

Date: 17<sup>th</sup> May 2022

التاريخ: 17 مايو 2022

M/S . / Boursa Kuwait Company

المحترمين

السادة/ شركة بورصة الكويت

Greetings,

تحية طيبة وبعد،،

**Subject: Analysts/Investors Conference minutes  
for the first Quarter of 2022**

**الموضوع: محضر مؤتمر المحللين/المستثمرين للربع الأول من العام  
2022**

With reference to the aforementioned subject, and to our letter sent to you on 12/05/2022, kindly find attached the minutes of the analysts / investors conference for the first quarter of 2022.

بالإشارة إلى الموضوع أعلاه، وإلى كتابنا المرسل لكم بتاريخ 2022/05/12، نرفق لكم محضر مؤتمر المحللين/المستثمرين عن الربع الأول لعام 2022.

Yours Sincerely,

وتفضلوا بقبول فائق الإحترام،،،



دلال حسن السبتي

رئيس مجلس الإدارة

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

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**Company:** Humansoft Holding Company

**Conference Title:** Humansoft Q1 2022 results conference call (Edited Transcript)

**Date:** Thursday, 12th May 2022

**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 first quarter 2022 results call. I'm pleased to have on the call today from Humansoft Mayank Baxi, board member, and Anup Dhand, CFO. We'll start by a presentation from management 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 raise hand button or you can type your question in the Q&A chat box. Mr. Baxi, please go ahead.

**Mayank Baxi** Hello, everybody. Welcome to the Humansoft Holding Q1 2022 results conference call. I hope all of you are well and keeping safe. Thank you, Hatem Alaa from EFG, for facilitating this call. I, Mayank Baxi, board member of Humansoft holding Company, along with our CFO, Mr Anup Dhand, would like to briefly mention some of the key highlights of Q1 2022 and then run through the Q1 2022 financial highlights. At the end we shall leave the floor open for questions and answers.

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

Some of the key highlights during quarter one of 2022.

Our campus activities are back to normal, with classes now being conducted on campus.

The QS World University Rankings by subjects was released in April and AUM has been ranked by subject number one in Kuwait for Engineering and Technology, as well as for the Social Sciences and Management subjects. In Social Sciences and Management, it has made it to the top ten in the Arab countries.

AUM and Babson College have signed a memorandum of understanding that allows AUM bachelor's degree graduates to enrol in the graduate programme at Babson's F.W. Olin Graduate School of Business.

Spring 2022 semester marked a very festive beginning with celebrations on the Kuwait National and Liberation Days and various other occasions, such as Women's Day.

Over a period of two weeks, the AUM community gathered to celebrate the success of its 2020 and 2021 graduates at the AUM Cultural Centre, which was attended by the AUM management, faculty, staff and the parents.

With this, I will now hand over to Mr Anup Dhand, our CFO, to give you a brief about the Q1 2022 financial highlights.

Over to you, Anup.

**Anup Dhand** Thank you, Mr Baxi. Good afternoon to all the attendees. I'm Anup Dhand, CFO of Humansoft, and I would like to present the financial highlights for Q1 2022.

To begin with, we would like to inform that due to changes in the academic calendar in 2020 and 2021, revenue and profitability of Q1 2021 and Q1 2022 is not comparable.

During Q1 2021 revenue recognition was 50% of fall semester and 25% of spring semester. However, since the academic calendar is now converging towards normalcy, during Q1 2022 revenue recognition was 25% of fall semester and 40% of spring semester. In normal circumstances, revenue recognised in Q1 would've comprised of 20% of fall semester and 40% of spring semester. As a result of this, Q1 2022 revenue of KD 23.4 million was lower by 15% in comparison with Q1 2021 revenue of KD 27.5 million. This was mainly as a result of changes in the academic calendar in Q1 2021, due to COVID-19.

For more details on this, you can refer to the revenue recognition slide on page 19 in our investor presentation.

Q1 2022 EBITDA of KD 16.3 million was lower by 22%, in comparison with Q1 2021 EBITDA of KD 21 million.

Q1 2022 net profit of KD 15.1 million was lower by 22%, compared with KD 19.3 million for Q1 2021.

Net profit margin for Q1 2022 was 65% and EBITDA margin for Q1 2022 was 70%.

The earning per share was 124 fils during Q1 2022, as compared to 159 fils during Q1 2021.

Humansoft had a net cash position of KD 102.6 million as at 31 March 2022.

Total equity was KD 98.2 million as at 31 March 2022, and the return on average equity for Q1 2022 amounted to 50%.

Total assets were KD 181.8 million, as at 31 March 2022.

Humansoft's fortress balance sheet, high return on average assets and high return on average equity provides protection, resilience, and enables Humansoft to withstand stress events like COVID-19.

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

**Hatem Alaa** Thank you, gentlemen. To ask a question you can either type it in the Q&A chat box or you can click on the raise hand button on the right-hand side of your screen and I'll unmute your line. Again, to ask a question you can either type it in the Q&A chat box or click on the raise hand button. I'll take the first question from the line of Ankur Agarwal. Your line is open.

**Ankur Agarwal** Thank you for the call. This is Ankur Agarwal from HSBC. A few questions from my end. The balance sheet now has become even stronger. You need to do capital allocation around K-12 education and the potential to pay higher dividend. How should we think of you optimising the balance sheet going forward? That's my first question. My second question is selling expenses seem to have come down. I think even the cost of operations is flat or, in fact, marginally down. How much room do you have in terms of cost efficiencies going forward? I think these are the two questions. Was there a reallocation within selling expenses and general and administrative expenses?

**Mayank Baxi** Thank you, Ankur. Regarding optimising the balance sheet. As you would recollect, after the annual results were published and during the call, we did bring out our growth strategy and the roadmap going forward. The balance sheet is definitely very healthy and it will support whatever direction we will take in that context. Coming to the cash available during the interim period, as mentioned that time, that we aim to maintain a 70% pay-out. That should make us quite comfortable on both fronts. We will have sufficient cash available for any kind of investment opportunities and, at the same time, not unnecessarily accumulate cash. We would be also, as we were doing in the past, paying out high percentage of dividends.

Regarding the cost of operations, yes, it has been flat and that is, if you recollect, we were earlier saying also that as the new measures get into maturity, we benefit from the utilisation of the resources. That is what enables us to maintain KD value on flat even though the revenue increases. As far as the selling expenses, there is no reallocation or there is no reclassification. It is just that this year the students, for high school graduates, will be ready by third week of June or so, so the marketing activities will commence only in the second quarter.

**Ankur Agarwal** All right, many thanks.

**Hatem Alaa** Again, as a reminder, to ask a question you can either type your question in the Q&A chat box or click on the raise hand button. We'll take the next question from the line of Nishit Lakhotia, your line is open.

**Nishit Lakhotia** Thank you for the call. Just a couple of questions. First, on the staff cost. I want to know whether the staff cost that we see in 1Q, it is still pretty low

compared to what it was even pre-COVID levels. Now with normalisation of operations and having more students than what it was pre-COVID, how's your total cost still low? Is it on your operational efficiencies or have you managed to get new teachers, lower salary levels than what it was before? And how much of it is sustainable or should we expect the staff costs to go back to what it was pre-COVID levels in the coming quarters? Or it is more of a reflection of the number that we should expect.

That's my first question. Second is on the fee revision. Any views of management about is there any expectations this year or next year, when you can see some fee revision from the government for the scholarship? And finally, on the new building that you had mentioned on the last quarter call. When will that project start? So, an update on that project. Thank you.

**Mayank Baxi** Thank you, Nishit. Regarding the staff cost, just to let you know that, prior to COVID and up to 2019, we had our training operations also continuing. The training operations during the period of COVID, in between we have discontinued the operation. So, as a result of that, whatever salary costs that were coming out of those training businesses are no longer there. In terms of actual KD amount, that amount is definitely not appearing in the P&L from the quarters that you see now, so that is one of the reasons for the absolute amount remain flat or a little lower, as well.

Regarding the fee revision, as of now we do not have any plans for submission for fee revision. If anything comes up we will definitely share it with you. For the new building, as mentioned earlier, the new majors are going to come up in 2023 and the college building for health sciences should be ready by that time. As we have been explaining, the campus master plans are in place, so what will be required is only the construction of classroom building and labs, which should be feasible by that time.

**Nishit Lakhotia** Thank you. But just on the staff cost, do we expect this to be sustainable in the coming quarters, no more spike from normalisation of on campus operations

**Mayank Baxi** As we mentioned earlier, also, that as we get back to the normalcy, we should get back to the levels of 2019 operating margins because that is a more realistic reflection. Right now, still in quarter one, we only had March where we started with the on-campus, full-fledged operations.

**Nishit Lakhotia** So, we can expect some spike here. Thank you.

**Hatem Alaa** Again, as a reminder, to ask a question you can either type your question in the Q&A chat box or you can click on the raise hand button. If you don't have any further questions, I'll kindly ask you to lower your hand. We have a question from Fouzi Aldhafeeri from Kuwait Investment Company. Any update regarding your plan to start K-12 education and what is the expected Capex for the rest of the year?

**Mayank Baxi** Long-term strategy that is outlined during the annual call of 2021. It's right now in the work in process stage, there is no specific clarity or direction as of now that we can share more about it. As and when it unfolds, we will share more detail about it. As of now, there is nothing which is requiring any kind of discussion at this point in time.

**Hatem Alaa** The second part of his question is on Capex guidance for this year.

**Mayank Baxi** Capex, as we mentioned, that the new construction of the health science building should take about a total of KD 6.5 million. This might get spread over two years, not necessarily everything gets spend during this time, it may spill over in the next year as well. But the activities related to that may commence some time later. Other than that, there will be normal maintenance Capex, which normally is around 2% of the revenue.

**Hatem Alaa** Again, as a reminder, to ask a question you can type it in the Q&A chat or click on the raise hand button. We have a follow-up question from Ankur. Your line is open.

**Ankur Agarwal** Sorry, I don't have a follow-up question.

**Hatem Alaa** Again, as a reminder, to ask a question you can either type it in the Q&A chat box or you can click on the raise hand button. We have a question from Donatas in the chat, that's from LGM Investments. How do you see competition for students with other private players?

**Mayank Baxi** We have also mentioned in the earlier calls, when we started in 2008 there were also existing private universities in operation and Kuwait University in operation for a much, much longer period. Since that time, we have grown, we have added new majors and we have remained focused on our qualitative aspects. In the same time a lot of new universities and colleges have come up, and can come up as well. The way to address this will always be to ensure that the institutions maintain their superiority by quality aspects and ensure that it is always the first choice for the students in the particular majors that we offer.

As you have been seeing in the past, as well, a lot of qualitative initiatives have enabled us to maintain that level of supremacy in attracting the best students. And we shall continue to do that, as you have seen the accreditations in place, we have been ranked number one by two ranking institutions. Our campus is ranked as the most green campus in Kuwait, and many other such features, which collectively enable us to ensure that we remain attractive for all the students who are pursuing the majors we offer. We'll definitely continue and strive for further improvement in that field.

**Hatem Alaa** Next question is from Mohammed Ali-Reda from SMIAL. Have you ever considered share buybacks as a better way to return cash to long-term shareholders as opposed to just paying dividends?

**Mayank Baxi** We haven't considered share buyback and the Kuwait stock exchange guidelines also do not have this share buyback as an option, so as of now, there are no such plans.

**Hatem Alaa** As a reminder, to ask a question please click on the raise hand button on the right-hand side of your screens or you can type your question in the Q&A chat box. Again, you can either type your question in the Q&A chat box or click on the raise hand button.

**Anup Dhand** Are there no more questions?

**Hatem Alaa** Yes, there are no more questions.

**Anup Dhand** You can wind up then.

**Hatem Alaa** Sorry, just got a question. There is a question from Loay from SICO, your line is open.

**Loay** There are certain reports of acceptance rates being 42%. I was wondering if you could comment on that, considering that scholarships make up 90-odd percent of the current student cohort? In terms of scholarships and scholarships in the coming years, what is the level of self-paying students that are not accepted, i.e., could you comment on the 42% acceptance rate that we have seen in previous calls? Thank you.

**Mayank Baxi** The students that are applying and attracting at AUM and ACM, they are top students who qualify for the Kuwait Government guidelines for the scholarships and almost 92% students of AUM and ACM are scholarship students. Going forward, yes, how do we enlarge the self-pay arena? As you have seen, a lot of initiatives about accreditations, rankings, etc., are being pursued and this is what makes it more attractive for the self-paying students who are mostly expats and who would still want to consider the majors that we are offering. In order to widen the reach, this is the initiatives that we are already taking, and we hope to make the university of choice for those kinds of students as well, who want to continue their studies in Kuwait and want to pursue the majors that we offer.

**Loay** Okay, thank you. So, in essence, what percentage of the students who apply are... Or can you comment on the 42% acceptance rate?

**Mayank Baxi** 42% acceptance rate is a combination, it is not necessarily that they are self-pay or scholarship, both kind of students may fall in that category of students who are not accepted. That is because we have a process for selecting the students. It's not just the GPA, there is a complete cycle of process that a student who applies to the university or college has to go through. One of the factors will be, yes, GPAs, but along with it, we do the entrance test, maths test, English placement test. We also conduct interviews and presentations from the students, so it's a collective combination.

Our approach has been, as we have a very good slogan, very dedicated students is our motto, and also, we try to ensure that students who are motivated, students who would continue for completion of their studies are the ones we try to attract, even if sometimes they may not qualify for the GPA levels that we would've set. But that is how we consider the acceptance or rejection.

**Loay** Thank you.

**Hatem Alaa** We have a question in the chat from Mohammad AlKanderi from KNPC. He has a question related to studying in Babson College. This opportunity, is this available for both engineering and business major graduates or only business major graduates?

**Anup Dhand** The MOU that we have signed with Babson College, this is for AUM bachelor graduates from both Engineering and Business majors. Thank you.

**Hatem Alaa** There are no more questions at this stage, so I'll hand it over to you.

**Anup Dhand** Thank you, Hatem. I think we can wind up, in that case. And thank you, participants, for attending the call. Thank you, everybody.

**Hatem Alaa** Thank you so much and thank you everyone for participating. Have a good rest of the day.

**Mayank Baxi** Have a good day. Thank you.