

شركة الاستثمارات الوطنية	
صادر خارجي	
	
17/08/2023	تاريخ المراسلة
NIC - 3-25/104/12152	رقم المراسلة



شركة الاستثمارات الوطنية
NATIONAL INVESTMENTS COMPANY

Date:

17 AUG 2023

التاريخ:

To: Boursa Kuwait Company
Dear Sirs,

السادة/ شركة بورصة الكويت
المحترمين
تحية طيبة وبعد،،،

**Subject: Analysts Conference Transcript For
the 2nd quarter financial statements ended 30
June 2023**

**الموضوع: محضر مؤتمر المحللين / المستثمرين للبيانات
المالية لفترة الربع الثاني المنتهي في 30 يونيو 2023**

With reference to the above subject, and in line with requirements stipulated in article No. (7-8) of Boursa Rulebook, kindly find attached the Analysts Conference Meeting Transcript for the 2nd quarter financial statements ended 30 June 2023, held on 15/08/2023.

بالإشارة إلى الموضوع أعلاه، والتزاماً بالمتطلبات الواردة بالمادة رقم (7-8) من كتاب قواعد البورصة، نرفق لكم محضر مؤتمر المحللين للبيانات المالية لفترة الربع الثاني المنتهي في 30 يونيو 2023، المنعقد بتاريخ 2023/08/15.

Sincerely Yours,

وتفضلوا بقبول فائق الاحترام،،،

فهد عبدالرحمن المخيزيم - Fahad Abdulrahman Al Mukhaizim
الرئيس التنفيذي - Chief Executive Officer


شركة الاستثمارات الوطنية
NATIONAL INVESTMENTS COMPANY
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CC: Capital Market Authority

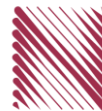
نسخة إلى: السادة هيئة أسواق المال



شركة الاستثمارات الوطنية
NATIONAL INVESTMENTS COMPANY

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**Transcript of the Analysts Conference
Meeting for the 2nd quarter financial
statement Ended 30 June 2023**



National Investments Company

Earnings Call for the quarter ended 30 June 2023

Thursday, 15 Aug 2023

Edited transcript of National Investments Company (K.S.C.P) earnings conference call that took place on Tuesday, August 15, 2023, at 13:00 (Kuwait time).

Corporate Participants:

Mr. Girish S. Nair – Chief Financial Officer

Mr. AlMuthana Al Maktoum – Executive Vice President – Wealth Management

Mr. Bashar Khan – Executive Vice President – Investment Banking

Chairperson:

Ahmed El Shezly – EFG – Hermes

Ahmed

Good afternoon, everyone.

This is Ahmed El Shezly and on behalf of EFG Hermes, I would like to welcome you all to National Investments Company's earnings briefing for the first half year ended 30 June 2023. It is a pleasure to have with us in the call Mr. Girish Nair, Chief Financial Officer, Mr. AlMuthana Al Maktoum, EVP - Wealth Management and Mr. Bashar Khan, EVP - Investment Banking. The call will begin with a presentation from NIC's management on the financial performance during the first six months of 2023 and then we will open the floor for Q&A. At this time, I would like to hand over the call to Mr. AlMuthana, please go ahead.

Al Muthana

Thank you, Ahmed.

Good afternoon and welcome to NIC earnings call where we will be discussing our financial results for the first half year ending June 30, 2023. With us today is our CFO, Mr. Girish Nair, who will be covering the financial highlights and performance for the first half year ending June 30, 2023 and Mr. Bashar Khan, EVP - Investment Banking, who will be discussing business updates as well as the strategy of NIC.

I would like to bring to your attention the disclosure on slide 2 of the presentation, with respect to the forward-looking statement and confidential information.

This presentation has been prepared and issued by National Investments Company ("NIC"), a Public Kuwaiti Shareholding Company based on internally developed data and analysis.

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I would like to hand over the call now to Mr. Girish, CFO of NIC.

Girish Nair

Thank you AlMuthana.

Good afternoon, everyone. My name is Girish Nair, CFO at National Investments Company ('NIC'). I extend a warm welcome to all of you for our earnings briefing covering the first six months ending on June 30, 2023.

Just like in previous periods, NIC's financial statements for the first half of 2023 have been uploaded to our website and the Boursa Kuwait portal. You can access the complete set of financial statements from there.

Let us move on to the key financial highlights of our performance during the period.

For the six months ending on June 30, 2023, NIC reported a net profit of KWD 4.2 million and earnings per share of 5.3 fils, as indicated in the income statement. Additionally, NIC reported other comprehensive loss of KWD 4.8 million through shareholders' equity. The total comprehensive loss for the half year amounted to KWD 0.6 million. During the comparative half year in 2022, the Company had reported a profit of KWD 11.9 million through the income statement with earnings per share of 15 fils and other comprehensive income (OCI) of KWD 8.4 million. The total comprehensive income was KWD 20.3 million.

The return on average equity and return on average assets during first half year of 2023, both ratios based on net profit, were 2.3% and 1.6% respectively. The leverage ratio as on 30 June 2023 was 25.8 % and our quick ratio was 22.6%.

Total assets and shareholders' equity attributable to the parent company stood at KWD 243.6 million and KWD 175.9 million respectively, as compared to KWD 275.9 million and KWD 200.9 million at the end of H1 2022.

The charts on the next slide indicate NIC's performance during the last few quarters.

The performance reflects the changes witnessed during the last few quarters in financial markets due to the macro-economic developments and tightening monetary policy measures adopted by



various central banks. The Kuwait All Share index recorded a decline of 4.1% during first half of 2023 as compared to a gain of 5.2% during H1 2022.

Let's now move on to the income drivers of NIC's performance during H1 2023. The total income for the first six months ended 30 June 2023 was KWD 8.4 million. Major contributors to NIC's total income for the current half year were, dividend income of KWD 6 million, management, brokerage, advisory and service fee income of KWD 4.6 million, share of results from Associates and Joint Venture of KWD 0.6 million and rental income of KWD 0.6 million. The major contributor to the other comprehensive loss of KWD 4.8 million for H1 of 2023 was the decline in value of GCC quoted investments at fair value through other comprehensive income (FVOCI).

Total expenses for H1 of 2023 including reversal of impairment losses and provisions were KWD 4.2 million, as compared to KWD 4 million for H1 of 2022. Administrative expenses of KWD 4.8 million for the current half year is higher as compared to KWD 3.8 million for H1 2022, a major portion of the increase is on account of consolidation of a new subsidiary. Finance costs of KWD 0.8 million for the current period of 2023, was higher compared to KWD 0.6 million for the comparative period. The increase is on account of consecutive increases in CBK Discount Rate during the previous year. These increases were offset by reversal of impairment losses and other provisions amounting to KWD 1.3 million during H1 of 2023.

During the first half year ending on June 30, 2023, the management, brokerage, and advisory fee income decreased by 18% overall from KWD 5.63 million for H1 2022 to KWD 4.61 million for H1 2023. The decline was across two main categories of fee income; namely, brokerage revenue from one of our subsidiaries decreased by 41% and management fee income decreased by 15%. This was partly offset by an increase in advisory and other service fee income from KWD 0.95 million in H1 2022 to KWD 1.32 million for H1 2023.

Our total assets have declined by 10% during the current half year, from KWD 271 million at the end of 2022 to KWD 244 million on June 30, 2023, mainly on account of dividend distribution for 2022.

Our assets under management (AUM) in a fiduciary capacity have decreased by 3.8% to KWD 1.08 billion as on June 30, 2023, compared to KWD 1.12 billion as on December 31, 2022.

Appendices 1 and 2 to the presentation contain the detailed income statement and OCI movement. Appendix 3 contains the consolidated statement of financial position.

We now move on to highlights during the first half year of 2023 for certain key sectors within NIC.

MENA Securities Sector:

- ❖ MENA Securities has maintained its outstanding reputation due to the exceptional performance of its top three funds during the first half of 2023. Zajil Services and Telecommunications Fund achieved a remarkable return of 12.76%, while Mawarid Industrial and Petroleum Fund and Al Mada Investment Fund recorded positive returns of 5.0% and 2.52%, respectively. Those exceptional results reflect our expertise in fund management as well as our ability to navigate market volatility effectively.
- ❖ In addition to the successful performance of our funds, we continue to offer a wide range of investment products and services that cater to diverse risk appetites and investment



objectives. We are keen to offer different investment mandates to suit our clients' investment objectives and constraints.

- ❖ NIC has positioned itself as a frontrunner in the market-making service since its launch in 2021. We currently maintain a portfolio of 11 clients benefiting from our market-making service.

Investment Banking Sector:

Advisory Department

- ❖ Our ability to bring together diverse parties and align their interests has been critical in maximizing value for our clients and driving mutually beneficial outcomes.

Some of the existing mandates include:

- IPO readiness for a leading financial services company, an automotive company and an integrated HR and logistic solution provider in Kuwait.
 - Sell side mandates for a leading education service provider and an oil and gas company in Kuwait.
 - Partial acquisition of a listed entity via a tender offer.
 - Capital increase of Alrai Media Group and Aleid Food Company.
- ❖ Furthermore, it is worth noting that our firm currently boasts a robust pipeline of mandates, indicative of our strong market position and reputation. These upcoming transactions span various sectors and demonstrate the trust clients place in our expertise and capabilities.

Alternative Investments Department

- ❖ In light of the prevailing market conditions, we take pride in our adeptness at navigating the investment landscape and identifying attractive risk-return opportunities. Our dedicated team of experts consistently monitors and analyzes the macroeconomic environment, and industry trends to uncover hidden gems and capitalize on emerging opportunities.
- ❖ The team is presently engaged in conducting due diligence for an early-stage venture capital fund manager located in Europe, which boasts a robust technical team.
- ❖ Our team consistently seeks out and evaluates real estate and direct investment opportunities that exhibit promising potential for attractive returns.
- ❖ Our existing real estate investments are performing in line with the projected plan, affirming their stability and positive outlook.

Real Estate Sector:

- ❖ Our ability to add value through active management and optimization of our properties has been instrumental in enhancing the overall performance of our real estate portfolio. Our team has implemented targeted asset management strategies, such as property renovations, lease negotiations, and operational enhancements, to maximize rental income and drive property appreciation. By actively monitoring market trends and tenant



demands, we have been able to make informed decisions that maximize the value and profitability of our real estate assets.

- ❖ In H1 2023, our real estate portfolio achieved a commendable collection rate of 64% and maintained a strong occupancy rate of 92%.
- ❖ The Real estate sector succeeded in obtaining new contracts with KIA to manage a number of properties belonging to the Authority.
- ❖ In discussion with the Ministry of Finance regarding the renewal of the management contract of Al Watania Resort.

With this I conclude my part of the presentation and wish to hand you over to Mr. Bashar Khan, Executive Vice President - Investment Banking Sector for the next part.

Bashar Khan

Thank you, Girish. And good afternoon, everyone.

My name is Bashar Khan and I am the Executive Vice President - Investment Banking Sector – at National Investments Company. It is my privilege to speak with you. I wanted to take some time today to provide you with a summary of the key elements of our strategy going forward.

There are four key elements of our strategy. These are: 1. Build Assets Under Management (AUM), 2. Enable Technologies and Efficiencies, 3. Enhance Governance, and 4. Build Investment Banking leadership in the mid-market segment. I will talk about each of these separately.

First: Building AUM

We are working on three key initiatives here. We are driving product development in an organized manner, with an initial focus on Venture Capital (VC) and international real estate products. In parallel, the company is reinforcing its team by recruiting qualified bankers to ensure robust support for future growth. In addition, we are building a reputation for bringing excellent co-investment opportunities for our investors. Select key examples are Boursa Kuwait, Kuwait Foundry, Lidl France and The Farm which we will discuss on the next page.

Second: Enabling Technologies and Efficiencies

Regarding enabling technology and competencies, NIC is committed to embracing digital flexibility by investing in the digitization of its operations. Moreover, the company is actively working on creating work environments that foster sustainable business growth. This comprehensive approach encompasses a wide range of services, including online trading, client platforms, real estate system development, and digital subscription systems.

Third: Mid-market leadership in Investment Banking

NIC has also established a specialized team well-versed in equity and debt capital markets to ensure top-notch service for its valued clients. At present, the team is playing a critical part in the execution of flagship projects in Kuwait. In line with our commitment to continuous improvement, we consistently bolster our teams by attracting highly qualified professionals. As part of this endeavor, we have expanded our team this year by welcoming two new members. This expansion is a direct response to the heightened activity levels we are experiencing.



Finally: Enhancing Governance

We continued to refine our risk-management framework to include quantitative and qualitative measures in line with global best practices.

I would like to end this section by talking about several case studies, which serve as examples of our ability to identify and execute unique opportunities in our market and provide interesting co-investments to our clients.

The first case study is Boursa Kuwait. The investment thesis here was to acquire a strategically important asset with strong, recurring, and sustainable cash flows due to its market leadership position and improving prospects. We formed a consortium to acquire a controlling stake in Boursa Kuwait in February 2019. Our direct stake was 14.4%. Since its acquisition, Boursa Kuwait has undergone an IPO and listing process. The market price today is several multiples of our acquisition cost. To date, the investment has generated a total return multiple of 9.1 times (based on market values).

The second case study is Kuwait Foundry. The investment thesis here was the acquisition of a mispriced asset with an intrinsic value significantly greater than the prevailing market value. The investment offered an identifiable path to the realization of true value. Towards this, we acquired a 20% stake in January 2019 and have been taking measures to realize value. So far, we have recaptured most of our equity in the transaction already and the total return multiple based on market values is 1.7 times.

The third case study is Lidl France. We made an investment (senior financing) to acquire, renovate, lease and sell three Class A warehousing properties in France. The properties were sold and leased back by Lidl. The project is expected to generate a cash yield of 12% and a net IRR of 12% over a 2.5-year period.

The fourth case study is the Farm. We made a mezzanine investment for the development of Class A multifamily in Indiana, USA. The project is expected to generate a cash yield of 11.0% and a net IRR of 11.0% over a 3-year period.

With this I will hand you over to Mr. AlMuthana, who will lead the Q&A session.

AlMuthana

We are now ready to answer your questions. If you would like to send us a question, please write it in the designated area of the website. We will now pause for a few minutes to allow you time to send your questions. *PAUSE*

AlMuthana

Since there are no more questions at this time, we will be concluding our call. I would like to thank you all for participating in our call today. If you have further queries, please do not hesitate to send them to our investor relations e-mail and we will get back to you as soon as possible.

Thank you everyone, have a good day.