Abdullah Kandeel

Hello, everyone. This is Abdullah Kandeel from EFG Hermes. I would like to welcome you all to Ali Alghanim Q3 2026 Results Call. I'm pleased to have on the call from the management of Ali Alghanim, Mr. Yousef Al Qatami, Vice Chairman and CEO; and Mr. Yousef Mustafa, Managing Director. We will start with a short presentation from management, and then we'll open the floor for the Q&A session. If you would like to ask a question, please use the raise hand function or type it in the chatbox. Management, you now have the floor. Please go ahead.

Yousef Mustafa (Managing Director)

Thank you, Abdullah. Welcome, everyone. Today, we're going to present to you our quarter three results for the year 2026. I would like to start by saying we're very happy that we have managed to have a record quarter, the highest ever at a net income of KWD 8.52 million, a net profit for the parent company. I would like to say that Q3 marks our return to growth as revenue grew versus year-on-year in quarter three by 7.2%. We came in at KWD 83.2 million and EPS growth also is almost at -- it's actually double digit, 10.27%. Momentum is building well.

This quarter have delivered a big chunk of the year's performance overall, which is a good sign for recovery. Also, we have grew while getting stronger. Our operating cash flow is up by 56.7% and we're getting leaner on the balance sheet, too, which I'm going to take you through the results in detail. Our Board of Directors is still the same, no change in it. With regards to the company overview, as I've mentioned, KWD 83.2 million as our revenue in quarter three, KWD 8.52 million is our net profit to the parent company, which marks almost 10% year-on-year growth, 21.69 fils earnings per share, which is 10.27% and our return on equity is solid and strong at 27.09%.

Operating cash flow for the year is KWD 30.0 million and the total equity is KWD 100.6 million for the parent company. Our bank debt to equity is 0.46, and our current ratio is 1.32, which is an improvement from 1.22. in terms of the split, a very healthy split for our revenues. As you can see, 72.3% is our passenger vehicles. Our used cars is at 9.4%, 11.6% is our aftersales and our commercial heavy equipment and the others which are led by the tire lubricant and technology initiatives, are the others at 4.2% and the commercial and heavy equipment is 2.5% of the revenue.

Coming into the financial performance in detail. As I've mentioned before, we have a double-digit growth in quarter three, and we have managed to do that with making sure that we keep our costs under control. Our Q3 profit of KWD 8.52 million versus the first half, as you can see, is almost 83% of the total profit of the first half, which is a very good sign of recovery. We have managed to do that by focusing on diversifying the business to make sure that we capture any opportunity in the market, whether on the affordable sector or the luxury sector in Kuwait, Iraq and Egypt too.

In terms of the EPS, the EPS grew faster than profit. That was helped with the buyback that we did. As you can see, the growth is above 10%, 10.27%. Going into the income statement in detail. Revenue growth, as mentioned, at 7.2% and as you can see within the financials, it was driven by Kuwait growing at 6.6% and Iraq at 10.2%. So both markets that are consolidated have managed to create growth for us in the quarter. Our margins are held strong at 22.4%. That's despite all the regional headwinds and all the extra costs that incurred in our costs to bring the goods into the market whether Iraq or Kuwait. Our operating leverage is down.

Selling and distribution cost is down 6.6% and our revenue has grew, as mentioned, by 7.2%, which is quite a good accomplishment that we managed to get to, to create the profits for the company this quarter. The year-to-date, the gap is closing fast with our Q3 performance. Comparing to last year, we had a gap of 34% year-on-year in the first half, and now we have managed to drop it dramatically with the performance that we managed to get to under in quarter three. Our cost discipline was a major player in this as our net expenses is down by almost KWD 2.5 million saved, which created the opportunity for us to create the profits and make sure that our customers also get the services and goods that they need in the market.

The gross margin, as mentioned, 22.3%, which is quite healthy and our rental -- our recurring rental income is up by 18.1% to approximately KWD 6.6 million. Going to our balance sheet. The debt is down sharply. Our Islamic finance payables of KWD 52.5 million versus KWD 67.7 million a year ago, which is quite a drop around 22.5%, KWD 15.2 million. It demonstrates the strength of the business. We are even leaner and more liquid with current liabilities down by 10.4% and importantly, also our inventory is down by 5.2%. Cash flow is very strong. Our cash generation is up. As you can see, our operating cash flow is KWD 30 million. That's a plus KWD 10.8 Million, and our cash conversion is obviously very strong comparing to our net profit.

The working capital swing that we manage with reducing our inventory also really helped with the results and our dividends that we have paid so far are fully self-funded by the cash generation of the company. Our key ratios demonstrate strength in the balance sheet and the business. Liquidity is up almost in every measure. Current ratio is 1.32. That was 1.22. Our quick ratio is 0.49. Our cash ratio at 0.27. Leverage is at low. Bank debt to equity is 0.46. That's a drop versus before. Our bank debt to assets is 0.2, which is a drop from the quarters before. Returns remain very strong with our return on equity at 27.1% and our return on assets at 11.1%. I will have the floor for you guys. If you have any questions, we're all here to answer you. Thank you.

Abdullah Kandeel

Thank you, management, for the presentation. We will now open the floor for the Q&A session. If you would like to ask a question please use the raise hand function or type it in the chatbox. We will take the first question from the line of Nawaf.

Nawaf Alsaleh (Analyst)

Yes, I would like to congrats the management for the exceptional performance. My question is regarding did the alternative routes that you acquired in the second quarter, did it raise your costs? If it did raise your cost, who absorbed that? Did the prices of your products or the consumer absorbed it or not?

Yousef Al Qatami (Vice Chairman, CEO)

Thank you for your congratulations. I appreciate that. In terms of cost, yes, it did increase. Logistics increased, obviously, because there was an addition of a completely new land route. So whether we go through Oman or Jeddah or Aqaba in Jordan, there's more involved in terms of land transportation to Kuwait. Obviously, yes, logistics did increase. The way we covered it was threefold, partly the customer, partly us and the strong franchises we work for also covered some of the costs.

Abdullah Kandeel

Thank you, management. We will take the next question from the chat. It says Iraq revenue fell 32.5% and segment results dropped about 59% from KWD 4.7 million to KWD 1.9 million. What specifically drove this? Was it demand, brand agencies or pricing? What is your outlook for Q4 and 2027?

Yousef Al Qatami (Vice Chairman, CEO)

To answer the question, Q3 was actually stronger. So it was Q1 and Q2 that we suffered and we suffered across the board, obviously, given the political tensions and the geopolitical situation in the region. However, I would like to state that in Q3, when things -- I'm not going to say completely are done and settled, but at least there was no war happening, we recovered in all places. To state the obvious, Iraq was as affected, if not more than Kuwait by the geopolitical situation. So Q3 was on the rise. I think what he was looking at was more year-to-date. And obviously, year-to-date was affected by what happened. And if things continue to stabilize as they are right now and even get better, then we will be better in all countries.

Abdullah Kandeel

This is a reminder if you would like to ask a question please use the raise hand function or type it in the chatbox. We will take another question from the line of Nawaf. Please unmute yourself and ask your question.

Nawaf Alsaleh (Analyst)

My other question is regarding the sales in quarter three. Was it a delayed order from quarter two? How do you see demand going forward? Is the demand with this geopolitical situation decreasing? How is people behavior in this situation?

Yousef Al Qatami (Vice Chairman, CEO)

To answer your question, Q3 in terms of demand was definitely better than Q1 and Q2. As I mentioned before, since the war has not completely stopped, I know, but at least we had less missiles over Kuwait and Iraq. Once that stabilizes, the demand is back, as you can see from our results in Q3. Future-wise, depending on the situation, if things are as they are or better, then we will get better. But if things obviously go out of hand, then not only our sales are affected, the whole market is affected.

Abdullah Kandeel

Thank you. We will take another question from the chat. It says, could you walk us through what drove revenue growth in Q3, especially given the regional disruption?

Yousef Mustafa (Managing Director)

Sorry, can you repeat the question, Abdullah?

Abdullah Kandeel

Yes. It says, could you walk us through what drove the revenue growth in Q3, especially given the regional disruption?

Yousef Mustafa (Managing Director)

The diversification in the portfolio helped a lot as with demand shifting within premium first and also within the affordable, we managed to capture both. For example, there are certain models from both BMW and Land Rover in Kuwait that basically managed to -- we managed to secure enough inventory of that created the demand and captured it in the market. And the same thing with the affordable sector. We have managed to maintain our costs down, created for us a competitive price against competition and drove the demand in the market towards our products rather than competition. It's a combination of making sure that the inventory is available faster than the rest and controlling the cost to make sure that our prices are even more competitive than before, given the increase in cost of shipping and insurance for the entire market.

Abdullah Kandeel

Thank you. We will take the next question from the chat. It says, how old is the current inventory? Do you expect clearing it to pressure margins in Q4?

Yousef Al Qatami (Vice Chairman, CEO)

No, our stock is healthy and it's -- we're not overstocked. So there is no pressure to decrease margins in order to sell. Even though we had a lot coming in after the delay, we had, as you can see from Q3, very good sales. So it's all under control, and we don't see any pressure in sqeezing margins to continue our sales.

Abdullah Kandeel

Another reminder if you would like to ask a question please use the raise hand function or type it in the chatbox. We will take the next question from the chat. It says approximately how many orders held over from Q2 to Q3 due to the disturbed routes?

Yousef Mustafa (Managing Director)

We have managed to clear the disturbance of the routes because usually, just to explain to you, when you have a disturbance and then you have a delay, usually that delay, if you manage your shipping well, the delay is a one-off effect. After that, you have a sufficient pipeline in shipment every month. So overall, we don't really have an issue or disturbance as in quarter two and quarter three. Going forward, we do have a healthy booking and stock turn cycle, and we don't see an issue at all with our availability in terms of product and also in terms of demand. And let me remind you again that our inventory has dropped like close to KWD 5 million versus beginning of the year, which is very healthy given the situation that the whole region is in.

Abdullah Kandeel

Thank you so much. Another reminder if you would like to ask a question please use the raise hand function or type it in the chatbox. There are currently no more questions. So I would like to pass the floor back to the management for any concluding remarks.

Yousef Al Qatami (Vice Chairman, CEO)

First of all, thank you for having us. I would just like to conclude with saying that given the political tension and the geopolitical situation in the region, we're very proud to have achieved a record quarter for our company. And things -- again, I'll reiterate, if things stay the same or get better, then we will be better. Of course, that is caveated by the possible war that might happen. It doesn't, and if it doesn't, then you'll continue to see numbers as good as Q3 and better in the future. Thank you.

Abdullah Kandeel

Thank you, management. Thank you, attendees. This concludes today's call.

Yousef Mustafa (Managing Director)

Thank you.