



میزان القابضة ش.م.ك.ع.
MEZZAN HOLDING K.S.C.P.

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Boursa Kuwait Company

Mubarak Al Kabeer St.
AlSharq, Kuwait
P.O. Box 22235 Safat, 13083 Kuwait

Subject: Minutes of the Analyst / Investor Conference Call for Q1-2024

Reference to the subject line and in compliance with "Continued Obligation of the Premier Market Companies" as per Resolution No. (1) for the year 2018, Article (8-4-2). Mezzan Holding Company KSCP is pleased to announce that it held the Analyst / Investor Conference Call for the Results of the **first quarter of the year 2024** which was held through Live Webcast session on Monday, 13th May 2024 at 02:00 pm Kuwait Time.

Enclosed are the minutes of the Conference of the Investors earning call.

Mezzan Holding Company KSCP

Head of Legal

Walid Khalil



شركة ميزان القابضة
MEZZAN HOLDING CO.

Transcript of Mezzan Holding Earnings Call

For Q1 2024

Date Held

13 May 2024

Transcript of Earnings Call/Webcast for Q1 2024
Mezzan Holding Company KSCP.

Date: May 13, 2024.

Time: 14.00 Kuwait Time

Speakers from Mezzan Holding Co. Executive Management:

Mr. Amr Farghal – CEO - Food & FMCG, Chairman of the Executive Committee.

Mr. Omar Samoud - Group CFO

Moderator:

Fawaz Alsirri – Bensirri Public Relations

Fawaz Alsirri:

Good afternoon, ladies and gentlemen. This call is held to discuss the Mezzan Holding's Q1 2024 earnings, which were reported this morning.

Today is Monday, May 13th, 2024, and this call is held live, and a recording of this call will also be available on the same link within two hours.

My name is Fawaz Alsirri. I am the moderator on the call today and allow me to introduce our speaker. We have with us:

- Mr. Amr Farghal CEO - Food & FMCG, Chairman of the Executive Committee.
- Mr. Omar Samoud - Group CFO.

Ladies and Gentlemen, I will be handing over the mic to Amr in a few seconds to start the call right after I take you through our usual call format.

First, the CEO and then the CFO will each deliver their statement over 10 minutes or so, then we will open the floor to the Q&A.

To participate in the Q&A session, just type in your question on your screen at any time during the presentation. You can do that starting from now.

Also, some of the statements that might be made today may be forward looking. Such statements are based on the company's current expectations, predictions and estimates. There are no guarantees of future performance, achievements or results.

And, Mr. Amr, the mic is yours.

Amr Farghal:

Good afternoon, everyone. Thank you, Fawaz.

Before we begin today's presentation, I'd like to take a moment to express our gratitude to Garry Walsh, the former Group CEO of Mezzan Holding. Garry has dedicated 13 years of service to Mezzan, playing a pivotal role in bringing the company to its current stature. We sincerely thank him for his contributions and wish him the very best in his future endeavours.

And now, as Fawaz said, we will take you through a short presentation reviewing both the tailwinds we enjoyed and headwinds we faced during the three-month period ended 31 March 2024.

I will then review the financial highlights, after which I will hand over to Omar, who will take you through the details of the financial performance.

Finally, we look forward to receiving your questions and will answer as many as possible today. If we can't cover everything, feel free to send your questions to our Investor Relations team at ir@mezzan.com, and we'll respond promptly.

In terms of our Tailwinds:

- In the first quarter of 2024, we embarked on a strategic journey to enhance our portfolio and channel mix. This initiative was driven by our commitment to navigate through the challenges of input cost volatility while steadfastly protecting our margins. By carefully selecting and emphasizing the right mix of products and channels, we aimed not just to withstand the fluctuating market conditions but to grow amidst them.
- Also, in the first quarter, we have harnessed efficiencies by transforming our manufacturing landscape. By strategically shifting and mobilizing our manufacturing hubs across different countries, we've significantly improved our efficiency, capacity, and profitability. This proactive approach has allowed us to leverage local strengths, reduce costs, and enhance our overall operational performance.
- In terms of CAPEX management, we've taken a focused approach by prioritizing projects that align with our strategic goals and generate demand. By optimizing our CAPEX, we're ensuring that every investment we make is driven by market demand. We're also closely monitoring the return on investment and progress of these projects to guarantee they deliver the results we aim for.
- Lastly, let me share an exciting development that highlights our commitment to staying ahead. — Our IT team is leading a transformative initiative to upgrade our IS/IT landscape. This effort goes beyond merely upgrading technology—it's about reforming our decision-making and daily operations. By implementing new systems, we are streamlining processes across departments, enabling us to make faster, more informed decisions. This strategic enhancement will boost our operational efficiency and agility, ensuring Mezzan remains competitive in a rapidly evolving market.

And now, from Headwinds perspective:

- Let me share a challenge we've been navigating that underscores our proactive approach to maintaining inventory stability. In today's volatile supply environment, ensuring consistent inventory coverage is crucial to avoid disruptions. At Mezzan, we've tackled this head-on by implementing robust inventory management strategies. These measures have enabled us to maintain stable stock levels, effectively mitigating the risks associated with potential supply chain fluctuations. It's been a significant effort, but by staying ahead of these challenges, we're ensuring that we can continue to meet our commitments and deliver for our customers.
- Another headwind is financing cost, though in line with investment plan associated with our healthcare division, we will continue to proactively seek opportunities to lower these commitments.

In terms of our financial highlights and headline numbers for the three-month period ended 31 March 2024:

- Our revenue reached KD 85.5 million, up from KD 79 million, an 8.2% improvement.
- Our EBITDA in Q1 reached KD 10.1 million, versus KD 8.3 million. An increase of 21.7%.

- That left our Net Profit to the shareholders of the parent company in Q1 at KD 5.7 million, versus a year ago of KD 4.3 million, a strong increase of 33.9%

And now, I'll pass things over to Omar, who will delve into the details of our financial performance.

Omar Samoud:

Thank you, Amr, and Fawaz. And thank you everyone for attending the call. Let me walk you through the Group financial results for Q1 2024:

A look into our topline performance, shows a revenue contribution by business line as following:

- The food segments accounted for 61.4% of total group revenue, with an increase of 7% vs. previous year; while the revenue of non-food segments accounted for the balance of 38.6% of total group revenue, scoring an increase of 10.2%
- Within the food division, revenue of Food Manufacturing and Distribution increased by 8.4% contributing to 51% of Group revenue.
- Revenue of Food Catering decreased by 12.1% contributing to 5.6% of Group revenue. As mentioned in previous calls, this is a result of our efforts to streamline our catering portfolio with a focus on margin accretive contracts.
- Revenue of Food Services increased by 22.5% contributing to 4.8% of Group revenue.
- Our non-food group revenues, reported under FMCG and Healthcare, increased by 11.5% contributing to 36.6% of Group revenue.
- And finally, the revenue of Industrial segment decreased by 8.7% contributing to 2% of Group revenue.

We now move onto reviewing the performance by geography for the three-month period of 2024:

- Operations in Kuwait contributed to 76.6% of Mezzan's revenue, up by 9.9%. In the Food Manufacturing & Distribution sector, Kuwait demonstrated exceptional proficiency, paralleled by strong achievements within the FMCG & Healthcare divisions as well.
- Revenue from our operations in the UAE contributed to 11% of Mezzan's revenue, increasing by 5.8%.
- Revenue in Qatar decreased by 19.3% and contributed to 5.1% of Mezzan's revenue.
- In Jordan, sales increased by 39.3%. Jordan revenue contributing to 4% of Mezzan's revenue.
- Saudi Arabia accounted for 2.6% of Mezzan's revenue with an increase of 5.3%.

Moving to the Profit and Loss:

The first Quarter of 2024 P&L performance stands as following:

- Revenues of KD 85.5 million, compared to KD 79 million in the previous comparable period. Thus, recording an increase of 8.2%.
- Gross profit reached KD 19.3 million, compared to KD 16.5 million a year ago, and Gross Profit Margin reached 22.6%, compared to 20.9% in the previous comparable

period. Here again demonstrating our efforts to drive margin accretive growth initiatives.

- SG&A and other expenses reached KD 11.4 million, compared to KD 10.3 million in the previous comparable period, an increase of 10.3%.
- As a result, Net profit reached KD 6.1 million, versus of KD 4.6 million in Q1 2023.
- Net profit attributable to equity holders of the parent company reached KD 5.7 million, compared to of KD 4.3 million in the previous comparable period. An increase of 33.9%.

From a cash flow perspective:

- Mezzan recorded an operating cash flow before working capital changes of KD 10.3 million, compared to KD 8.7 million in the previous comparable period. Up by KD 1.7 million.
- We have recorded an outflow in working capital cash flow of KD 5.4 million, used to fuel growth, in comparison to a more modest investment of KD 2.5 million in Q1 last year.
- Therefore, Mezzan's Cash flows from Operating Activities resulted in KD 5 million, compared to KD 11.2 million in the previous comparable period.
- Cash flows used in investing activities reached KD 1.7 million compared to KD 0.8 million in the previous comparable period.
- As a result, we recorded a positive Cash Flows before Financing Activities amounting to KD 3.3 million, compared to KD 10.4 million in the previous comparable period.
- Our Net Debt stood at KD 57.8 million as of 31 March 2024, up by KD 1.8 million from March 2023.

From a balance sheet perspective:

As of 31 March 2024, Mezzan's balance sheet size reached KD 293.1 million. Total Equity reached KD 125.9 million and Net Debt of KD 57.8 million.

Our Net Debt to EBITDA has reached 1.9x and is down by 2.2x compared to Q1 2023.

Now, I open the floor to your questions, and thank you again.

Fawaz Alsirri:

Thank you, Omar. Thank you, Amr, for taking us through the first quarter of 2024.