



شركة أولاد علي الغانم للسيارات ش.م.ك.ع  
Ali Alghanim Sons Automotive Company K.S.C.P

**Analysts/ Investors Conference Transcript  
for the Financial Year Ended 2024**



## **Analysts/Investors Conference Transcript**

**For the Financial Year Ended 2024**

**Ali Alghanim Sons Automotive Company**

Analysts/Investors Conference Transcript for the Financial Year Ended 2024 of Ali Alghanim Sons Automotive Company hold on Sunday 02/03/2025.

### **Participants of Ali Alghanim Sons Automotive Company:**

Mr. Chavijit Bawa - Chief Financial Officer

Mr. Yousef Mustafa - Managing Director - Ali Alghanim & Sons Automotive Co

### **Chairperson:**

Mr. Hatem Alaa

EFG Hermes



Hatem Alaa

Hello, everyone. This is Hatem Alaa from EFG Hermes. Welcome to Ali Alghanim Sons Automotive Fourth Quarter 2024 Results call. I'm pleased to have on the call today from the Company, Yousef Mustafa, Managing Director and Chavijit Bawa, CFO.

We'll start with 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 on the Q&A chat box, or you can click on the raise hand button.

Yousef, please go ahead.

Yousef Mustafa

Thank you Hatem. Good day to you all, and Ramadan Kareem. Thanks for joining us for Q4 2024 and this conference where today we're going to take you through our financial performance for the full year of 2024 and discuss our key highlights and address any questions that you guys have.

The agenda today is the Board of Directors, Company Overview, the Financial Overview, and Q&A at the end. Our Board of Directors is still as is, no change, and the Executive Management likewise.

In terms of Company overview, we have managed to reach a total revenue of KWD 265 million with Net Profit of KWD 34.5 million. In Q4, the revenue of KWD 78.5 million and the Net Profit is KWD 9.13 million. I am happy to announce also that during Q4, specifically in December, we have managed to roll out our first CKD cars from the Geely factory in Egypt, which was another add on to the expansions and the growth that we continue to strive to get to.

In terms of our revenue breakdown, led by passenger cars after sales and used cars, we have managed to increase our overall after sales share and used cars share and our leasing and rental share. This is basically a direction that we're trying to diversify even further and cater to the market and the customer pallet changes that we noticed in the market really quickly. Hence, it's contributed to the profits that we're going to discuss later.

Our overall revenue has edged up a little bit by 0.18%, but our net profit have increased by 3.75% to KWD 34.5 million, and that was achieved by optimizing our operation and cost containment and growth in our leasing profit and share of results from Egypt and Iraq also. The profit attributed to equity holders went up by 2.73% to KWD 29.26 million, and our earnings per share went up to 106.81 fills per share, with a 2.77% increase.

As I've mentioned, the share of results increased and the continued monitoring of cost and optimization for operation was the major factor to our increase in net profit and earnings per share.

Our assets, as you can see, continued to be very strong. There is an increase in the property plant and equipment, which is related to our expansions in Kuwait, specifically. Also, in some of the sales and after sales facilities that we have either renovated or newly opened. Our overall current assets increased to KWD 127.8 million and that was due to the fact that towards end of the year we have received bigger shipments from most of our manufacturers that will help us have, Inshallah, have very good first quarter in the year 2025.



Very strong cash from operating activities KWD 44 million and as you can see the net cash flow from operating activities went up to KWD 34.9 million. Overall, a very strong performance, our sales in Kuwait is doing extremely well, our after sales have started also seeing the benefits of our increased sales from the years before, where cars are coming back to our after sales facilities to do the service and repair in the body shop. Also, our Chinese brands have contributed to the cash flows, obviously, by increasing sales and increase in market share overall in Kuwait. Leasing, as mentioned before, is doing extremely well, we have launched new leasing offers to our customers. Very flexible leasing, operating lease that catered to the demand that we have noticed that customers are moving towards, which we benefited from.

Very strong ratios, as you can see, on liquidity we're standing at 1.21 in terms of current ratio, and in terms of our margins very strong net profit margin at 13.01% and our return on assets standing at 14.18% and return on equity is fantastic, almost 36% overall.

Our performance, again, is way ahead of what we have forecasted in our memorandum, as you can see we have exceeded the total year by 171%, as mentioned in the memorandum, and 153% of the forecasted net profit attributed to equity holders in the same memorandum when we listed the company.

I'll leave the floor to you. If you have any questions, we're available to answer them. Thank you.

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 and I'll unmute your line. Again, you can either type your question in the Q&A chat box or click on the raise hand button. There are a few questions in the chat box.

First from Ali, several questions. I'll go through them one by one. "What is the expected Capex for the Geely factory over the next 12 to 24 months and what is required to get it to maximum capacity?"

Yousef Mustafa

With regards to the required for the maximum capacity, the required and the capex was already pumped before, and there is no need for further investment for the future for us to reach the sales target that we have for Geely or BMW to that matter.

Hatem Alaa

Okay. "Does the Chinese JV have any terms that are not in accordance with the split of ownership, meaning like the cost or profit allocation is different from your ownership stake? And also, on Egypt, are any export markets for products from Egypt factory blocked? And can you sell those products to the Gulf from Egypt?"

Yousef Mustafa

I'll start with the first question. No, there is no special terms in terms of the importer and manufacturing agreement that we have with Geely. Our profit share is equivalent to our share of the company.

With regard to your second question, I think was about our ability to sell cars outside Egypt? Correct me if I'm wrong.

Hatem Alaa

Yes, correct. Specifically Gulf, are there countries that are blocked and if you can sell the Gulf?



- Yousef Mustafa To be honest, we need first to cover the local markets before we start exploring selling. We just launched the CKD operation rolled out the cars. Until we fulfill the Egyptian market demands, we are not looking specifically to export, especially this year 2025. We're going to cross that bridge when we get there. Obviously, we know that there is an agreement between Egypt within the African continent to be able to have custom rebates to export cars from Egypt to the African countries. This is priority number one and after that, we will look into other markets. So, first Egypt, second Africa and third other markets.
- Hatem Alaa Thank you. A question from Hassan Al Musa, "Can you please elaborate on the decrease in operating margins in the fourth quarter compared to the third quarter despite the revenue growth?"
- Yousef Mustafa The decrease came prominently from the model mix that we sold in the quarter. The quarter we received a lot of product from first our Chinese brands that increased our sales in it which attracts already lower margins, and from the other makes, especially the luxury, BMW and Land Rover, the products that we received were mostly of smaller sales ticket, which attracts a little bit smaller margin. However, as you can see inventory, towards the end of the year, in the second half of December, we received a lot of the bigger ticket cars; hence, the inventory growth. Inshallah, we're looking forward to have a very good first half in 2025 with margins, especially on those big cars. But that doesn't mean that we're going to stop trying to increase our sales in Chinese. At the end of the day, what we care about is our net profit rather than gross. Even if that means that the overall picture gross might look a bit less, our net profit will increase because we are leveraging on our current operation anyway. Anything we add on top, as you can see, is echoing in the net income faster.
- Hatem Alaa Okay. 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. More questions on Egypt. "SAIC has done a similar agreement with Mansour Group. What is the competitive advantage that you have over them? And China has an excess capacity problem with 130 manufacturers today, how do you know you've backed the right manufacturer? There will be consolidation at some stage. How do you think about that?"
- Yousef Mustafa Okay, first thing is with regards to Mansour joint venture, just like basically importing cars, manufacturing cars is also related to what product are you manufacturing. What products are you doing CKD for? We did our analysis for the market, we understand where the market is lacking in terms of supply. Hence, the cars that we have started the CKD with are specifically the Emgrand and the CoolRay and this is where the market is demanding most of the cars to be manufactured. At our price point, for whoever is following up on the Egyptian market, you can see that we have launched the Emgrand at a price of approximately EGP850,000, which is very aggressive, and it was extremely well received in the market. So, our edge, again, is choosing the right cars and making sure that our pricing is done correctly. And it basically hits the spot that the customers are looking and asking for.
- With regards to choosing the partners, the Chinese partners, you are right, there is a lot of Chinese manufacturers. But before we chose the partners that we believe are the correct ones, we looked into two things. Number one, the size of the company. If there is any consolidation, most likely they would be the one acquiring, not the one being acquired. Geely is a listed company, they own Volvo outright, 100%, they own Proton, they own Lotus, and they have also other brands under their wings.



Also, the R&D expenditure being a listed company, I think you can see that their R&D is massive. Their R&D that they spend yearly is bigger than a lot of other manufacturers in terms of value overall. The same thing with Great Wall Motors, when we chose it, we chose Great Wall Motors for a specific reason; SUV as a product, is a growing offering in the market, and Great Wall Motors holds number one spots in SUV sales in China, and that's why we chose it. They also represent a big chunk of the R&D expenditure in the automotive sector in China, and they are of big magnitude with lots of operating efficiencies that other manufacturers in China lack. So, the choice was based on that, and we do believe that these two brands are here to stay and strong enough to grow even further.

Hatem Alaa

Thank you. 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.

Yousef Mustafa

One thing to add with regards to Geely. Geely won the 10th place and overall cars produced last year with close to 3.33 million. So, when it comes to risk of consolidation, if there is any consolidation happening, I don't see it happening with Geely or Great Wall Motors or on their expense.

Hatem Alaa

Thank you. Okay, another question on the Geely factory. "What percentage of unit costs will be locally sourced? And what unit margins are in your expectations? What net margin do you expect to hit on full capacity?"

Yousef Mustafa

In terms of the percentage of local content, it's around 40% to 45% of the manufacturing, dependent on the car for you to avail of CKD tax exemptions.

Second is, in terms of margins, we keep that to ourselves. It's a profitable business with very tempting prices to the consumers.

Hatem Alaa

Thank you. Again, as a final reminder, to ask a question, you can either type it in the Q&A chat box or click on the raise hand button.

Okay, there are no more questions at the stage, so I think we can conclude.

Thank you to Ali Alghanim Management for their time.

Yousef Mustafa

Thanks a lot, Thank you, guys and Ramadan Kareem and see you, Inshallah, on another conference this fall, hopefully with even better results. Thank you.

Chavijit Bawa

Thank you very much.

Hatem Alaa

Thank you, everyone, for participating. This concludes today's call. Thank you.