QNB Financial Services

Moderator: Saugata Sarkar
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12:00 p.m. GMT

Operator: This is conference # 62050506.

Operator: Good Afternoon, ladies and gentlemen, thank you for standing by. Welcome to today's Milaha Year-to-date June 2017 conference call.

As a reminder this call is for analysts only, not for media and press. And at this time all participants are in listen only mode, there will be a presentation followed by a question and answer section at which time if you wish to ask a question you will need to press star one on your telephone and wait for your name to be announced.

I must advise you that this conference is being recorded today on Tuesday, the 22nd of August 2017. I would now like to hand the conference over to the speaker today Shahan Keushgerian, please go ahead.

Shahan Keushgerian: Thank you, (Nicole). Hello, everyone. This is Shahan Keushgerian from QNB Financial Services. I want to welcome everyone to Milaha's first half 2017 results conference call. On this call we have Akram Iswaisi, EVP Finance and Investments and Sami Shtayyeh VP Financial Planning and Analysis.

We will conduct this conference call with first management to view the company's results followed by Q&A. I will turn the call over now to Akram. Thank you.

Sami Shtayyeh: Thank you Shahan. Actually this is Sami Shtayyeh and I'm going to start the call off.

Shahan Keushgerian: OK.

Sami Shtayyeh: (Inaudible) in attendance as well. As usual, I'll start off with the consolidated financial results for the first half of the year.

Operating revenues came in at QAR 1.1 billion compared to QAR 1.4 billion, for the same period in 2016 for a decrease of 17 percent year over year. Operating profit came in at QAR 170 million compared to QAR 378 million for the same period in 2016 for a decrease of 55 percent year over year. And net profit for the first half of 2017 was QAR 267 million, compared to QAR 553 million for the same period in the 2016 for a decrease of 52 percent year over year.

Needless to say the first half of the year was quite challenging, all business segments were down versus 2016 and the same issues that had been impacting us for the past several quarters continued to damper our results. Shipping, overall, continues to face one of the most difficult downturns in recent history. That coupled with pressure from customers tied to the oil and gas history impacted us the most.

Onto the segment details; and rather than regurgitating specific figures and what is already in the presentation, I'll try to stick to a higher level.

Starting off, Maritime and Logistics, there's really two main things I want to highlight for this segment; first off, as you know we began operating (Hamad) port in arrangement with Qatar Ports Management Company under the two terminals entity in December of 2016. Due to the terms of the arrangement and accounting rules we report the profit of our share of (two) terminals as one line under the non-operating income section of the PNL.

In prior years, we had full revenue and full expenses so year over year comparatives are not on an apples to apples basis so any analysts on the call please be wary of that. Secondly, despite increased volumes overall rates in our container shipping unit were down versus last year and that squeezed margins considerably.

Having said that, however, overall the industry has been seeing an uptick in rates and we are no exception. The political situation that hit in June did disrupt our shipping network up until vessels were re-deployed to Oman. Things have largely normalized, but for a unit with high fixed costs, losing revenue for several days undoubtedly hit our margins.

Onto Offshore, again, there's really two main things I want to mention in offshore. First off the impairments we had one impairment in the first quarter of the year for QAR 22 million related to vessels that were contracted with a ship yard several years ago and subsequently cancelled.

That impairment now ends matters as it relates to the contracted vessels and no other impairments will be booked. There was another impairment in the second quarter of this year for QAR 24 million related to the lift boat out of our Singapore office.

If you recall we took possession of the lift boat – sorry – we took position of a lift boat last year and, in short, given the circumstances going on in the industry today the vessel value on our books was deemed higher than market prices and, thus, the impairment was booked.

The other thing I'd like to touch on is more operational. Overall utilization in 2017 remains in the mid 60's which is only slightly lower than where it was for the same period last year, however, rate pressure continues to dampen results.

Moving on to Gas and Petrochem, this unit really continues to be the most impacted by the global downturn in shipping. Our owned and partnered tankers along with our associates and JV's continue to be impacted by drastically lower shipping rates across the sectors we operate in. You will see that our top space remains largely flat, with big drops in revenue as well as associates in JV income for these reasons.

On to our training segment, we posted a 13 percent revenue and 15 percent net profit decline year over year. Lower equipment sales continue to bring down results versus last year.

And lastly our capital segment, real estate unit came in largely flat with 2016. Investments was hit with a first quarter impairment of QAR 21 million in our variable sale portfolio, in addition to much lower returns from our health (for) trading portfolio.

Qatar Quarries had another good quarter with our share of profits increasing by QAR 5 million versus last year.

Now switching gears to our outlook. In Maritime and Logistics we expect to see more volumes flow through on our vessels and at the port as a result of the political situation. This should flow through in terms of financials and to add to that and continue with this – excuse me -- this should flow in terms of financials.

In offshore we remain cautious yet hopeful. Things seem to have bottomed out, but what has happened in the industry in the past few years will not rebound over night. Gas and Petrochem remains at the mercy of global shipping rates. Most sectors we operate in are either showing choppy positive signs or none at all.

In our trading unit we expect to have subdued rest of year. And lastly capital, investments are largely tied in the Qatar exchange and real estate is relatively stable, but we expect to see an up take in the second half of the year as our warehousing project goes live.

And with that, I will now turn it over for questions.

Operator: Thank you. So, as a reminder if you do wish to ask a question please press star one on your telephone key pad and wait for your name to be announced, and if you wish to cancel that request please press the hash key.

Once again that's star one if you wish to ask a question. Once again ladies and gentlemen that's star one if you wish to ask a question. There's currently no questions on the line.

Shahan Keushgerian: OK. With that, thank you very much for your time today, we appreciate it and we look forward to next call

Sami Shtayyeh: Thank you.

Operator: That does conclude the conference for today. Thank you for participating, you may all disconnect.

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