



Date: 13/11/2022

إشارة: IR/ALG/93/2022

التاريخ: 2022/11/13

Dear/Boursa Kuwait Company  
Greeting,

السادة/ شركة بورصة الكويت المحترمين  
تحية طيبة وبعد،

**Subject: Analysts/ Investors Conference**

**الموضوع: محضر مؤتمر المحللين/ المستثمرين**

**Transcript for Q3 of the Financial Year 2022**

**للموضوع: الثالث من السنة المالية 2022**

With reference to the above subject, and in the interest of Ali Alghanim Sons Automotive Company (ALG) to adhering with requirements of article No. (7-8-1/4) of Boursa Kuwait Rulebook. Kindly find attached the Analysts/ Investors Conference Transcript for Q3 of the financial year 2022.

بالإشارة إلى الموضوع أعلاه، وحرصاً من شركة أولاد علي الغانم للسيارات (الغانم) على الإلتزام بمتطلبات المادة رقم (7-8-1/4) من كتاب قواعد البورصة، نرفق لكم محضر مؤتمر المحللين/ المستثمرين للربع الثالث من السنة المالية 2022.

sincerely yours,

وتفضلوا بقبول فائق التحية والإحترام،

يوسف عبدالله القطامي

Vice Chairman & CEO

نائب رئيس مجلس الإدارة  
والرئيس التنفيذي





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

Analysts/ Investors Conference Transcript  
for Q3 of the Financial Year 2022



Analysts/Investors Conference Transcript

Q3 of the Financial Year 2022

Ali Alghanim Sons Automotive Company

Analysts/Investors Conference Transcript for Q3 of the Financial Year 2022 of Ali Alghanim Sons Automotive Company hold on Tuesday 08/11/2022.

Participants of Ali Alghanim Sons Automotive Company:

Mr. Yousef Al Qatami – Vice Chairman & CEO

Mr. Chavijit Bawa - Chief Financial Officer

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

Chairperson:

Mr. Omar Maher

EFG Hermes



**Omar Maher** Good morning and good afternoon, everyone. This is Omar Maher from EFG Hermes. On behalf of my colleague, Hatem Alaa, I would like to welcome everyone to Ali Alghanim Sons Automotive Q3 2022 results call. I'm pleased to be joined by Mr Yousef Al Qatami, Chief Executive Officer of Ali Alghanim Sons Automotive. Mr Chavijit Singh Bawa, CFO, and Mr Yousef Mustafa, Managing Director. As usual, the call will begin with the call a discussion of the key highlights of the period and this will be followed by a Q&A session. I will now hand the call over to Mr Yousef Al Qatami, to begin the presentation. Thank you.

**Yousef Al Qatami** Thank you. Thank you for having us. Thank you for everyone who's joined. I think this is our second analyst conference and we come to you with good results for this one, so we're going to start our presentation right away. If you have any questions, the floor will be open in the end.

Just to give you a quick brief on the board. Officially now the two independent members have joined, Mr Ahmad Al-Fares and Mr Jehad Al-Qabandi. Now our board is officially formalised, as per the CMA regulations and Boursa regulations. In terms of the company overview, we had revenue year-to-date in 22 of 138 million, roughly, with a net profit of 13.9 million. If you look at the quarter three separately, it's around 49.6 million in revenue with profits of 4.9 million for this quarter. In terms of the breakdown for the nine months, it's around the same figures, with passengers coming at around 70, 72% and after sales with still the same percentage, with around 13 to 15% depending on the quarter. Certified used cars is around 5 to 6%. Then the rest is the other businesses, including our rental and our synergy lines with the tyres and lubes and batteries, and the technology initiatives, which are other companies, such as Rove.

In terms of the accomplishments for this quarter, we continue to have exceptional growth in the Chinese affordable sector. Our Geely grew by 67% and Great Wall grew by 23%. The 23% was mainly restricted, specifically in Great Wall, because of lack of production that we got. But even with that, we still grew at 23%. We have two facilities that are opening in Al Jahra, one is for BMW, with us opening it after tomorrow, and the other one is for Geely, which is going to open at the end of this quarter. The highlight of this quarter is growing our order book from 2,000 cars the last time we spoke, to around 3,400 cars, which is very significant in terms of luxury bookings that we have going forward. Even though we grew our luxury sales, we still grew our bookings, which shows you the strength of the demand that we're having.

To take you quickly through the financial overviews. We grew for the quarter of 22 by around 12% and in terms of net profits, we grew 23% for the quarter. For the year-to-date, we grew at around 7% revenue, which reflected to around 18% in net profit, this is for total company. For the profit attributable to shareholders, we grew in the quarter by 18% and for the year-to-date we grew by 14%, which obviously reflects the same in earnings per share. I would like to highlight that when we did the memorandum, we were talking about 52 FILS for the whole year, we've almost achieved it and we're 95% there with the three quarters that are done.

In terms of contribution for the segment, it's around the same for Q3 separately and for year-to-date in terms of revenue, with cars coming in at around 70, 72%, same for after sales. However, if you see it in terms of gross profit, obviously after sales with its higher margins constitutes around 20% on average, with the cars 70% and the remaining 10% between the remaining sectors.

For the income statement, our revenue compared to last year grew by 7%, mainly coming from luxury and affordable cars increase in growth. Gross profit grew by larger than that, around 21%, and mainly coming from the luxury brands gross margin. Also, total expense grew by 19%, however, I'd like to highlight that this was due to a writeback of a provision that we had in 21. If you normalise it, the growth would be in line with the revenue. Net profit and EPS grew by around 14%, driven by the luxury and affordable sales. In terms of the highlights for Q3 alone, we grew by 12% in revenue, so we had a stronger Q3, and that reflects on 18% quarter-to-quarter growth in the earnings per share.



In terms of the balance sheet, this is similar to Q2 that we had. We still are not growing our rental vehicles and we're retiring what we have. This is mainly because of the lack of cars that we have, so we're concentrating more on sales rather than leasing, but this hopefully will grow back up, once we have enough cars to rent and increase our rental vehicle assets. That's why the assets declined by 10%, mainly. Also, I'd like to highlight here that the total equity going down was mainly because of two things. Dividend pay-out was a major part of this and also, we bought a little bit of treasury shares. These two add up to the decline in the equity. The current liabilities increase was mainly due to the vehicle demand that we have. These payments keep increasing, the 3,400 car down payments, which is a good thing to have. That's why it's increasing our current liabilities.

In terms of the cash flow statement, we have very healthy cash for operating activities and it's coming in at 23 million for September 22 versus September 21. The net cash flow from operating activities is at a healthy 25 million. The investment activities was 13 million, mainly due to two reasons. One is an investment in associates, being Egypt, and treasury shares buying. And then obviously the financing activities, the dividends that we paid, constitutes most of the 11 million that we had to pay.

In terms of the ratios, our liquidity ratio has dropped, but that was mainly due to the cash being utilised for the repayment of the banks. Our profitability ratios have improved very well at 23% gross profit to revenue and net profit margin of 10.12% versus 9.14 the same as last year. In terms of performance, also we went up on ROA from 7 to 9 and ROE from around 16 to 22. In terms of bank borrowing ratios, almost insignificant because of the low bank borrowings that we have. The floor is open to any questions you might have regarding our results from our Q3 of this year.

**Omar Maher** Thank you very much for the presentation. We now move to the Q&A session. As a reminder, if anyone would like to ask questions, you can use the raise hand function to ask your question verbally or you can simply place it in the Q&A box. I think we have our first question from Rajat Bagchi. Rajat, please go ahead. Sorry, this is in the Q&A box. The question is, thanks for the call, can you please discuss the trend seen in revenue for luxury cars in terms of volume growth in Q3 22, average pricing and how do these numbers compare to pre-COVID levels?

**Yousef Al Qatami** The revenue growth basically, right now, that we're having is good compared to older levels and pre-COVID levels. However, I'd like to highlight that we're still working in a constrained environment. Hence, the down payments that we have that are not fulfilled with. It's good to have these down payments, obviously it guarantees you revenue for the future and profit, but I'd like to have more cars, in order to achieve more profit. We're at a very good level already right now because of the luxury sales that we have, however, once things ease up a little bit, which is still happening, but gradually, then we'll have more cars and obviously more revenue and profit.

**Omar Maher** Thank you. There's a follow-up from Rajat. He's asking can you please also provide more information on order book, what's the split between luxury cars and affordable cars?

**Yousef Mustafa** The order book is split around 3,000 in the Land Rover brand and around 400 in the BMW brand. We did not include the order book on the affordable sector. If we add the affordable sector, the order book will grow a little bit, but this is in majority for the luxury brand, for a substantial impact on revenue and profit.

**Omar Maher** Thank you. Then another follow-up from Rajat, he's asking what led to the decline in contribution from post sales segment in terms of gross profit?

**Yousef Al Qatami** What segment, sorry?

**Omar Maher** What led to the decline in contribution from post sales segment in terms of gross profit?



**Yousef Al Qatami** Post sales, you mean after sales?

**Omar Maher** Yes.

**Yousef Al Qatami** I get his question and I understand where he's coming from. A certain decline in the after sales, it's an increase in the vehicle section. We went from 68, roughly, 67, 68 before in the revenue from vehicles, so that increased, but after sales did not go down. But relatively, because of the ratios, the vehicles constituted more, which obviously takes away from the contribution margin or contribution percentage of after sales. However, the after sales revenue and profit has not gone down.

**Omar Maher** Thank you. As a reminder again, if you'd like to ask questions, use the raise hand function or the Q&A box. We have another follow-up from Rajat. He says how do you see growth in after sales going forward in terms of margins and revenue growth?

**Yousef Al Qatami** The after sales is continuously growing because of our affordable sector that's growing fast. Obviously the car part is growing much faster in the affordable because we started from a lower point. so with that, after sales, as time goes on, each year is giving us basically full cars for the car part. As we go, we will see a lot of growth after sales from that sector specifically.

**Omar Maher** Thank you, that's clear. The next question is from Kareem Elshahn. He's asking how are expansions in Egypt progressing and are you still planning to launch in 4Q 22?

**Yousef Al Qatami** Yes, we are. Our opening date is 29 November. Hopefully we're going to see some contribution in December, we cannot see end of November. End December we're going to see some contribution, but only for a month. And then obviously the first quarter next year and moving forward, it's going to be full contribution from the Egypt.

**Omar Maher** Thank you. Another follow-up from Karim. He's asking whether there are any new launches in the pipeline? Last quarter you were talking about launching Geely Monjaro and Geely new Emgrand in September and November.

**Yousef Mustafa** Which we launched already, but the exciting news is that the 7 series impact for the launch of the new BMW 7 series, on top of what we have already launched in Geely, is going to be full-force from the beginning of next year, along with the new XM from BMW and there will be also the new 5 series next year, the new facelift of X5 and X6. And on the Land Rover side, we're going to start receiving with full force in terms of production capability and arrivals, the new Range Rover Sport coming into the market. And we have launched the new Defender 130 just last week. So, a very exciting year ahead of us.

**Omar Maher** Thank you. There's another question from Rajat in the Q&A. He's asking how do we think about the new showrooms in Kuwait to contribute towards growth in car volumes and revenue in 2023, any guidance on this?

**Yousef Mustafa** With regards to that, as Yousef Al Qatami has already mentioned, we're launching the day after tomorrow, BMW Al Jahra triple S facility, which is a showroom, after sales and parts facility. And then a month after, Geely will follow with a facility next to it, also a triple S facility. This will cover Al Jahra area and its surroundings. In terms of the main city, which is Kuwait City, we are already extremely well covered with the main showroom. We have a plot of land that we operate on, which is 44,000 square meters, with the biggest showroom for BMW and Land Rover, one of the biggest in the region. On top, we do have our showroom for BMW in 360 Mall, which covers also towards the south a little bit, for BMW. And on top, we are finalising plans to go into the south with Great Wall Motors



in one of the upcoming, most prominent malls there, to have the Chinese expanding into it. And we do have plans that are still under study for next year, maximum early the year after, to have Geely also expanding into the south on top of its expansion to Al Jahra.

**Omar Maher** Thank you. One last reminder, in case anyone has any questions. One more follow-up from Karim. What is the impact of volume growth and average price increase on revenues during the quarter.

**Yousef Mustafa** With regards to the average price increases on revenue, you can see that the revenue is growing, so our pricing power to pass on the price increases from the manufacturer is still in place. The profit grew, the revenue grew. It's something that we are not at all struggling with. The demand, because of the growth in the order book, is the biggest proof that the demand is still higher than whatever supply is available. With regards to the forecasted price increases, we also take into consideration a certain price increase year-on-year, which is a practice that BMW, Land Rover, all the manufacturers had in place for all the years that we are in the business. It's not something that is out of the ordinary and usually the price increases, give or take, are very similar to the regular inflation rate that Kuwait gets every year. So, it's not something that we're really worried about. And the order book, with 3,400 luxury, is the biggest proof. When we say order book, it's actually substantial amount of down payments, which is very apparent in the current liabilities, you can see that there is a growth in the current liabilities, it's dominantly coming from the down payments that we received for the order book that grew.

**Omar Maher** Thank you for this. The next question is from Akbar Ghan. He's asking whether there's any guidance for 2023?

**Yousef Al Qatami** We can't go onto that, as you know from the CMA regulations, so that's unfortunately something that we can't get into. We don't want to break the law here, so no, we can't guide into the future. I think some of what we discussed might give you your own guidance into the future.

**Omar Maher** Thank you. Next one is from Rajat Bagchi again. Can you please comment on the company's growth plans in 23 and is there a stated cash dividend policy in place at the moment?

**Yousef Al Qatami** The dividend policy was stating at the beginning when we did the memorandum and that was to go for 6% going to 7.5% as a promise out of the IPO price. That still remains the case and, as of right now, we met the first one, which was 3% of IPO price, that was that half-yearly one that we did. With the growing profits, obviously there's going to be a growing dividend based on IPO price, so hopefully we'll have something as good or better, to get dividends in the future.

**Omar Maher** Thank you. It seems that was the last question in the queue. Unless we have any additional questions coming in, perhaps we can go back to you for any concluding remarks, if you wish.

**Yousef Al Qatami** I conclude and I think we had a very strong Q3, as obviously shown by the numbers. Hopefully having Egypt turn into an expense business, to a profitable business in the very near future will only add to our profits. As production eases going forward, to enable us to have better results going forward.

**Omar Maher** Thank you very much, Chavijit and Yousef, and everyone, for the participation. There's one last question. Would you like to take that or shall we conclude the call?

**Yousef Al Qatami** Sure, go ahead.



**Omar Maher** Just came in now. The question is, is there any hint of potential slowdown in production from either BMW or Range Rover due to the developments in EU, which could adversely impact the 23 numbers?

**Yousef Al Qatami** No. The developments that we're seeing in production is getting better. Is it optimum? No, not at all, but it is getting better. Whatever we've performed with production getting better, that will enable us to perform even better in the future. Would I tell you that in the year 23 it will be open production? No, it will not be the case. We are hearing that probably in 24, that's what will happen. However, we do have indications that the allocation is getting better than what it used to be. I hope that answers his question.

**Omar Maher** Thank you. There's another question from Abdul-Aziz AlMulhim. He's asking whether there are any supply issues from Europe, as manufacturers are shutting down due to the energy crisis.

**Yousef Al Qatami** Again, we have not gotten worse, we are gradually getting better, so I think the main issue was not the European crisis, the main issue to begin with was the chips issue. That is gradually being sorted and as this is getting sorted, we are seeing better allocations moving forward. In terms of the EU issues that are happening, those are replaceable. Even in the production cycle, when we spoke to BMW, they do have alternatives for most of the things. It's the chip that is the main, essential part that they don't have many alternatives. With that being sorted out, hopefully we're going to see better production going forward.

**Omar Maher** Thank you. That was the last question in the queue. Back to you, in case you have any concluding remarks. Sorry, actually, I think you already mentioned those, so I just wanted to thank you and thank everyone for participating in today's call. Speak to you next quarter. Thank you very much.

**Yousef Al Qatami** See you next quarter with better results.

**Omar Maher** Have a nice day. thank you, everyone.

**Yousef Mustafa** Thank you.

**Chavijit Singh Bawa** Thank you very much.