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**Executives:**

Akram Iswaisi - Executive Vice President, Finance & Investments

Sami Shtayyeh - Vice President, Financial Planning & Analysis

**Operator:** Hello and welcome to the Qatar Navigation Conference Call. I would like to advise all participants that this call is being recorded. Thank you. I'd now like to welcome Mr. Bobby Sarkar to begin the conference. Bobby, over to you.

**Bobby Sarkar:** Thank you, Bhavesh. Hi. Hello, everyone. This is Bobby Sarkar, head of research at QNB Financial Services. I wanted to welcome everyone to Milaha’s First Quarter 2024 Results Conference Call. So on this call from Milaha’s management, we have Akram Iswaisi, who is the executive vice president in Finance & Investment, and Sami Shtayyeh, who is the VP in Financial Planning & Analysis. So as usual, we'll conduct this conference with the management going over the company's presentation followed by a brief Q&A. I would now like to turn the call over to Akram. Akram, please go ahead.

**Akram Iswaisi:** Thank you very much. Thank you, everyone, for joining Milaha’s Q1 2024 earnings call, and your interest in the company.

We started off the year with mixed results across our various segments, but overall ended up in terms of group-wide net profit in a very good position. As we look ahead at the year, it is evident that we'll be faced not only with various challenges but also opportunities but we're optimistic about what's to come. To start things off, I will go over our consolidated financial results and then discuss our various individual business segments before turning it over to Sami to go over the outlook. As usual, we will end the call with a Q&A.

The highlights of our financial results. Milaha’s operating revenue came in at QR 747 million for the three months ended March 31st, 2024, compared with QR 766 million for the same period in 2023, or a decrease of 3%. Operating profit came in at QR 208 million for the three months ended March 31st, 2024, compared with QR 210 million for the same period in 2023 for a decrease of 1%. Net profit for the three months ended March 31st, 2024, was QR 365 million compared with QR 363 million for the same period in 2023 for an increase of 1%. And lastly, our earnings per share was QR .32 for the three months ended March 31st, 2024, compared with QR .32 for the same period in 2023.

Moving on to the segments, started off with Maritime and Logistics. Operating revenue for Maritime & Logistics decreased by QR 49 million going from QR 250 million in Q1 2023 to QR 165 million in Q1 2024. QR 28 million of the drop came from our container shipping unit and was mainly a result of reduced shipping rates obviously compared to the same period last year.

Let me comment on this point because it is counter to what the overall container shipping industry is facing. As you may know, due to the Red Sea crisis, global competitive shipping rates increased quite dramatically. However, a large portion of the containerized cargo was shipped is routed from India, where rates have in fact come down versus the same period in 2023 and this had a negative impact on our top line. QR 21 million of the drop in overall Maritime & Logistics revenue came from freight logistics units, which saw reduced volumes and warehouse utilization versus the same period in 2023, obviously, Q1 2023 was quite high considering the overflow and impact from the World Cup.

In terms of operating expenses, they came down by QR 41 million, driven primarily by reduced logistics volumes, lower container shipping pass-through expenses, and a favorable reversal of bad debt provisions due to a successful recovery of outstanding bad debt. At the non-operating income level, we had a QR 24 million decrease which contributed to a net profit drop from QR 19 million to -QR 14 million in Q1 2024.

Moving on to Offshore. Operating revenues in Offshore continue to be strong. An increase from QR 340 million in Q1 2023 to QR 373 million in Q1 2024. Increased chartering rates, additional subsea, and engineering-related projects and services, and higher volumes from our industrial logistics units drove the growth. On the operating expense side, we saw a QR 31 million year-over-year increase and that's mainly coming from a nonrecurring favorable VAT provision reversal that was recorded last year and increased corporate expenses in our industrial logistics unit. Overall, net income dropped by QR 3 million from QR 67 million in Q1 2023 to QR 63 million in Q1 2024.

At the operating level, Gas & Petchem had a slight uptick in Q1 2024 versus 2023 going up by QR 2 million, largely due to favorable one-off items. At the nonoperating level, income increased by QR 29 million with a QR 39 million increase from results of associates primarily in Nakilat, more than offsetting a drop of QR 9 million from results from joint arrangements mainly from our VLGC JV. Net profit for the segment ended up QR 30 million or 19% versus the same period in 2023.

In our Trading segment, reduced heavy equipment and bunker sales volumes and margins negatively impacted our results with the bottom line slipping from QR 3 million of profits in Q1 2023 to a -QR4 million loss in Q1 2024.

And lastly, Milaha’s Capital, although there was a drop of 2% in revenue from Q1 2023 to Q1 2024, primarily due to reduced Qatar Quarries sales. Overall net profit increased by QR 15 million, driven by higher overall investment income.

And that wraps up the segments and I will now hand it over to Sami to discuss the outlook for the rest of the year.

**Sami Shtayyeh:** Thank you, Akram. Starting with Maritime & Logistics. On the container shipping side, we expect rates to continue being under pressure due to depressed global demand and the expected new vessel capacity coming online. In freight logistics, the environment is still quite challenging and expected to remain so. Our focus remains on boosting sales efforts and improving operating efficiencies. In Offshore, on the support vessels and services side, we expect to see continued growth particularly longer term with all the expansion work in Qatar's oil and gas industry. For the harbor operations, we expect stable revenue throughout the year, given that most vessels are on a long-term contract. Similarly for industrial logistics, we expect fairly stable revenue due to long-term contracts. Gas and 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, however they're currently quite healthy. In trading, we will continue to focus on profitable growth and margin improvement. And lastly, Capital, where we will continue to focus on yield enhancement.

With that, we'll now open up for questions and answers. Thank you.

**Operator:** Thank you. If you'd like to ask a question, simply press the star, followed by the number one on your telephone keypad. That is star one to ask a question. Our first question comes from the line of Abdullah Amin from QNB. Please go ahead.

**Abdullah Amin:** Hi, thank you for the presentation and the set of results. I just want to know how this expansion is going to benefit Milaha other than QGTS share? If you can elaborate more and when we're able to see this in the earnings?

**Akram Iswaisi:** Thanks for the question. The impact for the Northfield expansion will positively impact primarily our Offshore division. And I can tell you, we have bid on a large number of contracts, and we have a pipeline of contracts. Now, usually there's a lead time. So if we win a contract or tender, we need at least six months to a year to be able to acquire the vessel. Some vessels are available today. Some have been pre-ordered, but usually, there's a lead time. I can’t disclose much on what we've won right now but we're optimistic. The second half of the year should look much more positive for these business units. But you know these are long-term contracts that we will begin to see the fruits of these investments or the benefits of these contracts next year and the years after. But I can tell you we're very optimistic, very upbeat about the Offshore division based on the activities that we see in the market and based on the volume of tenders that we have bid on and that we have been winning.

**Abdullah Amin**:  So do you have a base case scenario or a like how much growth we see over the next three to five years in earnings or revenue? Any year, like, probably if you’re assuming there's a hundred contracts available and you get 20 out of it, how much is that? Any like idea? No specific numbers required, but any idea how the earnings will grow over the years over the quarter?

**Akram Iswaisi:** I can tell you we're going to strive to disclose more by the second half of the year, but we're bound by the confidentiality agreement. So what we're able to share more, we should be able to do that in subsequent quarters and those are we've got a lot of good news and we want to be able to share it, but we need to clear the red tape first because we are bound by the confidentiality agreement. But the pipeline looks fantastic, and I think you already see that in the markets. You know the OSV market is still very strong, rates have gone up. But the pipeline of work is there, with all this capacity expansion by default, you're expanding the…doubling the capacity you will need a significant amount of, let's say, marine infrastructure to support this. And so we are one of the key beneficiaries by virtue of being the leading company in Qatar in that space.

**Abdullah Amin:** Thank you. Thank you very much. Much appreciated.

**Operator:** As a reminder, if you'd like to ask a question, please press star, followed by the one on your telephone. That's star one to ask a question. Our next question comes from the line of Rob Skepper from Ashmore. Please go ahead.

**Rob Skepper:** Hi everyone. Thanks for the call today. Yes, I mean just following up from that question on the Offshore segment. Is it possible at this stage to talk about the capital needs for that segment in order to ramp it up to a higher level?

**Akram Iswaisi:** Again, if you look at the CapEx requirements that's needed for the expansion, it is substantial. I mean, today the average vessel can cost depending on whether it's new or whether it's old. Anyone, anywhere from $30 million all the way up to $50 million a POP. So even if you're just simply doing five vessels at $40 million of POP, you're talking about $200 billion easily. So there are CapEx requirements that are going to be substantial, but it really depends on the type of vessel that you need, whether it's a PSV, HDS, or even diving support vessel can be…again whether depending on specifications, requirements could be $100 billion or could be $60-70 million. So there is going to be a CapEx requirement to be able to meet those contractual requirements and to be able to bid on projects.

**Rob Skepper:** Yes. Okay. Thanks. And then in terms of the type of contracts? Like, are they typically exposed to spot rate? Is it kind of when you say long-term, how long-term are they, like how certain will you be of like the return for this segment?

**Akram Iswaisi:** I think, and if you look at long-term, it's defined differently in each of the different shipping segments. It's partly Offshore, long-term is anywhere from two to five years. But I think if you look at our relationship with the oil majors in Qatar, it's a long-term relationship and we have been able to renew a lot of the contracts. And so we have good visibility into, let's say the relationship, and we deem our relationships to be long-term. I can't disclose specifics on the duration, but I can tell you that by virtue of that demand being there and it's not short-term in nature. And again, you're talking about doubling the capacity, but amount say doubling the infrastructure to support that. But if you're doubling the infrastructure, you need a lot of marine infrastructure to support that as well. So by default, the nature of the arrangements will be long. Contractually,

they may not be 10 years or maybe five years. But we're optimistic that those contracts will be renewed because the demand is there.

**Rob Skepper:** Yes. Okay. Great. Thank you.

**Akram Iswaisi:** And then overall, I can tell you the market is helping. The next five to seven years, the offshore market is a phenomenal strong market, and you can see that from…if you look at even our competitors, their earnings are fantastic, the day rates for showering vessels are fantastic, even vessel valuations have gone up significantly. So that tells you a little bit about the dynamics of the market. But again, as I mentioned, we are a leading partner to the Offshore oil and gas sector here in Qatar. We're here to support them and we see a long-term relationship that's mutually beneficial. And that's how we get our services.

**Rob Skepper:** Yes. Great. Thank you.

**Operator:** There are no further questions at this time. I will…. apologies, we now have a question from Nikhil Phutane from CBFS. Please go ahead.

**Nikhil Phutane:** This is actually related largely with the overall Qatar government policies regarding the tax rate. Do you see something in terms of the 2025 onwards tax rate being introduced in Qatar?

**Akram Iswaisi:** I mean, again this is a…it's a global push, if you will, right? So it's not unique to Qatar and you're seeing global minimum tax being implemented everywhere, right? UAE next door. And I believe they've enacted a 9% tax in UAE. So you're seeing in the region. So from our perspective, taxes are coming. It's how they get implemented, how they gets structured. That's the question. But we know global minimum tax is coming everywhere. So it's not a question of if, it's a question of when.

**Nikhil Phutane:** I mean, do you see that coming in 2025 itself?

**Akram Iswaisi:** You know, I can't opine on the country's policy. But again, from our position, we're planning for... our initial position, we were planning for taxes this year. But depending on when they roll it out, that's when we'll know, right? So it depends on when the government decides that the taxes will be enacted. We don't have any insight into when, that really depends on the country's policy or the Minister of Finance if you will.

**Nikhil Phutane:** Okay. Thank you, Sir.

**Operator:** Thank you. There are no further questions at this time. I will now have the call back…excuse me, we have a follow up question from Wei Chow from Epicure. Please go ahead.

**Wei Chow:** Hello, gentlemen. Thank you for the call. Am I audible?

**Akram Iswaisi:** Go ahead. Thank you.

**Wei Chow:** Yes. So on the Offshore Marine segment, if you can throw some light on…despite the revenue increase somewhat, the increase in cost have some mass increase in profits. So what exactly is happening, like do you do some front-end loading of cost, or is it something else?

**Sami Shtayyeh:** Yes. Hi, this is Sami. I'm going to answer that question. So if you look year-over-year, really the big difference is the fact that last year, we had recorded the favorable VAT provision reversal. So that impacted last year beneficially and that did not recur this year. So that's when you're looking year-over-year, that's really the main reason of why the costs have gone up.

**Wei Chow:** Understood. Thank you. And just if you can remind us on your renewal of the tower that you have in the West Bay, when is it due?

**Akram Iswaisi:** Well, I mean, again we have a nondisclosure agreement on this, but the contract has extension clauses, so it could be potentially exercised. So it's something we can't disclose right now just because of who the tenant is, to be honest with you. Whenever that gets renewed, we will announce it on the call.

**Wei Chow:** Okay, got it. Thank you. Thank you, gentlemen.

**Operator:** There are no further questions at this time. I will now hand the call back over to Mr. Bobby Sarkar.

**Bobby Sarkar:** Okay, thank you, Bhavesh. So there are no further questions. I would like to thank Akram and Sami for taking the time to answer our questions and we will pick this up next quarter. Thanks, everyone.

**Akram Iswaisi:** Thank you.

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