

Our ref: KIPCO/GCOO 27/21 dated May 22, 2021

Boursa Kuwait Company  
KUWAIT

السادة / شركة بورصة الكويت  
دولة الكويت

Subject: KIPCO's Analyst/Investor Conference call  
Minutes for Q1/2021

الموضوع: محضر مؤتمر المحللين/المستثمرين لمشاريع الكويت  
القابضة "كيبكو" للربع الأول من السنة المالية 2021

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 a conference call at 3:00 PM (local time) on Thursday 20/5/2021.

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 مكالمة هاتفية جماعية في تمام الساعة الثالثة عصراً (التوقيت المحلي) من يوم الخميس الموافق 2021/5/20.

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 Q1-2021.

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 الربع الأول لعام 2021.

Sincerely,

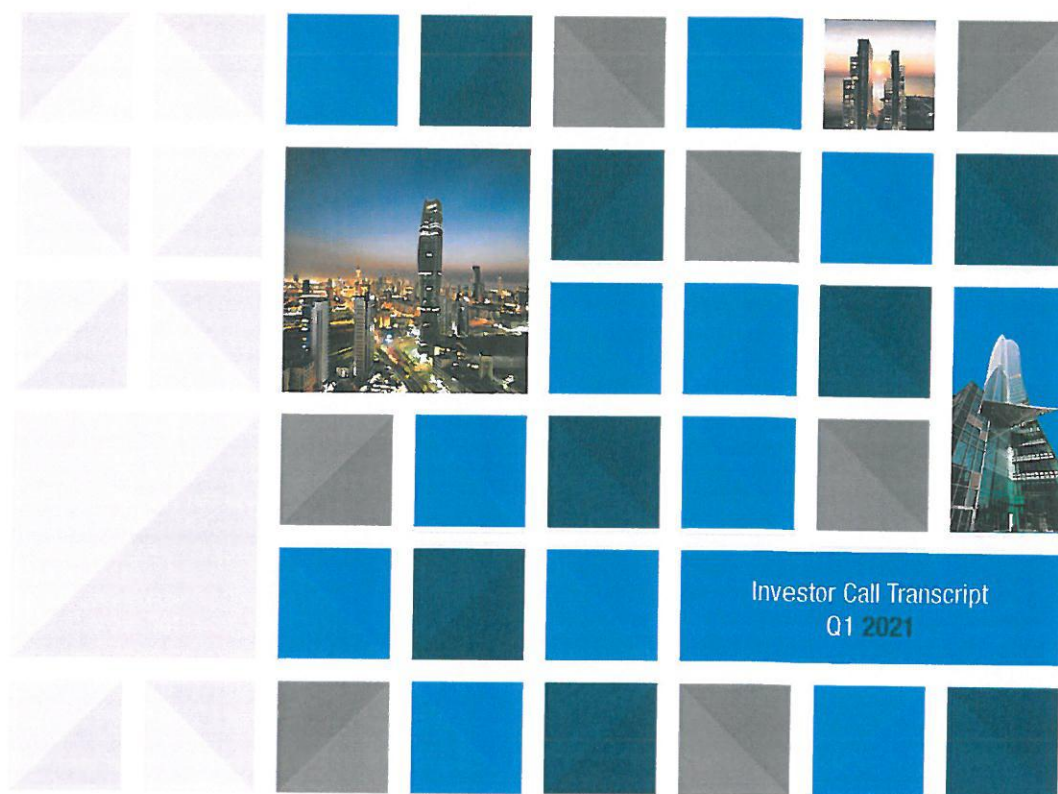
وتفضلوا بقبول فائق الاحترام ،،



Samer Khanachet  
Group Chief Operating Officer

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

سامر خنشيت  
الرئيس التنفيذي لعمليات المجموعة



## **Transcript: KIPCO Q1-2021 earnings call**

**Introduction:** Good afternoon everyone. I, Elena Sanchez, on behalf of EFG Hermes, welcome you all to the KIPCO's 1<sup>st</sup> Quarter 2021 Results Conference Call. It is a pleasure to have with us in the call today Mr Pinak Maitra (KIPCO Group CFO), Mr Anuj Rohtagi (Vice President, Group Financial Control) and Mr Moustapha Chami (Vice President, Finance and Accounts at KIPCO). I would like to handover the call to Mr Pinak Maitra. Thank you.

**Pinak Maitra:** Thank you, Elena. Good afternoon everyone. Thank you for joining us in our first quarter 2021 earnings call. We hope all of you are in good health. Please note that today's presentation is also available on our website along with financial statements for the period.

As usual, 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 can be forward looking. Such statements are based on KIPCO's current expectations, predictions and estimates and are subject to risks and uncertainties which may adversely or otherwise affect the future outcome. They are not guarantee of future performance, achievements, or results.

With the accelerated vaccination drive, Kuwait has witnessed around 1.5 million doses of vaccines so far. As we face the second and third wave of COVID-19 around the world, we are hopeful that widespread distribution of vaccine coupled with measures taken by our government will help in curbing the spread of new cases.

Our key subsidiaries continued to be resilient and have shown improvement in operational performance in Q1 2021. You will note the impact when we discuss performance of our key operating companies in a while, today.

Referring to page 4 of the presentation, revenues decreased by 27% in Q1'21 to reach US\$561 million compared to US\$769 million in Q1'20. The year on year decrease in revenue is mainly due to a one-time investment income booked in Q1'20 last year from the remeasurement of previously held equity interest in Panther Media Group Limited, as explained in note 3 and note 10 of the financial statements. In addition, we also recorded a lower interest income from our banking operations at US\$229 million in Q1'21 compared

to US\$310 million in Q1'20. The decrease was partly offset by higher media and digital satellite network services income and foreign exchange gain.

We have reported a net loss of US\$28 million for Q1'21. This translates into a loss per share of 4.7 fils per share or 1.6 cents per share. The earning per share for Q1'20 was 15.9 fils per share or 5.3 cents per share.

Now, I will hand over the presentation to Anuj.

**Anuj Rohtagi:**

Thank you Pinak. I hope I am audible. We can now go to page 5 that covers Burgan Bank's results. We will be focusing on the key highlights in our presentation, and you can refer Burgan Bank's Q1 2021 earnings call transcript and presentation on Burgan Bank's official website to get more details. This was held on 5 May 2021.

Before we begin, I would like to once again remind you that Bank of Baghdad has been reclassified as asset held for sale in 2020 and Q1 2021 financial statements. The reclassification was driven by ongoing process with regard to potential divestment of this asset.

Loan book declined in Q1'21 by 2.0% vs. FYE 2020 amounting US\$293 million. The key driver was reduction in Turkey loan book base by 15.7%, that is US\$390 million due to lower loan volumes and Turkish Lira depreciation. This was partially offset by a growth of US\$67 million in Kuwait.

Deposits grew by 1.2% in Q1'21 vs. FYE 2020 amounting US\$158 million. The key drivers were: 1) increase in deposits in Kuwait operations by 3.0% (that is US\$298 million), 2) reduction in deposits in Turkey deposit base by 9.8% (that is US\$185 million) due to currency depreciation.

Operating income for Q1'21 was US\$158 million, lower by US\$42 million compared to Q1'20. This decline is attributable to lower net interest income of US\$50.8 million driven by lower interest rate that came into effect on March 16, 2020 (reduced by 1%), new NPLs recorded in Kuwait and reduced levels of economic activities compared to Q1'20. The current expectation of the management team is that new NPLs recorded in Kuwait are

expected to be largely resolved by Q2'21. As a result of these factors, net interest margin for Q1'21 decreased year on year by 100bps to 1.7% vs 2.7% in Q1 2020. Fee and commission income on the other hand showed an improvement in Q1'21 vs. Q1'20 as it increased by US\$ 2.4 million or 7.7% year on year.

The bank reduced its operating expenses by US\$9 million in Q1'21 vs. Q1'20 to partially compensate for lower operating income.

Provisions charged to income statement increased to US\$67 million in Q1'21 as against US\$55 million in Q1'20 mainly driven by Kuwait operations.

As a result of the above-mentioned key movements, Burgan Bank Group posted a net income of US\$17 million in Q1'21 vs US\$57 million in Q1'20, a decrease of 60%.

NPA ratio increased to 4.9% at Q1'21 as against 3.5% at the end of 2020 primarily driven by Kuwait which is understood to be a short-term feature and actions to reverse this increase are already underway. The bank reported a CET1 ratio of 10.5% and CAR of 16.7% as at March 31, 2021 against minimum required ratios at 8% and 11.5% respectively.

Moving on to page 6, regional loan book declined by US\$ 378 million in Q1'21. The reduction in regional loan book was driven by currency depreciation in Turkey as stated earlier. Deposits declined by US\$140 million or by 3.8% in Q1'21 vs. as at FYE 2020. Overall, share of our regional loan book and customer deposit was 24% and 26% of total Burgan Bank loan book and customer deposits, respectively. There has been a net loss from regional operations during Q1 2021 primarily due to high provisioning in Burgan Bank Turkey and the impact of interest rates.

Overall, the focus of the bank remains on maintaining the quality of its assets, enhancing the non-interest income and operating cost optimization through regular and new digitalization processes.

We can now go to page 7 of the presentation, which summarizes Gulf Insurance Group's performance.



For the three months ended March 31, 2021, GIG posted strong results. Gross premium written was US\$395 million, registering a healthy growth of 11% i.e. US\$38 million vs. US\$357 million reported in Q1'20. The increase is majorly driven by increase in medical business.

On the bottom left chart, you can see that the combined ratio stands at 94% which is an increase of 2.0% over the corresponding period. This is driven by higher claims incurred in medical and property segments, which resulted in a 1.1% increase in overall loss ratio along with higher expenses in property and motor segments leading to an increase of 0.9% in overall expense ratio. If you look at the top right-hand side chart, net investment income for Q1'21 increased significantly to US\$17 million from investment loss of US\$3 million last year. This was driven primarily by increase in income from quoted held for sale investments as well as increase in income from un-quoted unit linked funds held by GIG-Kuwait as compared to Q1'20.

As a result of revenue growth and higher investment income, GIG reported a net profit of US\$18 million for Q1'21, a 79% growth over a profit of US\$10 million in Q1'20. Additionally, as you all must be aware, GIG announced the acquisition of AXA's Middle East operations towards the end of 2020. The acquisition is expected to be completed subject to regulatory approvals, during this year, which will place GIG as the third largest insurer by GWP in the MENA region.

Moving on to slide 8 which has United Gulf Holding Company. You can see on the top left chart, revenue for Q1'21 was US\$36 million, which increased from US\$19 million in Q1'20. This is largely on account of recovery in investment income which had fallen sharply owing to adverse market movements along with increase in share of results from associates to US\$4 million in Q1'21 from a loss of US\$2 million in Q1'20. Investment income increased from a loss of US\$14 million in Q1'20 to US\$8 million in Q1'21.

On the top right chart, provisions for credit losses declined from US\$8 million during Q1'20 to a reversal of US\$2 million this quarter.

UGH's net loss declined to US\$4 million in Q1'21 as compared to a loss of US\$26 million in Q1'20. The decrease in loss is a combination of higher revenue and lower provisions considering improved market conditions.

UGB's total consolidated capital adequacy ratio stood at 18.0% as at March 31, 2021.

Moving onto our real estate company, United Real Estate, on slide 9. The top left chart shows US\$75 million of revenue for first quarter ended on March 31, 2021, representing a decline of 34% vs. the same period last year. The majority of the decline is from contracting and services revenues which reduced to US\$52 million in Q1'21 compared to US\$74 million in Q1'20. Further, the hospitality segment also recorded lower revenues of US\$4.9 million in Q1'21 compared to US\$11 million in Q1'20. The impact of lower revenues was offset by lower costs in contracting and services segment and lower hospitality costs, and as a result company reported an operating profit of US\$11 million and a net profit of US\$4 million for Q1'21.

If we now move to page 10, which talks about OSN. We will be using the terms OTT and streaming in our discussions interchangeably. OSN has transformed itself from a pure linear or pay-tv operator to a digital operator. Today it has three key segments i.e. 1) OSN Home which provides premium pay-tv services and has always been a key pillar of OSN brand for many years; 2) OSN Streaming, our OTT platform, with 30,000 hours of on-demand content is among the top three OTT platforms in the region; and the third segment is B2B which includes a range of telco and other commercial partnerships. While OSN continues to enhance its premium pay-tv services for its customers across the region, OSN streaming is growing steadily with ~500k subscribers as at April 2021. With Western movies and series from seven major Hollywood studios, thematic and kids channels and a number of OSN Arabic Originals, OSN has one of the best mix of exclusive Western and Arabic content portfolio in the region. During May 2021, OSN upgraded its streaming platform which now has a superior UI/UX, search and recommendation engine, smooth customer journey and many other experience enhancing features compared to before.

OSN Originals launched in the last five months include "Aa'det Rigala", the Arabic version of "Come Dine with Me", "No Man's Land" and now "Kayd Majhool" (thriller drama series)

with a big pipeline for 2021. Further, OSN launched a new pop-up channel "Howa W Heya" focused on classical Arabic content.

OSN has been affected by the pandemic situation, however, as mentioned above it continues to grow its subscriber numbers and, in the process, streamline its cost base to deliver the targeted financial performance. OSN met its expected EBITDA level in 2020 and we remain hopeful that in 2H'21 OSN will deliver the financial break even.

Moving on to slide 11. United Industries reported US\$4 million net profit during Q1'21, which is 55% lower than same period last year. The reduction is attributable to decrease in its share of income from Qurain Petrochemical Industries Company during the year which was impacted due to volatility in oil price.

Jordan Kuwait Bank reported a steady operating performance, with net interest income improving slightly in Q1'21 vs. Q1'20 while both deposits and loan book showed similar levels as of FYE 2020. Further, the net loss declined from US\$4 million in Q1'20 to US\$2 million in Q1'21 largely since high provisions were made in 2020 due to macro-economic conditions while in Q1'21 there have been provisions reversals of ~US\$2 million.

These were our key highlights for Q1'21 results. Our Group companies are positioning themselves to reverse the impact of pandemic though the risk remains. These companies are at various stages of digital transformation and we expect this to improve our customers' experience and yield the desired result for the Group in future.

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

**Moderator:** We have question from Rakesh Tripathi from Franklin Templeton, please go ahead.

**Rakesh Tripathi:** Yes. Hi. Thank you very much for the presentation. I wanted to check a few things at the parent company as well as at the holdco level. If you could confirm first about the cash level at the end of Q1.

**Anuj Rohtagi:** Cash balance reported as of March 31, 2021 was US\$ 724 million.



**Rakesh Tripathi:** So that's a healthy increase because it was US\$ 623 million at the end of last year. So, what drove this increase?

**Anuj Rohtagi:** The increase from the December 31, 2020 balance is due to a combination of several initiatives and steps that we also mentioned in our previous call. So, we can share the details separately with you.

**Rakesh Tripathi:** Sure. There is an approval to go ahead and raise fresh equity capital, right? Can you talk a bit about what kind of timelines do you see, what sort of tentative amounts that could be raised?

**Anuj Rohtagi:** We have done the preparatory step, i.e. going to the EGM and increasing the authorized capital. As we mentioned before, it will be evaluated on quarter-on-quarter basis. As of now we do not have any update with regard to the initiation of the formal process. As it happens, we will basically be following the compliance protocols and communicate the same to you.

**Rakesh Tripathi:** Sure. Thank you. And, I believe in the last call, you provided a lot of details on the breakdown of the kind of costs that would be there at the holdco level. You mentioned about US\$150 or US\$160 million in opex and interest and about US\$100 or US\$150 million in the form of investments in subsidiaries or support the acquisitions, or maybe capitalization that Burgan Bank needed. Just one thing I wanted to check, what are the kind of dividend receipts that you expect for 2021?

**Anuj Rohtagi:** The number we shared with regard to dividend expectation for 2021 remains unchanged from the previous call. So far, we have visibility on dividend from Burgan bank of US\$ 18 million. And that remains same as of today.

**Rakesh Tripathi:** Great. So, you mentioned that on the previous call. Regarding the other entities, do you have any visibility on whether the dividends could be similar to last year or lower than that?

**Anuj Rohtagi:** Most of the entities have reported their financials and they are doing various business initiatives. In the case of Gulf Insurance, they are in the process of acquiring a company for example, and in case of other entities, they are coming out of pandemic in general. So as

such, we will be looking for a dividend upstreaming as a plan for the next year, not this year.

**Moderator:** Thank you. We have a question that came to the chat from Budi Suharto: Can you share your cashflow forecast for full year 2021, both inflows and outflows?

**Anuj Rohtagi:** This will require going into details actually. Can we take this separately with you? We did share the building blocks of cash flows for the year in our previous call and those remain the same, and you can refer to the transcript of the full year 2020 earnings call for those details. If you have any follow-up questions, please let us know and we can touch base with you and provide clarity.

**Moderator:** We have no further questions at the moment. So, I will hand over the call to Pinak and Anuj for any closing remarks.

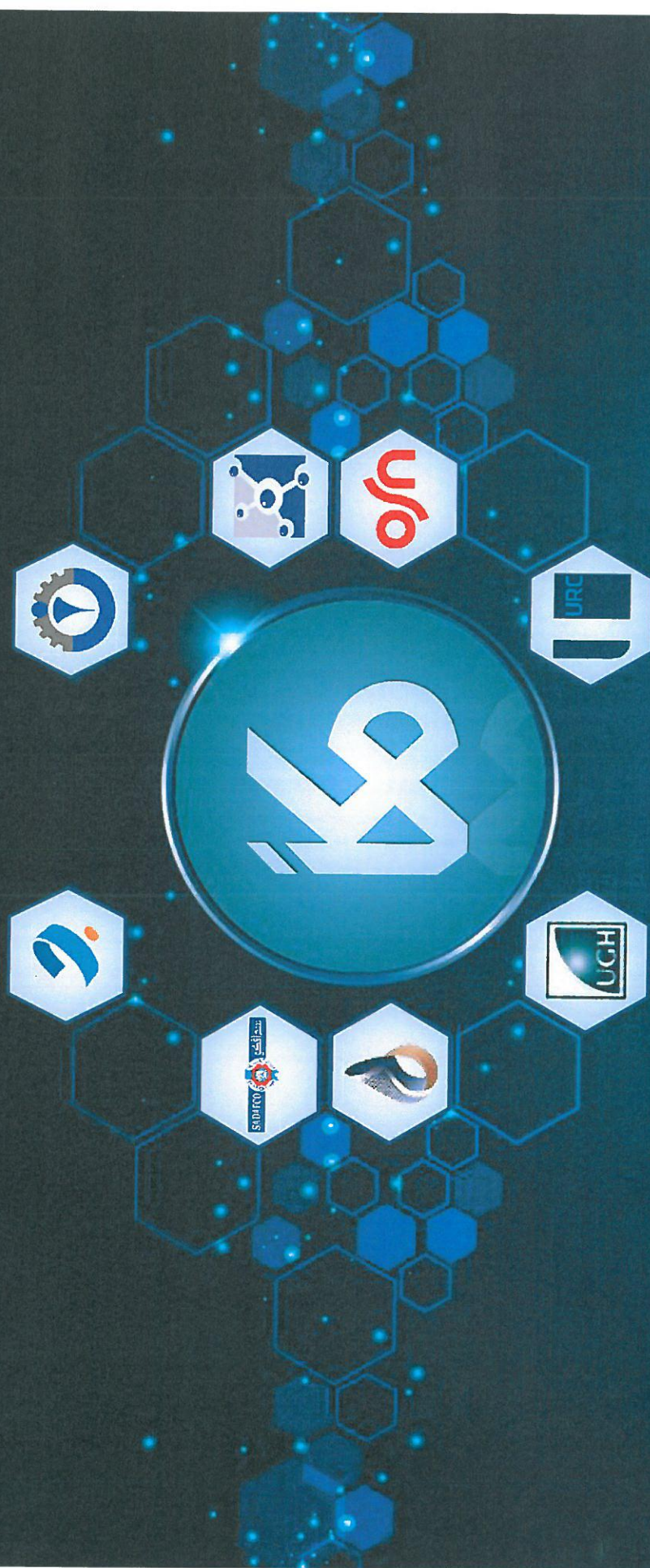
**Pinak Maitra:** I want to thank each of you who participated on this call and Elena, thanks to you for helping make this call happen. Again, as usual, we make the same message, please be safe, continue to be on guard. The threat of COVID has not gone past us, so we have to be disciplined in 2021. With that, thank you very much everybody and have a good day. Bye-bye.



كيبكو

KIPCO

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



Investor Presentation | May 2021





# Disclaimer

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*Note: : Exchange rate of USD/KD of 0.3024 has been used in the presentation for financial numbers*

# Performance Update





# KIPCO consolidated: Financial performance

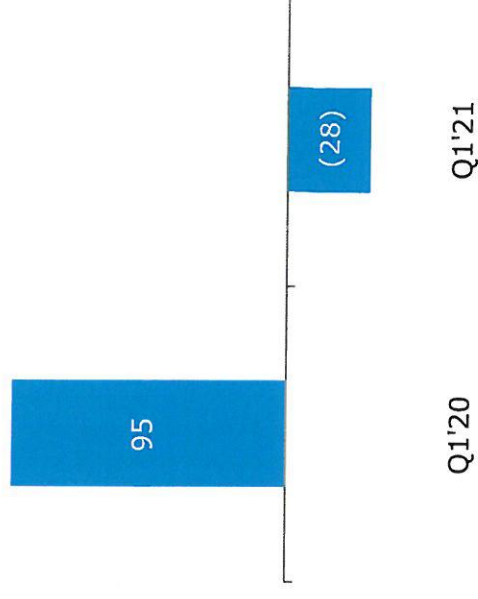
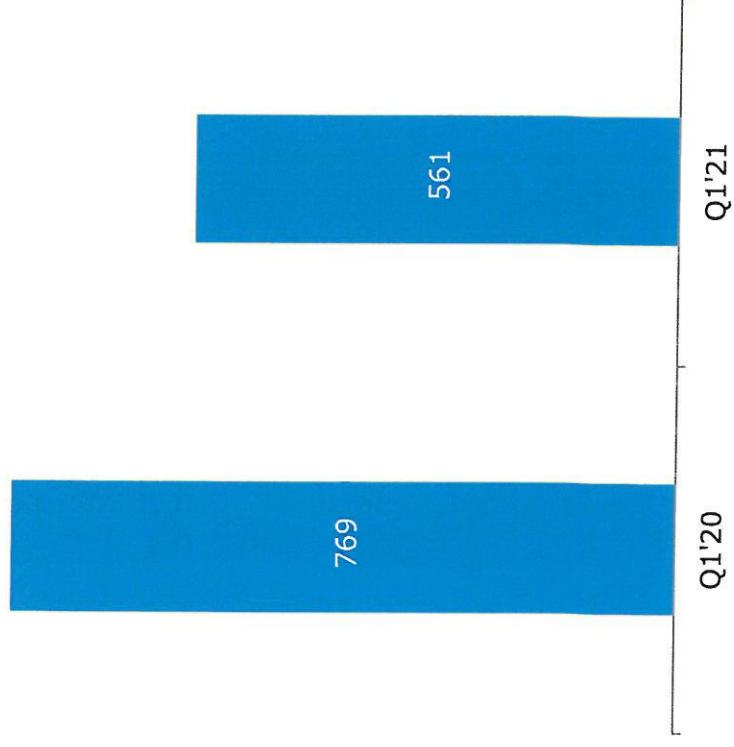
## Revenue

USDmn

## Net Profit / (loss)

USDmn

5.3 (1.6)



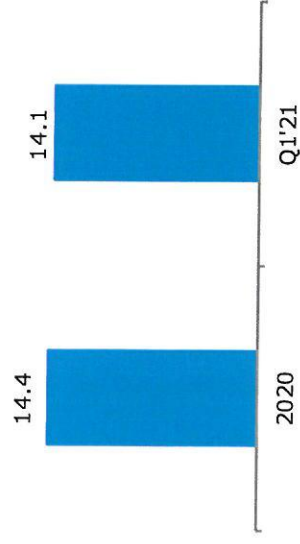
Basic EPS (Cents)



# Burgan Bank Group (BBG)

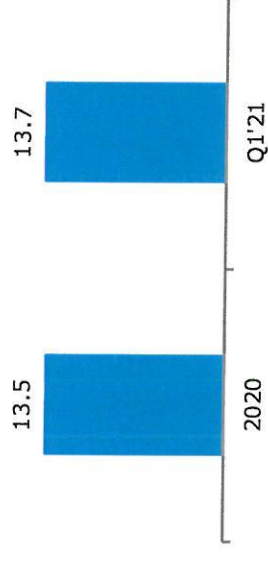
## Loans

USDbn



## Deposits

USDbn

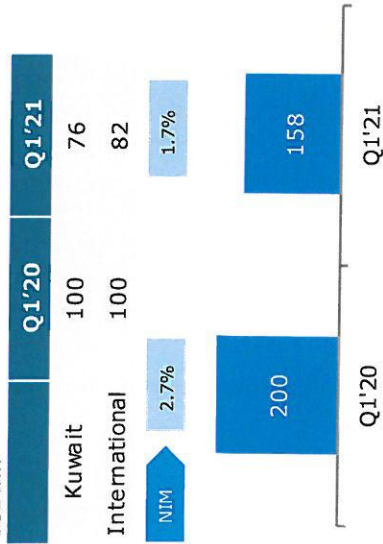


## Asset Quality



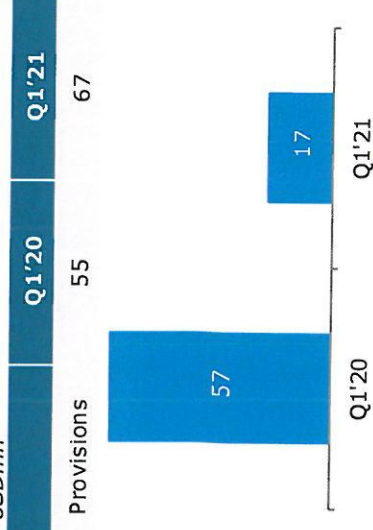
## Operating Income

USDmn



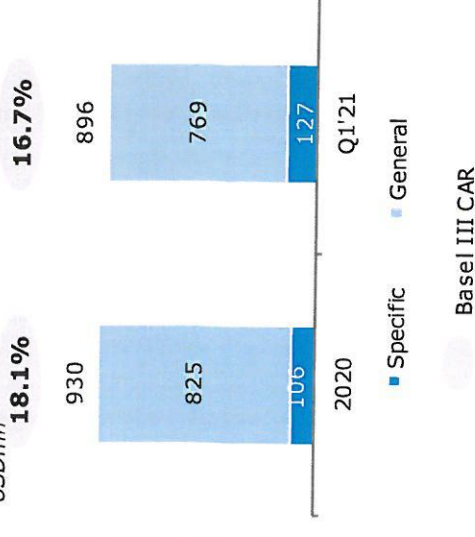
## Net Profit & Provision

USDmn



## Total Provision & CAR

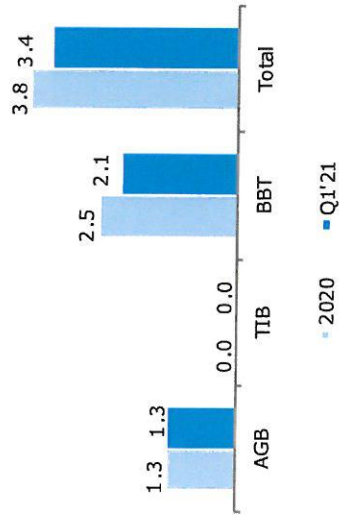
USDmn



# BBG: Regional operations

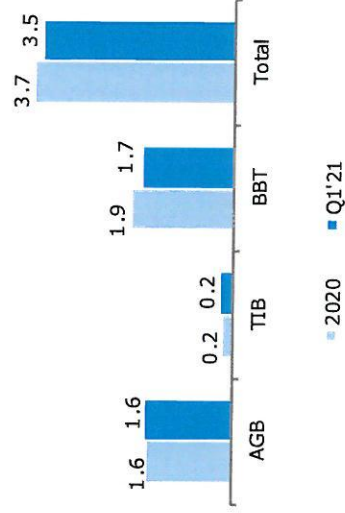
## Loans^

USDbn



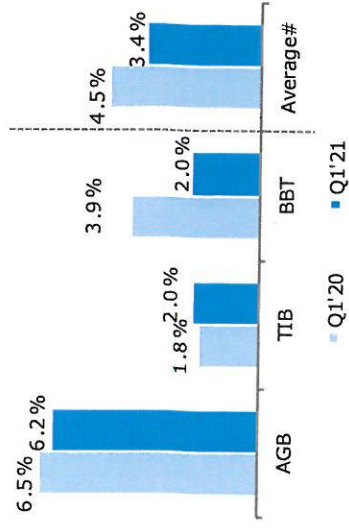
## Deposits^

USDbn



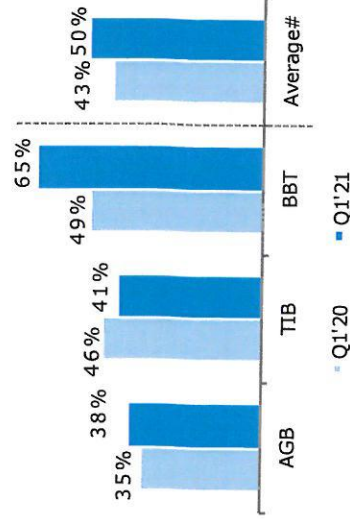
## Net Interest Margin

Percentage



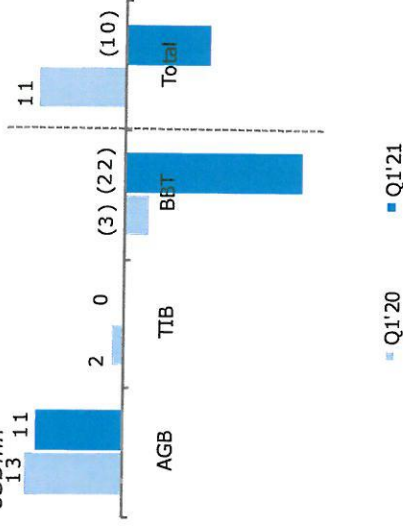
## Cost to Income

Percentage



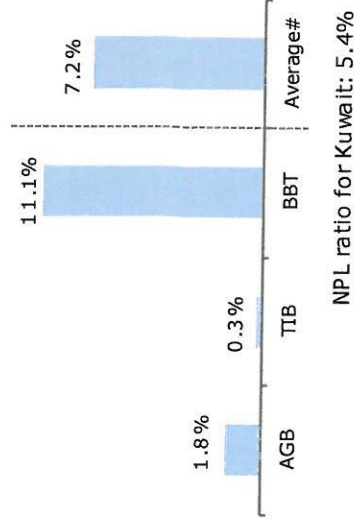
## Net Profit/ (loss)

USDmn



## Non-Performing Loans\*

Percentage

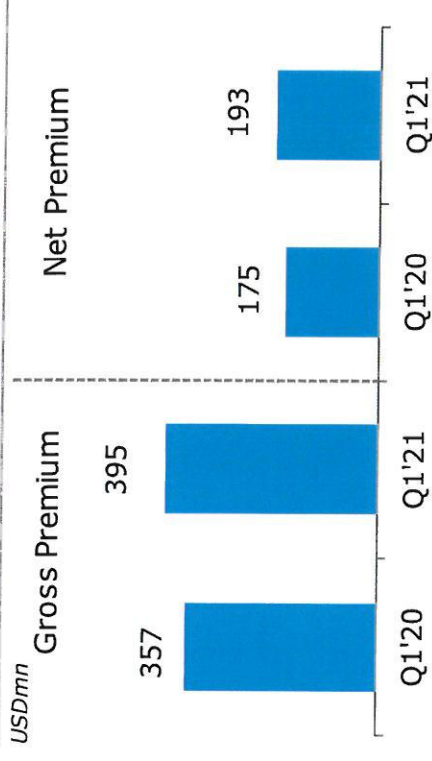


# Represents weighted average figures using the denominator of respective ratio as weights  
^ BoB is classified as asset for sale, hence excluded from the results

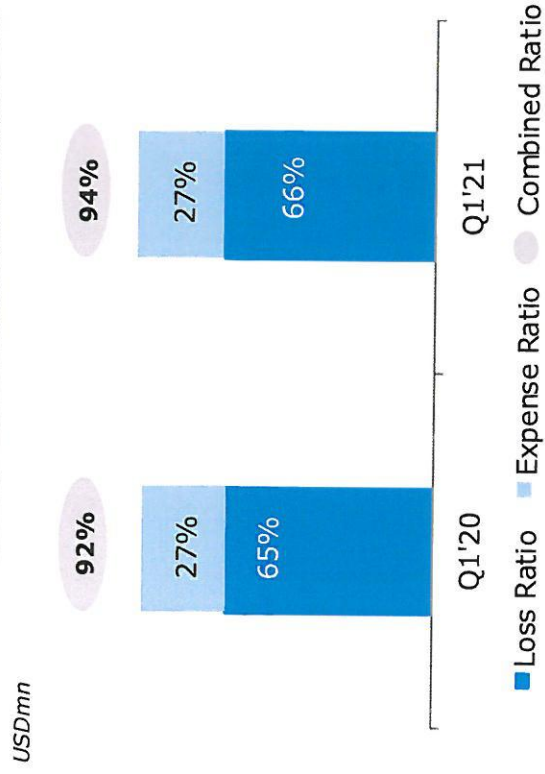
\* NPL ratio is as per CBK computation

# Gulf Insurance Group (GIG)

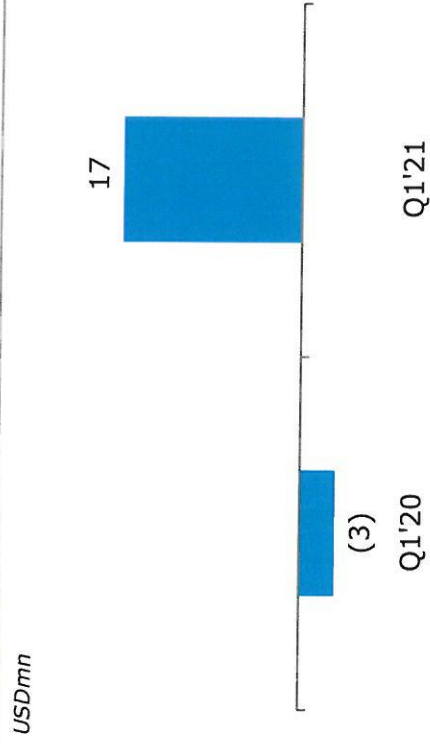
## Gross and Net Premium written



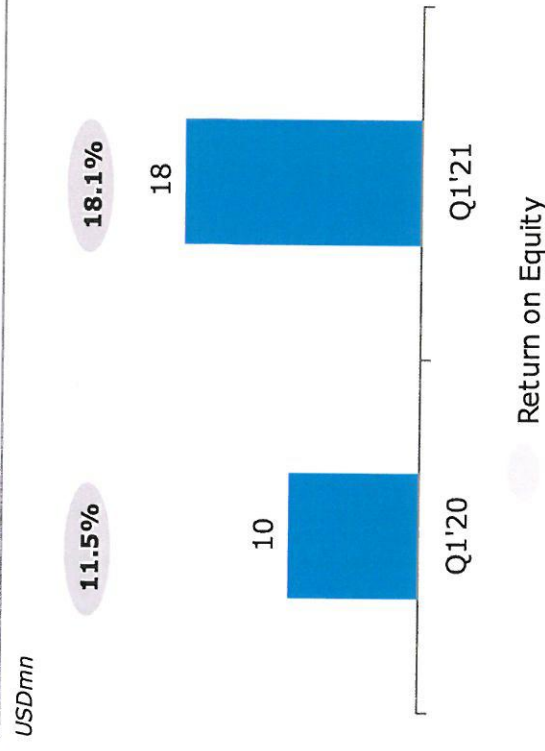
## Combined Ratio



## Net Investment Income



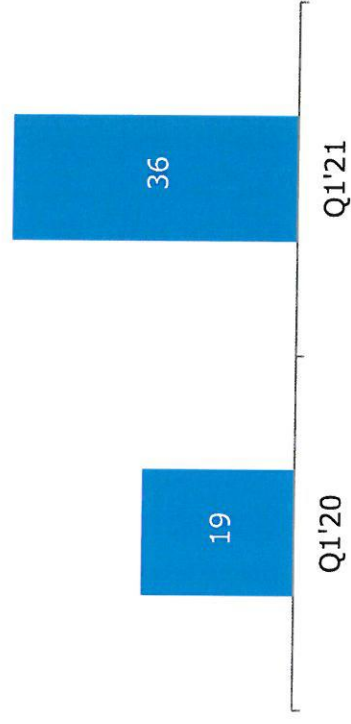
## Net Profit & ROE



# United Gulf Holding Company (UGH)

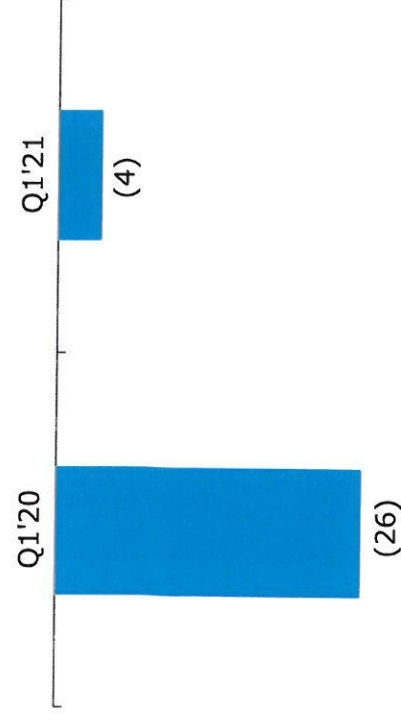
## Revenue

USDmn



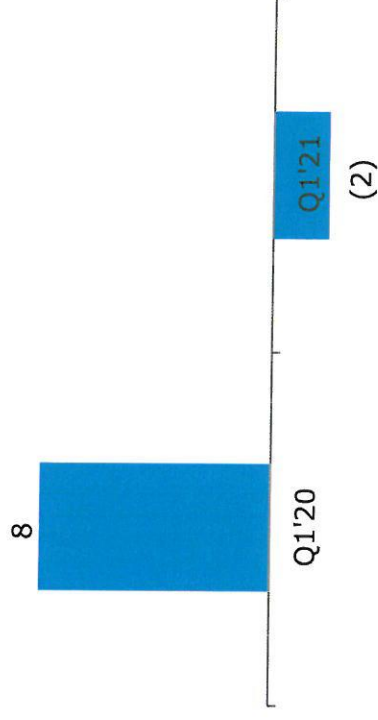
## Net Profit

USDmn



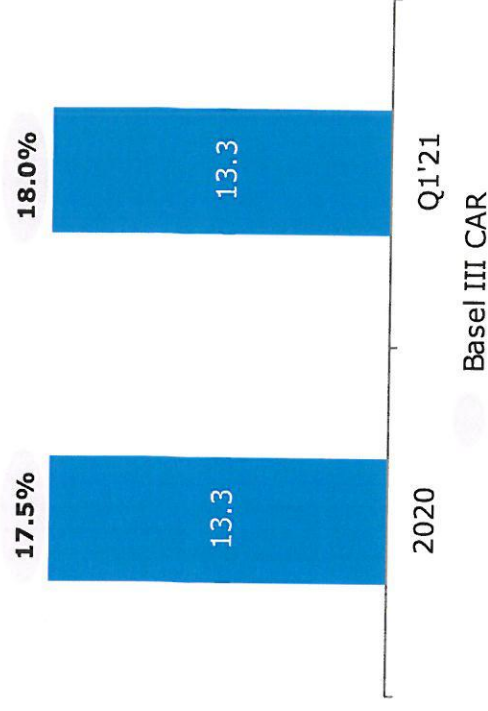
## Provisions for Credit Losses

USDmn



## AuM & Capitalisation

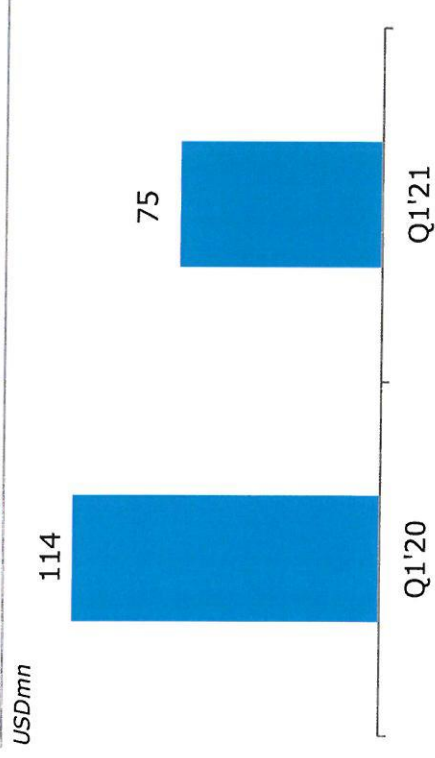
USDbn



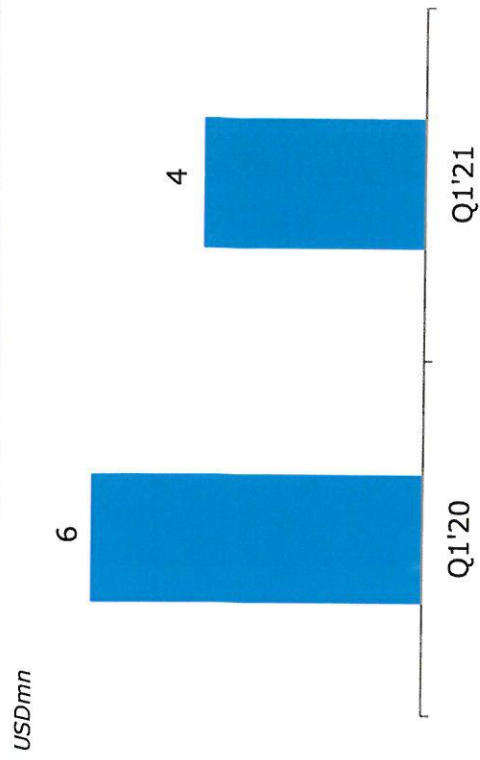


# United Real Estate (URC)

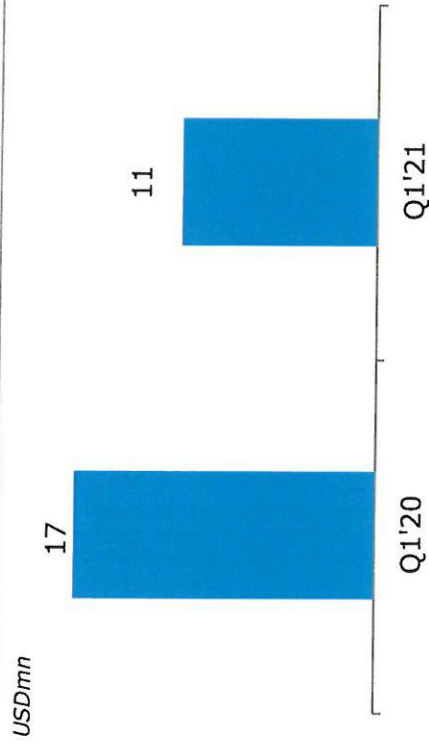
## Total Revenue



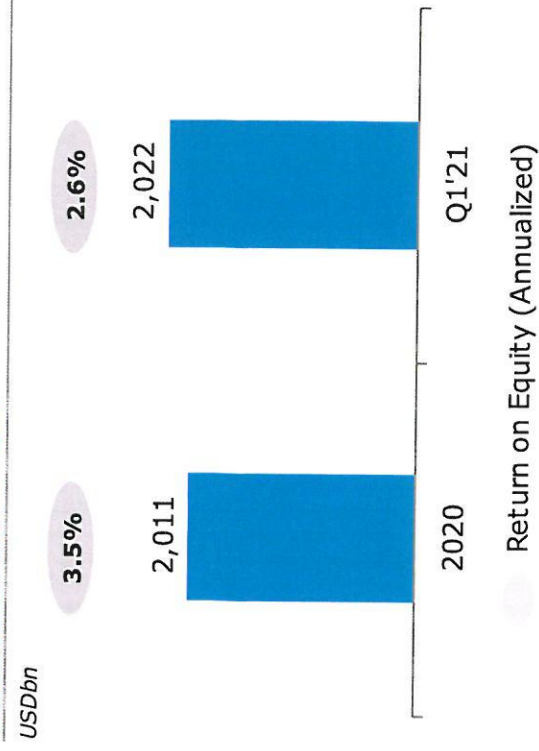
## Net Profit



## Operating Profit



## Total Assets & ROE

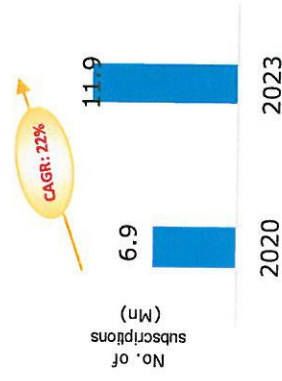


# OSN: Business Overview

## Company overview

- ▶ **No # 1 pay-tv and on-demand video provider in MENA, operating across multiple platforms:**
  - Direct-to-home (DTH)
  - Cable fibre & Internet Protocol television (IPTV)
  - Over-the-top streaming (OTT)
  - Business - Large commercial setups & hotels
- ▶ **Premium content offerings with 73 channels in linear TV and 30,000 hours of content on-demand in streaming OTT**
  - Exclusive contracts with 7 major Hollywood studios
  - 1<sup>st</sup> pay window on Pay-tv and SVOD
  - Tailored local offering - Premium Arabic content, now including OSN Originals
- ▶ Licensed to operate in 25 countries, active in 7 core markets
- ▶ Product packages from \$10 to \$50+ p.m., capturing all income segments
- ▶ Employs ~700 people, 20 retail locations and network of 63 partners

## Expected growth of OTT in MENA



Source: McKinsey Report (Oct'20)

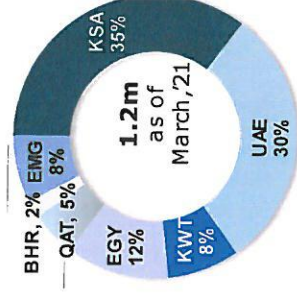
Kuwait Projects Company (Holding)

## Strategy

- ▶ Push growth by a connected OSN
- ▶ OSN streaming is key component for future growth
- ▶ Traditional OSN TV is migrating to on-demand
- ▶ Great UI/UX supported by strong analytical capabilities for optimal customer enjoyment
- ▶ OSN Originals launched with Aa'det Rigala (Talk Show), Yalla Neta'asha (Arabic version of "Come dine with me"), No man's land (Turkish Drama) and recently Kayd Majhool (thriller drama series) and Curfew (Egyptian Film) with a big pipeline for 2021
- ▶ Strong partnership with all major MENA Telcos
- ▶ Strong executive management and Independent Directors team

**OTT subs grown from ~80k in Apr '20 to ~500K**

Subscriber by Country



## MENA Pay TV Potential

Region	Population	TV Household (Mn)	Pay TV/ TV Household (%)
MENA <sup>1</sup>	359	72	~19%
America	646	56	39%
UK	67	27	56%
India	1,366	210	66%
US	328	121	79%

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

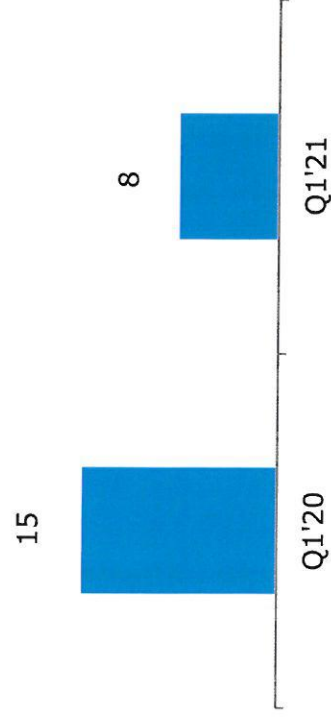


# Other key entities

## United Industries Company (UIC)

### Total Revenue

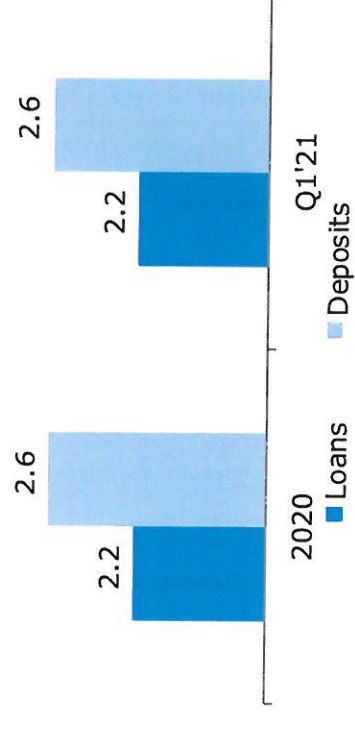
USDmn



## Jordan Kuwait Bank (JKB)

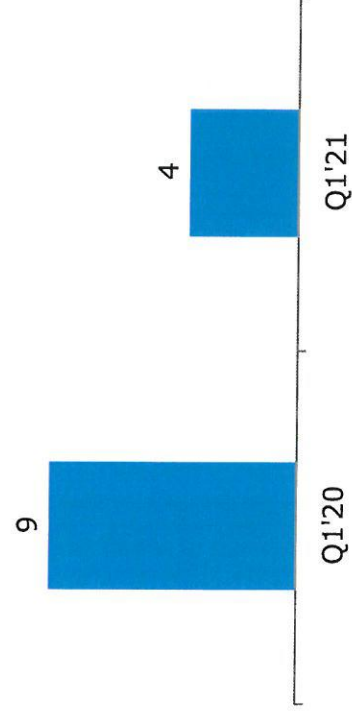
### Loans & Deposits

USDbn



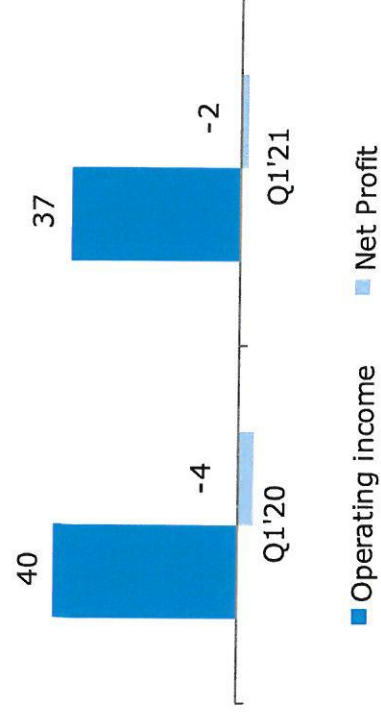
### Net Profit

USDmn



### Operating Income & Net Profit/ (loss)

USDmn





## Annexure



# KIPCO consolidated: Balance Sheet

Consolidated Balance Sheet (USDmn)	2020*	Q1'21
Cash in hand and at banks	4,454	4,177
Treasury bills, bonds & other debt securities	1,656	1,694
Investment in associates	1,154	1,180
Investment properties	2,064	2,101
Other investments	2,130	2,248
Other assets (inc. goodwill & intangibles)	22,772	22,085
<b>Total assets</b>	<b>34,230</b>	<b>33,484</b>
Due to Banks & Other FI's	4,206	3,841
Deposits from Customers	17,064	17,101
Debt	6,539	6,273
Other liabilities	3,467	3,380
Equity attributable to equity holders of the Parent Company	648	604
Perpetual capital securities	507	507
Non-controlling interest	1,799	1,778
<b>Total liabilities and shareholders equity</b>	<b>34,230</b>	<b>33,484</b>

\*restated; Please refer Note 3 for details on restatement

# KIPCO consolidated: Income Statement

Consolidated Income Statement (USDmn)		Q1'20	Q1'21
Interest income		310	229
Investment income		260	31
Fees and commission income		46	48
Share of results of associates		12	19
Share of results of a media joint venture		(20)	-
Media and digital satellite network services income		9	85
Hospitality and real estate income		112	80
Other revenues		40	70
<b>Total revenues</b>		<b>769</b>	<b>561</b>
Interest Expenses		214	176
General and administrative expenses		158	133
Other expenses and provisions		267	269
Taxation		8	7
Non-controlling interest		26	3
<b>Net profit/ (loss) attributable to Equity Holders of the Parent Company</b>		<b>95</b>	<b>(28)</b>
Basic Earnings/ (Loss) Per Share, Cents (Reported)		5.3	(1.6)





Thank you