

Date: 2<sup>nd</sup> August 2022

التاريخ: 02 أغسطس 2022

M/S . / Boursa Kuwait Company

المحترمين

السادة/ شركة بورصة الكويت

Greetings,

تحية طيبة وبعد،،

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

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

With reference to the aforementioned subject, and to our letter sent to you on 28/07/2022, kindly find attached the minutes of the analysts / investors conference for the second quarter of 2022.

بالإشارة إلى الموضوع أعلاه، وإلى كتابنا المرسل لكم بتاريخ 2022/07/28، نرفق لكم محضر مؤتمر المحللين/المستثمرين عن الربع الثاني لعام 2022.

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 2022 results conference call (Edited Transcript)

**Date:** Thursday, 28 July 2022

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

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**Hatem Alaa:** Hello, everyone. This is Hatem Alaa from EFG Hermes and welcome to Humansoft's second quarter 2022 results conference call. I'm pleased to have on the call today from Humansoft Mr. Mayank Baxi, board member, and Mr. Anup Dhand, CFO. We'll start by some comments from management and then we'll open the floor for Q&A. Just as an initial 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 and then unmute your mics. Gentlemen, please go ahead.

**Mayank Baxi:** Thank you. Hello, everybody. Welcome to the Humansoft Q2 2022 results conference call. I hope all of you and your loved ones are keeping safe, as still COVID is not over. Thank you, team at EFG, for facilitating this call. I am Mayank Baxi, board member of Humansoft, along with our CFO, Mr Anup Dhand, together we would like to briefly mention of the key highlights of the Q2 2022 and then run through the Q2 2022 financials. At the end we'll 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.

We consistently remain focused on strengthening the strategic pillars and some of the key highlights of which during Q2 2022 were:

QS World University Rankings for the year 2023 was released in June of 2022 and AUM has been ranked as the number-one university in Kuwait for the second year in a row and it's now among the top 750 globally. That's a very

encouraging achievement.

AUM has launched the Smartverse Centre for AI and Innovation in cooperation with the University of California-Berkeley AMENA Centre for Entrepreneurship and Development.

Leading companies were recognised through the AUM Corporate Award of 2022. The launch of AUM Corporate Award stems from our belief in the importance of celebrating strategic partnership with the companies from private and public sectors.

The Next Generation Career Fair of 2022 was held for a full week in a hybrid environment with over 50 companies participating in the event.

Various events were organised on the campus for students, staff, and faculty during the second quarter, marking celebration of a successful year.

The admission process for the admission of new students both at AUM and ACM is currently in progress. As of now, the last day to apply for the scholarship students is 4<sup>th</sup> of August. We expect the announcement of local scholarships to come after 4<sup>th</sup> of August.

Now I would like to invite Mr. Anup Dhand, Humansoft CFO, to give a brief about Q2 2022 financial highlights.

**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 Q2 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 H1 2021 and H1 2022 are not comparable.

During H1 2021, revenue recognition was 50% of fall semester and 100% of spring semester. However, during H1 2022, revenue recognition was 25% for fall semester and 100% for spring semester.

In normal circumstances revenue recognised in H1 would have comprised of 20% of fall semester and 100% of spring semester.

H1 2022 revenue of KD 44.2 million was lower by 18% in comparison with H1 2021 revenue of KD 54.2 million, mainly as a result of changes to the academic calendar in H1 2021 due to COVID-19.

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

H1 2022 EBITDA of KD 29.5 million was lower by 27% in comparison with H1 2021 EBITDA of KD 40.4 million.

H1 2022 net profit of KD 27 million was lower by 27% compared with KD 36.9 million for H1 2021.

Net profit margin for H1 2022 was 61% and EBITDA margin for H1 2022 was 67%.

The earnings per share was 222 fils during H1 2022 as compared to 303 fils during H1 2021.

Humansoft had a net cash position of KD 68.6 million as of 30<sup>th</sup> June 2022.

Total equity was KD 110.1 million as of 30<sup>th</sup> June 2022 and the annualised return on average equity for H1 2022 amounted to 45%.

Total assets was KD 136.5 million as of 30<sup>th</sup> June 2022 and the annualised return on average assets for H1 2022 amounted to 37%.

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'll now open the floor for questions and answers. We request that you please introduce yourselves with your names and the institution you represent when you have any questions.

Thank you and over to you, Hatem.

**Hatem Alaa:** Thank you, gentlemen. 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 on the right-hand side of your screens and unmute your lines. Again, you can

either type your question in the Q&A chat box or you can click on the Raise Hand button. We'll take the first question from the line of Thomas Mathew from Kamco. Your line is open.

**Thomas Mathew:** Hi. Thanks for the call. I have three questions. The first one is on the second strategic pillar that you had announced during the annual earnings earlier this year. If you could provide an update on that, it would be very helpful. The second question is on the nursing major update, if you can probably give us some sort of an idea as to when that is probably going to start in terms of capex and in terms of fees and the number of credits that we can assume going forward for that major. The third question is about the number of students. I understand that last fall it was 13,753 students who were enrolled. By this fall, how many students are expected to pass out before your new enrolments? Those are my three questions. Thank you.

**Mayank Baxi:** Thanks, Thomas. As we mentioned during the annual call, there are short-term growth plans and a little longer-term growth plans. The plan that you refer, I think, refers to the little longer-term plan, so as of now, as we speak, there is no specific development where we can share more information regarding that, but certainly our focus is on both. As you have seen, on the short-term plans already a lot of developments have taken place which I recently highlighted and also regarding the nursing major, as mentioned earlier, we plan to start offering the major by fall of 2023.

As far as the capex is concerned, a consolidated capex plan of KD 6.5 million was also mentioned earlier. It remains the same. With regard to the number of credit, it will be similar to any other bachelor's programme because the nursing is offered in AUM. So specifically speaking total credits for nursing might just be somewhere around 120 to 125 credits. Exact number will come out once the curriculum is finalised, but it should be within that range.

As I also mentioned, regarding the new enrolments, the student enrolment is in progress. As we are in the process of still receiving applicants and the exact number of enrolments that will begin at fall will be only available at a later stage. If you are referring to the continuing students, then I think we should have close to 10,000 continuing students after the summer semester, but as of now, summer semester is also running, so the numbers could be a little

plus or minus as it will all depend on how many students graduate in summer semester.

**Thomas Mathew:** Sure. Thanks, Mayank. I just had a follow-up question. So, in terms of the number of students who would be continuing, you mentioned that there's 10,000. So that means close to 3,753 students over the last academic year have passed out. Is that what you're saying?

**Mayank Baxi:** It will be more than 10,000. Exact number will be clear once we have the clarity about the graduates, but I would say it will be in the range of 10 to 11 thousand. The graduation numbers that we expect as a total could be anything around 3,100, but that number will get stabilised only after the summer semester is over.

**Thomas Mathew:** Sure. And just one more question on the nursing college update. In terms of fees per credit, is that also comparable with, let's say, an AUM credit?

**Mayank Baxi:** As of now you can take the assumption that it will be same as the per credit rate of the business school, which is 240 KD per credit hour.

**Thomas Mathew:** Sure. Thank you. Very helpful. Thank you. Thanks for the call.

**Hatem Alaa:** Thank you. As a reminder, to ask a question, you can either type in the Q&A chat box or click on the Raise Hand button. We'll take the next question from Usman Siddique from SICO. Your line is open.

**Usman:** I wanted to ask, on the revenue side we understand that there was a decline in revenue because of change in academic calendar, but on the cost side, do you see further pressure moving forward as we move towards a more normalised setting? Where do you see the margins settling in? Will it go back to 2019 level or somewhere between what we have witnessed in COVID and 2019 levels?

**Anup Dhand:** Thanks, Usman. This is Anup. when it comes to cost and the margins, as we have mentioned in the past also, 2019

numbers are more reflective once we go back to completely on-campus activities. So that's where the margins would be gravitating towards. Currently we are in the first half of 2022, first two months in 2022 the operations were still on the hybrid basis and the second quarter has been completely on campus. So slowly as we progress into the academic year and are fully on-campus and operational, yes, we would be gravitating towards 2019 numbers.

**Mayank Baxi:** And to add to that, Usman, some factor of the inflationary trends that we are seeing globally might also show up in the coming two quarters, but, yes, as Anup mentioned, we would be gravitating close to 2019 on a stable environment annualised.

Usman All right. So, does the nursing major be more costly as far as lab equipments and other facilities are concerned? Will there be a pressure on that side as well? How big will be the nursing major contribution towards overall revenue?

**Mayank Baxi:** As we said, the nursing major will have an intake of about 300 students on a stable place. So, you are talking about 1,500 students if we are at a stable environment for a regular basis once it stabilises. So, on that front, I don't see that will have a major impact. There might be a little additional cost related to nursing for the specific labs, etc., but otherwise there are a lot of common facilities which the nursing major also will be utilising. Hence, we don't see a major impact on the cost structure increasing as such. Yes, that could be a little initial hiccup in terms of the faculty utilisation because in any new major you will initially see that efficiency ratios might not be the best as we have experienced. So otherwise we don't see any major variation there.

Usman: All right. So as far as... Your plan is to have an intake from this fall, right, for the nursing major?

**Mayank Baxi:** From Fall of 2023, not this fall.

Usman: Next year. All right. Thank you.

**Hatem Alaa:**We'll take the next question from the line of Fatema AlDosery

from SICO. Your line is open.

**Fatema:** Hi. Thanks for the call. I just have two questions, one regarding the scholarships this year. It seems like under the AUM bachelor's courses offered under the scholarship, it's one less than last year. So, I just want to understand the rationale behind that. Regarding the nursing course, will the government provide scholarships for the nursing course?

**Mayank Baxi:** Fatima, can you just clarify your first part of the question?

**Fatema:** So, every year the government, when it comes to scholarships, releases a set of courses and universities and you can pick and choose when you put in your topics or your first three or four choices.

**Mayank Baxi:** Majors, yes.

**Fatema:** So, under the bachelor's, under AUM, last year I think you had 13 courses while this year you have 12. So, I'm just wondering, was there a drop in one of the courses that are eligible for a scholarship or that students can pick from?

**Mayank Baxi:** If you see our list of majors, there are some majors like communication and telecom which are not very popular. So, from that perspective, those would have been the changes in the list. At the same time students that will select from the available majors.

**Fatema:** With unpopular courses, is it the university that drops them off from the scholarship options or is it the government related entity?

**Mayank Baxi:** Can you still elaborate? I didn't get to exactly what you are referring.

**Fatema:** So, when you said that there are some courses such as telecommunication that are not popular, is it Humansoft's decision to not include them?



**Mayank Baxi:** Yes. See, such courses become inefficient. So, whenever that is there, then we don't intend to take students into such kind of majors from our previous experience.

**Fatema:** Got it. With regard to the nursing course

**Mayank Baxi:** Regarding the nursing, as of now we don't have a specific answer on that, but, yes, if nursing also falls within the guidelines of the Kuwait scholarship programme eligible for the Kuwaiti students. So, we don't expect a change there. Yes, for the expats, as of now it will be on the basis of self-pay only.

**Fatima:** And your competitor here is Kuwait University?

**Mayank Baxi:** Mainly today the nursing in Kuwait is offered under the two-year programme by PAAET. So that will be the only competition, Otherwise, as of now, nobody in the private sector is offering.

**Fatima:** Thank you.

**Hatem Alaa:** Thank you. We'll take the next question from the line of Vijay Singh from Fiera. Your line is open.

**Vijay Singh:** Thank you for the opportunity, Mayank. I had a couple of questions. The first question is that you've guided to your cost structure going back to 2019 levels and, if I look at second quarter 2019, your margins are running well ahead of the second quarter levels in 2019 on a comparable basis. I am wondering, are you seeing that actually through the rest of the year your costs will increase and the margin percentages will go down to the levels of 2019 or what exactly are you meaning by the convergence with 2019? That's the first question and then I can come back with the second one.

**Mayank Baxi:** Yes. You're right. The Q2 of 22 net profit margin is almost 56%, I think, comparing with the full year of 2019, which is 49%. What is meant is that when we get back to a complete annualised yearly operation, the quarter on quarter, there can be little changes of certain expenses like for instance, selling expenses are higher during a particular

quarter. It also depends on when the registration for new students, etc. are taking place.

So, what is meant is, when we go back to an annual normalcy year where full one-year cycle if you look, at that time we should converge around that kind of number, which is 49% or 50% margin. That will also have to factor in some kind of inflationary cost that we have seen and we can see going further can also get accommodated within the coming time.

**Vijay Singh:** Because that also has consequences for quite a few forecasts that analysts would have, but leaving that aside, the second question is on the cash on the balance sheet. In the past you have explained in detail about the working capital requirements, etc., but the current levels of cash net of your working capital liabilities also seem to be way more than your annual expense base. Last year you did pay an extraordinary dividend, so I'm just wondering, what is the thinking in that regard with regards to pay-out ratio or how you're planning your cash management? Are there any strategic measures planned on the usage of this cash for the next six to seven months or at least for the next financial year?

**Mayank Baxi:** As we have mentioned earlier also, the cash balance is on a particular day of balance sheet. It always depends on whether, at that end day of the financial close, we have collected the receivables or it has spilled over in the next quarter. Having said that, yes, you are right. There is a good cash position available and for that we did mention in the annual call that we will try to maintain a pay-out ratio of 70%. So that is one side of it.

The remaining cash, as we have also laid out the short-term and long-term plan, we will see the progress and accordingly decide whether we should hold on some cash in addition to the working capital requirements. Accordingly, board will recommend for dividends, but as of now, as mentioned, we will try to have a 70% pay-out.

**Vijay Singh:** Apologies for coming back to the first question on the margins because I think historically in the past you have been very conservative on your margin guidance albeit the environment was also very uncertain, but now where we stand, when you say that on a full year you will

go back to net margins of 50% whereas consistently over the last few quarters you have demonstrated something better and your student count is probably facing leverage is only working in your benefit. I am just curious whether you are being excessively cautious when you're talking about the net margins going back to 50% or there is a cost element that we may not be aware of.

**Mayank Baxi:** See, you are right. We try to be realistic when we say at that point of time, but that does not mean that our efforts to improve efficiencies, our efforts to find ways and means where we can improve the automation, etc are less. It is a continuing process. So, if we achieve a little bit over that, it has been as a result of our continuous efforts to work on efficiencies. It's an ongoing process and we'll continue doing the same. At least we do not want to unnecessarily give hope on something which we are not absolutely sure about.

**Vijay Singh:** Understood. Thank you very much. Congratulations on a great quarter and thank you for the opportunity. Thanks, Mayank.  
Thanks, Anup.

**Hatem Alaa:** Thank you. Again, as a reminder, to ask a question you can either type in the Q&A chat box or click on the Raise Hand button. We'll take the next question from Reem AlBarri from SICO. Your line is open.

**Reem:** I'm Reem AlBarri from SICO. Thanks very much for this call. I just had a couple of questions. I was wondering if you have any guidance on what the scholarships are going to be like this year. Is Humansoft going to be getting a similar share to last year or...

**Mayank Baxi:** If I can interrupt you here, we are not able to hear you clear. There is a lot of echo in the voice. Can you please maybe repeat or just... There is an echo coming here.

**Reem:** Hi. Can you hear me now?

**Mayank Baxi:** Yes. It's better.

**Reem:** So, I just had a couple of questions to ask. The first was about guidance on scholarships. Is Humansoft going to be getting a similar

share to last year? And my second question was if you have any expectations of what the intake is going to be like for the next academic year. Last thing was if you are expecting any fee revision coming.

**Mayank Baxi:** Regarding the scholarship share or intake, both these will have to wait until the final enrolments and registrations get over and, at the end, how many students start the fall semester because it might not be correct at this point of time to give you any kind of indicative numbers because from now until September there is a lot of unknown that may happen, which we have also experienced in the past years as well. So, I think better we will wait, but on our end, AUM and ACM are very fully prepared and are on top of our efforts to reach out and get the best and the brightest students and attract them for enrolment season going on. So, rest assured AUM and ACM will do their best to get the numbers which suit us as well as are in the interest of everybody. As far as the fee revision is concerned, as of now there is no decision on any changes in the fee at this point of time.

**Reem:** All right. Thank you.

**Hatem Alaa:** Thank you. Again, as a reminder, to ask a question you can either click on the Raise Hand button or type in the Q&A chat box. Please, if your question has been answered, lower your hand. Thomas, I'm not sure if you have a follow-up question.

**Thomas Mathew:** No. My question is answered. Thank you.

**Hatem Alaa:** Thank you. Again, as a final reminder, to ask a question you can either type in the Q&A chat box or you can click on the Raise Hand button.

**Hatem Alaa:** We have a question from Abdulaziz Alsughiyr from VCP.

**Hatem Alaa:** Your line is open, Abdulaziz.

**Abdulaziz Alsughiyr:** Hello. Hi. Good afternoon. Thanks for the call. This is Abdulaziz Alsughiyr from Value Capital Partners. I just have a question on the rate of withdrawals. What's the trend in that number given you had exceptionally high admission numbers in 2019 and 2020? Thank you.

**Mayank Baxi:** Thanks, Abdulaziz. Yes. As we mentioned to you, our admission process is quite rigorous and that's where we try to figure out most of the time where we feel that students may not continue or are not likely to continue. So, our withdrawal rate has remained more or less stable. In AUM we experience about 3% to 4% dropout on an annual basis. In ACM the dropout rate remains a little higher, which can go to 8% or so.

**Hatem Alaa:** Thank you. It appears there are no further questions at this point, so I'll hand over to you if you have any concluding remarks.

**Mayank Baxi:** Thank you, gentlemen, for this participation and thank you, EFG, once again for facilitating this call and moderating it.

**Anup Dhand:** Thank you, ladies and gentlemen, for the call. Thanks, Hatem, for moderating the call and we wish good day and good evening to everybody.

**Hatem Alaa:** Thank you.

**Anup Dhand:** Thank you.

**Hatem Alaa:** Have a good rest of the day, everyone. Thank you.