

Date: 14<sup>th</sup> February 2022

التاريخ: 14 فبراير 2022

M/S . / Boursa Kuwait

المحترمين

السادة/ شركة بورصة الكويت

Greetings,

تحية طيبة وبعد،،

**Subject: Analyst/Investor Conference minutes for  
the Financial year ending 31/12/2021**

**الموضوع: محضر مؤتمر المحللين/المستثمرين لسنة المنتهية  
2021/12/31**

With reference to the aforementioned subject, and to our letter sent to you on 09 February 2022, please find enclosed the minutes of the analyst / investor conference for the Financial year ending 31/12/2021.

بالإشارة إلى الموضوع أعلاه، وإلى كتابنا المرسل لكم بتاريخ 09 فبراير 2022، نرفق لكم محضر مؤتمر المحللين/المستثمرين عن السنة المنتهية 2021/12/31.

Yours Sincerely,

وتفضلوا بقبول فائق الاحترام،،،

دلال حسن السبتي

رئيس مجلس الإدارة

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

سجل تجاري رقم: 71382 رأس المال (د.ك): 12,223,680 رأس المال المدفوع (د.ك): 12,223,680  
تليفون: 22322588 (965) - فاكس: 22322587 (965) - ص.ب: 305 دسمان 15454 الكويت

[www.human-soft.com](http://www.human-soft.com)

MR  
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**Company:** Humansoft Holding Company

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

**Date:** Wednesday, 9th February 2021

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

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**Hatem Alaa:** Hello everyone. This is Hatem Alaa from EFG Hermes, and welcome to Humansoft's full year 2021 results conference call. I'm pleased to have on the call today from Humansoft Mr. Mayank Baxi, board member, and Anup Dhand, CFO. We'll start by a quick presentation from management, and then we'll open the floor for a Q&A. Just as an initial reminder, to ask a question, you can either type in the Q&A chat or you can click on the raised hand button on the right-hand side of your screens. Gentlemen, please go ahead.

**Mayank Baxi:** Yes. Hello everybody. Welcome to the Humansoft financial year 2021 results conference call. I hope you and all your loved ones are keeping safe. Thank you, team, at EFG for facilitating this call. I, Mayank Baxi, board member of Humansoft, along with our CFO, Mr. Anup Dhand, would like to start with an outline of our overall growth strategy and then run through the financial year 2021 highlights. And then at the end, we shall leave the floor open for questions and answers.

**Mayank Baxi:** Before I begin, at the outset, I would like to just 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.

**Mayank Baxi:** Drilling into our growth strategy, our company has always maintained a consistent growth strategy since the very inception. The growth strategy has always been to maintain a very good balance between qualitative growth and quantitative growth. And we believe that this is in the best interest of all the stakeholders and is long-term more sustainable as well. To elaborate on the quantitative parameters, the company has been consistently growing over the past 10 years. The strategy to start with a full campus facility, and along with it, introduce new majors focused in engineering and business school, which was also planned in phases, enabled us to maintain our growth without losing the focus on financial performance. And along with it, we were also able to maintain very high dividend payouts.

**Mayank Baxi:** For the year 2021, the board of directors have approved and recommended cash dividends of 400 fills per share, which is resulting into about 78% payout ratio. Of course, this is subject to the approval of the shareholders and regulatory procedures. Our 10-year dividend payout ratio has also been about 70%. We feel that going forward, we shall aim to maintain the similar dividend payout.

**Mayank Baxi:** Our overall growth has also been very well demonstrated if one looks at our 10-year CAGR growth on all the parameters. And just to recap, our CAGR growth in past 10 years in annual students has been 16%, which has correspondingly resulted into a revenue CAGR growth of about 23%

and CAGR net profit growth of 44% over 10 years. This is all because we have not lost our focus from the qualitative growth aspects, which we shall definitely continue in future.

**Mayank Baxi:** Coupled with the qualitative growth, our focus has also been on building the institutions on a qualitative ground. And several long-term initiatives and measures were focused to enable very good results on the long-term and sustainable factors as well. Some of these success factors, as you must be already aware of, but just to recap, we are number one ranked university in Kuwait, we are number one green and sustainable university in Kuwait. We have internationally accredited engineering and business school. And also, in the recent past, we have started having global partnerships and strategic initiatives with international institutions like Babson and HEC Montreal.

**Mayank Baxi:** All these are a matter of immense pride for all of us, all the stakeholders of Humansoft. And we will ensure that we continue to focus and remain ahead of the market in these fields. Now coming to the future plans, we believe the growth will come through two sources. One is growing and enlarging the scope of offerings within the existing offerings at AUM and ACM. And that will be coming from the decision to start the College of Health Sciences, which will include majors like nursing and nutrition, we understand that these majors have a high demand in Kuwait and the world. This was especially very well noticed after the COVID-19 pandemic.

**Mayank Baxi:** In light of this, we will be adding a corresponding capacity and we plan to have a dedicated College of Health Sciences. And for that, a new building will be constructed within our existing campus at AUM. We aim to start recruiting students in the College of Health Sciences by the fall of 2023.

**Mayank Baxi:** In addition to this, we also plan to introduce new majors in the College of Engineering, such as Artificial Intelligence and Alternative Energy. This is to keep pace with the global trends in the field of technology and the advancements that are happening in the artificial intelligence, alternative energy. In this way, we will be able to attract good and talented students.

**Mayank Baxi:** Getting into the second part of our growth strategy, we firmly believe that Humansoft is at the beginning of a new phase, and our eye is on the future in midst of disruptions in data communications, artificial intelligence, alternate energy, and carbon emission reductions, etc. We see unique opportunities in these changes and challenges to create value for all of our stakeholders.

**Mayank Baxi:** As a five-year plan and strategy, we aim to diversify the sources of income by investing in the general K12 education and in the new technologies related to education, training, employment, and overall human resources management. Just as Humansoft began its first chapter in the early '90s, when IT revolution was building up, we see this a similarity. We are at the very beginning of these new disruptive technologies coming in. So, we plan to spearhead the upcoming digital revolution in education and HR management in the region as well.

**Mayank Baxi:** At Humansoft we are quite well equipped and have necessary experience and resources in place due to our past experience in this market for over 20 years, and we shall share more details about this as we make new progress in these areas from time to time.

Now coming to the 2021 financial results, I would let Mr. Anup Dhand to just walk you through the financial results of 2021. And then we shall leave the floor open for questions and answers.

**Anup Dhand:** Thank you, Mr. Baxi, and good afternoon to all the attendees. I am Anup Dhand, CFO of Humansoft, and I would like to present the financial highlights for financial year 2021. We are absolutely delighted to present Humansoft's best ever financial results. To begin with, we would like to inform that due to changes in the academic calendar in 2020 and 2021, quarterly results with previous years' quarters may not be comparable.

**Anup Dhand:** In normal circumstances, Q3 and Q4 would have comprised of 80% of fall revenue. However, during Q3 and Q4 of 2021, only 75% of fall revenue has been recognized. 50% of revenue for fall 2020 semester was recognized in financial year 2021 as against 20% in a regular academic calendar. These changes in the academic calendar, both in 2020 and in 2021, has resulted in an increase in financial year 2021 revenue by an amount of around KD 9 million. You can also refer for more details on this to revenue recognition slide on page 17 in our investor presentation.

**Anup Dhand:** Financial year 2021 revenue of KD 95.9 million was higher by 40% in comparison with financial year 2020 revenue of KD 68.5 million, mainly as a result of higher student enrollment and changes to the academic calendar due to COVID-19. Financial year 2021 EBITDA of KD 69.1 million was higher by 60% in comparison with financial year 2020 EBITDA of KD 43.1 million. Financial year 2021 net profit of KD 62.6 million was higher by 67% compared with KD 37.5 million for financial year 2020.

**Anup Dhand:** Net profit margin for financial year 2021 was 65%, and EBITDA margin for financial year 2021 was 72%. The earning per share was 514 fills during financial year 2021 as compared to 308 fills during financial year 2020. Humansoft had a net cash position of KD 80 million as of 31st December, 2021. Total Equity was KD 132 million as of 31st, December, 2021, and the return on average equity for financial year 2021 amounted to 50%.

**Anup Dhand:** Total assets was KD 159 million as of 31st December, 2021, and return on average assets in financial year 2021 amounted to 40%. Humansoft's fortress balance sheet provides protection, resilience, and enables Humansoft to withstand stress events like COVID-19.

**Anup Dhand:** With this, we now open the floor for questions and answers. We request that you please introduce yourself with your name and the institution you represent when you have any question. Thank you. Over to you, Hatem.

**Hatem Alaa:** Thank you. To ask a question, you can either type it in the Q&A chat, or you can click on the raise hand button on the right-hand side of your screens. Again, you can either type your question in the chat or click on the raise hand button. We'll take the first question from the line of Thomas Matthew from [Unclear].

**Thomas:** Hi, good afternoon, everybody. Thanks for taking my questions. Firstly, it's good to see you back on these calls, Mayank, and a great set of results as well. I have two questions, and the first one is in terms of your second future goal. I know you can probably not discuss and disclose anything on a potential transaction, but in terms of the potential Capex that you are allocating for this second future goal, is there any guidance that you can give? Also, the ticket size per investment that you're looking at, or the split between the K12 ed tech and HR management verticals that you want to ramp up through this entire second future goal initiative?

**Thomas:** And the second question is on the college of health sciences and nutrition and nursing. What's the Capex that will be allocated for this stream? Also, if you could let us know on how the

number of credits and the fees for credit works for this stream, it'll be very helpful. Thanks for taking my questions.

**Mayank Baxi:** Thank you, Thomas. Coming to your first part of the question regarding future growth, what you have to understand is that we have laid out the roadmap for the future five-year strategy plan. And at this point of time, as I mentioned in my opening remark also, we have briefly covered the direction and where our focus area will be, coinciding with the changes that are happening around the world. And to open up more on that, I think we are not ready to have more detailed discussion around that. We will do that at an appropriate time once we are ready for proper disclosures.

**Mayank Baxi:** Coming to the second question, health sciences building. We will be dedicating about six million KD, and the number of credits needed for graduation will be something similar to engineering programs, which is around 130 credits in total. And of course, the Kuwait students here will undergo the English preparatory course if their English is not up to the level. So, all in all, we expect them to be with us for five years.

**Mayank Baxi:** Initially, as we have seen in the past experiencing whenever we have introduced new majors, we see in the initial one or two years, the new intake is anything around 50 to 100 students. And then gradually it steps up to around 150 kind of a number every year. I think something similar will be followed in these new majors as well.

**Thomas:** Thanks. Good luck.

**Hatem Alaa:** Question in the chat from Saud Shaddad . Question regarding tuition fees. We discussed with you in the previous calls that the overall situation of Kuwait and COVID does not permit raising fees at the time, but now with the increase in oil prices and gradual resolution of the COVID situation, when are you planning to raise fees?

**Mayank Baxi:** As we have explained in the past, it's not that the fee increase is linked to the oil prices as such. We have been doing excellently well in terms of our financial performance. So, at this point of time, we don't think it'll be appropriate to go and do a fee revision. We will let you know as and when we are ready, and we are preparing for the same.

**Hatem Alaa:** Thank you. Question from the line of Waleed Alyaseen . Your line is open.

**Waleed:** Hello, good evening. I would like to thank EFG Hermes for hosting this wonderful event, and I would like to congratulate Humansoft for this outstanding and marvelous performance. I have two simple questions. I believe they are related to each other. The first question is, what's the maximum capacity of AUM and ACM both combined in matter of students? And question number two, which is related to number one, the percentage of utilization of the capacity. These are my questions. Thank you very much.

**Mayank Baxi:** First of all, thank you for your compliments. See, in terms of the overall student capacity with the capacity that is being planned, we will be reaching close to 15,000 capacity. And as of now, our students enrolled are about 13,700.

**Walid:** Wonderful. So, you have 13,700 out of 15,000, correct?

**Mayank Baxi:** 15,000 after we implement and execute the Capex.

**Walid:** Yes. Thank you very much. Thank you.

**Hatem Alaa:** Thank you. We'll take a question from the line of Ankur Agarwal from HSBC. Your line is open.

**Ankur:** Thanks a lot for the call and congratulations on the excellent set of numbers. So firstly, in terms of the academic calendar, just to understand. For this year, typically you would do 80% of the fall in a particular year. This year you completed only 75%, so there's another 5% fall remaining. So, you'll probably do 25% of the fall in Q1 2022. So, there's still some spillover effect left for next year, right?

**Mayank Baxi:** That's 5%. You have rightly picked up that 5% spillover will be there from 2021 to 2022. After that, we think things will get settled down.

**Ankur:** So, there would be a 5% spillover. And then, and I think, subsequently, from Q2 onwards, we should expect a normal academic calendar, right?

**Mayank Baxi:** Yes, yes. It'll converge to the normal academic calendar.

**Ankur:** All right. And secondly, I think related to your capacity utilization question. So, you basically, when you mentioned total enrolled students, so there's an outgoing component also, right? So, can you highlight the outgoing students last year? Should we actually deduct that outgoing component from the capacity you mentioned.

**Mayank Baxi:** See, when we say the enrolled students, we are talking about the continuing students, including the new students who are enrolled. This is net of the outgoing students.

**Ankur:** Net of the outgoing.

**Mayank Baxi:** Yes.

**Ankur:** All right.

**Mayank Baxi:** This is actual physical students who are continuing in this continuing academic year.

**Ankur:** All right. And what was the outgoing student number last year.

**Mayank Baxi:** It was close to 3000.

**Ankur:** Okay. All right. And in terms of, if I look at your balance sheet, even after you pay the dividend that you've announced, which is a significant, it's stable versus last year, but last year was exceptional. Even if you pay the dividend, if you look at the net cash levels, there's enough room to pay the same dividend next year, right? You just need to generate a normal cash during the year.

**Mayank Baxi:** As I mentioned, we aim to maintain 70% payout.

**Ankur:** Okay. All right. I think, can you elaborate a bit more on the health sciences major in terms of what's the intent behind it, and any update on the master's program as well?

**Mayank Baxi:** Sure. See, if you look at it, we have health science included in our license from the very beginning. So that's not something which is coming out of blue. But if you recollect, a few years

back we did mention that we have plans for starting health sciences. But then at that point of time, we took a concrete and wise decision that let's first focus and maximize on the engineering school, which is already established, which has already got recognition from outside world. And why not first qualitatively grow that and then look at new offerings?

**Mayank Baxi:** We feel that we have done a considerable good progress there with the kind of accreditations and rankings that we have achieved. This two years of COVID has also allowed us to do a little more study regarding the health sciences and the majors that go well along with it. So, nursing, as you know, in Kuwait, currently the nurse ratio versus beds is quite low compared with the international standards. And COVID-19 has demonstrated that further and emphasized that nurses are globally in short supply. So, it's an opportune time for us now to get into that major. Along with it, nutrition is another good major in health science, and we would be introducing both of them simultaneously.

Ankur: All right. That's very helpful. Thank you.

**Mayank Baxi:** Thank you.

**Hatem Alaa:** We'll take the next question from the line of Fatema Aldoseri. Your line is open.

Fatema: Thanks. And thanks for the call. I have a couple of questions, but following up on the previous statements regarding nursing and nutrition, did you receive approval to provide these two courses? Because in the past I think when it came to petroleum engineering there was a bit of complications with that. So, if you can just confirm. And okay. I'll list my questions one by one. So, we can take them one by one. So, the first one would be the nursing and the nutrition.

**Mayank Baxi:** Yeah. the approval is in the process. And that is the reason we have said that we aim to offer this at the beginning of fall semester in 2023, just allowing for that past experience.

Fatema: Okay. And currently are these courses also provided by the Kuwait university? I'm just wondering, who else is a competitor when it comes to these courses?

**Mayank Baxi:** See, in Kuwait right now, nursing is offered by PAAET, the two-year program and the four-year bachelor's program. But nobody in the private sector offers nursing so far as we know.

Fatema: Okay. So, the capacity right now, your campus, if I'm not mistaken, can handle around 14,000 students. So, you're increasing it to 15,000. Is that the maximum number of students we should expect at one point in the nursing and nutrition and the two other majors that you've mentioned?

**Mayank Baxi:** For us, the campus infrastructure has been built for much larger capacity in terms of when you look at our library, research center, or there are a lot of labs which are already with a proper capacity available, and our cultural center as well. So, what we will need is, as we go along, we need to add buildings for the classrooms or some incremental labs. We don't need to invest everything at one go. And right now, the plan of this starting a new building should be sufficient for us to take care of couple of years. And then as we move forward, we have enough land to construct additional building, which is not going to be a big challenge.

Fatema: Okay. And sorry, just going back to the nursing, is it going to be a two-year program or a four-year program?

**Mayank Baxi:** It'll be a bachelor's degree program. It'll be a four-year program.

Fatema: Four year. Okay, perfect. I'll just be in the back of the queue along with the rest of the asked questions. Thank you.

**Mayank Baxi:** Thank you.

**Hatem Alaa:** We'll take the next question from Ahmed El Saharty from TRG. Your line is open.

**Ahmed:** Thanks, Hatem. Hi gentlemen. Congrats on the results. Mayank, it was a pleasure to hear from you. So, I had three questions. My first one is regarding an earlier question that was asked on number of outgoing students. It seemed that this number was a bit larger this year. So, I'm just a bit confused. Is this more graduation or the rate of graduation is higher, or is it more the number of dropouts that was a bit higher? That's my first question. And then I'll ask them one by one, I guess.

**Mayank Baxi:** Outgoing students that I mentioned are the actual graduation. And the graduation of the students follows the cycle of the students who would've enrolled in the prior years. Now, because of the COVID, definitely the students were more focused on completing their courses because they didn't have much to do. So, we feel that the students during that time utilized, whoever were in that graduating phase, managed to take those required credits and complete their graduation.

**Ahmed:** Okay. That's perfect. So, it's more of graduation not dropouts. That's great. My second question is it seems like your margins continue to be very high, which is great. And it's probably driven by the higher revenue recognition, but there's obvious cost savings as well, probably given the current hybrid model. So how much of these savings, as things start to normalize, do you expect to reverse and return to 2019 cost levels in 2021? So, advertising, teacher salaries, facility management.

**Mayank Baxi:** As you have seen, we have always focused on ensuring that efficiency levels are always maintained and improved upon. And that is why you have seen gradually the growth in the margins. And that is one of the strategies that I mentioned, that we ensure that qualitatively we keep growing, and that focus will continue. Because there are areas where you can use technology, there are areas where you can improvise your costs. And at the same time, there will be some areas where there can be cost escalations in the normal circumstances. So, what we expect is as we get into the normalcy, at least for now we should get back to the 2019 margins, which were around, say, 49% in that year, if I may say so, and we will take it from there.

**Ahmed:** Okay. And you expect to reach that margin level by this year, or will it take some time to sort of build into this cost inflation?

**Mayank Baxi:** No, in fact our margins currently are much higher, right?

**Ahmed:** Yes. Yeah, absolutely.

**Mayank Baxi:** What I'm telling you that as we get into the normalcy of the execution, which is on campus delivery and all, we should converge towards that. Now this year still, the offering is going on in a hybrid mode.

**Ahmed:** Got it. Understood. Perfect. Just, what's the current PTR ratio or teacher to student ratio at the moment?



**Mayank Baxi:** We are running around 26- 27 as a student to faculty ratio.

**Ahmed:**And that's expected to go up or down?

**Mayank Baxi:** See, we have to maintain a good balance between the qualitative aspects, as well as ensuring that when we introduce new majors, some kind of inefficiencies do occur. But, by and large, we should be in that range.

**Ahmed:**Got it. Perfect. My last question is on the board. So, it seems like your term has ended. So, what does that mean?

**Mayank Baxi:** See, in Kuwait, the board appointments at the annual general meeting are for three-year term, and our three-year term of the current board is expiring. So that is why we are required to make this disclosure, which is part of the procedural thing. But yes, all the board members are intact. So, you rest assured we are there to support the company.

**Ahmed:**Perfect. Thank you. Thank you so much, Mayank, and congrats.

**Hatem Alaa:** Question from the line of Andrew Brudenell from Ashmore. Your line is open.

**Andrew:** Hi there. Great. Thanks very much. Yeah, just quickly, just because it's quite messy with the COVID and everything, just so I understand. So, I got the margin change. That makes sense. I guess I can get some implied normalized revenue from that. In terms of the student levels, obviously it was flat effectively this year, you had 3000 graduates, et cetera. As we, again, sort of normalize '22, '23, what would you expect the student enrollment level to be? Is it that historic 16% or is it near a kind of five to 10 nowadays? Just what would be that kind of figure please, first off?

**Mayank Baxi:** Yes, sure. The historical number has the combination of the advantage due to when we introduce new majors. The students of the new majors don't come out of the system, they continue for five years. So that build up always is to our advantage. And as we go forward and when we introduce all these new majors as well, that similar advantage will occur to us. But at the same time, the students who have been with us in the past five years will start graduating. And that number of enrollments had started to grow up. So that balancing will continue.

**Mayank Baxi:** But overall, we aim to ensure that we definitely would not like to, just for the sake of quantitative growth, compromise on the quality of students that we enroll. And that balance we'll continue to maintain. And as we have done in the past, we will make sure that we reach out to the maximum students and try to attract the best quality and the maximum number. Now, in terms of what kind of numbers at this point, it might be difficult because still we will have to wait for how many high school graduates come out during this academic year. But our target will be to definitely maintain or beat the previous year.

**Andrew:** Okay. Obviously the last few years, taking out the COVID year, it's been about 5%. So, I guess that's what I'll assume. And then the other question I had, sorry, I didn't quite catch the second growth plan driver. Could you just say that again? I didn't quite understand. So, you plan to diversify sources of income by investing in a range of new things. And I didn't really quite get what you said. Apologies.

**Mayank Baxi:** What I said is that if you follow the developments Globally, things are going in a very disruptive way in terms of technology, artificial intelligence and the likes, and green energy, etcetera. And we at Humansoft feel that we are at the very right time to use that to our advantage and also diversify the source of revenue, which will enable us to reach out to wider markets. Basically, still the focus remains on the education and human resources development and management, but with the combination of the technological advancements and use of technology into it.

**Mayank Baxi:** This COVID-19 two years of experience, people had a lot of experiences with online learning and many other ways of training and development. So, all these are definitely, for a company like Humansoft, very much of keen interest in terms of looking at the next five-year growth strategy. Because if you go back in the history, 20 years back when we started Humansoft, we were an IT training company and that's where our foundation and our base is. So, we feel that this is coming in a very appropriate way for us to combine that growth of technological advancements into the education and the offerings in human resource development.

**Andrew:** Okay. Yes. Understood, And sorry. Would that include sort of, it sounds a little bit more sort of ... gosh, I can't think of the word, but like work on skills and training for jobs rather than purely academic training. Would that be right?

**Mayank Baxi:** As I said, we will look at human resource development holistically and that has been our focus area.

**Andrew:** Yeah. Okay. Yep. Got it. All right. Thanks very much.

**Mayank Baxi:** Thank you.

**Hatem Alaa:** Next question from Jonathan Milan from Waha. Your line is open.

**Jonathan:** Good afternoon. Thank you very much for taking the time for the call and congratulations on fantastic results. So always a pleasure to speak with you. Just quickly, so when you mentioned the other report investing in K12, you did not mean that you want to operate K12 schools, right?

**Mayank Baxi:** It'll be a combination. When I say K12, naturally K12 is more of physical. That segment would not be really for online kind of thing, but these are part of the complete growth strategies.

**Jonathan:** Okay. So, you won't be, say, acquiring or setting up schools that offer nursery grades one to 12, physical actual schools?

**Mayank Baxi:** Yeah. Okay. I mentioned K12 as an example, but sure. When we get into that, and if there is a collaborative thing where the preschool has an advantage, we will definitely look at it. As of now, we don't have specific things in place, so I cannot elaborate more on that.

**Jonathan:** Okay. And six million KD is to construct additional buildings and equip them for the nursing.

**Mayank Baxi:** Yes,

**Jonathan:** It would add like 3000 capacity for nursing or 2,500.

**Mayank Baxi:** It will, during designing and all, finally how it fits well in the operations, we will work it out. But as I said, roughly, we will reach to 15000.

**Jonathan:** And another six, seven million will take you to 20 if the nursing and nutrition is so successful that you need even more capacity.

**Mayank Baxi:** Yeah. more or less similar, depends on the cost escalations, if there are any, but more or less you are talking of similar range.

**Jonathan:** Okay. Which brings me to my last question. You mentioned a 70% pay ratio, but historically your cash from operations has been higher than your net income, more or less, or at least very similar to your net income. Because you don't have a lot of interest. You don't have a lot of cash outflows below EBITDA. So, if you only have six million KD of Capex for the next year or two, and it will take time for it to ramp up. So, it's not like you have huge outflows and you already have a net cash position of 80 million, 79 million. Even after paying the dividend, your net cash position is 30 million KD, which is fantastic and very healthy. Why don't you pay out 100%?

**Mayank Baxi:** Jonathan, it's a wishful thinking. 78% is a less pay out? I think we are the highest in the region and nobody pays 70. But let me tell you, see, this is always, when you are running a company, you ought to be managing from a far sight and a broader vision. Now you imagine a situation where this two years COVID happened. And if we were not sitting with adequate cash, and for any reason, these disruptions would've affected the collection cycle or the other cash flows, what would've happened, this would've ruined the entire set up, such a wonderful asset that was built would've got affected.

**Mayank Baxi:** So of course, COVID like situation happens once in a while, it does not happen always. And we also don't visualize and hope such things to come up again. But as a prudent and wise management and thinking more from the long-term interest of everybody, all the stakeholders, I think I that 70% is a good number. And I think we should feel good about it. Yes, we should aim for 100. Why not? But at least as the years go by, we'll need to study the cash flows. We'll need to look at our requirements, because as we have spelled out the growth plan and growth strategies, so we'll look at it. But at least we are giving you that kind of an assurance that 70% is what we are targeting and aiming at.

**Jonathan:** Ah, perfect. So, 70% is the minimum and it could go up to whatever you can do.

**Mayank Baxi:** Jonathan, I don't want to get into that minimum and maximum, but at least I am saying that we are targeting to at least keep that level.

**Jonathan:** All right. Thank you. Thank you very much. And best of luck in the strategy.

**Hatem Alaa:** Take a question from the line of Nick Padgett from Frontaura . Your line is open.

**Nick:** Hello, thank you. I just have a few clarifications on things already discussed. I guess first this is probably for Anup. I really appreciate slide 17. I think that clarifies how the revenue has been split amongst the academic year into the fiscal quarters. So, I'm wondering what the first half of '22 will look like. From a prior question, it sounds like Q1 will have 25% of fall, but then I wonder what percent of spring would it be? Will it be like, say, 2019 where there was 40%?

**Mayank Baxi:** Yes, See, from that slide, if you look at 2019, the only change will be that the fall will be 25%. Rest will remain the same.

**Nick:** Okay. And then we could assume Q2 is 60% spring.

**Mayank Baxi:** Yes. And so forth.

**Nick:** And so even Q3 and Q4 will be similar to 2019?

**Mayank Baxi:** Yes.

**Nick:** Okay. All right.

**Mayank Baxi:** As of now, we are not expecting any other disruptions.

**Nick:** Okay. Of course. So that's very clear. And then my next question is on the K through 12. I guess I had a different conclusion than a prior caller. I assume this did mean you would be running physical schools.

**Mayank Baxi:** No, what the prior question meant was that, will you be also looking at the preschool kind of thing?

**Nick:** Oh, right. Okay.

**Mayank Baxi:** That's what I was clarifying to him.

**Nick:** Okay. So, is the idea, would you be doing greenfield investments, starting new schools that don't exist? Or would you be an acquirer, or it could be either of those?

**Mayank Baxi:** See, as of now, we don't have a specific thing on hand, but it could be either.

**Nick:** Okay. And then my final question on that topic. And again, and maybe you haven't decided yet, but I'm just interested in curriculum. Would this be, for example, British or American or just a general international curriculum? Or would it be local? Any decisions made on that?

**Mayank Baxi:** Again, we will go which would give us the best opportunity within the Kuwait market. And we'll have an open mind. All the curriculums here which are in demand and are popular will be our target.

**Nick:** Okay. And then the final topic was, I heard very clearly you said the capacity was 15,000, including the Capex you mentioned. So, I assume that's 15,000 once the health sciences building is built?

**Mayank Baxi:** Yes.

**Nick:** Okay. So, what would it be, say, right now? What's the most students you could have, say, for spring or for the coming fall of 2022?

**Mayank Baxi:** See, again, because of this hybrid and such environment, the capacity calculations keep fluctuating. But as of now, today we are running safely with 13,700 students. And definitely that is established. For the spring, also the same students will continue except there will be some

graduation. And now coming to when we reach to the fall, we will have some students also graduating. So, we shouldn't be having any constraint on capacity.

**Nick:** I assume you could go somewhat higher than 13,700. I'm not saying you will.

**Mayank Baxi:** Operationally, we'll be able to do it. But as, again, I think we will try to manage that and it will not be a constraint.

**Nick:** Okay. Very good. Thank you. That's all from me.

**Mayank Baxi:** Thank you.

**Hatem Alaa:** Okay. I'll move to the chat. There are a lot of questions and a lot of repeated. So, I'll just try to merge them together

**Mayank Baxi:** Yeah, that would be nice if you can moderate them.

**Hatem Alaa:** So, there are a lot of questions on dividends and dividend policy, around whether you would consider having a quarterly dividends policy instead of annual dividends. And if you would do a dividend commitment like some other companies for the next few years to support the share price. And also, along the same lines, questions on the possibility of doing a bonus share or a stock split, given that the price per share is higher within the Kuwaiti market context.

**Mayank Baxi:** As of now, no decision has been taken by the board on the quarterly dividend payout, as and when that is formally decided we will announce it. And for this upcoming AGM, we have only recommended cash dividend. We'll study the options of what you mentioned about the bonus shares and etcetera in the near future.

**Hatem Alaa:** Okay. Some questions on competition. If you can provide an update on the competitive landscape, especially with new players coming to the market and GUST receiving a license for an engineering school.

**Mayank Baxi:** Yes. As we have been saying that, yes, Kuwait education arena privatization has enabled a lot of players to look at that as an entry point. And we have seen this in the past also that there are gradually new players that have come in. Good thing to our advantage today is that, unlike 2008, where we were the newcomers and already Kuwait University was in existence and besides already three or four private universities were in operation, today we are almost 12 years in operation. And that puts us in a different level playing game. We have already established majors, established accreditations, rankings. So, I think the competition is good. It allows everybody to remain more alert. And at the end of the day, the best university will attract the best students. And that is what'll continue to focus on.

**Hatem Alaa:** There are some follow-ups on the K to 12 comment, basically asking about the rationale and seeking clarification that you mean actual physical schools or just ed tech targeting K to 12 students, or both.

**Mayank Baxi:** See, if it is K to 12, it makes more sense for us to consider as a physical school in that segment, although during COVID people did online learning. But in our region, it is not allowed to have that as a normal school. So, I don't think that is the agenda and that is the plan.

**Hatem Alaa:** Okay. So, questions on Capex. So other than the six million KD for the school of health sciences, are there any additional Capex plans at the moment, and will the Capex be funded internally while maintaining the payout or some debt will be used?

**Mayank Baxi:** The normal maintenance Capex will continue, which is around 2 to 3% of our revenue, which is regular routine maintenance. These could be replacements, these could be refurbishments etcetera. And in terms of financing, as we have mentioned in the past that the policy that we always maintain of long-term investments through long-term sources. And mostly that will be the way going forward.

**Hatem Alaa:** Questions on cost of margins. Are the cost optimization initiatives sustainable in the future? And do you believe that such margins are sustainable?

**Mayank Baxi:** Yes. If you continuously work on improving your efficiencies, improving and looking at every cost element, it is achievable, and we have demonstrated it. We'll continue to remain focused on that. And there are so much of advancements in technology, and we feel, yes, we had already invested considerable amount on the technology. And that enabled us to get into online learning immediately and quickly, as soon as the COVID lockdowns were announced.

**Mayank Baxi:** But apart from that, COVID has enabled us to look at the use of technology in several other areas, which earlier were not being followed. For instance, all the students were getting the support in terms of customer care or payment facilities as everything is online now, all these were earlier done on a physical mode. So, there are areas, and there is so much of advancement in technology happening. So, I would say that we should not close our eyes on improving. And at the same time, some costs will tend to have increases and we have to rationalize those costs and try to balance out through savings.

**Hatem Alaa:** There are a few questions on whether you are considering listing outside Kuwait and other markets like NASDAQ, et cetera. And questions regarding, also in a similar vein, if you have plans to have a market maker for the stock.

**Mayank Baxi:** See, as far as listing outside of Kuwait is concerned, as of now, there are no specific plans. Regarding market maker, yes, we understand that now Kuwait capital market Authority has opened up and has brought out guidelines. We'll study the same and at an appropriate time, we'll take that decision. We need to study a little more on that.

**Hatem Alaa:** Do you have any plans to grow or acquire universities outside Kuwait?

**Mayank Baxi:** We have spelled out our five-year growth strategy. I think we will work within that framework. Already I elaborated in my opening remark the plan on that, and that is what we'll follow.

**Hatem Alaa:** Are you planning to open a faculty for medicine? If yes, will this require a teaching hospital? And are there other private competitors offering life science studies?

**Mayank Baxi:** The medical college has been included in our license, but as of now, we have no plans to start that.

**Hatem Alaa:** Second part of the question was on private competitors offering life sciences. I believe you said no, right? There are no private ones.

**Mayank Baxi:** Yes.

**Hatem Alaa:** Okay. Questions again on dividends as well. Whether given the excess cash, would there be a possibility to do a special dividend? And are you considering doing share buybacks?

**Mayank Baxi:** Over and above what we have announced 400 fills, as of now, there is no other plan for any special or additional dividend. And as far as the share buyback, Kuwait market is different unlike in the Western world, in Kuwait, one can have to have only treasury shares if you want to buy your own shares. And at this point of time, we have no plans to do that.

**Hatem Alaa:** There are questions on the scholarship program. Has there been any change in the government scholarship program at Kuwait or the student allocation process to universities?

**Mayank Baxi:** It's been consistent as per the experience of last fall. There is no other announcement or we haven't come across any other guideline.

**Hatem Alaa:** Can you provide an update on the situation in terms of on-campus versus hybrid learning? How is it now, and when do you expect to fully revert to on-campus learning?

**Mayank Baxi:** See, the hybrid learning model is in operation and we have been running it very successfully. We have invested a lot on making sure that students have a seamless experience and do not lose out on their academic development. Along with it, also, a lot of additional developmental online features have been followed by the university. And when we shall be reverting to the normalcy, we are waiting for the guideline from the regulators. Once we have a guideline to restore the normalcy of students at our campus, we are ready to receive them. We have adequate facilities even to take care of all the requirements and protocols.

**Hatem Alaa:** Okay. How many students are currently enrolled in the spring semester and how many students are you expecting to graduate in 2022?

**Mayank Baxi:** See, spring will, right now, I do not have the exact number because the spring enrollments and the registrations are going on. We expect as a full academic year, something similar to 3000 students to graduate.

**Hatem Alaa:** What is the estimated revenue and net profit on a normalized basis once the COVID distortions go away?

**Mayank Baxi:** I think our business is quite predictable. And if one looks at the academic table, which is in slides, it should be quite clear. But to spell out revenue or profit, I think we have been avoiding giving out the numbers, not to create a speculative effect, but if you look at the 2021, as Mr. Anup

mentioned, that we had a nine million extra from the previous year. So, if you remove that, we should be getting close to that.

**Hatem Alaa:** Question on deferred income. Why has it declined to 9.4 million versus 18 and a half million in 2020?

**Mayank Baxi:** The deferred income represents the amount of unexecuted classes or unexecuted training for the students. So, at any given point of time, the deferred income will represent what part of that semester revenue is yet to be recognized. So, when you look at the December, 2021 financials, the amount of remaining deferred revenue is the revenue of the fall semester that we will recognize in the coming period, which is the subsequent period when the execution happens. So, it is the cycle that is followed. Now for the last year, as we have said that last year, if you look at the slide 17, in the last quarter, the execution was less and therefore the unexecuted revenue remained in deferred income. And that got recognized in 2021.

**Mayank Baxi:** Hatem, we are reaching to over 4:00. So, shall we end the call?

**Hatem Alaa:** Yes. Yes. Let me ... I'm just seeing if there's any other questions. They're all repeated, sorry. Okay. Just the last question will be, how many students currently are Kuwaiti nationals versus resident expats versus international students? And how much of your current revenue is from government scholarships?

**Mayank Baxi:** See, we don't have any international students enrolled at our university. Basically, all the students are either Kuwaitis or non-Kuwaiti expats staying in Kuwait. Currently, roughly about 95% of our students will be Kuwaitis and 5% would be expats. And in terms of scholarship students, we are at about 92%.

**Hatem Alaa:** Okay. Thank you very much. Thank you very much, Mr. Baxi and Anup, for your time.

**Mayank Baxi:** Thank you very much, all the participants, and goodbye.

**Anup Dhand:** Thank you, Hatem. Thank you everyone.

**Hatem Alaa:** Thank you. Thank you everyone. Have a good day.