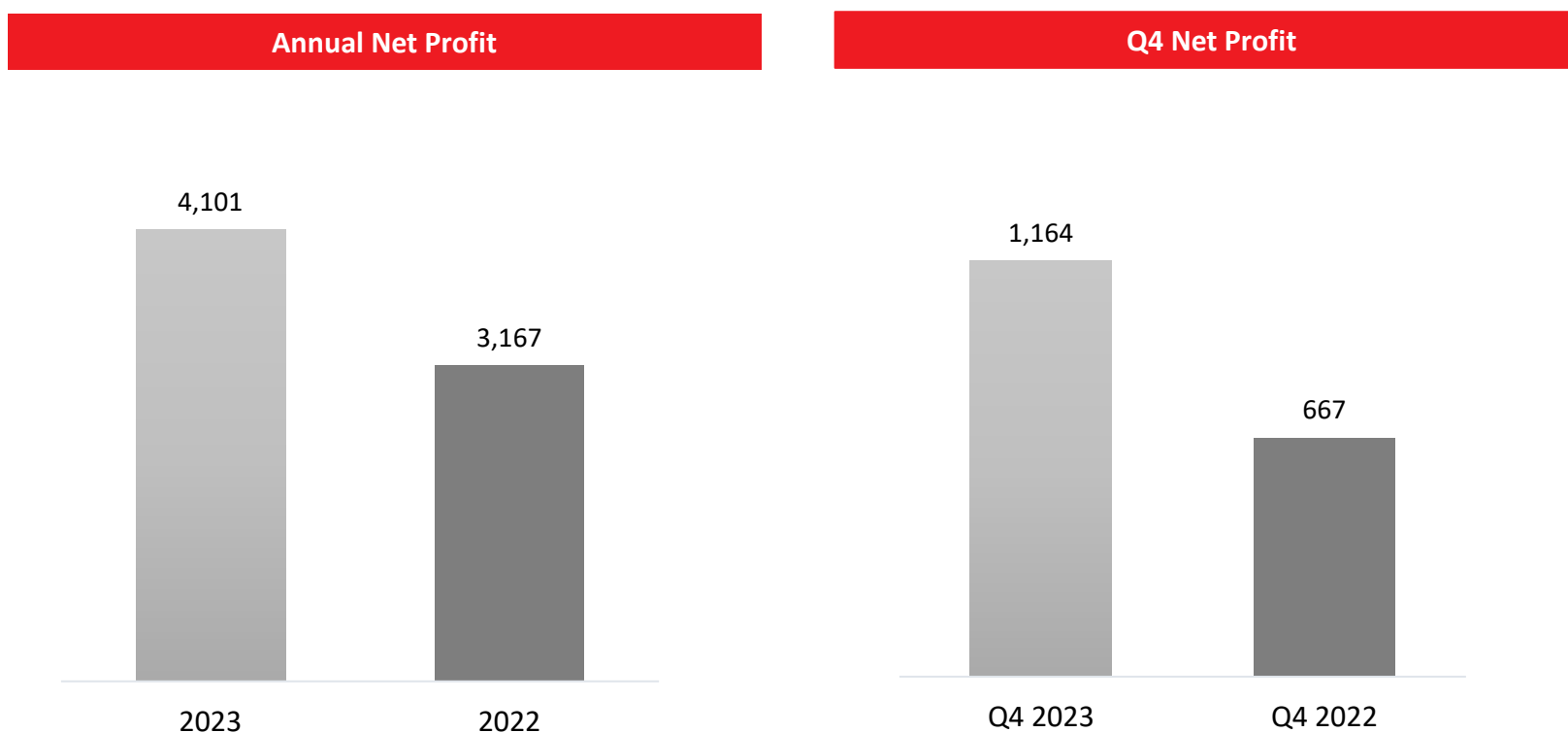
- Revenues for year 2023 increased by 27% compared to the revenues for year 2022, while comparative revenue growth figure in 2022 was 18%. For the Q4 23 Vs Q4 22, revenue growth is 38%



Note: Figures in KWD thousands

Net Profit

- Net profit for the year 2023 is KD 4.1 million higher by 29% compared to KD 3.2 million net profit for year 2022.
- Net profit in Q4 2023 is KD 1.2 million showing an increase of 75% compared to Q4 2022.

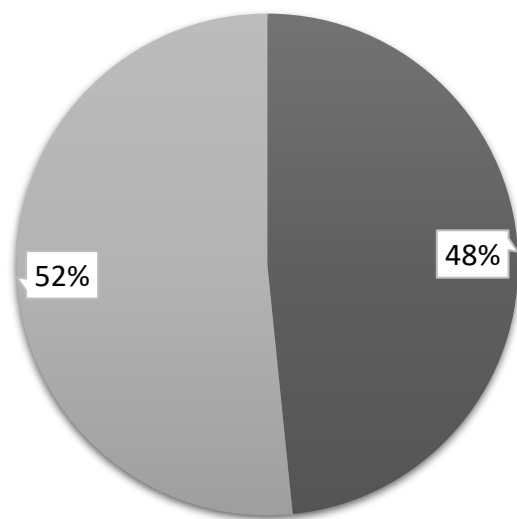


Note: Figures in KWD thousands

Revenue by Geography

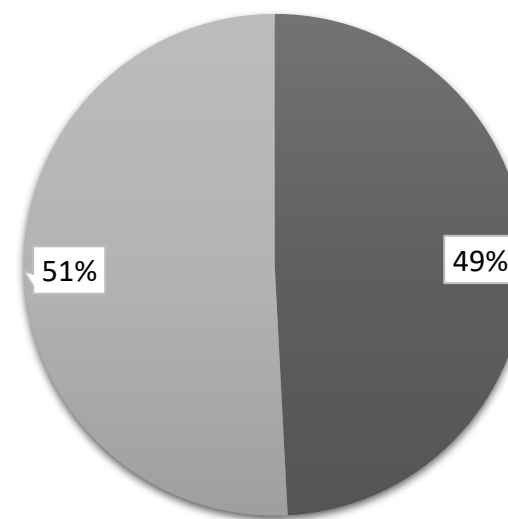
- The share to the total revenue from Kuwait region dropped to 48% comparing to 49% in 2022.

2023



■ Kuwait ■ Outside Kuwait

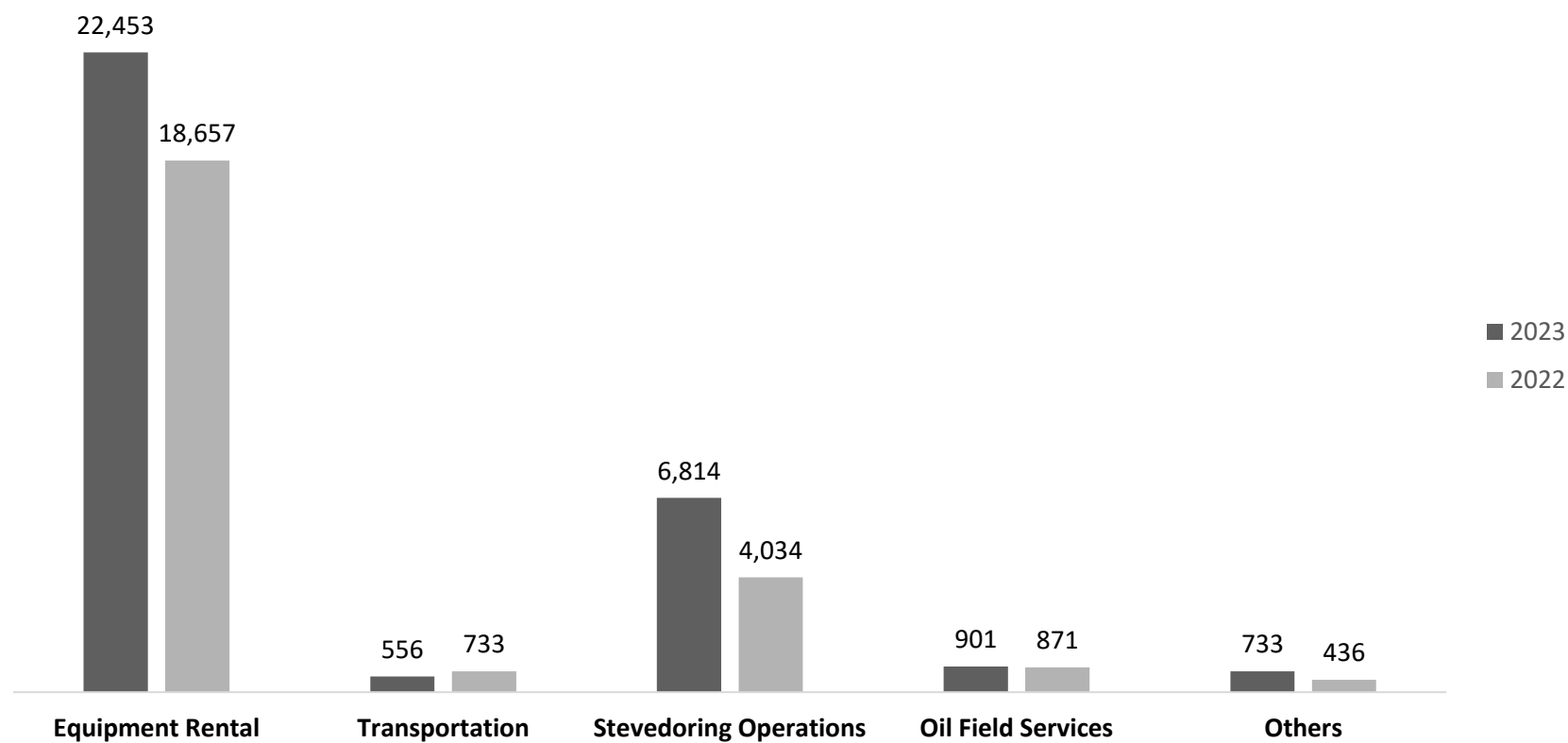
2022



■ Kuwait ■ Outside Kuwait

Revenue by Segment

Revenue Contribution by Operational Segment



Note: Figures in KWD thousands

Financial Highlights

Financial Position			
	2023	2022	Change (%)
Current Assets	18,213	17,198	5.9
Property & Equipment	82,862	70,171	18.1
Right-of-use Assets	519	539	(3.7)
Intangible Assets	712	712	
Deferred Tax Asset	271	238	13.9
Total Assets	102,577	88,858	15.4
Borrowings	32,416	19,411	67
Capex Creditors		0	
Trade & Other Liabilities	6,416	6,133	4.6%
Lease Liabilities	656	656	
Shareholders' Equity	63,089	62,658	0.7
Total Equity & Liabilities	102,577	88,858	13.9

Note: Figures in KWD Thousands

Statement of Income

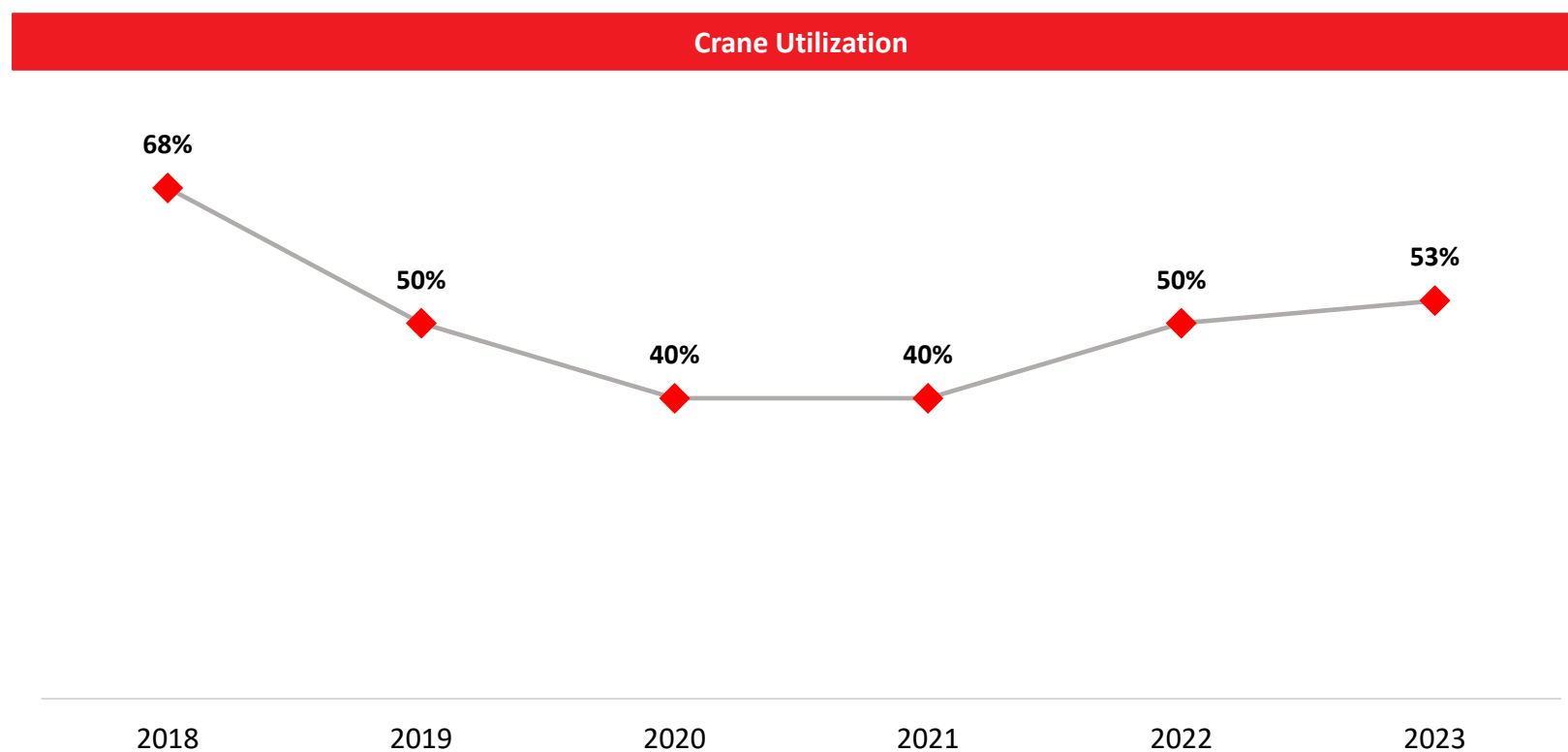
	Quarter 4			Full year		
	2023	2022	Change %	2023	2022	Change %
Revenue	8,489	6,138	38	31,458	24,730	27
EBITDA	4,165	3,220	29	15,192	12,975	17
Depreciation	(2,541)	(2,317)	10	(9,641)	(9,090)	6
Finance Costs	(461)	(236)	95	(1,451)	(717)	102
Net Profit	1,164	667	75	4,101	3,167	29
Earnings Per Share (fils)	4.60	2.61	75	16.21	12.52	29

Note: Figures in KWD Thousands

Company Highlights

Equipment Utilization - Cranes

- The utilization of equipment has shown improvement and the utilization of the cranes during 2023 increased to 53% from 50%.



- KD 22 million is the total capital expenditures during 2023 to strengthen our equipment pool to take up the additional demand for heavy equipment for upcoming projects, 69% of this capex is in Qatar. Notably, 90% of this capital was dedicated to the procurement of cranes.
- For the year 2024, planned capital expenditure would be KD 17 million.

Note: Figures in KWD Thousands

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