ميـزان القـابضـة ش.م.ك.ع
MEZZAN HOLDING K.S.C.P.

Date: 27/03/2023

Ref.: MHC/Disclosure/2023/019

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 For Q4 2022/FY 2022

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 **forth quarter of the year 2022 and the financial year 2022** which was held through Live Webcast session on Thursday, 23rd March 2023 at 01:30 pm Kuwait Time.

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

Mezzan Holding Company KSCP

Group Legal Manager

Walid Khalil

Transcript of Mezzan Holding Earnings Call

For Q4 2022/FY 2022

Date Held

23 March 2023

Transcript of Earnings Call/Webcast for Q4 2022/FY 2022
Mezzan Holding Company KSCP.

Date: March 23, 2023
Time: 15.30 Kuwait Time

Speakers from Mezzan Holding Co. Executive Management:
Mr. Garrett Walsh - Group CEO
Mr. Nabil Ben Ayed - Group CFO

Moderator:
Fawaz Alsirri – Bensirri Public Relations

Fawaz Alsirri:

Good afternoon ladies and gentlemen. This call is held to discuss the Mezzan's Q4 and FY earnings for the year 2022, these earnings were announced yesterday, March 22nd, 2023.

Today is Thursday, March 23, 2022 and this call is held live from Kuwait and Dubai. 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 of this call today, and allow me to introduce our speakers for the call. We have with us:

- Mr. Garry Walsh, the company's CEO, who is joining us today from Mezzan offices in Dubai.
- Mr. Nabil Ben Ayed, the company's Group CFO, joining us from the company's Kuwait offices.

I will be handing over the mic to Garry 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.

Now, 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.

I would like to mention that today's call is held in two locations, and it might take us a bit longer to address your questions.

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. Walsh, the mic is yours.

Garry Walsh:

Good afternoon, everyone. Thank you Fawaz.

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 December 2022.

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

Lastly as Fawaz said, we will be happy to receive all your questions and answer as much as possible today. If we are unable to cover all your questions, please feel free to send your questions to our Investor Relations team at ir@mezzan.com and we will get back to you as quickly as humanly possible.

So in terms of our tailwinds:

- Obviously, I think it was well publicized that our team in Qatar were involved in the FIFA World Cup. And, I am pleased to report the generation of profit on that business. I would like to formally thank them, FIFA, Q22 Supreme Committee, for all of their help in making it such a success.
- Internally, we finished upgrading the pharmaceutical factory, that started producing successfully in Q4 and it had a really positive impact on our results, and continues to progress nicely as we enter into Q1. It has been a long journey for us, and I would like to acknowledge the hard work of the team in bringing the factory up to standards.
- Our KITCO brand performance in Jordan, continues to perform well, following its launch there.
- Finally, I would like to thank Nabil and his team for the attention they gave to the account receivables, and the improvement in our working capital measures over the last quarter.

From headwinds perspective:

- We continue to see inflation coming through. If you look at the numbers versus, a year ago, two years ago, or three years ago, we continue to see inflation coming through and impacting on our gross margin. And also, as I think Christine Lagarde referred to this morning as a cyclone effect around wages and salaries, where obviously employees are having to pay more which is putting an inflationary impact on salaries as well.
- And finally, I would say we probably didn't realize the amount of resources that the world cup would suck in to make sure that it is succeeded, and that really did pressure everybody during the last quarter and is certainly a learning for us on a go forward basis.

From Q4 and FY 2022 Results Highlights:

- I am pleased to report that in Q4, our revenue hit KD 60.6 million, up from KD 53.9 million, a 12.5% improvement. That left the turnover for the year of KD 255.2 million versus, KD 245.1 million, a 4.1% improvement.
- I am equally pleased to report that our EBITDA in Q4 hit KD 8.5 million, an improvement from the prior year at KD 2.2 million, of 280%. I will also note that this is the highest Q4 EBITDA that we have delivered in the last four years. That left the year at KD 11.6 million versus a prior year of KD 21.8 million, reflecting the much publicized provision that we took in Q3.
- That left our Net Income in Q4 at KD 4.6 million, versus a year ago of KD -1.2 million, an improvement of 500%. Finishing the year at KD -1.7 million versus a prior year at KD 9.6 million.

  All of those reflect a really strong Q4 versus any diametric we've had over the last few years. So if we look at Q4 profit for 2019, it was a loss of KD 3.5 million, 2020 was a

profit of KD 0.7 million, 2021 was a loss of KD 1.1 million, and in Q4 this year we finished at KD 4.6 million. A very strong performance from the team.

And now, I will hand over to Nabil to take you through the details.

Nabil Ben Ayed:

Thank you Garry and Fawaz. And thank you everyone for attending the call. Let me walk you through the financial results as of 31 December 2022:

As for revenue contribution by business line at Mezzan Group:

- In the twelve-months period ended 31 December 2022, the food group accounted for 68.6% of total group revenue, for an increase of 6.4% year-on-year; while the revenue of non-food group accounted for the balance of 31.4% of total group revenue, for a slight decline of 0.7% year-on-year.
- Within food group, revenue of Food Manufacturing and Distribution increased by 9.2% contributing to 51.8% of Group revenue.
- Revenue of Food Catering decreased by 2.4% contributing to 11.7% of Group revenue.
- Revenue of Food Services grew by 1.4% contributing to 5.1% of Group revenue.
- In our non-food group, revenue of FMCG and Healthcare declined by 1.7% contributing to 28.9% of Group revenue.
- Revenue of Industrial segment grew by 11.9% contributing to 2.5% of Group revenue.

We now move on to discuss operations per geography for the twelve-month period of 2022:

- Operations in Kuwait contributed to 69.7% of Mezzan's revenue, up by 0.3%.
- Revenue from our operations in the United Arab Emirates contributed to 13.7% of Mezzan's revenue, for a growth of 10.5% year-on-year.
- Revenue in Qatar grew by 14.1% year-on-year, and contributes to 9% of Mezzan's revenue.
- Saudi Arabia accounted for 2.9% of Mezzan's revenue for an increase of 38.6%.
- In Jordan, sales increased by 26% on the back of the success of KITCO brand. Jordan's revenue contributed to 3.6% of the group's revenue.
- While our operations in Iraq accounted for only 1.1% of Mezzan's revenue with an increase of 9.7% year-on-year.

Moving to the Profit and Loss:

In the twelve-month period, ended 31 December 2022, Mezzan Group recorded:

- Revenue of KWD 255.2 million, compared to KWD 245.1 in the in the corresponding period of 2021. A growth of 4.1%.
- Gross profit reached KWD 51.1 million, compared to KWD 52.9 million in the in the corresponding period of 2021, and Gross Profit Margin reached 20%, compared to 21.6% in the previous comparable period.
- EBITDA, reached KWD 11.6 million, down from KWD 21.8 million in the previous comparable period of 2021, for decline of 46.9%.
- SG&A and other expenses increased to KWD 49.6 million, compared to KWD 41.8 million in the previous comparable period, for an increase of 18.6%.
- In summary, Mezzan recorded a loss of KWD 1.7 million in the twelve-month period of 2022, a decline of 117.6% from the same period in 2021.

- The group recorded a loss attributable to equity holders of the parent company of KWD 2 million, compared to a profit of KWD 8.4 million in the corresponding period of 2021, for a decline of 123.3%.

From a cash flow perspective:

- Mezzan recorded operating cash flow before working capital changes of KWD 21.05 million in the twelve-month period, ended 31 December 2022, compared to KWD 23.02 million in the corresponding period of 2021. Lower by KWD 1.97 million.
- We have recorded an outflow of working capital cash flow of KWD 9.6 million compared to an investment in working capital of KWD 0.42 million last year.
- Mezzan's Cash flows from Operating Activities reached KWD 11.4 million in the twelve-month period of 2022, compared to KWD 22.6 million in the previous comparable period.
- Cash flows used in investing activities reached KWD 10.3 million in the twelve-month period of 2022, compared to 10.8 million in the corresponding period of 2021.
- As such, we recorded a positive Cash Flows before Financing Activities amounted to KWD 1.13 million in the twelve-month period of 2022 compared to a positive Cash Flow before Financing Activities of KWD 11.8 million in the previous comparable period.
- Our Net Debt stood at KWD 64.2 million as of 31 December 2022, up by KWD 11.2 million from December 2021, mainly due to KWD 10.3 million increase in Capital Investment.

From a balance sheet perspective:

As of 31 December 2022, Mezzan's balance sheet size reached KWD 272.1 million, Total Equity of KWD 111.4 million and Net Debt of KWD 64.2 million.

Our Net Debt to EBITDA has reached 5.5x and is up by 3.1x compared to 31 December 2021.

And now, I open the floor to your questions, and thank you.

Fawaz Alsirri:

Thank you, Nabil, and thank you, Garry. We will now be taking on our audience's questions. Just give us a second. Let's take a look

--- Q&A ---

Fawaz Alsirri:

So we have a question for Nabil. So the question for Nabil is from Nishit Lakhotia. Nishit is asking, **"Nabil, can you please share the one-off from FIFA event in the fourth quarter in terms of revenue, growth and net levels, please?"**

Nabil BenAyed:

Thank you for the question. Although we will not disclose in details the bottom line, but I can say that the top line was the net impact of KD 2 million to our P&L. That's basically, I will say the guaranteed commission, the guaranteed revenue, from FIFA to us. Thank you.

Fawaz Alsirri:

Thank you, Nabil. Let's just see, what else we have online. Okay, we have a question from Wei Chow. The question is, "**Commission income and other income increased by KD 3 million versus last year in 2021. Can you share more details on whether this would be recurring?"** And that question's for Garry.

Garry Walsh:

Hi, Wei Chow, as Nabil mentioned, we took a different approach to FIFA given the change in the contract, which occurred just prior to the game starting. And as such, the number that he referred to was booked within the other income number. So that element of it, we wouldn't expect to be recurring. The rest of it, which is largely accrued on our medicine business, we would expect to be recurring.

Fawaz Alsirri:

Thank you Garry. We've answered the questions we've received. We will stay on the line waiting for your questions. Right now, we have no questions on our screen. So if you're thinking of asking a question, please go ahead and send it through. We are here waiting for your questions.

Thank you for waiting. We actually have two questions coming in. The first is from Bijoy Joy. The question is, "**what is your estimate on the 2023 profitability given the rise in interest cost and is Q4 a good reflection?"** And that question is going to be answered by the CEO, Garry.

Garry Walsh:

Hi, Bijoy. Firstly, we always give a proper forecast when we're producing our Q1 results, and so that always seems to be a good time to give an outlook on the year. In terms of the rise in interest cost, Nabil and his team have done a very good job in minimizing that and locking in different types of financing, which has put us in a good position. So we don't see that as being a big impact on our business. Q4, after you adjust for the World Cup event is probably, yes, a good indication of where we're currently trading.

Fawaz Alsirri:

The next question is from Wei Chow and they're asking, **"What is your FMCG and healthcare split and can you give us an outlook on healthcare?"**

Garry Walsh:

Hi, Wei Chow. We don't normally share that split. Apologies for that, but that is our normal convention. In terms of the healthcare business, our outlook is very positive within the numbers you're looking at for the year-end. We obviously have the factory, the partial shutdown for about nine months. So whilst our FMCG business performed very credibly and our agency medicine business performed very credibly, our factory business was really restricted in terms of its ability to supply. The team have done a great job to upgrade that facility. It traded very profitably in Q4, and I expect to see a very strong year-on-year performance out of that business this year and into the future. It's an area that we have invested heavily in over the last four years. It is our intention to continue to invest heavily in it, and we expect to see significant exponential growth on a go-forward basis.

Fawaz Alsirri:

Thank you, Garry. And with that, we've answered every question that we have received on today's call, and we will be concluding the call for today as we haven't received any new questions. Thank you all for joining us. Thank you, Garry and Nabil, again for taking us through the year and the quarter, and we'll see everyone at the next call. Thank you again, and have a good day, everyone.

Garry Walsh:

Thank you.

Nabil BenAyed:

Thank you.

-ENDS-