Transcript

A'ayan Leasing and Investment Co. Q2 2024 Earnings Webcast

Thursday, August 1, 2024

Moderator

Good afternoon, everyone and welcome to A'ayan Leasing and Investments Q2 2024 Results conference call. This is Ahmed El-Shazly from EFG Hermes and it's a pleasure to have with us on the call today from A'ayan's management, Mr. Abdullah Mohammed Al-Shatti, CEO; Mr. Seyed Abu Thahir, Assistant CEO of Finance & Financial Planning; and Mr. Abdullah Abu Hadedah, Assistant CEO of Investment and Corporate Finance.

I will now hand the call over to Mr. Abdullah Abu Hadedah to start the presentation. Thank you.

Abdullah H.

Thank you, Ahmed. Good afternoon, everyone. Thank you for joining us today to cover A'ayan's leasing and investment companies H1 2024 financial results.

In today's presentation, our CEO Mr. Abdullah Mohammed Al-Shatti will shed some light on the company's most recent developments and financial highlights. Afterwards, Mr. Seyed Abu Thahir, our Assistant CEO of Finance & Financial Planning will take you through the details of our financial results. This will be followed by a Q&A session.

Please note that we can only comment on questions and information that has been publicly disclosed. In addition, the presentation will be available on our website. Please feel free to send any follow up questions to our Investor Relations email.

Before we start, I'd like to bring to your attention the disclaimer on slide 3. We would like to bring your attention with respect to the forward-looking statements and confidential information.

On our next slide, we present our board of directors, executive management along with the company's overview. Now, I'd like to hand over the presentation to my colleague, Mr. Abdullah Mohammed Al-Shatti.

Abdullah

I would like to welcome you to this conference. It's a pleasure for me to present the recent development and summarize the financial highlights for the first half of 2024.

As shown in the key financial metrics table, total income and net profit attributable to equity shareholders of A'ayan have reached 11.8 million and 6 million KD respectively, for the first half of 2024, with an earnings per share of 9.7 1/5. The major financial highlights of the first half of 2024 are: increase in sales revenue of both operating lease and used car sales, although there is a reduction in the profit margin of used car sales. Falling quick equity markets performance during the first half of 2024 has impacted the group's financial assets at fair value through B&L. There was an increase in the recurring operational share of results associated during the first half of 2024 as compared to the same period last year, while the drop in overall share of results of associates during the first half of 2024 is due to reversal of provisions recorded by associates during the same period last year.

On the financial position, total assets of A'ayan Group were at 151 million as on the 30th of June 2023, which has increased to 163 million as on the 30th of June 2024, with an increase of around 12 million, representing 8% growth rate.

Total liabilities were 47 million as of last year, as of 30th of June of last year, which reached 53 million on 30th of June 2024. The increase in total assets and liabilities are mainly due to the increase in right of use assets and liability arising out of the extension of leasehold rights in a real estate project in the Jarrah area, and the settlement of Islamic financing available as well.

Equity attributable to equity holders of A’ayan was 93 million as reported on the 30th of June 2023, which has increased to 99 million as of 30th June 2024, with an increase of 7%. This increase is mainly due to net profit for the period after netting of cash dividend distributed to its shareholders.

During the current year, the group has made its first installment of 1 million out of its existing 10 million drone facility. The remaining 10 million of the facility is not utilized yet.

For the second consecutive year, A’ayan has distributed cash dividend of 7.5 per share, equivalent to 5 million cash in KD for the year of 2023. We are keen to constantly exploring and evaluating various opportunities across different industries targeting to rebuild and further strengthen our business sectors.

This is basically A’ayan performance and its financial position for the first half of year ending 30th of June 2024. Now, Mr. Seyed Abu Thahir will continue the presentation on the financial results and financial position of A’ayan.

[Speaker too far from microphone; hard to hear]

Seyed Thank you. Good afternoon, everyone. I'd like to welcome you all to the analyst conference on the first half of 2024 earnings. We’d like to present A’ayan’s performance and financial position, noting that the new consolidated financial statements have been uploaded on A’ayan’s website, as well in the [indiscernible 05:44].

On a snapshot of performance, net profit attributable to A’ayan’s equity shareholder has reached 6.4 5 million dinar during the first six months of total [indiscernible 05:59] and 3 million during quarter two, 2024.

In terms of EPS, we reached 9.71 per share during the first half of 2024.

On the total income analysis by segment, we can notice that the niche sectors contribution is 29% during the current period, and the remaining 41% is from both investment and real estate segments.

On the next slide on the consolidated income statement, as earlier briefed by our colleague, Mr. Abdullah Al-Shatti, I would like to reiterate the major events that happened during H1 2024.

Operating lease rental income has grown. Second Class market in Kuwait in general had witnessed a fall in its margin. Despite that, A’ayan Group recorded an increased sales revenue from sales of used cars during H1 2024. Steady increase in the net revenue income, all in great [audio skip 07:09] market performance during H1 2024 on the FEB security.

Increase in direct selling operational set of results of associates during H1 2024 as compared to that of last year, after eliminating the one-off transaction that was recorded during last year. On the synopsis of consolidated financial position, there was an increase in total assets and in total liabilities, which is mainly due to the increase in right of use assets and liabilities from the extent that leasehold rights during quarter to 2024. Add the balance of Islamic financing payment during the [voice fades 07:50]. In terms of book value per share, it has increased by 10 since June 2023 after distributing [indiscernible 08:00] as a dividend, which representing a 7% growth rate.

This slide outlines the entire movement since 31st July 2022 until 30th June 2024.

In terms of the consolidated cash flow statement, the cash used for dividend payments, the operating lease fleet expansion, industrial properties and the repayment of Islamic financing payment with its finance costs and payments of lease liabilities were the main reasons for the overall net cash flows during H1 2024.

On the key financial ratios on all of the financial ratios remained steady. And on the quarterly trend slide, I would like to note that the total income and profit attributable to holders of A’ayan have enhanced their equity by 7%, despite the decline as comparable double digits of last year.

With all the above, I have covered the major summarized financial highlights for H1 2024. Now, we'll open the floor for Q&A. Thank you.

Abdullah H. Thank you, gentlemen, for the presentation. We will now open the floor for Q&A. If you'd like to ask a question, you can send it through the Q&A box on your screen. We will pause for a moment to give a chance for everyone to send in their questions

We have our first question. “What caused the reversal of provisions?”

Abdullah May I take this question? So, as part of our continuous and routine review of various legal cases that are outstanding each period, there were certain precautionary provision recorded for legal cases during Q1 2024 amounted of 200,000 to 300,000 K during Q1. During Q2, there has been a reversal of 560 provisions that were recorded against various legal cases for which the final verdict was issued and the settlement was made. So, that was the reason.

Abdullah H. All right, thank you, Mr. Abdullah. We have another question. “Are there any investment opportunities close to happening?”

Abdullah We are still working on several opportunities, but nothing in an advanced stage yet.

Abdullah H. All right. We will pause for another minute just to make sure we have no more questions

Okay, we received another question. “Assuming the down payment for the leasing business did not happen, what is the growth in the leasing business?”

Abdullah Good question. It should be around 7%. Seyed Abu Thahir, can you confirm that figure with me?

Seyed Yes?

Abdullah It should be it should be around 7%.

Seyed. And also, the down payment from the leasing business is part of the full cycle of the income recognition. So, right now, there were some promotional campaign work happening during the period where there was a zero down payment campaigning there. [indiscernible 13:01] I believe there has been a down payment as last year [indiscernible] 7%.

Abdullah So, it will be recognized in a later stage over the life of the cycle basically.

Abdullah H. The next question, "What does investments through B&L consist of?"

Abdullah It is mainly the stock on the Kuwait stock exchange. So our listed investment and some of the shares of companies in Kuwait Stock Exchange.

Abdullah H. Right. So we will pause again then we'll be back with more questions.

So I believe we have no further questions at this point, so this would end our call for today. I'd like to thank management for joining and for everyone taking the time for us today. Have a good day. Thank you.

Abdullah Thank you, everyone.

Seyed Thank you.

Abdullah H. Thank you, everyone. Have a good day. Thank you.