

Date: 7th November 2022

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M/S . / Boursa Kuwait Company

المحترمين

السادة/ شركة بورصة الكويت

Greetings,

تحية طيبة وبعد،،

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

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

With reference to the aforementioned subject, and to our letter sent to you on 02/11/2022, kindly find attached the minutes of the analysts / investors conference for the third quarter of 2022.

بالإشارة إلى الموضوع أعلاه، وإلى كتابنا المرسل لكم بتاريخ 2022/11/02، نرفق لكم محضر مؤتمر المحللين/المستثمرين عن الربع الثالث 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 Q3 2022 results conference call (Edited Transcript)

Date: Wednesday, 2 November 2022

Time: 2 pm (Kuwait time)

Hatem Alaa Hello, everyone. This is Hatem Alaa from EFG Hermes, and welcome to Humansoft's Third Quarter 2022 Results Call. I'm pleased to have on the call today, from Humansoft, Anup Dhand, CFO, and Mayank Baxi, Board Member.

We'll start by a presentation from management and then we'll open the floor for Q&A. Just an initial reminder, to ask a question, you can click on the raise hand button on the right-hand side of your screen, or you can type in the Q&A chat box. Gentlemen, please go ahead.

Mayank Baxi Hello, everybody. Welcome to the Humansoft Q3 2022 Results Conference Call. Thank you, team at EFG, for facilitating this call. I am Mayank Baxi, Board Member at Humansoft Holding Company, and along with our CFO, Mr Anup Dhand, together, we would like to briefly mention some of the key highlights of Q3 2022 and then run the Q3 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.

With this, some of the key highlights of Q3 2022 are as follows:

AUM and ACM together have enrolled a total of 3,391 new students in fall of 2022, taking the total enrolled students at the beginning of fall 2022 semester to 13,684.

Kuwait's Arab Region University Rankings for 2023 were released, and AUM has been ranked the first university in Kuwait, and number 26 in the Arab region. AUM ranking in the Arab region has advanced from 34 in 2022 to 26 in 2023. This was achieved due to the continuous focus on improvements on all fronts by the team at AUM, and it reiterates our emphasis on maintaining high quality standards.

Stanford University has ranked five AUM faculty among the top 2% scientists in the world. We remain proud of our faculty and their achievements.

Academic year 2022 - 23 began with a series of activities and was also marked with a vibrant and welcoming environment for all the students to enjoy the campus life.

AUM and ACM remain committed in promoting CSR through various initiatives, which were held inside the campus and across the local community to tackle and promote corporate social responsibility, such as the breast cancer awareness campaign organised recently.

Our financial performance at the end of Q3 2022 remained robust and we remain focused on improving efficiencies.

Now I would like to invite Mr Anup Dhand, our CFO, to give the brief about Q3 2022 financial highlights. Thank you.

Anup Dhand Thank you, Mr Baxi, and a good afternoon to all the attendees. I am Anup Dhand, CFO of Humansoft, and I would like to present the financial highlights of Q3 2022.

To begin with, we would like to inform that because of disruptions due to COVID-19 and the changes in the academic calendar in 2021, revenue and profitability of the nine-month period of 2021 and nine-month period of 2022 are not comparable.

During Q3 2021, revenue recognition was 100% of summer semester, however, during Q3 2022, revenue recognition is back to the same as in 2019 pre-COVID days, which is 100% of summer semester and 20% of fall semester.

Nine-month 2022 revenue of KD 62.6 million was lower by 7.6% in comparison with nine-month 2021 revenue of KD 67.7 million, mainly as a result of disruptions due to COVID-19 in 2021 and the changes to the academic calendar in nine-month 2021. For more details, you can also refer to the revenue recognition slide on page 19 in our investor presentation.

Nine-month 2022 EBITDA of KD 41.4 million was lower by 13.1% in comparison with nine-month 2021 EBITDA of KD 47.7 million.

Nine-month 2022 net profit of KD 37.9 million was lower by 11.3% compared with KD 42.7 million for nine-month 2021.

Net profit margin for nine-month 2022 was 61% and EBITDA margin for nine-month 2022 was 66%.

The earnings per share was 311 fils during nine-month 2022 as compared to 351 fils during nine-month 2021.

Humansoft had a net cash position of KD 73.5 million as at 30 September 2022.

Total equity was KD 121 million as at 30 September 22, and the annualised return on average equity for nine-month 2022 amounted to 40%.

Total assets were KD 163.7 million as at 30 September 22 and the annualised return on average assets for nine-month 2022 amounted to 31%.

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 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, Anup. To ask a question, you can either click on the raise hand button and unmute your lines or you can type in the Q&A chat box. Again, you can either click on the raise hand button or type in the Q&A chat box. We'll take the first question from the line of Thomas Mathew. Your line is open.

Thomas Mathew Hi. Thanks for the call, and congrats on the higher number of enrolments as against last year. I just wanted to understand a broader picture of how the enrolments reached the number of over 3,300. If you could give us a backdrop of how many high school graduates were there and how many scholarships were there for all the private universities in Kuwait and what the market share was for AUM and ACM, that would be helpful. I have a couple of more questions. I'll just wait for the response and then I'll probably ask those. Thank you.

Mayank Baxi Thank you, Thomas. See, as you must be aware, the Kuwait PUC announces the scholarships after the initial enrolments of the students and registrations at the various universities. And this year also, the same process was followed. Now, how it happens is that in the initial stage, when the list is first publicised, the information and the data is not the final one. It keeps updating until the start of the semester.

And that is because, during the period from the first publication of the enrolment of students in various universities until the start of the fall semester, there can be various changes that can happen in terms of the students wanting to change their majors or students wanting to go to other universities or some of the schools' results, particularly the American and British school results, may come subsequently. And all those factors result into the situation where the final numbers are not available at that point of time.

And then in between, the changes occur, which is also not getting fully available in the public domain. So whatever data or whatever information that we gather at the end of the enrolment or registration period or at the beginning of the fall semester may be gathered through various newspaper sources, etc., because there is no authentic one source.

And so, I would just like to make that clear, that when I am referring to the total high school graduates and the broad allocations, that might be subject to the corrections, if any, because the final numbers may not be available in public domain.

Thomas Mathew Sure.

Mayank Baxi Yes. Overall, if you look at the Kuwait demography and the schools operating here, particularly the Arab government schools and public schools and the foreign schools, this year, a total of about 45,000 students would have graduated. And I am talking from the public and private schools, Arabic schools affiliated to the government and also the foreign schools.

Now, out of these graduates, more or less the allocations that we gather from various publications, newspapers, etc. is that Kuwait University would have taken something around 9,000 students. The public announcements for foreign scholarships at that point was roughly around 4,000 students. Local scholarships were announced, around 6,400 students. And the remaining, PAAET would have taken this year about 16,000 students. So that adds up to around 35,000 students.

And the remaining 10,000 would consist of various things. There could be drop-outs, there could be some of the expats going abroad and leaving the country for higher studies, and some of Kuwaiti high school graduates also getting into, say, Police Academy or National Guards, etc. So that is the broad allocation of the high school graduates.

Thomas Mathew Sure. Just so that I understand this correctly, so you're saying that 6,400 students were the private scholarships. And AUM and ACM combined have 3,300 enrolments as against, let's say, last year, which I believe was about around 5,800 scholarships. And I think AUM and ACM was about 3,183 students that...

Mayank Baxi Let me correct this. Again, 6,400 was the number that was available in the public domain when the PUC first announced the list of the local scholarships. Now, if you have seen, at that point of time, the AUM/ACM number was not 3,300, It was around 2,700. the additions happened afterwards.

So similarly, other universities numbers may have also got changed due to withdrawal or readjustments there. The total number at the end was 6,400-odd, may not be the actual final number because that is not available in the public domain. Now, when you compare with last year, last year, I think in all, the total local scholarships had been around 7,000.

Thomas Mathew Sure. Very clear. Thank you so much. Another question was on the number of students that have graduated from ACM

Mayank Baxi Yes, one more thing, Thomas.

Thomas Mathew Yes.

Mayank Baxi Also, the number changes subsequently, because at the initial point of time, self-paid students are not part of the announcement. So, when the AUM/ACM number increases to, say, 3391 this time, it is also consisting of the self-paid students that come in later.

Thomas Mathew Okay. Very clear. And in terms of the number of students who have joined AUM from ACM as against last year, could you just compare that?

Mayank Baxi More or less, it is around the same, 400-odd students, because that has been consistent.

Thomas Mathew Sure. And my final question is on the number of students that will pass out from this fall to next fall. It will be around what? On an average.

Mayank Baxi See, now the semester has just begun, and the graduation will be dependent also on the individual study plans of the students and how they fare at each of the semesters. So, it may be very difficult to give you an actual number. But we can give you a range, which may vary between 2,900 to 3,100. But that number is subject to correction as and when the semester gets over and how the students fare at each of the stages.

Thomas Mathew Sure. Thank you. Very clear. I'll probably join the queue again for some additional questions. Thank you for now.

Mayank Baxi Sure.

Hatem Alaa We'll take the next question from Usman Siddiqui from Sico Bahrain. Usman, your line is open.

Mayank Baxi I think it's not audible.

Hatem Alaa Yes. Usman, we can't hear you. Maybe you can try writing us.

Usman Can you hear me?

Hatem Alaa Now we can hear.

Mayank Baxi Speak a little louder, please.

Hatem Alaa Speak louder.

Usman Yes. I think I just have one question, which is on the cost side of Humansoft. So, we have seen the revenue and the academic calendar going back to 2019 levels, but the costs are still lower than what they used to be in 2019. During COVID, you mentioned, because there was no full campus, that would really help you in maintaining your costs. Now, with this lower cost, do you think it's still sustainable or the pressure is yet to come in the next quarter and next semesters?

Mayank Baxi As we said in the earlier calls also, we will gravitate towards 2019 numbers as we operate a full semester, a full year with on-campus execution. Now, this year, if you look at the three quarters, the first quarter had a part of the online delivery. Then the second quarter started with on-campus, but it was just the beginning, after such a long gap, and the third quarter was the summer quarter.

Therefore, the normal events, the costs that go in a normal academic calendar will not have been captured or incurred at this point of time. So that's why, as we go along and we see a full cycle of on-campus execution, we may gravitate towards 2019 level.

Because you have to factor in also that from 2019 to now, 22/23, there are some costs escalations due to inflation, etc. And of course, part of it will get compensated from the efficiencies that we have achieved, which you are seeing also in our margins. As we see today, we feel that on a full year of operations, we should go back to the 2019 level.

Usman Yes, but just a follow-up pertaining to staff salaries. And you have mentioned that in your faculty there are no visiting faculties and all are full-time. There was a drop in staff salaries and related costs this quarter.

Mayank Baxi Yes.

Usman Is that particularly the summer?

Mayank Baxi No. quarter three is a summer semester, and a many of the staffs go on vacation during summer months. As in summer months we don't have full operations. Only students who take summer classes will be there. And for that, only the faculty which are required are there on campus. Otherwise, faculty go on vacation during this time.

And therefore, if you see in quarter three, the costs would always be lower. Now, in the past two years, the summer semester had fluctuated, and therefore, you will not see the same trend. But if you go a little further, or even 2021, quarter3 or even 2019 year, quarter three, you will see the same trend.

But one more thing I must also bring out to you, when you compare the previous years in absolute terms, previously, we used to have the training centres in operation. And as you know, during the COVID time, we have closed down all the training centres operating in Kuwait, Dubai, Abu Dhabi and Qatar. So, the cost of the trainers for the training centres are no more there in absolute KD terms. So that element of cost reduction will also be reflected when you compare some of the absolute KD values in the cost of operations.

Usman All right. Thank you so much.

Hatem Alaa So we'll take the next question from Hessa Alameeri. Your line is open. Hessa, your line is open.

Hessa Alameeri Yes. I'm just asking about what's the expected percentage growth for your profits in the next three years, as well as, what's the update on the new college, the nursing college, and what kind of income are you expecting from that college? Thank you.

Mayank Baxi See, in terms of the growth, more or less, when you look at our fall numbers, our student enrolments are already in place, and from the deferred revenue that is

there at the end of September, one will be easily able to project how our coming year will look like. Because the deferred revenue that you see in the balance sheet in September is going to be amortised over four months. so, the next year, first quarter, will be clear, and that the students are more or less continuing throughout the three quarters there.

So, you have a very clear understanding of how our revenue would be there for the next year. And then in terms of margins, as we mentioned in the previous question, we will gravitate towards the 2019 margins. So, I think, that gives a good understanding of how to look at our revenue and profit growth.

In terms of the nursing school, the expectation is that the nursing and the nutrition major will be offered in the coming fall of 2023. And for that, preparations and the required infrastructure is being looked at and it's under progress. And as we get closer to that the start date, we'll be able to talk more about that. And the last question, can you repeat please?

Hessa Alameeri Yes. I was just asking about what kind of returns you guys are expecting. What kind of income are you expecting from that college, the nursing college?

Mayank Baxi Yes. See, normally, our past experience is that when you start with a new major, initially you start with a much lower number, which is ranging from 50 to 100 students per major. And then eventually, the students continue with us for a five-year cycle of graduation.

And at a stable environment, we expect each of these majors to have a new enrolment of about 200 to 250 students. So, when you take each of these majors, say over the five years a student will continue, then, on a stable environment I am talking, 250 into five, so around 1,200-1,250 students per major. So that kind of student body would be expected on a stable environment, but that is over a cycle of five years.

And then our fees are going to be more or less similar to the school of business, which is KD 240 per credit hour, and these students will also need around 130 credits for graduation. So more or less, it will be clear how the revenue will grow.

Hessa Alameeri Yes, awesome. Thank you so much.

Mayank Baxi Thank you.

Hatem Alaa We'll take the next question from the line of Ashish Agarwal. Your line is open.

Ashish Agarwal Hi, ladies and gentlemen. Thank you for giving me this opportunity. So, coming back to the... Just as a follow-up, so currently, what percentage of your delivery mechanism is online? And so far, from 4Q onwards, what percentage of delivery

mechanism will completely shift to the offline delivery mode, 2019 mode? I have further questions. I will ask them after this.

Mayank Baxi No, see, from the second quarter itself, the entire operations are now on campus and there is no more hybrid model or online delivery. Every student comes now to the campus only.

Ashish Agarwal So we can assume that from the fourth quarter 2022 onwards, for the next year as well, it is back to pre-COVID in terms of delivery of education is concerned, right?

Mayank Baxi Yes. As of now, it has come back to normal.

Ashish Agarwal As of now, it has come back to normal. Okay. And another follow-up question is that you said that your staff cost is lower because a lot of staff go on vacation. So, I just want to understand how this works. Because is there a concept of paid leave or is this like, if you are taking leave, then you will not be paid, and hence your staff cost varies when a lot of staff go on leave? Just wanted to understand that part.

Mayank Baxi No, it is basically the accounting treatment. Because under the accounting guidelines in IFRS, you accrue the leave days every month as an employee completes a month. So, suppose a person is entitled for 30 days of leave in a calendar year, then every month, you are accruing the 2.5 days of leave salary also. So, it goes as leave provision.

So, during the year if somebody is taking one month leave, the cost of that is not going to be debited as salaries, as already, we have charged this as leave provision expenses in the previous months. So, in that month, you will take out that expense from the provision because you will reverse the provision. So that's the reason why, in that particular month, when somebody takes leave, you will not pay him a salary, but it is paid from the leave provision.

Ashish Agarwal Okay, fine.

Mayank Baxi And this is why there is no thing as unpaid salary, unless somebody does not have any leave balance, then only it will be unpaid salary. Otherwise, they are entitled for these salaries. But the accrual happens during every month, as it keeps accruing.

Ashish Agarwal Okay. I'm not sure if I am thinking on the right lines. Because let's say for that particular month, for future also, you have to accrue, right? For the future leaves.

Mayank Baxi Yes, but that is only 2.5 days too.

Ashish Agarwal Okay. Thanks for that clarification. And just a final question, if I may ask. So as nursing is going to start from next year, that will be for the fall academic year of 2024, right? Correct?

Mayank Baxi 23 fall begins in September.

Ashish Agarwal September?

Mayank Baxi Yes September onwards.

Ashish Agarwal Yes. Okay. So apart from nursing, any other things you are starting, or is it only nursing that is going to start?

Mayank Baxi We have said nursing and nutrition.

Ashish Agarwal Nursing and nutrition. Okay, thank you. Thank you so much.

Hatem Alaa Thank you. We'll take the next question from Abdulaziz Alsughiyr. Your line is open.

Abdulaziz Alsughiyr Hello. Good afternoon. This is Abdulaziz Alsughiyr from Value Capital Partners. I have a couple of questions. The first is I noticed you have released a good part of your deposits. I am not sure why that was the case. Something related as well. I was expecting a pick-up in capex, but that has not taken place as of the release of this quarter. I'm not sure whether you'll be able to complete the works before the fall of next year. So those are the first two questions.

The final question from my side is on the withdrawals. So basically, the final enrolment rate would suggest that some accelerated graduation has happened during the summer. However, if we look at the revenue per student trend, it's actually similar to 2019, which would suggest that more students withdrew actually rather than accelerated their graduation. Am I getting the picture correctly or do I have something wrong here? Thank you.

Mayank Baxi Yes, sure. See, the withdrawal rate is more or less consistent. It is about 3% of the annual number at the beginning of the academic year. So, there is no change in the withdrawal ratio. It is consistent. We have not seen any major fluctuation there.

Coming to the capex part, yes, if you have seen the campus, in terms of the infrastructure, construction for, say, libraries, sports complex, the cultural buildings, research centres, etc. are all done now, and even the multistorey parkings are in place. So, from that perspective, what is required is only to provide for additional classrooms or additional specific labs, if at all, when needed.

So, for us, that is not a big issue because our overall masterplan of the campus is in place. And with the past experience, building such infrastructure within a short time has been demonstrated by us. So, we will do the needful as and when the requirement arises, and why unnecessarily block the cash into capex?

And we will be comfortable whenever we'll require that capacity to be included. So, I don't see we will be having any difficulty. And moreover, when the students in nursing or in the

nutrition majors start, the first year is in any case the foundation year. So that again allows us to have enough room. So, we are comfortable there.

Now, in your first question, I didn't understand. You said released the deposits. You are referring to the fixed deposits that are appearing, or what did you refer in that first question, please?

Abdulaziz Alsughiyr Yes, exactly. So basically, if I remember correctly from the financials, you have released about 20 million to 30 million of the deposits. I don't think you've done that last year.

Mayank Baxi Not released. Yes. See, because you know, in our cycle of collection, whenever we receive the collection from the scholarship students, we receive a bulk collection at one go, almost three to four months or five months after the semester begins. But that amount comes as a big bulk. And that amount is then available for us to place it on a short-term fixed deposit rather than keeping it idle.

So, we normally place those idle funds, after keeping the cash for the normal working capital, and place them in the short-duration deposits. Because at the end, all this cash will be needed at the year-end, when the dividend has to be paid. So normally, throughout the period, if there are surplus cash, we tend to place them in fixed deposits with the banks.

Abdulaziz Alsughiyr No, very clear. So, it's a matter of delayed placement rather than an early release.

Mayank Baxi Sometimes you will see cash, which is not yet placed because, at the balance sheet date, maybe cash would have come just a couple of days before and we are negotiating the rates, etc. could be the situation. But otherwise, we are very watchful. We try to make sure that at least that cash is earning some interest.

Abdulaziz Alsughiyr Makes sense. And since you brought it up, I guess I just have to ask about it. Last year's dividends, I know there were some exceptional dividends announced, but still, you had left some excess cash. As of, yes, today, we can see the surplus that you have in the account. The only logical thing, three years after the pandemic, everything has returned to normal, I guess more exceptional dividends this year. I don't know. How do you think about it?

Mayank Baxi See, we are very close to the year-end now. We are already in November. And you have seen in the past, the company has been very clear that after looking at our requirements for working capital or capex, if there is surplus cash, we tend to have a good pay-out.

And that has been done in the past years also. If you see, the past ten years' trend also has been good. And in terms of the dividend per share, also we are the highest paying dividend

per share. Just let the year-end be over, and the appropriate decisions will be made by the Board. But as of now, we don't see any other commitments.

Abdulaziz Alsughiyr Very clear. Thank you very much, and best of luck.

Mayank Baxi Thank you.

Hatem Alaa We'll take a few questions from the chat. A question from Mahli Salim. Would it be possible for management to regularly publish its students by various categories? I think you're referring to various majors. Enrolments by the various categories, self-paid, scholarships by type? The data will address many of the questions raised on the calls.

Mayank Baxi See, there are certain things which are more strategic in nature, and that is in the interest of all the stakeholders of the company. So, whatever is in the public domain, and possible, is what AUM and ACM publicises on their website, and whatever is available through the Private Universities Council, it is available on their website.

And you have to understand that we are also operating in a competitive environment and there are certain aspects where whatever is relevant is, from time to time is published, beyond that, I think at this point, there is no other compulsion to publish that kind of data/information in the public domain. They are more of operational information.

Hatem Alaa Thank you. A question from Rajat Bagchi. How would we think about future growth in student numbers? Any plans for capex going forward? And an update on potential fee increases.

Mayank Baxi I think we covered this part in the previous questions also. More or less, it is consistent as we diversify our reach to the students by offering and introducing new majors, which has been planned in the coming fall semester.

And as far as the capex is concerned, there is no change as of now on the capex plan. But whenever we will need to construct additional classroom capacity, we'll be able to incur that and construct it. And I think, more or less, we are consistent right now on those previous statements that we made. And coming to the fee increase, as of now, there is no specific plan to go for a fee increase.

Hatem Alaa Okay, two questions from Ankur Agarwal. How has the competitive landscape in higher education evolved in Kuwait? Can you share if there are any new entrants?

Mayank Baxi See, more or less, if you look at the Kuwait competitive landscape, there are two major institutions from the government, which is Kuwait University for the four-year degree programme, and for the two-year diploma programme, there is PAAET.

Other than that, like us, AUM/ACM, we have almost 10-11 private universities operating. And we at AUM and ACM have been much ahead in terms of the capacity and size from the other

universities. And we continue to maintain our qualitative growth, and also, we try to make sure that we continuously strive to achieve better results through various means of efficiencies as well as emphasis on qualitative aspects, which you have seen in the past years as well.

After COVID, we announced the collaborations with the University of California, Berkeley School, Babson College, HEC Montreal, and all our majors are getting accredited, we also rank as the top university in Kuwait. So, all these are aspects which gives us a competitive edge.

There is no bar on any new entrant, and there can be entrants coming up or already existing players in the market may think of growing. But as of now, we haven't come across any new entrant coming up. This year, when we saw the announcements of scholarships, we didn't come across any new university name in the list.

Hatem Alaa Okay. A follow-up question. Is emerging competition an incentive for you to foray into other categories? You certainly have the balance sheet to do it.

Mayank Baxi See, as we had, at the beginning of the year in our annual call, indicated, there are short-term, medium-term and long-term strategic directions which the company will look at. In the short and medium term, definitely, there are opportunities to enlarge the offering, which is new majors and trying to reach out to the new students through new majors whom we may not be right now reaching out to.

And on a longer term, yes, we are in the education and training business and human resource development business. So, from that perspective, we will be considering opportunities in that direction. But that is on a longer-term basis.

Hatem Alaa Okay, thank you. We'll take a question from the line of Zohaib Pervez. Zohaib, your line is open.

Zohaib Pervez Hello? Can you hear me?

Mayank Baxi Yes.

Zohaib Pervez Yes, thank you. Thank you for the presentation, Mayank. So, you mentioned this before also. In the call also, you mentioned that deferred revenue is a good indicator for future revenue for the company. So deferred revenue is actually lower year over year. Is this because last year was not a comparative period because of the changes in this? So, is that correct?

Mayank Baxi Yes.

Zohaib Pervez Yes.

Mayank Baxi Yes. 2020 and 2021, the quarters were totally disrupted.

Zohaib Pervez Yes.

Mayank Baxi So it may not be good to compare with 2020 and 21. But if you go back to 19 and earlier, there is a consistency in the calendar, and you will see the growth showing up there.

Zohaib Pervez So, sorry, if I compare it to 2019, you think it should be a good indicator?

Mayank Baxi Yes, because 2019 was a full calendar. The academic calendar was consistent.

Zohaib Pervez Yes.

Mayank Baxi So 2019 should be a good indicator.

Zohaib Pervez Okay. And your number of students have also come down. I know, I understand that 2020 was an exceptional year, So many new admissions came in, a lot more than the usual. Is this reduction because your people are graduating more than your intake? Or are there certain programmes which are not ramping up or which are going out of favour at the moment?

Mayank Baxi No, see, on a new enrolment basis, we have grown 7% this year compared with the last year. And of course, when you look at total, there is a little drop because the graduation numbers also this year were over 3,100 graduates, and there is 2-3% of drop-out, which is consistent. So, we have not seen any issue on that. As a matter of fact, the new enrolments were 7% higher this year. It didn't add up in the total number because of higher graduations.

Zohaib Pervez Okay. And my last question, you mentioned... We're looking at the margins for this quarter, and you have been mentioning that the margins should revert back to 2019 level. But that's not happening.

Mayank Baxi Is this good or otherwise?

Zohaib Pervez It's very good. But then how do we see this?

Mayank Baxi You want us to spend money if it is not required?

Zohaib Pervez Ideally, you should tell us that, margins are going to remain where they are, and they are not going to go back to 19 level.

Mayank Baxi No. We have been repeatedly saying that you are to not look at just one quarter. You have to look at annualised full-year academic cycle. Now, all these three quarters were still not complete normal cycles, and that nine months has not been total, complete on-campus executions, so the expenses have not been representing the real scenario that one would have incurred as the full on-campus activities, etc.

So that is where we said that. And that does not mean that quarter four onwards, immediately it moves into that ramped-up cost, because certain costs are spread over or during particular semester, particular months, etc. So, whatever is relevant in that quarter will be definitely showing up in the quarter. But to be comparable with 19, etc., you have to look at the annual full year in a normal cycle. So that's where you are comparing something as short term versus what we have said that we will gravitate towards 2019.

And because, see, today, we do not know how the year will look in terms of the inflations. Globally, everywhere, such high inflations are there, and Kuwait will not be an exception. But there are efficiencies that we have achieved, and we are targeting, and that's how we are saying that we'll be able to balance it out. Yes, and our efforts to improve efficiencies will always be there. But I don't want to unnecessarily give you a target which is, at this point, not realistic.

Zohaib Pervez Okay. Sounds good, Mayank. Thank you so much.

Mayank Baxi Okay.

Hatem Alaa A last question from Ahmed Saharty. Your line is open.

Ahmed Saharty Hi, Mr Baxi. How are you?

Ahmed Saharty Thanks for taking the time, as usual. So, I have a follow-up on the margin question. But first, I want to reiterate, and I think I speak for everyone on the call, that we do not want you to spend money if it's not necessary, for sure.

Mayank Baxi Thank you.

Ahmed Saharty So yes, if you're going to surprise us on the upside, it's not so bad. But the question is again, it seems like even if you compare it to Q3 2018 or you go back further, there seems to be some operational leverage. That's one.

Mayank Baxi Yes, definitely.

Ahmed Saharty And the second one is you mentioned something about the training centres closing down.

Mayank Baxi Yes.

Ahmed Saharty Is there a value that we can attribute to these training centres in terms of costs? So, let's say there's 500,000 or 1 million of cost, that that is structurally now gone. And then the follow-up question on that is, are you ever going to restart those, or should we just assume that, structurally, you're no longer going to restart these centres, and therefore, we should just remove this absolute value from the cost, going forward?

Mayank Baxi Yes. See, if you look at the previous financials, you will see that in the segment analysis, we have higher education and the other centres. Other centres, the training

centres, were contributing to an overall cost of KD 1 million-plus. And that cost will not be there, and those centres didn't generate much of profits. So, what you see from there, that KD 1 million expense or a little more, will not be incurred now., and they were not in any case getting into net profit generation.

So, it is definitely an advantage when you look at it overall on the performance of the company. And now, those training centres were closed down during the COVID time because the governments across all the countries were not allowing the operations to be run on the classroom basis.

And the whole concept of training has undergone a big change during the two years. People started to have various options. And that's where we realised that our model may not be a sustainable model because all along, only classroom training was being offered. Some little portion was there as online training. But now, with the new reality, it was prudent, and that's why the training centres were shut down.

As of now, there is no specific plan to restart them. As we mentioned in the annual call, we will revisit the entire arena of human resource development. And a lot of integrations of technology and human resource development is taking place, so we will study that aspect and then come up with the right model for replacing or doing whatever is relevant. But as of now, we don't intend to get the training centres revived.

Ahmed Saharty Got it. That's very helpful. And just to double check, you said it cost about 1 billion. Sorry, 1 million, right?

Mayank Baxi 1 million.

Ahmed Saharty Which essentially is the cost of training operations.

Mayank Baxi Yes, and I am talking from my head, but if you look at the segment analysis in the financials, it should be clear.

Mayank Baxi The previous financials also, the segment analysis will give you annual cost of 2019 or any such year, you will see the cost structure there in the training businesses that are there, which are now no more operating.

Ahmed Saharty That's essentially 1.5 or 150 BPS of your quarterly margin that's structurally going to stay there. So that's one.

Mayank Baxi Yes.

Ahmed Saharty And then the rest, I'm assuming, is operational leverage.

Mayank Baxi Yes, correct.

Ahmed Saharty Or do you still think that you're going to ramp up costs?

Mayank Baxi Yes. As you rightly said, there is an advantage on the leverage of the volume. But also, we have been continuously working on efficiencies and improving our processes. And that's where we were able to make up for some cost escalations or additional costs that come up in such a large operation.

Ahmed Saharty Got it. Perfect. And then one last question is, what is the final number of graduation and drop-outs for the last academic year? I don't know if you mentioned that, but I apologise if you did. I missed it.

Mayank Baxi I think around 3,100 students graduated, and the dropouts would have been around 3%.

Ahmed Saharty Okay. Got it. Thank you so much.

Mayank Baxi Thank you.

Hatem Alaa Okay. We will take the last question. It's a follow-up from Thomas Mathew. Your line is open.

Thomas Mathew Hi. Thanks for taking my additional questions. My first question was on the nursing programme, in terms of how the admissions take place. Can we assume that it's the same sort of mechanism where PUC publishes number of scholarships and that should be in the range of, let's say, 90% of the enrolments for this programme, for the nursing and the nutrition programme? That's number one. And I'll ask my other question after I get a response for this. Thank you.

Mayank Baxi See, as far as the admission and enrolment process, we will be following the same kind of process that is currently followed. Now, in terms of the PUC scholarship programme, etc., as of now, we don't have much clear indication about that. But from our end, the process more or less will be the same.

Thomas Mathew All right. And also, the next question is on the ACM college. I think after the 2018/2019 academic year, this is the first year that the numbers of total enrolments have crossed 2,000 students. I'm just wondering, is there any backdrop to that? Have you changed your criteria or is there a particular major that is gaining a lot of interest? Just some colour on that would be very helpful.

Mayank Baxi No, see, as we had indicated, in AUM, as we add new majors, in ACM also we tried to mirror those majors. And as the civil engineering or other majors were introduced in AUM, the similar two-year programmes were introduced in ACM as well. Now, it takes time for that to get translated into numbers. But since ACM's target audience is also bigger, it is a wider base whom we can reach out as we add more majors there, so that's how you see a higher number there.

Thomas Mathew So we can fairly now assume a run rate similar to this fall's enrolment numbers of around 750 going forward? At least that should be the ideal target, right?

Mayank Baxi See, I don't want to commit on any forward numbers. But our efforts will be there to reach out to the maximum students that fall in that category, because from the total high school graduates, there is a big segment which falls in the ACM domain.

Thomas Mathew All right, Mayank. Thank you so much for taking my questions. Very helpful. Thank you.

Mayank Baxi Thank you.

Hatem Alaa Thank you. There are no more questions at this stage, so I think we're going to conclude the call.

Mayank Baxi Yes, then I think we can end the session.

Hatem Alaa Yes. Thank you so much, Mr Baxi and Anup for your time today, and thank you, everyone, for participating. And this concludes today's call. Thank you.

Mayank Baxi Thank you, everybody.

Anup Dhand Thank you.