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**KUWAIT: 17/3/2019**

**TO: BOURSA KUWAIT,**

**AFTER GREETINGS,**

**Subject: Analyst / investors Conference for fourth 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 : 14/3/2019 at 1:30 pm local time.

Please refer to the attachment for the minutes of the conference and presentation (Q4/2018)

**Yours sincerely,**

**Jassim Mustafa Boodai**

**Vice chairman and CEO**

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# Analyst / investors Conference for fourth quarter 2018 report

Operator: Ladies and gentlemen, welcome to Integrated Holding Company earnings Conference Call for the fourth quarter 2018. I'm going to hand over to your host, Mr. Mohamad Haidar. Sir, please go ahead.

Mohamad: Good afternoon ladies and gentlemen, and welcome to the Integrated Holding Company Q4 and full year 2018 earnings conference call, which is hosted by Arqaam Capital. This is Mohammed Haidar from Arqaam Capital Research, and I'm joined today by Mr. Jassem Mustafa Boodai, Vice Chairman and CEO of IHC and Mr. Joseph Fernandes, Group Financial Controller.

I will now hand over the call to Mr. Jassem for a quick overview and then Mr. Joseph can take over for a more detailed information. Mr. Jassim, please go ahead.

Jassim: Thank you very much Mohamad. Welcome all. I appreciate your attendance and I'll just give you a brief about 2018. Definitely 2018 was our best year ever from inception. We managed to achieve higher results , revenue and profits and utilization.

We managed to reach 41.9 million KD as a turnover and our net profit was KWD 17.2m with a growth of 29.5% year on year.

Our utilization of the equipment has been very very well, especially here in Kuwait and we managed also during this year to reduce our finance cost. Our debt has been reduced considerably and there was a gain in the foreign exchange, against a loss in last year.

This year the board has recommended dividend of 40 fils per share, although in the year 2017, it was 30 fils and during the IPO, we committed for 37 fils. But due to our increased profits and the overall performance, we decided to pay out 40 fils. I will now hand over the talk to Joseph, who will take you through the figures and I'll be also here with you. Thank you.

Joseph F.: Thank you, Mr. Boodai. Greetings to all the participants and welcome to you all.

Revenue for the full year 2018 recorded, was around KWD 42 million, which is 5.4% higher comparing with the revenue figure of the previous year. However, the Q4 revenue was lower, it is KWD 9.8 million versus KWD 12m for 2017, a drop of 18%. Main reason being, during last quarter of year 2017, we executed major shutdown maintenance jobs in petrochemical plant. Such jobs are not of repeated nature every year.

Moreover, in Q4 2018, the revenue rates have dropped mainly in smaller range of equipment. In addition, due to the completion of some projects like clean fuel project in KNPC requiring re-mobilization of the equipment, temporarily have brought down utilization rate.

Moving to the next slide about net profit. Net profit for the year showed an increase of 29.5% over the previous year; however, Q4 net profit dropped by 26%, mainly due to the reason of drop in revenue as explained earlier. And also, shutdown maintenance jobs created better utilization of the equipment, boosting the margins in 2017. This type of fluctuation is expected whenever we handle shutdown maintenance jobs and heavy lift jobs in big scale.

Moving to the slide number eight: Revenues by Operational Segment. Operational equipment leasing, heavy lift, transportation, and others are the main revenue segment. The contribution to the revenue by each segment is almost same except in the year 2018, Heavy lift share increased by 2% to 28% and corresponding 2% drop is in the operational equipment leasing.

Revenue by Geography. Our operations are mainly in Kuwait and Qatar. Kuwait contributed around 89% of the revenue, whereas Qatar contributed 11% of the total revenue which is the same as that of year 2017.

Now, moving to the slide on the balance sheet, we see current assets are marginally higher by 3.2%. However, the receivables have dropped by 3% and other increases in inventory of spare parts and cash and bank balance. Property and equipment have increased, as there was addition of KD 14.6 million during 2018.

We have significantly reduced the bank loan from KWD 18 million to KWD 6 million. For the clarity purpose, we have reclassified trade liabilities like liability related to the Capex financing, which, includes LC financing, by foreign banks as Capex creditors, that is around KWD 12.3 million, and the local and foreign suppliers for capital equipment purchases, around KWD 1 million, aggregating to 13.3 million.

The outstanding of Capex crediors have increased by KWD 3.4 million, during the year. The LC refinancing is with lower financing cost around 1.2% per annum. Most of the Capex credits are due for payment in the year 2019. Since most of these outstanding are in foreign currency, we are going to settle the same by taking advantage of favourable exchange rates.

Trade and other liabilities have increased by KWD 1.6 million, which includes increase in trade liabilities by 0.7 million, followed by increase in the accrued expenses and statutory payments, including NLST by KWD 1 million.

Now, preceding to the statement of income. The revenue and net profit have declined in the fourth quarter and increase for the full year already been explained to you. EBITDA For the full year is up by 5% in value basis, however EBITDA margins for the year is almost same whereas for the fourth quarter it was lower by 21% due to lower revenue and in the year 2017, fourth quarter had added margins in shutdown maintenance revenue, which had contributed better profits. This has similar impact on gross profit margin variance between two periods

Coming back to slide 11, relating to the key statistics.Net Profit margins for the year 2018 increased to 41.1% comparing with 33.4% for 2017. The profit on sale of equipment, which is around 1.4 million and gain from foreign exchange, which is 0.8 million has supported the increase in net profit margins in 2018 The Company has very healthy return from total assets, which increased to 17.9%, as well as very healthy return on equity, which also has improved by 2%, to 25%.

Capital Expenditure slide 12 is self explanatory. We have spent around 14.6 million on new assets, out of which KWD 2.9 million are replacement assets, and we have increased capital expenditure in Qatar substantially to KWD 4.7 million, which was KWD 0.9 million in 2017, to be ready for new projects, which we are expecting to start from the year 2019.

Unlike previous years, we are broadening the base of equipment by investing more in other assets beyond cranes. In previous years, more than 80% of the Capex used to be in cranes.

And an additional piece of information, equipment utilization has gone down in the last quarter of 2018. On an average, cranes utilization is down to 68% from 74%, whereas other categories there is improvement like boom truck cranes utilization has increased to 73% from 63%. and earthmoving equipment utilization has gone up by 4% to 61%. Forklift utilization has increased from 63 to 68%.

Our strategy is to increase count of other equipment with better utilization.

Now, handing over to Mohamad.

Mohamad: Thank you, Joesph. Operator, may we switch to Q&A please?

Operator: Ladies and gentlemen, we will now start our question and answer session. If you wish to ask a question, please press 01 on your telephone keypad. Thank you for holding until we have our first question.

Ladies and gentlemen, I would like to remind you that if you have any questions, please press 01 on your telephone keypad. Thank you for holding.

We have a question from Abdullah from NBK Capital. Please go ahead.

Abdullah: Hello, thank you gentlemen for the presentation. Thank you and congratulations on the results. I have a couple of questions, if you could shed some more light on what's happened in Q4, if we could see the utilization levels and the revenues continue to be the same for '19 or was it a one off in terms of both top line or bottom line?

Joseph F.: As explained earlier, in Q4 there was drop in revenue there, especially in the case of smaller equipment, because when we announced our IPO, a lot investors and business people were attracted in the business, and then smaller equipment like 25 tons crane, 50 ton cranes have started coming into the market, which has driven the market rates lower. So in the small equipment, we have to drop the rate to be competitive in the market.

Secondly, the Clean Fuel project, it was intended for three years, started winding up, and we were required to demobilize the equipment. From one project to other project, when we demobilize, of course there is reduced utilization. That drives our margins lower. When we compare that with the 2017, I have explained there was exceptional revenue due to shut down maintenance jobs in Kuwait, which was good to boost the margins in the year 2017 and, we had a very good contribution in one month approximately 1.5 million revenue we had generated.

This will happen in every two or three years. We expect this could happen again in the year 2020. This is a major shut down, what you are talking about. In addition to that, in other plants also, the likelihood of shut down maintenance job, like in Qatar gas, this type of shutdown jobs we are ready to take challenges to improve our revenue in any quarter of the year.

When such types of revenue or additional job comes, we expect some fluctuation in our earnings. I hope I have clarified the issue.

Abdullah: Thank you, sir. Just one more thing, if we look at Q4 and consider it to be the base, Q4 2018, would you say that you are expecting better rates and better utilization for 2019, or will it be more of the same?

Jassim: I believe in 2019, the year started a little bit slower than usual, but picked up quite well now. As we move forward, we can see that we are going into the right direction. January was slower than usual, it really was too slow, I think that was an effect of rain and other things that happened during the end of the year where a lot of the sites were not prepared to handle heavy lift jobs and mobilize heavier equipment. But we can see a good improvement in February and now in March. We think the trends will continue in the second quarter as well, as we improve.

|  |  |
|---|---|
|  | But we have to mention here, this may be a blessing in disguise where we feel that this transitional period is giving us a a chance to re mobilize and redistribute our assets in the Gulf, especially in Qatar as you see we are not only increasing our Capex, but moving some equipment from Kuwait. |
|  | Same thing is going to happen for Oman, whereby we will mobilize, I would say, 90% of requirements of Oman, from Kuwait. Let's say the first half of 2019 would be a good period for us to redistribute our assets, waiting for the really large project to kick off both in Qatar and Oman. As you know, Qatar was ready for their expansion in the gas, but I think, due to political reasons, they have now planned to have international partners join them for the expansion. We feel , there is not going to be further delay of these projects much more. In a couple of months, I think we will start to see movement in that direction. |
|  | By the second half, I think things will really come back to normal. |
| Abdullah: | Thank you, sir. Just one more question from my part. You talked about changing or mobilizing ... Shifting your cranes or your equipment to different parts of the region. What would that mean for your Capex plans for 2019? |
| Jassim: | Definitely, this is going to help reduce our Capex during 2019, whereas in the past we were expecting to spend around 12-13 million. But now we are budgeting around 8 million, so like I said, it's a blessing, giving us a chance to redistribute the assets and to get the maximum out of it. |
|  | By the end of 2019, we will be reviewing the situation, and looking at our Capex requirements then. |
| Abdullah: | Thank you gentlemen. Thank you. |
| Jassim: | Thank you. |
| Operator: | As a reminder, ladies and gentlemen, if you wish to ask a question, please press 01 on your telephone keypad. Thank you for holding. |
|  | We have a question from Robin Thomas from QIC. Go ahead. |
| Robin: | Yeah, could you give us an update on your Qatar operations and the general market outlook there with regard to the market share currently and the fleet utilization? |
| Jassim: | Yes, I think, as I mentioned, we expect that the plan for the expansion of Gas field in Qatar to kick off. As you know, from 77 to 110 million tonnes per annum and it's planned to be done over a very short period. Of course, there are lot of infrastructure projects that now we are concentrating on, that's what you can |

see during our Capex ... If you see in our Capex presentation, there were lot of other equipment, other than crainage and heavy lift equipment, so we are quite optimistic and we feel quite positive about the second half in Qatar of 2019.

Again we feel that the third quarter, may be Oman also will start contributing in the refinery project, and also in Oman the petrochemical plant has been awarded for design, which is about nine billion dollar, i.e. petrochemical and aromatics plant, and we think this will carry out for the next three to four years in that area as well.

Robin: Okay, thank you.

Jassim: Thank you.

Operator: As a reminder ladies and gentlemen, if you wish to ask a question, pleas press zero, one, on your telephone keypad. Thank you for holding. We have a question from Anoop Fernandes from SICO]. Please go ahead.

Anoop Fernandez: Yeah, good afternoon and thanks for the opportunity. I have two questions. The first one, would it be possible to quantify the impact of these weather related assumptions that happened during the quarter? Because, I think you guided that revenues would be weak and there would be some sort of an impact because of issues there. Could you please give an essential, what was the revenue loss because of the weather assumptions.

Secondly, you mentioned the CAPEX and other equipment activity has gone up significantly. Just trying to understand, what is the strategy there, because you also mentioned that there is pricing pressure in this part of the business, so why is there an allocation of capital to this particular segment? What are the strategy? If you would elaborate on that, it would be great. Thank you.

Jassim: First of all to start, we have not lost opportunity. We are waiting for the opportunity, when it comes to Qatar, because we are very much related to the gas development. When it comes to the other type of equipment that you're referring to, we have higher competition. Actually, we are providing our equipment as a package, so it's a full type of service, which we have been doing here in Kuwait, whereby we provide A to Z requirements of the contractor, whether it's industrial small equipment, or 2000 ton crane.

What we have been doing now, or trying for Qatar, is to provide the same kind of service to the international contractor, there the pricing would be different. We will not be competing against construction companies other than giving a full package to the international player.

Anub Fernandez: Okay. And the first question regarding the revenue lost to ...

Joseph F.: The revenue drop, as I explained to you, that is a drop of revenue due to smaller range of equipment, competition. This could be for the quarterly alone, around half a million. When we compare the revenue, we have to look into the revenue drop due to mobilization of the work. When Clean Fuel project stopped we started demobilization of the equipment. Then we have a normal utilisation. That is also one of the main reasons for the drop in revenue.

That is not a substantial drop, but the drop is attributed more to the extent of reduction in the rate, and lower utilisation of the equipment.

What we are now trying with other type of equipment, mobilizing more, but those not contributing equally, like crane, but when we increase the volume of those equipment, then our margins definitely will go up.

Anoop Fernandez: Yeah, you've explained that, but basically there was no impact from the weather data described?

Joseph F.: No, no. That was small, but it's not big issue. There was a delay which impacted utilization of the equipment.

Anoop Fernandez: Okay, just one more question if I may, could you please give us your Capex guidance for 2019, and for the next two year, and I know a big down of this Capex as well, as for how much profit would be in cranes, and how much profit would be in the other equipment.

Joseph F.: See, relating to Capex guidance for the 2019, We have explained that it's going to be approximately KWD 8millon ns perr our current plan, which may change depending on how projects in Oman and Qatar start. If it is going to start earlier, and more requirement is there, we may go for additional, but our aim is to redeploy the equipment without keeping them idle, or without underutilization and mobilize back to Qatar and Oman, so that we aim better utilization to boost the margins. We are not aggressive in Capex in the year 2019, but we are still more flexible to take look again, where going to have challenges.

As for the composition of the Capex, earlier year, you might observe major expenditure was in cranes. Almost 80% of the new Capex was in cranes, but now, we have shifted the focus from cranes to other equipment. Approximately for the year 2018, 47% of our Capex is in other type of equipment. Cranes are around 53% only. It wasn't like earlier, where it was 80%

Jassim In future year also, we are going to expand a bit, and expanding different type of equipment, which increases our profit margins. Just to clarify, increasing the equipment is not related only to the type of projects that we are having. Now we are getting into the oil field services, whereby we provide equipment for the support of the companies that are in the oil field. I wouldn't say we're involved in the drilling, but we're in the drilling services, which is a continuous high margin, very specialized, but we were doing it in the past, but we're doing it on a limited scale.

We are doing it now, or we are expanding now in a more aggressive way, and we have multiple contracts with multiple international companies for new services. That's why you will see that it's not basically just normal, regular construction. We are also into going, into the oil field services, not like we used to do in the past.

Anoop Fernandez: Okay, thank you. Thank you very much.

Joseph F.: Thank you.

Operator: As a reminder ladies and gentlemen. If you wish to ask a question, please press zero, one on your telephone keypad. Thank you for holding. As a reminder ladies and gentlemen, if you wish to ask a question, please press zero, one on your telephone keypad. Thank you for holding. We have no further questions. These speakers, back to you for the conclusion.

Speaker 1: Mr. Jassim, do you have any final remarks to add?

Jassim.: No, thank you very much. Just wanted to thank everybody for their attendance, and we're always ready to answer any further questions, Joseph or myself and the management would be more than happy to clarify any questions that have not been very well clarified during this short conference.

Speaker 1: Thank you very much, and thank you everyone for attending the call.

Jassim.: Thank you.

Speaker 1: Please have a nice day.

Jassim.: Thank you. Thank you. Bye bye.

Operator: This concludes today's conference call. Thank you all for your participation. You may now disconnect.

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**INTEGRATED HOLDING Co. KSCP**

Analyst Conference

**Q4/FY 2018 Results**

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## Overview

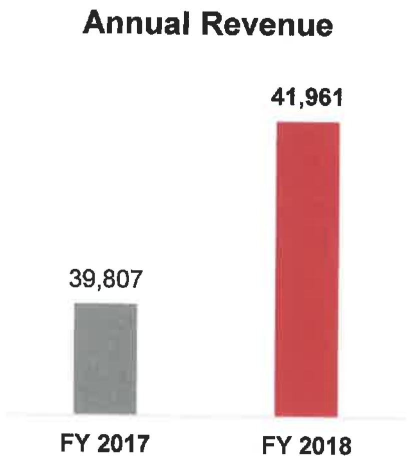
Integrated Holding Company KSCP established in 2005 operates through its subsidiaries in the GCC across three business segments in 1) equipment operational leasing, 2) heavy lift and 3) transportation services. Over a short period of time, Integrated established itself as a market leader by providing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

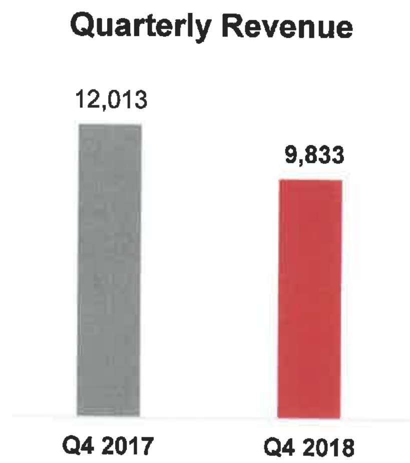
Integrated showed the best performance in 2018 since inception with Revenue of KD 41.9 Million (+5.4% YoY) and registered a Net Profit of KD 17.2 Million (+29.5% YoY). This is achieved due to a combination of higher utilization of equipment, reduced finance cost and gain from foreign exchange transactions.

IHC's Board of Directors has proposed a cash dividend of 40 fils per share for the year 2018, compared to 30 fils in 2017.

## Financial Highlights - Revenue

Revenues in FY 2018 increased 5.4% YoY and declined 18.1% YoY during Q4 2018

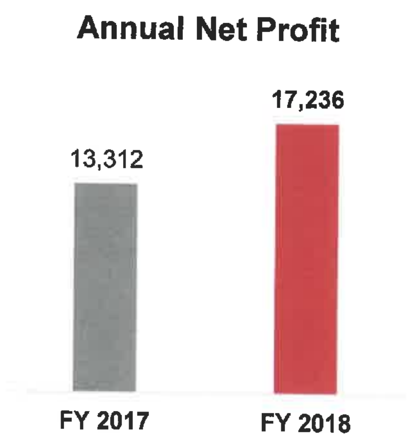



*Figures in KD Thousands*

# Financial Highlights – Net Profit

Net Profit in FY 2018 increased 29.5% YoY and declined 26.2% YoY during Q4 2018.

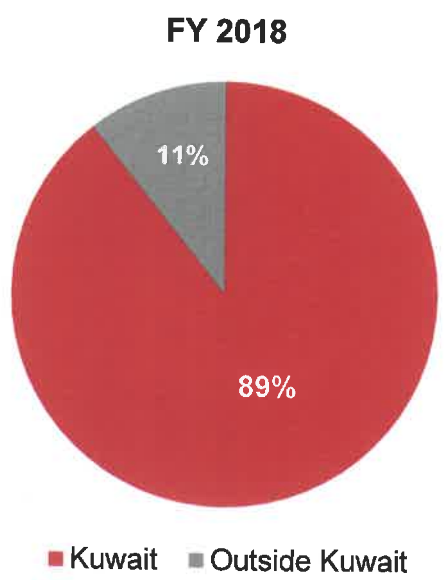




*Figures in KD Thousands*

# Financial Highlights

Revenue by Geography



# Financial Highlights

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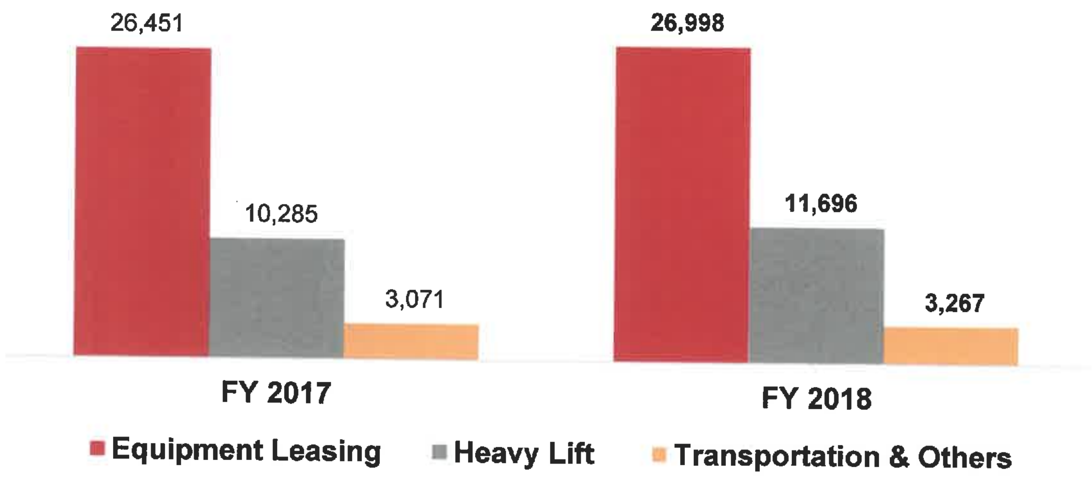
## Revenue by Operational Segment




*Figures in KD Thousands*

# Financial Highlights

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## Financial Position

| | 2018 | 2017 | Change (%) |
|---|---|---|---|
| Current Assets | 21,765 | 21,093 | 3.2 |
| Property & Equipment | 73,389 | 70,526 | 4.1 |
| Intangible Assets | 711 | 711 | - |
| **Total Assets** | **95,865** | **92,330** | **3.8** |
| Borrowings | 6,133 | 17,926 | (65.8) |
| Capex Creditors | 13,258 | 9,839 | 34.7 |
| Trade & Other Liabilities | 6,960 | 5,399 | 28.9 |
| Shareholders' Equity | 69,514 | 59,166 | 17.5 |
| **Total Equity & Liabilities** | **95,865** | **92,330** | **3.8** |

***Figures in KD Thousands***

# Financial Highlights

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## Statement of Income

| | Quarter 4 | | | Full year | | |
|---|---|---|---|---|---|---|
| | 2018 | 2017 | Change % | 2018 | 2017 | Change % |
| **Revenue** | 9,833 | 12,031 | (18.3) | 41,961 | 39,807 | 5.4 |
| **EBITDA** | 5,863 | 7,477 | (21.6) | 28,176 | 26,817 | 5.1 |
| **Depreciation** | 2,774 | 2,673 | (3.7) | 10,814 | 10,577 | (2.2) |
| **Finance Costs** | 36 | 151 | 76.2 | 347 | 767 | 54.7 |
| **Net Profit** | 3,184 | 4,316 | (26.2) | 17,235 | 13,312 | 29.5 |
| **Earnings Per Share (fils)** | 14.48 | 19.62 | (26.2) | 78.34 | 60.51 | 29.5 |

***Figures in KD Thousands***

## Financial Highlights

Key Statistics

| | Quarter 4 | | | Full year | | |
|---|---|---|---|---|---|---|
| | 2018 | 2017 | Change % | 2018 | 2017 | Change % |
| **Gross Profit Margin %** | 36.4 | 56.3 | (35.3) | 47.8 | 51.2 | (6.6) |
| **EBITDA Margin %** | 59.6 | 62.4 | (4.5) | 67.2 | 67.4 | (0.3) |
| **Net Profit Margin %** | 32.4 | 35.9 | (9.7) | 41.1 | 33.4 | 23.0 |
| **Return on Total Assets %** | | | | 17.9 | 14.4 | 24.3 |
| **Return on Equity %** | | | | 24.9 | 22.5 | 10.6 |

# Company Highlights

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## Capex

For the year 2018, total capital expenditure KD 14.56 Million have been incurred as follows:

| | Kuwait | Qatar | Total |
|---|---|---|---|
| Cranes | 4.93 | 2.82 | 7.75 |
| Other Equipment | 4.86 | 1.31 | 6.17 |
| Building Construction | - | 0.64 | 0.64 |
| **Total** | **9.79** | **4.56** | **14.56** |
| **Replacement Assets in above** | 2.88 | - | **2.88** |

***Figures in KD Million***

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# Q & A