

Date: 13th May 2024

التاريخ: 13 مايو 2024

M/S . / Bursa Kuwait Company

المحترمين

السادة/ شركة بورصة الكويت

Greetings,

تحية طيبة وبعد،،

**Subject: Analysts/Investors Conference minutes
for the first Quarter of 2024**

**الموضوع: محضر مؤتمر المحللين/المستثمرين للربع الأول من العام
2024**

With reference to the aforementioned subject, and to our letter sent to you on 08/05/2024, kindly find attached the minutes of the analysts / investors conference for the first quarter of 2024.

بالإشارة إلى الموضوع أعلاه، وإلى كتابنا المرسل لكم بتاريخ 2024/05/08، نرفق لكم محضر مؤتمر المحللين/المستثمرين عن الربع الأول لعام 2024.

Yours Sincerely,

وتفضلوا بقبول فائق الإحترام،،،



دلال حسن السبتي

رئيس مجلس الإدارة

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

NR

Company: Humansoft Holding Company

Conference Title: Humansoft Q1 2024 results conference call (Edited Transcript)

Date: Wednesday, 8 May 2024

Time: 3 pm (Kuwait time)

Hatem Alaa Hello, everyone. This is Hatem Alaa from EFG Hermes. And welcome to Humansoft's first quarter 2024 results conference call. I'm pleased to have on the call today from Humansoft, Mayank Baxi, board member, and Anup Dhand, CFO. We'll start by 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 and I'll unmute your line. Gentlemen, please go ahead.

Mayank Baxi Hello, everybody. Welcome to the Humansoft Q1 2024 results conference call. I hope all of you are keeping safe. Thank you, team at EFG, for facilitating this call. I am Mayank Baxi, board member at Humansoft. And along with our CFO, Mr Anup Dhand, we would like to briefly mention some of our key highlights of Q1 2024 and then run through the Q1 2024 financial highlights. And 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.

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

During Q1 2024, several key events and achievements were held. AUM organised its first international summit of artificial intelligence. The summit was titled AI Impact on Business and Jobs in Education, Healthcare and Banking. This was held at AUM in cooperation with the Entrepreneurship Centre at the University of California, Berkeley.

AUM and ACM celebrated the rewarding journey of students and their parents. Over a period of one week, AUM and ACM communities gathered to celebrate graduation of their 2023 graduates at the AUM Cultural Centre.

Several events are held on and off campus demonstrating our commitment to promote activities enriched with our holistic approach to build a vibrant community and making a difference through connecting innovation and sustainability.

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

I would like to invite Mr Anup Dhand, our CFO at Humansoft, to give a brief about Q1 2024 financial highlights. Over to you.

Anup Dhand Thank you, Mr Baxi. And a good afternoon to all attendees. I'm Anup Dhand, CFO of Humansoft. And I would like to present the financial highlights of Q1 2024.

Humansoft's Q1 2024 revenue of KD 20.3 million was almost same as Q1 2023 revenue mainly due to the similar number of enrolled students.

Q1 2024 EBITDA of KD 11 million was lower by 6% in comparison with Q1 2023 EBITDA of KD 11.6 million.

Q1 2024 net profit of KD 10.4 million was lower by 6% compared with KD 11 million for Q1 2023. Net profit margin for Q1 2024 was 51% and EBITDA margin for Q1 2024 was 54%.

The earnings per share was 77 fils during Q1 2024, as compared to 82 fils during Q1 2023.

Humansoft had a net cash position of KD 101.8 million as at 31st March 2024.

Total equity was KD 92.5 million as at 31st March 2024. And the return on average equity for Q1 2024 amounted to 38%.

Total assets was KD 170.7 million as at 31st March, 2024. And the return on average assets for Q1 2024 amounted to 26%.

Humansoft's fortress balance sheet, high return on average assets and high return on average equity, provides protection and resilience and enables Humansoft to withstand any future stress events.

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. To ask a question, you can either type it in the Q&A chat box or you can click on the raise hand button. Again, you can either type your question in the Q&A chat box or you can click on the raise hand button and unmute your line. We'll take the first question from the line of Thomas Mathew. Thomas, please unmute yourself. Thomas, please go ahead. We're unable to hear you. Thomas, you're not audible. Maybe you want to ask your question in the Q&A.

A question from Faisal AlSuliman. Since there is a decline in the first quarter earnings, how will that impact dividends?

Will you maintain a certain payout ratio? And was there a decline in the number of students year-on-year? There is also a question from Zohaib on the same thing. How many students are enrolled year-on-year? Two questions.

Mayank Baxi Thank you, Hatem. As far as the payout ratio is concerned, we have mentioned in the past that we will try to maintain 70% payout. Regarding the final dividend outcome on year-end, the board will make an appropriate decision after the complete year financials are available. As of now, we do not have any other comment to make about it. Regarding the students year-on-year, if you see our presentation, we had 13,425 students at the beginning of the fall semester in September 2023, which was 13,673 in the previous year. Going forward, September will be the start of a new academic calendar for AUM and ACM. We'll wait till then, about the coming year's enrolment and the graduations, to determine exactly how many new students will be there for the next academic year.

Hatem Alaa Thank you. 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 I'll unmute your line. Question from Zohaib Pervez. What is the current competitive landscape like? How many new universities have entered the market?

Mayank Baxi As far as the Kuwait landscape is concerned in terms of higher education, mainly the two public institutions are there, Kuwait University and the Abdullah Al Salem University. You have a public sector two-year programme being run by the Public authority for applied education. And besides this, similar to AUM and ACM, around 12 odd institutions. As of now, this year, we haven't come across any new additional name in terms of starting of any offerings of campus. Other than that, the overall high school graduates remain more or less in the range of 40,000 students both coming out of Kuwait public school and private school.

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

Nishit Lakhotia Couple of questions. The first one is on the margins. We've seen the margins declining in first quarter, especially SG&A being higher and even revenues being slightly lower. Wanted to get a sense of, how do we look ahead this year? The margins are going to be under pressure. And what is the reason for margins to be under pressure? Because last year, I remember there was a one million donation also for Turkey, for the earthquake. Is there any such one-offs in the first quarter that we should be aware of? And second question is on the revenue side. Are you still booking on the old rates for the library and then taking the provisions and the selling expenses? Is the accounting continuing on that and you're asking for the old rates to come back on the library front? What's the update on that? Thank you.

Mayank Baxi Regarding the margins in the quarter one, yes, we have seen a decline from the 2023 quarter one margin. And we have been saying all along consistently that

gradually, we will gravitate towards 2019 margin levels. And nonetheless, our focus on improvements and efficiencies do continue. And therefore, you don't see an impact that big in spite of inflationary pressures. Coming to your observation regarding the increase in the SG&A cost, I would like to just let you know that this year in quarter 1 2024, you have the provision related to the students' activity and library fees, which was not there in the last year, first quarter of 2023.

If you look at the breakdown in the financials in SG&A, almost half a million difference is on account of the provision, which has been consistently followed subsequent to the Q1 of 2023. And also another aspect, this year, the AGM was completed within the quarter one and hence the approved director's remuneration is reflected in the current financial. But last year, this was not approved in the first quarter because AGM was in the subsequent period. That much difference is there. Otherwise, it is all consistent.

Nishit Lakhotia Understood, thank you.

Mayank Baxi Your question regarding the accounting for the revenue, yes, still we continue to book the gross revenue and take appropriate provision, which is reflected in SG&A cost. As of now, there is no further update regarding the status of the reductions that are implemented by the PUC. That is the status right now. We continue to take the provision.

Nishit Lakhotia Thank you.

Hatem Alaa Questions from Thomas Mathew in the chat. The first question, can you tell us how many students graduated the fall semester in 2023 and the comparative figure for the prior period, so graduates for 23 and 24 in the fall? And second question is, can you give us an update on the nursing and nutrition majors? When will they be approved, etc.?

Mayank Baxi Thomas, regarding the graduation, as we said that by the completion of summer, which is the complete academic year, we will have something around 2,800 graduations happening this year. It gets distributed in the three semesters, but I do not have readily available for just fall graduation. But all in all, by the end of the academic year, which is August month after summer, around 2,800 will be the total graduation. For the nursing and nutrition major, we are awaiting the final clearance. And hopefully, we will be able to offer it. Meanwhile, the preparations for the labs, etc., are progressing very well.

Hatem Alaa A question from Rishi Surya. Two questions. The first question is, will ECL provisioning be reduced in the coming quarters? And second question, if there has been an increase in advertising, sales promotion year-on-year, by when can we expect to see the positive impact of the increased advertising on the top-line?

Mayank Baxi ECL is linked to the provision that we take for the fees that were reduced for the Internet and library subscription. Till the time we have a complete resolution, it will continue. As of now, the same pattern will be there. As far as the advertising expense

that you see, you have to understand that this includes complete branding and image-building spending as well. And there are several achievements and several events that take place throughout the year. And in terms of the expense item, they get clubbed in the advertisement and promotion. These are measures which are necessary to definitely stay and create awareness in the market and reach out to the new segments, which may not be considering AUM or ACM and also, maintain this competitive edge versus your competitors. It's an ongoing process. And as you have seen, that we still attract the best number of students' applications. And also, we enrol almost more than 40% - 45% of the private sector enrolments. These are the benefits that we accrue on account of this image-building spending that we continue to do.

Hatem Alaa We have a question from the line of Faisal Sulaiman. Faisal, please go ahead.

Faisal Sulaiman Hi. This is Faisal Sulaiman from Alpha Capital. Maybe I haven't typed my question clearly in the chat box, so apologies. But I just want to get some clarity on the dividends. As you just mentioned, so you have a policy of paying out 70% of the distributable net profit. And we've seen a decline during the first quarter of this year. Should we be concerned regarding how much dividend will you pay for this year or are you sticking to a DPS-based policy in terms of paying out dividends?

Mayank Baxi As we said, it is all linked to the actual net profit. And if you see in the last year financials, starting from quarter two, the ECL provision was made. The reduction of profit that you see in the first quarter is related to the ECL provision which was not there in quarter one of last year. And as of now, we will have to wait till the year-end to see the actual results. And as we said, the net profit will be the criteria, not the absolute KD amount for the dividend.

Faisal Sulaiman And what is the number of students for this quarter? I know you've answered this question, apologies, but I haven't heard it well. You mentioned it's 13,400?

Mayank Baxi 13,425.

Mayank Baxi This is at the beginning of fall semester, yes.

Faisal Sulaiman And that's a decline year-over-year?

Mayank Baxi From last year, yes, there is a decline of about 250-odd students.

Faisal Sulaiman And what is the main reason behind the decline in number of students year-over-year?

Mayank Baxi It's not an absolute decline, as you have to also know that during the COVID year, there was a year where new students' enrolment had reached around 4,000 students. And we had mentioned that this is exceptional because of the situation of COVID, where most of the students did not travel out. They all registered in the local universities. The graduation cycle for these enrolled students will be spread over their study plan. You see a higher number of even graduates coming out. And therefore, it's a clear difference between the actual number of new students enrolled fresh versus these students who graduated.

Faisal Sulaiman Very clear. Thank you so much.

Hatem Alaa There is a question from Rajat Bagchi and Abdul Rashid on the same thing, which is on staff costs. What's the reason for the increase in salaries of 12% year-on-year?

Mayank Baxi If you see the salaries cost appear in two places. One is the cost of sales and then there is G&A expenses. When you compare quarter-on-quarter, there is an increase. But as we had mentioned to you earlier, that eventually, our cost structure will go back to 2019 levels. And if you have followed the last year quarters also, by quarter four of 2023, something similar level of salary cost were there. The increase of the cost comes from twofold. One is the normal salary adjustments for the staff and increments that you provide. And then there is also adding of staff, if it is in the cost of sales, then some of the faculties that you may need to add because as our majors get matured or as need arises, we get them for the subject-wise faculties. And in the G&A cost, post-COVID, we had started to fill up the positions which were remaining vacant. And gradually, that headcount number has also increased there. It's a combination of both the factors. But it is consistent with what you have seen in quarter four of 2023.

Hatem Alaa Thank you. Additional question from Abdul Rashid. Can you share the current student-teacher ratio?

Mayank Baxi Our student to teacher ratio is averaging around 26 to 27.

Hatem Alaa Question from the line of Hussain Alsarraf. Hussain, please unmute yourself.

Hussain Alsarraf I would like to know about the capacity of the nursing college for which you are seeing final approval as you mentioned in the past analysed report. That's it.

Mayank Baxi Normally, our experience has been that whenever we have introduced new majors, initial years, you see a student enrolment in the new majors, anything around 50 to 75, in the best case 100. But on a stable environment basis, each of them, nursing and nutrition, we see a level of 200 to 250 students per major in a stable environment. And then

they continue with you for five years because most of them will need a foundation year as well.

Hussain Alsarraf Thank you, sir.

Hatem Alaa I think we have a follow-up question from the line of Nishit Lakhotia. Nishit, please unmute yourself.

Nishit Lakhotia Hi. I have a couple of questions. And one on the changing mix. We are seeing that your ACM student mix has increased between AUM and ACM. And we could expect some more students that have gotten three, four years back to graduate, so more in next year. We could see a more mix tilting towards ACM. Will this affect your margins? If the ACM among your total 13,000-plus students mix as a percentage increase, your margins could go down because of that. And is there any possibility of negotiating any fee increase or whatsoever from the government? Anything that you're looking at in terms of, say, protecting your margins? That's my first question.

Second on the excess cash that you have on your balance sheet. Even if you remove the dividends payable, there's quite a bit of excess cash and you're not really making anything out of this excess cash in terms of interest income or anything else substantial. Don't you think it's wiser to give a part of this excess cash back to the shareholders unless you have a major expansion plan, which is not the case right now? Any comment on that? Thank you.

Mayank Baxi Regarding the student mix, AUM and ACM, there is not a very drastic big change in the ratio. 1 or 2% up or down between the two does not have a major impact on the overall margins at a company level. And even after allowing for the graduation cycle. As of now, I don't see a major change happening on the margins on account of this factor. As of now, there are no plans for pursuing fee increase. And as we said, that we are gravitating towards the 2019 margin kind of thing, which we are still above it. And we are trying to protect that in terms of making sure we remain efficient and we continue to focus on the areas where there is possibility of savings.

Regarding the excess cash, your observation, yes, net of the dividend, we may have still around 50 million cash. You have to understand that the nature of our collection cycle also requires us to hold a considerable amount of working capital because our payments take almost four or five months to realise. And for that, we need to make sure that we maintain adequate cash balances. What you see on a particular day of balance sheet may not be a representative of monthly cycle. But nonetheless, this surplus cash, we are deploying in the local banks. And if you see, there is an element of other income which is generating this revenue. Of course, that is not the ultimate aim. But till the time the company has clear thoughts about the strategy on deploying the cash for any future expansions or needs, we felt that this additional differential amount after leaving working capital is in the interest of everybody so that if any opportunity will arise, we will have that much own cash available.

Hatem Alaa Thank you. 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. As a reminder, to ask a question, you can type it in the Q&A chat box or click on the raise hand button. There seems to be no questions at this stage.

Mayank Baxi Then we could wrap up the call.

Hatem Alaa Thank you so much, Mr Baxi and Anup, for your time today. And thank you, everyone, for participating in this conference call.

Mayank Baxi Thank you, everybody, for your participation.

Anup Dhand Thank you, everyone.

Hatem Alaa Thank you. Have a good day.
