HUMANSOFT
القابضة
(ش.م.ك.ع)

Date: 22nd February 2021

التاريخ: 22 فبراير 2021

M/S . / Boursa Kuwait

السادة/ شركة بورصة الكويت المحترمين

Greetings,

تحية طيبة وبعد،،

Subject: Analyst/Investor Conference minutes for the Financial year ending 31/12/2020

الموضوع: محضر مؤتمر المحللين/المستثمرين للسنة المنتهية 2020/12/31

With reference to the aforementioned subject, and to our letter sent to you on 17 February 2021, please find enclosed the minutes of the analyst / investor conference for the Financial year ending 31/12/2020.

بالإشارة إلى الموضوع أعلاه، وإلى كتابنا المرسل لكم بتاريخ 17 فبراير 2021، نرفق لكم محضر مؤتمر المحللين/المستثمرين عن السنة المنتهية 2020/12/31.

وتفضلوا بقبول فائق الاحترام،،،

Yours Sincerely,

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 FY 2020 results conference call (Edited Transcript)**

Date: **Wednesday, 17 February 2021**

Conference Time: **3pm (Kuwait time)**

Mirna Maher: Hello, everyone. This is Mirna Maher, from EFG Hermes. Welcome to Humansoft's full year 2020 results conference call. I'm pleased to have on the call with me today from the company, Anup Dhand, the company's CFO, and Rachad Challah, Deputy CEO. I'll now hand over the call to management for a brief presentation and then we'll open the floor for Q&A. Please, go ahead.

Anup Dhand: Thank you, Mirna. Good afternoon everyone, we are glad to have you today with us and welcome you to the Humansoft FY2020 results conference call. I hope you and your loved ones are keeping safe as we continue to navigate through these unpredictable times.

Thank you, team, at EFG for facilitating the call. I am Anup Dhand, CFO of Humansoft, and I would like to run through the FY 2020 highlights in brief and then leave the floor open for Q&A.

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.

I would like to say that Humansoft's thoughts are with everyone who has been affected by the pandemic. This has been a challenging year for many people and the world being still in the middle of the pandemic situation, we wish everyone to stay safe and healthy.

Year 2020 has been exceptional in many ways, in which the entire world underwent a transformation. At Humansoft, several initiatives taken at an early stage have enabled us to withstand the continuing disruptions and challenges. Some of the key highlights of the year 2020 for Humansoft were:

- In March 2020, Humansoft's General Assembly decided to vote against distributing dividends for FY 2019.

- Board of Directors decided to waive their remuneration for FY 2019 in April 2020.
- AUM and ACM quickly adopted online learning and started conducting online classes from April 2020 onwards.
- In September 2020, the Board of Directors decided to close down the training businesses in Kuwait, the UAE and Qatar. The process is currently underway.
- Humansoft issued its CSR report in September 2020.
- Architectural Engineering major was launched at AUM from the start of Fall 2020 semester.
- AUM and ACM had a combined new student intake of 4001 in Fall 2020 semester.
- As on 31st December Humansoft was ranked as 10th largest by market cap on Boursa Kuwait's premier market.

Now coming to the Financial Performance for the year 2020

At the outset, I would like to inform that there was disruption to the academic calendar during the year 2020, which impacted the revenue recognition schedule for the Subsidiaries AUM and ACM and therefore, the FY 2020 results may not be exactly comparable with the previous year.

In normal circumstances, Fall semester would have commenced in September for AUM and ACM and therefore, there would have been four months Fall revenue reported in annual results. However, for 2020, Fall semester has started in November and therefore, only two months of Fall 2020 revenue has been recognised in FY 2020. This is reflected in higher deferred income in our balance sheet as on 31st December 2020 in comparison to 31st December 2019.

You can refer to the revenue recognition slide on page 11 in our Investor Presentation.

FY 2020 revenue of KD 68.5 million was lower by 6.5% in comparison with FY 2019 revenue of KD 73.3 million, mainly due to a delayed start of Fall 2020 semester which resulted in a change in the pattern of revenue recognition.

FY 2020 EBITDA of KD 43.1 million was marginally higher than KD 43 million for FY 2019.

FY 2020 Net profit of KD 37.5 million was higher by 4.5% compared with KD 35.9 million for FY 2019.

Net Profit Margin for FY 2020 was 54.7% and EBITDA margin for FY 2020 was 62.9%.

The Earning per share was 308 fils during the FY 2020 as compared to 295 fils during the year 2019.

Humansoft has a net cash position of KD 63 million as at 31 December 2020.

Total equity was KD 117.9 million as at 31 December 2020 and the return on average equity for the year 2020 amounted to 38%.

Total Assets are KD 158.3 million as at 31 December 2020.

The deferred income as on 31st December 2020 was KD 18.5 million, which is significantly higher that deferred income as on 31st December 2019. This is mainly due to the higher number of enrolled students and the delayed start of Fall 2020 semester.

Humansoft's fortress balance sheet provides protection, resilience, and enables Humansoft to withstand stress events like Covid-19.

The Board in its meeting held on 15th Feb 2021, has recommended cash dividends of 400 fils per share.

<u>At Humansoft, we continue to strive hard to work towards our key strategies of academic excellence, operating efficiencies and shareholder value.</u>

For academic excellence, we are continuously building new capabilities and developing new offerings to secure our long term prospects. This includes widening the undergraduate offering by introducing new majors, proposal for masters programs, securing accreditation for the remaining programs, and developing our academic research capabilities.

Our operating efficiency and performance is reflected in our EBITDA margins, which have been strong consistently and even during 2020 - COVID impacted year, we could sustain them. We aim to maintain high efficiency levels going forward.

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

<u>Humansoft released its Corporate Social Responsibility Report (CSR) in September 2020. Our overall CSR initiatives rests on 5 pillars – Environment, Our people, Our students, Community and Sport</u>

health & wellness.

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.

Humansoft has a diverse workforce comprising of more than 1,000 team members coming from more than 60 countries. This diversity is a strong asset to Humansoft and all students and learners as it promotes celebrating different cultural backgrounds and promoting community well-being.

Our work environment is positive, transparent and promotes academic excellence, career progression, professional development, and gender equality.

Our students are our core stakeholders, and are engaged in high quality education offered by a specialized 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.

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

We encourage students, faculty and staff to engage in athletic activities which is essential in raising the culture of wellbeing among everyone on 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.

Operator: Ladies and gentlemen, as a reminder, if you would like to register your question, please press * followed by 1 on your telephone keypad or the Request to Speak flag icon if you've joined via your browser. The first question comes from Karim Abadir, from FIM Partners. Karim, please go ahead.

Karim Abadir: Hi. Thank you, gentlemen, for the call and taking the time. My question is on costs. In Q4, your cost of operations dropped by 49% and that mainly consists of teacher salaries.

Then, on the SG&A side, it also dropped on a magnitude of between 40-50%. Can you please tell us how that happened, given that there were no cuts in terms of number of faculty? Is this 86% margin on the gross profit level, is that sustainable going forward or should be expect a normalisation next year?

Anup Dhand: Thank you. 2020 was a COVID-impacted year during which the academic calendar went through several changes. As a result of that, a lot of costs got realigned. If you see the 2019 numbers, Q3 gross margins, for us, were around 80%, and thereabouts, so we have seen lower cost of operations in Q3 last year as well, which was mainly because of the Summer semester.

This was mostly because of the change in the academic calendar due to the COVID impact and due to which there was a realignment of cost. So, this year, a quarter-to-quarter comparison, we don't think is very appropriate. We think, for the 2020 year, a year-on-year comparison will be more appropriate and reasonable. Thank you.

Karim Abadir: Sorry, I just want to understand because I still don't understand how there was a 40-50% drop in your costs. If I take a look at fiscal year 2020, you had 50% of the Fall semester versus 60% of the Fall semester in 2019 so, generally, I'm assuming that the number of teachers was the same. So, how were you able to cut costs by 50% during that period because this doesn't seem like it has anything to do with the alignment? Thank you.

Anup Dhand: As you saw, there was an overall realignment of costs, so a lot of costs from Q2, Q3 and Q4, saw a realignment. Fall started in November month, due to which in October, some faculties were able to go on leave because there were very few academic activities in October.

So, a lot of factors folded in together and they resulted in this cost alignment. For this year, due to COVID impact, and because of the academic year changes, I don't think quarter-to-quarter comparison is appropriate, so let's focus on the year-on-year comparison.

In 2019 also, if you see in Q3 our gross margins were 81%, to be precise. So, we have seen an 80%-plus gross margins in Q3 in the past. Due to the realignment, the quarter-to-quarter comparison may not be the right approach.

Karim Abadir: Sure. What sort of margins can we expect for this year?

Anup Dhand: 2020, as I said, was COVID-impacted and we are still treating it as a one-off year. We had high enrolments in Fall 2020 but we expect to be going back to our old margins. At the same time, we are trying to work on cost efficiencies which we achieved during 2020.

Karim Abadir: Okay. Thank you.

Anup Dhand: Thank you.

Operator: The next question comes from Ankur Agarwal, from HSBC. Ankur, your line is open.

Ankur Agarwal: Thank you. Thank you for the call. Hi. I'm Ankur, from HSBC. A few questions from my side. Just to clarify this realignment of costs. So, you basically did 50% of Fall in a COVID-impacted year versus the usual 80%.

Now, are you saying that some of the costs which would have reflected in 2020 will reflect in the subsequent year when you complete the Fall semester? Is that how we should understand the realignment element that you referred to? That's my first question.

My second question is around the stability of the fee structure. Are we looking at a stable fee structure in 2021? Obviously, both ACM and AUM are eligible for a fee increase but I'm assuming that with online, I think stable may just be the best outcome. So, comments on those two would be helpful.

Anup Dhand: Thank you, Ankur. Coming back to your question on fee structure. Considering the pandemic crisis that we are still in, we don't see any change in the fee structure, as such. So, we hope it will be stable going forward in 2021.

Now, coming to your question of costs. Have we taken some costs which will be booked in '21? No. As per IFRS guidelines, we have to book all costs as we incur them on accrual basis. All costs have been accounted for in 2020. Thank you.

Ankur Agarwal: I think the fact that is you did only 50% of the Fall versus 80% last year. So, did you accrue costs only for 50% of the Fall semester or basically everything that was paid as salary has been incurred in 2020?

Anup Dhand: Everything that has been paid has been accounted for as cost on accrual basis.

Ankur Agarwal : All right. Thank you, Anup. Thanks.

Anup Dhand: Thank you.

Operator: The next question comes from Belal Sabbah, from Jadwa Investment. Belal, please go ahead.

Belal Sabbah: Yes, hi. Thanks for the call. Moving on from the cost point. That was my question, as well, but since you've answered it more than once I'll ask, please, about your level of debt that you have and the financial expenses, which also helped contribute to better profitability in 2020. What level of debt should we assume in 2021 and would financial expenses also be kept at a minimum, as they were in 2020?

Anup Dhand: Thank you. Finance costs for 2020 were down mainly because of the repayment and the average outstanding was less. It was also impacted by the reduced cost of borrowing. We'll be continuing to do the repayment, so we don't see finance costs going up in 2021 if interest rates remain the same, as we don't see them changing. Thank you.

Operator: The next question is from Sultan Alsubaihin, from VCP. Sultan, your line is open. Sultan, please ensure you are unmuted locally.

Sultan Alsubaihin: Can you hear me now? Hello?

Operator: Yes.

Anup Dhand: We can hear you.

Operator: It seems his line is disconnected. We'll wait for him to reconnect. I will open the line to Zohaib Pervez, from Al Rayan Investment. Zohaib, your line is open.

Zohaib Pervez: Thank you for the call, gentlemen, and welcome Mr Anup. Could you give us some sense about the new majors that you've talked about? Where do you stand currently and what majors are you expecting to launch in the next Fall, and update on the master's programme. Thank you.

Anup Dhand: Thank you. The master's programme is still pending for approval from the authorities and we are waiting for the approval to come through to launch the master's programme. For new majors, as of now, we don't have any new updates about the new majors. Master's programme, yes, we are keenly looking forward for the approval to come through and announce the same. We will keep you posted about the launch of the master's programme as we hear from the authorities. Thank you.

Zohaib Pervez: Just a follow-up. You did not get the approval for the petroleum major. Is this, now, you don’t plan on introducing that major at all or are you still planning on doing something or reanalysing your thoughts on introducing this major?

Anup Dhand: Considering that we are still in this pandemic situation, we are reviewing all our options and we are studying them. We’ll be taking a decision on all of them at the appropriate time when we have a little more clarity and we have the pandemic behind us. But, right now, being in the middle of the pandemic situation, we will wait for the right time to decide. Thank you.

Zohaib Pervez: Thank you.

Operator: I will open the line for Sultan Alsubaihin, from VCP, again. Sultan, please go ahead.

Sultan Alsubaihin: Sorry, about that. Can you hear me well, now?

Anup Dhand: Yes, we can hear you well. Thank you.

Sultan Alsubaihin: Great. First, thank you for the call. My questions are as follows. A different question on the expenses. I noticed that your advertising costs and marketing costs are down. Can we expect that to be sustainable, since you’re already capturing every year a large number of the market and its utilisation? So, do you think that you can sustain a lower level of advertising costs every year? That’s my first question.

My second question is on competitors. I’ve heard about a new university or rather an old college that was turned into a university called American International University. Can you tell us how is their positioning different than yours, if their expansion and capacity will impact Humansoft or not? And, these are the two questions I have. Thank you very much.

Anup Dhand: Thank you, Sultan. As far as selling costs are concerned, as I said, 2020 should be treated as a one-off year and we should not consider the numbers that we had in 2020 as a benchmark. The world is seeing new realities every day, so we don't know what new realities 2021 will throw at us.

But, yes, having said that we have resorted to a lot of marketing and advertising through social networking sites and that has brought in some efficiencies in advertisement. We hope to cash in on them.

We will be working on efficiencies and to keep the costs as efficient as possible but whether the same numbers will be sustainable going forwards, we will know as we go ahead and the pandemic crisis gets over. Thank you.

Coming to your next question about AIU. In spite of new private universities coming up and their offerings, in Fall 2020, our enrolments were much higher than our previous year's enrolments, so we are doing good on that. Our enrolments went from almost 2,600 to 4,000-plus, that suggests we are not impacted. We are working on our strengths and we hope to do the same. Thank you.

Operator: The next question comes from Nishit Lakhotia, from SICO. Nishit, please go ahead.

Nishit Lakhotia: Thanks. This is Nishit Lakhotia, from SICO. I have a couple of questions. Again, the first one being on the costs. Can you just tell us for sure that there were no teaching staff that were let go in the 4Q which impacted the salaries? And, also the fact that the October month, like you're saying, there were no salary cuts, as such. So, that number does not have any impact from those. That's my question on the costs.

Secondly, on any capex. Obviously, there's hardly any capex going on right now and you are reaching your capacity, so is there any significant capex plan that has been considered by Humansoft from here? Any guidance on that?

And, third, on the enrolment number. You just mentioned that you've got many more students for this Fall, and that was because a lot of students were just passed because of the pandemic and maybe this wouldn't have happened if this pandemic wouldn't be the case.

So, would you see next year being more softer because there are only so many numbers of students? If more have come in 2020, there could be an effect in 2021 where there will be less numbers of students coming in. So, any comment on that? Thank you.

Anup Dhand: Thank you. Coming to enrolment in 2021, in 2020, of course, that’s the number that we have and we did very well. 2021, if you ask me, I don’t know how the numbers will look but we hope we will be able to repeat these numbers. But, having said that, we are working on our strengths and we are keeping ourselves ready to meet any opportunities and challenges that come our way. As of now, whether we can predict that will have the same numbers or we’ll have less numbers, it will be very difficult.

Considering that we are still in the pandemic situation and the high schools are still going online, we do not know how many will be the high school graduates and all the other factors which affect the enrolment. That’s still very much anybody’s guess.

Coming to capex plans. Again, the same thing. Because we are still in the pandemic situation, we are evaluating all our options but, as of now, no decision has been made about the capex plans. But, again, having said that, our current capacity is sufficient for our current enrolment and we will take appropriate decisions going forward, when we have more clarity and the pandemic is behind us.

Coming to your first question about teaching staffs, no teaching staff were let go. All the teaching staff cost was captured in the financials and there were no salary cuts, as such. Of course, we will have odd cases of people who had to go because of their emergencies, because all of us are going through these difficult times during the pandemic. Thank you.

Operator: The next question comes from Divye Arora, from Daman Investments. Divye, your line is open.

Divye Arora: Hi. Thank you for the call. I just want to go back again to the capex question. What we have heard from you guys in the past is that the capacity is around 14,000 students and Nishit mentioned enrolment already.

You were saying you will look at the situation next year based on how much enrolments you get and then you will take the decision for the capex.

You were already planning some of the new majors, so if you get an approval to start some of these new majors, I'm just trying to understand how you will be able to accommodate the students if you don't have the capacity. So, why are you not planning for capex, given that you had a very good year in 2020 in terms of new enrolments?

Anup Dhand: Thank you. As I said, 2020 was a good year for us, of course, but you have to also understand that 2020, worldwide there was this pandemic and it was a one-off year. We cannot assume the 2020 situation to repeat every year. So, that's one part of it, why we are still going slow on the decision about the capex because we just want to be sure and we want to vet all the options and then take a decision.

About the capacity and current enrolment, yes, we have the capacity to meet the current enrolment and going forward, when we have more clarity from the pandemic, we will take a decision about the capex but we just don't want to take a decision in these pandemic-impacted times when there's hardly any clarity around and take a decision at the right time. Thank you.

Divye Arora: And, typically every year around 2,000 students are passing, the average, so that much could be replaced, right? That much I see you will have, every year, implemented.

Anup Dhand: Absolutely. That's always the case. We will have graduating students in 2021. This year we expect to graduate in the range of 2,700 students. So, of course, we will have capacity for new intakes due to that. We are able to manage our existing enrolment with our existing capacity. We don't have any pressure on our capacity as of now.

Divye Arora: All right. You had enrolments of around 4,000 students for the Fall semester and your market share was around 60%, right, in the third quarter, during the Fall? Can you just give us a history of it? What was the market share before and how many scholarships were given at the country level in that same 2019 Fall?

Anup Dhand: The high school graduates in Kuwait, they get admission in the private universities in Kuwait, but at the same time, some of them will go to Kuwait University. Some of them will opt for overseas scholarships. Some of them will go for a two-year diploma programme at PAAET.

So, it's not only that the students come only in the private universities. All the high school pass-outs, they will have various options. We had around 2,500 of the new intake in 2019 and this year we had around 4,000. About last year, the high school graduates were around 28,000-29,000 in total. This year the number was around 38,000 in total. So, that's where you have to calculate the overall percentage. Just consider the total number of high school graduates. That would be more appropriate.

Divye Arora: Sorry. You are saying that this year there were 38,000 students graduated from high school?

Anup Dhand: Yes. That number was around 38,000 in total in 2020.

Divye Arora: Okay. And, in 2019, you said it was 28,000?

Anup Dhand: Yes, in 2020 there was a big surge in the numbers as compared to 2019.

Divye Arora: Our impression was that this number used to be always around 40,000-45,000 students in the past. Was there a drop in 2019, a significant drop or something?

Anup Dhand: No, usually the number was always around 28,000-29,000 in total but, yes, we saw a surge in 2020.

Divye Arora: Okay. Any, reason behind this surge or why the numbers changed so much?

Anup Dhand: No. Sorry, it will be difficult to say this on my part but the numbers have gone up, maybe because of the online learning or whatever. But, yes, it would be difficult to comment on that on my part.

Divye Arora: All right. The other point is regarding the dividend side. Obviously, this year was a one-off where you actually paid back the dividend for the previous year also but, in general, how should we look at the dividend policy, around the 70% payout at the optimal number?

Anup Dhand: Dividend payout is decided at the end of the year by the board. The recommendation is done by the board, depending on the year's performance, as well as after studying all the relevant factors which are required for the dividend announcement.

I think, at this point in time, predicting about the dividend for the coming years will not be appropriate. Of course, the board will take the right decision. We will take into account yearly performance, as well as the cash requirements at that point of time and then decide on the recommendation of dividends.

Divye Arora: Okay. But there is no minimum policy in terms of the payout ratio that 60% or 70% is the least that you will give?

Anup Dhand: No. As of now, we don't have any written dividend policy, as such. We go by the year-end performance and then the board decides after contemplating all the requirements, the year-end results and others. The board contemplates and then recommends the dividend.

Divye Arora: All right. Just the last question from my side on the margin. I think a lot of discussion has already been around the costs. What we have seen is that your EBITDA margin has improved to around 63% in 2020 from around 59% in 2019, and there has been a consistent improvement in the last few years. So, 2016, you at 52%, 2019 was 59%, 2020 was 63%.

Obviously, some of the costs will come back if things get better, we get a bit out of the COVID environment, as well. Maybe you will spend more on marketing and your opex may go up. So, what sort of margin are we looking at, just a ballpark figure? Do you believe that 63% is way too high and we should get back to 58-60%, in that range?

Anup Dhand: As I said, 2020 cannot be taken as benchmark. It's a one-off year but, at the same time, we have improved on our margins in the past due to cost efficiencies and will continue to work on that and to strive for the maximum cost efficiencies. So, what would be the right number? I think 2019 numbers or thereabouts should be the ones that we should be targeting.

Divye Arora: All right. Thank you.

Anup Dhand: Thank you.

Operator: The next question comes from Junaid Farooq, from Frontier Investment. Junaid, please go ahead.

Junaid Farooq: Hi. Thank you very much for this call and congratulations on your role. I have two questions. Perhaps, we can start with the management changes that took place at Humansoft. If you can highlight, both the CEO and CFO were changed, one after another. Was this a routine retirement? That's one.

And, I know you have answered this question a couple of times but I haven't been able to understand it completely about the cost dynamics. If you can just explain more what do you mean by the realignment of cost in the fourth quarter and how did this realignment of cost lead to a sharp decline, both in the cost of revenue as well as the operating cost, especially when there no layoffs and no salary cuts were made? Thank you.

Anup Dhand: Thank you. About the management changes, Mr Baxi, our current CEO, he has been with us for a long time and he has decided to retire; he will continue serving on the Humansoft board. And, about myself, as a CFO. I have been with the organisation for seven-plus years and I have served in various roles in the Finance and operations departments. So, that's on the management changes side.

And, about the cost realignment, the academic year, if you see 2020, it went through a lot of changes. We started on campus Fall semester and then Spring on campus was there for one month, then we had to take a break. Then, April we started again online classes. We were the first to start online classes for Spring, in April. At that time, initially, there was no compulsory registration for the online classes. Then, we had to redo the Spring again for a few students who had missed it in the first place. Then, we had a Summer one. Again, we had to re-run the Summer. So, it went through a lot of adjustments. And, when it came to Fall. Fall, usually we start in September. We had a delayed start. So, there was a lot of changes in the academic calendar as compared to any regular academic calendar. It was not straightforward.

Junaid Farooq: Sorry to cut you. I understand that. Sorry to cut you. Let's just isolate the Q4 of 2020 and compare it to the Q4 of 2019. I understand that there was a lot of changes between the academic calendar but when I see your presentation, I see that in 2019 during Q4 60% of the Fall semester fell in Q4 versus 50% in 2020, so I get it.

There's a 10% differential but the cost differential that I see in your Q4 numbers is almost 50%. I'm trying to wrap my head around how is this such a big differential coming from a 10% realignment of your Fall semester. Sorry to cut you but I just wanted to clarify my question so that we can have a very targeted response.

Anup Dhand: Yes. The response is the same. See, it's all because of the cost in October. We did not have any revenue booked in the month of October, so accordingly, a lot of costs were also not incurred in October. Usually, the faculties go on leave during the Summer which reflects in Q3 of our regular financial year. If you go back to Q3 of last year, you'll see our gross margins were 81%. So, it's very likely that gross margins, due to the faculty leave, tend to go high in Q3. In 2020 there was a kind of a mix between Q3 and Q4, and that's where quarter-to-quarter comparison doesn't give the right analysis. That's why in my introductory statement I said a year-on-year comparison would be much more useful and understandable than quarter-to-quarter comparison. I hope I have answered your question. We have taken too much time on this quarter-to-quarter thing, rather than taking up all the other questions. Thank you.

Junaid Farooq: Thank you very much. I have just one more question. There was this 20% discount that the government implemented due to distance learning. Is there any clarity from Humansoft? Is this 20% included in the discount that you already offer to the government or this is on top?

Anup Dhand: For us the 20% discount that usually we offer to the scholarship students, that remains the same. There was no change in that. For us, it was the same numbers which we were used to in 2019. Thank you.

Junaid Farooq: Thank you.

Operator: The next question comes from Fatema Al Doseri, from SICO. Fatema, your line is open.

Fatema Al Doseri: Thanks. Hi. This is Fatema Al Doseri, from SICO. Thanks for the presentation. Just a couple of questions. The easier ones are the number of graduates this year and the breakdown of enrolments for AUM and ACM. If you can give us that.

And, again, just to go back to margins in the second half of the year. I know it has been discussed but we have to assume that because you went into online studying mode, there is higher efficiency and there was an improvement in margins because of that.

If we are to assume that, again, 2021 will be a one-off year because of COVID, and it seems like it's there until the end of the 2021 school year, if we are to assume that we're still in online mode and you're still not going back to campus, is it fair to assume that the same level of efficiencies are going to be there and we might see the same level of margins that we saw in the second half of the year? And, again, based on the assumption that high school students are going to end the year with online exams, just as

we've seen in 2020, and we see another surge in high school graduates in Kuwait and you end up with the same number of acceptance, of 4,000-plus students, if we get that scenario, it seems like you're reaching your 4,000 capacity here.

Is there any limitation from the government that won't allow you to take in those 4,000 students? If that happens, is there a limitation that this is your capacity and you can't exceed it or you can work around the campus to increase it by 10% without major capex.

Anup Dhand: Thank you. Expected graduates in 2021 for AUM and ACM, as I mentioned before, would be approximately in the range of 2,700-2,800 students. That's what we plan as of now.

Fatema Al Doseri: Sorry, 2020.

Anup Dhand: Sorry?

Fatema Al Doseri: Graduates for 2020.

Anup Dhand: Around 2,400 students graduated during the year 2020. About the efficiencies due to online classes. Yes, we did have cost efficiencies which were reflected in our 2020 numbers and currently, as we speak, we know that Spring in the current year is going to be online and that's as per the new government directive that has come through. If we continue to be in the online environment, we hope to continue achieving the cost efficiencies that we have seen in 2020 but, yes, having said that we have been incurring additional cost in setting up the IT infrastructure and all the other IT facilities that we require.

Till now, we have a clarity only up to the end of Spring but going forward during the Summer semester or Fall semester, how it's going to be, we don't know as of now. We have still a kind of ever-evolving situation that we are in, so we will wait but, yes, we will continue to work on achieving cost efficiencies as we move ahead in 2021.

For high school graduates. Yes, online classes are still going on for high school. How many students will graduate from high school this year? We don't have any clarity on that as of now.

So, as I said before, whether we will have 4,000 enrolments or more or less, again, I don't have any clarity as of now, as we speak. But, yes, we will keep working on our strengths and we will be ready for all the opportunities that come our way. So, we are working on that part.

Again, related to the capex, the question that you asked me, limitations from government? No. As of now, we haven't heard anything in that regard from the authorities but, yes, as we said, we continue to work on our strength and be ready for the opportunity as and when it comes our way.

The 4,000 new students we got in 2020, it was not that we were expecting to enroll 4,000 but, yes, we were ready on our strengths, reason we could accept all of them and we achieved the numbers and the efficiencies that we could reflect in our financials.

The same applies to online learning. We had heavily invested in our IT infrastructures so when the COVID hit us and we had to go online, we were the first amongst all the private universities in Kuwait to go online. So, we aim to work on our strengths and to be ready for the opportunities and to grab the opportunities as and when they arrive. Thank you.

Fatema Al Doseri: Thank you. Just a follow-up. If you can give me the breakdown of the enrolments based on AUM and ACM because you gave us the 4,000 as a total. And, have there been any delays in terms of government receivables? And, the third one, just going back to the 14,000 capacity, is that a number that you set internally or was it, again, the Ministry of Higher Education stating that your campus capacity is 4,000? Who set that number? 14,000, sorry.

Anup Dhand: This is based on the guidelines that we arrive at 14,000. It's not that we have been given a strict number written on stone that this is our capacity. We also work on our determining our capacity and how many students we can have without compromising on the learning process, so it's a bit of both. As of now, it is 14,000 and that's serving our current enrolment.
Now, coming to your first point of 4,000 students, that intake, and how much was it in AUM and ACM. ACM was around 600 and AUM was around 3,400. Thank you.

Operator: The next question comes from Fahad Al-Rushaid, from Kuwait Financial Centre. Fahad, your line is open.

Fahad Al-Rushaid: Can you just shed some light on the academic calendar for next year? When will each semester start? Can you decide that or is it decided upon from the ministry? Thank you.

Anup Dhand: The academic calendar is pretty much known from the start of the academic year itself, and in the past, it has never undergone a change. It used to change only by a few weeks, depending on the holidays and the other factors but usually it used to be like Fall, September to January, and then February to June used to be Spring, and then Summer semester in July and August. But, yes, 2020 brought in a lot of disruptions in the academic calendar. As of now, in 2021, we don't see much changes happening. We hope to start Spring in March and hope to finish in four months' time in June, but again, we don't know, with the ever-changing situation due to the pandemic, what is coming our way. So, we'll keep all our options open and if at all, we have to make any changes to the academic calendar, we will be ready to make them. Thank you.

Fahad Al-Rushaid: So, you expect the Spring in March, and then Summer in June, and Fall in September, as of now, unless there are other changes?

Anup Dhand: Sorry. I'll repeat that. Spring we expect to start in March and in the somewhere in beginning of September we'll be expecting to start with Fall. Thank you.

Operator: The next question comes from Sharat Dua, from Fiera Capital. Sharat, your line is open.

Sharat Dua: Hi. Good afternoon. It's Sharat Dua, here, from Fiera Capital. Just a couple of questions, if I may. On the enrolment of 4,000 that you talked about, how many of those are for the new major, the architectural studies?

Anup Dhand: We had around 150 new enrolments in architectural engineering.

Sharat Dua: And, was that in line with your expectations?

Anup Dhand: It was in line with our expectations and maybe a little better than what we have encountered in the previous years when we had introduced new majors.

Sharat Dua: Okay, great. Congratulations on that. If understood correctly, the main reason for the 4,000, the much bigger intake than normal, is simply at there were much more high schools than normal this year. And, you're not sure why that's the case but that is the main reason for the higher intake. Is that correct?

Anup Dhand: That's one of the reasons but the other reason is also because we are the preferred choice of the students.

Sharat Dua: Sure. But you've always been a preferred choice, right. I'm trying to think of what's different in this number. I guess my question was given this online learning, have the students that normally go overseas, have they still enrolled overseas in similar numbers, to your knowledge, or have they all been focused on the domestic institutions?

Anup Dhand: Whatever numbers we have seen in the print media, the overseas scholarships have also been consistent with previous years. So, we have not seen much change. In fact, it has also gone up by a certain number. It has not gone down.

Sharat Dua: So, you haven't picked up students because they haven't gone overseas? That's not a

reason for your intake?

Anup Dhand: No, I don't think that's the reason.

Sharat Dua: Fine. Thank you. Just to clarify on the costs. I know there's been a lot of discussion on that. Let's leave 2020 out. As far as staff costs for 2021 are concerned, you would expect them to be similar to 2019 but with some slight increase. Is that correct?

Anup Dhand: A lot of this depends on faculty/student ratios and the expected graduation and also when we introduce new majors there is an impact on the faculty cost due to that as well. So, there are quite a few factors which impact the cost parameters but, yes. As I said, we will aim to maximise our efficiencies and we will aim to achieve 2019 numbers but, yes, a lot of factors have to be taken into account while we speak that.

Sharat Dua: Fine. And, final question, you did sort of answer it earlier but I just wanted to clarify. There was a lot of talk about a further fee reduction being required by the government. So, you are not now expecting that to be the case? Is that clear?

Anup Dhand: No, we haven't heard anything about that from any authorities as of now. We are working on the same structures that we had previously.

Sharat Dua: Thank you very much.

Anup Dhand: Thank you. Are there any further questions now or can we wrap up?

Operator: We have two more questions. Do you have time for those?

Anup Dhand: Fine. We'll take these two and then we'll wrap up.

Operator: Okay. The next question comes from Alanoud Alrasheed, from Jadwa Investment. Alanoud, your line is open.

Alanoud Alrasheed: Hello. Thanks for taking my questions. My first question is related to receivables. If you can just highlight the reason behind the increase. Is it just explained by the higher number of students or is there basically a timing difference in collection of fees from government?

Anup Dhand: Sorry, can you repeat that again? I couldn't hear you properly.

Alanoud Alrasheed: Sure. Can you please explain the reason behind the increase in receivables? Is it only explained by a higher number of students or is there a timing different in collections from government?

Anup Dhand: The increase in receivables is again, as we mentioned previously, there was a delay in the start of the Fall semester. As a result of that, there is a delay in the receivables cycle, as well, and the same is reflected in 31st December financials.

Alanoud Alrasheed: Okay. My second question is if the Summer semester or the Fall of 2021 basically returns to normal and there is physical attendance again, will you have to hire new staff, additional staff to cover the higher number of students or does the current staff level you have basically cover it?

Anup Dhand: With our current number of faculties and staffs, we are able to do the online learning. Of course, when we move to on-campus learning we have recruitment plans in place and we will execute them as and when are over the pandemic crisis.

Alanoud Alrasheed: Can you quantify, just a ballpark number, for the spending on recruitment in case of physical attendance?

Anup Dhand: As I said, a lot will depend on our faculty/student ratios but, as of now, we are doing well and, going forward, if we have to hire new faculty, it will be in line with our previous year's numbers. We don't see any big change in our faculty/student ratios.

Alanoud Alrasheed: Thank you very much.

Anup Dhand: Thank you.

Operator: The last question is a follow-up from Ankur Agarwal, from HSBC. Ankur, your line is open.

Ankur Agarwal: Thank you for this. I just wanted to understand that, as a policy, are you seeing GCC countries encouraging more students to join domestic private universities going forward, so encouraging domestic universities? I think, even in COVID, the percentage increase in domestic scholarships was more than the overseas scholarships. So, do you see that as a trend?

And, the second part of the question is the margin that we saw in 2020 versus 2019, if we exclude the quarterly impact and everything else, is that reflective of the margin benefit from online education? Can you highlight cost savings that you get when you deliver education online because you're paying basically teachers the same salary, same number of teachers? What are the cost elements within SG&A where you are really saving, utilities is maybe one, but if you can just highlight that for us? And, that's it, these two. Thank you.

Anup Dhand: Thank you, Ankur. Online learning brings with it efficiencies in cost and that's reflected in the financials. If you see in our current financials, the 2020 numbers, even our other income has contributed to the increased net profit and the other income has mainly come from the interest on the fixed deposits that we keep with the bank, so that has also contributed to the higher net margins.

Efficiency, of course, online learning contributes to that and as there are no students on campus, so campus activities and all the other related costs are not incurred, so that brings in more cost efficiencies. It's not only the cost efficiencies which are reflecting in the net margins, it's also the non-operating income which has contributed to the higher net margins.

Coming to your GCC scholarship question. Honestly, this is a government decision and, it's difficult for me to speculate how they see it, but as I said before also, whatever the government decides we'll keep working on our strengths and be ready to meet the opportunities.

Ankur Agarwal: Okay. Just one small thing. On 2021, obviously, the higher enrolments, do they improve the student/teacher ratio, in a sense, and does it result in margin leverage or operating leverage? One, is we are discussing cost benefiting the margin? Two, is the fact that you've got such a high enrolment should also benefit margins in 2021, right?

Anup Dhand: Any high enrolment of students will benefit our student/faculty ratios, that's for sure, but having said that most of the new students, they go to foundation courses, so whether everything will be reflected on the numbers, that we have to see as we come into the next quarters.

Ankur Ajarwal: Okay. Many thanks, Anup, for your insights. Thank you.

Anup Dhand: Thank you. Thank you, all the participants for participating in the call. Thank you. Over to you, Mirna.

Mirna Maher: Thank you, everyone, for joining. This concludes today's call. Have a good day everyone.