



**Transcript of BPC 's Analysts Conference Call
for Q1 ended 31/7/2018**

Rita Guindy:

Good morning and good afternoon Ladies and Gentlemen, and thank you for joining us today. This is Rita Guindy, and on behalf of Arqaam Capital I'm delighted to welcome you to BPC's conference call to discuss Q1 results ended 31/7/2018 . I have with me here today Mr. Nawaf Arhamah, Chief Financial Officer of BPC, and Mr. Ahmad Al Gumar – Investments Manager at BPC.
With no further delay, I will now turn over the call to Mr. Nawaf Arhamah.

Nawaf Arhamah:

Good afternoon everyone, and welcome to Boubyan's first quarter call. During today's call, we will walk you through our financial results and then we'll give you an update about our recent investing activities, as well as capital markets development.

I'll start with the financial results. If you take a look at our sales of goods, you will notice that it's lower than last year. This is because we completely wrote off Jubail Integrated Packaging Company, and we no longer recognize any income or expense from it. With regards to our tuition fees revenue, this comes entirely from our subsidiary AFAQ, which operates Arabic schools as well as special needs schools.

The lower dividend income this quarter, compared to last year, was caused by lower dividends from one of our non-core investments. It is worth noting, however, that the lower dividends were not caused by performance. The shareholders of the company decided to retain the cash to support future growth. Our share of results from associates grew by KD 1.3 million. This increase came from associates of Educational Holding Group, namely SAMA and EYAS.

With regards to expenses, you'll notice that this year our G&A has gone up by KD 285,000. Embedded in that figure, however, is a one-time charge of KD 343,000. This charge comes from tax assets in Muna Noor that we've been recognizing over the past couple of years. This quarter, we've decided to write it off. The recurring G&A has gone down by KD 58,000, which brings us to our net figure of KD 285,000 increase.

Our finance cost grew on the back of new borrowings that we used to finance new acquisitions. We are maintaining cost of finance of approximately 3.9%. In general, this quarter we continued making progress towards our goal of diversifying our recurring income. That's evidenced by our share of results from associates, our dividend income, and tuition fees.

With that, I would like to pass the microphone to Ahmed Al Gumar, who will give you an update about our recent acquisitions, as well as capital markets updates.





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Ahmed Al Gumar:

Good afternoon, everyone, and thank you for joining our first quarter earnings conference call. During the first quarter we have accomplished two major milestones: the first was the acquisition of a 20.6% stake in EYAS, which we bought for KD 15.2 million. This has increased our direct and indirect stake in the company to 55.4%, and making EYAS a subsidiary. We haven't consolidated EYAS yet in our P&L, however we have only consolidated it on the balance sheet statement. We expect to have full consolidation starting the second quarter.

The second accomplishment is getting Boubyan's shares on the FTSE emerging market index. This was achieved by our proactive approach, whereby we have boosted liquidity on the stock market by selling down our treasury shares slightly during the three months ended July.

That has made our stock eligible to get into the FTSE index. We've also engaged with equity research houses and initiated coverage on Boubyan. This has helped increase awareness and boost liquidity on the stock.

Questions & Answers:

1- First question from Mr. Hommoud Al Dabbous -Tech Office Co. :

Hommoud al Dabbous: Thank you for all your accomplishments and we hope that all other companies in Kuwait follow in your footsteps. I have two comments. With regards to your investment in Boutiqaat, how should this reflect on your company? What are your expectations for the petrochemicals industry in the next years?

Nawaf Arhamah: Thank you for the question. With regards to Boutiqaat, we don't qualify it as a core investment and our holding varies depending on the performance. Going forward, we don't really see it as core-investment at this point and we don't have a plan for it. It is managed separately and fully independently. With regards to the petrochemicals outlook - The petrochemical industry is tightly correlated to the oil industry.

I will give you a bit of an update about Equate, as it is the largest contributor to our income and it's mainly active in the petrochemical industry. With regards to Ethylene Glycol (EG), which is the main commodity, it's been hovering around USD 850-900/t average this year, we think it will remain stable for the next 12 months. We do not see any market disruption and same applies to other major commodity polyethylene. As such we think we will continue to perform at the same level as the first half. So that's with regard to Equate.

Now with regard to the other chemical companies - Al Kout and Awazel. Al Kout is listed and has just reported its numbers and we have an active offer on it, you can have a look at their financials. Al Kout has been generally performing consistently. We will upload presentation about our core investments. Awazel also has been doing relatively well given that the Saudi construction market has been slowing down. That is the update on the petrochemicals.

Hommoud al Dabbous: Thank you.



شركة مساهمة كويتية عامة - رأسمالها ٥٣,٤٨٢,٢٧٥ دينار كويتي - مدفوع بالكامل - تأسست بتاريخ ١٢/٢/١٩٩٥ - سجل تجاري رقم : ٦٢٣٩٤
Kuwait Public Shareholding Company - Paid Up Capital KD 53,482,275 - Established on 12/2/1995 - Commercial Registration No. 62394



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2- Second question from Mrs. Hessa Al Ameerri - Osoul Investments Co. :

Hessa Al Ameerri: You mentioned boosting liquidity by selling down treasury shares. Is this the reason behind the share price drop today or is there another reason behind the drop? Thank you.

Ahmed Al Gumar: No, what I meant was during the first quarter ending July, we actively seeked out with some of the broker houses of what amount of liquidity is required from us to reach on a daily basis in order to be eligible for inclusion in the FTSE index. We were supposed to reach a certain limit on a daily basis and we got to that limit. That has made us eligible for inclusion.

As for the trade for today, I think it is evident that the entire market has traded aggressively because of the entrance of the stock into index and I think this is a one-time event. We couldn't comment right now if we have sold down any of our shares or not because that will be disclosed at the end of the second quarter.

Hessa Al Ameerri : So, it's nothing to be really worried about?

Ahmed Al Gumar: No, as you know we are very active in terms of maintaining our stock stability. We do care and we do follow and actively engage towards the stability of our stock price, and whenever there is a good opportunity for us to buy we will buy, and whenever there is a good opportunity for any of our shareholders to sell down in a manner that will not impact the stock price, then we might take some advantage of that but we will never sell in a very aggressive manner that will distort the stock price. I hope this answers your question.

Hessa Al Ameerri: Thank you.

Operator: We have no other questions at this time.

Ahmed Al Gumar: I would just like to conclude by thanking everyone, and we hope to talk to you again in next quarter. Thank you.