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Operator: Hello and welcome to the Milaha 2022 Earnings Conference Call. I would like to advise all participants that this call is being recorded. I'd now like to welcome Shahan to begin the conference. Shahan, over to you.

Shahan Keushgerian: Thank you very much. Hello everyone. I want to welcome you to Milaha's Fourth Quarter and Fiscal Year 2022 Financial Results Conference Call. On this call from the company's management, we have Akram Iswaisi, executive VP of Finance and Investments, and Sami Shyahheh, VP of Financial Planning and Analysis. So as usual, we'll conduct this conference with first management, reviewing the company's results followed by Q&A. I will now turn the call over to Akram. Please go ahead.

Akram Bashir Iswaisi: Okay. Thank you very much. I appreciate it. Thank you everyone for joining Milaha's Year End 2022 Earnings Call and for your interest in the company. I will be starting with our consolidated financial results and then we'll go through our various segments before turning it over to Sami to go over our outlook. And as usual, we will end the call with questions and answers.

The key highlights of our financial results for 2022. Milaha's operating revenues came in at QR 3.3 billion for the full year of 2022, compared with QR 2.8 billion for the same period in 2021, an increase of 18%. Operating profit came in at QR 487 million for the full year of 2022 compared with QR 250 million for the same period in 2021, an increase of 92%. And net profit for the full year of 2022 was QR 1 billion, compared with QR 724 million for the same period in 2021, an increase of 40%. And lastly, our earnings per share was QR 0.89 for the full year of 2022 compared with QR 0.64 for the same period in 2021.

Now moving on to our segments and starting off with Maritime & Logistics. 2022 was a great year for the segment and the best in recent memory, if not the best in a long time. Maritime & Logistics benefited from strong container shipping rates that stayed elevated for much of the year and at the same time we had a significant increase in volumes in our logistics business. Both contributed to overall revenue growth of 26% or QR 286 million with variable expenses growing very much in line with the revenue. Despite a decline in shipping rates in the last few months of 2022, we ended the year with a net profit of QR 85 million, or 43% versus 2021.

Offshore, similarly, posted fantastic results in 2022 with operating revenue growing by 26% or QR 247 million versus the same period in 2021. This growth was driven by an increase in vessel chartering activities, increased utilization, as well as additional projects and work that we picked up in 2022 and the years before. In addition to that, we had employment of the liftboat, which was essentially idle in 2021, but it was working in 2022. So overall, Offshore did a fantastic job compared to the same period in 2021.

Now variable expenses have increased in line with revenue and various accounting provisions impairments that had a negative impact on our 2021 numbers did not recur in 2022. So, the net income result year-over-year was an increase of QR 196 million or 167%.

With respect to the Gas & Petrochem segment, we recorded a 14% drop in revenue, but we also had a pickup of 28% in operating profit versus 2021 primarily due to our divestment of both the tanker and gas carrier assets. The tanker assets, as specific, performed poorly in 2021 due to low shipping rates. So, by divesting these assets, we essentially cut our losses.

At the non-operating level, income increased by QR 51 million driven by the following four factors.:

1. QR 66 million in additional income coming primarily from our share Nakilat.
2. A decrease of QR 10 million came primarily from our VLGC joint venture. Gulf LPG has been impacted by low rates in the same period, basically this year, compared to the same period last year.
3. And then we had a QR 19 million gain on the sale of assets.
4. And then lastly, we took an impairment on LNG carriers, and therefore we had an additional loss or an impact of QR 30 million this year.

Net profit for the segment ended up at QR 70 million or 14% versus the same period in 2021. Now in our trading segment, we were able to cut losses by QR 7 million versus the same period in 2021 by selling more marine-related products and heavy equipment, thus improving margins.

And lastly, Milaha capital... on the investment side. Revenue increased by QR 43 million in real estate, revenue increased by QR 11 million coming from the full impact of our villa compounds, which were leased in Q3 of 2021. On the expense side, we recorded a bad debt provision of QR 27 million, all of which resulted in overall operating profit growth of QR 17 million or 11% versus the same period in 2021.

On the non-operating income level, however, results came down lower by QR 85 million from an impairment on one of our real estate properties. But overall, we ended with a net profit drop of QR 69 million compared to the same period last year. And

with that, I wrap up the analysis of the segments, and I turn it over to Sami to discuss the outlook. Thank you very much.

Sami Shtayyeh:

Thank you, Akram. Starting with Maritime & Logistics. On the container shipping side, we saw rates drop dramatically in the last few months of 2022 and they are almost back to pre-COVID levels where we expect them to stabilize.

In Logistics, we expect to slow down in the first half of the year but expect an uptick during the second half of 2023.

Offshore, on both the support vessels and services side as well as the harbor side, we expect a continuation of what we saw in 2022. Longer term, we expect the expansion in Qatar's oil and gas industry to have a positive impact on the segment.

In Gas & Petrochem, overall, we expect limited volatility due to the long-term nature of contracts we have in most business units.

Our VLGC JV is the exception where performance is difficult to predict due to volatile spot prices.

In trading, we were able to improve performance substantially in 2022 and we will continue to work on growing the business and margins.

And lastly, the capital. We will focus...we will continue to focus on yield enhancement. And with that, we'll now open up the questions. Operator?

Operator:

At this time, I would like to remind everyone in order to ask a question, press star then the number one on your telephone keypad. We'll pause for just a moment to compile the Q&A roster. Our first question comes from the line of Nikhil Phutane from CBFS. Your line is now open.

Nikhil Phutane:

Hi, good afternoon, gentlemen. Thanks for the presentation. A good set of results, especially in the context of 2021. Now my question actually is related to certain few segments.

Firstly, in terms of your Gas & Petrochem. What we are seeing is your operating expenses normally vary a lot. So, we wanted to understand what is the logic behind it. Because in the fourth quarter, there has been quite a steep drop impact. So, we needed to understand from that point of view. We can understand that gas carriers have been mind off, but still, it looks quite steep compared to what we've seen in the previous quarters.

My second question has got to do with again, Gas & Petrochem. In terms of any further impairments that could likely be seen, my understanding was the figure was going to be much higher. So again, in 2023, are we going to be seeing further impairments on vessels?

Coming to your Maritime & Logistics division. We see again in the fourth quarter that your shipyard and shipping agencies, our understanding, there has been kind of a loss the way it looks like. So, what was the reason behind that? And partly in terms of provisions for impairment of trade, this was also quite high in the fourth quarter. So, what is the reason behind it?

Yes, those are my questions. Thank you.

Akram Bashir Iswaisi: Okay. That's a lot of questions. So let me start with the first one.

You said Gas & Petrochem. The performance of Gas & Petrochem is essentially steady with the exception of Gulf LPG which is subject to certain volatility because they're talking about LPG tankers that are essentially exposed to the spot market. And so, there will be variations from perhaps month...quarter to quarter and so. But...and that's...and that's really what essentially would cause volatility quarter over quarter.

Now in Q4 of 2022, we did take an impairment on two of the LNG vessels. But that impacts, if you look at operating profit before impairments, it's relatively steady and that impairment impacts primarily the profitability. So, this is really the main impact on our Gas & Petrochem.

What was the second question?

Nikhil Phutane: Yes, I mean. In terms of your...you mentioned about impairment, actually last time, I suppose I remember. Impairments, as you mentioned, will not be there lightly in further going around but still, we are seeing around QR 80 million which came up in the fourth quarter. So, I wanted to know what this is and what's taking in the future, sir.

Akram Bashir Iswaisi: Sure. Well, listen. Again, in our previous calls, we've said we're not going to take...we're likely not going to take large impairments like we've done in the past, but there will be impairments to adjust the market conditions. Now the impairments we took are on the long-term LNG contract...LNG vessels, so there's a long-term contract. And the impact of that, again, when we value those LNG vessels because they're fixed on long-term contracts is we use DCF. The various assumptions that go into the valuation include operating cost, financing costs, and when do we have to refinance the vessels. So, the host of different variables that go into that calculation and naturally as per IFRS standard, we have to make adjustments accordingly. So again, we've said we're not going to take significant impairments. So, we also said we will take them in accordance with IFRS and that's exactly what we did.

Nikhil Phutane: So, you believe that...I mean the future cash flows have been affected and that's where exactly this impairment has come into the picture, right?

Akram Bashir Iswaisi: Well, that's what I just said. We use DCF, so we have to use cash flow to...these are...it's a long-term contract, and it's a DCF valuation.

Nikhil Phutane: Okay, fine. Then, of course, I mean, wanted to understand in terms of...what has happened to your maritime logistics. I mean, the run rate of around say QR 350 million per quarter has been quite... I mean, I'm not going to be doing very steep, but it has come down to QR 311 million. So, what was the reason behind it? And you know in terms of your yes...

Akram Bashir Iswaisi: Let's start with one question at a time, because in two minutes I will forget the question if you keep going on. As it relates to M&L, I think we've clearly said that container shipping rates that have been experienced by the container shipping industry are unprecedented. So, this year and last year container shipping markets globally have enjoyed significant profits, phenomenal rates, but the greater rate... the greater train has run its course and the rates are coming down. We started experiencing that in the fourth quarter of 2022. So, the drop that you're seeing, when we talked about in Q4, has largely to do with the fact that container rates are coming down. So, this is not a phenomenon that's unique to us, but it's also a global phenomenon of everybody who's in the same business, is beginning to see container rates coming down significantly.

Nikhil Phutane: And I just wanted to clarify, I mean, I can understand that. But in fact, container shipping actually has moved up, suppose I'm not mistaken, but your ship actually has shown...I mean, is it right to say that it has shown a loss or something like this on your shipyard business for your fourth quarter?

Akram Bashir Iswaisi: What the shipyard...the shipyard is going through a repair and upgrade, so there's a transition period right now that we're going through. So again, we've undertaken a major upgrade initiative for the shipyard to be able to accommodate market needs and to be able to grow the business in the future. So again, we're in the transition period where essentially the shipyard is going through a major upgrade.

Nikhil Phutane: So, you're talking about a floating dock? Which is where you were looking at it? That's where exactly you mentioned that you'd be looking at it.

Akram Bashir Iswaisi: Loading dock. And again loading dock is something and I'm talking also about upgrading the shipyard as well.

Nikhil Phutane: I mean...okay. So indirectly, that has given a huge loss the way it looks like for the fourth quarter, right?

Akram Bashir Iswaisi: What's that? I can't hear you. Sorry, can you repeat that question?

Nikhil Phutane: That is, there is a possibility of operating losses in a huge way for I mean the fourth quarter.

Akram Bashir Iswaisi: And again, part of it is a slowdown in the business because we are making those upgrades right now. So, there's work that's being undertaken right now.

Nikhil Phutane: So, when exactly could we be seeing the projection of all this going forward in 2023?

Akram Bashir Iswaisi: We're going to see some by the end of next year. This is a major initiative. So, that's going to take a little bit of time. They had an upgrade.

Nikhil Phutane: And impairments on your rates? So, last time in terms of your trade receivables, I mean there have been some impairments. I mean...so, what has been there? I mean, it's not in line with what has been in the past. So, any...can you give us some ideas what is the reason behind it?

Akram Bashir Iswaisi: Also, we use an ECL model as per IFRS standards, so it adjusts to the market if there are delays in the payments, the provisions go up higher. So, nothing major. And so again, last year there's a lot of business, there's a lot of growth. We also have projects...a long-term projects and there are some delays in the payments on those projects, but nothing really material right now.

Nikhil Phutane: Okay.

Akram Bashir Iswaisi: Honestly, the reality is, but let me add...let me add one more thing. We are actually much more conservative in the way we look at a provision. So, we're...our model is quite conservative and so we usually take a much more conservative approach to the way we look at our receivables and allowance for bad debt. And this is again, this is something very standard that we don't like to be very aggressive, but we're typically very conservative in how we look at the receivables.

Nikhil Phutane: Okay. And lastly, I mean a good set of results of Milaha Trading actually. And what is more important is in your operation your gross margins have been growing quite likely. Can you just... make us...explain how that has been contributing in terms of 2022 going forward in 2023, and how we foresee that?

Akram Bashir Iswaisi: Well, listen. If you look at Milaha Trading, it's a small business unit and so the contribution to the bottom line has been insignificant, right? And negligible. Now we've been working on restructuring this business unit. Potentially, maybe looking at merging some business units with others to be able to gain cost efficiencies, and perhaps exiting certain businesses and really focusing on high-margin business. So, this is...these strategic decisions are being evaluated and will be taken in Q1 of 2023 as it relates to this business.

Nikhil Phutane: Thank you, sir. Thanks a lot.

Akram Bashir Iswaisi: Thank you.

Operator: Our next question comes from the line of Faisal Al Zaabi from NBK Capital. Your line is now open.

Faisal Al Zaabi: Thank you, gentlemen, for the presentation, and congratulations on a strong year. Just a very basic question on how do you expect things to pan out for the upcoming year? As you've kindly mentioned, the level of container and shipping rates that we have been seeing for the past two

years due to COVID are abnormal. So, is it a fair assumption to say that we shouldn't be expecting any earnings growth this year, given that the section represents the largest of the business pillars?

Akram Bashir Iswaisi: Okay. Thank you very much for the question. Now, when rates started going up, we knew that this trend was not sustainable. And so, there's been heavy investments in basically Milaha Offshore, which is going to be one of the main growth drivers in the future now. And I think you're well aware that there's a significant amount of oil and gas activities happening not only in Qatar but also in the region. And so, we've got a good pipeline of work and opportunities coming up in the segment, and as you can tell from the profitability, it continues to improve. And in our view and from our perspective, there's a lot more potential in that segment.

Again, in terms of how we're operating the business, but also in terms of the market that we're serving, and we are very well transitioned again in Qatar to be able to take advantage of those opportunities. I think it's... everybody is well aware that Qatar is really... the oil and gas sector is one of the really promising, let's say sectors or areas of growth in Qatar for the next few years. So, we're all aware of the fact that we anticipated that revenue is going to drop in container shipping, but we've also been making investments to replace that revenue and continue to grow the business in the future.

Faisal Al Zaabi: Totally. Thank you.

Operator: So again, if you would like to ask a question press star then the number one on your telephone keypad. Our next question comes from the line of Jagdish Thanvi from Avalon Global Research. Your line is now open.

Jagdish Thanvi: Hi, thank you. Thank you for the call and thank you for the good results. Yes, I have one question. In the trading business, I mean, the company has made a profit for this quarter, whereas it has been incurring losses. So, can you tell me what the reason was...like was it due to the prices or due to cost cuts down to like (robotics)?

Akram Bashir Iswaisi: Well, listen. As a company, we are really focused on...we're in a business that's globally quite challenging, right? It's a business where you have to leverage technology, where you have to look at how you run your business on a day-to-day basis. Your ability to really deliver your service as fast as possible in as efficiently as possible. So, we really have taken a much harder look at our business and started going back and looking at...going back to basics. Let's say, okay, how do we deliver the service? Where can we cut costs? And so, we've been doing a lot more of that and trying to focus on the outcome as quickly as possible and as efficiently as possible, and you're beginning to see some of those results.

So, a big focus is on profitable growth. That's an area that we're focused on. Growth just for the hell of growth is not really what we're looking for. Effectively, we're looking at profitable growth and this is one of the things that we have started looking at in this business. So, some...and as I mentioned earlier, there will be some certain product lines that we may just decide to shut down and really focus on where we can make money. So again, we have choices and we're beginning to make decisions, and really execute some of those choices. And this is exactly what you've seen.

And we have...honestly, we've got a good management team. The guys who are running this business, especially in a very difficult environment because as you're well aware, this business has historically been tied to infrastructure spending in the country. So, we've benefited like any other company that's in the same line of work. On the back of strong infrastructure spending, selling trucks, equipment, construction equipment, and whatnot. So basically, business is not

as attractive as it used to be. And so, a big part of our focus is focusing on serving vessel orders, which is what we are good at. We are historically and still are vessel owner. And so, ships [indiscernible], supply chain services to vessel owners in the area, we're going to focus on more and more because we think we can add value to that space and make money at the same time.

I hope that answers your questions.

Jagdish Thanvi: Yes. I got this. Now, this is one more follow-up question in the offshore segment. I mean, the company has recorded tax expenses of around QR 2.7-2.8 million which was not there in the last two to three quarters. So, is it just a one-off item or is it going to be a recurring expense in your future as well? And if you can give me some guidance to understand?

Akram Bashir Iswaisi: On the tax expense?

Jagdish Thanvi: Yes. In the offshore business, yes.

Akram Bashir Iswaisi: Yes, it's a one-off item, right? I mean, because we've had international operations. We had the liftboat working in Nigeria. We have legal entities in Europe and Asia. So, there is always going to be some degree of tax exposure, but it's not material. I don't think...and again, as we continue... if we expand outside of Qatar there will be tax exposure, of course. So, I can't tell you if it's not going to recur or not, because again, this is again an expense that we have to incur this year. But if we expand, if we start operating, let's say outside of Qatar, there could potentially be tax exposure wherever we operate. And so, I think you're well aware that global minimum tax is being implemented globally, even in the region, so in the long run there will be tax exposure coming up.

Jagdish Thanvi: This is not going to be recurring, right? In the near future?

Akram Bashir Iswaisi: What's that?

Jagdish Thanvi: This is not going to be a recurring expense.

Akram Bashir Iswaisi: But again, I can't answer that question because if we take action on our business this year somewhere outside of Qatar, there may be tax exposure and we may have to pay taxes, but this is a one-off item. Okay, businesses do pay taxes if they operate in certain jurisdictions.

Jagdish Thanvi: Thank you. Okay, got it. Thanks.

Operator: Again, if you would like to ask a question, please press star one. Our next question comes from the line of Nikhil Phutane from CBFS. Your line is now open.

Nikhil Phutane: Thanks. I mean, I just went through all the questions which have been given across. One, of course, which has been mentioned, in terms of the outlook for 2023. And we do want to specify in terms of how it will pan out in 2023 itself, given the fact that we are seeing rates that are still not very great. I mean, indirectly, means the first quarter, especially for certain segments like Offshore and Logistics, could be under pressure. So, do we expect that, I mean, can you give some...throw light in terms of how it will pan out for the first quarter, especially the background that everything is becoming very challenging across the world? I'm not just talking about recession, but slow down generally.

Akram Bashir Iswaisi: Okay. Well, listen, I mean container shipping as I've mentioned, rates are coming down. So, we will see an impact on the container shipping business right now in Q1. Logistics business, we've done very well in Q4. Volumes have gone up, but we expect a dip in Q1 as well. Obviously, in

Q1 we typically have in terms of our results, we have income or dividends picked up from our investment portfolio. So, you'll see that pick-up in Q1.

On the Offshore side and even on Gas & Petchem, we are looking at a number of tenders and opportunities within Qatar and even certain opportunities outside of Qatar. And so, depending on when we're able to win those tenders, potentially looking at asset acquisitions as well, that will add a substantial-top line and bottom line to Milaha's numbers as well. And so...but Q1, I think, will be a bit challenging, but we expect things to start improving in Q2 all the way on to Q4 as we execute on a lot of these tenders that we have, on these asset acquisitions that we're looking at.

Again, I think Offshore, as I mentioned before, looks very promising. There are a lot of upsides that we see in the market. We are a leader in Qatar in the offshore space. We have a large fleet and a strong track record with oil majors very well positioned to take advantage of these opportunities. And again, at the same time, at the management level of Milaha, we recognize there is a lot more that we can do in terms of upgrading and how we operate our business. Again, I think, this is a theme globally. Digitization and doing more with less, improvement processes, and removing complexity, we are going back and looking at the way we run our business. How can we do them faster? How can we do things faster, and more efficiently?

So, a key thing for us is doing more with less. And so, we're looking at...essentially cost-cutting digitization, which in my view goes hand in hand. The ability to digitize your business allows you then to build scalability into your business. So going forward, it generates more incremental improvements to the bottom line. So, it's a really big focus for us this year more so that I can remember in the past ten years, to be honest, and you'll see much more on that this year. And we'll try to disclose as much as we can in the next earnings call on what we really have done.

But again, with digitization and using technology, we do have a lot of tools at our disposal. But there's a big emphasis all the way from the top at the board level to really look at how we run our business to become much more efficient.

Nikhil Phutane: Yes, I mean, we understand that. I mean, digitization, of course, will help you in cutting down the cost and other things. But since you mentioned Offshore and you mentioned LNG, I just wanted to understand, given the NFS South project which is now I hope started to...design a state and after that maybe it will start, hopefully, that's what the banks are saying, but the mid of 2023. What do you foresee for NFS from that point of view? Is there something...some kind of tie-up which could help given the fact that QEnergy is also there, up and running for the gas supply? How much could you be seeing that getting [indiscernible], let's say in the second half of 2023 for your offshore business? Can you just throw some light?

Akram Bashir Iswaisi: Unfortunately, we can't disclose that information. I mean, again, there's a lot of tenders in place and there are a lot of discussions, and we can't disclose anything to the public at the moment. When we win the tender or pump truck, we'll be able to disclose it at some point. But again, right now we can't really speculate on our win rate or success rate on these tenders. So clearly, as I mentioned, we are a national champion here in Qatar. We are supportive of these initiatives and the oil and gas activities. And we're working actively to really win these standards and grow our business because we're, as I mentioned, very well positioned. We have the fleet. We have the know-how and the capabilities. So, we're very well positioned to be able to win that business. But disclosing numbers, I can't disclose the numbers to you.

Nikhil Phutane: Okay. I appreciate it. Much appreciated. Just the last question actually on your biggest division Gas & Petrochem. In terms of...your margins have been quite nicely maintained over the last, you can say two to three years. What do you foresee going forward? I mean this kind of margin

is quite, I mean, very difficult to look forward to. I mean going forward, do you see that? I mean in 2023 these margins could be coming down.

Akram Bashir Iswaisi: Listen, in all honesty, I mean we...operating costs, in general, are going up and you see that everybody's struggling with inflation and the cost to operate. But we are in that space looking at various opportunities to grow that business. So, we are looking at investing in maritime assets, but very much focused on assets with long-term contracts and predictable cash flows. The largest... I can say they are sustainable, and I don't expect a big drop in those margins, but in the long run, we are looking to grow that business even more.

We've exited certain segments of that business which are volatile. Tankers is a very, very tough business these days. It's very difficult to make money. The best way to make money in tankers is really by flipping assets and we're not in the business of really flipping assets. We're very focused on cash flow and so we are looking at assets and asset acquisitions potentially that can add more profitability to the company and really focused on cash flow. So, cash, cash, cash.

Nikhil Phutane: Okay, fine. Just a small question. Things you mentioned about your long-term contract. Can I have an idea about what is the average right now for your vessels...average tenure? For LNG vessels.

Akram Bashir Iswaisi: For which vessel?

Nikhil Phutane: For LNG vessels.

Akram Bashir Iswaisi: LNG vessels?

Nikhil Phutane: Yes.

Akram Bashir Iswaisi: We have... we've got 9 and 11.

Nikhil Phutane: Okay. I mean, I'm talking about the average tenure of the contracts. Is it right to be up to 11 years? That's what they say.

Akram Bashir Iswaisi: For this segment, all of the segments and we have a lot of different types of vessels. So, vessels that are...

Nikhil Phutane: I'm talking only for your Gas & Petrochem vessels.

Akram Bashir Iswaisi:

Yes, I mean. Well, listen, we have...and if you look at what we have, let's say average from 7 to 10 years.

Nikhil Phutane: Okay, 7 to 10 years. Okay. Really appreciate it. Thank you.

Akram Bashir Iswaisi: No problem, no problem.

Operator: At this time, there are no further questions. I'll turn the call back over to our speakers.

Akram Bashir Iswaisi: Okay. Well, thank you very much for your interest in Milaha. We had a great year, and we look forward to a fantastic year in 2023, and I guess we'll see you in Q1 2023, our next call. Thank you very much. Have a good weekend.

Operator: This concludes today's conference call. You may now disconnect.