

Date: 09th November 2020

التاريخ: 09 نوفمبر 2020

M/S . / Boursa Kuwait Company

المحترمين

السادة/ شركة بورصة الكويت

Greetings,

تحية طيبة وبعد،،

**Subject: Analysts/Investors Conference minutes
for the Third Quarter of 2020**

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

With reference to the aforementioned subject, and to our letter sent to you on 04/11/2020, we attach to you the minutes of the analysts / investors conference for the third quarter of 2020.

بالإشارة إلى الموضوع أعلاه، وإلى كتابنا المرسل لكم بتاريخ 2020/11/04، نرفق لكم محضر مؤتمر المحللين/المستثمرين عن الربع الثالث لعام 2020.

Yours Sincerely,

وتفضلوا بقبول فائق الاحترام،،،



دلال حسن السبتي
رئيسة مجلس الإدارة

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

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Company: Humansoft Holding Company

Conference Title: Humansoft Q3 2020 results conference call (Edited Transcript)

Date: Wednesday, 4th November 2020

Conference Time: 3pm (Kuwait time)

Hatem Alaa: Hello, everyone. This is Hatem Alaa, from EFG Hermes. Welcome to Humansoft's Third Quarter 2020 Results Conference Call. We have on the call today, Mayank Baxi, the company's CEO, and Rachad Challah, the company's Deputy CEO. I will hand over the call to management for a presentation, and then we'll open the floor for Q&A. Mr Baxi, please go ahead.

Mayank Baxi: Hello, everybody. Welcome to the Humansoft Q3 2020 Results Conference Call. Thank you, team at EFG, for facilitating the call. I'm Mayank Baxi, CEO of Humansoft, and I would like to run through the Q3 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 any announcements regarding any revised circumstances.

I would like to say that Humansoft's thoughts are with anybody who has been affected by COVID-19. This has been a challenging time for many people. At Humansoft, several initiatives taken at an early stage have enabled us to withstand the continuing disruptions and challenges.

Some of the measures were:

- 1) on 23rd March 2020 Humansoft's General Assembly decided against distribution of dividends for the financial year 2019.
- 2) The Board of Directors decided to waive their remuneration for the financial year 2019
- 3) Quickly adapted to the online learning and, lastly

4) The Board of Directors decided to close down the training businesses in Kuwait, the UAE and Qatar. The process is currently underway

Our key focus areas continue to be:

- 1) To enhance the learning experience
- 2) Maintaining robust IT infrastructure
- 3) Maintain a healthy balance sheet

Humansoft's performance on the Boursa Kuwait is maintained. It is twelfth largest amongst the listed companies on Boursa Kuwait's Premier Market as of 30th September 2020. It is the fifth largest non-banking company listed on the Boursa Kuwait Premier Market as of 30th September 2020.

Now, coming to the financial performance. At the outset, I would like to inform that there was disruption to the academic calendar, thereby impacting the revenue recognition schedule for the subsidiaries, AUM and ACM, and therefore the Q3 results may not be exactly comparable with the previous year.

In normal circumstances fall semester would have commenced in Q3 for AUM and ACM and, therefore, there would have been one month fall revenue reported in Q3. However, for Q3 2020, fall semester has not yet started in September and therefore there is no fall revenue recognised in Q3 2020 results. For more information, you can refer to the revenue recognition slide in the Q3 Investor Presentation, page 12.

The Q3 2020 revenue of KD 25.4 million was higher in comparison with Q3 2019 revenue of KD 17.0 million, mainly due to higher enrolments for summer classes and due to change in the pattern of revenue recognition.

Q3 2020 EBITDA of KD 18.5 million was higher by 72% compared with Q3 2019.

Q3 net profit of KD 16.6 million was higher by 84% compared with Q3 2019.

Revenue for the nine-month period ending September at KD 49.9 million, as against KD 53.3 million for the nine months of 2019, is lower by 6.4%. EBITDA of KD 28.7 million during the nine-month period of 2020 was lower by about 8.4% compared with KD 31.3 million EBITDA of the corresponding period in 2019. EBITDA margins are 57.4% for the nine-month period of 2020.

Net profit of KD 24.1 million during the nine months of 2020 was lower by about 7.5% as compared with KD 26.1 million net profit during the nine months of 2019. Net profit margin for the nine-month period is 48.3%. Similarly, earnings per share was 198 fills during the nine-month period as compared with 215 fills during the corresponding period of 2019.

Humansoft has a net cash position of KD 53.5 million as of 30th September 2020. The total equity is KD 104.6 million as of 30th September 2020 and the return on equity is 48%. Total assets are KD 136.8 million as of 30th September 2020. As the fall 2020 semester did not commence in Q3, the deferred revenue does not include any deferred revenue for fall 2020.

Humansoft's fortress balance sheet provides protection, resilience, and enables Humansoft to withstand stress events like COVID-19. Our strategic pillars are:

1) Academic excellence, which includes building new capabilities and developing new offerings to secure our long-term prospects. This includes widening the undergrad offering by introducing new majors, proposals for master's programmes, securing accreditations for the remaining programmes, and developing our academic research capabilities.

2) Maintain operating efficiency by striving to improve our operating performance. Our EBITDA margins have consistently been strong, and we aim to maintain high efficiency levels.

3) We continue to focus on shareholder value. We have grown dividend distribution and aim to deliver sustainable dividends going forward whilst maintaining financial flexibility.

Now coming to the fall 2020 enrolments, due to COVID-19, the academic calendar had to be revised and the fall 2020 semester for the continuing students at AUM and ACM began on 25th

October. New enrolments are 4,001, which is around a 51% increase over the last year.

Note, as the new enrolled foundation students will commence their classes on 15th November 2020, there could be some changes in the new enrolled student numbers. The total number of students at the beginning of fall semester are 13,763. This represents about an 11% increase over last year of the total enrolled students.

Some other updates:

- 1) AUM's application for a Master's in Engineering is still under process and the regulator has declined the application for a bachelor's degree in Petroleum Engineering
- 2) Architectural Engineering started enrolments for the fall 2020 semester, and
- 3) We have issued our Corporate Social Responsibility, the CSR report, in September

At Humansoft, the five main pillars of CSR are:

- 1) Environment. We promote a green environment and over 700 trees have been planted on campus. Moreover, one of the research directions adopted by the university is the environment.
- 2) Our people. Humansoft has a diverse workforce comprising of more than 1,000 team members coming from more than 70 countries. This diversity is a strong asset to Humansoft, and all students and learners, as it promotes celebrating different cultural backgrounds and promoting community wellbeing. Our work environment is positive, transparent and promotes academic excellence, career progression, professional development and gender equality.
- 3) Our students. Our students are our core stakeholders and are engaged in high-quality education offered by a specialised team of professionals who apply practical and theoretical knowledge to develop students' technical and personal skills. There is strong emphasis on work ethics which will positively contribute to the success of their careers.

4) Community. We are committed to supporting our students to engage in the community and build a generation of responsible leaders.

5) Sports, health and wellness. We encourage students, faculty and the staff to engage in athletic activities, which is essential in raising the culture of wellbeing among everyone on the campus and contributes to the learning experience of students.

With this, I now open the floor for questions and answers. I request that you please introduce yourself with name and the institution you represent when you have any questions. Thank you.

Over to you, facilitator.

Operator: Ladies and gentlemen, if you would like to register a question you may do so by pressing * followed by 1 on your telephone keypad now. Please be advised you will need to unmute your line to be able to speak on today's call and, if you do change your mind at any time, it is * followed by 2. Gentlemen, it looks like we have our first question. This one comes from Ankur Agarwal, of HSBC. If you'd like to go ahead with your question, please.

Ankur Agarwal: Thank you for the call. Ankur Agarwal, from HSBC. Congratulations on a great set of numbers. A few questions on the results. Firstly, in terms of the enrolment, the 51% increase that we've seen this year, should we view this as the new base for coming years? Is it sustainable or it will be challenging to sustain this? If so, what were the one-offs this year which helped this sharp increase in enrolment? That's my first question.

My second question is any clarity around talks of a 20% cut to private university fees on how it would be applied to various private universities if, at all, it would be applied, so that's the second question.

Third question is on the reasons for the rejection of the petroleum engineering major, the Bachelor's in Petroleum Engineering major. Any reason that the regulator came back with? Those are the three questions. I have a few more questions, as well, but that's probably for

later. Thank you.

Mayank Baxi: Thank you, HSBC, Ankur. Enrolments, this year's increase. Sure, there are several factors and one of the important factors is that we have seen a good number of high school graduates coming out of the high school this year and also, because of the COVID-19 situation, students who may otherwise have thought of going abroad may have stayed back.

But we have also been, in the past, adding new majors and by now we are well-known in the local Kuwait market, so we attract good quality students for the majors that we offer.

Now, to answer your question whether this will be a new base, I would say it is very difficult to make any statement on that. Our efforts will be always there to enlarge our base but at the same time maintaining a good balance between quality and quantity.

As far as the fee is concerned, a 20% fee discount for scholarship students is already applied from the past and the same already is reflected in our balance sheet and the same is continuing as of now, so there are no changes at this moment of time.

Lastly, regarding the rejection of the petroleum major, usually we do not get any specific reasons for the rejection, so it is very difficult for us to make any conclusion or any statement on that. We have submitted all the requests that were asked for, but it is ultimately the decision of the governing board there.

Ankur Agarwal: How was the response to the architecture major that you launched recently and just wondering, architecture involves a lot of labs, etc. If it is online, how would that lab part be handled during COVID for that major?

Mayank Baxi: Yes, the architecture major has been launched this year and as we normally experience in the first year, we have about 149 enrolled students for architecture which, in our opinion, is a good number. In the first year, usually we tend to get for a new major anything between 100-150, so this is a good number.

For architecture, the majority of them start the first year with the foundation year. Foundation year we don't expect any issues about the special labs for them so, as of now, at least for another year, we do not foresee any bottleneck of labs but we will address that if it continues and if online is going to continue, we'll find ways and solutions around that.

Ankur Agarwal: And your total enrolled number is actually going to touch 14,000 soon, maybe, so any capex plans going forward? What's the outlook for capex going forward?

Mayank Baxi: This year, due to COVID-19, a lot of changes have happened, and it is continuing. The entire visibility is not in place, so we would wait a little longer for things to settle down and take the appropriate measures for the capex. As of now, no specific decision has been made in this regard.

Ankur Agarwal: Thank you very much. Thank you, Mayank. Thank you, sir.

Operator: Our next question comes from Reema Al-Nemer, of Saudi Fransi Capital. If you would like to go ahead with your question, please.

Reema Al-Nemer: Hi. Hello. I just have a few questions. The first, you mentioned that there is, of course, a change in the academic calendar which changed the revenue recognition. If you could just give us the revenue recognition cycle for the fiscal year of 2021.

The second question is we saw a spike in the number of enrolments, and you mentioned that it is due to a higher number of graduates. Can you give us the number of graduates, how much they've increased and the market share of the private universities?

Is Humansoft's market share the same at around 60% or does it increase? What happened? I just want to understand what happened there because I know that Kuwait University has increased, actually, with the new university, so I just want to know how the number increased

and if it could be sustained going forward.

The third would be, you mentioned that at AUM, you noticed at the last fiscal year that their growth in enrolments was in ACM. Given that this year is in AUM, is there a specific reason? Are their grades better? And should we expect that to continue going forward? Thank you.

Mayank Baxi: Thank you, Reema. As far as the academic calendar is concerned, for the fall of 2020 and 2021, the academic year has just started so we expect that the fall semester will be between October to February, thereafter you have a spring semester of five months and then you will have summer. So, by and large, we expect that by the end of August we will have a full cycle of academic year completed.

In terms of the graduates this year, there were about 38,000 students who graduated from the high school and adding to that, there are about 3,000 students coming out from the American and British schools. We are talking of around 40,000-41,000 students in the overall Kuwait market and out of which about 10,000 expat students may leave the country for further studies.

Kuwait University has taken about 8,100 students. Foreign scholarships have absorbed about 2,800 students and there have been local scholarships around 6,000-plus students and out of which AUM and ACM's combined share has been around 4,000, which is almost two-thirds.

We used to range between 50-55% of local scholarships. This year we are at 4,000 students out of the 6,000 that are given for the local scholarships. So, this is the broad distribution.

In terms of the enrolments at AUM, our focus is always to maintain a good balance between the qualitative growth and quantitative growth and we have not relaxed our criteria as such in the admission, but we saw a good response in terms of the applicants and we were able to get the right profile students and that's how we got an increase in the AUM numbers.

any specific reasons as to why the public universities did not gain more students because I know usually the public universities students take the most market share? Just to understand what's happening there, with the additional capacity I assumed that there will be more competition.

Mayank Baxi: If you look at the past trend, Kuwait University did take almost 2,000 more than their normal average of the previous years, so there have been 2,000 more students already taken by them. I think your assumption that by far the largest intake is for Kuwait University because also they have much more diversified majors than what the others offer. Other than that, the market distribution is more or less in consistency.

Reema Al-Nemer: Perfect. The number of graduates you were kind enough to provide this year is 41,000. Can you just tell me how much was last year, just to see the growth?

Mayank Baxi: Last year, I don't have exactly the ready numbers. This year we were able to give it because the final numbers came after all the school's results are out. Usually, what happens in Kuwait, the data which is published in the early month of June is the first lot of graduations, which last year was around 25,000-26,000.

But then, there is subsequent resits and re-examinations and those numbers don't show up in the subsequent data. So, it will be very difficult for us to give you a comparative with last year. This year, this number of around 38,000 was published in the newspaper, so it was very convenient for us to highlight to you.

Reema Al-Nemer: Perfect. Do you see the growth in AUM going forward the same, in terms of higher grades, or would you be able to accept more students, to lower the requirements slightly to gain more market share if it wasn't as good as this year, the number of high graduate students?

Mayank Baxi: Our priority to maintain quality standards will always be there and we don't compromise on that in terms of relaxing the criteria. We will maintain that factor and then, sure, we are now getting well-known, we are getting exposure, our students are doing very well, they are getting placed. So, it is a chain reaction that we are able to attract good applicants. Finally, the selection process or the criteria on selection will continue in the same way as the academic team decides them.

Reema Al-Nemer: Perfect. Thank you very much.

Operator: Our next question comes from Belal Sabbah, of Jadwa Investment. If you would like to go ahead with your question, please.

Belal Sabbah: Hi. This Belal Sabbah, of Jadwa Investment. Thank you so much for the call and for the feedback. I have a question now regarding your future plans. I think you are currently operating at a very high level of capacity utilisation. You've also done a very good job in maintaining high levels of cash on the balance sheet.

Previously, as you have mentioned, you have wanted to focus on improving your existing offering and getting accreditations and launching new programmes. Is the thinking becoming more that you think about expanding your physical infrastructure or your actual capacity? That would be my first question.

Then, my second question would be, again, given the good turnout to this year and the high level of liquidity that the company has, is there any chance that dividend and the board director remuneration for this year would be reinstated? Thank you.

Mayank Baxi: As I mentioned in the previous question regarding the capacity announcement, we'll take a view as we stabilise with the situation because we have the campus land, we have standard plans, etc. all available so constructing additional capacity is not a very big challenge

for us and that decision will be taken at an appropriate time.

Yes, there is a good cash balance and now that is certainly helping us to withstand such kind of an eventuality and we still don't see a complete resolution of the COVID-19 impact, so company will wait and watch before taking any appropriate measure about the dividend decision.

As of now, if things are going fine, Board will be able to recommend appropriately after the end of the year but no such decision about the directors' remuneration or dividend has been taken, as of now, at this point of time.

Belal Sabbah: Thank you very much.

Operator: Our next question comes from Nishit Lakhotia, of SICO. If you would like to go ahead with your question, please.

Nishit Lakhotia: Thank you for the call. I have a couple of questions. One on the fee reduction, itself.

You said this 20% reduction is something the market is concerned about but what about if this reduction is on the fees that were charged last year? As I understand it, Humansoft is already providing a 20% discount to scholarship students. Is the government indicating any more discounting for the students that they are providing scholarships on the recharge last year? Is there a risk on that? That's my first question.

Second, on the model, when the students possibly return later during the year, would there be a chance that there will be a hybrid model, so some students would come to campus, some students will do online? So, would that mean, maybe, some extra cost to run two different models during the year, assuming this pandemic continues for the next academic year? How is Humansoft getting prepared on that aspect? So, yes, there are these two questions.

Mayank Baxi: On the fee reduction, as I mentioned earlier, as of now it has been applied, whatever has been conveyed to us and, as of now, there is no other change. If something in the future comes up, we do not know at this point of time.

So, is there a risk? Sure, everything we don't know about in the future, there will be a risk, so I cannot guarantee anything. This is absolutely beyond us at this point of time. I think that is quite clear there.

As far as the hybrid model that you mentioned, let me tell you that this e-learning model also has been approved specifically on a special case by the local regulators and the ministry because of the COVID-19 situation.

As of now, there is no provision of a hybrid model in the normal circumstances. So, we don't see at this point of time any changes or nothing has come to our knowledge where this will become a new norm but if this COVID situation is continuing then, definitely, we have run the entire spring semester and the summer semester through this online model and it has been very well-accepted and successfully implemented.

So, we will continue that, and we will improvise that wherever we feel there is room for upgradation. Where there is room for improvement, we will continue to do that. At the end of the day, you will make sure that your most important students are satisfied. Ultimately, you are here to serve them, and we will ensure that is the motto everywhere, top to down.

Nishit Lakhotia: But, on the fee side, weren't you due for an increase this year in terms of renegotiating a higher increase which you do after a certain number of years? Is that ruled out? Are you still hoping to get an increase in your fees or that is something that is too optimistic towards you?

One more question. There are so many students that are extra that have been passed this year because of the COVID situation and perhaps that's why there is that jump of 10,000 more students in the system.

Does that give an indication that perhaps next year will be much lower in terms of the number of students that might come out within the system because the ones who would have reappeared and come back into the system have already now graduated in this COVID environment of passing a lot of students? So, do you see a risk of much lower intake next year than normal intake because of the extra students coming this year? Thank you.

Mayank Baxi: Regarding a fee increase, as we have been telling earlier, we are eligible after completion of five years. We have completed the five years. That does not mean that immediately we need to apply. We will do that at an appropriate time, and we feel at this point of time it is not an appropriate measure to go and apply.

Regarding the school results, as I told you, we do not have a comparable exact number which will include the students who finally graduate out of the resits also. Usually, every year there are about 38,000 students in the public and private schools who appear in Class 12.

If you want to see more statistical information, I would suggest to you to refer to the publication of the Kuwait Government which is Central Statistical Bureau website. If you search, it will be available there. There, you will be able to see the flow of the students in the high schools, etc. to get you a little more indication there. But, normally, the resits also happen during the summer months. From June until August, also, there is a resit happening.

Then, the students also who take a little break, even if they have graduated, they come in the spring semester. In the past, we don't take too many new students in the spring semester. So, if everybody has come during this time and that is what has been the reason for the overall number, if you look at the total graduates that would be there, they would be around the same number. So, I don't see a major differential there.

Now, sure, going forward how the results will be for the high school graduates and whether the results will be strict or the students will be able to score a higher percentage, etc. is something which we are unable to make a statement on that and we will make sure our side

of the story we maintain good quality standards, we reach out to the students, we do our best in terms of whatever is required in the learners' experience.

Nishit Lakhotia: Thank you.

Operator: Our next question comes from Farouk Miah, of Blakeney Management. If you would like to go ahead with your question, please.

Farouk Miah: Hi. Thank you very much. Thank you, Mr Baxi, for the call. A lot of my questions have been answered but just a few small things. Just, again, on the last question that was mentioned.

Again, what I read online was that the grades achieved by Grade 12 students were significantly higher this year, so the government was stuck with having to provide a lot more places for universities because I think the pass rate was 90% instead of 60%, so this was an abnormal intake which shouldn't be repeated. Again, is there any commentary from you? Was that the case? Were you inundated with more applicants because more people were able to apply because they got the grade versus previous years?

And, then a follow-up, just a few small things. On the cost side, given the campus has been closed for six-nine months now, are there significant cost savings from having the campus closed and also have you done anything proactive on cost management, given most of your lecturers are teaching from home? Are there things that you could have done or have done to manage the costs?

The final thing would be you mentioned that for the international students, people who are on international scholarships, maybe they haven't been able to fly back out and continue their programme. Have you seen any gain in numbers from people who have not gone abroad but they want to try and continue their studies with you or the increase in market share has come

from this inability of students to fly abroad? Thank you.

Mayank Baxi: As far as the cost savings are concerned, there are certain areas that you tend to save costs because the campus is closed but, at the same time, there are some new additional costs that come out because you are going into a totally new technological base now. E-learning also has some costs along with it, IT-related costs.

In our case, more or less, that has got compensated and as far as you are saying about the faculty teaching from home, let me tell you that from the month of July, Kuwait, all the offices and our campus, at least the staff, are coming to the campus itself and, regardless whether they will teach from home or they will teach from the campus, the salaries and related costs will not change, so that is not a major change in the overall cost structure.

There could be some costs being compensated which were earlier saved and they are now replaced by some other kind of costs, particularly for this COVID-19 situation.

The last question that you mentioned about the students flying back, let me tell you that most of the foreign universities have also started offering the online version for the students and so I guess the students, wherever they would have been right now, and regardless if they are enrolled in foreign countries, whether it is US or UK, they would be doing their online classes.

So, we have not seen those students who are already registered abroad and studying abroad coming and applying to us in a big way. Students who would have just one semester and they are not willing to go back may come across in the market but that ratio will be much less.

In terms of the pass rate, as I told in the earlier question also, the complete statistics about finally how many students graduate and how many students between the first round of examination and the resits, etc, is not fully available in the public domain, so it is very difficult to make a judgement.

But, overall, the students who graduate or who are registered in the high school, they tend to

get enrolled in the fall and the spring semester because then they appear again in the spring semester and by that time they are ready to enrol in the universities.

Usually, at that point, the spring semester, our enrolments are much less. We don't do much of the spring enrolments but other universities or KU does have spring batches in a big way, so they will get distributed accordingly this year, as well.

Farouk Miah: Thank you very much. Thanks.

Operator: Our next question comes from Al Mal Capital. If you would like to go ahead with your question, please.

Sherif El-Haddad: This is Sherif El-Haddad. I had a question with regards to the impact of COVID on your business. I imagine you had some positive impact from maybe the enrolments and maybe some negative impacts, as well. I guess some students might have chosen to pass this semester or not enrolled this semester.

How do you see that? How do you see the next effect of COVID and, as well, on the fees side? My understanding is you are currently providing a 20% discount to the government for students enrolling this semester or this year. Can you please shed some light on this?

Mayank Baxi: Regarding the impact of COVID-19, the Kuwait Government made the online learning as an optional basis for all the students, it was not compulsorily imposed. As a result of that, when we first started the online classes in April, spring semester which was ongoing, we didn't get all the students on board from day one in April. We had to repeat the spring semester three times, so you have a higher execution cost there. You are running classes with less number of students, so it's an inefficient operation there.

Now, this cost got compensated because of the cost savings. When you are in the campus

there are events and there are activities, etc. So, some costs of this nature got compensated but overall, you would have seen that the gross profit margin, therefore, for the nine-month period was 1% or 2% lower because of this factor of inefficiencies there.

Coming to the fees, as I've already mentioned, we are providing 20% fee discount for the scholarship students and same is the present situation and we are continuing that. As of now, there is no other change.

Sherif El-Haddad: Any clarity on dividend?

Mayank Baxi: Do we have clarity on COVID-19 visibilities, uncertainties? As of now, it is very difficult.

Just wait till the year-end and things will settle down and maybe we will have a better view.

We are maintaining cash in the company. We are making sure that the cash is not deployed anywhere else, so let's wait till December-end.

Sherif El-Haddad: What risks are you foreseeing that would lead to a cash burn? I fail to see the reason why you are keeping such a huge cash cushion on your balance sheet.

Mayank Baxi: In any case, this cash I can use as a dividend by the year-end when we have the complete picture in mind, complete results are out but the risk factor, you tell me, globally, everywhere there is a second wave going on. Europe has been in a lockdown again.

Who knows what is the situation everywhere? Kuwait is fine, we are working right now, we are coming to the campus, students are taking online but particularly, right now, nobody has clear visibility. These are the genuine risks all over the world. Our airport is not open fully. Many flights are closed. So, you have to understand this is the reality on the ground.

Sherif El-Haddad: Thank you.

Operator: Our next question comes from Zohaib Pervez, of Al Rayan Investment. If you would like to go ahead with your question, please.

Zohaib Pervez: Thank you, Mayank, for the presentation. This is Zohaib Pervez from Al Rayan Investment. Nearly all the questions have been answered. Just one follow-up on the majors. The petroleum major, you said, was rejected by the ministry. Would you be reapplying?

Mayank Baxi: As of now, there is no plan to reapply.

Zohaib Pervez: All right. Thank you.

Operator: Our next question comes from Frances Ames, of Ajeej. If you'd like to go ahead with your question, please.

Frances Ames: Hi, gentlemen. Thanks. Congratulations on the results. If you don't mind, can you just walk me through the cash flow movements throughout the year, since the beginning of 2020 in terms of payments by the ministry, just so I can understand the exact timing of those payments, up through September, and then what your expectation is, as we sit today, on payments for the remainder of the year and into next year, please? Thank you.

Mayank Baxi: On broader terms, let me tell you that as we are, right now, in 4th November all our payments from the scholarship students until the summer months have been collected.

Frances Ames: So, everything from the spring and summer semesters has been collected? Okay.

Mayank Baxi: From the government scholarship students. There will be some remaining outstanding individuals which we are following up.

Frances Ames: Great. What's your expectation for the remainder of this year? Really, what I'm asking, and it comes within the dividend, is what's your expectation, let's say, through March in terms of payment? Are you expecting to be paid, basically, at the conclusion of the fall semester?

Again, this gets back to running this cash balance which you guys continue to just push into term deposits based on the financials. I'm just trying to understand should I view that leftover cash as the likely dividend? How should I look at that?

Mayank Baxi: Right now, as I mentioned earlier, the fall semester has been rescheduled so the new students only start on 15th November, so only after that the invoicing, etc. can be done to the ministry for the scholarship students. So, this year, definitely the collection will get pushed back because of the fact that we are two months behind the normal schedule than it was earlier.

We have to wait, maybe. I'm not sure whether by March we will collect or not but we will try our best to push. We will come to know how soon the process with the ministry for the invoicing and the reconciliation of students, etc, takes place.

Usually, what happens when you begin a new semester a lot of data of the students has to be uploaded, updated in the ministry database, as well, so that takes a little while for reconciliation and therefore the cycle, the invoicing gets delayed. In any case, that was always there but added to that these two months of delay in the start of the semester is going to push back, for us, the collection cycle.

Frances Ames: So, in your opinion, your year-end financials are likely to have a larger than normal receivable, right, because you'll be recognising revenue, as you guys said in the presentation, for part of the fall semester but in your view probably that will end up being a receivable by the end of the year, just given the structure of the semester?

Mayank Baxi: Yes, that will be the most likely scenario.

Frances Ames: Thank you. That's all.

Operator: Our next question comes from Divye Arora, of Daman Investments. If you'd like to go ahead with your question, please.

Divye Arora: Hi. Thank you for the call. My question is linked to the overall scholarships. You were mentioning 6,000 students got the scholarship recently. That is an increase of around 84% on a year-on-year basis. What reason could be attributable to such an increase?

Mayank Baxi: You are comparing this increase with what? 84% from where?

Divye Arora: Last year the number of scholarships were around 3,400 or something and this year it has been around 6,000.

Mayank Baxi: This number that you are talking, maybe as there no full numbers published anywhere. I don't know from where you get this 3,400 as the total number of local scholarships happen in a couple of stages.

We cannot compare that 6,000 with the 3,000 last year because the 3,000-odd, what you mentioned, is at the beginning of, maybe, June but thereafter there are resits and there are foreign schools with graduate students in British schools and American schools, results come in August and all.

So, there are students that add on to the scholarship list. I think even, if I recollect, last year also the total would be more than 5,000 total local scholarships. So, this is not 84%. I don't know from where you got that kind of comparison.

Divye Arora: All right.

Mayank Baxi: This number that you are referring to may not be the right comparison on an apple-to-apple basis.

Divye Arora: Got it. In terms of the market share, you have said that your market share for the scholarship increased from 55% to 60% this year and you were able to get good quality students. In terms of the GPA, has that been maintained?

Mayank Baxi: For our admission criteria we have not relaxed anything. This year, the exam system has undergone a change because of the COVID situation for the high school graduates but, for us, we don't only depend on the grades. There is a proper process of evaluation of the students which we have not relaxed.

Divye Arora: When we look at your trade receivables, we have seen that there is a big decline in September 2020. Generally, the receivables are around 22 million to 25 million, in that range. We have seen that they have declined to 9.0 million as of the third quarter 2020. This is because you've got a one-off payment in the second quarter and this would go back again to the previous levels?

Mayank Baxi: No, no, no. The previous year September consists of the fall semester revenue, deferred revenue and receivables. This year, in September, we haven't invoiced the fall 2020 semester students, so there is no receivable created for them and therefore, if you look at the deferred revenue, also it is less.

Divye Arora: As a cycle, it will normalise in the next one to two years and then we should go back to similar levels?

Mayank Baxi: Yes. The academic calendar will get settled hopefully, even I feel next year, so it should be coming back to the normal cycle, after that.

Divye Arora: Sorry, this 20% fees reduction, there has been no official communication to you guys till now? That's what you mentioned.

Mayank Baxi: No, no. What I said is that 20% is applied and which is already there, so this has been the official communication. I don't understand. I have mentioned this three times.

Divye Arora: So, 20% is the discount to the scholarship students, right?

Mayank Baxi: There is no change for them. There is no change.

Divye Arora: And, for the other self-payment, who are paying their own tuition fee, for them there has been a discount that you have offered now of 20%?

Mayank Baxi: There is no change. They continue to pay the normal fees.

Divye Arora: All right. Thanks.

Operator: Our next question comes from Fahad Al-Rushaid, of Kuwait Financial Center. If you would like to go ahead with your question, please.

Fahad Al-Rushaid: Yes, good evening. Could you quantify your capex requirements for the next year and probably the year after? Do you have any plans for either organic or inorganic growth or vertically integrating or anything like that? That's the first question.

Second, regarding the fee reductions, I know there has been a lot of questions on that but did

it take effect last spring or has it always been the case since the scholarship programme started? Thank you.

Mayank Baxi: For the capex programme, as of now, we have not planned for any major capex in the current campus. We will take a view as we progress and as we see the situation stabilising. Until then, as of now, I can only say that our maintenance capex will continue and this is roughly around 3% of our revenue.

For the fee, the 20% discount through the scholarship students has been continuing from the time of local scholarship, so that has been offered to them since then.

Fahad Al-Rushaid: Thank you.

Mayank Baxi: I think, Hatem, we can end the call now.

Hatem Alaa: Thank you, everyone, for dialling in and thank you very much, Mr Baxi, for your time.