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**Executives:**

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**Operator:** Hello, everyone, and welcome to the Qatar Navigation Milaha Conference Call. Please note that this call is being recorded.

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

**Bobby Sarkar:** Hi. Thank you, Ellie. Hello, everyone, this is Bobby Sarkar, Head of Research at QNB Financial Services. I wanted to welcome everyone to Milaha’s Fourth Quarter and Year-End 2024 Results Conference Call.

So, on this call from Milaha’s management, we have Akram Iswaisi**,** who is an EVP 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 and going over the presentation, then we'll follow up with the Q&A session.

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 2024 Year-End Earnings Call and for your interest in the company.

2024 marked another strong financial year for Milaha, one of which we are all proud of. All our core marine-related segments posted year-over-year growth. Offshore, I've had a fantastic year where it continues to capitalize on not only the favorable oil & gas industry growth here in Norwegian releases Qatar’s expansion primarily, but also would be begun reaping the benefits of past year investments in capabilities, processes, and systems and know-how.

On the Maritime & Logistics side, we have narrowed the large operating profit gap from 2023, largely due to our strategic initiative of optimizing our container ship network and continuing to work on optimizing our logistics operation. And obviously focusing on the recovery of outstanding dues.

In the Gas & Petrochem sector segment, our results from associates in JVs continue to provide steady and reliable income and growth. All in all, it’s been a fantastic year and I've go over our consolidated financial results and then our various individual business segments before turning it over to Sami to go over the outlook. 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 2.8 billion for the year ended December 31st, 2024 compared with QR 2.9 billion for the same period in 2024, for a decrease of 3%. Operating profit came in at QR 536 million for the year ended December 31, 2024, compared with QR 436 million for the same period in 2024, for an increase of 23%. Net profit for the year ended at QR 1.12 billion, compared with a billion for the same period in 2024, for an increase of 9%. And lastly, our earnings per share was QR 0.99 for the year ended December 31, 2024, compared with QR 0.91 for the same period in 2023.

All right, getting in our segments. Maritime & logistics, operating revenues for the segment increased by QR 49 million going from QR 779 million in 2023 to QR 828 million in 2024. Our container shipping unit growth in that segment or that the profit center more than offset declines in our freight logistics business in the container shipping business, freight rates of newly opened China routes provided an uplift and helped revenues grow by QR 76 million compared to last year and freight logistics reduce freight forwarding volumes in particular project cargo. Lower warehouse utilization versus 2023 contributed to a reduction of QR 20 million in revenue.

Operating expenses came down by QR 50 million, with a QR 12 million increase in depreciation and amortization from our container shipping unit related to additional CapEx which was more than offset by the following:

* a favorable swing in our bad debt provisions due to the successful recovery of outstanding debt
* The non-recurrence of one of the items recorded in 2023
* a lower corporate allocation due to a change in the reported structure
* And more fleet and technical expenses are being allocated to our offshore unit due to increased maintenance repairs and crewing expenses

Non-operating income decreased by QR 33 million and that brings us to our overall bottom-line increase or improvement of QR 45 million versus 2023.

Moving on to offshore. Offshore ended the year with operating revenue down QR 53 million, or 3% versus 2023. Increased chartering rates were upset by planned and unplanned vessel maintenance, which impacted our revenue-generating capacity. Overall expenses decreased by QR 58 million or with QR 135 million in reduced operating supplies and expenses tied to lower chartering expenses. Third-party

contractors and various expenses more than offsetting higher salaries and wages, expenses, and other operating expenses. This income result was a year-over-year growth of QR 44 million or 13%.

Moving on to gas & petrochem, this unit reported the segment recorded a small QR 2 million increase in revenue, equivalent to 1% growth versus last year. But with the 34 million increase in expenses, 30 million of that increase is related to an increase in depreciation & amortization. The bulk of that type of change in the useful life of our two wholly owned LNG vessels. Let me elaborate on this specific point. As a background, these two vessels originally had a useful life for 40 years. Obviously ongoing, as you're well aware, ongoing technological investments and LNG vessels have led to a significant shift towards more efficient and eco-friendly designs. From an accounting perspective, a benchmark and exercise was conducted looking at the existing contract commercial outlook. And recognizing that it is highly unlikely that the existing contract would be extended beyond the firm contract period. And the vessel will likely be operating in this market after the end of the contract. This prompted a reassessment and ultimately a change in the estimated useful life of the vessel from 40 years to 30 years. The change in useful life triggered an acceleration in the annual depreciation charge, and also led to an impairment due to the shortened asset life span, which is reflected in the non-operating section of the P&L.

At the non-operating level, income increased by QR 83 million broken out as follows. QR 50 million, increased impairment related to the change in useful life of the two LNG vessels I just discussed. QR 65 million increase in results from associates mainly from our share of Nakilat, and a QR 82 million increase in results from joint arrangements mainly from our VLGC JV. Net profit for the segment ended up QR 52 million or 8% higher than last year.

In our trading segment, essentially an across-the-board reduction in sales drove a 20% drop in revenue versus 2023 that along with a QR 8 million provision for an obsolete part of adjustment drove the bottom line to a QR 29 million for 2024. And lastly, capital revenue slipped by -2% or QR 8 million with a QR 50 million drop from lower Qatar Quarries sales more than offsetting QR 42 million in higher overall investment income. Total expenses came down by QR 63 million driven by the reduced Qatar Quarries Cost of Goods Sold. At the non-operating level, income decreased by QR 60 million with QR 63 million of that related to the impairment on one of our real estate assets. All in all, capital recorded, and specifically the real estate logistics assets. All in all, capital recorded a net profit decrease of QR 3 million compared to 2024 and that wraps up the segments.

And I will now turn it over to Sami to discuss the outlook.

**Sami Shtayyeh:** Thank you, Akram. Thank you, callers. Starting with maritime & logistics. On the container shipping side, rates are expected to come under pressure given new vessel capacity, political and economic trade and tariff issues, and the potential for the gradual easing of the Red Sea crisis.

In logistics, turnaround efforts are expected to improve results, but the environment remains very competitive and challenging.

In offshore, on the support vessels and services side, we expect to see continued growth particularly longer term, with all the expansion, working Qatar’s oil & gas industry.

For the harbour and industrial logistics operations, we expect stable revenue given the long-term nature of most 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 charter rates are currently stable and near to midterm. However, the longer-term outlook is uncertain.

In trading, we will be focused on reorganizing the segment and continuing our focus on profitable growth and margin improvement.

And lastly, capital, where we will continue to focus on yield enhancement.

With that, operator, we'll now open the call up for questions.

**Operator:** We are now opening the floor for the question-and-answer session. If you'd like to ask a question, please press star followed by one on your telephone keypad. We will pause for a brief moment to wait for the questions to come in.

Your first question comes from Nikhil Phutane from CBFS. Your line is now open.

**Nikhil Phutane:** Yeah, hi, good afternoon, gentlemen. Well, thanks for the presentation. Just wanted to understand division-wise in terms of what has happened you mentioned about slightly higher depreciation during fourth quarter for the maritime & logistic division. So, wanted to understand has there been any purchases are on this also along with your JV income has been quite volatile during the year. So, I mean, how can you model that looking forward. And regarding for…

**Akram Iswaisi:** I'm sorry. Repeat. Hold on. Let's start with one question a time. You’re talking about the increase in depreciation?

**Nikhil Phutane:** Yeah, a slight increase which has taken place in fourth quarter was you wanted to, I mean as on the rate of for the first to three quarters. So, wanted to understand the reason behind it as there has been some vessels which have been added up.

**Akram Iswaisi:** On the LNG vessels, right? As I mentioned, we had an increase. We changed the useful life of the two LNG vessels that we own 100%. Historically, when we bought them the economic, the useful life was 40 years and we changed that to 30 years and as I mentioned earlier, for obvious reasons which we believe that due to the technological advancements that are happening in the energy space and LNG shipping space, those vessels more than likely than not will not be renewed on the current contract and will likely trade in the spot market. So, the economic life will be changed and we changed it for 40 years to 30 years. So, we adjusted it 30 years before because we feel that it's much more reasonable and reflects for the remaining economic use for life of those two LNG vessels has the reason for the decrease in the depreciation.

**Nikhil Phutane:** Okay. I mean, apart from this is also mentioned on the logistic front on real estate. So, can you just give us color what exactly is that impairment related to and what you see it going forward?

**Akram Iswaisi:** I mean, listen, the imperative for the logistics, again we do an accounting exercise every year looking at the future cash flow potential, earning potential of the warehouse. And so based on that we took an impairment with the utilization continues to remain low and we do have to be frank with you, it's still a challenging environment for logistics. And as part of the facility we've built out a infrastructure component of this a large facility. A little over 400,000 square meters. And so, we've taken impairments on some of the other infrastructure investments that we made in that facility. Plus, we adjusted our outlook for the warehouse and hence the reason for the impairment.

**Nikhil Phutane:** Okay. I mean, all this relation with your earlier conference calls that you have where you mentioned that you could not be seeing much impairment, especially on the vessel stunt. So, I mean 2025. Do you…

**Akram Iswaisi:** Let’s be clear. That’s not what I said. We're not going to be significant material impairments, so I cannot tell you on a call or tell you for certainty that there will be an impairment. We have the business world around the changes. It’s not the static. And therefore, we have to react to it and we have models and accounting standards we have to follow. So, I never said there will never be an impairment. I said that we are likely not to see material impairments like we've seen them in the past.

**Nikhil Phutane:** Okay. Point taken. On the positive side, in terms of your offshore marine division, I mean the fourth quarter has seen good progress, especially from your service and chartering. So, can we consider this as a base for 2025? You still see difficulty going forward. Yeah, we've got in the first half especially.

**Sami Shtayyeh:** Sorry, Nikhil, this is Sami. Can you repeat the question that it appears after I'm logged off by… Yeah, go ahead.

**Nikhil Phutane:** Okay. This has got to do with your offshore marine division. I mean, I think the fourth quarter revenues have been very done well on the services and chartering. So, I wanted to know whether you can consider this as a base going forward. I mean, this is again a yearly trend, which we can see in largely in the fourth quarter.

**Sami Shtayyeh:** I mean, look, quite frankly what we said in the past is we're very bullish on offshore. We expect a trajectory to be upward trending. You will have some blips along the way when you have a fleet of 40 plus vessels plus another 18 or 19 harbour vessels. So, you're talking in total close to 60 vessels. You're going to have instances where some vessels come offline. There going in for repairs, and maintenance, whether it's planned or unplanned. So, I don't say Q4 is a good barometer, nor do I want to say Q3 is a good barometer. What I can tell you is that we're very bullish. We expect the trend to be upward for the next few years.

**Akram Iswaisi:** All right, Sami, I'm back. I’ve got kicked off somehow. Did you manage to answer the question?

**Sami Shtayyeh:** Yeah, yeah.

**Akram Iswaisi:** Okay.

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

**Operator:** To ask a question, please press star one.

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

**Bobby Sarkar:** Hi. Hey, it's Bobby again. I just wanted to follow up with a quick question on offshore. I think previously you talked about a capital spending plan about QR 2 billion over the next several years. Can you maybe give us a little more fine-tuning in terms of how or when we expect this capital to be spent, please? Thank you.

**Akram Iswaisi:** Okay. That's a good question, Bobby, because I can tell you our plan for 2025 is a CapEx of close to QR 1.7 billion just to be spent in 2025, of which QR 1.3 to QR 1.4 billion will be vessel-related and that's our CapEx plan. It will model itself for 2025. The assumption is we will be spending that much CapEx. Obviously, our ability to meet these are CapEx investments that are largely tied to the growth in the oil & gas space in Qatar. And our focus is obviously in today's market it's very challenging to find assets. So, the plan is to spend that in 2025, but it all depends on the availability of offshore assets, mainly in the market and new builds. So, this is sort of a target for 2025, just to put things in perspective. 2026 could be also a much higher number. The amount of growth in the oil & gas sector in Qatar is phenomenal. It's beyond anyone's expectations if you will. And it's beyond anything we've seen in a long, long time. So,

that just gives you sort of puts in the perspective the amount of investments that we're making in the sector.

**Bobby Sarkar:** Okay. And just as a follow-up, so 2026 could be even better and or higher. So, your target of this QR 2 billion could also be increased I guess in the future.

**Akram Iswaisi:** Essentially could be.

**Bobby Sarkar:** Yeah. And this QR 1.4 billion, that's to be spent in the offshore this year. Do we have a rough sense of what type of vessels and how many vessels we are looking to add?

**Akram Iswaisi:** Let's see. The QR 1.4 billion is mostly offshore, but obviously, it's almost close to 90% offshore and it can mix of different vessels. I mean the demand in Qatar for vessels ranges from PSV HOSC unit, there's a huge demand for vessels and so it's difficult for me to right now give you sort of the breakdown the vessel. Then, we don't want to share that right now, but I can tell you that the amount of CapEx is substantial.

**Bobby Sarkar:** Okay. And just this is another final question. On the LNG vessels, you lowered the useful life from 40 to 30 years. When is the… can you discuss when you have these firm contracts coming off and when will these vessels go in the spot market?

**Akram Iswaisi:** Five and seven years.

**Bobby Sarkar:** Okay. All right, cool. Thank you.

**Akram Iswaisi:** No problem.

**Bobby Sarkar:** Ellie, do we have any other questions?

**Operator:** Right now, we don't have any other raised hands.

**Bobby Sarkar:** Okay. All right. In that case, I would like to thank Akram and Sami for going over the presentation and discussing Milaha’s performance for 2024 and we will pick this up again next quarter. Thank you very much.

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

**Sami Shtayyeh:** Thank you.

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