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**Executives:**

Akram Iswaisi - Executive Vice President, Finance & Investments

Sami Shtayyeh - Vice President, Financial Planning & Analysis

**Operator:** Hello everyone and welcome to the Milaha Conference Call. Please note that this call is being recorded. I'd now like to hand over to our moderator for today, Bobby Sarkar. The floor is yours.

**Bobby Sarkar:** Okay. Thank you, operator. Hi, this is Bobby Sarkar, head of research at QNB Financial Services. I want to welcome everyone to Milaha's Second Quarter and First Half 2024 Results Conference Call. So on this call from Milaha’s management, we have Akram Iswaisi, who is the executive vice president in Finance & Investments, and Sami Shtayyeh, who is a VP in Financial Planning & Analysis. So we will conduct this conference with the management first, reviewing the company's results followed by a Q&A. I would like to now turn the call over to Akram. Akram, please go ahead.

**Akram Iswaisi:** Thank you very much. Thank you everyone for joining Milaha’s first half of 2024 earnings call and your interest in the company. I'll 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 the outlook. Finally, as usual, we will end the call with questions and answers.

The key highlights of our financial results. Milaha’s operating revenues came in at QR 1.4 billion for the six months ended June 30th, 2024, compared with QR 1.5 billion for the same period in 2023, or a decrease of 5%. Operating profit came in at QR 316 million for the six months ended June 30th, 2024, compared with QR 344 million for the same period in 2024, or a decrease of 8%. Net profit for the six months ended June 30th, 2024, was QR 628 million compared with QR 648 million for the same period in 2023, a decrease of 3%. And lastly, our earnings per share was QR .55 for the six months ended June 30th, 2024, compared with QR .57 for the same period in 2023.

Moving on to our various segments, starting with Milaha Maritime & Logistics. Operating revenue from Milaha Maritime & Logistics decreased by QR 41 million, going from QR 435 million in the first half of 2023 to QR 394 million for the same period in 2024. QR 48 million of the drop came from our freight logistics unit, which saw reduced volumes and warehouse utilization decrease versus the same period in 2023, which last year was quite high immediately following the World Cup.

With respect to container shipping units, that similarly posted a drop versus 2023 despite an uptick in volume with revenue coming down QR 15 million versus 2023 primarily due to reduced shipping rates out of India. Partially offsetting the drops in freight logistics and container shipping was our shipyard, which posted a QR 26 million increase in revenue coming from added project income and volumes.

Moving on to operating expenses. They came down by QR 38 million with reduced logistics volumes, lower container shipping pass-through expenses, and a favorable reversal of bad debt provisions due to the successful recovery of outstanding debt obviously, more than offsetting increased shipyard-related expenses and less revenue growth. Non-operating income decreased by QR 30 million, and overall net profit dropped by QR 33 million from QR 17 million in the first half of 2023 to a -QR 16 million in 2024.

Moving on to Offshore. Operating revenue essentially remains flat versus the same period in 2023, coming at QR 760 million with increased chartering rates being offset by both planned and unplanned vessel maintenance, which obviously impacted our revenue. On the operating expense side, we saw a QR 20 million year-over-year increase mainly coming from a non-recurring payable VAT provision reversal that was recorded last year and an increase in expenses in our industrial logistics unit. Overall, net income dropped by QR 25 million from QR 141 million in the first half of 2023 to QR 160 million for the same period in 2024.

Now looking at Gas & Petchem at the operating profit level. Gas & Petchem had a slight dip in the first half of 2024 versus 2023 going from QR 65 million in 2023 to QR 62 million in 2024. But at the non-operating level, income increased by QR 35 million with a QR 49 million increase coming from our associates, mainly Nakilat, which is more than offsetting a drop of QR 8 million from the results of joint arrangements mainly from the VLGC JV. Net profit for the segment ended up QR 32 million or 10% higher versus the day period in 2023.

In our Trading segments, reduced heavy equipment and buffer sales volumes and margins negatively impacted our results with the bottom line slipping from QR 1 million in profit in the first half of 2023 to a -QR 8 million loss for the same period in 2024.

And lastly, Milaha’s capital despite an 8% drop in revenue in the first half of 2024 versus 2023, led primarily by Qatar Quarries sales. Overall net profit increased by QR 50 million, driven by higher overall investment income.

And that wraps up the segments. And I will now turn 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, but we are optimistic that our

new China services, which began in May will provide some uplift. In Freight Logistics, the environment is still quite challenging and expected to remain so. Our focus continues to be 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 Harbor Operations, we expect stable revenue throughout the year, given that most of the vessels are on long-term contracts. Similarly for Industrial Logistics, fairly stable as well due to long-term contracts.

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 will continue to focus on profitable growth and margin improvement. And lastly, Capital, where we will continue to focus on providing stable results and yield enhancement.

And with that, operator, we'll now open the call up to questions and answers.

**Operator:** We are now opening the floor for the question-and-answer session. If you'd like to ask a question, please press star one on your telephone keypad.

Our first question comes from Rob Skepper from Ashmore. Your line is now open.

**Rob Skepper:** Hi, gents. Thanks for your time and thanks for the call today. Few bits and pieces from me if I may. Just on container shipping, you mentioned there's some new China routes potentially offsetting some of the weakness like is that…are you still seeing rates dropping, and will those new routes do you think that will provide a bottom for the earnings in container shipping, or we should still expect sequentially weaker results from the container business?

**Akram Iswaisi:** If you look at…I mean, the directionally rates are much more robust this quarter and they will continue to be robust. Not expecting significant increases, but the rates are much stronger now. And if you look at, for example, Maritime & Logistics as a segment and you compare the results from Q1 to Q2, the losses have been diminishing. And so the trajectory is positive and we're optimistic about the second half of the year.

**Rob Skepper:** Got it. Yeah. Thanks for the clarification. Great. And then just on freight logistics, I mean obviously, it's a little bit tricky domestically at the moment. But in terms of like light at the end of the tunnel there like what are you kind of looking out for, when can that improve to your minds?

**Akram Iswaisi:** I can tell you that obviously we're constrained by local market dynamics, but what we are doing is we're working on turning this business around from looking at our operating expenses and trying to right-size the balance sheet as well as the P&L. And so this is an exercise that we have begun looking at our top-line, looking at our customer base, looking at our strategic direction, looking at our sales force, looking at

segments where we should be focusing more than others. And even potentially looking at what some clients are not profitable, we shouldn't be in that segment, we're dealing with these clients. And so at the top line, I mean at the end of the day, if you look at how do you generate revenue top line, you acquire more clients, you sell more services to existing clients and then you look at your pricing and whether you're leaving money on the table. So from a big picture perspective, this is sort of what we're looking at within logistics and saying, how can we grow the top line and what new segments and services we come to offer. Should we be a niche provider focusing on specific segments given who we are using our balance sheet, our strength, our ability to deploy capital, and at the same time looking at our expense side and seeing ways we can optimize that.

So this is an exercise that we're undertaking and it's ongoing. And obviously domestically, we're constrained by local dynamics, but we are looking at how to optimize the business domestically. And we also have our Dubai operation that we're also looking to optimize as well. And so between Qatar and the UAE, there is potential for us to turn that business around.

**Rob Skepper:** And kind of when do you expect to start to see the proofs of those investments?

**Akram Iswaisi:** Well, I mean, we have begun. So success is about…we were stringing along a lot of smaller successes, not going to be a shock and all. So we have in our exercises already started a couple of months ago and so as the results come out we begin executing and making changes. It will have to be and again, it takes time for the results of these initiatives to materialize. So I think in the Q1 and Q2 of next year, we should potentially see some improvement in the numbers.

**Rob Skepper:** Great. Thank you. Just jumping to Offshore. So things on the first quarter conference call, you kind of mentioned kind of various kind of contracts that you've kind of might be working on at the moment. Is there kind of any update for the market on those?

**Akram Iswaisi:** Well, I mean. If you look at Offshore, as the offshore market overall, two things, multiple things are working for us. Rates have gone up, we're sitting in a very, very robust market, and we are writing that cycle that way if you will. Secondly, demand is very robust, whether it's in Qatar or the region as for we have been winning business and so some of that business, we will begin executing or delivering. At the end of Q3 and Q4, we will begin. Now because there is a lead time where we win business, we have to mobilize, we have to hire staff, we have to acquire vessels. There's still a bit of lead time, but Offshore is on an upward trajectory. Our numbers this quarter were impacted by planned and unplanned maintenance, but the trajectory is positive. At the moment, we can't disclose anything yet until we are able to obtain approval from our clients but we're hoping in the next few months we will be able to disclose something to the market.

**Rob Skepper:** Okay. Will that be kind of disclosed and when, whatever the end be a kind of lapse, you're able to speak or like is it will you wait for kind of the next quarterly call?

**Akram Iswaisi:** We're hoping by the next quarterly call that we would have something that we can share. But again, we're bound by most of our contracts, there's a confidentiality agreement. We're bound by that. And so we need clearance from our clients to be able to disclose more.

**Rob Skepper:** Yeah. Sure. Got it. Okay. Cool, Akram and Sami. Thanks very much. Thank you.

**Akram Iswaisi:** Thank you very much. Appreciate the questions.

**Operator:** The next question comes from Nikhil Phutane from CBFS. Your line is now open.

**Nikhil Phutane:** Thank you, gentlemen, for taking my question. Well, this is regarding again which you mentioned about containers on your maritime. And you did mention that you've added some new vessels. So I just wanted to inquire if there are new vessels, I believe too, that has been started contributing to the second quarter results or could be contributing going forward?

**Akram Iswaisi:** Where did we mention about new vessels? I mean, we continue to charter new vessels as we expand our network and so we are chartering in vessels, and as they come up. Some of them are short-term, some of them six months, one year. So, as we continue to expand our network, we do use short-term charter to test the network, and then when the time is right for the market, we do buy assets. So today any new service that we get into if we don't have the capacity then we charter in vessels. So, it's difficult to answer that question for you because vessels both rely on different services as part of our network.

**Nikhil Phutane:** Okay. Regarding other things, I mean given the fact that in the last couple of years your disposal of property versus equipment has been a huge increase, I mean say in 2021. But of course, of late we are seeing quarterly some gains coming through in terms of your disposal, maybe salvage value, and other things. Do we see a similar trend continuing going forward?

**Akram Iswaisi:** I'm sorry, disposal of what of that?

**Nikhil Phutane:** Yeah. I mean, if you are seeing some gains which you are getting through your assets, your property, vessels and equipment through your balance sheet, in your profit statement flow-through. So, I wanted to understand whether will that continue going forward?

**Akram Iswaisi:** Well, I mean the gains on our P&L are immaterial. So we buy and sell vessels as part of our normal operating business and shipping this is expected. And when we need to upsize or upgrade our vessels that's going to be part of what we do. So the amount at the end of the day is quite frankly immaterial. I mean, if you're talking about what we have on our P&L, gain on disposal vessels 2024 year-to-date, it was QR 9 million versus QR 4 million last year. So in part of operating a shipping company or offshore companies that you're going to buy and sell vessels, you upsize, you buy newer ones.

And so it's very difficult to give you directions of what's going to happen, but at the end of the day, we will buy vessels, and we will sell vessels. But again, the gain is immaterial at the end of the day.

**Nikhil Phutane:** Okay. And then the idea was basically your impairment of vessels which took place heavily way back in 2021. I mean, that we don't see anything coming off of it maybe in the coming quarters, right? That's what you're pointing out?

**Akram Iswaisi:** Are you talking about impairments?

**Nikhil Phutane:** Yeah. Impairments which you had earlier from that maybe salvage value some kind of difference…yeah.

**Akram Iswaisi:** I mean, again, as I've mentioned last quarter, there are no impairments. We don't have anything to…we've been conservative, and we don't have any impairments right now that we are aware of. We have to go through an accounting exercise every year. If the vessel cannot be deployed, it has no alternative uses and then potentially, we would have to take impairment or sell it in the market. So that happens as part of a periodic exercise that we undertake that's also reviewed by our auditors. Right now, we have no impairments on site.

**Nikhil Phutane:** Okay, fine. Lastly, on your shipyard business. I mean, we see a good positive change during the quarter 2Q of course. I mean, not comparing with 2023. So can you just give some color on this, I mean in terms of what we can see it going forward second-half?

**Akram Iswaisi:** Well, I mean, we've got some special projects that we are doing in the shipyard. The shipyard has been undergoing from major changes, system improvements, upgrading of staff, and a big focus on growing the top line. So we are undertaking special short-term projects as well. So part of the pickup is short-term projects that we have undertaken on the marine side.

**Nikhil Phutane:** Okay. Thank you. Thanks.

**Operator:** Our next question comes from Mark Krombas from TFI. Your line is now open.

**Mark Krombas:** Thank you. Hello, gentlemen. I wondered if the management and the Board considered the introduction of an interim dividend this year in line with your largest shareholding, which I'm sure you'll enjoy the dividend in the next quarter. And if not, like just a question of to this understanding, potentially why not?

**Akram Iswaisi:** I can tell you that there will be a discussion about this, but at the moment, I cannot really provide any feedback or opinion on that. But it's just something that we will look at as a management and potentially as a Board.

**Mark Krombas**:  Thank you.

**Akram Iswaisi:** It's on our radar stream. Let's put it that way.

**Operator:** All right. As of right now, we don't have any pending questions from the attendees. I'd now like to hand back over to the moderator for the final remark.

**Bobby Sarkar:** Okay. So if we don't have any further questions, we can end the call for today. I want to thank Akram and Sami for taking the time to answer our questions and we will pick this up next quarter. Thank you very much, guys.

**Akram Iswaisi:** Thank you very much. Appreciate it, everyone.

**Operator:** Thank you for attending today's call. You may now disconnect.