KUWAIT: 18/5/2019

المتكاملة
integrated

TO: BOURSA KUWAIT,

After Greetings,

<u>Subject: Analyst / investors Conference for First quarter 2019</u>

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: 16/5/2019 at 2:00 pm local time.

Please refer to the attachment for the minutes of the conference (Q1/2019).

Yours sincerely,

Integrated Holding Co (K.S.C.P)

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Minutes of Analyst / Investors Conference for First Quarter 2019

Speaker 1: Ladies and gentlemen, welcome to Integrated Holding first quarter 2019 results investor conference call and webcast and now hand over to your host, Mr. Mohammad Haidar from Arqaam Capital. Sir, please go ahead.

Mr. Haidar: Good afternoon ladies and gentlemen and welcome to the Integrated Holding Company Q1 2019 Webcast. This is Mohammad Haidar from Arqaam Capital Research and I'm joined today by Mr. Joseph Fernandez, Group Financial Controller and Mr. Vinayak Prabhu, Finance Manager. Without any delay, I will now hand over the call to Mr. Joseph. Please go ahead.

Mr. Jospeh: Greetings to all the participants and welcome to you all for the Analyst Conference for the first quarter of 2019. We have started the year 2019 with a challenge. It was due to the drop in the utilization rate which was witnessed in the fourth quarter of 2018.

Mr. Jospeh: A drop in the utilization of equipment is due to the completion of few major projects in Kuwait such as Clean Fuel Project, however; besides ongoing projects, there are some new projects in the beginning stages which will help us to improve our equipment utilization going forward.

Mr. Jospeh: First quarter 2019 was very tough for achieving financial growth. revenue for the first quarter of 2019 is lower by 25% versus last year first quarter. Also, next profit dropped by 39% comparing with the previous year's first quarter.

Mr. Jospeh: For integrated, 2018 first quarter was exceptionally good due to the best utilization of the equipment during the peak period of projects implementation and contribution of additional revenues of shut down activities with high margin during that quarter. IHC Balance Sheet as of 31st march of 2019, is very strong. With the lower borrowing and liabilities, company has a good leverage options to take out good opportunities for expansion and CAPEX.

Mr. Jospeh: We have adopted IFRS 16 which is applicable from first January 2019 and as required by the standard, we have created right to use asset worth KWD 0.75 million with equal liabilities against future leases. Now, I would like to hand over to Vinayak to explain on financial performance for the first quarter.

Mr. Vinayak: Thank you Mr. Joseph. Welcome everyone. I shall now walk you through the **Presentation** on Financial Highlights. Let's now start with slide number five on revenue. Revenue reported for the Q1 2019, is KWD 8.5 million reflecting a fall of 25.5% versus first quarter of last year, 2018. Major factors being the revenue rates declined in certain range of equipment coupled with the decline in utilization rate.

Mr. Vinayak: Now, moving onto slide number 6 on net profit. Net profit reached KWD 3 million for the first quarter of 2019, showing a decrease of 39.5% with a first quarter of 2018. Mainly due to the drop of revenue as explained earlier. Operational costs have not changed significantly though the depreciation expense has increased marginally when compared to Q1 2018.

Mr. Vinayak: Moving on to slide number seven, on revenue contribution by geography. Revenue from Kuwait Operation continues to contribute majorly for the first quarter at 85% to the total revenue of the group. Revenue from Qatar Operation has maintained steadily, to the tune of KWD 1.3 million and contribution to the total revenue has increased to 15% from 12% for the 3 months of previous year.

Mr. Vinayak: Now, moving on to slide number eight, on revenue contribution by operation segment. In terms of composition of the revenue, contribution of each segment, mainly, operational equipment leasing, heavy lift and transportation, has remained the same for the total revenue in this quarter.

Mr. Vinayak: Now, moving on to slide number nine on financial position. This slide explains the mix of assets and liabilities and how that has changed over the last 12-month period. We continue to enjoy a healthy balance sheet with total assets of KWD 93 million with a gearing ratio of 3.8%. During the first quarter, we have spent an amount of KWD 1.23 million on the new CAPEX. Noncurrent assets have got new line item- Right of Use Asset of KD 0.750 million with the adoption of IFRS 16 related to leases

Mr. Vinayak: Now, coming to liabilities, we have been able to reduce the borrowings substantially or to be precise, 55.8% over the last 12 months. Now, our debt equity stands at 8.9% versus 23% of Q1 2018. Regarding Creditors for Capex purchase which we have shown separately here, there is again reduction to the tune 24.7% when compared to Qi 2018 and specifically during the current quarter we have settled a huge portion of it to the tune of KD 5.9 million. Trade Liabilities includes KD 0.765 million towards the lease liabilities payable which is discounted future obligation related to leases as IFRS 16

Mr. Vinayak: Moving on to slide number 10, on statement of income. Revenue and net profit have been discussed earlier. Coming to EBITDA there is a decline of 29.5% which again is directly linked to the drop-in revenue.

Mr. Vinayak: During the first quarter, we were able to gain some advantage through the form of reduction in finance cost. Depreciation amount has remained the same with not much change, though increased marginally by 4.3%.

Mr. Vinayak: Earning per share to shareholders, stood at 13.65 fils per share for the first quarter 2019. Moving on to slide number 11 on key statistics. Gross profit margin percentage and EBITDA margin percentage, when compared to Q1 2018 has reduced, which is again directly linked to the drop-in revenue for the quarter.

Mr. Vinayak: I would like to hand over to Mr. Haidar for Q and A. Thank you.

Speaker 1: Ladies and gentlemen, we will start now our Q and A session. If you wish to ask a question, please submit it on the webcast platform. Thank you for holding until we have our first question.

Speaker 5: Thank you Dounia. We will start with a question from Ali Al Saleem. What is the utilization rate of current equipment?

Mr. Jospeh: Yes, I'm Joseph here. Utilization rates for the first quarter have dropped. In our case, cranes contribute significant revenue. As I explained at the beginning, we had very good utilization on the first quarter of 2018. In the cranes we had 79% of utilization which has come down to 53% during first quarter of 2019. In case of earth moving equipment, we are better, 66% current period versus 56% of the previous period.

Mr. Jospeh: In case of forklifts and man lifts, earlier it was 71% and 61% is in the current quarter. Industrial equipment, we are 5% lower comparing with the previous quarter of 2018. Transportation, tankers, other equipment, we were lower by 6% comparing with quarter one 2018. This is the main cause of drop in the revenue for the first quarter.

Mr. Jospeh: Next question please-

Speaker 5: Thank you. What is the firm's strategy in terms of borrowing needs over the next two years?

Mr. Jospeh: Actually, our borrowing needs depends on our CAPEX. For the last two, three years, we have very good inventory of various equipment. Or aim is to improve the utilization and then we go for additional capex. As long as we find good projects, we are ready to go for it, but we don't want to compromise utilization at a cost of capex. We must balance it out between utilization and capex for new projects to arrive what is best for the company.

Mr. Jospeh: Next question please

When do you expect the pickup in contracts in Oman and Qatar?

Mr. Jospeh: We are in the final stage of mobilization to Oman and we expect by June 2019, we will be there to start the work. In the third quarter, we will start generating revenue, as well as in fourth quarter we will be getting better share in the revenue. Going forward, 2020, 21, 22, we will be having good percent of the revenue from our equipment from Oman. Regarding Qatar, as everyone knows, LNG expansion project has already been announced, Qatar petroleum has already picked up the three specific packages for EPC contracts. We expect by the end of this year, initial activities will be starting and from year 2020 to 2022, on this project, we expect good revenue.

Mr. Jospeh: Qatar is going contribute good revenue portion from 2020, 21 and 22 of total revenue stream. Next question, please-

Speaker 5: Thank you. We have a question from Jonathan Milan. Can you please provide an estimate of how much value in projects will end this year? In other words, assuming no new projects are undertaken. How much could revenues drop for the rest of the year?

Mr. Jospeh: The projects we are taking are multiple projects, some of them are big value, where we require a lot of equipment to use. Though we have completed major projects like Clean Fuel Projects, in Kuwait, the new refinery project is in the continuation stage. We get the revenue from the new refinery project. Further, we have Airport expansion project going concurrently. Now, since we have the idle equipment, we have started mobilizing more equipment in the airport expansion project and we will be getting substantial share going forward in revenue also.

Mr. Jospeh: For the project that are ending, it is not like that all of the certain projects stopped, but there is a temporary slowdown for the project implementation. In a few cases, there is delay in start of the project, especially Oman and Qatar, which is, a little bit challenging for the growth during these two quarters

Mr. Jospeh: We expect by second half onwards; our utilization rate will improve. Thank you.

Speaker 5: Another question from Jonathan Milan. What percentage of your cash costs are fixed and how much is your yearly lease expense?

Mr. Jospeh: That cash cost fixed one, depends on our range of equipment. For example, depreciation for us is a fixed cost. Certain costs relating to the manpower and operating costs are fixed. We have the flexibility to manage the manpower to certain extent to make it fluctuating, depending upon the project. If there is a substantial delay in project, three or four months, then we can fluctuate and manage to reduce the costs. Otherwise, manpower costs are fixed. From our financials, we can see depreciation constitutes a major share of our fixed costs. Thank you.

Speaker 5: What are the main projects materializing in the remainder of 2019 and 2020? What is the size of these projects?

Mr. Jospeh: The projects of year 2019, like airport project, is ongoing and another two, three years, it is there. Then new projects, just in the starting stage, KOC pipeline project and waste water treatment project. It is very difficult to quantify the value of this contract at this point.

Speaker 5: Given the difficulties that Oman is going through on budget deficits, is it likely that the projects will be delayed? In that case, would your cranes there remain idle?

Mr. Jospeh: Oman project is already finalized. It is one refinery. It is jointly 50% Kuwait and 50% Oman. First, the project is ongoing. There is no question of reversal of the project. It is certain. Secondly, after the new refinery project in Oman, there is one more petrochemical plant is going to come up. That also will be a big project. Your question of keeping idle and the reversal project doesn't arise. Thank you.

Speaker 5: Did the Qgas expansion project start materializing and what is your involvement in this project?

Mr. Jospeh: This, Qatar Gas projects, almost 40% expansion in Gas production capacity. QP has invited three or four different packages to different international EPC contractors, while execution of this project, they are going to call subcontractors. There will be a big market for the equipment service providers. We hope to get very good share because we have all the big equipment inventory there to take up this challenge. This was happening since last year. We were already geared up to take this expansion project. We expect to get good share of the business. We have our own infrastructure buildup to cover up this need. We have a very good record with Qatar gas. We are the main contractor as equipment service provider in that field and our track record also helps us to get advantage to get contracts.

Speaker 5: Can you comment on the oversupply situation in the small crane segments?

Mr. Jospeh: Last time when we had issued IPO prospectors our financial results went public, it had given attraction to many small, small businesspeople to venture into the crane or other equipment business. We found a lot of oversupply of the smaller range of equipment in Kuwait, especially cranes in the range of 25, 50 and 70 tons. Because of the competition, the margins have gone down, but we are better positioned, in our case, since we provide wide range of equipment from smaller to very higher capacity and contractor who is executing the project, is looking at the back up of all range of equipment. We generally get the preference. Over supply is not going to affect much in our business, but only in the margin. Margin impact is from at least 15%, 20%, and 22% also in a few cases in the smaller range.

Mr. Jospeh: Business wise, we are at advantage because of our strength in different types and higher capacity and other range of equipment also. Plus, our service and track record also help us for the support and the advantage with the contractor. Thank you.

Speaker 5: How much would utilization improve once the Oman project starts?

Mr. Jospeh: The Oman project definitely will help us to utilize a smaller range to medium range of equipment immediately in this project. If we are able to get five to eight percent utilization within six months, in Oman, that will be a big gain. From the year 2020, we expect it can contribute 10 to12% increase in the utilization.

Speaker 1: Ladies and gentlemen, as a reminder, if you wish to ask a question, please submit it on the webcast platform. Thank you for holding and we have our next question.

Speaker 5: It appears we have no other questions. Speakers, do you have any final remarks?

Mr. Jospeh: We hope we have answered all of your questions. Thank you all for joining the conference. Thank you.

Speaker 5: Thanks everyone for joining the call and we look forward to have everyone in this next quarter.

Speaker 1: Ladies and gentlemen, this concludes this conference call. Thank you all for your participation. You may now disconnect.

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INTEGRATED HOLDING Co. KSCP

Analyst Conference

Q1 2019

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Contents

Overview

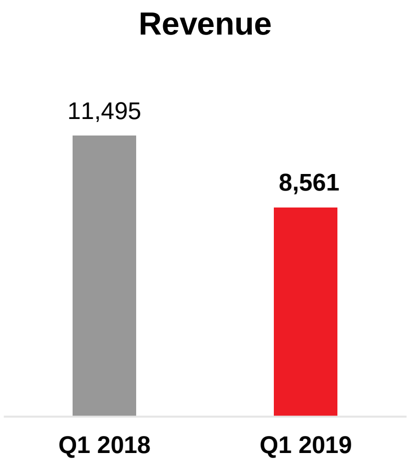
It is a challenging year 2019 for IHC as the Equipment Utilisation Rates have dropped in First quarter of 2019 due to the near completion of the few major projects in Kuwait and also slow start of the new projects requiring our services in Qatar and Oman. Net Profit for the first quarter of 2019 is KD 3 million vs KD 4.9 million in first quarter of 2018. It is a temporary slow down affecting the growth.

IHC Balance sheet as of 31 Mar 2019 is very healthy. Borrowing and Liabilities are lower giving very good leverage to take up the new projects and additional Capex.

IFRS 16 is applicable from 1 Jan 2019 and as per the standard we have aggregated lease installments and created Right-of-use Asset after discounting at KD 0.75 million with equivalent liabilities against future lease instalments.

Financial Highlights - Revenue

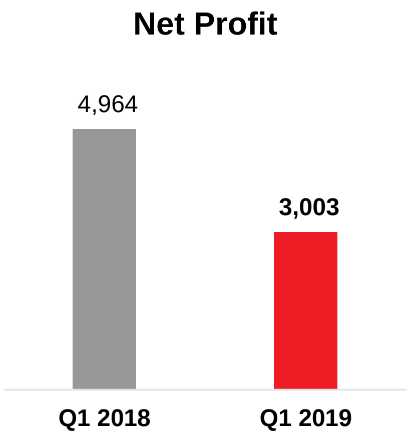
Revenues in Q1 2019 decreased 25.5% YoY



Figures in KD Thousands

Financial Highlights – Net Profit

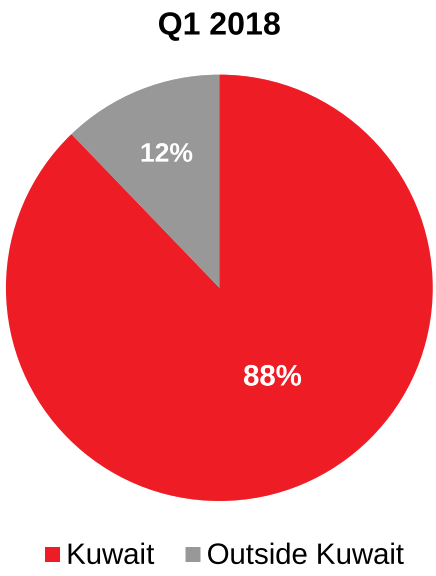
Net Profit in Q1 2019 decreased 39.5% YoY

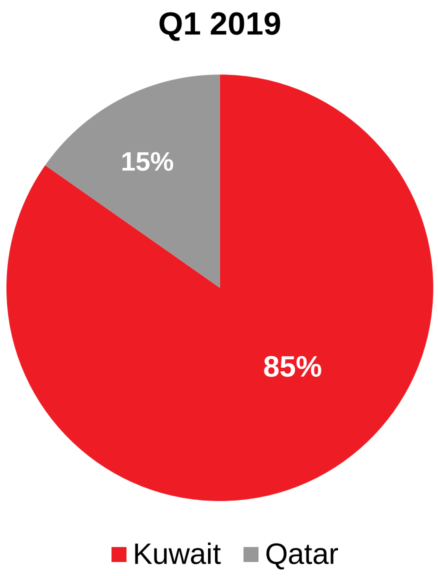


Figures in KD Thousands

Financial Highlights

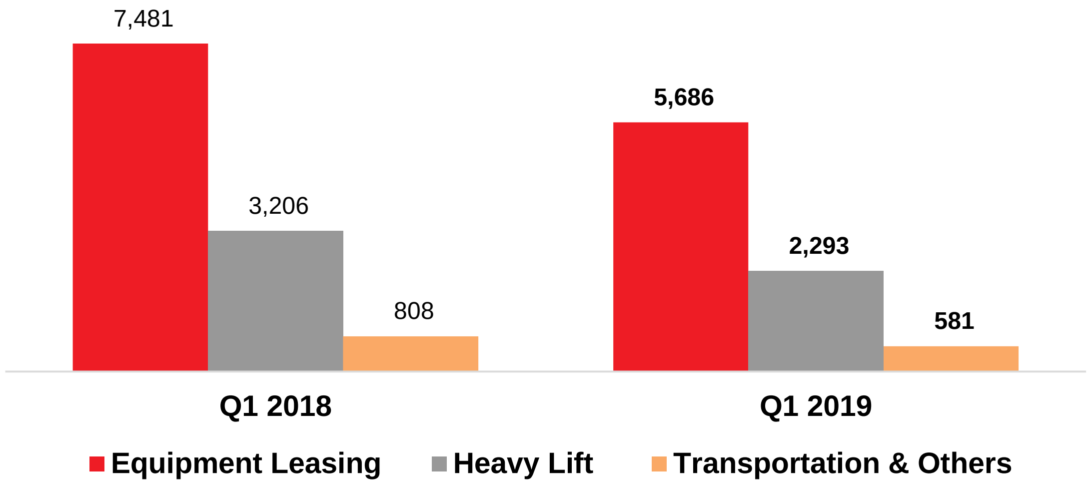
Revenue contribution by Geography





Financial Highlights

Revenue contribution by Operational Segment



Figures in KD Thousands

Financial Highlights

Financial Position

	Q1 2019	Q1 2018	Change (%)	FY 2018
Current Assets	20,495	24,502	(16.4)	21,765
Property & Equipment	72,008	69,997	2.8	73,389
Right-of-use Assets	750	-		-
Intangible Assets	711	711	-	711
Total Assets	**93,964**	**95,210**	**(1.3)**	**95,865**
Borrowings	6,462	14,621	(55.8)	6,133
Capex Creditors	7,320	9,726	(24.7)	13,258
Trade & Other Liabilities	7,665	7,016	9.3	6,960
Shareholders' Equity	72,517	63,847	13.6	69,514
Total Equity & Liabilities	**93,964**	**95,210**	**(1.3)**	**95,865**

Figures in KD Thousands

Financial Highlights

Statement of Income

	Quarter 1			Full year
	2019	2018	Change %	2018
Revenue	8,561	11,495	(25.5)	41,961
EBITDA	5,714	8,101	(29.5)	28,176
Depreciation	2,746	2,634	(4.3)	10,814
Finance Costs	94	142	33.8	347
Net Profit	3,003	4,964	(39.5)	17,235
Earnings Per Share (fils)	13.65	22.57	(39.5)	78.34

Figures in KD Thousands

Financial Highlights

Key Statistics

	Quarter 1			Full year
	2019	2018	Change %	2018
Gross Profit Margin %	40.7	54.5	(25.3)	47.8
EBITDA Margin %	66.7	70.4	(5.3)	67.2
Net Profit Margin %	35.1	43.2	(18.7)	41.1
Return on Total Assets %	3.2	5.2	(38.5)	17.9
Return on Equity %	4.1	7.8	(47.4)	24.9

Q & A