

Date: 10<sup>th</sup> August 2021

التاريخ: 10 أغسطس 2021

M/S . / Boursa Kuwait Company

المحترمين

السادة/ شركة بورصة الكويت

Greetings,

تحية طيبة وبعد،،

**Subject: Analysts/Investors Conference minutes  
for the second Quarter of 2021**

**الموضوع: محضر مؤتمر المحللين/المستثمرين للربع الثاني من العام  
2021**

With reference to the aforementioned subject, and to our letter sent to you on 04/08/2021, kindly find attached the minutes of the analysts / investors conference for the second quarter of 2021.

بالإشارة إلى الموضوع أعلاه، وإلى كتابنا المرسل لكم بتاريخ 2021/08/04، نرفق لكم محضر مؤتمر المحللين/المستثمرين عن الربع الثاني لعام 2021.

وتفضلوا بقبول فائق الإحترام،،

Yours Sincerely,



دلال حسن السبتي

رئيس مجلس الإدارة

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

**Company:** Humansoft Holding Company

**Conference Title:** Humansoft Q2 2021 results conference call (Edited Transcript)

**Date:** Wednesday, 4<sup>th</sup> August 2021

**Time:** 2 pm (Kuwait time)

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**Hatem Alaa** Hello, everyone. This is Hatem Alaa from EFG Hermes. Welcome to HumanSoft's second quarter 2021 results conference call. I'm pleased to have on the call from HumanSoft Anup Dhand, CFO, who will start with some opening comments and then we'll open the floor for Q&A. Just as an initial reminder, to ask a question, you can either click on the raised hand button on the right hand side of your screen and I'll unmute your lines, or you can type in the Q&A chat. Anup, please go ahead.

**Anup Dhand** We are glad to have you with us today and we welcome you to the HumanSoft Q2 2021 results conference call. I hope you and your loved ones are keeping safe. Thank you, team at EFG, for facilitating the call. I am Anup Dhand, CFO of HumanSoft and I would like to run through the Q2 2021 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.

Some of the key highlights for Humansoft during Q2 2021 were:

- AUM has been ranked by Times Higher Education as the first university in Kuwait and 24th in the region in the Times Higher education Arab university rankings 2021, released in July 2021.
- AUM has been ranked as the top university in Kuwait and the top 751-800 universities globally in the QS World university rankings 2022.
- AUM received approval to offer masters in Engineering programs.
- ACM received approvals to offer three new majors.
- The College of Business Administration at AUM has earned business accreditation by AACSB, the longest serving and most prestigious accrediting body for business schools.
- AUM became member of PRME – Principles for responsible Management Education, a United Nations supported initiative.

Now coming to the Financial Performance for the Q2 2021

To begin with, we would like to inform that due to changes in the academic calendar in 2020 and 2021, the previous year numbers may not be comparable.

In normal circumstances, Q2 would have comprised of 60% of Spring revenue. However, during Q2 2021, 75% of Spring revenue has been recognised.

You can refer to the revenue recognition slide on page 12 in our Investor Presentation.

H1 2021 revenue of KD 54.2 million was higher by 121% in comparison with H1 2020 revenue of KD 24.5 million, mainly as a result of higher student enrolment and changes to the academic calendar due to COVID-19.

H1 2021 EBITDA of KD 40.4 million was higher by 296% in comparison with H1 2020 EBITDA of KD 10.2 million.

H1 2021 Net profit of KD 36.9 million was higher by 389% compared with KD 7.5 million for H1 2020.

Net Profit Margin for H1 2021 was 68% and EBITDA margin for H1 2021 was 75%.

The Earning per share was 303 fils during H1 2021 as compared to 62 fils during H1 2020.

Humansoft had a net cash position of KD 47 million as at 30 June 2021.

Total equity was KD 106.1 million as at 30 June 2021 and the annualised return on average equity for the first six months of 2021 amounted to 65.8%.

Total Assets was KD 127.3 million as at 30 June 2021.

As at 30<sup>th</sup> June 2021, Humansoft has no deferred income from its higher education business, this is due to start of summer semester in end June, rather than mid-June in a regular academic year.

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

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

Above key strategies of Humansoft are very well represented in AUM and ACM operations as well.

AUM is high school students' university of first choice and this is reflected in the high number of applicants we received during this year. This is also reflected in the QS World and Times Higher education rankings which has placed AUM as a top-ranking university in Kuwait.

We do strive for academic excellence and are adding new capabilities and continuously developing new offerings to secure our long-term prospects.

We have a stringent admission process in place, to select the best and brightest students, in view of a right balance between quality and quantity. Considering the cost of subsequent drop out, our positioning is, we always aim for admitting the right candidate for both AUM and ACM.

Our admission process, this year too has remained unchanged and we continue to recruit students with high GPA.

Local scholarship numbers, which were announced by PUC last month, are still not final. Until the start of Fall semester, there can be changes on account of additions and withdrawals. Further, these numbers do not include self-pay students and ACM graduates who wish to continue and join AUM UG programs. We will be able to know the actual number of new students, only at the time of start of fall semester.

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.

**Hatem Alaa** Thank you, Anup. To ask a question, you can either click on the raised hand button on the right hand side of the screens and I'll unmute your line, or you can type in the Q&A chat. Again, you can either click on the raised hand button or type in the Q&A chat. We'll take our first question from the chat from Deepak Babu from BNH. There was no deferred income shown in the balance sheet on 30th June 2021. Usually, the summer semester revenue is captured. What is the reason for this?

**Anup Dhand** Thank you, Deepak, for the question. Summer usually starts towards the third week of June, and by the end of Q2 as on 30th of June, we are able to compute the summer revenues. But this time, it started in the last week of June, therefore, the computing and the add and drop period was not over as of 30<sup>th</sup> June, so the summer revenue could not be computed as of 30<sup>th</sup> June. Hence, there is no deferred income in the Q2 2021 financials. Thank you.

**Hatem Alaa** Thank you. We have a question from the line of Thomas Mathew. Your line is open.

**Thomas Mathew** Hi, good afternoon. Thanks for taking my questions. It's Thomas Mathew from Kamco Invest. I have three questions. My first question is regarding your enrolments for the fall semester. I just wanted to know the backdrop for the drop in AUM enrolment. Is it given that the backdrop is at 49,000 odd students who are passed out, and the dip in local scholarships is just about 3%?

I'm trying to understand what is the backdrop for the significant drop in AUM enrolments. I know these are preliminary numbers, but even then, if there's any colour you can provide on that, that would be very helpful. Every year, in a standard year, the general trend was that AUM and ACM combined would get something like 8% to 10% of the total number of students that have graduated. I just wanted to know what's the reason for the delta?

My second question is also in line with the discussions that are happening at Kuwait University to increase the number of students by about 20% for certain streams. I'm just wondering if you have received anything from the Private Universities Council for a similar increase in the intake and the number of students and scholarships. And my final question would be regarding H2 2021, which is more or less going to be in line with H2 2019, which was mentioned. So, given that that's the stance and we're returning to a normal academic year, would your stance on M&A activities change to being more aggressive? Thanks for taking my questions.

**Anup Dhand** Thank you, Mr Thomas. Coming to enrolment for fall and the local scholarships. As you mentioned, these are the preliminary numbers and like everyone else, we also keep referring to the local print media. And there are various news appearing in the print media and no official announcements has been made for Kuwait University increasing its intake by 20%.

Now, for PUC reaching out to us for additional capacity, there has not been any official communication from PUC about this. We're waiting for the admission process to complete, and as I mentioned in my opening statement also, self-pay and ACM transfer numbers are yet to be finalised, and the process of admission is still underway as we speak.

So, once we get closer to the start of the fall semester and after the end of add and drop period, I think that's the only time when we will know the actual new intakes for the new academic year. Now, about

the H2 2021 and M&A activity, we don't have any plans to go for M&A activities as of now. We are looking at focusing on our strength areas in AUM and ACM.

For H2 2021, we still don't have a clarity on how the campus will function. There is no official communication as yet. But yes, we are prepared, at AUM and ACM, for all kinds of eventualities, be it online, or hybrid, or on campus, we are preparing ourselves for whatever we are asked to go ahead with. I think I've answered all your questions. Thank you so much.

**Thomas Mathew** Anup, I just have a follow-up question on the first point that you mentioned. What was the rationale for the dip in preliminary numbers in the enrolments as you see it from your end?

**Anup Dhand** As I mentioned, for us, the quality and quantity mix is always very important. And AUM and ACM put together still have the highest number amongst all the private universities. And we have managed to take students of highest GPAs. Yes, these are still the preliminary numbers and we hope to have more clarity as we come close to the start of the fall semester.

**Thomas Mathew** Thanks, Anup.

**Hatem Alaa** Thank you. We'll take a question from the line of Karim Abbas from Franklin Templeton. Your line is open.

**Karim Abbas** Hi, Anup. Thanks again for the call. My question, I don't want it to be misconstrued as an issue of forward looking statements. I know you guys don't commit to these panning out correctly, but when we spoke about a year ago, after the record enrolments that came in, we asked about plans of increasing capacity, seeing as with the added number of students, you got to about 98% of your 14,000 student capacity.

And at the time, you guys said that we will wait to see what enrolments look like next year, and then decide on adding capacity. Now, we objected, saying well, that's going to push you above your capacity, so is your capacity really 14,000? And the response was actually, we can operate with, between online and offline, masters classes can be taken in the afternoon, etc. And now we come up with a much lower than expected enrolment figure.

I could say, objectively, the investment community got disappointed by this figure. So, my question is was this known in advance that you would only be accepting this number of students, and hence, why you didn't make plans for additions?

**Anup Dhand** Thanks, Karim. About increasing the capacity, I can share with you that as of now, also, we don't have the concrete plans in place to increase our capacity. Because one, the pandemic is far from over, though we have heard about the preliminary number from the PUC. Once we have more clarity, we will review our academic requirements, and only then will we commit to the increase in capacity, depending on what kind of capacity increase we have to make in our campus.

Now, coming back to your question of were we aware of it? Of course not. Our admission process is, as I mentioned in my opening statement, is same as last year, we aimed to get the students who match with our key strategy of academic excellence and we will continue doing that.

**Karim Abbas** Are you guys disclosing the number of students that apply each year? Maybe the acceptance rate.

**Anup Dhand** No. As of now, the admission process is still ongoing, so we don't have the complete number. Admission process is still not over for ACM transfers and self-paid students. And as we mentioned, even the PUC numbers can go up and down, depending on the withdrawals and further additions.

**Karim Abbas** But just as far as disclosure is concerned, eventually, once the term begins, I think this a datapoint that will be very relevant for people to know, even after the fact. So, it may be in September or October, if you can come out with a number that says for this year, this is how many people applied, this is how many people were accepted, just so we can keep track of that. So, it's something we would appreciate you considering.

**Anup Dhand** I take your point, and on that, we can discuss that internally and we can come back on that, rather than giving you a firm answer at this point in time.

**Karim Abbas** I appreciate that. Just the fact that you're considering it is what we'd like to hear. And the other thing is I just want to make it clear that if it's not apparent, from the perspective of the investment community, I know you don't want to make assumptions about capacity additions at this moment, but you are in advertently sending a signal to the market when you don't make plans for capacity additions, even though you're at 98% of capacity.

The signal that you're sending is that we will continue to add a lower than required for growth number of students, meaning that once the batch of 4,000 that came in last year goes through their four years of university, the market is going to be forecasting a declining total enrolled number of students going forward. So, the longer the decision is delayed and the longer that communication is made to the market, you should expect stock to price at lower and lower terminal growth, and possibly, negative terminal growth.

So, that's just what I want to make clear, that by delaying that announcement or that clarification, you're, essentially, hurting the stock.

**Anup Dhand** Thank you, Karim. I take your interpretation I understand where you are coming from and going by what we believe, we will be taking an informed call at an appropriate time about capacity increase. And about the last year's number, we have also said in the past that last year's enrolments were one-off numbers. We always considered them as one-off numbers. And depending on this year's enrolment and the pandemic situation getting over, and also depending on our requirements, we will take a call on the capacity increase. But I appreciate your point of view and I take a note of that. Thank you.

**Karim Abbas** Thanks a lot.

**Hatem Alaa** We'll move back to the chat and there's a question from Alanoud from Jadwa. The first part was answered, it was on your capacity expansion plans. And what and when can we expect the high cash on the balance sheet to be used for?

**Anup Dhand** The high cash in the balance sheet, in the past, we have used for dividend distribution. In the past, we have used cash for dividend distribution and nothing has changed from that perspective. So, post Q4, I'm sure that depending on the parameters and the situations prevailing at that time, the board will take a decision on recommending the dividends. Thank you.

**Hatem Alaa** Thank you. We have a question from the line of Jonathan Milan from Waha. Your line is open.

**Jonathan Milan** Good afternoon. Thank you for taking the time for the call. Are there any updates regarding adding new majors within engineering and business, and a new school entirely, besides business engineering? And the second question is barring any new additions, do you think that you would be able to grow beyond the current number of students or is this a maximum capacity you can reach within the existing majors and product offerings? Thanks.

**Anup Dhand** We have got the approval to offer master's programme in engineering majors in the last quarter. And at the same time, for ACM, we got approval to offer three new majors. Now, these three new majors for ACM, we have started to offer them from upcoming fall semester itself. So, we look forward to reaching out to a bigger number of students with these three new majors. These are petroleum engineering, civil engineering, and chemical engineering.

By adding new majors, we aim to reach out to bigger target students, and at the same time, the masters approval that we got, now we will be preparing ourselves to offer masters. And we believe that by adding masters, we will be creating more value and more options for AUM graduates. So, we do have plans to grow our student base by offering new majors. In AUM in the past, we have always been adding new majors, and that has fuelled our growth.

At the same time, last quarter, we had these two highlights, which I mentioned in my opening statement. AUM has been ranked as the number one university in Kuwait by both QS World, as well as Times Higher Education, which is a big achievement. So, by creating a brand image, we want to reach out to more and more prospective students and increase our student base. Thank you.

**Jonathan Milan** Are you planning to add anything, besides engineering and business? [Overtalking] biology, physics, STEM.

**Anup Dhand** As of now, we are focusing on engineering and business only, and we want to add more and more new majors in these two colleges.

**Jonathan Milan** Final question. How much will it cost you to add another building or two to take your capacity to, say, 18,000? Is it KD 5 million, KD 3 million?

**Anup Dhand** Again, it will be very difficult to put a number on it at this stage. Because it will depend on various factors, if it's a building for the engineering major, then it will depend on the lab requirements. So, there are a lot of factors that go into that. But yes, once we decide what kind of building is to be constructed, then the plans are made, then only we can come up with an estimation of cost. At this point in time, just to give you a lump sum number, it would not be appropriate.

**Jonathan Milan** Thank you.

**Anup Dhand** Thank you.

**Hatem Alaa** The next question is from Sharat Dua from Fiera Capital. Your line is open.

**Sharat Dua** Thank you, Anup. Congratulations on the number one ranking from the Times and QS. That's really good news. Apologies, I'm going to have to ask you to repeat one of the earlier questions, because my sound really dropped out at that particular time. And it's the one about student

enrolments this time around. If you could just explain again how this number was versus, perhaps, your expectations.

Because my understanding was that obviously, last year was a record number, but we also had record year 11 passes last year, so we thought there were going to be more gross candidates sitting all the exams this time around. You've referenced about GPAs, so does that mean that the fail rate or the attainment levels were lower than expected?

And is that the reason for your enrolments returning to normal levels or is there something else? I appreciate that you've already answered part of this, so may apologies. I couldn't hear.

**Anup Dhand** Thank you, Sharat. With regard to the enrolments for fall, the local scholarship numbers that were announced, as I mentioned before, the numbers are still preliminary. There will be withdrawals and additions to these numbers, because these students, they can add and withdraw, depending on their preferences. We have seen, in the past, that these numbers do change.

We still have to consider these numbers to be preliminary and we wait for the things to freeze out a little more, before we can start discussing the final numbers. And self-pay and ACM graduates, as I mentioned, are still pending. About the GPA part, yes, what we know is that we have got the highest GPA students, but how the overall GPA has been, I do not have the complete information to share with you.

But yes, we continue to attract the best students with the high GPAs. That in the long-run, it's always better to go with the students whose academic goals match with our strategy of academic excellence. Otherwise, we tend to have dropouts, which is again, of not much benefit to neither the student, nor the institute.

But then last year's numbers, we have always been saying that those were one-off numbers and we will wait for the final numbers for this year till the fall semester starts, once the add and drop period gets over, we will surely come up with the new admission numbers and post it on the relevant mediums.

**Sharat Dua** But do you have data from a system point of view as to whether the GPA distribution was weaker than normal or what? Because my understanding was more students sat the exams than ever before, so if the distribution curve on grades is similar to normal, then that would suggest you'd have more than ever before achieving the GPA thresholds that you look for.

**Anup Dhand** In Kuwait a lot of information on the GPAs and high school graduates is not available in the public domain. So, we gather the information from the various media sources and the dailies that keep publishing news, and we compile our information from there only. There are no official datapoints on these, so it would be very difficult and not right for me to give any information on the call as well, because there are no official sources.

**Sharat Dua** I'm just trying to understand whether you... You're probably getting the feeling, on this call, that the investors were surprised at the number of scholarships, that it was probably lower than some of us were expecting. And I'm trying to understand whether you were also surprised or whether this fit with your expectations for the year. I realise 2020 was a record and one-off, but even then, that was certainly my view, that the numbers were probably a bit higher than what we've seen.



And I appreciate that it's preliminary, but correct me if I'm wrong, between preliminary and final, you're not expecting hundreds of more or less students, you're talking tens of.

**Sharat Dua** No. But based on history, based on prior years, it's never been such a large number that would change between preliminary and final, has it?

**Anup Dhand** Mostly, no. But then we have been hearing thru various news about Kuwait University increasing the capacity. There are various kinds of print media news that we are going through, so it's very, very difficult to know how the real situation will pan out before the start of the fall semester. It's very difficult to comment on that at this point in time, so I think we need to wait for the fall semester to start.

**Sharat Dua** And in terms of online versus on campus expectations? What can you say on that where we stand today?

**Anup Dhand** Again, what we keep hearing from the print media is that concerned authorities plan to have schools resume on campus. Officially, we have not heard anything at AUM and ACM level, but for our readiness plan for fall 2021 semester, we are gearing up for all kinds of scenarios, be it online, or hybrid, or on campus.

**Sharat Dua** Thank you.

**Hatem Alaa** Thank you. I'll move back to the chat. There's a question from Margarita Chirkova from HSBC. Part of the question was already answered, could you shed some light on whether offline classes are planned to resume in September for vaccinated students, or are you planning to continue a blended approach? And in the case that offline classes continue, how do you see your costs increasing? And her second question is on the net cash position dropping 43% quarter-on-quarter. Could you please shed some light on the purposes of the cash spend?

**Anup Dhand** Thank you. Offline classes, whether it would be for vaccinated students or no such conditions will be put, we will wait for the authorities to come up with the official communication on that. As of now, we don't know anything about that. But yes, we are preparing ourselves and when we say we are preparing our readiness plans, to say that we are preparing our infrastructure and the classrooms, and all the other related facilities.

About the changes in the net cash position, its mainly due to the dividend distribution that was made during Q2, which resulted in the net cash position coming down.

And the question that with offline mode, the costs going up,

Yes, once we go back to on campus activities, then a lot of other activities, which are not on campus as of now, will resume and it will have an impact on the overall cost for sure. Thank you.

**Hatem Alaa** Thank you. There's a question from Mustafa Aamer from Alrayan Investment. The first one is what's the summer student enrolment for 2021 versus 2020? The second question is on facilities and materials cost. There was a substantial cost reduction, are these costs going to go up again when in class learning begins?

**Anup Dhand** Summer 21 registrations have been in line with the last year online registration. So, we have not seen much of a change on the summer registrations. And about facilities and other

related costs, of course, when we are in an online environment, a lot of on campus activities and the maintenance and facilities costs were substantially reduced.

But once we come back on campus, these costs are expected to go back to the previous levels. But as of now, yes, in the online environment, we are seeing a drop in these costs. Thank you.

**Hatem Alaa** Thank you. If I may ask participants to limit their questions to two, because we have a long queue of questions. We'll move to a question from Ahmed El-Naggar from FIM. Your line is open.

**Ahmed** Hi. Thanks a lot for the call. I have a question, which you have already answered, but I'd appreciate it if you could give a clearer answer. You have added three new majors in ACM. So, how, potentially, could it increase your admissions in ACM? For instance, ACM market share this year is roughly 14.15%. I know these are not final numbers, but having those new majors added, would it be a fair assumption to assume 5% increase in your market share in ACM? Or are these majors competitive and difficult to gain 5% market share? Is that clear?

**Anup Dhand** Thank you. the preliminary numbers of local scholarships that you have seen, the new majors are already reflected in those. And usually, although these numbers are still not final, but usually, when we introduce a new major, we start the year with almost around 50 odd students in the new majors, so that's the trend from the past.

Adding these new majors in ACM will increase our reach to a greater number of students, because now we have these three additional majors, which can attract more students. But just to give you an answer on the market share, these new majors are already reflected in the announcements, which came for the local scholarships.

**Ahmed** Thank you.

**Hatem Alaa** Thank you. A question from the line of Alowi Alimirah from Morgan Stanley. Your line is open.

**Alowi Alimirah** Hi, Anup. Thank you for the call. Two quick questions from my side. First, could you please remind us, pre-pandemic, what was the potential of the Kuwait students that won scholarships? That's my first question. The second question is in terms of the graduate students, what percentage of them are employed within, say, the first year?

**Anup Dhand** Can you elaborate on your first question, pre-pandemic, what information you wanted?

**Alowi Alimirah** It's the percentage of the Kuwaiti students that won scholarships in universities.

**Anup Dhand** In all universities?

**Alowi Alimirah** Yes.

**Anup Dhand** We have around 90% of students that are on local scholarships in the AUM and ACM.

**Alowi Alimirah** And then in terms of the employment within one year?

**Anup Dhand** Employment in Kuwait works a little differently. All AUM and ACM graduates, won't necessarily be aiming to join the private sector. So, it all depends on what is the personal goal of the individual student is. A lot of them may be wanting to go for studies abroad to pursue masters or to join their own family businesses. So, it's not like what it is for any other international university here in Kuwait.

But yes, we do have a department or a specific unit to take care of the placement needs, and we do expose the profiles and CVs to the prospective employers. But a lot depends on the individual's goal. We do conduct career fairs and during the pandemic, we conducted virtual career fairs where the employers took part in the career fair and the prospective employers and the graduates met at the career fair.

But putting a specific number to it on how many got placed, I think it will not be the right reference point. For Kuwaiti students, it's the government that also helps in providing them with the jobs in the government sectors depending on their choices and preferences. So, the students don't always rely on seeking a job through the university.

**Alowi Alimirah** Thank you.

**Hatem Alaa** Thank you. There's a question from the line of Fatema Al-Doseri from SICO. Your line is open.

**Fatema** Thanks for the call. I have a question in terms of the scholarship, AUM and ACM division, I think it's the first time that we see ACM students having a much higher portion of the scholarships compared to the previous years. I just want to understand, is that because of the Kuwaiti government approving just the ACM scholarships instead of AUM? Or is it because you had higher enrolments in the ACM, compared to AUM? Just to understand why such a growth in ACM and not AUM scholarships.

**Anup Dhand** Again, we have to understand the fact that these are preliminary numbers and these numbers can change. That's one thing. But also, the fact that ACM, the three new majors that have come through, that must have helped us to reach a bigger audience, and that would have certainly resulted in a growth in ACM numbers. Besides that, the message that we were giving was the ACM, the two plus two programme that we launched, wherein the students can get into ACM, complete their two year diploma, and then they will have an academic pathway to switch on to AUM majors, that might also have resulted in the higher ACM numbers.

But what I am saying is that these re the possible points that could have seen ACM numbers at a higher point in the preliminary numbers announced in the local scholarship. Thank you.

**Fatema** Thanks. Just a follow-up, was it possible that the students applied... Because I understand that students, when applying, they provide three universities in terms of preference. Were there scenarios where students applied to both AUM and ACM, and instead, you see them being accepted in the ACM college?

**Anup Dhand** As of now, of course, there would be some cases, depending on the GPAs. Because a student will their own preferences as per their choice, but then maybe the GPA requirements of AUM and ACM are different. So, maybe the major that they might be applying for is not available, and

they might be accommodated at the second choice of their preference. But as of now, saying that it happens with everyone, it will be a very generalised statement.

**Fatema** Thank you.

**Hatem Alaa** There's a question from the line of Ahmed El-Saharty from TRG. Your line is open.

**Ahmed** Hi, Anup. Thank you for taking the call. I have a couple of questions. You mentioned that you can still add self-paying students. We never had in-depth conversations about these students, given that you were getting scholarship students, which probably offer better cashflow and security, from a business level. So, my question is, is there a demand to offset the full drop that you've witnessed from the PUC? And do these students change, in any shape or form, your receivables?

My second question is on the dividend. I know it's a bit early, but given that you don't have any... I want to understand what the board looks at when it comes to distribution. Given that you don't have any expansion plan for this year, is it fair to assume that you would pay out the same dividend as last year, given that you're very high on cash at this stage?

I know we have a limit of two questions, but my last one is maybe shed some light on the International University for Science and Tech. Given that it obviously grabbed market share this year from the PUC, and given that you're on the ground, just some colour on the capacity offerings and any insight would be very helpful. Thank you and I apologise that I added a question.

**Anup Dhand** Thank you. I'd like you to repeat your first question again. I couldn't get that properly.

**Ahmed** Self-paying students, I just want to understand, can you offset the drop that you've got from the PUC by adding self-paying students? So, assuming the drop equals to 200, 300 students, can you accept and is there enough demand to add to the 300 self-paying students to AUM or not? And does it change your receivables structure in any shape or form?

**Anup Dhand** As I said, if you are comparing with the last year's enrolment at AUM and ACM put together, we have, time and again, said that last year's numbers were one-offs. So, this year, also, as we are now in the middle of recruiting the self-pay students, it's expected to be in line with what it was last year. So, we don't assume, the self-paid students to offset the drop in the local scholarship.

And just to speculate on the final number will not be appropriate, so we will wait for the fall semester to start.

**Ahmed** Just a quick follow-up on that, so you wouldn't change the structure of having 90% scholarship versus 10% self-paying. It wouldn't drop to 80% per se. You'd like to keep it around 90%, that's what you're saying?

**Anup Dhand** It all depends. As I say, these numbers are preliminary and self-pay students admission is underway. So, how the final numbers will pan out, we will have to wait for fall semester to start and the numbers to get frozen. And as I mentioned, we will always keep focusing on the quality of the students as well. So, just to get the numbers, we are not going to drop our guards on the quality front.

Coming to our dividend pay-out. As in the past, when we had surplus cash and when Board did recommend to distribute dividends, taking into consideration the cash requirements So, I think the same thing will continue and we don't expect much change on that front, but how much will it be and what percentage, I think post Q4, it will be recommended by the board.

About the IUK, the new university. it's a new university, which has come up. We also don't have much information, and we will not be in a position to comment much on that. Thank you.

**Ahmed** Thank you.

**Hatem Alaa** We have a follow-up question in the chat from Deepak Babu on the masters programme. The questions are what are the enrolments you're expecting for the masters programme for the next two years? And is it covered by government scholarship? And also asking if the new ACM undergrad programmes will be covered by government scholarship?

**Anup Dhand** The masters programme, we have just now received approval, so we will be revisiting our plans about offering them. As of now we plan to offer it from the next academic year, that is fall 2022 onwards. Still no final decision has been made about the offering.

And since no final decision about the offering is made, I don't think we will be able to give a number on how many students we expect at this point of time. For masters programme, as of now, the local scholarships don't cover the masters programme.

And ACM graduates, yes, they are covered in local scholarship. ACM new majors that we have launched, are also covered in the local scholarships. Thank you.

**Hatem Alaa** Thank you. A question from Christine from Arqaam. What's the reason behind the 3% sequential decline in revenues and the three percentage point compression in operating margins?

**Anup Dhand** The drop in revenue in Q2 is mainly because of the graduates that we have during the fall semester. So, every semester, we will have graduates, and those graduates do not become part of the following semester. So, that's the reason for the Q2 revenue lesser than Q1 revenue, because Q1 revenue was primarily comprising of fall and Q2 is primarily comprising of spring revenue. I didn't get the second part, Alaa, can you read it out again?

**Hatem Alaa** She's asking about the decline in margins, Q on Q.

**Anup Dhand** The decline in margins is mainly for the revenue, as well as there were some incremental cost, a marginal increase in the costs as well. So, all put together, it had a decline in the margins in Q2 as compared to Q1. We also had incremental costs in the sales and marketing because Q2 was the time when we were doing a lot of marketing campaigns for the admissions. So, that resulted in a marginal increase in the sales cost as well.

**Hatem Alaa** Thank you. There's a question from Ahmed El-Saharty from TRG. How much cash do you deem necessary to keep on the balance sheet for regular operations? That's the first question. The second question is can you disclose what percentage of applicants got accepted by the two schools for the fall semester? And are you aware if all of the accepted students did get PUC scholarships?

**Anup Dhand** Coming back to the first question of cash required. We have discussed this in our calls before as well, that our cash collection is primarily for the scholarship students. And that, at times, has a longer payment cycle. So, to meet that, and to support the large operations, we have to keep larger amounts of cash, usually five to six months of the expense requirements we need to keep in cash.

So, for the dividend for 2020, we distributed almost 49 million. So, we had a huge cash on our balance sheet in Q1 numbers that you see. As of now for the expenses, we have enough cash with us.

And the excess, we're placing them in the term deposits and whenever the board recommends any further dividends we will use the same

**Hatem Alaa** The question is can you disclose the percentage of applicants that got accepted by the two schools for the fall semester? And are you aware of all of the accepted students that get PUC scholarships?

**Anup Dhand** The accepted students, I'm not able to understand what is meant by accepted. Maybe they mean the applicants. So, applicants, as I mentioned when answering previous questions, it's still underway. And once the total admission process is complete, we will make an internal discussion and decide whether we can disclose the number of applicants. We took a note of that, so we will discuss it internally and then decide on that part. But as of now, the process is still on, so we don't know what will be the total number of applicant students.

**Hatem Alaa** I'll take the last question from the line of Ashish Agarwal.

**Anup Dhand** It will be the last question, because we are well over time.

**Hatem Alaa** Yes. From the line of Ashish Agarwal, your line is open.

**Ashish Agarwal** Thank you for the opportunity, gentlemen. I have a couple of questions. My first question is assuming the dust on COVID settles, and you have clarity as to how the situation is going to be, online versus offline or hybrid. How much time would it take, from that point onwards, for you to increase your capacity? That is my first question. My second question is that it appears to me that we are shifting on a normalised year in terms of revenue recognition.

I don't want to touch on the forward looking part, but can you give us guidance on the revenue recognition for the upcoming fall numbers? What is going to be the split? And the third question is I just want clarification. So, the new masters in engineering programme at AUM, which got approved, that is not included right now in the 14,000 capacity. So, that will be additional to the 14,000 capacity from next year onwards. These are my questions, thank you.

**Anup Dhand** Thank you. Online and offline, as I said, we are prepared for all possible scenarios that we are required to. And once we know, then of course, we will be executing it, depending on how the authorities ask us to go ahead with executing the fall semester. As of now, we have been hearing that the schools will resume on campus, so hopefully, that will apply to universities and colleges as well. That's the first part of your question.

About revenue recognition for fall. I feel that once everything is finalised, only then we will know when the fall semester will begin. So, as of now, the schedules are not final, so I don't think I can comment. Once we get to on campus and the dust on COVID, as you mentioned, settles, then we will be more on

a normal academic calendar. But as of now, the schedule for Fall is not final, so once it's final, then, we will know about the revenue recognition cycle.

And masters in AUM. Yes, as I mentioned, for masters in AUM, we are still in a planning stage. And once we have confirmed plans about how to offer, when to offer, how to target, whom to target with these new masters, then only we will be able to estimate the new students in masters program. But as of now, this is not included in any of the numbers we see in the local scholarships, or even we are not accepting any applications on masters for AUM engineering programmes. Thank you.

Ashish Agarwal            Just one last question. Briefly, I just want to touch on how much time it will take for you to increase your capacity. Just a rough guess.

**Anup Dhand**            In the past, education building, we have been able to construct in less than a year. But again, it depends on the academic requirements, as I mentioned, what kind of building are we constructing, is it a classroom building, or a lab building, or some other infrastructure required, based on the academic requirement? So, it will be tough to give you a rough estimate on this. It all depends on what kind of construction we are going to come up with.

Ashish Agarwal            Fair enough. Thank you very much.

**Anup Dhand**            I think we are much over time, so we can wrap it up.

**Hatem Alaa**            Yes. Thank you very much, Anup, for your time. And thank you, everyone, for participating.

**Anup Dhand**            Thank you, everyone. Thank you, gentlemen, for attending the call. Thank you.

**Ahmed**            Thank you. This concludes today's call.