

Date: 6th August 2020

التاريخ: 6 أغسطس 2020

M/S . / Boursa Kuwait Company

المحترمين

السادة/ شركة بورصة الكويت

Greetings,

تحية طيبة وبعد،،

**Subject: Analysts/Investors Conference minutes
for the first and second Quarter of 2020**

**الموضوع: محضر مؤتمر المحللين/المستثمرين للربع الأول والثاني من
العام 2020**

With reference to the aforementioned subject, and to our letter sent to you on 29/07/2020, kindly find attached the minutes of the analysts / investors conference for the first and second quarter of 2020.

بالإشارة إلى الموضوع أعلاه، وإلى كتابنا المرسل لكم بتاريخ 2020/07/29، نرفق لكم محضر مؤتمر المحللين/المستثمرين عن الربع الأول والثاني لعام 2020.

Yours Sincerely,

وتفضلوا بقبول فائق الإحترام،،،



دلال حسن السبتي

رئيسة مجلس الإدارة

**Dalal Hasan Al Sabti
Chairperson of the Board of Directors**

Company: Humansoft Holding Company

Conference Title: Humansoft Q1 and Q2 2020 results conference call (Edited Transcript)

Date: Wednesday, 29th July 2020

Conference Time: 3pm (Kuwait time)

Hatem Alaa: Hello everyone, this is Hatem Alaa from EFG Hermes and welcome to Humansoft results conference call for the first quarter and the second quarter of 2020. I'm pleased to have on the line today Mayank Baxi, the company's CEO, and also Rachad Challah, the company's Deputy CEO. I'll now hand over the call to management for a quick presentation and then we'll open the floor for Q&A. Mr Baxi, please go ahead.

Mayank Baxi: Hello everybody. Welcome to the Humansoft Q1 and Q2 2020 results conference call.

Thank you team at EFG for facilitating the call. I am Mayank Baxi, CEO of Humansoft, and I would like to run through the first half 2020 highlights in brief and then leave the floor open for questions and answers.

At the outset, I would like to mention that any forward looking statements or views discussed during this call are subject to risks and uncertainties that may cause the actual results to differ. Humansoft does not assume any obligation to update such views or statements nor make any announcements regarding any revised circumstances.

First, I would like to say that Humansoft wishes all of you safe and healthy period ahead, and next wish the whole world gets back to normalcy soon. Our financials were impacted by COVID pandemic as the operations across our subsidiaries were disrupted, starting March. Later, from April in Kuwait, online learning as a medium of instruction was approved as optional for the students, which meant that only about 50% of the spring enrolled students at AUM and ACM opted to take online classes, which commenced in the month of April and completed in June.

Coming to the financial performance, revenue of KD 24.5 million during the six months period of 2020 was lower by about 32.5% compared with the KD 36.4 million revenue of

corresponding period in 2019. EBITDA of KD 10.2 million during the six months period of 2020 was lower by about 50.4% compared with KD 20.6 million EBITDA of corresponding period in 2019. Net profit of KD 7.5 million during the six months of 2020 was lower by about 55.8% as compared with KD 17.1 million net profit during the six months of 2019.

Similarly, earning per share was 62 fils during the six months period of 2020, as compared to 140 fils during the corresponding period of 2019. Although the income statement was impacted by COVID 19 in the first half of 2020, Humansoft's fortress balance sheet continues to provide protection and resilience. Humansoft had KD 70.3 million of cash as of 30th June 2020.

I would highlight some of the key measures which were taken to mitigate the impact of COVID 19. In the absence of on campus learning, Humansoft launched online learning successfully in April 2020 after receiving the approval from the concerned authorities in Kuwait. Humansoft's General Assembly voted against distribution of dividends for the financial year 2019, to preserve cash and protect the company. The Board of Directors decided to waive their remuneration for the financial year 2019.

The online classes are still offered as optional to students as per the government guidelines, and to summarise out of the total spring enrolled students, about 5,400 students have completed their classes in June and the revenue is being recognised in the Q2 financials. Out of the remaining spring enrolled students there are currently about 5,500 students doing spring classes starting in June, and they will finish their classes in August.

There are about 4,300 students currently doing summer classes, which started in July and will end in August. This summer semester is optional and is open to only those students who have completed their spring semester classes in June. As of now, further academic calendar is not yet finalised.

Our faculty and staff did an incredible job of pivoting quickly to online learning. We are among the first in Kuwait to offer online learning, and we intend to continue to invest in our digital capabilities going forward. With this now I open the floor for questions and answers.

I request that please introduce yourself with the name and the institution you represent when you have any questions. Thank you.

Operator: Now we have first question from Meera Reddy from SICO Bank from Bahrain. Hi Meera, please go ahead, your line is open now.

Meera Reddy: Hi. Thank you for the call, congratulations on the results. This is Meera Reddy from SICO Bank. I just had two questions, one is regarding obviously the enrolments for summer. So now we know that there are already around 4,300 students that have enrolled for the summer course. What happens to the spring students who are currently enrolled? Would they be able to do the summer semester as well? And if yes, when will they be able to do it? And also, regarding fall, I understand there is no clarity on when fall will begin but do you have any idea of when the scheduled expected start date is and are you also looking at starting launching the new architecture course for which you already have approvals? Would you be starting launching that this fall?

And my second question is relating to the fees. I think we just saw an announcement this morning that the government, the Ministry, has announced the 25% decline in fees for private schools for the academic year 2021. Have you received any kind of similar announcement or any news that the same thing would be applied to private universities?

Mayank Baxi: Thank you, Meera. As far as the academic calendar is concerned, as you know due to this kind of lot of uncertainties we are developing as we progress. As of now we have still not finalised the calendar post August, once the spring semester students finish, We'll keep updating, once we have more flavour and more colour on that.

The fall semester, you know, yes, a lot of uncertainties around when and at what point of time it will begin. This all revolves around a couple of things. The class 12 students, they are going to start their schools back around 9th of August and that will continue until the

September month and then maybe the results come out. So, we are just waiting for a little more clarity and guidelines and thereafter we will draw out our fall semester calendar as well. Right now, we have been just working with the ifs and buts scenarios, but it is right now still too premature for us to share anything. We are just waiting for further guidelines on that.

As far as the architecture major is concerned, yes, we will be offering opening up enrolments for the architecture major this fall semester. And your last question, yes today there is a news item that for K12 schools there is a proposal that the fees may be reduced by 25% for the private schools. As far as the private colleges or universities are concerned, we haven't received any such indications so as of now we don't have any such guidelines that are conveyed to us or are likely to be there as of now.

Meera Reddy: Okay, perfect. Thank you.

Operator: We have the next question from Farouk Miah from Blakeney Management, London. Hi Farouk, your line is open, please go ahead with your question.

Farouk Miah: Hi. Thanks for the call. This is Farouk here from Blakeney. Just a couple of questions.

I appreciate yourselves also you're waiting for guidance, but in terms of the fall semester and the start of the new academic year, what are you hearing in terms of the ability for students to go abroad? I know there's a lot of Kuwaiti students who go abroad and were studying abroad. So, is there one scenario where you guys benefit from inability of students or unwillingness for students to go abroad and these guys end up having to stay in Kuwait and you benefit from this? So again, any clarity or any communication that you've seen from the government on this.

And second question is what have you been doing so far, and again what are your plans, in terms of the cost side of the business. Have you cut salaries? Have you told staff that they

may not have a job? Or any other plans on the cost side? And then just a final thing. Beyond architecture which you've been talking about many other courses and some Masters levels and other additions, so again we appreciate COVID has thrown a spanner in the plans, but are those intentions still there, beyond architecture to add other programmes? Thank you.

Mayank Baxi: As of now regarding the foreign scholarships and students going abroad, there is nothing official that has been announced or that has been communicated in the local newspapers. There is a possibility that some of the students who are usually trying abroad may think of enrolling themselves within the Kuwait options of universities, but as of now we are unable to specifically give you a guidance because still class 12 results are yet to be announced. And when we see the momentum of the students applications, we'll be able to have more clarity.

Because internationally also, all the universities, UK or US, are also not very sure about the visa conditions. So there is a lot of vagueness and we will wait for more clarifications and more visibility and we can at that point let you know.

As far as the costs are concerned, you see we have been running the classes online since the month of April so as far as the staff and the faculty is concerned they have been in fact running the classes online live and along with it whatever infrastructure support from the staff because online live was something new, it needed a lot of handholding to support the students, and we had to keep the people up and running. So there is no plan or any measures to reduce their salaries or cut down on them, because these were all required during the pandemic period all along. And right now also the online classes are running, so all these things are ongoing.

As far as Kuwait is concerned for the last one month or so we are already now allowed to at least offices are opened up and we are coming to the offices. Of course there are restrictions on the number of staff that can come in at one point of time, otherwise the remote working is also facilitated. So on that point there is not much that we have done specifically for the

manpower side, but yes there are costs which are related to a lot of things to do with events or to do with the facilities etc. that are obviously not being incurred and we are keeping a watch on that and trying to cut down wherever they can be. But from the overall percentage of the expenditure this will be a small component.

Our intentions to offer new majors has always been there, and as you know the applications for the petroleum and the Masters programme has been there sitting with the regulators. Now unfortunately this year, almost since February, everybody in the Ministry, in the regulator's office and all got busy with this COVID 19 environment and situations and how to tackle that, so not much progress has been achieved in this last five months and therefore I don't see a possibility that this can be offered during the forthcoming fall semester. We don't have an answer yet from the regulators and therefore it's premature for us to make a commitment on that.

Farouk Miah: Okay, thank you.

Operator: We have the next question from Reema Alnemer from Banque Saudi Fransi, from Saudi Arabia. Hi Reema, your line is open now, please go ahead with your question.

Reema Alnemer: Hello. Thank you to the management for making the call. I have a few questions related to data, as I've just recently started covering the company, therefore I would really appreciate if you could tell me the base number of students as of the first half of 19 and the first half of 20 for each AUM and ACM. Also, if you could tell us the number or percentages of graduates and withdrawals for AUM and ACM for the same period.

The next question would be about the distribution of students. I would really appreciate if we could know from the total number of students registered for the fall, which you have provided, the percentages of each students that were enrolled in engineering, foundation

and business courses for AUM and ACM. Would you like me to say my third question or would you like me to wait for you to answer? Which would you prefer?

Mayank Baxi: I think let me complete this otherwise the whole session will go only to answer your questions, which maybe it would be good for us to handle it separately because most of these questions have been covered in several of our previous sessions. But anyway, if you look at our PowerPoint presentation you will see the comparative fall numbers, which were 12,385 for the current year fall session which is in September of 2019. And similarly, the previous year's fall numbers are there. and usually the graduate numbers are, you know because we follow the American semester system, it all depends on how the students fare at the end of each semester.

Now for the academic year which is running right now, started in fall of 2019 and supposed to end by August of 2020. Of course, this will get extended this time. We were expecting about 2,000 students to graduate. As of now this number holds good. As you have seen that after the fall of 2019 the spring semester has been offered in part and a lot of students who have not opted for online learning are now continuing. So, the graduation cycle also is getting shifted accordingly.

We will get a more clear number on the likely graduates once the spring semester gets over and also the summer classes which are running are over so that you know exactly the pass rates etc. But more or less we were expecting about 2,000 students to graduate during the current academic year, which more or less would remain the same but maybe the timing might get a little shifted.

As far as the drop out rates are concerned, usually we have experienced in the past an average of 4% drop out at AUM and with the ACM which is a two year diploma programme we experience about 8% to 10% drop out rates. And for your last question about the breakdown on the students and which kind of majors they have, I would request you to go to the website of AUM and ACM respectively, under the academics you will find each of the

majors and under that how many enrolled students are there. So that will save a lot of time here.

Reema Alnemer: Perfect. Thank you very much. But just in terms of the base students, maybe I didn't specify. I meant the number of continued enrolled students, not the students at as full year.

Mayank Baxi: 12, 385 has been the beginning of the semester and from there you have graduations going down. Now in the beginning of spring, we would have around 11,400 students, so that means close to 1,000 students would have graduated for the fall semester. And then you have the numbers of 5,400 and 5,500 continuing in this spring semester.

Reema Alnemer: Okay, thank you.

Operator: We have next question from Ankur Agarwal from HSBC Dubai. Hi Ankur, your line is open now, please go ahead.

Ankur Agarwal: I am Ankur from HSBC. So a couple of questions from my side. In terms of your online offering I am sure you would have refined it as during the period of COVID. What differentiates your online offering versus other universities in Kuwait? And do you think, obviously this was a crisis situation where you had to launch online, do you see it as an opportunity to reach a wider audience, maybe at lower fees, even when things return to normal? So that's my first question.

My second question is regarding your balance sheet. You alluded to the word fortress balance sheet. We've seen some companies which have actually withdrawn dividend given the uncertainty during COVID have restored interim dividend or paid a fraction of what they paid last year. Is it something which you would consider, given the very strong balance sheet

at this point? Because I think I mean you had cancelled the 2019 dividend, but is there any intent to sort of pay something out of the net cash position? Because I think you were paid in full for the spring term by the Kuwaiti government. It seems that majority of the students would have done the spring term by August, so your thoughts on that. Thank you.

Mayank Baxi: As far as online learning is concerned, we had already invested a good amount of money already on IT infrastructures in the previous years as well, so when the crisis forced us to start online, we were ready and quickly able to adapt to these online requirements. And, sure, as you go along you keep on fine tuning it, making sure that if any bugs are experienced are sorted out.

But as far as the experience of the students is concerned, I would say the very fact that we had such large number of students at one go, 5,400 students already at one go completing the spring semester and then you have another batch of 5,500 students registering for the second spring. It shows that it has been well accepted or it has been running smoothly. We have provided a lot of support. These are technicalities and these are individual efforts that go along with any universities.

Now I'm unable to compare how the experience has been with the other universities because this would be I think privy to each of the universities if they've encountered any problems or troubleshooting was handled or not. So it's difficult for me to talk on their behalf. But I can say that at our end it was quite well received, well accepted. Now going forward, online learning has been introduced here based on the specific approvals that the local ministries and the regulators have given.

There is no blanket permission to offer online classes all the way. These are very specific permissions for a particular semester and they are watching and they are adding to that approvals. The Kuwait education system did not provide for credits from the distance learning. so there are differences there. There are online providers and they don't get into the accreditations. So for us we have to carefully compare all these requirements of the

accreditations and then take a call whether this can be considered as a continuing model, if at all it is around and as in what level.

Now answering your question regarding addressing the lower end of the market, as of now we do not have any such intentions because our reputation is built on a certain platform and certain qualitative aspects and we believe that the undergrad programme does require students to be on campus, because it's not just an academic studies, complete knowledge, experience and overall interactions and development of an individual, that plays an important role during the particular formative periods of the undergrad studies. So I would say as of now that has been our stance and let's see how it evolves. But right now I don't see an option to go to the lower end of the segment.

Then coming to balance sheet is healthy and that is good that we are able to withstand such a calamity. If it was not for that imagine a five or six months period you don't have a cash flow and your expenses are continuing. It would have been very tough times. We have good cash position at the end of June but you have to also understand that this cash has to now sustain all the way till we will be able to collect the next fees, and that could be any time next year, fall semester calendar is not out, and so the bulk of the next collections can come. I don't know whether they come in January, February, or in March.

All these are questions today are still not clear. So for that aspect of dividend I would say that still visibility is not there, cash is not going out of the company. We are keeping the cash in the company and making sure that at least they are placed in safe bank deposits earning some interest. So money will remain in the company, but the timing for taking a view on the dividend will be once we have a clear picture about the full year performance and then we can really recommend for the dividends etc.

Ankur Agarwal: Okay, very helpful. Thank you.

Operator: Next question comes from Belal Sabbah from Jadwa Investment, Riyadh. Hi Belal, please go ahead with your question.

Belal Sabbah: Yes, hi. Thank you so much for the call. I'm just thinking about the current enrolment during the summer months which, to my understanding, is part students completing the second online semester and part students that are enrolled in the summer semester. So I'm trying to understand, seems like if I'm not mistaken something like 9,800 students are enrolled between the two. How does that compare to the usual summer enrolment?

Mayank Baxi: Yes, Belal.

Belal Sabbah: In comparison to 2019, for example.

Mayank Baxi: I get you. Belal, let me tell you first. Sure, I will give you the numbers, but just to guide you there is no apple to apple comparison because the spring semester students do not take the same number of classes. They take more classes than the students who take the summer classes. Just for your clarity there. As a total number of students you are right, there is much 5,400 plus 4,400, so we are talking of 9,800 students. And in terms of just head count, they are as a summer number they are more than the last year.

Usually we have about 70% of our students, continuing students of spring, enrol for the summer classes. So if I take the experience of past, then there would be roughly around 8,000 students who take summer classes during the past year. But you have to understand that these are 8,000 of last year and 8,000 of this year may not be the same because the spring students tend to take more classes than the summer students.

Belal Sabbah: Yes, very clear. Thank you. And going back on the cash question, and I appreciate that you don't have a lot of clarity at this point and it was very clear that you are trying to make

sure you have a lot of liquidity to weather whatever circumstances may arise, but is there a kind of like a target cash level that you feel comfortable with? And then beyond that you feel like you're accumulating more cash than you need? Is there a short term target in absolute terms that you're targeting?

Mayank Baxi: There is no target, but as you know the collection cycle in our business has always been four to five months in the past, and fortunately with that it's a little conservative approach even with the COVID scenario of total. We were paid by the government for the spring semester, that was I would say an additional advantage, but imagine a situation if that money was not coming and you would be in a very difficult situation had not this cash conservative approach have been adopted.

And for us right now also as soon as things get normal, we don't need to wait for new registration. We have students and we have to get staff up and running, and therefore all of our expenses, the manpower, we have to make sure that they are available on ground at any short notice to get started. So we don't expect them to leave or go, because today globally travel has been restricted. If some people travel out, coming back may be difficult. So you need to make sure that all the people are on ground and all the people are paid their salaries. Now what is enough is very difficult to say because you don't know how many months you will need to continue like this and how many months you are going to be affected until the next payments come. Because right now we were fortunate that spring collections came in, everything was fine. But still we have to wait and watch how things will evolve. Nobody expected that this will continue so long. So we will watch this for a little longer time. And at least we are comforted that we will be able to overcome that situation even if collection is getting dragged a little. The collection is getting dragged.

Belal Sabbah: Very clear. Thank you. A final question from my end. Could you just give us an update on your expansion plans, whether it's faculties or whether you're planning on adding any major CAPEX over the coming year or so? Thank you.

Mayank Baxi: As far as the faculty is concerned, already we have been talking about it a lot for our applications for introduction of Masters programme in the engineering majors is pending with the regulators. Our application for the petroleum engineering approval is pending with the regulators. And also in ACM we have applied for the civil engineering technology and the industrial engineering technology etc. But these are all the faculties that are being planned for introduction, but still we are awaiting the clearances.

And as far as the other CAPEX is concerned, the buildings right now are adequate and we don't need to spend much at this point of time. So right now no more CAPEX has been lined up for the current year or the next year.

Belal Sabbah: Thank you so much.

Operator: Next question coming from Karim Abadir, FIM Partners, Dubai. Hi Karim, it's your opportunity to ask a question. Please go ahead.

Karim Abadir: Hi, Mr Baxi. Thank you for the call. This is Karim Abadir from FIM Partners. I just had one question regarding the number of students that have attended online spring. So if I look at the fall number of students it's about 12,400, and according to your presentation 10,900 have either completed online spring or are completing it currently. So that leaves about 1,500 students who have not completed online spring, or it's about 12% of total students of fall. What will those students do? I mean, will they be able to do spring this year? Or will that revenue be shifted on to next year?

Mayank Baxi: Yes, first let me correct you. 12,400 is the beginning number, and at the end of fall about 1,000 students graduated, so you had about 11,000 students. So the remaining are 400 students, not 1,500 students, just to clarify on that. These 400 students have opted not to take online classes, so they will either wait for the on campus classes when they begin and they will get enrolled in those subjects or courses which they have registered.

Now when that will happen, if they decide still to continue and wait only for the on campus then we have to wait when we are allowed to start the on campus. Otherwise, if the online is going to continue this way, then they will still have an option as some students did in the month of July for the spring semester, they can still continue subsequently. But as of now we don't have much clarity about when these 400 students intend to complete their classes.

Karim Abadir: Okay, perfect. Thank you very much.

Operator: We have next question coming from Sharat Dua from Fiera Capital, London. Hi Sharat, your line is open, please go ahead with your question.

Sharat Dua: Thanks. Hi, good afternoon Mayank, hope you're well. Just on the cash flow situation, if you can help me understand. So you said you received something from the government for spring semester. Can you just set out how much that was and when it was received? I assume it's related to the first set of the spring online students. Is that correct?

Mayank Baxi: Spring semester had begun on campus operations in February, so by the end of February our spring invoices were raised, if you have seen the numbers in the quarter one. Already we had the spring students who have registered for classes and we had raised the invoice. So the entire spring money has been collected. It is for the students who have not yet taken the spring classes, it becomes like an advance payment. So we still need to

recognise the revenue out of that students who are remaining. And the cash flow is sitting as the advanced money with us.

Sharat Dua: Okay, so technically you've received the cash for close to 11,000 students spring.

Mayank Baxi: Entire spring.

Sharat Dua: Okay. And for summer you have not been able to invoice? Or you can invoice for the students who've enrolled in the summer online?

Mayank Baxi: Yes.

Sharat Dua: I'm sorry, I didn't understand. You have invoiced? When can you invoice for summer?

Mayank Baxi: As you know, the invoicing cycle takes longer in this current situation. Even when we started online, the government offices were not working. So it is now gradually things are getting settled here, so hopefully we will be able to now work out with them. We crystallise the credits and work out for the invoicing. But it's slow and no government offices were functioning during this time.

Sharat Dua: Okay. So that's your concern, that you may not receive any further cash until early next year?

Mayank Baxi: Yes, because it will take longer for them. Everybody was stuck and now they will have priorities now because for them now the academic year is ending and a lot of things will come. So government also is gradually opening up but they are not allowing 100%

attendance. It started with I think 30% and then next week maybe it will be around after Eid, around 50%. So we have to wait for the normalcy to arrive.

Sharat Dua: Okay. And you said that 1,000 students roughly graduated after fall semester and you normally expect 2,000 to graduate per year and you're saying you still think that 2,000 will be met. So another 1,000 should be graduating around the summer time? Is that right?

Mayank Baxi: 1,000 once all the spring semester is over and all the students also complete their summer classes if they have taken.

Sharat Dua: Okay. And I know it's difficult, you started off saying you don't know what's going to happen next, but just in terms of the way you're planning, you are expecting some sort of fall semester to take place this year? You're accepting enrolments or all that waits until we have the K12 results and nothing that you can plan at this stage.

Mayank Baxi: plans mean you can only try to reach out or try to do the online marketing etc. The acceptance can happen only when you have the student's transcript available. Now class 12 as you know will only begin in August and it will take about six or eight weeks of classes and thereafter they will have exams. So the results are expected somewhere around end of September or early October. So then only we will know which students are fit for enrolments etc.

Right now it's only trying to do the soft marketing, trying to reach out. and since the travel restrictions within the country also, there were night curfew and there were daytime were also people were required to follow social distancing etc. We have not entertained students visiting the campus or even doing some preparatory tests prior to all this. So all this has been getting evolved now. All this is getting looked at as the country is preparing to open up

gradually. And we will have to work it out within these circumstances and try to see that we do our best given the circumstances.

Sharat Dua: Sure. Okay. But roughly 10,000 students should be staying from the current year to enrol for the next one as well on normal numbers, yes?

Mayank Baxi: Yes. But you have to allow for drop outs if there are any, but otherwise you are right.

Sharat Dua: Okay, perfect. And just final question, just help me understand the revenue and how you've recorded it. So if I understood correctly, Q1 you've done full revenue for January and February and zero revenue in March. Is that right?

Mayank Baxi: Yes.

Sharat Dua: Okay. And for Q2 you have booked only revenue for 5,500 students who did the online spring.

Mayank Baxi: That's right.

Sharat Dua: So why was Q2 revenue only down 30 something percent? 5,500 out of 11,000 would be down 50 plus.

Mayank Baxi: It again depends on the students, which student mix they are. If they are from the engineering students. If 5,500 is the total number of students but you have ACM, you have AUM, you have engineering students, you have foundation year students. So it's the collective mix of the students that will ultimately result into this revenue.

Sharat Dua: Okay. And in the current quarter, in Q3, you will be booking revenue for both 5,400 who are doing spring and the 4,400 doing summer?

Mayank Baxi: Yes.

Sharat Dua: Okay. And that should be something. You said the numbers are slightly higher than last year but they're doing fewer classes than last year, or is it the mix effect again.

Mayank Baxi: See, it will not be what you are comparing with last year, because last year was only summer semester. This year will be partly summer and partly spring. And usually the spring students take more classes and summer students take less classes. So all in all, yes 5,400 plus 4,400 so you're talking of 9,800 students. And just for your clarity, if you see the June financials you have the deferred revenue. This represents the remaining revenue of the spring semester, and out of that whatever 400 students who will not continue spring online, that revenue will not be amortised. But the summer students who started, 4,400, their credits were not crystallised by the end of June, so that is not appearing in the deferred revenue.

Sharat Dua: Right, but you will book revenue for them in Q3.

Mayank Baxi: Yes.

Sharat Dua: And what you're actually saying is because there are spring students in Q3 this year, the mix effect is actually positive compared to last year.

Mayank Baxi: Sorry, can you repeat this question?

Sharat Dua: Because this time in Q3 you have spring and summer students, and spring students take more classes, that actually means that the revenue per student will be higher in Q3 this year than it was in previous years.

Mayank Baxi: Let me also add one more dimension to it. What you say is right up to this point, but if you look at normal Q3 you have a month of September which is the beginning of the fall semester wherein you get the entire revenue of that one month out of the fall semester. Which will not be there this year.

Sharat Dua: Okay. Fine.

Operator: We have next question coming from Farouk Miah from Blakeney Management, London.

Hi Farouk, your line is open now. Please go ahead with your question.

Farouk Miah: Hi, thank you. Just a few additional questions. The first one, adding on to the previous query about online provision, how are you dealing with some of the courses? I assume for engineering there's a need to be in the lab or to do learning outside of online. So how are you catering for these guys? Are any students going on for limited campus time as of now? Or is it all online? And if the situation remains as it is, how will you improve the online offering to meet the needs of some of these students?

Second question is, just a broader one. Over the last couple of years obviously the students as a whole has stagnated somewhat. Do you have any marketing information in terms of your market share? Is there with the private guys remains the same. And next question is, I recall just on the subject of COVID you were highlighting online. I would assume your peers have also. Sorry?

Mayank Baxi: Your last questions were getting distorted so you will need to repeat. I understood one thing, whether the students are visiting campus. Until that was okay. But the market share part, we could not follow what you were saying because in between it was getting disconnected.

Farouk Miah: Apologies, yes. So how does your market share compare now versus a couple of years ago? Because your overall student numbers have been stagnant for maybe two years. So are you losing market share? And the last question was have you had incoming enquiries from students from other private universities to see if they can transfer? Because I recall a few months ago you were saying you were the only private institution offering online. Some of your peers didn't have anything. I assume your peers have brought on some kind of online class. Are you getting any incoming enquiries from people who would transfer to your programme? Thanks.

Mayank Baxi: The online classes are running right now, but the students none of them visit the campus for any kind of labs or anything. And most of these labs also have a simulated model and software driven workshops that are being done. So that's how the lab classes are being handled right now. And campus visits are right now restricted. No student visits to campus. But we have created capabilities for the software driven simulation models for the lab classes.

Coming to your market share questions, if you look at the Kuwait private sector enrolments for the high school graduates, our market share has not dropped in that sense, neither the Kuwaiti university has enrolled higher number of students. But what would have happen is that the students who would have been the segment which is the diploma segment, the two year diploma programme segment, who do not qualify for the university scholarships, that number would have increased.

And therefore we have seen that number of enrolments in the PAAET programme being a little higher as compared with the previous years in the last one or two years. So that could be an indicator that the results of the high school, maybe were tougher or students didn't do well or whatever, but they didn't meet the criteria of university scholarship and therefore they had to be enrolled in the two year programme of the government.

For enquiries regarding the students from other universities, Kuwait has now online classes, other private universities have also opened up and they have also started offering and students who are already enrolled in a particular university will not usually move out unless there is a very, very strong, compelling reason.

So we have not been into that kind of targeting of such students, because it is also difficult to align their studies if you just bring them on board and put them into a class which is a hybrid class of some students coming from different universities. So if you have to enrol them, you have to think totally differently, you have to create a proper, separate class for them. So as of now we are not targeting such audience. Yes, somebody who has done say a semester or so in another university or college and wants to do the transfer, then there are guidelines for that, how they can transfer and what all things they will have to repeat at our end. So then that continues. It will be followed accordingly.

Farouk Miah: Thank you for that. Second question. If the grades at high school have not been great, shouldn't you have seen some of that coming through the ACM programme? So people who are not getting high enough grades for university and they're going to more vocation courses. Wouldn't you see the numbers higher in ACM for you guys?

Mayank Baxi: If you extract the ACM numbers for last four, five years you would have seen that from an average of 450 to 500 new enrolments we have reached in a year 775 enrolments. And then last year was about 612. There was a little drop last year compared with the year before. But also important for us is to ensure that the quality is not compromised. The very

fact that these students were low GPA or whatever in terms of the scholarship criteria means also that the load on these students if they are enrolled may be more if they are not the right candidate or the right profile students.

So it is a balance between the quantity and quality, and if you don't take any proper admissions and care then the drop out rates increase and you suffer a lot. So we have to keep a good balance there.

Farouk Miah: Apologies for another one, but how do your tuition fees compare to other private universities?

Mayank Baxi: Everybody follows their cycle of fee increases. We are currently on the apple to apple basis for engineering and business schools, which should be around 15% higher wherever the same programmes are offered in Kuwait.

Operator: Next question from Floris Steenkamp from Coronation, Cape Town. Hi Floris, please go ahead with your question.

Floris Steenkamp: Hi there. Thank you for the call. Expansion plans in the next year or two, but my understanding is you can increase your capacity to about 21,000 students should you decide to make those investments. I guess my question is, is that thought in your five year plan or how do you think about that expansion? And maybe how do you think about student numbers on a five year view? Where would you like to get to or are you happy to keep student numbers at the levels where they're currently? Thank you.

Mayank Baxi: In terms of the land that we have, we need to add a couple of buildings to reach to 21,000 student capacity that you are referring. Now, to reach to that number of buildings it's not very difficult given the fact that a lot of infrastructure constructions are behind us. What

you will need at any given point of time is to add some buildings for the classrooms and labs. We don't need to build and keep ready everything. We have to watch how the student numbers grow and accordingly it will be easy for us to add buildings.

In the past we had the advantage of students accumulating over five years and then the graduations began. Now what you are seeing is that there is a graduation cycle is also getting to maturity from the past students wherein we are graduating 2,000 students per year. So you see the gap between the new students and the students graduating is narrowing so we don't need to build all the way immediately. We have to follow it gradually. And for that you are trying to also create your infrastructure with more faculties so that you widen your scope of reach to the students.

But in terms of targeting or in terms of drawing out the number, as we said we want to make sure that we balance between quality and quantitative aspects, not just add quantitatively the student numbers. But we are making efforts to make sure that qualitatively you get into more accreditations and more diversified majors and improve your reach to the students and attract students accordingly. Which is a way we look at it in terms of the growth plan. Not that we have a number decided and accordingly you try to construct and build and incur the CAPEX.

Operator: We have next question from Reema from Banque Saudi Fransi from Riyadh. Hi Reema, please go ahead with your question.

Reema Alnemer: Hello. Thank you for answering the questions. I just have a few follow up questions.

The first, if you could please in terms of market share tell us how much is your current market share from total graduating students. Also you mentioned previously that the number of graduating students slightly declined to 25,200 in 2019. Should we expect more so a similar decline in 2020 or should we expect an increase? And the other question would be if you could tell me how many applications you've also received in 2019?

Mayank Baxi: Reema, I think if you restrict this call to the Q2 financials it would be nice, because these questions have been addressed several times and maybe we can take a separate call for your research analysis. Because this will take away a lot of time from the Q2 questions if there are. I appreciate your queries and we will address them, but I think if you send an email to investor relations we'll be happy to take the call on a one to one basis and address all your requirements for the research work.

Reema Alnemer: Okay, perfect. Thank you. Just one question in regards to the discounts. As the government does not plan to require discounts on private universities, do you still plan on offering discounts? Or if it's not required you will not plan giving discounts? This will just be my last question.

Mayank Baxi: Already for the scholarship students we are offering 20% fee discount, which is from our list price which is there regardless. So right now there is no other plan to have further discounting.

Operator: We have next question from Vijay from Fiera Capital, London. Hi Vijay, your line is open, please go ahead with your question.

Vijay Singh: Thanks Mayank, and I appreciate the call has gone on quite long. Just one question from me. Considering the K12 batch and the visa issues that are likely to arise, I suspect the size of the K12 talent pool is likely to be at least 20% higher than previous years. And when you're looking at your own capacity and the intake for this year, are you looking at being opportunistic about possibly increasing enrolments, considering that you probably have a larger intake pool available.

Mayank Baxi: If everything is fine and the talent pool is good we should not be restricting if students are available and they are of the same qualitative aspects that we look for. So sure, there is no reason for us to restrict. We'll have to wait and watch. We have to wait for the final results and what is happening around the students who otherwise were going for the foreign scholarships. So, yes, we are keeping a close watch. We're trying to reach out to those schools where mostly the students go to foreign universities, and our marketing team is on the top of it.

Vijay Singh: Okay, perfect. No I think my question was more on the extent of latent capacity that you have. Online is okay but I guess labs and with the infrastructure, is it like a 10% flex that you have? Or 15%? What are we looking at?

Mayank Baxi: As you know, our campus and our premises are constructed very lavishly. So we will not be having difficulty to immediately in a short time create that capacity. And just add to that, you know that in the first year, students who join they usually go for the foundation year. So you get enough time to plan for the increase of capacity in the undergrad programme if it is required.

Operator: We have next question from Meera Reddy from SICO Bank Bahrain. Hi Meera, your line is open, please go ahead with your question.

Meera Reddy: Hi, I just had a follow up question regarding the applications for the fall semester. I understand that grade 12 students won't be finishing exams till September, so their applications will be on hold, but does this mean that you could actually give out applications for those students who have finished the spring semester and the summer semester by August?

Mayank Baxi: You are mistaking. See, the students who will come as new students need to go through the application process. The students who are the spring students or summer students, they are my continuing students so they need to enrol for the classes as they finish certain requirements and enrol for the next classes. So whenever we will decide and offer the fall semester then they will be able to register for those classes depending on what is remaining in their study plan. So each one of them will have to follow their own study plan. This is for the continuing students. The applications will be only for the new students who will have finished their class 12 and they are the first time students who will come to the university.

Meera Reddy: Okay. So the continuing students, once the Ministry makes the announcement that you could start fall, the continuing students at least could start off. Is there a possibility that the continuing students could start off earlier than when the grade 12 students can start? Is that a possibility?

Mayank Baxi: The calendar for the coming months is not yet finalised and there are guidelines also awaited from the regulators. In this context it will be not left to us alone. Maybe they will look at it holistically for all the universities. So we are waiting for that and right now I don't have clarity on that. If we are allowed then we will do it. Why should we delay? But I'm not clear at this point of time.

Meera Reddy: Okay. Sure. All right, thank you Mr Baxi.

Operator: We have next question from Ankur Agarwal from HSBC, Dubai. Hi Ankur, your line is open, please go ahead with your question.

Ankur Agarwal: Thank you. Final two really from my side. So one is how does this crisis affect the expansion plan of Kuwait University? Because pre crisis that was a major concern of the investors. And the second question is, if I look at your topline decline, your topline decline in the second quarter was more than the first quarter but your earnings decline was 50% versus 60%. So what did you change in the second quarter versus the first quarter in terms of cost that resulted in a lower earnings decline, despite a sharper topline decline in the second quarter. These two questions. Thank you.

Mayank Baxi: Kuwait University, as you know last year they already migrated around five of the colleges. And construction was going on. So I don't have any other further information about how they are going to move the other colleges this year. But their campus is huge and I think the medical school etc. was still remaining to be constructed.

So that is the one which can get delayed, otherwise right now they have done a lot of construction work and it might be the finishing part that might be remaining. So we don't have much idea about it. Now coming to your specific question related to the Q2. So you are comparing only Q2 and Q1 separately, correct?

Ankur Agarwal: So what I'm comparing is it's very clear that even though the revenue decline was more in Q2, which is how it should have been, your earnings decline was a lot less than Q1.

Mayank Baxi: Yes. If you see the expense sheet in the notes to the financials you will have seen that in the Q2 the expenses which otherwise are spent on the on campus events etc. are not there in Q2. Whereas in Q1 we were running January and February on campus classes. So that was one of the factors. And in Q1, because after the COVID thing, in the impairment testing we have recognised an impairment of 270,000KD of goodwill in the subsidiaries. So if you would see the goodwill amount has reduced also in the balance sheet.

Ankur Agarwal: Okay. All right, thanks.

Mayank Baxi: Intangible assets has reduced, if you see.

Ankur Agarwal: Okay. All right, that explains it. Thank you very much.

Hatem Alaa: Thank you very much Mr Baxi for your time and for the call. It's been very useful and
thank you everyone for participating.