



Date : 19/05/2024

Ref.: MHC/Disclosure/2024/094

**Attn. Bursa Kuwait Company**

**Sub.: Corrective Announcement from Mezzan**

Reference to the above subject and pursuant to the provisions of Module 10 (Disclosure and Transparency) of the Executive Bylaws of Law No. 7 of 2010 concerning establishment of the Capital Markets Authority.

Attached hereto the Corrective Announcement Form regarding the minutes of the Analyst / Investor Conference Call for the Results of the first quarter of the year 2024.

**Mezzan Holding Company KSCP**  
**Walid Ali Khalil**  
**Head of Legal**



Corrective Announcement Form

Date	19/05/2024
Name of Listed Company	Mezzan Holding Company KSCP
Title of the Announcement	Corrective Announcement Form regarding Q1-2024 Investors earning call minutes
Date of the last announcement	16/05/2024
The False statement of the Previous announcement	Previous Disclosure of the minutes of the Analyst / Investor Conference Call for the Results of the first quarter of the year 2024 didn't include the Q&A section.
Mistake Correction	Correction of the minutes of the Analyst / Investor Conference Call for the Results of the first quarter of the year 2024 to include the Q&A section.
Reasons of Mistake	Typo error.

Mezzan Holding Company KSCP

Walid Ali Khalil  
Head of Legal



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

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**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 13<sup>th</sup>, 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](mailto: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, Amr, for taking us through the quarter. We will now be taking on your questions. Please give us a moment to just go through them and possibly group similar questions together in the interest of saving everyone's time.

**--- Q&A ---****Fawaz Alsirri:**

Thank you everyone for waiting. We will now be taking your questions. We have a question from Nishit. This question is going to be answered by the CFO. Nishit Lakotia is asking, "There is a receivable jump in the first quarter. What is the reason for this, and will Mezzan be doing aggressive factoring to manage working capital?" Omar?

**Omar Samoud:**

Okay. Thank you for your question. It's normal that we have a jump in receivables when we need to fuel growth. Growth comes clearly through, in fact, an extension of the receivable balances. And this is the main reason why we have this jump. When it come to our policy with factoring, we are effectively looking into extending factoring to different business lines and to business transactions. But we'll do it in a very selective way considering, of course, that we are also watching the increase of our financing costs.

**Fawaz Alsirri:**

Thank you. The next question is from Rabih Mousa. Rabih is asking, he has two questions, so I'll ask them at the same time, and you can answer them one after the other. Rabia is asking, "Can you please repeat the point on why revenue from catering segment declined by 12%? And is there any reason for the 19% decline in Qatari revenue?" The two questions, one is catering overall and one on Qatari revenue.

**Omar Samoud:**

So, when it comes to the catering decline, I think we mentioned also in earlier calls that we are undergoing a portfolio rationalization. As mentioned also in previous earning calls, we mentioned the fact that in Kuwait, for example, we exited the non-accretive contract, the governmental non-accretive contracts, but also in Qatar. I mean, we have been very careful and



very selective with our new catering contract and any growth there. Because we are prioritizing kind of very secure customers to grow this type of business. So, this is mainly due to our, as I said, optimization strategy with catering growing where in fact we manage better also our working capital, and where we manage better also the credit risk.

**Fawaz Alsirri:**

Thank you. We'll now be taking on more questions. Give us a moment to go through the list. We have another question from Nishit. Nishit is asking, "Why is there a decent jump in Selling and distribution expenses in 1Q24? what is driving this jump?" And the question is going to be answered by the CFO.

**Omar Samoud:**

Thank you, Nishit. Again, here you can imagine that growth doesn't come for free. I mean, selling and distribution expenses has been, again here, mainly jumping due to the fuelling the growth. So, it doesn't mean that this trend is expected to continue for the year to go.

**Fawaz Alsirri:**

Thank you. Let's see if we have more questions.

We've answered all the questions we have received. We will stay on the line for another minute in case there are questions on the way to us, or in case you're thinking of asking a question, please go ahead and type it in right now and we'll hang online for about a minute.

Thank you. We have two questions coming in. The first one is by Wi Chow. They're asking, "How should we think about margins going forward?" Omar?

**Omar Samoud:**

Okay, thank you Wi Chow. Clearly, I think we will maintain this good momentum. We have already ignited in 2023, and we are confirming during this first quarter. So, this improvement of the margin, the gross margin, which is key to our, I would say, net profit lending for the full year is expected to be maintained.

**Fawaz Alsirri:**

Thank you. Let's see if we have more questions coming in. Looks like we do. We have a question from Mohammed Alsakhal. Mohammed is asking, "Can you shed some light on the GPM gross profit margin?" I believe, "Should we expect the same level of margins for the rest of the year?" And this kind of ties in into the previous question as well.

**Omar Samoud:**

Exactly.

**Fawaz Alsirri:**

But go ahead if you want to give an answer.

**Omar Samoud:**

I think clearly, we don't change, I would say, a winning formula. I mean, if we have ignited this good margin improvement, the idea is that we are aiming to sustain it in the year to go. The real pace will be communicated in the coming early comms. But yes, if you are asking us whether this gross margin improvement is to be maintained or sustained, the answer is yes.

Coming back perhaps to a question regarding the Jordan growth. I saw that there was a question, "What really is behind our growth in Jordan?" I mean, clearly our growth in Jordan is being supported by the Kitco launch that we have, I would say, further expanded, in both modern trade and traditional trade. But also, I would say a good momentum on our venture business.

**Fawaz Alsirri:**

Thank you. We have what seems to be our last question. A question from Talal Samhouri, it's on CAPEX. Talal is asking, "Can you please give us guidance on your CAPEX for the current year? And in which country or sector will that CAPEX be deployed?"

**Omar Samoud:**

Thank you Talal. Clearly, I think we made some communication on this that this year, and most likely also next year, will be a year where there will be major investment in our healthcare business, especially behind Al-Shifa project. But again, we are also maintaining volume and revenue generating CAPEX across all our division without any segregation. So clearly today, if we look at the spend majority of our CAPEX is in Kuwait.

**Fawaz Alsirri:**

Thank you, gentlemen. I think with that we have come to the end of our first quarter call. We have answered all the questions that we have received. So, thank you once again, gentlemen. Thank you to our audience. As I mentioned in the beginning of the call, a live recording of this call will be available to you on the same link you used to access this call. Thank you everyone and look forward to seeing you in next quarter's call. Thank you and have a good day.

-ENDS-