

Date: 20 February 2024

التاريخ: 20 فبراير 2024

M/S . / Boursa Kuwait

المحترمين

السادة/ شركة بورصة الكويت

Greetings,

تحية طيبة وبعد،،

**Subject: Analyst/Investor Conference minutes for
the financial year ending 31/12/2023**

**الموضوع: محضر مؤتمر المحللين/المستثمرين للسنة المنتهية
2023/12/31**

With reference to the aforementioned subject, and to our letter sent to you on 15 February 2024, please find enclosed the minutes of the analyst / investor conference for the financial year ending 31/12/2023.

بالإشارة إلى الموضوع أعلاه، وإلى كتابنا المرسل لكم بتاريخ 15 فبراير 2024، نرفق لكم محضر مؤتمر المحللين/المستثمرين عن السنة المنتهية 2023/12/31.

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.): 12,834,864 رأس المال المدفوع (د.ك.): 12,834,864
تليفون: 22322588 (965) - فاكس: 22322587 (965) - ص.ب: 305 الصفاة 15454 الكويت

www.human-soft.com

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Company: Humansoft Holding Company

Conference Title: Humansoft FY 2023 results conference call (Edited Transcript)

Date: Thursday, 15 February 2024

Time: 1 pm (Kuwait time)

Hatem Alaa Hello, everyone, this is Hatem Alaa from EFG Hermes, and welcome to Humansoft's full year 2023 results call. I'm pleased to have on the call today, from Humansoft, Mayank Baxi, board member, and Anup Dhand, CFO. We'll start with some comments from management, and then we'll open the floor for Q&A. As an initial 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. Gentlemen, please go ahead.

Mayank Baxi Hello, everybody. Welcome to the Humansoft full year 2023 results conference call. I hope you and your loved ones are keeping safe. Thank you, team at EFG, for facilitating this call. I am Mayank Baxi, board member at Humansoft, and along with me, our CFO, Mr Anup Dhand, together, we would like to briefly mention some of the key highlights of the financial year 2023, and then run through the financial highlights. At the end, we will 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.

The Board of Directors has approved and recommended cash dividends of 350 fils per share, and bonus shares of 5%, that is five bonus shares for every hundred shares held. This is subject to the approval of the shareholders and the regulatory procedures.

Humansoft continues to focus on preserving its academic achievements and the leadership in the market.

In Q4 of 2023, there are several achievements, which I would like to share with you all.

AUM has successfully obtained global accreditation, having completed the International Quality Review by the Quality Assurance Agency for Higher Education, also known as QAA.

We are glad to mention that for the third year in a row, AUM has been ranked number one in Kuwait in the Times Higher Education Arab University rankings, and number 21 among the Arab countries.

AUM continues to be ranked as the most sustainable and green university in Kuwait, advancing to number 229 worldwide and among the top four in the Gulf region.

Throughout the year, our institutions hold events and promote activities to enhance the overall experience of student life, youth empowerment, and intellectual development.

All these achievements and initiatives enable AUM and ACM to remain as the institutions of first choice, and at the same time, enable them to be robust to withstand challenges that may arise in this journey.

Humansoft's growth strategy remains consistent and is founded on a two-dimensional approach. In the short term, we continue to maintain and preserve the existing achievements through various initiatives, which enable us to maintain the leadership position in the higher education sector in Kuwait. The continuous emphasis on maintaining and enhancing qualitatively is very much essential towards achieving this objective. For the longer term, the approach has been to continue introducing well-researched new majors, which will be most appropriate to the requirements of Kuwait, and also, be required from the technological developments globally. Along with this, the management is also looking at opportunities in K-12 and other technology-driven applications in the education sector.

Now I would like to invite Mr Anup Dhand, our CFO, to give a brief about the financial highlights for the year 2023 Thank you.

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 of the financial year 2023.

Humansoft's FY 2023 revenue of KD 79 million was lower by 6%, in comparison with the FY 2022 revenue of KD 83.6 million, mainly due to the changes in the academic calendar in Q1 2022, and lower revenue for the spring 2023 and summer 2023 semesters.

FY 2023 EBITDA of KD 44.6 million was lower by 19%, in comparison with FY 2022 EBITDA of KD 55.1 million.

FY 2023 net profit of KD 41.8 million was lower by 18%, compared with KD 50.7 million for FY 2022.

Net profit margin for FY 2023 was 53%, and EBITDA margin for FY 2023 was 57%.

The earnings per share was 327 fills during FY 2023, as compared to 397 fills during FY 2022.

The FY 2023 results, in comparison to FY 2022 were impacted mainly due to lower revenue in FY 2023, higher G&A expenses, and additional ECL provisions made in FY 2023.

Humansoft had a net cash position of KD 75.2 million as at 31st December 2023.

Total equity was KD 126.8 million as at 31st December 2023, and the return on average equity for FY 2023 amounted to 32%.

Total assets was KD 147.2 million as at 31st December 2023, and the return on average assets for FY 2023 amounted to 28%.

At Humansoft, we continue to focus on maintaining and strengthening our strategic pillars of academic excellence, operating efficiency, and shareholder value.

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 so much, 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, and I will unmute your line. Again, you can 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 Hessa Al Ameeri. Hessa, your line is open. Please unmute yourself.

Hessa Al Ameeri Actually, I have a couple of questions. The first one is regarding working with a market maker for the company's shares. In the previous two analyst conferences, you explained that it is still being studied by the Board of Directors. My question is what are the latest developments on this, especially when looking at the small size of the company's capital, compared to the rights of its shareholders and the size of its assets, which makes the liquidity of the stock very minimal? My second question is regarding the College of Nursing and Medical Sciences. Is it possible for students from government scholarships in the country to enrol there from now? If not, when will that be possible? Thank you.

Mayank Baxi Thank you. Regarding market maker, yes, you have been raising this in previous calls, and accordingly, the company management did conduct a study about it. And from Humansoft's perspective, as of now, we felt that it is not a major advantage for getting into a market maker arrangement. We'll keep studying it, and if there is an opportunity, which is in the interest of everybody, definitely, we will revisit the same. Regarding the College of Health Sciences, as we mentioned, our final clearance from PUC is still awaited. And once we get that, we plan to start offering and registering students under the health science majors. For Medical Sciences, as of now, we do not have a medical school, and in the School of Health Science, we plan to offer nursing and nutrition as a major.

Hatem Alaa Hessa, does that answer your question?

Hessa Al Ameeri Yes, thank you so much.

Hatem Alaa We'll take the next question from the line of Reem AlBarri. Reem, please unmute yourself.

Reem AlBarri Thank you for hosting this call. Can you please provide us with a breakdown of the composition of the student body with respect to expats versus Kuwaiti? And do you see any possible impact from the latest changes in the Kuwait visa rules? Also, can you

please provide us an update on the student activities fee? Has the company come to any agreement with the PUC?

Mayank Baxi Normally, in the AUM and ACM, the composition of students, we have almost 95% Kuwaiti students, and the composition of expats would be around 5%. The visa rules that have been amended, as of now, may not have a major impact on the students' enrolment, but it will definitely help in the recruitment of faculties. Although we have not faced major trouble so far, but sure, this will be better situation. As far as the development of student activity fees, there is no further resolution on the disputed reduction. So, we are still following up, and once we have any concrete development, we'll definitely let everybody know.

Reem AlBarri Thank you.

Hatem Alaa Thank you. Again, as a reminder to ask the question, you can either type it in the Q&A chat box, or you can click on the raise hand button. I'll take a question from Abdullah Alsaeed from the chat. My question is regarding growth prospects going forward. You've mentioned before that the current capacity on an operational basis is around 14,000 students, and that the campus has land enough to go up to 21,000 students, while infrastructure and facilities are built to accommodate the maximum. So, in case of expansion, you would need only to add some classrooms and lab capacity. Taking that into consideration, and that the student count has been stagnant since 2020 at around 14,000, have you considered expanding the campus? And as an extension to that question, sales promotion and advertising expenses have been rising steadily since 2020. Why are they growing, if student capacity has been reached?

Mayank Baxi Thank you, Mr Abdullah. As far as the growth dimension is concerned, as I outlined in my opening remarks, there are two aspects to the growth. And as you know, over the last couple of years, a lot of investments and emphasis were there in building the qualitative aspects of the institutions, and that puts us on a very strong foundation for future growth, as well as attracting more diversified students. This process will continue to ensure that we maintain a competitive edge and a leadership position in the market. Along with it, the new majors being studied and will be offered, which will allow us to reach out to newer segments of high school graduates, and as we said, our campus land and the infrastructure will allow us to immediately meet the requirements of the operational capacity, as and when required. As of now, we are at 13,400 students, and we feel that we are adequate, at this point in time, in terms of the operational capacity.

Regarding the sales and marketing expenses, you have to understand that each year, we have to enrol new students, and to reach out to the new students, various initiatives and marketing dimensions have to be carried out. Moreover, the sales and marketing expenses are not only just purely sales related expenses, these are also partly the announcements regarding the achievements of our students, who have been doing wonderfully well in the various competitions, and also, the achievements regarding the university's ranking, and many other

such initiatives. So, collectively, these are enabling the institution to be on the top, and create a good brand value, which is definitely in the interest of sustainable growth. I don't think that the expense on the sales and marketing is very high. If you remove the provision for the receivables, due to the reduction in the fees, which is part of the sales and marketing expense of this year, our average expenditure is close to 3% of the revenue, which we feel is consistent.

Hatem Alaa Thank you very much. We'll take the next question from the line of Ankur Agarwal. Ankur, your line is open. Please unmute yourself. Ankur, please go ahead. We are unable to hear.

Ankur Agarwal Hi. Thank you for the presentation. So, my question is, what is the student-teacher ratio currently? And is there room for efficiency or further improvement in margin, even if the student enrolment numbers don't increase significantly? So, that's my first question. My second question is, you alluded to the School of Health Sciences, Nutrition and Nursing. So, what are the kinds of numbers we are looking at? And what's the strategy to ensure that your new enrolled students actually exceed the outgoing students for the next three, four years? What are the plans around that? Those are my questions. Thank you.

Mayank Baxi Thank you, Ankur. Our current ratio of faculty to students stands at around 26. And as we mentioned earlier, at AUM and ACM, we continuously strive to look at areas for improvement of efficiencies. And that will be a continuous process, be it in terms of the faculty ratio, or any other process improvements that we carry out. Yes, in terms of student to faculty ratio, 26 is the current ratio. There is some scope to further improve that, but we will ensure that it is not at the cost to quality.

Regarding the health science and nutrition majors, this will be the first of this kind of offering from the private sector. So, the exact number will be only known, once we launch it. But from our perspective, in the past, new majors, whenever we have introduced, initially, one or two years, we see a little less number, and thereafter, the student numbers get into a stable environment. We expect a similar situation for nutrition and nursing. We feel that at stability in each of these majors have the potential to attract about 200 to 250 new students each year.

As far as the strategy for the growing of student numbers, as we mentioned earlier, as well, we are investing to ensure that qualitatively, our institutions remain first choice, and at the same time, with the addition of diversified new majors, it will enable us to reach a wider spectrum of K-12 graduates. And that is how it will enable us to attract a higher number of students, and also, some of the expats, who otherwise, were not considering, AUM, as of now, as an option. So, all these initiatives are directed towards attracting a higher number of students.

Ankur Agarwal All right. One final question. Your Capex has gone up a little bit, but it's still very low. Should we expect Capex to go up, as you invest to drive growth qualitatively, and quantitatively in the next three years? Are we looking at increasing Capex in the coming years?

Mayank Bami As of now, the Capex that you are seeing is more towards upgrading our labs, and making more efficient use of the software and available technology, which is reflected in the current year Capex. The major Capex that may be required is once we need additional student operational capacity, and we are very closely watching that. And once that indication is there, we will try to definitely look at that aspect of Capex. Other than that, the normal such improvement and advancement-related investments will be there, but that may not be very high, in terms of KD amount.

Ankur Agarwal All right. Many thanks. Thank you.

Hatem Alaa Thank you. Again, as a reminder, to ask the question, you can either type it in the Q&A chat box, or click on the raise hand button. We'll take the next question from the line of Ahmed Elnaggar. Ahmed, your line is open, please unmute yourself.

Ahmed Elnaggar Given the changes happening in Kuwait, including a cabinet reshuffle and the tone you see in the media, do you think that part of the reforms that may happen in the future would be cutting the scholarship fees further? Or do you see the current fees that the government pays as reasonable? The second question is just a follow-up on the question on the scholarship fees cut related to the library and internet. We know that you're currently following up with the government and trying to get it paid. But do you receive any positive feedback, so that these fees will be collected? Thank you.

Mayank Baxi Regarding the scholarship facility available to Kuwaiti citizens, it's a process that has been followed for last several years, and Kuwait is very keen to ensure that Kuwaiti students invest in education, and become employable in the private sector, as well. So, we do not have any indication that this could be withdrawn. And if it is, then it will apply to everybody, and that's why qualitatively, we are maintaining our standards to attract the best in any circumstances if it arises. For the fees that were reduced in the past. As of now, there is not much development, except that the first deduction that was made for the Fall 2022 semester was paid. But subsequent to that, there is no further development

Ahmed Elnaggar Just a follow-up on my first question, because I want to rephrase it. My question was, do you think there will be further scholarship cuts? I am sure they will not withdraw it or cut it completely, but they may reduce. Do you think this is going to happen? Because we see many things happening in the media, and we hear from here and there. Do you think this risk is going to happen?

Mayank Baxi We do not have any such indication.

Ahmed Elnaggar Okay, thank you.

Hatem Alaa Thank you. We'll take the next question from the line of Nishit Lakhotia. Nishit, please unmute yourself.

Nishit Lakhotia In the fourth quarter, did you book the higher rate of the library fees in the revenues, and then offset it with the provision? Was this done, or can you just

elaborate on the accounting of this aspect in the fourth quarter? And secondly, just on the broader management thinking, in terms of the decline that we see, slow decline in the total students from 2020 to 2021, where there was a jump during the COVID period. Now a lot of these students will be going out of the system in the next one to two years, so we wanted to know whether there should be a more decline if the run rate of the students that come into AUM and ACM is not up to or at levels that we have seen in last one or two years.

Mayank Baxi In quarter four, also, the revenue is booked at gross, including the KD 110 of the library and the activity fees, and there is a corresponding full provision taken, which has been followed consistently.

Regarding the student numbers, as I outlined, the management is studying for various new majors, and that is how we will be able to reach out to a higher number of students who would be potential for enrolment. And that is the way to ensure that our intake of new students will be either more, or it will be equal to the graduates. We are conscious about the graduation numbers that will be coming up in the coming years, and as we have seen, we have been able to closely reach a similar number of new enrolments. But to ensure that we do not have a major impact on the graduation cycle being more than the intake, we are definitely looking at various options to offer new majors and try to reach out to the new students or segments, to whom we may not have reached out.

One of the initiatives already taken is the two plus two for the ACM students. As you have seen earlier, the ACM segment is a much bigger segment, and our institution has started, for the last few years, an option for the ACM students, after they graduate and they meet certain criteria to be eligible to enrol in the AUM degree programme. And we are happy to say that this is quite stabilised, and we see a good response coming there. And such similar initiatives will enable us to reach out to a larger segment of the students.

Nishit Lakhotia Just following up on that, yes, we are seeing a good action on the ACM side and a growth, so this is definitely working. But how does it work, from a margins perspective, given different fee structures? Do you think this will be margin-diluting?

Mayank Baxi When you look at it overall, in terms of the size and capacity of AUM, it is more driven by the total enrolled students. ACM, yes, it has lower fees, but also, relatively lower operating costs. So, it may not have that much impact, it is in our interest to enlarge the size, not at the cost of reducing the AUM intake, but it allows us as an additional source of adding students there.

Nishit Lakhotia Understood. Thank you so much.

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. And please, if your question has been answered, lower the raised hand. I think we have a follow-up from Ahmed Elnaggar.

Ahmed Elnaggar Thanks, Hatem. Just a question, are you working on any ESG initiatives?

Mayank Baxi If you see our presentations, already, we are doing good work on ESG. Our campuses are quite green. We have good number of female staff and students. We do a lot of initiatives, in terms of the activities. And also, as you must be aware, we are ranked number one as the Most Green and Sustainable University in Kuwait. So, these are ongoing efforts that we continue to do, and we will definitely not stay away from whatever is required.

Ahmed Elnaggar Thank you.

Hatem Alaa Once 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. There are no more questions, at this point, so I'd like to thank you so much, Mr Baxi, for your time. And thank you, everyone, for participating.

Mayank Baxi Thank you, everybody, for participating in this call. Thank you, Hatem. We can now wrap up the call.

Anup Dhand Thank you, Hatem.

Hatem Alaa Thank you, everyone. This concludes today's call. Thank you so much.