

Company: QNB Financial Services Co.

Conference Title: Qatar German Medical Devices Co. (QGMD) Q3 2020 Results conference call

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Zaid Al Nafsoosi: Hello ladies and gentlemen, this is Zaid Al Nafsoosi from QNB Financial Services. I would like to welcome Qatar German Medical Devices Company third quarter 2020 financial results conference call. It is my pleasure to introduce, from Qatar German Medical Devices Company, Mr. Eisa Khalid Al-Maslamani, he is the board member and managing director. Mr. Abdullah Dhamesh, he's a finance manager. We also have on the line Ms. Mai Al-Baroudi, she's the board secretary and investor relations officer. We will start this conference call with a presentation on the company's performance for the period, followed by questions and answer session. I will now hand over the call to Ms. Mai Al-Baroudi. Please go ahead.

Mai Al-Baroudi: Thank you Zaid. Hello everyone. We have a special earning call this time because the QGMD is now to embark to its breakeven point, so we are happy that we are challenging ourselves and we have great results. I hope that we will achieve the breakeven point soon. We have a lot of things to talk about, and the achievements. I will hand over the talk to my colleague, Mr. Abdullah Dhamesh, the finance manager. Thank you so much.

Abdullah Dhamesh: Thank you, Ms. Mai. Thank you, Mr. Zaid and [inaudible]. We are happy for being safe and well in the nowadays. We wish the health and the well being for everyone in the state of Qatar. We would like to thank the state for the efforts made as they continue to fight the Corona COVID 19 pandemic. Secondly, I would like to express my great gratitude to the board of directors for the continuous support for the company's activities and diligence follow up by all the board committees in order to achieve what has been achieved. Thanks for all –for this effort. It's teamwork before anything.

Complementing the efforts made and adhering to the [inaudible] for the moving the company to profitability and achieving the best percentage in growth, the company continues to achieve more goals set for the previous period. Where a significant growth in revenues was achieved by 240.73%. This is an achievement that demonstrate the effectiveness of the plans developed by the board management and the executive management. We are talking from 6 million to 21 million for the same period. Also, the work has been done to use production costs and other operational expenses as administration and the other expenses has been reduced by 75.89% without any impact in operation. Also, what has been done to reduce financing costs by 38.55% from the same period last year. The losses have been reduced by 93% from the last year's – the same period. Also, the [inaudible] has been used in the same percentage. Based on the above, the company has achieved operation profits after deducting business taxes, depreciation, around 5 million – 269 million Riyal. This has enhanced the company ability to reach the breakeven point and start making the profits. The figures talk about itself. We reduced as much as we can, and we are into the plan that we set for our company.

We, in Qatar Germany, believes that [inaudible] in the face of will and determination. That success is not a coincidence, it's a march, it's a plan. Hopefully we will continue doing the same, and we have the correct track, Alhamdulillah. Thank you for everybody.

Feras Al-Sarraj: Now we are ready for the questions.

Operator: Thank you. Ladies and gentlemen, if you would like to ask a question, please signal by pressing star one on your telephone keypad. A voice prompt on your phone line will indicate when your line is open. Please state your name and company before posing your question. Once again, press one to ask a question. We will pause for just a moment to allow everyone an opportunity to signal for questions. Once again, to ask a question, press star one. Once again, as a reminder, to ask a question, press start one, and please state your name and company before posing your question. We will take our first question, please go ahead.

Speaker: Salaam Alaikum, gents, and thank you for the presentation. Congratulations on good spread on results. It's [inaudible] from [inaudible] Investment, I had a question on the cost side. You mentioned that you've done a lot of cost optimization and reduced cost at both operating level and at the [inaudible] level. Wanted to know, are all the cost saving initiatives already done, or do you expect more cost saving to come in the near future, in the next few quarters, I mean? Thank you.

Abdullah Dhamesh: Okay. Thank you, Mr. [inaudible]. Actually, this is as of the result for the last period, we enhanced the cost reduction, and we found the cost centres that we can reduce for the last period. We are wishing to find another area that we can cut costs in the few – or the next quarter. We are happy to find some. Anything can be improve our profit and, again, to reduce our cost centre in this site.

Speaker: Whatever initiative you had taken in the past year [inaudible], the cost saving, whatever you had planned, are all in place, for the [inaudible] –

Abdullah Dhamesh: Yes. The one which we planned already, yeah. The one which we have planned, yes, already taken for the period of – as of 30th of September.

Speaker: Great. You had received a lot of – a moratorium or a deferment on the finance cost, this – because of the COVID. When do we expect the finance costs to come back? Or, you expected this level to be sustainable for the next future?

Abdullah Dhamesh: Actually, we have a plan also for the finance cost to – even to go down, reduce it more and more even without any scheduling or any support from the government. We will not depend only in the support, we have plans also to reduce the finance cost. We have to sit it for

the future for sure. We have the plan also to keep the track or the scale of the finance costs to be reduced more and more.

Speaker: What sustainable level on the finance cost do you expect?

Abdullah Dhamesh: Well, as of now we don't have the – we shall see the next quarter. Okay. We will see what's there. Based on that, we can establish a good solid base for that one.

Speaker: Thank you for your – thank you for answering the questions, much appreciated.

Abdullah Dhamesh: Thank you.

Speaker: Thank you, Mr. [inaudible]. Thank you.

Operator: Once again, as a reminder, to ask a question, press star one. Please state your name and company before posing your question. We will now take our next question. Please go ahead.

Shaheen Biran: Hi, good afternoon, gentlemen, and thank you for this call. Well, your receivables and inventories have spiked up, could you give – could you explain as to how this is going to be for the coming quarter?

Abdullah Dhamesh: Yes, actually we have a major receivable, which is Hamad hospital. Okay. Hamad has been – we have signed a tender before, around 8 million something. Out of that, still we are waiting for the money to collect from them. If you can see in the receivable, this amount has been [inaudible] out there. Because we already – yeah, we meet the deadline, we deliver all the items, so just we are waiting for the funds to be embarked on our accounts. For the inventory, we have plan, okay, and we have a strategy for the coming few quarters, okay, and the next year for

some consumable[?] on the Corona or COVID-19. We will have – we will shift in some demand actually in coming quarter and for the next two years. In case of the early demand, we need to be ready to meet the demand in the market. The inventory and the stock has been monitored very well, okay, to catch the opportunity in the market if there is – would be, Inshallah.

Feras Al-Sarraj: Excuse me, we didn't get your name, please can –

Shaheen Biran: Mr. Abdullah [inaudible] – sorry, go ahead please.

Feras Al-Sarraj: We didn't get your name and your company, can you tell us again, please?

Shaheen Biran: Yes, surely. My name is Shaheen and I'm calling from United Securities. The company name is United Securities.

Feras Al-Sarraj: Thank you very much.

Shaheen Biran: Thank you.

Feras Al-Sarraj: Please go ahead,

Shaheen Biran: Yes. Mr. Abdullah, I had a question with regards to your distribution of the vaccine, in case that there is – we are expecting the vaccine to be coming in by the first quarter of 2021. In this case, Qatar has also commented that they would be – everybody would be getting a vaccine which is free. Now, how would you really account for this into your income or revenue.

Abdullah Dhamesh: Okay. For this strategy question, actually, I will just divert it to Mr. Eisa and he will give us a clue for that one.

Eisa Khalid Al-Maslamani: I'm sorry to say, we cannot tell you our future plans or – we are discussing the nine months result. This is, I think, invalid question. I'm sorry about this.

Shaheen Biran: Okay. In terms of your revenue, we've seen a substantial increase in your revenue compared to what we had in the third quarter of 2019. Now, could you give us a brief description as to what are your major revenue lines in terms of the product?

Abdullah Dhamesh: Yeah. We have concentrated our product for the third quarter. We reach around 6 million, okay, from the – out of 20 million – out of 21 million, for our product manufacturing in our facility. This is not we are looking – to be honest, this is not the figure we are planning to. But due to the challenge, and the market, and a blockage that we have from around, we go and we rise our heads up and we see that there's a huge chances in the market. We catch some in this quarter, and we hope to catch the other in that coming quarters. The big share was for the trading items. The medical sector is huge. We are not only putting our eggs in one basket, no. We will segregate and we will make it from any part coming from the medical device to earn some revenue, we will be there for it. Also, from 2021, we already supply for Hamad Hospital 200 filter, brand filter for – HEPA filter for COVID 19. This is not only for COVID-19, it's a continuously filter for medical devices. We have a huge range of products that we are planning to implement in Qatar market and in medical sector. We are just making our product available, and whenever there is a chance to have a good margin, we will be there. Our strategy is to get the margin from the market. QGMD will be hitting every and each sector that we are therefore to meet the demand.

Shaheen Biran: Okay. I had the last question on your other income. We see that the other income in the second quarter was about 1.6 million, whereas this quarter it's more in line with what we had in the first quarter. Could you explain as to why – was there anything special in the second quarter that you booked?

Abdullah Dhamesh: Actually, in the second – this was in the second quarter. This is one of our goals which we sit[?] from the management to recover some bad debits from the market. We are proud to announce that – even we announced in the second quarter this new news. But, again, we are repeating that – we are proud to announce that we success[?] to refund one of our bad debit in the previous years from the customers in Germany, okay, to be specific. We had agreement with them to repayment the money outstanding from their side. We sit[?] an agreement with them, and we have confirmation with them. We brought a third party to ensure that everything has been legal, and it's a real one. It's not just only figures, it's a cash flow plus money coming to our fund. We are happy and we are [inaudible] that we have achieved such this goal. We have a lot of goals, such as this scenario, to be achieved also.

Shaheen Biran: Thank you so much. That's all from my side. Thanks.

Operator: It appears there are no further questions at this time. Just once again, as a reminder, if you wish to ask a question, press star one. It seems there are no further questions, so I will turn the call back to Zaid for any additional or closing remarks.

Zaid Al Nafosi: Thank you, Diana. Well, if there are no further questions, then I would like to thank Mr. Eisa Al-Maslamani, Mr. Abdullah Dhamesh and Ms. Mai Al-Baroudi for their presentation, and also all the participants on this call. If you have any further questions, please don't hesitate to contact us QNB FS research team or Qatar German Medical Devices team. I thank you so much and please stay safe. Goodbye.

Eisa Khalid Al-Maslamani: Thank you very much.

Operator: Ladies and gentlemen, this concludes today's call. Thank you for your participation. You may now disconnect.