



KUWAIT: 16/5/2023

To: Bursa Kuwait Company

**Subject: Analyst / investors Conference for First quarter 2023**

With reference to the above subject, and pursuant to the requirements of Bursa Kuwait Rules , as per Resolution No.(1) /2018 kindly note that the quarterly Analyst/ Investors Conference was held through a Live Webcast on Monday : 15/5/2023 at 2:00 pm local time.

Please refer to the attachment for the minutes of the Conference (Q1/2023).

Yours sincerely,

**Mahmoud Ahmed Abdelhamid**

**BOD Secretary**



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Integrated Holding Co. K.S.C.P



## **Analyst / Investors Conference Q1 2023 Report**

**Mohammad Haidar :** Hello everyone and welcome to the Integrated Holding Company first 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. Muath Al Rayes, head of investor relations. Over to you Joseph.

**Joseph Fernands :** Thank you, good after noon and greetings to all the participants in this analyst call for the first quarter year 2023.

The overall performance of the company in Q1 2023 is deemed satisfactory, marked by improvements in operational profitability. There has been a notable 7% improvement in operating profit compared to the performance in the year 2022. However, factors such as additional provisions for doubtful debts, in line with the requirements of IFRS 9, and lower income from the sale of equipment have resulted in a lower net profit for the quarter compared to Q1 2022.

The company's efforts to expand its presence in the KSA market have begun to yield positive results. However, substantial improvements in operations are expected to materialize starting from Q3 2023.

Mega projects in Qatar are currently in the implementation stage. However, due to resource constraints on the project side, the execution process is progressing at a slower pace. It is anticipated that a swifter execution phase will commence from Q4 2023.

The revenue rates for rental equipment are still at historical levels, but they are expected to improve once the implementation of awarded projects gains momentum on a faster track.

Q1 Revenue of KD 7.6m is higher by 10% compared to previous year's first quarter. Net profit for Q1 was KD 0.96m compared to KD 1.4m in Q1 2022. Net profit was lower due to charge of provision for doubtful debts under IFRS for KD 599k and also other income from sale of equipment was lower by KD 393k.

By geography, Kuwait share to total revenue increased to 59% in Q1 23 from 43% in Q1 22, whereas revenues outside Kuwait decreased to 41% in Q1 23 compared to 57% in Q1 22. Revenues from Qatar were lower by 33% in Q1 23. Total revenue from Kuwait operations increased by 41% q/q, contributed by shutdown maintenance revenue and increase in port operations revenue.

Equipment leasing contributes about 71% of total revenue, compared to 82% in Q1 22. Stevedoring share of total revenue jumped to 23% in Q1 23 from 10% in Q1 22.

The company continuously maintain a good financial position. Current asset position has increased due to the increase in account receivables by KD 1.6m since Dec 31 2022. Additional borrowing in Q1 is KD 3.7m mainly for the Capex which was around KD 5.8m in Q1 23. Due to the increased borrowing, debt-to-equity increased to 0.36x vs. 0.31x as of 31 December 2022.

Revenue and net profit have been discussed in the previous slides. EBITDA, before provisions for doubtful debt was at KD 4.2m, and EBITDA margin increased to 56% as compared to 52% in 2022.

Revenue from cranes constitutes around 68% of the total revenue. Utilization of the cranes remained at the same level as that of 2022.

Capital expenditures during Q1 was KD 5.8m, 98% of which went to procurement of cranes. Approximately KD 2.1m allocated to Kuwait operations, and KD 3.7m to Qatar operations. Additional capital expenditure for this year is expected to be of KD 8m.

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

**Mohammad Haidar :** Thank you Joseph. As a reminder, if you want to ask a question, please type it in the chat box and send it directly to Arqaam Capital.

**Mohammad Haidar :** Which new markets do you plan to enter this year or next? What major projects in Qatar



**Joseph Fernands :** We made entry to Saudi market. At this moment, we are not looking to another market.

**Mohammad Haidar :** Current Capex projections for this year and going forward?

**Joseph Fernands :** The estimated Capex for 2023 is around KD 14m and will depend on project execution status.

**Mohammad Haidar :** What is your current fleet size, and do you plan to have more?

**Joseph Fernands :** We have various range of equipment of approximately 2,400 and have plans to increase number of cranes mainly and other specialized equipment as per project expectation.

**Mohammad Haidar :** What is the average lease rate per fleet?

**Joseph Fernands :** Difficult to quantify. Capacity difference distort averaging it out.

**Mohammad Haidar :** Where do we expect crane utilization to be by the end of the year?

**Joseph fernands :** We expect 60% utilization by year end.

**Mohammad Haidar :** When do you expect to have revenue generated from KSA projects?

**Joseph Fernands:** We are already generating revenues. We have signed contracts and executing also. But slow due to lots of regulations and pre-qualification compliance. Hopefully from Q3 onwards, the revenue will jump.

**Mohammad Haidar :** Where are you in terms of Capex cycle, after this heavy KD 14m, do you expect it to decline next year ? Any Capex guidance for next year?

**Joseph Fernands:** Megaprojects in the region are coming. When we penetrate more in the market, we expect little additional Capex in 2024 but it is difficult to quantify at this stage.

**Mohammad Haidar :** What kinds of projects you are targeting in KSA?

**Joseph Fernands :** Targeting oil sector, and also infrastructure and power plant projects where higher skill is required for execution.

**Mohammad Haidar :** Assuming Capex is 14m this year, where do you think depreciation figures will be?

**Joseph Fernands :** Depreciation will not increase much because these assets are going to be capitalized over a period of 10-15 years. Maybe another 15-20% increase based on utilization. For 2024, it will be higher, as we also aim for higher revenues.

**Mohammad Haidar :** What is the overall fleet utilization rate in Q1 2023, and where do you see them in H2 2023 and 2024?

**Joseph Fernands :** Priority is for cranes which are currently at 50%, which is a good indicator for the analytical purposes. We expect it to increase to 60% by year end.

**Mohammad Haidar :** Why Qatar projects are taking time to materialize?

**Joseph Fernands :** Delay in last year due to the world cup, and due to C-19 in the year before. EPC contractors and main contractors also have to mobilize equipment to the site.

**Mohammad Haidar :** If the utilization rate is lower at 60%, why are you doing more Capex if the current fleet is not fully utilized?



**Joseph Fernands:** Our Capex is not based on utilization rather on future business. We are incurring capital expenditures to increase our revenues and market in the future.

**Mohammad Haidar :**Do you plan to move machinery from Qatar to KSA?

**Joseph Fernands:** Depending on the project requirement we can move. We have to complete certain regulatory requirements.

**Mohammad Haidar :**What competition will be there in KSA?

**Joseph Fernands :** Competition will be plenty, both local and international companies. We are able to compete due to good service and have relations with big international EPC contractors and aiming to grab larger market share.

**Mohammad Haidar :** Are the prices and margins higher in KSA vs. Qatar and Kuwait?

**Joseph Fernands :** Saudi prices are higher, also operational costs are higher.

**Mohammad Haidar:** Can you breakdown your Capex of KD 14m? How will it be spent? Is it mainly on equipment procurement?

**Joseph Fernands :**Approximately 85% will be spent on cranes for projects in KSA and Qatar. The remaining 15% will be spent on oil-related projects in Kuwait.

**Mohammad Haidar :**Do you think that the stevedoring operations and revenues are sustainable at these levels?

**Joseph Fernands :**It is sustainable at least for one more year.

**Mohammad Haidar :** Can you give us colour on projects in Kuwait?

**Joseph Fernands :**Kuwait projects market is little slow, with no major projects arriving. We are serving various small projects.

**Mohammad Haidar :**In the next few years, what will be the geography revenue mix?

**Joseph Fernands :**Qatar revenue will be straight for the next 4-5 years. Saudi has potential to overtake Qatar revenue by 2025-6+. Waiting for project awards there.

**Mohammad Haidar :** Do you have any guidance for revenues and net profit for this year?

**Joseph Fernands:** Difficult to quantify due to the fluctuation in prices and delay in projects.

**Mohammad Haidar :** Who are the direct competitors in KSA and Qatar.

**Joseph Fernands:** There are many local, regional and international companies.

**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 Haidar and thank you to all the participants.



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**Integrated Holding Co. KSCP**

Analyst Conference

Q1 2023 Results

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## IHC Overview

- The overall performance of the company in Q1 2023 is deemed satisfactory, marked by improvements in operational profitability. There has been a notable 7% improvement in operating profit compared to the performance in the year 2022. However, factors such as additional provisions for doubtful debts, in line with the requirements of IFRS 9, and lower income from the sale of equipment have resulted in a lower net profit for the quarter compared to Q1 2022.
- The company's efforts to expand its presence in the KSA market have begun to yield positive results. However, substantial improvements in operations are expected to materialize starting from Q3 2023.
- Mega projects in Qatar are currently in the implementation stage. However, due to resource constraints on the project side, the execution process is progressing at a slower pace. It is anticipated that a swifter execution phase will commence from Q4 2023.
- The revenue rates for rental equipment are still at historical levels, but they are expected to improve once the implementation of awarded projects gains momentum on a faster track.

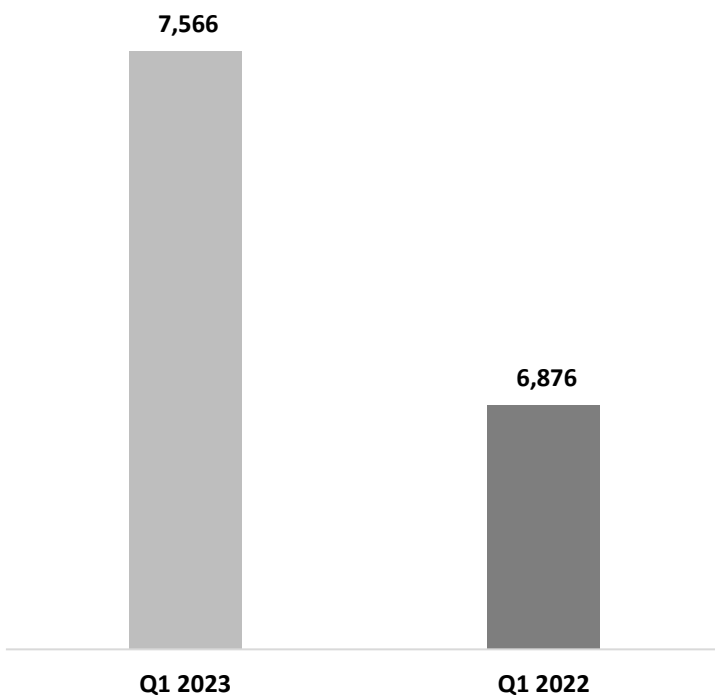


## Financial Highlights

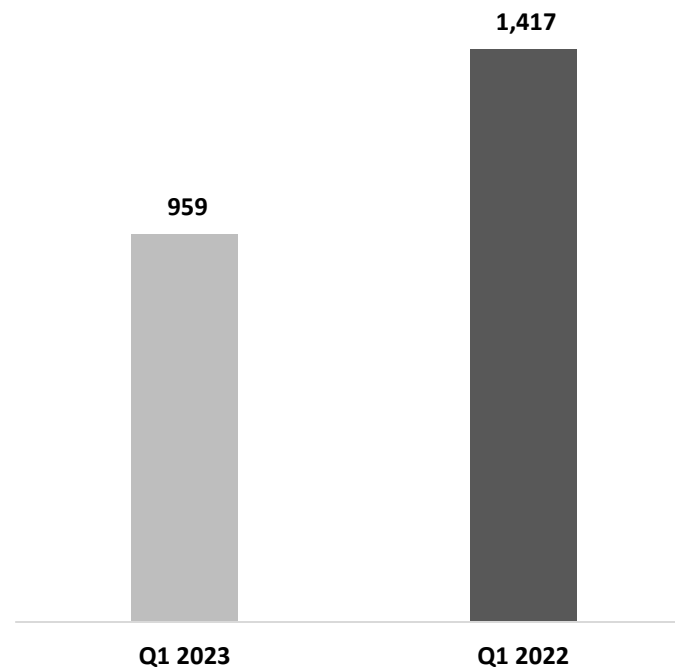
## Revenue & Net Profit

- In Q1 2023, the company's revenues demonstrated a growth rate of 10% when compared to the revenues achieved in Q1 2022.
- During Q1 2023, the net profit amounted to KD 0.96 million, reflecting a decrease from the net profit of KD 1.42 million recorded in Q1 2022.

**Q1 2023 Revenue**



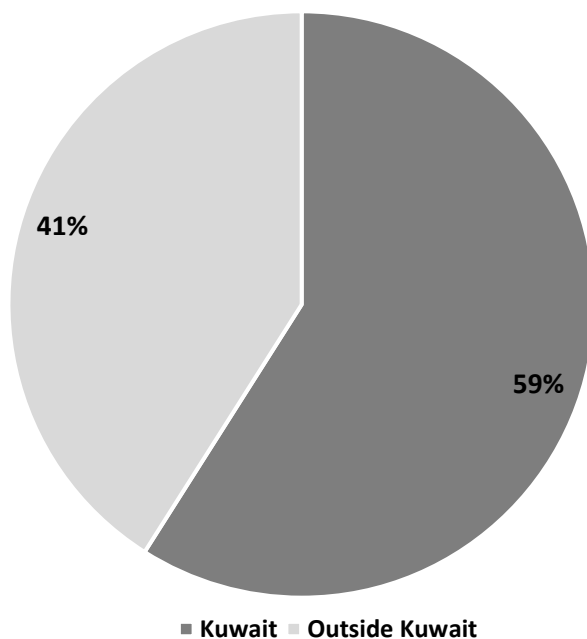
**Q1 2023 Net Profit**



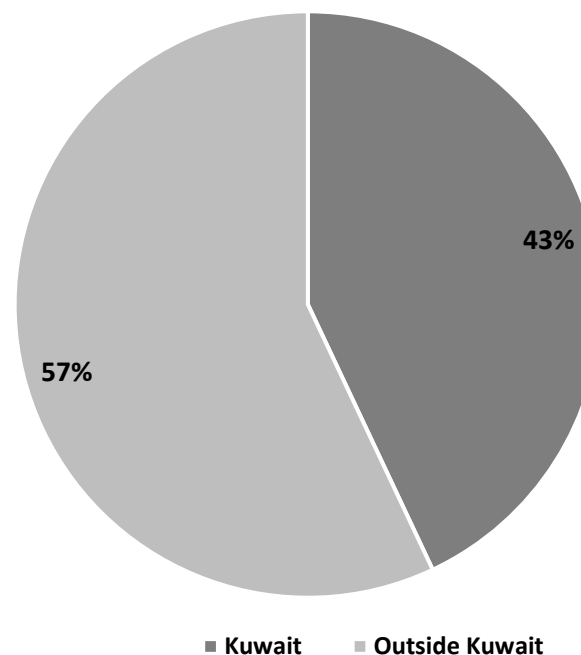
Note: Figures in KWD thousands

- In Q1 2023, there was a significant increase in the share of total revenue derived from Kuwait, accounting for 59% of the total revenue. This represents a notable rise compared to the share of 43% recorded in Q1 2022.

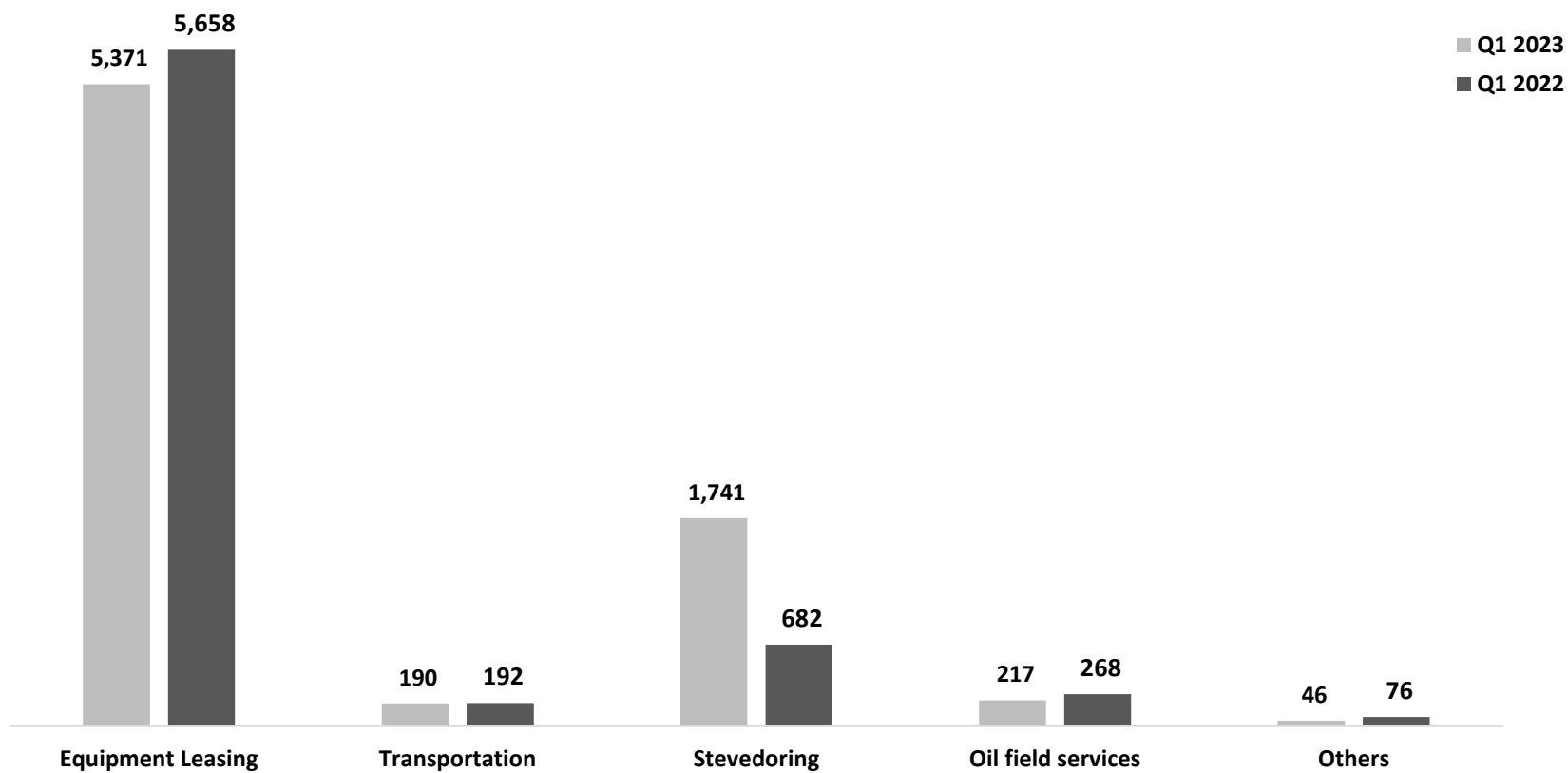
Q1 2023



Q1 2022



## Revenue Contribution by Operational Segment



Note: Figures in KWD thousands

## Financial Position

	Q1 2023	Q1 2022	Change (%)
Current Assets	18,533	21,860	(15.2%)
Property & Equipment	73,714	73,186	0.7%
Right-of-use Assets	527	565	(6.7%)
Intangible Assets	712	827	(13.9%)
Deferred Tax Asset	264	247	6.9%
<b>Total Assets</b>	<b>93,750</b>	<b>96,685</b>	<b>(3.0%)</b>
Borrowings	23,149	18,166	27.4%
Capex Creditors		7,350	
Trade & Other Liabilities	4,297	4,725	(9.1%)
Lease Liabilities	646	651	(0.8%)
Shareholders' Equity	63,621	63,239	0.6%
<b>Total Equity &amp; Liabilities</b>	<b>93,750</b>	<b>96,685</b>	<b>(3.0%)</b>

Note: Figures in KWD Thousands

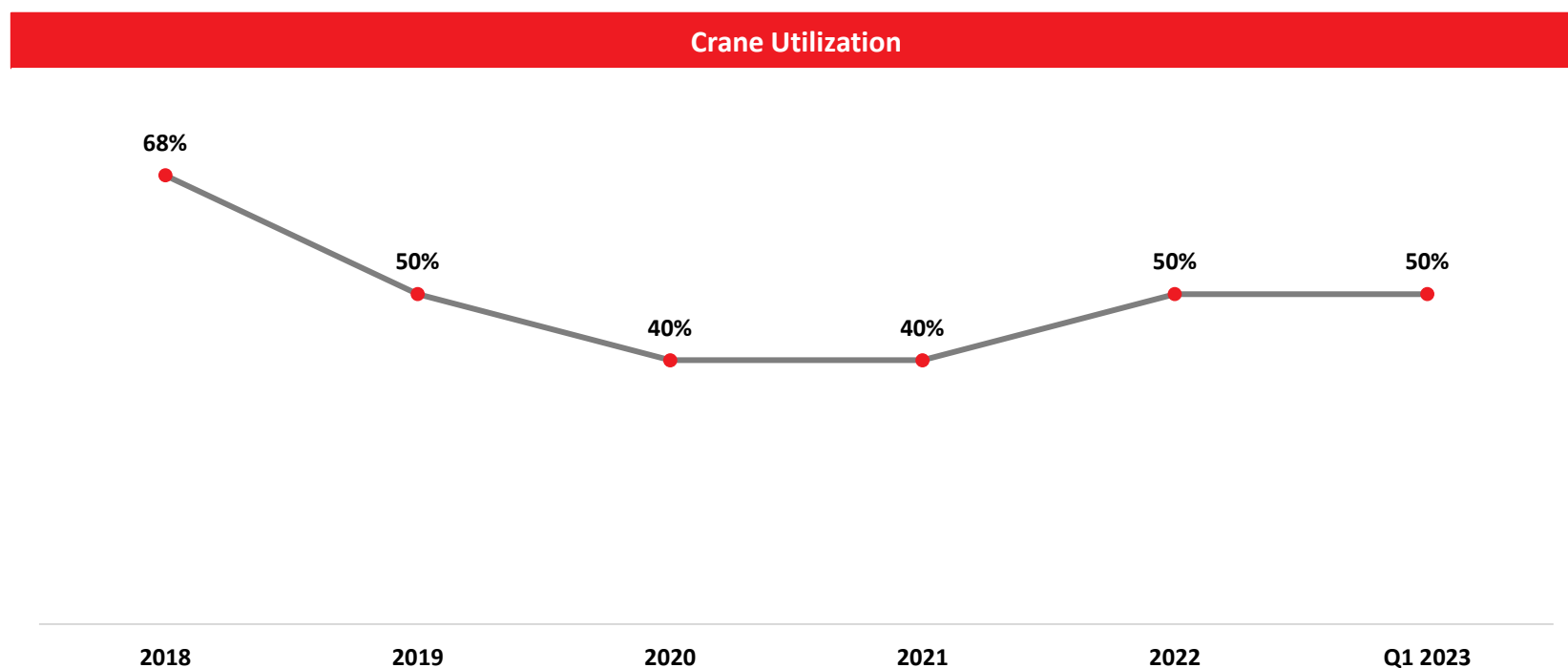
## Statement of Income

	1 <sup>st</sup> Quarter			Full Year
	2023	2022	Change %	2022
<b>Revenue</b>	7,566	6,876	10.0%	24,730
<b>EBITDA</b>	4,214	3,801	10.9%	12,980
<b>Depreciation</b>	-2,253	-2,246	0.3%	(9,023)
<b>Finance Costs</b>	-260	-156	66.7%	(717)
<b>Net Profit / (Loss)</b>	958	1,417	(32.4%)	3,167
<b>Earnings Per Share (Fils)</b>	3.8	5.6	(32.1%)	12.52

Note: Figures in KWD Thousands

## Company Highlights

- The utilization of equipment, particularly cranes, which accounts for 68% of the total revenue, remained relatively stable at a similar level as the year 2022.





- During Q1 2023, a total capital expenditure of KD 5.8 million was incurred for the acquisition of various equipment. This expenditure was divided between Kuwait and Qatar, with KD 2.1 million allocated to Kuwait and KD 3.7 million to Qatar. Notably, approximately 98% of the capital expenditure was dedicated to the procurement of cranes.
- Looking ahead, it is estimated that an additional capital expenditure of approximately KD 8 million will be incurred throughout the remainder of 2023. This capital outlay will primarily be directed towards catering to projects in Qatar and Saudi Arabia (KSA).

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