Our ref: KIPCO/GCOO 424/20 dated June 6, 2020

**Boursa Kuwait Company**

**KUWAIT**

## Subject: KIPCO's Analyst/Investor Conference call minutes for FY/2019

With reference to the above subject, and the requirements of article No. (2-4-8) "Continuing Obligations in the Premier Market" of Boursa Kuwait rule book issued via resolution No. (1) of year 2018, and since KIPCO has been classified in the premier market, Kindly note that the analyst/investor conference was conducted through live conference call at 1:00 PM (local time) on Thursday 4/6/2020.

Kindly note that no material information has been discussed during the conference. Please find attached the minutes of the conference (Arabic & English) and the investors presentation for FY-2019.

Sincerely,

**السادة / شركة بورصة الكويت المحترمين**

**دولة الكويت**

## الموضوع: محضر مؤتمر المحللين/المستثمرين لمشاريع الكويت القابضة (كيبكو) عن السنة المالية 2019

بالإشارة الى الموضوع اعلاه، والى متطلبات المادة (2-4-8) "الإلتزامات المستمرة للسوق الأول" من قواعد البورصة الصادرة بموجب القرار رقم (1) لسنة 2018، وحيث أن كيبكو تم تصنيفها ضمن مجموعة "السوق الأول"، نود ان نحيطكم علما بأن مؤتمر المحللين/المستثمرين قد انعقد عبر البث المباشر لمكالمة هاتفية جماعية في تمام الساعة الواحدة (التوقيت المحلي) من بعد ظهر يوم الخميس الموافق 2020/6/4.

كما يرجى العلم بأنه لم يتم تداول أي معلومة جوهرية خلال المؤتمر، وتجدون مرفق طيه محضر المؤتمر باللغتين العربية و الإنجليزية والعرض التقديمي للمستثمرين عن السنة المالية لعام 2019.

وتفضلوا بقبول فائق الاحترام ،،

كيبكو
KIPCO
شركة مشاريع الكويت (القابضة)
Kuwait Projects Company (Holding)

**Samer Khanachet**
**Group Chief Operating Officer**

**سامر خنشت**
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**Transcript: KIPCO Q4 2019 earnings call**

**Introduction:** Good afternoon everyone. This is Ahmed El Shazley and on behalf of EFG Hermes, I would like to welcome you all to the KIPCO Fourth Quarter 2019 Results Conference Call. It is a pleasure to have with us in the call today from KIPCO's management is Mr. Pinak Maitra (Group CFO), Mr. Anuj Rohtagi (Vice President, Group Financial Control) and Mr. Moustapha Chami (Vice President, Finance and Accounts Department). I would like to handover the call to Mr. Pinak Maitra. Thank you.

**Pinak Maitra:** Thank you, Ahmed. Good afternoon everyone. We are glad that all of you have joined us for our fourth quarter or full year 2019 earnings call. We hope that you and your family are healthy, and you are taking all necessary precautions to stay safe during these testing times. Please note that the presentation we are using is also available on our website along with full year financial statements.

As we have done before, we draw your attention to page 2 of the presentation which reads out a brief disclaimer. Some of the statements that we will be making today and information available in the presentation are forward looking. Such statements are based on KIPCO's current expectations, predictions and estimates. They are not guarantee of future performance, achievements or results.

I will now hand over to Mr. Moustapha to provide you with KIPCO's financial performance update on page 4 of the presentation.

**Moustapha Chami:** Thank you, Mr. Pinak. We have reported a net profit of US$99 million for full year 2019. This is an increase of 6% compared to last year. This translates into an EPS of 10.1 fils per share or 3.3 cents per share, 33% lower than last year's EPS of 14.8 fils per share or 4.9 cents per share. This decrease was a result of increase in outstanding shares for KIPCO post successful completion of rights issue during the third quarter and a onetime increase in interest and other payments on perpetual capital securities issued by a Group bank compared to 2018.

In the fourth quarter (the three months ended December 31, 2019), KIPCO reported net profit of US$24 million compared to US$26 million reported in the same period of 2018.

The Group generated revenue of US$2.528 billion during 2019, which is marginally below the revenue generated during 2018 (almost 1% lower). This is mainly attributable to revision in reporting of the financial statements' closing process at Burgan Bank by virtue of which they have reported only eleven months' results of its subsidiaries instead of twelve months. The resultant reduction in interest income vs. last year has been partially compensated by increase in revenue from hospitality & real estate sector along with higher revenue from educational & manufacturing sectors and the share of results of associates mainly in the industrial sector.

Now, I will hand over the presentation to Mr. Anuj.

**Anuj Rohtagi:** Thank you Moustapha. The next page 5 details performance of Burgan Bank Group for 2019. Since Burgan Bank held its investor call on 11th March 2020, we will be focusing on some of the key highlights in our presentation.

As mentioned by Moustapha, Burgan Bank's results include a one-month shorter period vs 2018 in terms of recording net income of its subsidiaries. This is a result of change in financial statements' closing process at Burgan Bank whereby they have reported only eleven months' results of its subsidiaries instead of twelve months in 2018. As such, the numbers should be read within this context when you compare them with same period of 2018. Loan book remained stable at the end of 2019 vs. 2018. During 2019, the Bank has been targeting growth in Kuwait while following a cautious approach in its subsidiaries due to prevailing economic and political conditions there. As a result, loan book growth in Kuwait was US$726 million (that is 7.7%), which was then offset by reduced loan book in Turkey by 11.9%, that is US$379 million and Algeria by 9.3% (US$129 million) compared to last year.

- Deposits grew by 5.9% in 2019 vs. 2018 almost entirely coming from Kuwait operations, where around US$1.5 billion deposits were added since December 2018 (a 19% growth). The offsetting factor was reduction in deposits in Algeria by circa US$250 million.
- Operating income for 2019 was US$819 million, lower by US$56 million compared to 2018. Of this decline, approximately US$37 million was due to the one-month difference in reporting. Reported Net Interest Margin was 2.4%. Adjusted for one-month difference, NIM would have been 2.6% in line with last year.
- Cost of credit improved from 1.4% in 2018 to 1.1% in 2019 driven by both Kuwait and subsidiaries improvement for this KPI.
- As a result of the above-mentioned movements, Burgan Bank Group posted a net income of US$279 million in 2019 period vs US$272 million in 2018 period, an increase on 2.5%.
- NPA ratio reduced to 2.1% ended 2019 as against 2.3% in 2018. Additionally, we continue to have prudent provisioning levels where around 95% of provisions are in the general category. Because of this, coverage ratio was 281% after including these provisions along with the value of collateral. The Bank reported a CET1 Ratio of 11.5% and CAR of 16.8% as at 31st December 2019.

On page 6, we have provided details on performance of the regional operations of Burgan Bank. Regional loan book declined due to currency devaluation and our cautious growth strategy in these markets. Overall, share of our regional loan book and customer deposit was 29% of total Burgan Bank loan book and customer deposits. Although results on headline basis are lower in the regional operations compared to 2018, due to the time difference in reporting that we mentioned earlier; however, when we look at important performance indicators, that is net interest margins and cost income ratios for the majority of our regional operations at the bottom half of the slide, there is an improvement despite the challenging macro-economic environment.

With respect to our next core entity, that is Gulf Insurance Group, can we please move to page 7. For the year ended 31st December 2019, GIG has posted strong results.

Gross premium written was at US$1,296 million, registering a healthy growth of 17% over US$1,108 million reported last year. The increase is majorly driven by the property and motor businesses.

On the bottom left chart, you can see that the combined ratio stands at 95% which is a 3% improvement over 2018. This improvement is majorly driven by lower claims incurred in Life, Property and Marine & Aviation segments and a strict control on expense ratio across the segments. We can also see on the top right chart, net investment income for 2019 has increased by 7% to US$35 million from US$32 million last year.

GIG reported a net profit of US$44 million for the year 2019, a 12% improvement over a profit of US$39 million in 2018. Additionally, the quality of these earnings has also improved, driven by prudent underwriting and investment approach of the company.

On the operations side, the focus remains on digitization of customer journey to provide a seamless user experience while improving upon the cost structure of the company. We believe that in doing this, we will improve customer retention and enhance our cross-selling proposition.

I will now hand over to Mr. Moustapha.

**Moustapha Chami:** Thank you Anuj. We can move on to slide 8 which has United Gulf Holding Company. You can see on the top left chart, revenue for 2019 was US$224 million, which represents a growth of 8% compared to 2018. This is largely on account of consolidation of Global Investment House's (Global) revenue, which was acquired and consolidated from September 2018 onwards along with increase in share of profit from associates by US$10 million.

On the top right chart, fee and commission income grew by 4% during 2019 as compared to 2018. This growth is mainly due to higher income from KAMCO as a result of consolidation of Global's results in 2019.

On bottom left chart you can see, net profit at US$10 million which is lower than 2018 net profit, which was at US$19 million. The decrease in profit was mainly due to higher interest expense on account of bond issuance for Global's acquisition and increase in G&A expenses related to Global's consolidation.

During Q4 2019, KAMCO announced successful completion of its merger with Global. Following which, it also revealed their new identity post-merger – KAMCO Invest. We expect that synergies will recover this cost of funding the acquisition going forward. UGH is meanwhile evaluating to launch some of its products on a digital platform. We will keep you updated on the development in due course.

UGB's total consolidated capital adequacy ratio stood at 19.7% as of 31 December 2019 against the minimum capital adequacy requirement threshold of 12.5%.

Moving on to United Real Estate on page 9, the top left chart shows US$378 million of revenue for the year ended December 31, 2019, representing a growth of 13% vs. same period of last year. This was a result of growth in contracting and service revenues by 26%. Growth in contracting and services revenue came primarily from URC's contracting arm, UBC. The growth in gross rental income was mainly from

Abdali Mall, Jordan, where leasing activities are progressing well with occupancy standing at around 76% compared to 73% by December 2018. Operating profit grew by 24%, driven by higher revenues and lower property operating costs. Property operating costs have reduced as expense reported in 2018 included one-off personnel expenses from Egypt operations.

On the bottom left chart, you will see net loss stood at US$24 million during the year ended December 31, 2019 from a loss of US$30 million in the same period last year. The reduction of net loss is supported by increase in revenue as I mentioned earlier, and reduction in valuation loss on investment properties from last year. I will now hand over to Mr. Pinak to cover remaining pages.

**Pinak Maitra:** Thank you, Moustapha. Let us now move to page 11 which is about OSN. During 2019 and Q1 2020 OSN has grown stronger, better and bigger in terms of content and ability to distribute across several countries by virtue of type of content rights it now possesses. The rebranded "OSN Streaming" OTT platform, showing Disney plus and other major studio content like Disney, HBO, Universal, National Geographic, has received positive response from customers, with thousands of customers joining the platform each week. Since the re launch OSN has seen a 1700% increase in downloads of its mobile apps with no signs of slowing down. Viewership on OSN Streaming is up by 900% since 1st March 2020**.** This content consumption trend was visible across all genres, with 22x increase in viewing seen in family programming categories such as kids, animation and adventure. Amidst COVID-19, it's not just OSN Streaming receiving more screen time, total TV consumption across OSN's linear channels also increased by 35% with news channels specifically seeing a 250% increase in view time.

What we have today, in addition to the great content line up, is stronger operational set up, strengthened management team, leaner operations with reduced cost base and improved technology platform. All this positions us to capture the market opportunity and meet the customer need within our region.

We would also like to mention that during the year 2019 and Q1 2020 our ownership in OSN has grown from 60.5% to 87.6%.

Moving on to slide 12. United Industries reported US$23 million net profit during 2019, which is higher by 35% as compared to 2018. The growth can be attributed to increase in its share of income from Qurain Petrochemical Industries Company.

Jordan Kuwait Bank has also performed steadily with a Net Interest Margin of 3.6% during 2019 in line with its performance in 2018. Net profit for the period was US$42 million, which was 29% lower than the profit last year. However, result for 2018 included one-offs received during the year. If we compare on like for like basis profitability remained similar across the two periods.

These were our highlights for 2019 results. As we all are aware, 2020 had started on a difficult note globally and the recent corona-virus pandemic is impacting the whole world. Even though Kuwait government has taken best possible measures to control the spread, exact impact of this event is difficult to predict. Our Group companies are in process to quantify range of implications and hopefully we will have some color in our next earnings call. We hope all of you and your families stay safe during this period.

We now hand over to the moderator to invite our listeners to raise any questions they may have.

**Moderator:** Our first question today comes from Simrin Sandhu of Standard Chartered Bank. Simrin, your line is open.

**Simrin Sandhu:** Hello, Thank you very much for the presentation. I wanted to ask on the credit rating, the increase in LTV has clearly been a key driver of the S&P downgrade and still have a rating of negative outlook as does Moody's. Could you share with us what remedial action is being planned to bring the LTV down, particularly in the event that the OSN sale does not materialize would you look to sell, for example, any other assets in the portfolio and/or do you think shareholders would be willing to make a capital injection to provide relief on the LTV?

**Anuj Rohtagi:** Thank you Simrin. As you know there is a significant dependency on the evolving COVID-19 situation and going by the current development we believe that there should be some more clarity around this by Quarter 4 2020. We typically engage very closely with rating agencies. There are strong elements as far as credit profile of KIPCO is concerned such as strong liquidity position, there is no debt maturing for next three years after we pay down bond in July 2020, that has already been pre-funded. As you rightly pointed out there is a strong shareholders' support. Our shareholders have demonstrated this in the past and there is no reason to believe that this has changed. We have a firm belief that it exists. In terms of our operating performance, you have seen in the presentation, Burgan Bank and Gulf Insurance Group particularly have done very well and there is a good operational turnaround story of OSN as well. As management team, we see these are all positives as far as underlying business of KIPCO Group is concerned. Now if you see the market related factors, those are driven by COVID-19, so our LTV ratio increased over the threshold set by the rating agencies and coupled with the view of analysts looking at KIPCO profile with regard to OSN. So that has resulted in rating action with respect to the review. At the same time, as I already mentioned the operational turnaround is visible and has been communicated very clearly. We believe once the COVID-19 situation improves, then market is back to normalcy and Kuwait hopefully will be part of MSCI somewhere in Q4, it would be positive for us. Moreover, as I mentioned before, the shareholders have continuously demonstrated their support. With regard to selling option for OSN, the process is continuous, and we have received interest. It is a very closely held process so as and when the development happens that we will be able to share with you, we will do so.

**Moderator:** Our next question today comes from Vikram from NBK Capital. Vikram your line is open.

**Vikram:** Thank you gentlemen for this call. My question is on operations of Burgan Bank. We understand that a certain proportion of loans in Kuwait are under deferment due to the COVID-19 situation. If possible, could you give us an update on what proportion of loan book is under deferment? That's the first question.

The second question is that there was some confusion about the interest accrual on these deferred loans. We got clarity from other banks in the region, where loans are under deferral, and clarified to us that interest can be accrued during the three or six months of the loan deferral period. Has there been any communication from the Central Bank on this and are you allowed to accrue interest when the loan is under deferment? Thank you.

**Pinak Maitra:** Thank you for the question. The general position in Kuwait has been that given the fluidity of the situation, primarily driven by COVID-19, the regulators i.e. Ministry of Commerce, Central Bank and Capital Markets Authority have chosen to basically defer the first-quarter results into the second-quarter results, so there is a preference that in a fluid situation there is no point in giving information that is evolving. So that's the broader point of Kuwait's regulators view.

On the question of deferment, clearly, the regulators have given guidance to the banks, and the banks have that guidance and it's not only the banks which take a position, but it is clearly the customer, who has a say in this matter. So, it is a question of this interaction, which is quite interesting to watch that. Although there is a possibility from the regulator's point of view to support the deferment of interest for a certain period, but customers are coming back and saying they prefer not to do that. So that is a customer by customer story and what we prefer to do is once Burgan Bank comes out with its view and it will take some more time, then we will be able to guide you.

**Vikram:** Ok, my last question is that there have been lots of initiatives by the government and Central Bank in terms of asking banks to provide the soft loans basically to support payment of salary and rental expenses. Have you seen an uptick in the loan book due to the implementation of soft loan scheme?

**Pinak Maitra:** Clearly as a policy position you are right that the banks are looking at every request that has been made by customers. It is the job of Burgan Bank and all other banks in Kuwait to be supportive, given the unusual nature of COVID-19 and banks continue to do that but customers are also paying off, so there is situation where there is no active loan growth and there is natural paydown of the loan book, so we do not know if we can take a position whether there will be an uptick in loan book or not. Again, as time passes, we would have a better picture of this.

**Vikram:** All right Thank you very much.

**Pinak Maitra:** Thank you.

**Moderator:** Our next question comes from Mark Agaiby from BlueBay Asset Management. Mark your line is open.

**Mark Agaiby:** Thank you very much for the call. Can I ask quickly on the dividends flow for 2019 and paid in 1H 2020? Also, could you please let us know how it was split across subsidiaries or portfolio companies?

**Anuj Rohtagi:** Thanks Mark. This year 2020 cashflow, we have around US$ 42 million from Burgan Bank, US$ 10 million from Gulf Insurance Group. So that's make around US$ 52 million. The overall inflow is around US$ 90 million. The balance of around US$ 38 million comes from entities such as Rawaby (that owns JKB), UIC, KUCC and other income.

**Mark Agaiby:** Okay, Thank you.

**Moderator:** Our next question today comes from Alex Ayuk, Waha Capital. Alex your line is open.

**Alex Ayuk:** Thank you very much for the presentation. Just want to have a better feel about liquidity and LTV. Actually, you used to have some slides in the presentation which were very helpful, somehow, they are not there anymore. Question on liquidity is how much cash you roughly have on balance sheet and what are the amortization over the next five years and then I can put a better question on LTV.

**Pinak Maitra:** Thank you. Anuj is going to give you the details. But what we are trying to do is get focus back on earnings and KIPCO story. We clearly feel that post the July payment, our next debt will be due in 2023 so consciously that is the reason why we want attention back to the equity story given the MSCI inclusion that may come in November. But Anuj please go ahead.

**Anuj Rohtagi:** Our reported LTV was around 38% in March 2020. Our liquidity position is slightly over US$ 1 billion. These numbers are draft as financial have not yet been reviewed. What we do is we look at 12 months maturity and as of now we are more than covered for our next maturity that is in July. Thereafter, we have no maturity for the next three years.

**Alex Ayuk:** Basically, I just wanted to clarify on liquidity. You say you have roughly US$ 1 billion at the Holdco and you have US$ 500 million bond coming due in July. I think you have around US$ 850 million of amortization coming in 2023. Is that correct?

**Anuj Rohtagi:** That is correct

**Alex Ayuk:** So, you do not have enough cash to cover 2023 repayments as of now. Is that something you are thinking to fill the gap for; there is roughly US$ 300 million missing, correct?

**Pinak Maitra:** So, we pre-fund our maturities including through roll-overs and I think that has been happening since 2007, when we entered into the bond market. And if you look at it, one is in March and other is at the end of the year. So, we do not feel that we should be thinking about having 100% cash coverage. We believe that during this period, the dividend will continuously increase and that is a little bit of faith statement given current situation. But from a purely approach point of view, what KIPCO has directed its portfolio companies is to manage COVID-19 well and come out from COVID-19 in a stronger way. So, if you look at three-year period till 2023 for which we are talking in 2020 in the middle of a pandemic which happens once in 100 years, clearly we would view that as somewhat of a narrow view of thinking about it. We feel operations will perform, KIPCO will come back to generating cash flow at the holding company level and therefore there will be sufficient coverage apart from the historical practice that given the quality of our assets, international investors have been and will continue to be supportive of buying KIPCO bond when its issued before the next funding date.

**Alex Ayuk:** Ok, got it. Is there a plan to come to bond market to have more cash in the balance sheet in 2020 or you have significant liquidity and you don't need to fully cover the 2023?

**Pinak Maitra:** I think it is about paying interest; we have already paid bondholders and we are lucky and fortunate that we did the roll over in October. So, today, the bond market is effectively closed, and we will cover that aspect few months before the maturity, but not in 2020 for sure. But we will continue to be opportunistic if rates come to a point and there is very strong appetite. The October bond was driven by investors' demand. We will always respect the investor but now there is no plan to issue bond in 2020 or 2021 at this stage to international investors.

**Alex Ayuk:** So, you mentioned more than US$ 1 billion of cash currently under liquidity, and an LTV of 38%. Is that correct?

**Anuj Rohtagi:** Correct.

**Alex Ayuk:** As on end of March. Is that correct?

**Anuj Rohtagi:** Correct.

**Alex Ayuk:** And how much of OSN stake is that including because I saw in S&P report, they mention, that you are valuing US$ 1.3 billion for 88% of OSN stake. Is that correct?

**Anuj Rohtagi:** Yes, on historical value of 2009.

**Alex Ayuk:** And just on the inflows, you have US$ 90 million of inflow in 2020 at the holding company level. Is that correct?

**Anuj Rohtagi:** That is correct.

**Alex Ayuk:** So that was US$ 90 million in 2020 or in 2019?

**Anuj Rohtagi:** 2020.

**Alex Ayuk:** So, you expect US$ 90 million in 2020.

**Anuj Rohtagi:** Correct.

**Alex Ayuk:** Okay, great. I guess some of that dividend has already been received or no, not yet?

**Anuj Rohtagi:** Yes, we have received from Burgan Bank and Gulf Insurance. Roughly US$ 50 million has been received.

**Alex Ayuk:** On liquidity, are you on investment mode, looking for opportunities or you want to save cash and keep the liquidity around US$ 1 billion.

**Pinak Maitra:** KIPCO has always been and continues to be conservatively opportunistic. We view that in 2021 there will be opportunities that are going to come and we believe our underlying portfolio companies are quite liquid and therefore the contribution that has to be made by KIPCO towards the increase of capital to manage an acquisition, if there is one, will be minimum. So, to answer your question there are two parts. Underlying portfolio companies are out there looking for opportunities because this is a good time to acquire assets and the liquidity position and leverage level of underlying portfolio companies is quite modest in the sense that there is low debt. That is one way to look at it. And therefore, need for capital increase will be quite low and if there is one KIPCO will have the ability to do that, but it will be small dollars.

**Alex Ayuk:** Got it. So, there might be some investment opportunities, but you don't expect massive investments in 2020. Is it fair for bond holders to expect a decrease in cash balance from US$ 1 billion? Otherwise, what would be the minimum cash that we should expect, is it like US$ 500 million? That will be after we pay the bond in July, you will have US$ 500 million. The question is how much you think is right?

**Pinak Maitra:** This question that you are asking is a difficult one to answer, because of COVID-19 situation. Otherwise we would say from policy point of view, we typically have significant amount of cash and general policy is that we have enough cash to pay up the first bond that is due for maturity and so if that is March bond of 2023 we will try to be around that number. That will be historically the way we have operated, given the fact it is very fluid situation, where we have to be dynamic to come up stronger out of the COVID-19 and if there is a great opportunity that comes to us at a very cheap price then will we drop below US$ 500 million, we would. But at that time, we will be telling you what great asset we bought. So that is a directional view I am giving. But the general historical practice and policy position is that we will keep enough cash to pay up our next bond.

**Alex Ayuk:** Okay, that's extremely helpful. I have another question on OSN, but I will give floor and comeback later in the queue. Thank you so much.

**Moderator:** Our next question today comes from Zafar Nazim, JP Morgan. Zafar your line is open.

**Zafar Nazim:** Thanks a lot for the call. I basically have a question on OSN. Pinak you mentioned solid numbers on usage around relaunch of OTT. I was wondering if you can give us some color on financial impact of the relaunch and how should we think about financial trajectory post relaunch for OSN? I understand that right now it is EBIDTA negative, but are you still expecting Q4 to turn neutral and how should we think about the financial impact of the OTT launch?

**Pinak Maitra:** So, we must break it down into few points. One, market opportunity is massive. This is the last big geographic region with more than 350 million people who will get OTT quality service. Every player such as Netflix, Amazon, us and other regional players will play and clearly there is room for all of us to grow. OSN has the content rights from seven of the eight Hollywood studios and it is building its original production pipeline. So, we expect given the model that has played out elsewhere in the world that the top three players will win big in this market. That is one way to think about it. In terms of the financial outcome, we believe that COVID-19 has been a positive event for OSN and I am sorry to use this word, given so many people have lost their near and dear ones, but in narrow business context, in a very narrow way, I defined that. We expect post that and the indication given earlier in the year, of becoming EBITDA neutral in Q4FY20 is going to be intact and we expect 2021 to be the year where company will report positive EBITDA. That is the expectation.

We are being modest as this has been a very difficult year overall, and we don't want to jinx it. But we want to stay optimistic about what we see a very positive future for OSN.

**Zafar Nazim:** Pinak, you mentioned significant spike in subscriber account. Are these paying subscribers we are talking about or promotional period count?

**Pinak Maitra:** Unlike other competition, we only report paying subscribers. All these subscribers are paying money.

**Zafar Nazim:** Lastly, you have done lot of cost reduction, rationalization of operations. Now, it's really about revenue for the most part and basically getting subscribers. So, is there a subscriber number that we should look at? How many additional subscribers you need now to break-even? Perhaps you can give us a sense of what's your total subscriber count right now?

**Anuj Rohtagi:** Zafar, I think we have covered this portion before, and I will answer on those lines which is OSN distributes through various channels. Direct-to-home, IPTV and now OTT is the new segment. All of these have different price points and right now we are seeing, as Pinak mentioned, a positive uptake across all segments. So, a combination of these will be the output in terms of subscriber numbers. So, we are not tied to a particular subscriber base. The trajectory that Pinak mentioned for Q4 and next year is a realistic assumption based on the run rate that we are seeing right now in the businesses. There are lot of things yet to materialize. We are right now in the early part of June, so let the journey continue and we will keep you updated.

**Pinak Maitra:** Zafar, to put it clearly, last 2 years we have seen the value and today is the value higher for you to assign in your mind because the business is performing very well and we couldn't say that the business will be done with cost saving by 2020-21. So, we are seeing a situation where strategic option is in place, so we want to hold some of the information with ourselves , because that will help various parties in the discussion and we don’t want to complicate by putting out numbers that can be interpreted in more than one way. Other than that, we have generally been very transparent with giving you directional inputs and if you look at details we have provided, we have given you a fair amount of color.

**Moderator:** Our next question comes from Rajat Bagchi from NBK Capital. Rajat your line is open.

**Rajat Bagchi:** Good afternoon gentleman. Thank you for the call. A couple of questions, I just got dropped off on the call, so I do not know if they have already been asked or not.

One question on OSN, according to the presentation, you expect the financial turnaround by 2020, so you are guiding for a breakeven by end of this year. And, I picked up a number from notes that OSN has reported net losses of KD68 million. Is this the correct number?

The other question is on education business. A quick comment on how the education business is doing and how should we expect it to grow going forward given the current situation. Thank you.

**Pinak Maitra:** Could you please tell us from where are you quoting the OSN loss number from?

**Rajat Bagchi:** This is from page 88 of the financials, Note 31, where you talk about increasing a stake in OSN.

**Pinak Maitra:** Ok. Note 31 provides the historical losses.

**Rajat Bagchi:** OK. So, are you expecting the business to break even by end of 2020?

**Pinak Maitra:** We are saying that the company would become EBITDA neutral to positive at the end of fourth quarter 2020, for the year, it will not.

**Rajat Bagchi:** Ok. And in terms of OSN as an entity, how much debt does it have?

**Pinak Maitra:** We don’t want to share that information, as it’s a private company. There are other shareholders and we respect their privacy.

**Rajat Bagchi:** Any comment on the education business please? How's that doing in terms of admissions? How do you see the business panning out, given what’s happening right now in Kuwait?

**Pinak Maitra:** So generally, all the schools are on online mode. They have a different curriculum, as you are aware because you are at NBK Kuwait. So generally, schools are operating in Indian & American curriculums, there has been no change as people are staying where they are. From an admissions point of view, we have a waitlist for all our schools, but it is a speculation to say, what will happen post COVID-19. So, at this stage, we have no basis to answer that question, but there is no movement since March 2020, and we are running a waitlist situation and all classes are full.

**Rajat Bagchi:** Just one more question on the pricing. So, in general education business, be it at the school level or at the higher education level, when these institutions move from a on campus to online training mode, does this pricing change or it remains the same?

**Pinak Maitra:** I believe, these are all very open questions. I think many stakeholders will get involved in it. To determine, who will carry the burden, whether it will be the parents, the government of each nation or the schooling systems, these are all questions have not yet been defined, people are focused on saving lives at this stage. For once, the economy has to take a backstage and that's the right policy position that most nations are taking. In Kuwait, we are quite grateful, as that’s where the focus is. And so, as much you and I have a job to run a business, that is the general sense.  Between 2018 and 2019 revenues are up by 6% in our education business. That is something that we can share, and it is there in the data that we gave. But going forward, it is too much fluid situation and therefore we don't want to talk about it. It's speculation.

**Rajat Bagchi:** Ok, thank you.

**Moderator:** Our next question comes from Ahmed Shaheen from Emirates Asset Management. Ahmed your line is open.

**Ahmed Shaheen:** Hi everybody. Thanks for the presentation. It was very helpful. One question from my side regarding OSN. On page 10, you mentioned that subscriber base for OSN is roughly one million and 150 thousand for OSN streaming app. Now if you are an OSN pay-tv subscriber you get the streaming app complimentary. So, I was just wondering that how many of these 150K subscribers are new joiners on the OSN streaming platform and what kind of growth trajectory can we expect from the subscriber base?

**Pinak Maitra:** As I mentioned earlier in the call, the subscriber number we are talking about are paying customers. It is not something that we offer to our platinum customers, who are the top tier customers. For the initial year the customer gets a bonus because they have been loyal customers to us. So that's how you would read it and we would continue to report the numbers of paying customers.

**Anuj Rohtagi:** Just to clarify in addition to what Pinak just mentioned, page 10 distinguishes between the subscribers' base clearly. 150 thousand is the paying subscribers base of OTT.

**Ahmed Shaheen:** Just to clarify that these 150K are brand new subscriber that have joined OSN?

**Pinak Maitra:** On page 10 we are referring to 150K subscribers. In streaming, every month they are brand new as it is a monthly subscription. So, I don't know how I would call them brand new. Clearly before the launch we had a base and that base grew dramatically over April and May.

**Ahmed Shaheen:** Okay, so how that affected your initial subscriber base and have people migrated from TV subscription to OSN streaming app?

**Pinak Maitra:** The DTH subscriber base has been more or less stable given the COVID-19 situation and these are new addition to the base. Clearly, through 2019, we obviously took conscious decision to move away from certain segments. So, it was about getting out of sports, getting out of some regional channels. So, we did that in the first two quarters of 2019 and the subscriber base dropped because we no longer offer those services. It is because of the cost of running those services versus the revenue we were getting from them. So, when we got rid of those services, that was part of re-strengthening of OSN, and all of them were EBITDA accretive. The subscriber base dropped below a million and now it is going up above a million.

**Ahmed Shaheen:** Ok, Thank you.

**Moderator:** Our next question comes as a follow-up from Mark. Mark, your line is open.

**Mark Agaiby:** Hi, sorry for the follow-up. I have a couple of questions. I just wanted to press, or ask a bit more directly on a question that has already been asked, but given the sensitivity to the MVL of the rating agencies and hopefully we expect an increase in the portfolio value as the market environment improves etc, but is there any - and I understand there is - shareholder's support, but is there any thought behind or opportunity to sell other assets? If the sale of OSN doesn't go through, is there any other avenues to generate some cash at the HoldCo. level?

And then I guess other one is a bit more on qualitative side and I understand this is difficult to answer but I think, historically with the portfolio companies, it's always been a case of re-injecting capital or re spending capital in order to grow the portfolio company's businesses rather than upstreaming to the Holdco**.** because the cash or the liquidity at the HoldCo. level was always comfortable. Is that still the case? Will the liquidity in the portfolio companies more likely to be reinjected into those companies or are we getting to the point where, if there's excess cash in some of these companies, it can start to upstream, given that you expecting to have a coverage ratio may cross above one maybe in a few years' time.

**Pinak Maitra:** There are lots of questions in that one question Mark, let me try and break it down. From a rating ratio management point of view, we believe that rating agencies are not yet clear of their position and how they think through the COVID-19. So, they have now taken the action to be prudent and do what they did not do in 2008, move aggressively and to downgrade. Now the mechanical approach that they have taken, their methodology does not take into consideration how they will manage the COVID-19 like situation. So, there is a methodology issue of the rating agencies that hopefully they calibrate, and they will try to start thinking about it. So that is to the extent of the rating methodology that is there. We believe at KIPCO, that it would not be prudent for us to be too obsessed with what is an unclear position from the rating agencies. And I am sure you all have been on multiple calls where you basically get a lot of sun rises in the east stories of only one-way movement, everything going around. And I do not think that anybody knows today whether things are getting better or worse. So, the only thing we all know is we don't know. That is point one.

Point two is that in terms of thinking about the shareholder support, we are quite privileged to have very wealthy shareholders, very committed shareholders and not only our principal shareholders, but all shareholders who always come to KIPCO's support, whenever we have done rights issue. We don't see anything on the conversations we have with them, to suggest that there is any weakening of the support.  That is point 2.

So therefore, it is up to us as a professional management team to go to them at the right time. Now we are quite privileged and blessed or lucky, that we have two and a half years to make that call and therefore we will make the call at the right time. Therefore, in simple terms what I am saying is that once there is a clarity around how the rating agencies start thinking about the methodology, when the markets start reacting to the performance of Kuwaiti stocks , which we believe, will become clearer in the fourth quarter of this year we will take the directional call as time goes. We all will see what happens. So that is about the question of the thinking through the rating agencies. What we want to say that an investment grade rating is an important governance goal that we have and we will strive to continue to improve the operating performance of our business which is reflected in their share price and that is a safe and sound strategy that we follow.

In terms of exits, we have sold 32 businesses in the last 33 years that I have the privilege to be with KIPCO and we will continue to be opportunistic in terms of the exits. At this stage, we believe that there are many options and there are many buyers for the assets at prices that is significantly higher than what they are trading. We believe that, it would not be a prudent thing to sell these assets because there is a reinvestment risk that we have. But we are not married to any assets and we will continue to look at every offer that comes along and evaluate it on the historical basis and we will entertain it seriously. So those are three kinds of guidance that I can give you. I wish that we could guide you to a more precise thing, but given the lack of clarity of the situation, we don't believe it's prudent to do so .

**Mark Agaiby:** No, that's very helpful and I appreciate the qualitative colour as much the quantitative stuff that you talk about. Thank you very much.

**Moderator:** We have a follow up question from Alex on the line.

**Alex Ayuk:** Thank you very much for the message, very helpful. Sometimes qualitative is very helpful.

Two quick follow up questions. You increased your stake in OSN earlier this year. Was it like, you had a call to increase it? I think you spent like an extra US$ 200 million. Is there a risk that you have another call like that this year?

**Anuj Rohtagi:** We have disclosed the basis of our increase in our financial statements. We would request you to refer to that.

**Pinak Maitra:** Moving forward, in terms of capital requirement we don't believe that the quantum of requirement is anywhere close to what has been historical because of business continuing to perform better and as such the need for cash obviously decreased

**Alex Ayuk:** Okay, my question was more like, that you had to increase your stake. Is there some chance? Or is it legally – some situations, where you would have to increase your stake again, like having 100% of it, or you don't have such an issue?

**Pinak Maitra:** So, we are at 88%, and between 88% and 100%, there's a 12% gap. It is what it is. If there's a capital call, shareholders have to subscribe to the capital call from the company, as and when required.

**Alex Ayuk:** Yeah, exactly. Totally. What you're saying is that it is only 12% left and that could be like roughly a hundred million dollars. Not much more than that.

**Pinak Maitra:** I don't want to get into the numbers. From business requirement point of view that is a number we think is on the higher side but for modelling purposes, you can consider.

**Alex Ayuk:** Just to clarify on the holding, we got 1 billion of cash and 2.6 billion of debt at the holding level?

**Anuj Rohtagi:** Yes, that's correct.

**Alex Ayuk:** Okay, great. Thank you. That was it from my side. Thank you so much for call.

**Moderator:** We have no further questions on the line. How about any final remarks?

**Pinak Maitra:** Thanks to everybody for this engagement. We really appreciate it and will remain always available. I'm not able to extend the usual invitation that I do to please come to Kuwait because that's not an option for many of us, but in closing, please stay safe and let's be on guard for the next six months or so.

كيبكو
KIPCO
شركة مشاريع الكويت (القابضة)
Kuwait Projects Company (Holding)

# Investor Presentation | 31 Dec 2019

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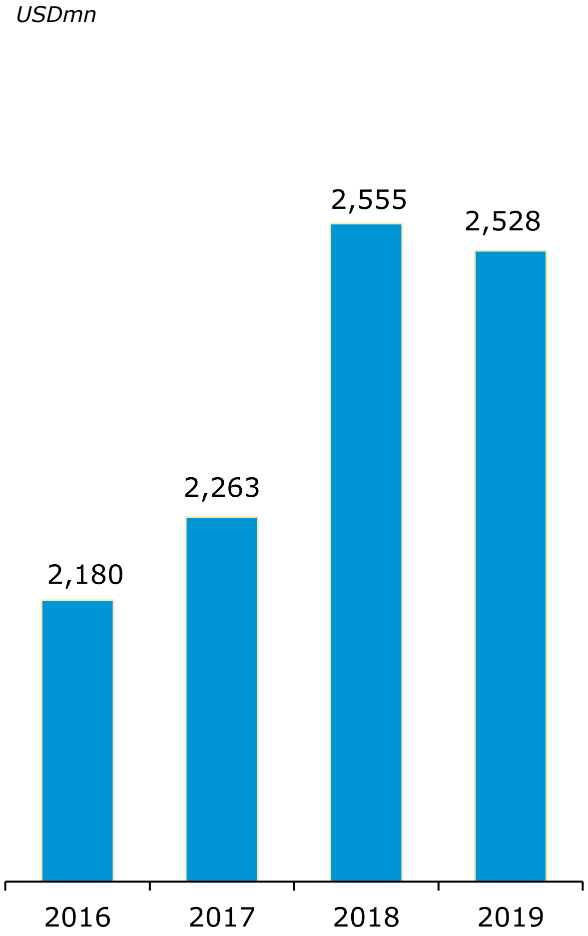
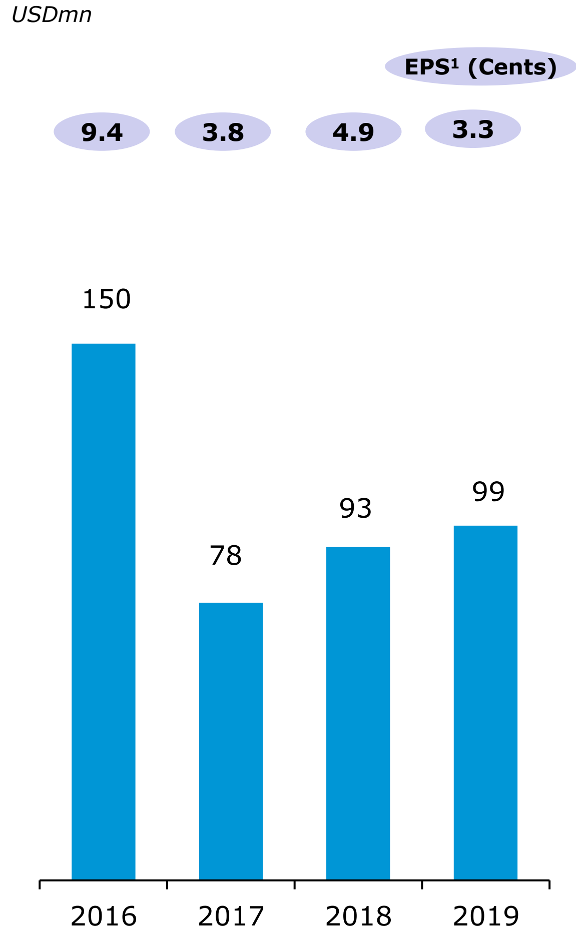
# Performance Update

# KIPCO consolidated: Financial performance

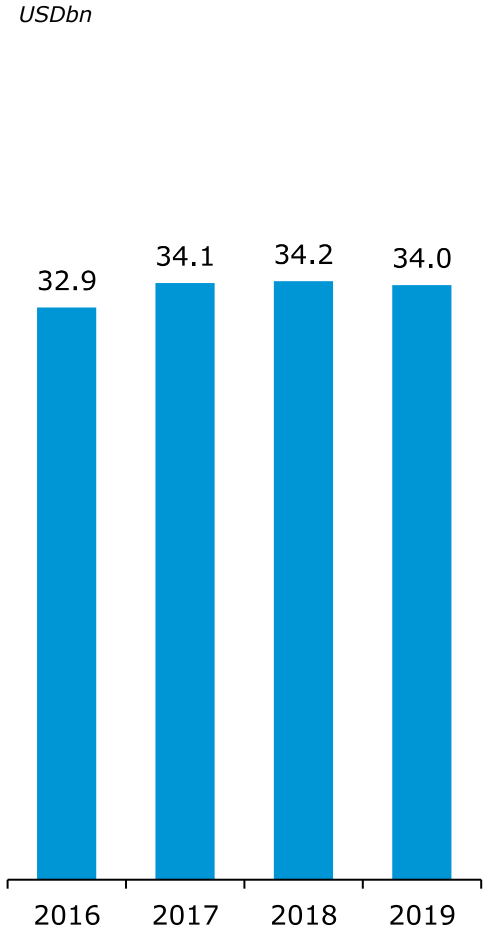
## Revenue




## Net Profit




## Consolidated Assets



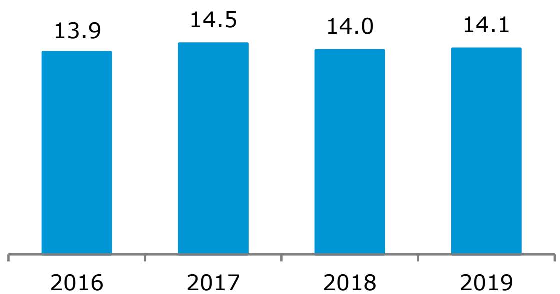

*Note: Exchange rate of USD/KD of 0.30305 has been used in the presentation for financial numbers*

*[1]Basic Earning per share (reported)*

# Burgan Bank Group (BBG)

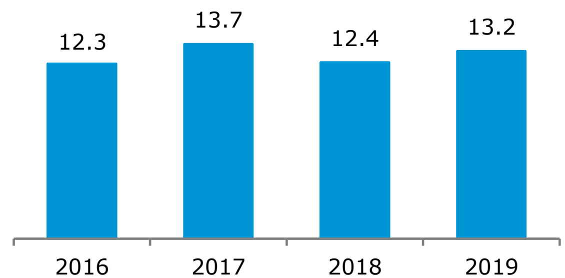
## Loans

*USDbn*

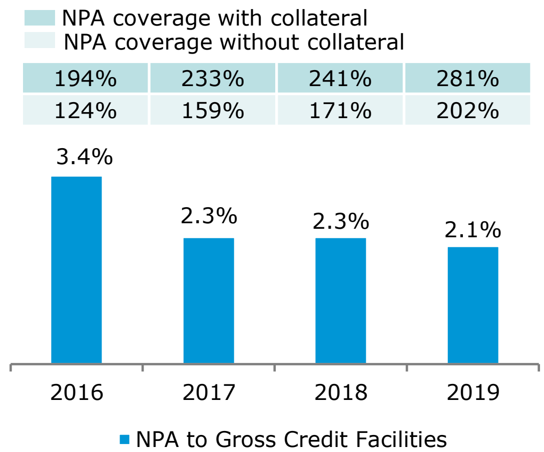



## Deposits

*USDbn*

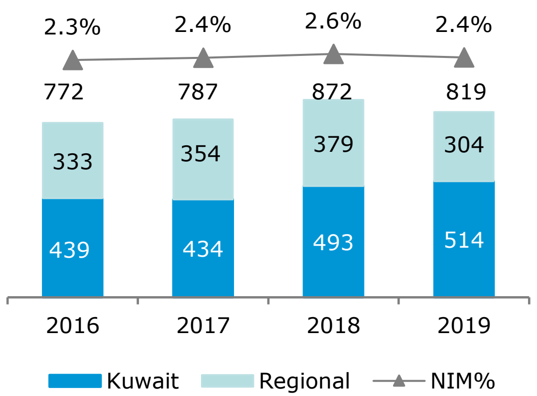



## Asset Quality



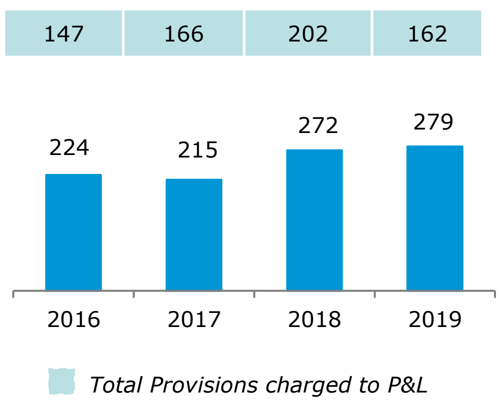

## Operating Income

*USDmn*



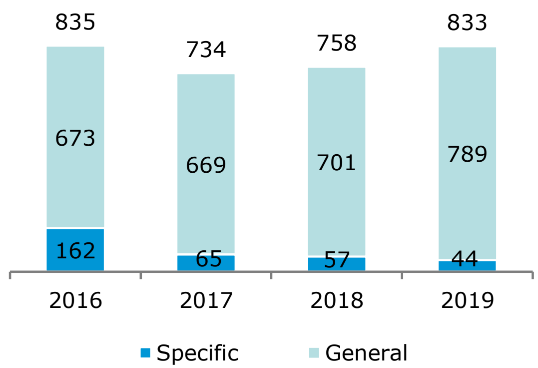

## Net Profit & Provision

*USDmn*




## Total Provision

*USDmn*



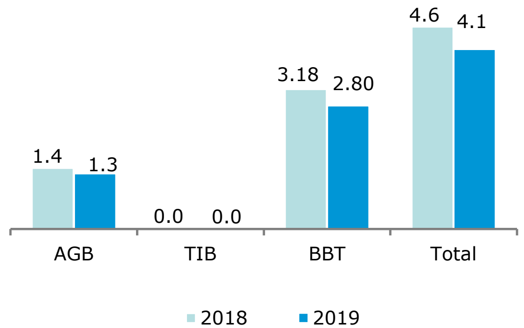

***Strong performance reflecting operational capabilities with strict focus on asset quality; Basel III CAR : 16.8%***

*Note: Financial results of 2019 include only eleven months (i.e. January to November 2019) performance of subsidiaries (except BoB) instead of eleven months as included in the prior period*

# BBG: Regional operations

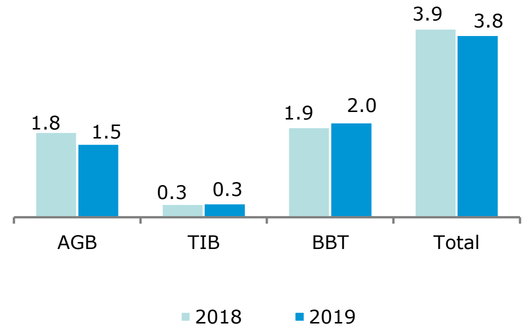
## Loans^

*USDbn*



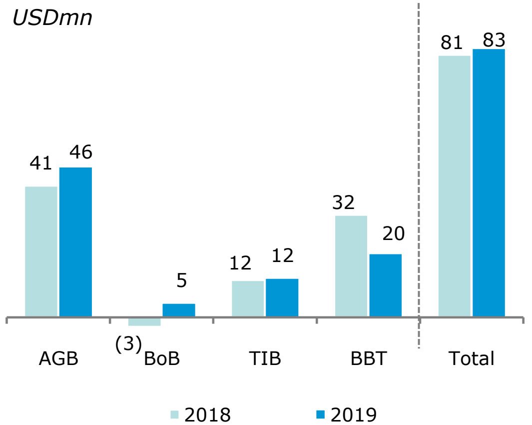

## Deposits^

*USDbn*



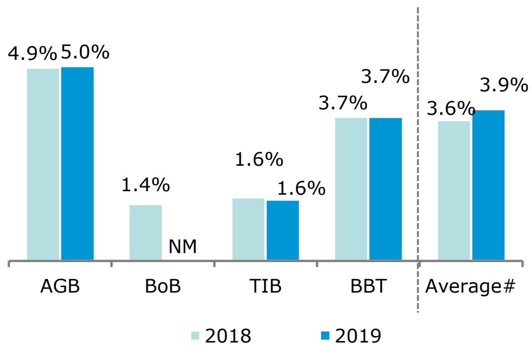

## Net Profit

*USDmn*



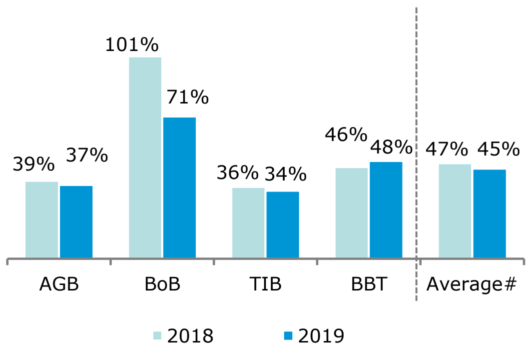

## Net Interest Margin*

*Percentage*



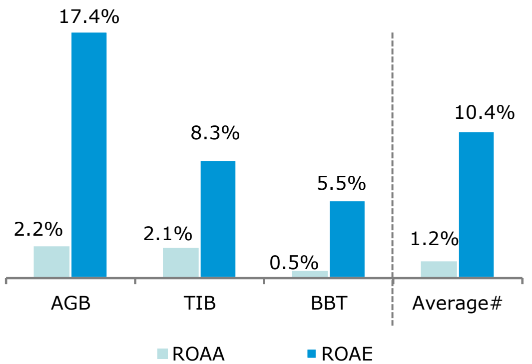

## Cost to Income*

*Percentage*




## Return on Assets & Equity*

*Percentage*

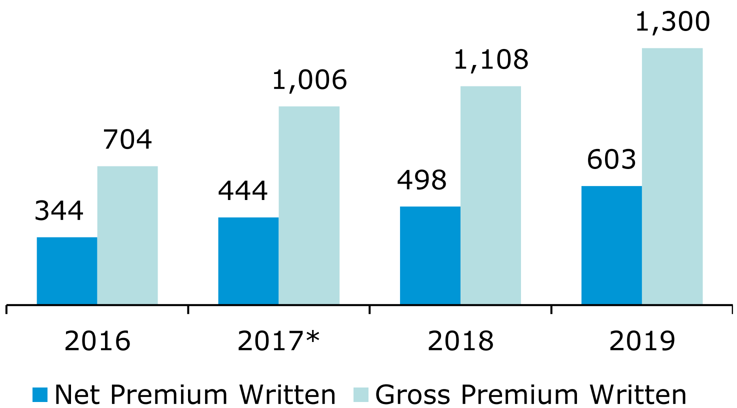



* For calculation of 2019 ratios for AGB, TIB, BBT net profit and net interest income of eleven month is used due to one month lag in reporting
\# Represents weighted average figures using the denominator of respective ratio as weights
^ For 2019 BoB is classified as asset for sale thus for like to like comparison 2018 financials are adjusted

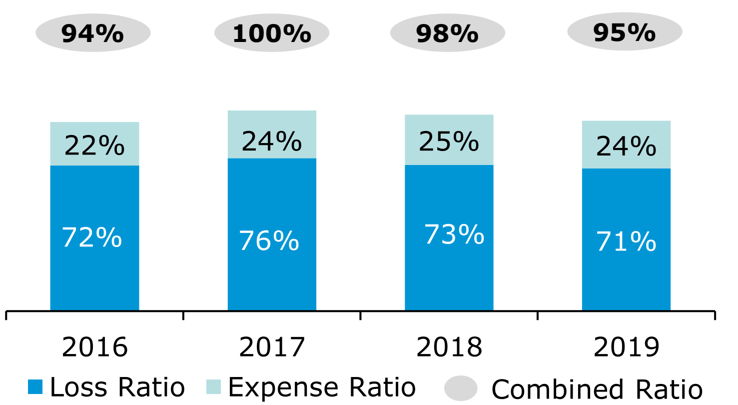
# Gulf Insurance Group (GIG)

## Gross & Net Premium Written

*USDmn*

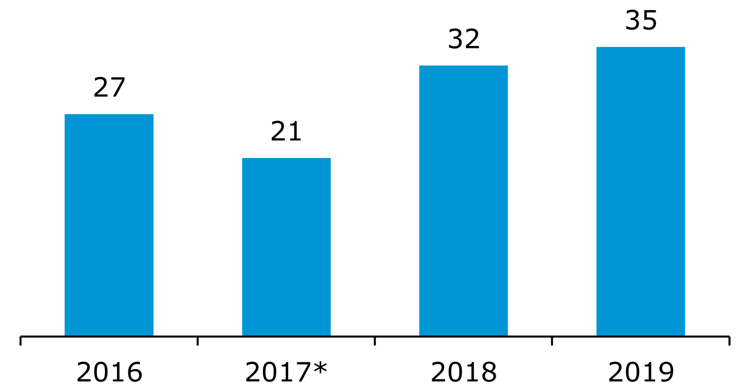



## Combined Ratio



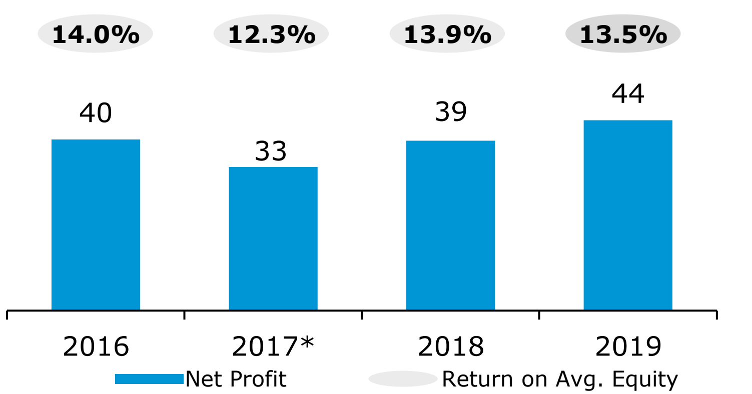

## Net Investment Income

*USDmn*




## Net Profit & ROE

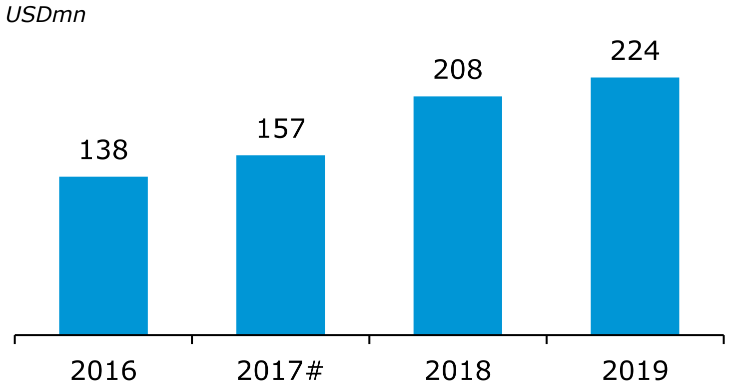
*USDmn*



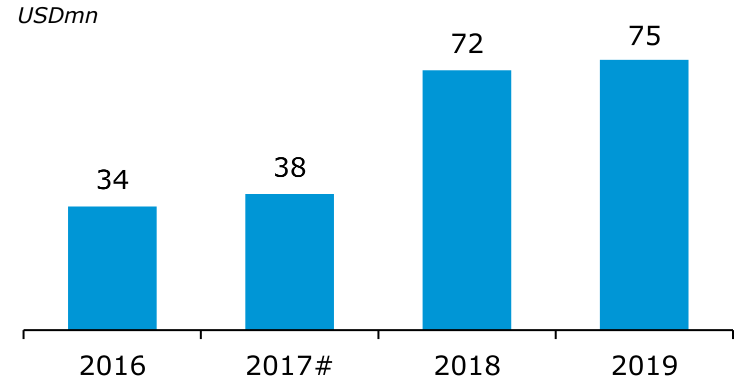

**Restated*

# United Gulf Holding Company (UGH)

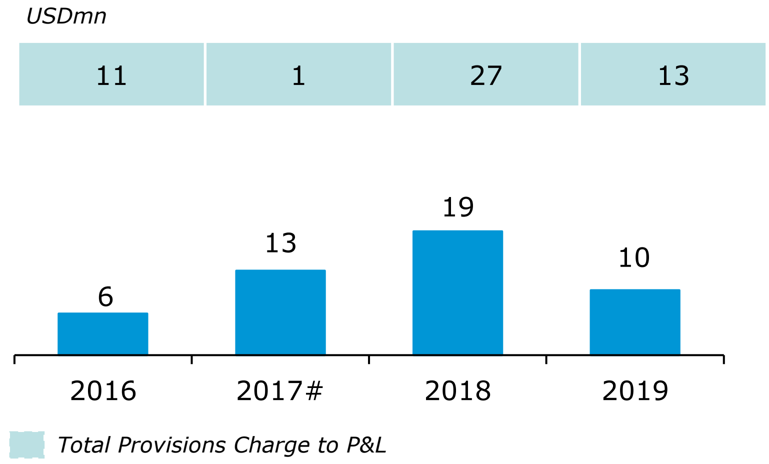
## Revenue



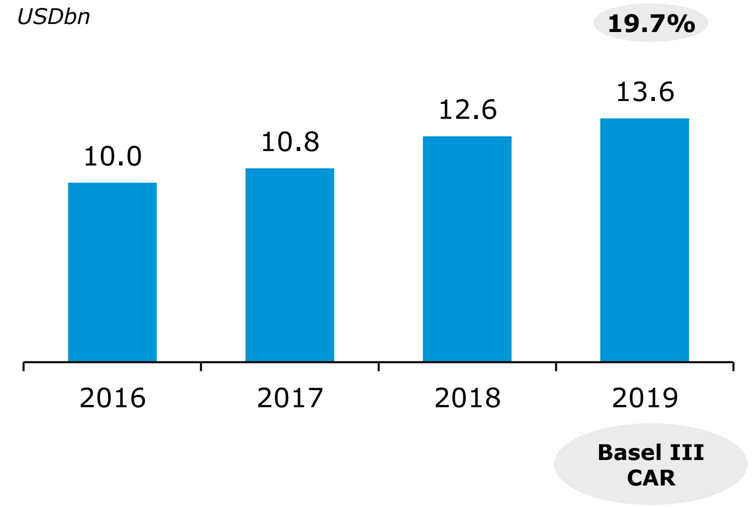

## Fee & Commission Income




## Net Profit & Provisions



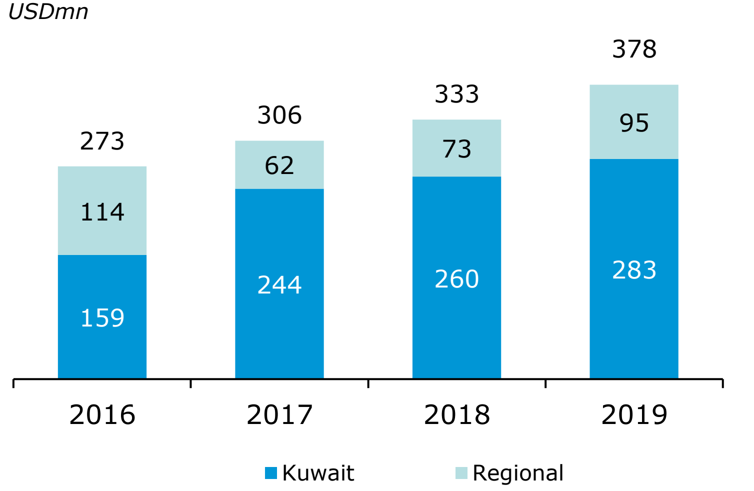

## AuM & Capitalisation



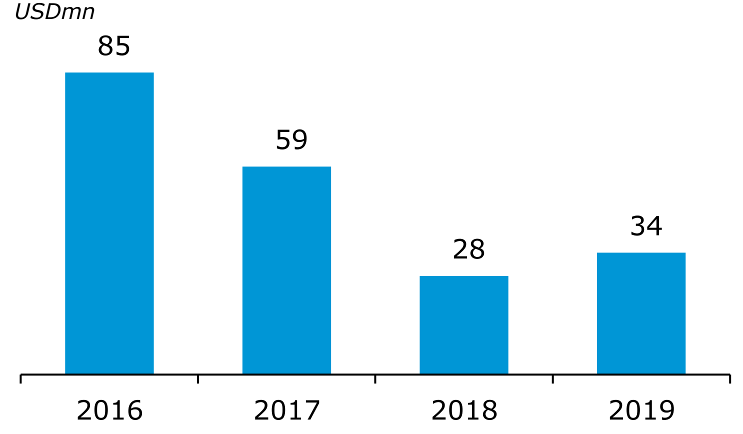

# *As UGH was incorporated in September 2017, financials of UGH for 2017 comprise of first nine months results for UGB and Q4'17 results for UGH*

# United Real Estate Company (URC)

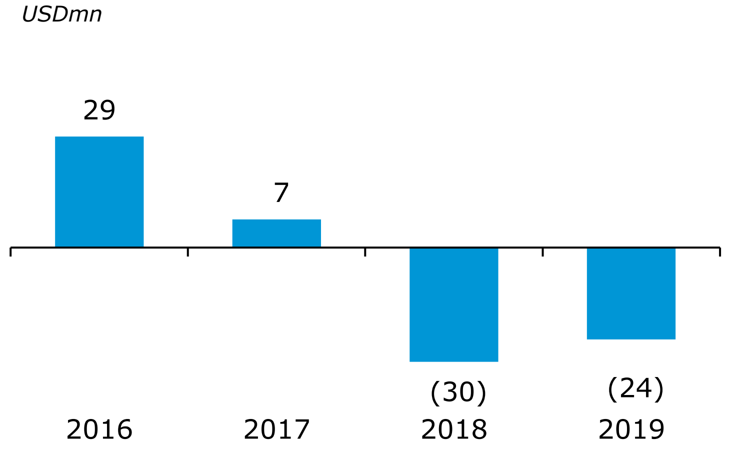
## Total Revenue[1]



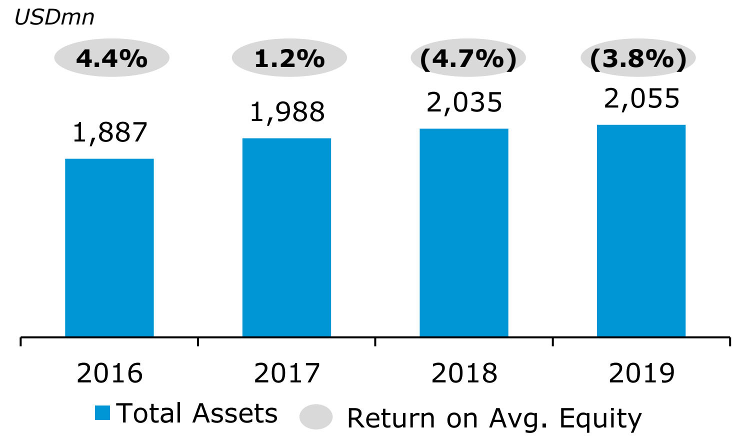

## Operating Profit[2]




## Net Profit




## Total Assets & ROE




*[1]Revenue includes income from operational properties, gain on sale of properties, fixed assets & associates, valuation gain on properties, investment income, share in associates' income, interest income & forex ; [2]Operating Profit includes gain on sale of associates, share in associates' income, interest income & forex gains*

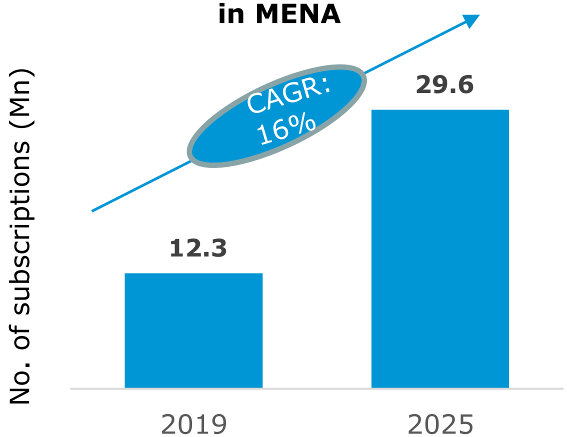
# OSN Background

- Leading Pay TV operator in MENA region (HQ in Dubai), created by the merger of Showtime and Orbit in 2009
- Licensed to operate in 25 countries in MENA with focus on 7 core markets
- Subscriber base of around 1.0mn, ~150K subs for OSN Streaming App and 138k subs for OSN Demand
- First in the region to introduce digital platform with OSN Play in 2012
- OSN has successfully rebranded its Wavo application to OSN Streaming in April 2020 with superior user interface and functional capabilities, benchmarked with leading OTT players globally
- Exclusive access to the most comprehensive portfolio of rights from 7 major Hollywood studios plus wide range of Arabic content
- Premium content offerings with over 85 channels incl. 51 HD channels and 24 owned and 16 Pinoy channels
- ~920 employees in 13 offices, 26 retail locations across MENA and a network of 148 partners

**MENA Pay Tv Potential**

| | Population (Mn) | TV Households (Mn) | Pay TV/ TV Households (%) |
|---|---|---|---|
| **MENA Region[1]** | **367** | **72** | **~10%** |
| **Latin America** | 621 | 56 | 44% |
| **UK** | 67 | 27 | 56% |
| **India** | 1,352 | 197 | 66% |
| **US** | 329 | 120 | 79% |

**Expected growth of OTT in MENA**




*Source: Digital TV Research (Jan'20)*

*[1]MENA region represents data of: Bahrain, Egypt, Jordan, Kuwait, KSA, Qatar, UAE, Algeria, Lebanon, Libya, Morocco, Oman,, Sudan, Syria, Tunisia and Yemen (OSN's core and target markets)*
*Source: IMF WEO Database October 2019, Euromonitor, Statista, Nielsen, Broadband TV News, Economic times*

# OSN Update

**Larger reach**

- Ability to deliver product to all 25 countries in the region via its OTT platform

**No one does content like OSN does**

- Exclusive DTH & OTT content rights in the 1st pay window
- Original Arabic Production in progress

**OTT platform progress**

- Rebranded OTT now with Disney+ starting April 2020; better UI and UX
- Focus on both direct and indirect distribution

**Successful business streamlining**

- Content cost rationalized*
- 28% reduction in G&A and staff cost in 2019 vs. last year

**Strengthen Management Team**

- New CTO & SVP, Marketing joined
- BoD strengthened with expertise on streaming (OTT) and original content

**Operational turnaround complete; financial turnaround expected in 2020**

**Increased stake to 87.6%**



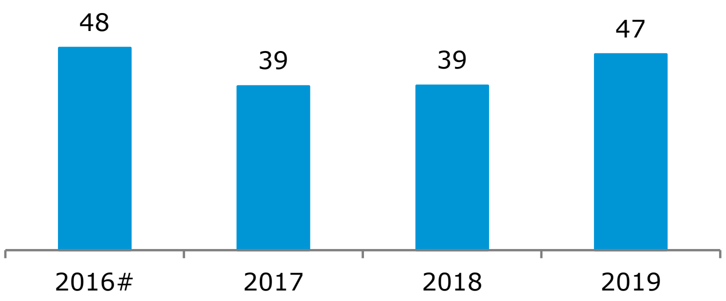
*US$120mn savings against contractual value in 2019

# Other key entities:

## United Industries Company (UIC)

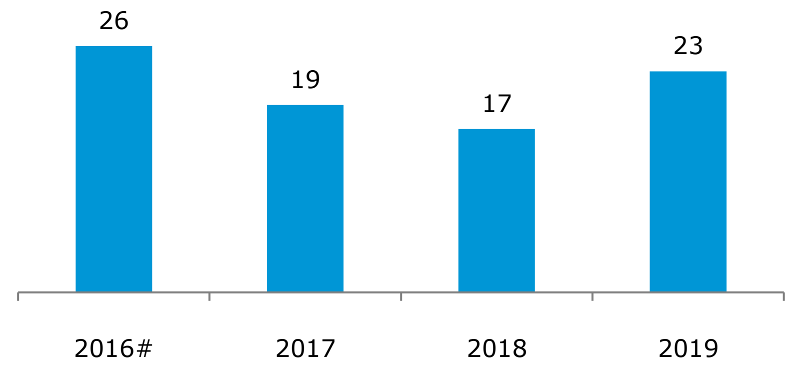
### Total Revenue

*USDmn*




### Net Profit

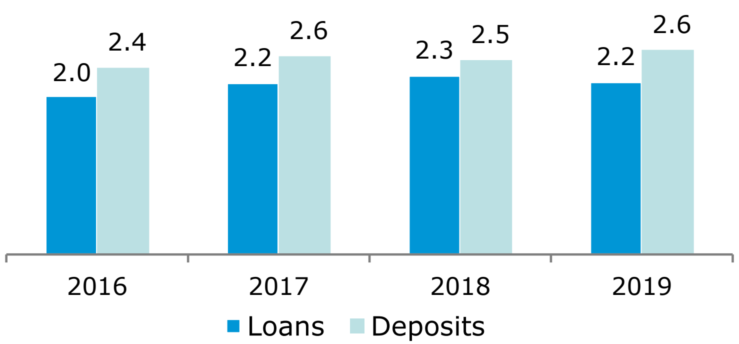
*USDmn*




## Jordan Kuwait Bank (JKB)

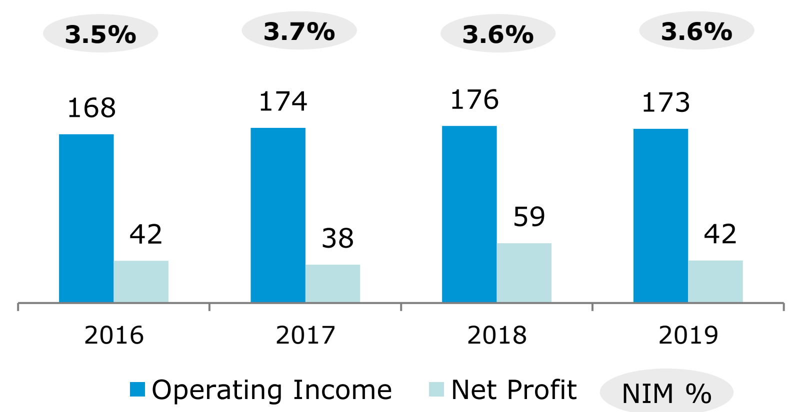
### Loans & Deposits

*USDbn*




### Operating Income & Net Profit

*USDmn*




*# Includes USD13mn one-off income on reclassification of investment from AFS to associate*

*Notes: Exchange rate of USD/JOD of 0.709 as of 31 December 2019 has been used for conversion*

# KIPCO consolidated: Balance Sheet

| Consolidated Balance Sheet (USDmn) | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|
| Cash in hand and at banks | 4,811 | 5,179 | 6,991 | 5,220 |
| Treasury bills, bonds & other debt securities | 2,228 | 2,134 | 2,397 | 1,803 |
| Investment in associates | 1,460 | 1,238 | 1,087 | 1,162 |
| Investment in a media joint venture | 494 | 587 | - | - |
| Non-current assets held for sale | - | - | 618 | 696 |
| Investment properties | 1,415 | 1,726 | 2,064 | 2,080 |
| Other investments | 1,876 | 2,069 | 1,712 | 2,016 |
| Other assets (inc. goodwill & intangibles) | 20,654 | 21,204 | 19,350 | 21,063 |
| **Total assets** | **32,939** | **34,137** | **34,220** | **34,040** |
| Due to Banks & Other FI's | 7,620 | 6,646 | 6,794 | 4,703 |
| Deposits from Customers | 15,904 | 16,925 | 16,128 | 17,608 |
| Debt | 4,229 | 4,899 | 6,049 | 6,378 |
| Other liabilities | 1,172 | 1,667 | 1,914 | 1,729 |
| Equity attributable to equity holders of the Parent Company | 1,556 | 1,450 | 914 | 1,117 |
| Perpetual capital securities | 483 | 483 | 483 | 506 |
| Non-controlling interest | 1,975 | 2,067 | 1,937 | 1,999 |
| **Total liabilities and shareholders equity** | **32,939** | **34,137** | **34,220** | **34,040** |

# KIPCO consolidated: Income Statement

| Consolidated Income Statement (USDmn) | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|
| Interest income | 1,229 | 1,275 | 1,469 | 1,348 |
| Investment income | 92 | 234 | 121 | 113 |
| Fees and commission income | 185 | 175 | 201 | 215 |
| Share of results of associates | 119 | 42 | 61 | 76 |
| Share of results of a media joint venture | (21) | - | - | - |
| Hospitality and real estate income | 255 | 309 | 361 | 398 |
| Other revenues | 322 | 227 | 343 | 378 |
| **Total revenues** | **2,180** | **2,263** | **2,555** | **2,528** |
| Interest Expenses | 794 | 819 | 983 | 948 |
| General and administrative expenses | 566 | 610 | 635 | 617 |
| Other expenses and provisions | 469 | 477 | 551 | 637 |
| Taxation | 60 | 51 | 34 | 54 |
| Loss from discontinued operations | - | 100 | 76 | - |
| Non-controlling interest | 140 | 128 | 183 | 173 |
| **Net profit attributable to Equity Holders of the Parent Company** | **150** | **78** | **93** | **99** |
| Basic Earnings Per Share, Cents (Reported) | 9.4 | 3.8 | 4.9 | 3.3 |
| Basic Earnings Per Share for continuing operations, Cents (Reported) | - | 10.9 | 10.2 | 3.3 |

Thank you

# A diversified company with deep regional expertise & roots

**We are**

Operating holding company with total assets of USD34.0bn[1]

**Geography**

Middle East and North Africa (MENA)

**Sectors**

Primarily financial services & media

**Track record**

28 years of continuous profitability,
18 years of continuous dividends

**Returns**

Attractive shareholder return

Majority owned by ruling family of Kuwait

A transparent company with an experienced management team

Listed on Kuwait Stock Exchange with a market cap of USD1.1bn[2]

Credit ratings:
S&P: BBB-
Moody's:Baa3

***Gateway to MENA with superior access to opportunities***

[1]*As on 31 December 2019* [2] *As of May 2019*

# Our presence by geographies & sectors

| Geography | Major sectors | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Commercial banking | Media | Insurance | Real Estate | AMIB [4] | Industrial | Others | Revenue (2019) [1] |
| Kuwait | ● | ● | ● | ● | ● | ● | ● | 47% |
| KSA | | ● | ● | | | ● | | 3% |
| UAE | ● | ● | ● | ● | ● | | | 4% |
| Bahrain | | ● | ● | | ● | | | 5% |
| Qatar | | ● | | ● | | | | 1% |
| Turkey | ● | | ● | | | | | 13% |
| Jordan | ● | ● | ● | ● | | | | 11% |
| Egypt | | ● | ● | ● | | | ● | 6% |
| Algeria | ● | ● | ● | | | | | 5% |
| Iraq | ● | ● | ● | | ● | | | 1% |
| Malta | ● | | | | ● | | | 2% |
| Tunisia | ● | ● | | | ● | | | 1% |
| Others | ● | ● | ● | ● | ● | | ● | 1% |
| Revenue (2019) [2] | 47% | 11% | 18% | 11% | 5% | 4% | 4% | |
| Assets (2019) [3] | 70% | 4% | 6% | 8% | 7% | 3% | 2% | |

***Attractive presence in high growth economies and promising sectors***

*Note: The business of OSN represented the entirety of the Group's media operating segment. In accordance with IFRS 5, the investment in OSN is classified as a discontinued operation and accordingly, the media segment is no longer presented in the segment note since Q3'2018*

*[1] Assuming consolidation of GIG & OSN* *[2, 3] Total revenue of USD3.8bn and total assets of USD40.7bn respectively, based on reported segmental revenue (before inter group eliminations) post consolidation of 100% revenue of GIG & OSN ;* [4]AMIB = Asset Management & Investment Banking

# Core holdings

## All core holdings are market leaders in their space

#2
Conventional bank in Kuwait[1]
S&P: BBB+/A2
Moody's: A3/ P2
Fitch: A+

#1
Insurer in Kuwait[3], Bahrain[4], Jordan[4] & Egypt[5]
S&P: A-
Moody's: A3
AM Best: A

#2
Listed real estate player on Boursa Kuwait[1]
CI: BBB

Leading premium Pay TV operator in MENA region[2] with 1.0mn subscribers

#1
Asset Manager in Kuwait with highest AuM
CI: BBB

Leading industrial company In Kuwait with investments across petrochemicals, food and healthcare sectors

***Investing in companies which have potential to be market leaders***

*[1] In terms of assets (based on latest financials) [2] In terms of revenue and countries of operations [3] By Gross premium written (GPW) and Direct premiums [4] By GPW [5] By technical profit among private sector players (all rankings as of 31 December 2018)*