



Event ID: 973-2081

Event Title: EVENT National Leasing (Al Ijarah) MMCID NLCS QNB Financial Services C1802125 44400245

Date: 01/22/2023

Audio Duration: 00:19:39

Executives:

Rami Soussou – Chief Financial Officer & IR Officer

Alaa Tahsin Al Shekly – Head of Business Development & Investment

Operator: Hello and welcome to the National Leasing Company Alijarah Holding Fourth Quarter 2022 Financial Results Conference Call. I would like to advise all participants that this call is being recorded. Thank you.

I'd now like to welcome Roy Thomas to begin the conference. Roy over to you.

Roy Thomas: Hello everyone, this is Roy Thomas from QNB Financial Services. I want to welcome everyone to National Leasing Company Alijarah Holding's Fourth Quarter 2022 Financial Results Conference Call.

On this call from Alijarah Holding, we have Rami Soussou, the chief financial officer and IR officer, and Alaa Tahsin Al Shekly, the head of business development and investment. We will conduct this conference call with management first reviewing the company's results followed by Q&A.

I will turn the call now over to Rami. Go ahead, Rami.

Rami Soussou: Hi and good afternoon, ladies and gentlemen. Thank you for joining Alijarah Holding Q4 Annual Conference Call

Today as we mentioned, we have with us on the line, Alaa Al Shekly, he is the head of business and investment in our company and he'll be handling the investor relations as well going forward.

Before we start discussing the financial highlights of the company, I would like to turn the conference to Alaa, let him introduce himself, and let him give us some brief about our strategy going forward in 2023 and for the next five years. Alaa, please go ahead.

Alaa Tahsin Al Shekly:

Good afternoon. Thank you for being here. And thank you for the invitation. Thank you, Rami, for sharing this with us. First of all, during the second half of the last year, Alijarah Holding performed an internal assessment in order to come up with a strategic plan for the next three to five years.

According to the new strategic plans, to the new versions of the company, we are focusing mainly on three main segments:



- The first segment is acquisitions of companies. The companies' segment includes the driving school on the upcoming acquisitions in the future, the plan acquisitions in the future's predetermined sectors.
- The second sector is the real estate sector. Alijarah is planning to increase the number of properties on its current lands. This plan is to increase the real estate portfolio in the next coming years.
- The third sector is the financial installments or financial investments. This is including investment in the financial markets, including stocks, bonds, and bank deposits.

So, mainly Alijarah Holding now is more focusing on investment activities, more focusing on acquiring new businesses, and entering new businesses using the acquisitions tool. We are focusing more on the next years, some sectors including oil and gas services, educational sectors, and medical sectors. We are aiming to have some stocks in this sector, either by financial markets or direct acquisitions.

During the last year, we already have set in our strategic plan, our investment criteria, and our investment conditions target sector. We are looking to the next year for our investment opportunities to implement our business to implement our strategic objectives. We are watching closely the financial and economical situation worldwide, in the GCC, and in Qatar, in order to have the best opportunities to invest in the next few years.

As you might notice that accumulated losses have decreased to around 30% this year. One of the main objectives for the next or the coming years is to eliminate these losses by increasing our profit. One of our objectives is to increase the current operating profits, by increasing the investments, and the improvement on the driving school and current or existing real estate sector.

Thank you so much, and I will move on to my colleague.

Rami Soussou:

Thank you, Alaa, for this brief about Alijarah and how we will be looking for the future and the upcoming five years.

Now, let's review about Alijarah performance in 2022 compared to the last year 2021. We all know that 2021 was a tough year for Alijarah where we reported a loss of QR 14 million compared to the reported net profit for 2022 versus QR 19 million, which is approximately an increase of more than 228% net profit. As well as our earnings per share have increased compared to a loss per share last year. Our earnings per share reached QR 0.039 as compared to a QR 0.03 loss per share.

Our revenue from the core business, there was increased on that from it was QR 29.26 million compared to approximately QR 33 million in 2022.

Our total revenue and income compared to 2021 reached QR 73 million compared to QR 31 million.



Our net operating income for the year 2022 reached to show positive QR 12 million compared to a loss net operating loss of QR 23 million.

And the net finance income increased from QR 4 million to QR 7 million and that was the impact of the increase in the profit rates during the year, to give us a total net profit of QR 19 million compared to a total net loss for last year QR 14 million.

Going into our financial positions, our total assets dropped from QR 738 million to QR 713.5 million. This drop was mainly due to the decline in fair value, especially in investments and investment property. Again, our total liability increased as well because mainly we have completed everything towards the Lusail project. The retention has been released and some of the provisions for the current year were acceptable compared to last year. Again, our total equity dropped and the reason for the drop is basically our OCI investments...our OCI investments and the fair value reserve that's lying down in the equity.

Net cash flow used in investing activities, we used our deposits and had them with a longer maturity period of more than three months, that's why it shows the investing activity of QR 239 million used in investing. In addition to the investments that we have done during the year for buying and selling stocks that were part of the generating of income in 2022.

And lastly, the net cash flow used in financing activity was QR 19 million compared to QR 35 million. And this is mainly due to the repayment of our Wakala that we used to have in the previous year. We settled this in 2022.

Our net decreases in cash and cash equivalents is QR 226 million compared to QR 39 million, and again this was related mainly to the deposits and the change in the terms of deposits to give us cash at the end of the period QR 23 million compared to QR 249 million.

We have details of the financial statements for the three years shown in our slides and the financial position. As you are all aware, the Boards met last Wednesday and approved our financial statement, and he announced 3% cash dividends to be distributed to the shareholders in the upcoming AGM.

This is it for now. We are now open for questions. You can ask me or Alaa the question you want and we'll be more than happy to answer. Thank you.

Operator:

If you would like to ask a question, simply press star followed by number one on your telephone keypad. That is star one if you wish to ask the question. Your first question comes from the line of Zohaib Pervez of Al Rayan Investment. Your line is open.

Zohaib Pervez:

Thank you, gentlemen. This is Zohaib Pervez from Al Rayan Investment. Thank you for the presentation. I've got a couple of questions. Firstly, you have mentioned that there will be a new strategy going forward. It seems like you're going to be concentrating on the same business lines and you're not going to be adding new business lines. So, what kind of return metrics or KPIs do you look at when you invest in a certain or you're thinking of investing in a certain business? Be it the driving schools or the properties, what kind of returns or KPIs or something that you target?

The second question is on the... you mentioned that the OCI changes in the OCR related to investments led to the decline in equity. So, could you give us some idea of what kind of investments these are? Where are these? What was the return on these investments? That'd be great, thank you.

Rami Soussou:

Thanks for your question. Alaa will answer part one and I will be answering part two of your question. Alaa, please.

Alaa Tahsin

Al Shekly:

In regard to adding new businesses lying to our company, actually, we are planning to... we have the intention to go to a new business line but not directly and we are not aiming to do the operations by ourselves, but our aim is to invest either in financial...or listed companies or a company with an existing record. So, we are planning to expand our portfolio either by acquisitions, okay, or either by having some stocks of that listed company. But mainly we are looking for our financial KPI including the valuation of the company, we are looking for the expected retail, for the expected [indiscernible]. We always put the... let's say, sales investment return or risk-free return as a benchmark for our expected return or for our targeted return. So, for some investments, we are targeting double of that risk-free return. For some investments, we are targeting a 1.5 of that of risk-free return depending on which business line, and depending on the business... the financial conditions, and on the valuation of that business. I hope that I have answered your question.

Rami Soussou:

And again, I'll add one point. We are changing the strategy as Alaa mentioned. As previously you know, we were into operation and now we're just moving into more investing and activating the holding role as an investment company.

Going to question two, which is the OCI. Basically, our OCI investments, which are investment security measured through OCI rather than profit and loss, are those investments in the stock market, Qatar exchange stock market. We're holding those investments as a long-term investment, collecting dividends out of them and we're waiting for the dividends to be distributed in the upcoming AGM. Hopefully, we answered both of your questions. If you need further clarification, please let us know. Thank you.

Zohaib Pervez:

Yes. Thank you so much. I just... two follow-ups on that. Firstly, you mentioned that you'll be targeting a risk-free twice at sometimes twice the risk-free return, sometimes 1.5% times. What is the risk-free return that you have in your mind currently?

Secondly, I think you mentioned the investment side, so what kind of returns were generated during the year on the portfolio? Thank you.

Alaa Tahsin

Al Shekly:

I got your question, sir. What I already mentioned is that when we would like to enter any new business or any type of investment, we will convert the expected return of that business to a risk-free return. Risk-free return, including two things, the deposit, and the Sukuk or bonds. So, for deposits, currently, the rate...the return of the deposit is sometimes 5.5%. The yield for some Sukuk sometimes currently reaches its maturity, it reaches 5%.

So, for some businesses we are looking for double risk or double...we are looking for a return that doubles the risk-free return of such investments. For some businesses, we are looking for a 1.5% return and convert to a risk-free return. So, if the deposit is a 5% return, then we will look for example a 10% return in order to compensate for the risk.



For some types of businesses, we are looking for companies, especially for companies who are looking for not less than twice the return compared to the risk-free return. For some other businesses like real estate, we are looking for a 1.5% to double also, the targeting return or the target return of the risk-free return. Hoping that answers your question, sir.

Rami Soussou: For the second part, our return on the OCI is approximately at an average between 5-6%. Thank you.

Zohaib Pervez: Sounds good, thank you.

Operator: Once again, if you wish to ask a question, please press star followed by one on your telephone and wait for your name to be announced. That is star one if you wish to ask a question.

And there are no further questions at this time. So, I would like to hand it back to Roy Thomas. Thank you.

Roy Thomas: Yes, there are no further questions. We would like to thank Alijarah Holdings' Management for the results update and for answering all the queries and looking forward to speaking to you all for the first quarter 2023 results. Thank you.

Rami Soussou: Thank you. Thank you and hoping to have better results even in this first quarter of 2023, as well we will update you with the results, with you first. Thanks so much to everyone who participated and thanks, Roy.

Operator: That does conclude our conference for today. Thank you for participating. You may now all disconnect.