

Date: 30 July 2024

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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 second Quarter of 2024**

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

With reference to the aforementioned subject, and to our letter sent to you on 25/07/2024, kindly find attached the minutes of the analysts / investors conference for the second quarter of 2024.

بالإشارة إلى الموضوع أعلاه، وإلى كتابنا المرسل لكم بتاريخ 2024/07/25، نرفق لكم محضر مؤتمر المحللين/المستثمرين عن الربع الثاني لعام 2024.

Yours Sincerely,

وتفضلوا بقبول فائق الإحترام،،



دلال حسن السبتي

رئيس مجلس الإدارة

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

**Company:** Humansoft Holding Company

**Conference Title:** Humansoft Q2 2024 results conference call (Edited Transcript)

**Date:** Thursday, 25 July 2024

**Time:** 1 pm (Kuwait time)

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**Hatem Alaa** Hello, everyone. This is Hatem Alaa, from EFG Hermes. Welcome to HUMANSOFT's second quarter 2024 results call. I'm pleased to have on the call today from HUMANSOFT, Anup Dhand, CFO, and Mr Mayank Baxi, board member. We'll start by a presentation 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 Q2 2024 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 Holding, along with our CFO, Mr Anup Dhand. Together, we would like to briefly mention some of the key highlights of Q2 2024 and then run through the Q2 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 achievements and leadership in the market.

During the Q2 of 2024, several key events and achievements were made, such as for the fourth year in the row, AUM has been ranked number one university in Kuwait by QS World University Rankings 2025. Also, this new ranking places AUM among 611 - 620 globally, advancing from the previous position of 671 - 680. And this means we are among the top 40% of the performing institutions globally.

A significant number of AUM students have excelled in several competitions in 2024, such as Babson Global Competition, VEX Robotics World Championship and they were honoured during various events and ceremonies that celebrate milestones of students with their innovative projects and achievements in the competitions.

AUM organised 10th Career Exposition and third edition of AUM Corporate Awards Ceremony, recognising leading local and international companies from both private and public sector in Kuwait.

AUM is making a difference through several initiatives and events, having an environmental and social impact, such as participating in GPC Plastics Conference 2024, held in UAE, and hosting AACSB Social Impact Seminar for the faculty.

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

Now, I would like to invite Mr. Anup Dhand, CFO of HUMANSOFT, to give a brief about Q2 2024 financial highlights. Over to you, Anup.

**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 Q2 2024.

HUMANSOFT's, H1 2024 revenue of KD 40 million was almost the same as H1 2023 revenue, mainly due to the similar number of enrolled students.

H1 2024 EBITDA of KD 21.3 million was higher by 1% in comparison with H1 2023 EBITDA of KD 21.1 million.

H1 2024 net profit of KD 19.9 million was marginally higher than KD 19.8 million for H1 2023.

Net profit margin for H1 2024 was 50%, and EBITDA margin for H1 2024 was 53%.

The earnings per share was 149 fils during H1 2024, as compared to 148 fils during H1 2023.

HUMANSOFT had a net cash position of KD 63.6 million as at 30th June 2024.

Total equity was KD 102.1 million as at 30th June 2024, and the annualised return on average equity for H1 2024 amounted to 35%.

Total assets was KD 127 million as at 30th June 2024, and the annualised return on average assets for H1 2024 amounted to 29%.

HUMANSOFT's robust balance sheet, high return on average assets, and higher 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, gentlemen. To ask a question, you can either type it in the Q&A chat box or click on the raise hand button. Again, as a reminder, to ask a question, you can either type it in the Q&A chat box or click on the raise hand button and unmute your line. We'll take the first question from Ankur from HSBC. Ankur, please unmute yourself. Ankur,

you're not audible, please unmute yourself. Okay, I'll move to the next question from the line of Reem El Bari. Reem, please unmute yourself.

**Reem AlBarri** Hi. Thank you for hosting this call. I just had one question with regards to the revenues for the students' library fees and internet subscription. I was wondering how those fees are currently being recognised. I know that the PUC had reduced the fee from 110 to KD 25 per student. And I was wondering, are you still recognising the 110 or have you dropped it down to the 25?

**Mayank Baxi** We continue to record the gross fees in our revenue, and we are taking 100% provision against the amount which is reduced. We'll take a call as we progress and come to know more about it.

**Reem AlBarri** Okay. And there hasn't been any updates on that.

**Mayank Baxi** No, we are pursuing, but so far, not much progress or update.

**Reem AlBarri** All right. And my second question was with regards to scholarships. When are they expected to come out from the Ministry of Education?

**Mayank Baxi** The scholarship students' applications will start from the coming week, and it will last for two weeks, it will be only announced subsequent to that.

**Reem AlBarri** Okay. Thank you.

**Hatem Alaa** Thank you. I'll take a question from Fahad in the chat. Would you kindly elaborate on your plans to expand into new colleges? When do you expect that, and how much would it affect the enrolment?

**Mayank Baxi** As of now, we are having the College of Business and College of Engineering. And there is no specific plan laid out for adding the additional College. We have applied for College of Health Science approval to start. We are awaiting the same, and thereafter will be considering in terms of what kind of enrolments can be achieved. But usually, our experience has been, whenever we introduce new majors, initially, we start with a very small beginning, maybe 25 to 50 students, and then it accumulates over the period of stability.

**Hatem Alaa** Basically, the new majors, the health sciences, and the nursing will be in probably 2025.

**Mayank Baxi** Our final approval to start is still pending, so will know this only after we get the same.

**Hatem Alaa** Okay, perfect. And the follow up questions from Fahad. You had plans to expand into K-12 education. Do you still plan to do so, and any updates? And he's asking about plans to expand in the GCC.

**Mayank Baxi** See, as we have mentioned earlier, also, our short-term and long-term strategic directions, and we continue to look at the opportunities. As of now, as we speak, we do not have anything specific laid out, and so we are not able to talk much about it at this moment of time.

**Hatem Alaa** Okay, we'll try again with the Ankur from HSBC. Ankur, please unmute yourself.

**Ankur** Yes, thank you for the presentation. My question is around the balance sheet. How should we think of you expanding into newer areas? You've already alluded to K-12 or M&A, but any other plans to expand in terms of capex or increased dividend payout? That's my first question. My second question is that, given the evidence of some pressure on fees, I mean, it's only library and internet fees. Are you going to evaluate your cost structure also in that context if, I mean, you don't get fee inflation. But, I mean, you would still face inflation from a teacher's perspective. How are you thinking of cost efficiencies in that context? I think those are the two questions from my side. Thank you.

**Mayank Baxi** As of now, there is no specific planned diversification or expansion. But as we had talked about it earlier, that we will look at overall education, human resources development, and technological integration along with it. These are the focus areas for us. And, yes, our balance sheet is healthy. And as far as the dividend is concerned, by the year end, the appropriate decisions will be made about how the cash should be utilised. Coming to the library and internet subscription fee reduction. Yes, that reduction has happened. And if you have noticed in the Q2 financials, we are still at 50% net profit margin, and we will be gradually gravitating towards 2019 margin levels.

Review of costs and efficiencies is an ongoing process. There will be some cost escalations because of inflation. And wherever we are able to find process improvements or integration of more technology, we will look at it and we'll try to preserve as feasible.

**Ankur** All right. Many thanks. Thanks so much. Thank you a lot.

**Hatem Alaa** Take a question from the chat from Mohammad Ali Reda from Dark Horse Capital. Given we are operating in a normalised environment post COVID, what's your estimate of the operating cash level needed to run the business, and how do you arrive at that estimate? Yes, that's his question.

**Mayank Baxi** For our operating, working capital requirements, usually, we have to follow the collection cycle that is being followed for so many years. Normally, our 90% plus students are scholarship students, and their tuition fees get paid by the government. Usually, the payment cycle is about four to five months. And so, in order to maintain smooth operations, the minimum requirement of covering five to six months of working capital is a necessity. And on the top of it, if there is some contingencies that we need to provide as well, say, for instance, some requirements for capex, etc. come up. On that basis, we plan our overall requirement of cash in the company.

**Hatem Alaa** Thank you. Next question from the line of Usman Siddiqi. Please unmute yourself.

**Usman Siddiqi** Yes, I just have one question, basically, on the number of graduates that we can expect this year. Because if we see historically, I think 2020 was the year when the student intake was the highest in the last decade, around 4,000 students. Assuming a four-year program, is it fair to expect that the number of graduates will be significantly higher from the last year?

**Mayank Baxi** Normally, the graduation of the students also depends on each student's own study program. And there is a majority of the AUM students who take a foundation course. For them, the graduation cycle is five years. And similarly, for ACM, the graduation cycle is three years. Factoring all these, you have seen our last year and the recent graduation numbers to be ranging between 2,800 to 2,900. And we expect a similar number for this year as well.

**Usman Siddiqi** All right. Thank you.

**Hatem Alaa** Thank you. A follow up question from Fahad in the chat. Any plans for share buybacks in addition to the cash dividends?

**Mayank Baxi** No, there is no plan for any share buyback. And in Kuwait, share buyback is also not permitted.

**Hatem Alaa** Thank you. Questions from Daniel. What explains the increase in salaries and related costs by 10%, specifically that revenue has remained constant?

**Mayank Baxi** Yes. You are comparing the salaries that were there in Q1 of 23 and Q1 of 24. And if you look at the last year, quarter-on-quarter, the normal increase of salaries by the end of quarter four was almost similar to the salaries that we have during this quarter. Now, the increase is consisting of the normal salary scale revisions or promotions that are in line with the requirements, and also based on our requirements of faculty for the special subjects, there will be new recruits also. This is a combination of an increase in salary due to the salary adjustments or merit promotions, etc., and also some new recruits.

**Hatem Alaa** Thank you. Again, as a reminder, to ask a question, you can type it in the Q&A chat box or click on the raise hand button. And if your question has been answered, please lower the raise hand. You have a question from the line of Ahmed Elnaggar. Please unmute yourself.

**Ahmed Elnaggar** I just have two questions. The first, given the changes happening now in Kuwait, have there been any talks about further reduction in fees? And my second question, mashallah, HUMANSOFT is a very successful company, but over two years back, you communicated plans on K-12 expansions, etc., but nothing has happened. I'm just wondering why the company is hesitant on doing such expansion, while there is a very positive trend seen in the GCC as a whole. We believe that private sector within education sector is going to

benefit a lot from all the structural changes happening in these countries, but there has been no update, and I'm so worried about missing this opportunity. Thank you.

**Mayank Baxi** We haven't come across any news about any fee reduction discussions, etc. And, as of now, we don't see any such move. Regarding the expansion plans, yes, we had spelled out our long-term and short-term directions. A lot of things we have achieved in terms of the short-term targets and plans that we had mentioned. And it was very important to ensure that whatever is being achieved is also being preserved before we jump into any new investments or any new expansions. And with that objective in mind, it was not that the opportunities are not being looked at. But, yes, you have to look at things on merits. We have good balance sheet. We understand there is good opportunity for similar investments into education sector. And appropriate decisions will come when we come across some good opportunities. As of now, we do not have any specific things beyond this to discuss at this stage.

**Hatem Alaa** Thank you. We have a question from Daniel. Please unmute yourself.

**Daniel** The question is regarding this ECL, expected credit losses. Is all of it regarding the receivables from the government, and does it also include the thing about library fees that you mentioned, or is this something different?

**Mayank Baxi** Yes, the major component is the fees from the government and the library and internet subscription is the major component. And as we have about eight to 10% of self-pay students, sometimes their collection cycle is stretched. And as for IFRS, we definitely have to make the provision as soon as we cross that minimum guideline required timeframe. But that is within the normal, controllable limits. We don't see any major exposure there. But the major component here is, yes, from the provisions that we have made for the library and internet subscription fees.

**Daniel** Second question is regarding the market as a as a whole. Are there any other universities or other higher education companies coming into the market, as per your knowledge? Or how is the market overall? Is it expanding more than 2%, or is it constrained like Kuwait has been?

**Mayank Baxi** The last two years also, we haven't come across any new launch of any university. But, yes, there is a rigorous process of licensing. There is a process for getting approval. It takes a while for anybody to come up and start a new university or a college. Nonetheless, we have to always maintain our lead by ensuring that on qualitative grounds and on the rankings we stay ahead. And that has been always our focus as well. And by now, we are over 14 years of operations, so we have enough goodwill and reputation created in the market. If competition is there, we have to also ensure that we remain ahead of the game.

**Daniel** Okay. Thank you so much.

**Hatem Alaa**            Okay. As a final reminder to ask a question, you can type it in the chat box, or you can click on the raise hand button. There seem to be no more questions, so I think we can conclude. I would like to thank staff and management for their time today.

**Mayank Baxi**            Thank you very much, everybody.

**Anup Dhand**            Thank you.

**Hatem Alaa**            Thank you, everyone. And this concludes today's call. Thank you for participating and have a good rest of the day. Thank you.

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