



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

**Analysts/ Investors Conference Transcript
for Q2 of the Financial Year 2024**



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Analysts/Investors Conference Transcript for Q2 of the Financial Year 2024 of Ali Alghanim Sons Automotive Company held on Thursday 08/08/2024.

Participants of Ali Alghanim Sons Automotive Company:

Mr. Yousef Al Qatami – Vice Chairman and CEO.

Mr. Chavijit Singh Bawa - Chief Financial Officer.

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

Chairperson:

EFG Hermes.

Mr. Ahmed Moataz.



Ahmed Moataz

Hello, everyone. This is Ahmed Moataz from EFG HERMS, and welcome to Ali Alghanim Sons Automotive Second Quarter of '24 Results Conference call. I'm pleased to be joined from the management team with Yousef Al Qatami, Vice Chairman and CEO; Chavijit Bawa, CFO; and Yousef Mustafa, Managing Director.

The company, as usual, starts with a brief presentation, and then we'll open the floor for Q&A. Gentlemen, please go ahead.

Yousef Mustafa

Thank you. Good day to you all. Thanks for attending the call. Today we're going to take you through the results of the first half of 2024.

Overall, there is no change in the board of directors and the executive management team. Hence, I'm going to jump directly to the company overview. We have managed to achieve a revenue of 66.23 million in Kuwaiti dinars in quarter 2, 2024, with a net profit of 9.49 million for the quarter Kuwaiti dinars. The total revenue grew to 130 million Kuwaiti dinars in the first half of the year, and then a profit for the first half of 16.9 million Kuwaiti dinars.

The revenue split is very similar to what we're usually having in our business. However, there was a growth in the used car sales, a positive growth in the used car sales. It constituted around 7% of the total revenue. And obviously, the renting and leasing doubled from 1% to 2% approximately for the first half.

In terms of the financial overview, revenue-wise, as mentioned, the growth quarter-on-quarter versus last year is around 3.08% for the quarter and first half versus first half last year, 2.16%. In terms of net profit, the growth quarter-on-quarter is 7.15% and for the first half, 9.73% versus the same period last year.

Profit attributed to equity holders, healthy growth of 6.95% versus last year same quarter. And in terms of the first half versus last year same period is 6.28% increase. Earnings per share attributed to equity holders, there is a growth of 7% quarter-on-quarter and 6.31% first half versus the same period last year.

The revenue, as mentioned a bit in details in terms of the income statement, the revenue growth is very healthy. And also, our gross profit was maintained at the same levels of last year first half. And in terms of the quarter, also very strong total gross profit and net profit. The performance in the company on all cylinders is doing extremely well.

So that's the year to date numbers. We're going to get to a bit of details in terms of ratios, but the gross profit maintained in terms of percentage, at the same percentage from revenue and there is growth obviously in it. And you will see that the net profit in terms of percentage grew, displaying better efficiency in running the business the more we grow.

In terms of balance sheet, very healthy balance sheet. We have, obviously, a little bit of growth in terms of assets and our inventory is growing to healthier levels to cater to the demand. What we have kept mentioning that the more inventory we have, the better results we're going to end up showing is reflected in this quarter also as inventory levels are improving and we can deliver the demand that we're facing from the market at better levels.

Cash from operating activities, as you can see, very healthy, 21.4 million in June '24 end in comparison to 20.779 in June '23 end. A very strong performance. Also, in terms of a change in working capital, as you can see here, that's what I alluded to, there is a change in working capital which is helping us pump more profit, and hopefully it will be shown also in the quarters to come.

All our ratios are trending positive, very strong and healthy balance sheet and income statement. Cash flow reflected here within the ratios. And again, I just want to highlight because these are questions that we've been asked in the last few quarters that hopefully with inventory going back to normal, are we expecting any pressure on margins. As you can see, like we kept reiterating, the quarters that passed, our gross profit margin is maintained at the same level, and our net profit margin even enhanced year to date, June versus last year same period.



The strong performance is not only ahead of whatever forecast we have announced during the memorandum that published during the listing time, not only that, it's also quarterly wise, it was our highest ever quarter in net profit and net profit attributed to equity holders since listing. We had questions in the first quarter, mentioning that our profit in first quarter was a little bit less than quarter four last year. And we said that usually first quarter is not one of the strongest for a few reasons. One of them is, for example, the change in the model year of the models that we're selling; hence, we would end up ordering less cars and selling less. And this quarter is proof that the performance is as promised on track, and we're very confident of the results of the company.

And I will leave it now open for any questions, if anyone has any.

Ahmed Moataz

Thank you very much. To all participants on the call, if you wish to ask questions, you can either send them through the Q&A, or you can use the raise hand function.

So there are two questions. I'll take them one by one, easier. The first one is if you can give us an update on the Egyptian operations given the current turbulent economic conditions. And the second is if you can update us on your current backlog overall.

Yousef Mustafa

I'll start with the second part. In terms of backlog, we still do have pockets of backlogs within some of the models from two of the brands, BMW, Land Rover, and obviously Rolls Royce, there is a backlog, a big one. But in general, the supply is good, as you can see, the increase in revenue and obviously the increase in profit. And most of the growth that you saw and the profit is coming from cars that were not severely backlogged anyway. So we really positive with regards to how healthy the demand in the market for our products and services is. But in general, we do have a little bit of backlog in both BMW and Land Rover and Rolls Royce. And I will leave the first part to Yousef Al Qatami to comment on Egypt operation.

Yousef Al Qatami

In terms of Egypt, as you can see, the share of results was positive. There was a decline in the currency because of the adjustment that happened. At the same time, we also had dollar positions that were unutilized, and this kind of made up for it.

Now, with these positive share and results, we already took the hit of the currency, so we look at that as a positive sign. The operations are going back to normal. There was a stop in the sales of the Egyptian market in general, in, let's say, end of March towards April and May, because they were waiting for the currencies to adjust, and the market as a whole was waiting for that. And, we're almost back to normal. And as you can see from the share of results, we're withstanding that, and we're moving forward.

Ahmed Moataz

Thank you. Faisal Hussein has asked two questions. The number one is your expectations when it comes to revenue from Iraq. And the second is, do you have any plans to expand in other countries, and if so, what's the expected Capex for it?

Yousef Al Qatami

There are plans that we are continuously studying, as you can see from our track record. Nothing that we can announce so far. But yes, we're looking into opportunities everywhere.

In terms of Iraq, is doing very well. Of course, Iraq is not part of the share of the share of results. It's consolidated. But they're doing very well, and we're expanding our footprint in Iraq with a couple of new showrooms and 3S facilities within the next two years.



Ahmed Moataz

Thank you. We currently have no further questions. Final reminder to everyone, if you wish to ask questions, please either send them through the Q&A, or alternatively, you can use the raise hand function.

There is one final question for the time being that we've received, if you can comment on how the costs for logistics have been faring recently, is it normalizing? Is it higher than last year? And your expectations in the coming period,

Yousef Al Qatami

The cost of logistics has gone up. However, this is all part of our costing anyway, and our margins are based on the increased costing. It seems that it's stabilizing now and little bit going down, but it's something that we'll have to wait and see and monitor. However, we've been managing that. And as you can see from the results, our margins and our sales include that anyway, and we've achieved the numbers.

Ahmed Moataz

Thanks a lot. We haven't received any questions, nor has anyone requested to raise their hands for audio questions as well, so I'll pass it back to you if you have any concluding remarks. Otherwise, we can conclude the call.

Yousef Al Qatami

Thank you. Thank you, everyone, for joining, and let's hope for a better third quarter.

Ahmed Moataz

Thank you very much to the company and to all participants. This concludes today's call. Have a good rest of the day, everyone.