A'ayan Leasing & Investment Company (K.S.C.P)

Analyst Conference Transcript – 2024 Financial Year

24th February 2025

Edited transcript of A'ayan Leasing & Investment Company (K.S.C.P) earnings conference call that took place on Monday, 24th February 2025 at 13:00 Kuwait time.

Speakers from A'ayan Executive Management:

- Mr Abdullah Mohammed Al-Shatti, Chief Executive Officer
- Mr Seyed Abu Thahir, Assistant CEO - Finance and Financial Planning
- Mr Abdullah Abu Hadedah, Assistant CEO - Investment and Corporate Finance

Chairperson:

- Mr. Ahmed El Shazly, EFG-HERMES

Ahmed El-Shazly
EFG Hermes

Good afternoon, everyone and welcome to A'ayan Leasing and Investment's 2024 financial year results conference call. This is Ahmed El-Shazly from EFG Hermes. 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 - Finance and Financial Planning, and Mr Abdullah Abu Hadedah, Assistant CEO - Investment and Corporate Finance.

I now hand over the call to Mr Abdullah Abu Hadedah to start with the presentation.

Thank you.

Abdullah Abu Hadedah
A'ayan

Thank you, Ahmed.

May Peace be upon you with God's mercy and blessings

Good afternoon, everyone. Thank you for joining us today to cover A'ayan Leasing and Investment Company's 2024 financial results.

In today's presentation, our CEO Mr. Abdullah Al-Shatti will shed some light on the company's most recent developments and financial highlights. Afterwards, Mr. Seyed Abu Thahir, our Assistant CEO – Finance and Financial Planning will take you through the details of our financial results. This shall 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.

Before we begin, I would like to draw your attention to the disclaimer on slide three. Please take note regarding the forward-looking statements and the confidentiality of the information presented.

On the next slides, we present our board of directors and our executive management team, along with the company's overview.

Now, I would like to hand over the presentation to my colleague, Mr. Abdullah Al-Shatti.

Abdullah Al-Shatti
A'ayan

May Peace be upon you with God's mercy and blessings

I am pleased to welcome you to this conference. It is an honor to share with you the latest developments and provide a summary of the financial highlights for the financial year ending 31st December 2024.

As shown in the key financial metrics table, total income and net profit attributable to equity shareholders of A'ayan have reached KD 22 million and KD 11.3 million, respectively for the current year, with earnings per share of 16.97 Fils.

The major financial highlights during the current period are:

- Increase in operating lease rental income & used cars sales, although there was a reduction in the gain on disposal of motor vehicles due to reduced profit margins of used cars sales, during the year 2024, as we expected
- Decrease in the equity portfolio fair value during the current year, as compared to previous year
- There was an improvement in the share of results from associates during the current year

On the financial position,

- A'ayan Group's total assets have increased to KD 166 million as on 31st December 2024, reflecting 8% growth
- On the other hand, total liabilities have increased to KD 50 million, representing a 16% rise
- The increase in total assets and liabilities is primarily due to right-of-use assets and its corresponding liabilities recorded during the current year, resulted from the extension of leasehold rights in a real estate project in the Jahra area, as we had earlier mentioned in previous quarters
- Equity attributable to the equity holders of A'ayan stood at KD 104 million, reflecting a 6% increase.

For the 3rd consecutive year, Aayan's Board of Directors has proposed a cash dividend of 7.5 Fils per share for the year 2024, which is subject to shareholders' approval.

During the current year, the Group has paid its instalments due totaled KD 2 million. In addition, it has signed an agreement with its financier, which resulted in extending its repayments over a longer tenure.

Recently, we have finalized an investment transaction for a value of GBP 2.5 million, to hold in an SPV that owns a property in London, UK. We are very keen on constantly exploring and evaluating various opportunities across different industries, targeting to rebuild and further strengthen our business sectors.

This is briefly A'ayan's performance and its financial position for the year.

Now, Mr. Seyed Abu Thahir will continue the presentation on the financial results and financial position of A'ayan.

Seyed Abu Thahir
A'ayan

Thank you, Mr. Abdullah Al-Shatti. May Peace be upon you with God's mercy and blessings. Good afternoon, everyone.

I would like to extend a warm welcome to all of you joining us for the analyst conference call on A'ayan's earnings for the year 2024. During this session, we are summarizing A'ayan's performance and financial position. Please note that the audited consolidated financial statements are available on both A'ayan's website and the Boursa Kuwait portal.

In the performance snapshot for the year 2024, net profit attributable to A'ayan's equity shareholders for the year reached KD 11.3 million, with earnings per share of 16.97 Fils. The decrease in net profit for the year is primarily due to the gain on the sale of real estate recorded during the previous year, as well as a reduction in the changes in the fair value of financial assets at fair value through profit or loss.

In the segmental total income analysis for the current year, the leasing sector contributed 62%, while the remaining share came from both the investment and real estate sectors.

On the next slide, you will find a detailed view of the consolidated statement of profit or loss.

In the snapshot of financial position, I would like to highlight that the book value per share has increased by 8 Fils since December 2023, after the distribution of 7.5 Fils in cash dividends during the year 2024. This represents a 6% growth rate.

On the next slide, you will find a detailed view of the consolidated statement of financial position.

The next slide outlines the entire equity movements from 31st December 2022 until 31st December 2024.

Referring to the consolidated statement of cash flows, dividend payments to shareholders, principal repayments of Islamic financing payable & its finance costs, purchase of investment properties, investments in associates & FVPL securities, expansion in operating lease fleet were the major reasons for overall net cash outflows during the current year.

On the Key Financial Ratios, profitability ratios, current and leverage ratios remain steady and healthy during the year.

The next slide shows the trend in various key figures, at the end of each quarter.

With these summarized highlights, we now open the floor for a Q&A session. Thank you.

Ahmed El-Shazly
EFG Hermes

Thank you, gentlemen, for the presentation. We will now open the floor for questions. So, 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 everyone a chance to send in their questions.

The first question is, what caused the decrease in disposal of vehicles?

Abdullah Al-Shatti
A'ayan

First, it is something that was expected. The level of the current margins and the sales of used cars is something that is expected, and it is to the level of normal business.

What happened in the last two years has been abnormal and this is what we already mentioned at the previous conferences, that the level of the used car margins was not at normal levels, and we were expecting to arrive to this level, which is the normal level. It's similar to the situation before Corona. So that is the main reason back to normal levels.

Ahmed El-Shazly
EFG Hermes

All right, thank you. We have another question. What should we expect from the leasing business going forward in terms of growth?

Abdullah Al-Shatti
A'ayan

Thank you for the question. We are, as we mentioned before in the previous conferences, after the restructuring, we noticed that there is a huge room for an increase in the business, especially the leasing business. So, we took the portfolio and jumped to a new level. And currently at this level, we are looking to stabilize the business, and we want to have normal growth. When we say normal growth, we want to basically have, I would say, a one digit to maximum two-digit growth in the net income, mainly of the business, and as of the portfolio size, we want to sustain the same level with an organic increase in the level of the cars at this moment, at this stage. Again, this is a huge jump. We came from around a portfolio of approximately 30 million to our now approximately 50 million something. So, it's very important to keep it at this level, and test the market at this level, and test our abilities and capabilities, and then take it for another jump in the near future.

Ahmed El-Shazly
EFG Hermes

All right, the next question is, is there a plan to utilize the cash position?

Abdullah Al-Shatti
A'ayan

Yes, of course. As we mentioned before, we are looking to grow the business, mainly grow the business in the investment side. We are looking to invest in strategic positions, and we are hunting for good strategic investments that can basically use the right leverage with the right cash flow in order to enhance both profitability and the cash flow of the company. We are not, at the moment, looking to grow the real estate business in terms of size. Of course we are, we always look to enhance the performance of the portfolio in terms of return from in terms of cost saving. Same thing with the leasing. We are looking for normal growth in the business and enhancing the performance and efficiency of the operation in order to enhance the profitability of the business. But the focus on investment and looking at strategic investment in the market, and honestly, in the past few months, we have been in talks with many banks. A lot of the bank wanted to work with A'ayan, giving the strong position and the capacity, the character of A'ayan. All those things gave us very positive feedback from a lot of banks that have been in contact with us for the past few months.

Ahmed El-Shazly
EFG Hermes

All right, thank you. The next question is, what is the average age of a car when you decide to sell it? And in a normal environment, how much profit on the sale of this car do you expect to make as a percentage of the depreciated book value at the time of the sale?

Abdullah Al-Shatti
A'ayan

The average age of a car when we sell, we are talking about two and two and a half years in terms of life. Because this is the nature of our contracts. Our contracts average is two years. So that's why, after it comes and then a few months to sell the vehicles. And in terms of the details of breakdown of the margin stuff like that, I think it is something that you can find in the financials, and you can get it from the notes.

Ahmed El-Shazly
EFG Hermes

Can you elaborate more on the Jahara Project?

Abdullah Al-Shatti
A'ayan

Jahara project is the commercial mall. It is a project that we have been investing in for a while now, and we managed to renew the contract for 10 years. It's a commercial building, and we managed to extend the contract for another 10 years, as we announced previously in the market.

Ahmed El-Shazly
EFG Hermes

Okay, should we expect an investment deal to be announced soon?

Abdullah Al-Shatti
A'ayan

We hope, always, to find investment opportunities to invest in. And again, it's a continuous effort from the management to find the right investment opportunities, and we will announce it as soon as we have something solid in hand.

Ahmed El-Shazly
EFG Hermes

Okay, thank you. We will pause for a moment just to make sure that there are no final questions. Okay, so I guess we answered all the questions we received. We just have one more question. Do you foresee more growth in real estate business versus car leasing business?

Abdullah Al-Shatti
A'ayan

To be honest, the growth in the real estate business is something that we are looking for from our subsidiaries and associates. So, it is something that we don't want to focus in A'ayan Leasing & Investment on growing the business in terms of size, the real estate at our level, but in the level of our associates and subsidiaries, yes, we are looking to always keep investing and growing the business on their books. However, from our books, we are not looking to grow the business in terms of size, although we are always looking to enhance and improve both the profitability of the portfolio of our investment properties, in addition to enhance and the efficiency of the cost related to all those income generating assets that we have on our books.

Ahmed El-Shazly
EFG Hermes

Okay, so thank you for addressing all the questions. I think we reached the end of the call today, so I'd like to thank the management for taking the time, and I'd like to thank everyone for joining. And yes, so this concludes our call. Have a good day, everyone.

Abdullah Al-Shatti
A'ayan

Thank you, everyone.