



KUWAIT : 19/11/2023

الكويت في: 2023/11/19

To: Boursa Kuwait Company

السادة / شركة بورصة الكويت المحترمين،،،
تحية طيبة وبعد ،،،

Subject: Analyst / investors
Conference Transcript for Q3-2023

الموضوع : محضر مؤتمر المحللين / المستثمرين
للقربع الثالث 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 (Q3/2023) was held through a Live Webcast on Thursday : 16/11/2023 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 للربع الثالث من عام 2023 قد انعقد في يوم الخميس الموافق 2023/11/16 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 (Q3/2023).

مرفق طيه محضر المحللين / المستثمرين للربع الثالث لعام 2023 .

Yours sincerely,

وتفضلوا بقبول وافر الاحترام ،،،



الشركة المتكاملة القابضة ش.م.ك.ع.
Integrated Holding Co. K.S.C.P

Mahmoud Ahmed Abdelhamid
BOD Secretary

محمود أحمد عبد الحميد
امين سر مجلس الإدارة



Analyst / Investors Conference Transcript Q3 2023

Mohammad Haidar : Hello everyone and welcome to the Integrated Holding Company Third quarter 2023 earnings call and webcast. This is Mohammad Haidar from Arqaam Capital, and 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 Q3 2023.

As an overview, there is a continuity in the steady growth of company's revenues and net profit over 9M 2023, with operational profitability exhibiting notable growth. However, net profit has lagged behind operational profitability growth due to factors such as increased provisions for doubtful debts as required by IFRS 9, and decline from equipment sales compared to the previous year.

Revenue rates remain steady and are expected to increase with the acceleration of project implementation which is expected to take effect from year 2024 onwards. Total capital expenditure for the year 2023 will be approximately KD 20million, providing an opportunity to target additional revenue and foster growth.

Now we move to highlights of financial performance. Revenues have shown a growth of 24% both for 9M 2023 as well as Q3 2023, as compared to the corresponding period of the previous year.

Net profit for 9M is higher by 17% compared to the corresponding period of the previous year, net profit in Q3 2023 increased by 92% compared to Q3 2022. As explained earlier, net profit growth was affected by provisions for doubtful debt as per the IFRS 9 and lower income from the sale of equipment. In addition, finance costs also increased due to increase in interest rates and additional borrowings to fund capital expenditure.

As for revenue composition by geography, share of the revenue from the Kuwait region decreased to 51% from 54% in the previous quarter. Revenue from region outside Kuwait includes revenues from Qatar, Bahrain, and KSA.

Now for the revenue contribution by operational segment. While the total revenue of equipment leasing was similar to the corresponding period of the previous year, its contribution to the total revenue is 69%, at the same level of the previous quarter. Port stevedoring revenues recorded significant growth as revenues increased by 94% in 9M 2023, and its contribution to total revenue increased to 22%, which was 14% in the previous year. Transportation revenues is much lower and declining as the company is discontinuing non-profitable operations. Revenue from Oil Field operations increased by 10% and is contributing 3% to the total revenues.

In the Statement of Financial Position, notable changes are in the property & equipment and borrowing. Capital expenditure of KD 17m have contributed to the increase in the property and equipment while total borrowings increased to finance capital expenditure. Borrowing increased to KD 31.6million from KD 29.3million in the previous quarter, and compared to KD 23.2million in 9M 2022. Due to the additional borrowing, debt to equity ratio has increased to 0.51x while it was 0.37x as of 30th September 2022.

Moving to the Statement of Income, revenues and EBITDA growth is at 24% and net profit growth is at 17%. Increased finance cost and provisions for doubtful debts are two main factors for driving down the net profit growth.

Revenue from cranes contributed around 68% of total revenues and utilization is steady at 51% and is expected to improve from Q4 2023.

The company is actively investing in capital expenditures to meet the rising demand for heavy equipment in upcoming projects. For the past nine months, we have invested a total of KD 17million of capital expenditures, focused on projects in Qatar, which constituted around 73% of the total expenditures. Notably, 90% of this capital was dedicated to the procurement of cranes. Additional capital expenditures expected for Q4 2023 is KD 3million.

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. As a reminder, if you wish to ask a question, please type it in the chat box and send it directly to Arqaam Capital.



Mohammad Haidar : Can we know the current number of cranes, and how much was added with the new Capex?

Joseph Fernands: Current number of cranes is around 562 cranes. Average utilization is 51% and will increase in the current quarter.

Mohammad Haidar : How many cranes are deployed in Qatar?

Joseph Fernands : We have 190 cranes already in Qatar, and few more will join in Q4 2023.

Mohammad Haidar : Can you please update us on the project activity in Qatar? And also in Saudi please.

Joseph Fernands: We are working as a subcontractor in the Northfield expansion that is going well, and is picking up pace. Besides this, we are also targeting projects in Saudi Arabia which are slowly improving. From the year 2024 onwards we expect a good jump in the which utilization.

Mohammad Haidar: What is your outlook for Qatar in 2024?

Joseph Fernands: Qatar growth rate will be higher. From Q1 2024 onwards, another 30 or 40 cranes will be deployed there, and we expect a minimum of 20% growth in 2024.

Mohammad Haidar : On the 51% utilization, is it for all equipment fleet or only for cranes? And does the utilization vary by market?

Joseph Fernands: This is only for cranes because 70% of our revenues come from the cranes. It is difficult to quantify the utilization factor on a higher level since we have a very large number of equipment , whereas our competitors have higher utilization but lower number of units. We have added new equipment, which are still in the preparation stages, and would take one to two months to be put to use which temporary reduces our utilization. But going forwards, these new units will help us achieve higher utilization.

Mohammad Haidar : What about the difference in utilization levels across the different markets?

Joseph Fernands: Utilization of cranes in Kuwait is not so good, while utilization in Qatar is good and in Saudi will be very good.

Mohammad Haidar :How much revenues are you expecting from selling equipment in Q4, and what are the expected contracts in Qatar?

Joseph Fernands: Expected revenue from sale of equipment in Q4 is not estimated, until the sales deals are finalized. We only sell if we expect good rates.

Mohammad Haidar : On the current portion of loans and borrowings which are KD 16m. Are these related to loans maturing in the next 12 months. How do you plan to handle this considering that your cash position is only at KD 3.6?

Joseph Fernands: of the KD 16m additional capital expenditures, we borrowed approximately KD 12.5m and this is over a period of 36 to 42 months so repayment will start after Q2 2024 in instalments over three years period. We have comfortable time to repay these instalments without affecting our cash flow.

Mohammad Haidar : For the current portion of the loans under current liabilities. Will these be refinanced, or are you going to repay these loans?



Joseph Fernands: We are taking mostly Sharia finance. At least 75% of the loans are getting renewed. So it is not necessary that all current liabilities will fall in the year 2023/2024 for repayment. Certain loans are to be renewed. But in our documentation, we classify them all as current liabilities.

Mohammad Haidar: What is your strategy in contracting with EPC? Is it equipment based or lump sum based which is a mix of cranes and services.

Joseph Fernands: We are providing a wide range of equipment and not only cranes for our main contractor. As mentioned earlier, we are a subcontractor to the EPC contractors. This gives us flexibility, and the EPC contractors the ability to secure all the equipment from one supplier. Which is an advantage for us.

Mohammad Haidar: You are sceptical on Kuwait in earlier calls. Has the outlook improved lately?

Joseph Fernands: Current outlook is the same as we disclosed in earlier quarters. We don't anticipate any good level of projects where our equipment are utilized.

Mohammad Haidar : Are all of your loans based on floating rates or are they fixed? Are they all in Kuwaiti Dinars?

Joseph Fernands: All loans are on floating rates, and they are all in Kuwaiti Dinars.

Mohammad Haidar : Considering the heavy capital expenditures investment this year, how do you project your capital expenditure requirements in the next three to five years?

Joseph Fernands: Current year capital expenditure is taking care of the requirement for the year 2024, but there will certainly be replacement capital expenditure, which will be significantly lower than the current year. For the year 2025 onwards, it is depending upon how we are securing long term contracts and the prospects in the region. We expect bigger growth in KSA. Based on the new projects which we are getting, we can presume some capex for the year 2025.

Mohammad Haidar : Do you see more cranes and equipment being brought to the Qatari market by global or local players there?

Joseph Fernands: There are other international and local players there. But in the case of heavy equipment, it is mainly from the international operators.

Mohammad Haidar: How is your exposure to Saudi currently? In which regions are you present? Are these limited to just a few specific projects?

Joseph Fernands: We made a re-entry again in KSA and we are mostly based in the Eastern region in Dammam and Jubail and other areas as well. We are looking to enter Riyadh as well and NEOM in the coming quarter.

Mohammad Haidar: What about Bahrain?

Joseph Fernands : We have one ongoing project which will run another three to six months. Then we are going to deploy those equipment into the Saudi market. We might go to Bahrain again for a specific project which is still not finalized.

Mohammad Haidar: Have you seen any changes in the leasing rates recently?

Joseph Fernands : Leasing rates are almost flat. In few cases, it has started improving, only in the case of heavy lift cranes. But demand will pickup slowly from Q1 2024 onwards so the rates will improve from the year 2024.



Mohammad Haidar: Are these rates different between the markets in Qatar, Saudi, and Kuwait?

Joseph Fernands: The rates in Qatar and Kuwait are different. Qatar rates are much better. While Saudi rates are higher than Qatar.

Mohammad Haidar: Do you have estimates on your market share in Kuwait and Qatar?

Joseph Fernands: Currently we don't have estimates. As per our last quarter's estimates, in the case of heavy lift we are still market leaders in Kuwait, while in Qatar our estimated share was around 32%-33%. These are rough estimates.

Mohammad Haidar: What is current business related to renewable energy as per your website? And how do you see this moving forward in the next few years?

Joseph Fernands: We have targeted some renewable energy projects, and there are some equipment also to deploy. But we did not get a positive response so far. We have one project in renewable energy, but it is at a very initial stage. So we can't do any forecast on the renewable energy business in the coming year at this moment.

Mohammad Haidar: What is the life of the LNG expansion project in Qatar? Will there be ongoing maintenance on it when completed?

Joseph Fernands: As per current estimates, it can last to 2026 or 2027. There is maintenance for existing and new projects, which takes place once, twice, or thrice a year. Maintenance for the new project will take place one or two years after the full operational production.

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

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



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Analyst Conference

Q3 2023 Results

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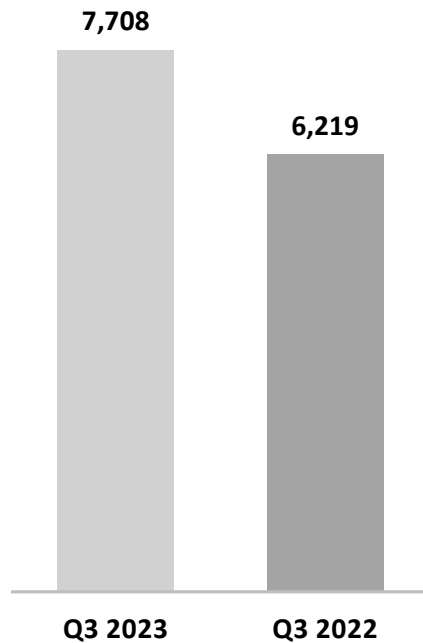
IHC Overview

- There is a continuity in the steady growth of the company's revenue and net profit over the first nine months of 2023, with operational profitability exhibiting notable growth. However, net profit has lagged behind operational profitability due to the factors such as increased provisions for doubtful debts in compliance with IFRS 9 and a decline in income from equipment sales compared to the previous year.
- The revenue rates remain steady and are expected to increase with the acceleration of project implementations, which is expected to take effect from 2024 onwards.
- The total capital expenditure for 2023 would be approximately KD 20 million, providing an opportunity to target additional revenue and foster growth in the year 2024.

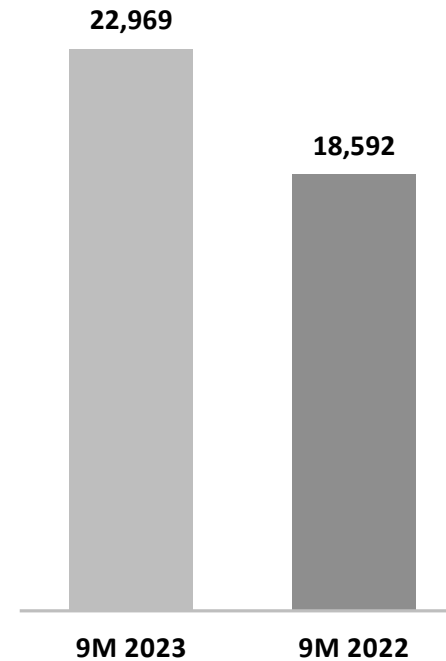
Financial Highlights

- Revenues are steady in line with Q2 2023 and shown a growth of 24% both for 9 months of 2023 as well Q3 2023 comparing with the corresponding period revenue of the previous year.

Q3 Revenue



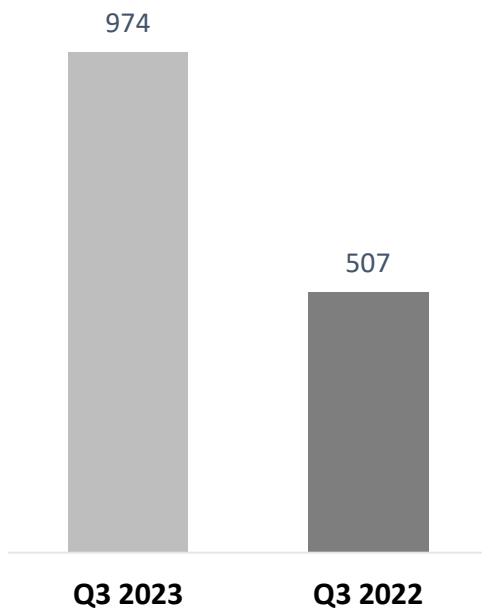
9 Months Revenue



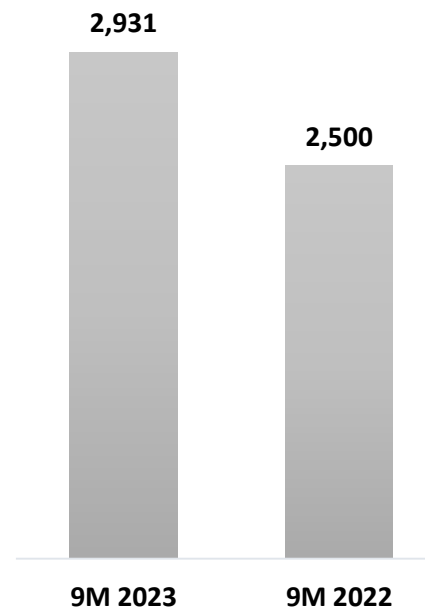
Note: Figures in KWD thousands

- Net profit for the 9 months period of 2023 is higher by 17% compared to corresponding figure of the of the year 2022. Net profit in Q3 2023 increased by 92% compared to Q3 2022.

Q3 Net Profit



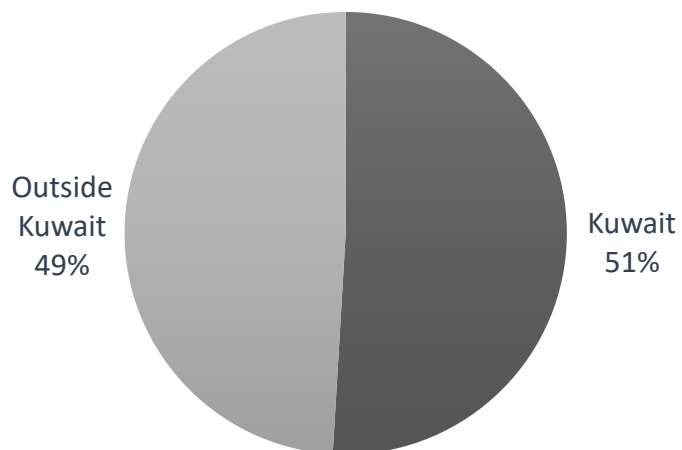
9 Months Net Profit



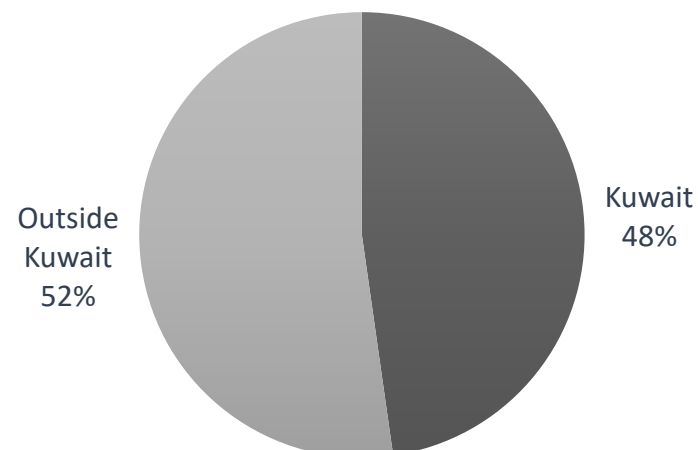
Note: Figures in KWD thousands

- The Kuwait region accounts for 51% of the total revenue in the nine months of 2023

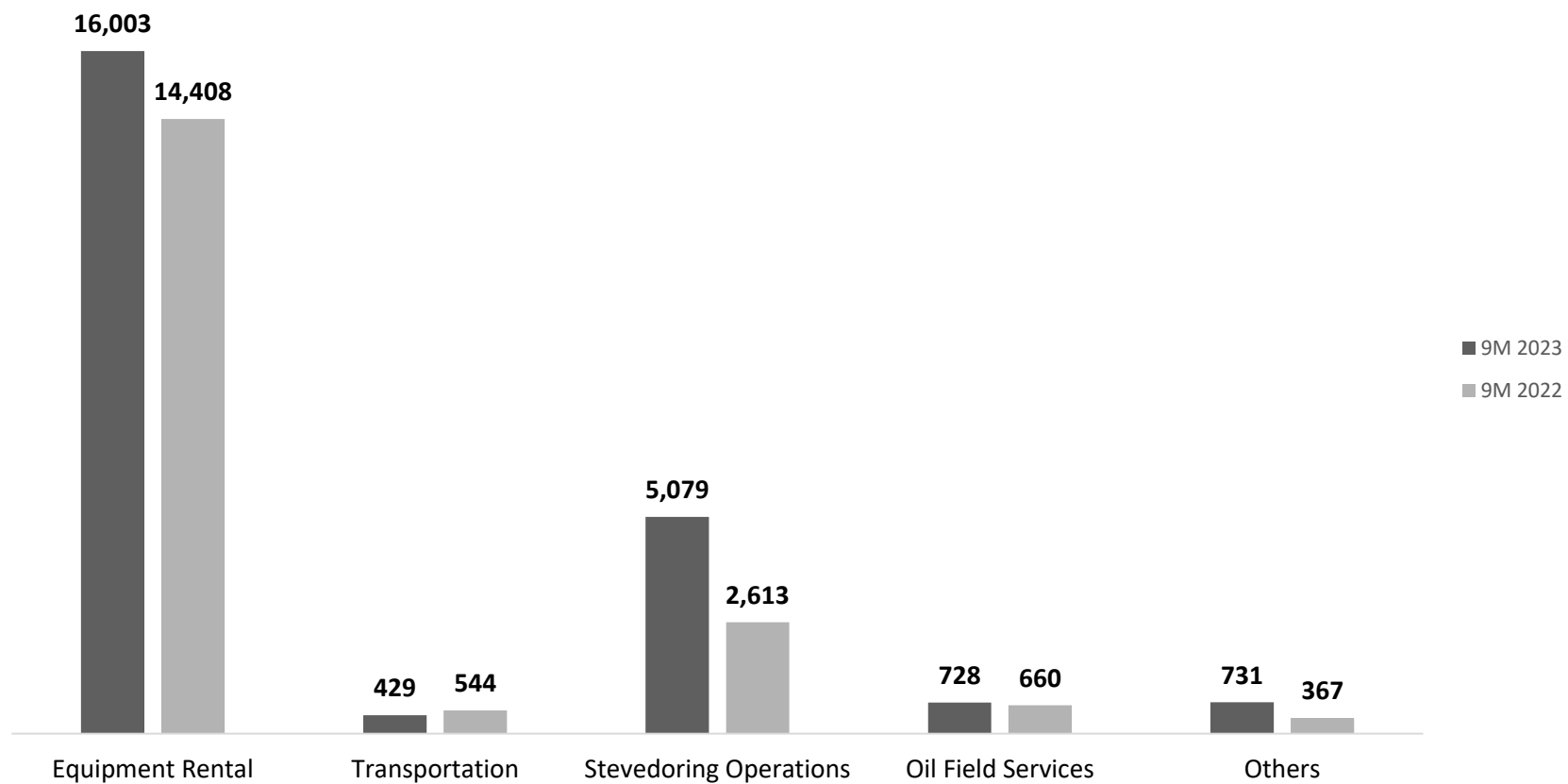
9 Months 2023



9 Months 2022



Revenue Contribution by Operational Segment



Note: Figures in KWD thousands

Financial Position

	30 Sep 2023	30 Sep 2022	Change (%)
Current Assets	19,248	20,603	(6.6%)
Property & Equipment	80,416	70,478	14.1%
Right-of-use Assets	652	562	16.0%
Intangible Assets	712	828	(14.0%)
Deferred Tax Asset	262	288	(9.0%)
Total Assets	101,290	92,759	9.2%
Borrowings	31,607	20,160	56.8%
Capex Creditors		2,993	
Trade & Other Liabilities	7,002	6,727	4.1%
Lease Liabilities	648	674	(3.9%)
Shareholders' Equity	62,033	62,205	(0.3%)
Total Equity & Liabilities	101,290	92,759	9.2%

Note: Figures in KWD Thousands

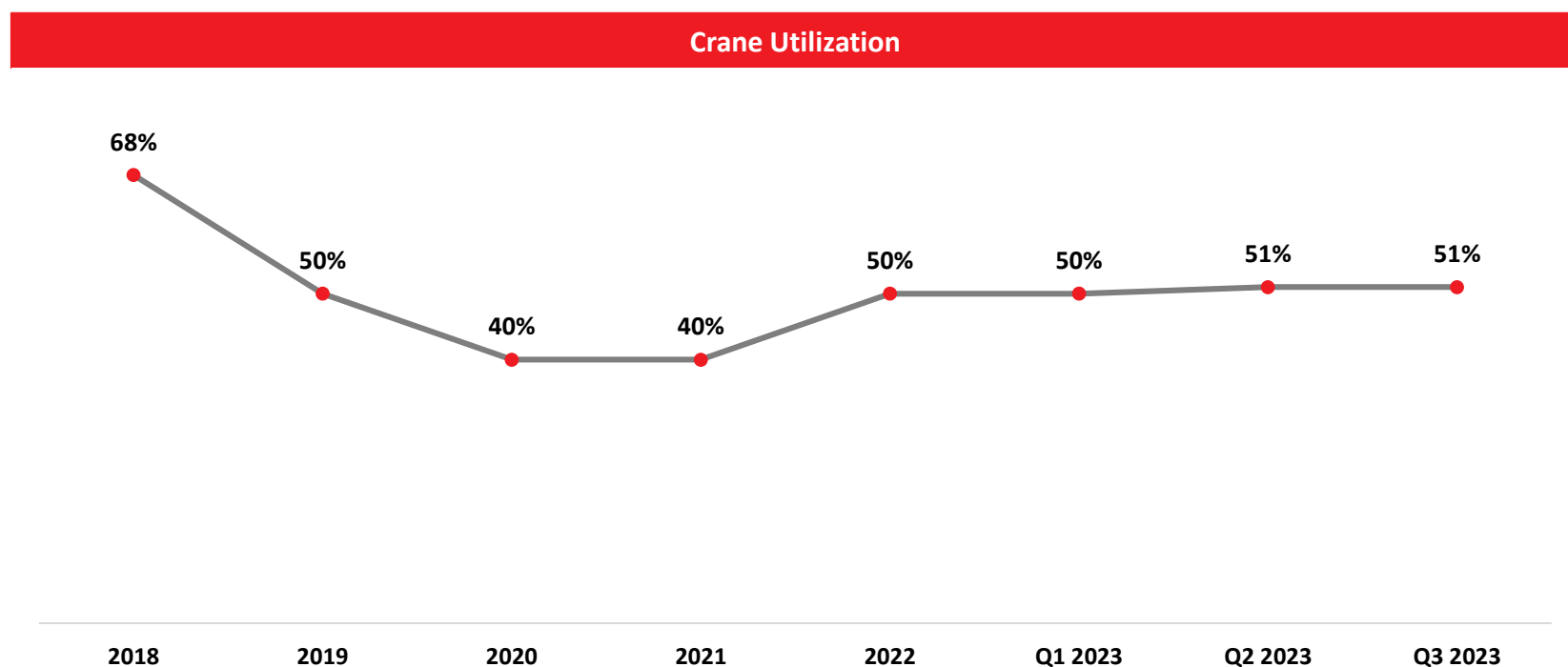
Statement of Income

	Q 3 2023			9 Months 2023		
	2023	2022	Change %	2023	2022	Change %
Revenue	7,708	6,219	23.9%	22,969	18,592	23.5%
EBITDA	4,004	3,034	32.0%	11,379	9,203	23.6%
Depreciation	(2,482)	(2,361)	5.1%	(7,030)	(6,773)	3.8%
Finance Costs	(383)	(180)	112.8%	(990)	(481)	105.8%
Net Profit	974	507	92.1%	2,931	2,500	17.2%
Earnings Per Share (fils)	3.85	2.03	89.7%	11.58	9.91	16.9%

Note: Figures in KWD Thousands

Company Highlights

- The utilization of equipment of cranes remains steady at 51%.



- The company is actively investing in capital expenditures to meet the rising demand for heavy equipment in upcoming projects. Over the past nine months, we have allocated a total of KD 17 million to capital expenditures, with a notable focus on projects in Qatar, constituting 73% of the total expenditure. Notably, 90% of this capital was dedicated to the procurement of cranes.
- Additional capital expenditure expected for Q4 2023 is KD 3 million

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