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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 Milaha Conference Call. Please note that this call is being recorded.

I'd like to hand it over to our moderator for today, Shahan. You may now begin.

**Shahan Keushgerian:** Thank you very much. Hello, everyone. I want to welcome you to Milaha's Third Quarter 2024 and Nine Months Financial Results Conference Call.

So, on this call from management, we have Akram Iswaisi, executive vice president, finance & investments, and Sami Shtayyeh, vice president, financial planning & analysis. So as usual, we will conduct this call with first management, reviewing the company's results followed by a Q&A session.

I will turn the call over now to Sami. Please go ahead.

**Sami Shtayyeh:** Thank you, Shahan. Thank you, everyone, for joining Milaha’s Year-to-date Q3 2024 Earnings Call and your interest in the company.

To begin, I'm pleased to report that Milaha had an exceptionally strong third quarter, although we were slightly behind last year's performance at the half-year mark, we have more than recovered in Q3, achieving a 5% year-over-year increase in our net profit.

For today's call, I will first go over our consolidated financial results, then discuss our various segments and outlook. And as always, we'll conclude the call with a Q&A session.

Here are the key highlights of our financial results. Milaha’s operating revenues came in at QR 2.13 billion for the nine months ended September 30, 2024, compared with QR 2.23 billion for the same period in 2023, for a decrease of 4%. Operating profit came in at QR 445 million for the nine months ended September 30, 2024, compared with QR 404 million for the same period in 2023, for an increase of 10%. Net profit for the nine months ended September 30, 2024, was QR 917 million compared with

QR 870 million for the same period in 2023 for an increase of 5%. And lastly, our earnings per share was QR 0.81 for the nine months ended September 30, 2024, compared with QR 0.77 for the same period in 2023.

Now, onto our business segments. Starting with Maritime & Logistics. Operating revenue for maritime & logistics increased slightly by QR 2 million, going from QR 618 million in the first nine months of 2023 to QR 620 million in the same period in 2024. In short, our container shipping and shipyard units offset declines in freight logistics. In container shipping freight rates out of our recently opened China routes more than offset weakness in rates out of India and that helped to grow revenues by QR 22 million year-over-year. Our shipyard similarly posted a QR 22 million increase in revenue mainly due to added project income and volumes. And in freight logistics, reduced freight forwarding volumes, in particular project cargo and lower warehouse utilization versus the same period in 2023 drove with QR 39 million reduction in revenue. Operating expenses came down by QR 33 million mainly due to a reduction in logistics volumes which lowered our cost of sales along with the addition of QR 12 million favorable swing in our bad debt provisions due to the successful recovery of outstanding debts. Net operating income decreased by QR 33 million and that brings us to an overall net profit increase of QR 1 million versus the same period in 2023.

In offshore, operating revenue fell by QR 51 million for the first nine months of 2024 versus the same period in 2023, going from QR 1.112 billion to QR 1.062 billion, with increased chartering rates being offset by both planned and unplanned vessel maintenance, which impacted our revenue generating capacity. On the operating expense side, we saw a QR 30 million year-over-year decrease, with reduced operating supplies and expenses tied to lower charting in expenses, third-party contractors, and various miscellaneous expenses more than offsetting higher salaries and wages and other miscellaneous operating expenses. Overall, net income dropped by QR 22 million from QR 169 million in the first nine months of 2023 to QR 148 million for the same period in 2024.

At the operating profit level, Gas & Petrochem had a slight dip in the first nine months of 2024 versus 2023. Going down from QR 95 million in 2023 to QR 92 million in 2024. But at the non-operating level, income increased by QR 33 million with a QR 50 million increase from results from associates mainly not to that, more than offsetting a drop of QR 9 million from results from Joint arrangements, mainly out of our VLGC joint venture. Net profit for the segment ended up QR 31 million or 6% versus the same period in 2023.

In our Trading segment, reduced heavy equipment and bunker sales and margins negatively impacted our results with the bottom line slipping from near breakeven in the first nine months of 2023 to QR -13 million for the same period in 2024.

And lastly, Capital. Despite a 2% overall drop in revenue in the first nine months of 2024 versus 2023 led by reduced Qatar Quarries sales, overall net profit increased by QR 51 million driven by higher investment income. And that essentially wraps up the segments.

I'll now go over our outlook. Starting with Maritime & Logistics. On the container shipping side, we expect rates to continue being under pressure due to depressed global demand and expected new vessel capacity coming online. But we're optimistic that the new China services, which began in May, will continue to provide uplift.

In Freight Logistics. The environment remains challenging. Our focus is on boosting sales efforts and improving operating efficiencies.

In Osffshore. 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 & gas industry.

For our Harbor Operations, we expect stable revenue throughout the year given that most of the vessels are on long-term contracts. Similarly for industrial logistics.

In Gas & Petrochem, overall, we expect limited volatility. Due to the long-term nature of contracts we have in most of the business units, our VLGC JV is the exception where performance is difficult to project due to volatile spot prices.

In Trading, we will continue to focus on profitable growth and margin improvements.

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 for questions and answers.

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

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

**Rob Skepper:** Hi, everyone. Hi, Sami. Thanks for the call today. My first question is just on the OSV business. So, the outlook statement there is still very positive, but I guess we're kind of yet to see much materialized in the results or on the news front. Like is there anything you can share on this front?

**Akram Iswaisi:** Just so I can jump in. This is Akram. Morning. This business is heavy business. So, there is you've heard the announcement in the market about us winning substantially large contracts and we've indicated many times that the business has a lot of upside. There's a lot of potential giving the Northfield expansion, our ability to capitalize on

that. And that continues. But there is a time lag for us to be able to invest in the CapEx and continue to build up the operation. So, we're still optimistic on the business and you will see those results materialize overtime, as we continue to buy new vessels, invest in new builds, and continue to build up our operational capabilities. I mean, you've seen the… you've heard and you've seen the announcements in the market about new contracts are winning, but again they need time to be executed. We need to buy the CapEx, so they need time system to materialize. So, there's a there's a lead time to be able to see the results and these are long-term contracts.

**Rob Skepper:** Yes. Okay. And what's the amount of investment required to support the contracts announced so far?

**Akram Iswaisi:** Well, I mean for… but again we're talking potentially CapEx in the billions that we require to support all the Northfield Expansion and requirements. So, the CapEx requirements to be able to support a lot of normal expansion is essentially in the billions. So, we haven't disclosed that to the market, but the number is substantially large.

**Rob Skepper:** Yes, I mean obviously the [indiscernible]

**Akram Iswaisi:** As a requirement overall.

**Rob Skepper:** Yes. Sorry. The announcement so far is for the QR 792 million charter like is that the first several?

**Akram Iswaisi:** Yes. That for the first contract. I mean, as we win contracts will announce them in the market and again, we are bound by confidentiality provisions with clients and as they may allow us, we'll announce those in the market. But you will see this is one of many contracts that are coming. Again, I think everybody in the market knows there's a lot of upside in the Qatari market on the back of the Northfield Expansion. And so, we are looking to capitalize and as well as support the country in that expansion phase.

**Rob Skepper:** Yes. Okay. And in terms of announcements of further contracts? Like over what kind of time frame like are they? Are they kind of being concluded now? So, you're kind of have most of these contracts in place in the next few quarters or…

**Akram Iswaisi:** We cannot disclose that again. Would they happen? We will announce them to the market.

**Rob Skepper:** Okay. Great. Thank you. Just jumping around a little bit. Just on the capital business, so just on the current asset allocation in the investment book, are you allowed to share that?

**Akram Iswaisi:** I'm sorry. Repeat the question.

**Rob Skepper:** Within the capital division, just asking about the investment book. What's the current asset allocation, broadly.

**Akram Iswaisi:** Unfortunately, we don't disclose that.

**Rob Skepper:** Okay. And is there any leverage on the investment book?

**Akram Iswaisi:** Very little. Very, very little. I mean, if you look at our balance sheet as a company, we've reduced our debt substantially. So, we are very well poised and prepared to deploy our balance sheet to grow and in that high interest rate environment. We've been able to save quite a bit, and so as the market the rates come down I think very well positioned to use that to fund growth. But if you look at our debt, there's very little negligible.

**Rob Skepper:** Okay. Great. Then last one from me, just on the question around like dividend policy and dividend frequency, is that something that you guys would be are looking at in terms of moving to an interim rather than annual, etc.

**Akram Iswaisi:** And I think that seems to be the market trend at the moment. Once our Board… and obviously, all I believe in my opinion, all the Boards in Qatar are discussing this now, which seems to be the general trend in the market. Our Board has not approved that. Otherwise, you'd hear about it in the market. So, I think let's just wait and see and when the Board approves, it will announce in the market. But it seems to be the general trend in the market right now.

**Rob Skepper:** Okay. Great. Akram, and Sami, thank you, guys. Thank you.

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

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

**Mark Krombas:** Thanks for the call, gentlemen. Just a quick question about the outlook for whether your company would be subject to OECD tax which if it's implemented in 2025. Have you spoken to any consultants and sort of opinion on whether you might have to pay, and if so, how much and what you could offset? Maybe you could just talk about that.

**Akram Iswaisi:** Well, two things are for sure, debt and taxes. So, I think that taxes are coming and essentially global minimum tax everybody now has to pay regardless. So, we're prepared for that. We've been prepared for the past couple of years. We've done our homework. We've done our research. We have a good understanding of our exposure and so, taxes are coming.

**Mark Krombas:** Yes. But like let's say for example, there are some loopholes for international shipping there are… there's certain… I don't know where what you ever subsidiaries pay, like

to sort of lower that effective tax rate from 15 which is fairly harsh in a way is it. Is there, I mean have you got some steps you can take to lower?

**Akram Iswaisi:** Well, we have. I mean, if you look at number one, if you look at there are… for example in the shipping there's something called the Tonnage Tax regime which is countries have implemented that in various places around the world. It's not a new regime. Those exist worldwide which effectively help reduce tax liability for shipping companies, given the fact that shipping companies are… then it's a thin margin business. So, to support shipping companies in some countries, we've seen punished tax resumes being implemented. We don't know if it's being implemented here in Qatar or not. So, again my point of view is we've considered how do we reduce our tax exposure. We've looked at how do we restructure our businesses, to be able to reduce tax liability even as we invest whether through the investment portfolio or through the operational portfolio. How do we reduce our tax exposure so we do have a tax team, that's very good at tax structuring and this is one of the things that we've embarked on the past couple of years and in fact this is a journey we've been going on for a while where we went back and looked our entire portfolio even before the global minimum tax to try to restructure our businesses to reduce tax liability. So we are well prepared for this. And you know, there is tax exposure, but I think we've been able to build a very good plan to try to just our exposure. And then again, if you I think you're probably following that in global minimum tax with a lot of things that are still evolving. But the fact remains that the overall, there's an exposure, but it's how you manage exposure and whether there are exception exemptions, they continue to evolve. But you know we're on top and then we're evolving with it.

**Mark Krombas:** Okay. I guess we'll wait and see. Thank you very much.

**Akram Iswaisi:** Thank you.

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

**Nikhil Phutane:** Yes. Thank you, gentlemen. Well, my question is pertaining to your offshore business. You did mention, you are doing well in terms of energy projects are going to be coming up and maybe continuing going on currently also. But it looks like on quarter-on-quarter basis you see, I mean the margins have been quite low. It has been reducing. So, just wanted to understand why is that so? Why the margins are coming off?

**Akram Iswaisi:** Well, I mean, margins are coming up in essence, if you look at this business right now, what we've been able to do is really swept the assets. So, we've been able to optimize our balance sheets with our assets and this is sort of what you're seeing being reflected in our P&L. However, this business because it's a CapEx heavy business, it has to undergo periods where we need to take vessels off from contracts and maintain them. So, we have been impacted to that by that in the last quarter. And so, margins should

continue to expand and also what we've done is we've been able to invest in capabilities because we are again as a business, we continue to expand our portfolio of offerings. Again, I've mentioned that many times before, Milaha continues to evolve rather than being an asset owner, we are taking a portfolio approach to serving our customers. Historically, we used to just essentially these lease assets, if you will or rent our assets. Now, we're coming to the market and we've been developing products if you look at engineering capabilities, EPCI capabilities, we've been developing those to be able to come in and take on more profitable projects, higher margin projects and to come in and be able to offer the customers more than just asset leasing and this is sort of what we've been doing and we mentioned that before we have been in fact investing in capabilities and hire more people and acquiring even assets that will allow us to provide those kind of services. Again, this is a business where you have to ramp up and there's a lag in order for you to be able to ramp up. So, in terms of one's buying assets, if you can't buy second hand in the market, you have to build them and there is a at least time for the building. So, those capabilities have been developed but if you look at our numbers, for offshore where were in the past and where we are today, it's substantially different. And the business continues to grow. And if you look at even effectively the top-line for for offshore, we've used to charter in a lot of vessels and deployed them and that number of charter vessels has diminished. Just because you can't provide investments in the market, so our focus is on how to optimize returns on the existing vessels, but we're also looking at building new vessels or buying second hand vessels to continue to grow the top-line, which in our opinion, there's a huge potential and I don't say contract backlog but there is potential lot of upside that we see and we have a good line of sight of what's going to happen the next five years.

**Nikhil Phutane:** Okay. Thank you for the detailed answer. Well, coming to your logistics, we were looking very optimistic when…

**Akram Iswaisi:** By the way, just to pick it back on. Our net profit margin in offshore last year was 15% and this year is 24%. So, even despite the fact that we had to take vessels off for maintenance, margins are still relatively stable without that, margins would have been much higher. So, you'll see over time that margin continues, but reality is vessels will have to be taken off for maintenance periodically which does impact profit margins. Sorry, I interrupted you. Go ahead.

**Nikhil Phutane:** Yes. Okay. I think you did had a lot of provisions also last time. But nonetheless I'm going on to logistics actually, which I mean in the last quarter you didn't mentioned we are looking very optimistic new business coming across. We could be seeing better going forward in terms of this takes up container and other things, but it looks like, I mean you did well, but overall in terms of, I mean receivables for example in payment or trade dividend took place. And apart from that, I mean in terms of overall coming into profit for this quarter actually came to largely from higher profit from your fleet

and technical services, which I believe is in the division. So, wanted to understand how you account for this allocation to fleet in technical services. I mean, is there is some fixed fees. How this even [indiscernible] just wanted to have an heads up on this.

**Akram Iswaisi:** What are you talking about? Maritime & logistics? Effectively, it's just a cost center effectively. So, it's not an operating business unit, it's just the cost center that serves for shared services that serves the rest of the business. If you look at this business today, I've mentioned logistics. What I mentioned in the past to be clear, that we are working to optimize logistics. We are looking at the operation, how do we cut costs, how do we grow the top-line, and we said we've set targets for ourselves around first to second quarter of next year to begin turning that business around. But again, we are in a market that is it's tied to the macro dynamics that we're in. And so, this is a business that we are working to turn around. And so, it does take time. It's not going to happen overnight. I mentioned that last quarter, so it's not going to turn around in, in a in a span of one quarter, but we are picking up in our new contracts and it's a volume business. So, it needs time and it needs scale to be able to turn things around. If you look at container shipping, yes, it's doing well, except for the accounting adjustments, which again these are higher standards that we have to abide by. But I'm optimistic that next quarter we will see that turn around and you've seen that, I think from an IFRS perspective, when it comes to provisions, we're much more conservative than we follow the standards to the letter and that does have an impact on our P&L in certain quarters, but it tends to reverse itself in the following quarters because some customers take too long to pay, but eventually they end to pay. Fleet and technical like I said, is the shared services that serves various businesses. So, it's just a simple mathematical equations.

**Nikhil Phutane:** Okay. I mean, within the logistics itself, your shipyard actually has shown quite volatile in terms of revenue pattern. I mean, you did mentioned that you could be seeing undergoing major changes… [indiscernible]

**Akram Iswaisi:** You're right. And here it's a small business on the grand scheme, but in the grand scheme of things, it's not right now with, if you look at that business, number one, we are upgrading the shipyard. So, this is a major upgrade to the shipyard that hasn't been done in decades. So again, we expect a lot of business and we do have a lot of business, but you need to be able to upgrade the shipyard and provide capabilities in order to serve your clients. So, this is something that we've been doing and working on. The shipyard is undergo an upgrades. We've hired new capabilities to have new leadership in the shipyard, to manage the shipyard. The demand in our opinion is there. So, what we needed to do was upgrade the shipyard, enhance our capabilities and you will begin to see the results over the next couple of quarters and major improvements. More improvements in the shipyard. And so, if you look at this year, we've had some one-

off items in shipyard, but if you back those out and you normalize the numbers and this shipyard is profitable and the profitability should continue.

**Nikhil Phutane:** Okay. And lastly, on your fourth quarter, I mean it's quite early, but in terms of normal trend which we see fourth quarter, normally some kind of one-off item that takes place can say via impairment of vessels or trade receivables. So, are you seeing something like this happening again?

**Akram Iswaisi:** Again, we follow IFRS and as per standard, we follow the standards, so I cannot really provide guidance on that because again we will follow accounting standards. We're subject to audit and discussions with the audit there. But again, nothing we are aware of at this point. And again, as I've alluded to before, the material accounting adjustments we've taken in the past will not recur again. So, if anything happens, it will be immaterial in the grand scheme of things. But the major ones, we've talked them that we've done, we've taken major impairments in the past. Those are behind us, and again if it happens. We don't believe will be material, but again we follow IFRS standards and it's that simple.

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

**Akram Iswaisi:** Thank you.

**Operator:** As of right now, we don't have any pending questions. I'd now like to hand back over to Shahan for further remarks.

**Shahan Keushgerian:** Okay. Great. Thank you, gentlemen. Thanks for giving us an update on nine months' results and we will pick this up again next quarter. Thank you.

**Akram Iswaisi:** Thank you, everyone. We appreciate it. Thank you.

**Sami Shtayyeh:** Thank you, everyone.

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