

Company: QNB Financial Services Co.

Conference Title: Qatar German Medical Devices Co. (QGMD) Q2 2020 Results

Date: Thursday, 13th August 2020

Conference Time: 10:00 (UTC+00:00)

Zaid Al-Nafoosi: Hello, ladies and gentlemen. This is Zaid Al-Nafoosi from QNB Financial Services. I would like to first apologize for the delay that took place earlier. We were experiencing some technical difficulties, but I hope that this wait will be worthwhile.

So welcome everyone to Qatar German Medical Devices Company's Second Quarter 2020 Financial Results Conference Call. It's my pleasure to introduce, from the Qatar German Medical Devices Company, Mr Saleh Majed Al Khulaifi, he's the Chairman; Mr Eisa Khalid Al Maslamani, Board Member and Managing Director. We have Mr Abdullah Al Hemish[?], he's the Finance Manager. And we also have on the line Ms Mai Al-Baroudi, she's Board Secretary and Investor Relations Officer. We will start this conference call with a presentation on the company's performance followed by questions and answer session.

And now I will turn over the call to Mr Saleh Al Khulaifi. Please go ahead, sir.

Saleh Majed Al Khulaifi: [Arabic]. Thank you all for joining, and I do apologize for the technical error. We put so much trust on technology. I would like to welcome you today for this quarterly earnings call to speak about our results ending 30th June 2020.

Alhamdulillah, we've seen great improvement, especially in Q2 at our published financials. The team – our managing director and our CFO will take us through the financial projects. We've got a couple of points we're going to speak about today, the financials, our effort during the pandemic, and again, some of the developments in the exports field as we've been working for the past three months.

It's been a great quarter for QGMD. And hopefully, inshallah, this pandemic will leave the world better and stronger. And I hope that we did well in trying to cover and support the local and international markets improvising all the medical equipment and appliances that we could in this pandemic.

That said, I would like again thank you for all being with us today in this call. And you'll be listening more from Mr Abdullah, who is with us on the call. [Inaudible] Abdullah?

Abdullah Al Hemish: Yes. Salaam-alaikum. First of all, we thanks all – everybody joining us in this earnings call, and we thank Mr Saleh and the Board for the support during second quarter for achieving such this numbers on such this turnover from the quarter – first quarter.

Actually in continuation of the quotation[?] plan that were drawn up by the Board of Directors, thanks to the close follow-up by the Board committees, the result of the second quarter were promising and optimistic for the future. And this is a natural result for – of the effort made by all members of the Executive Management and the [inaudible] the team work.

During corona pandemic, the importance of the medical sector was proven and the state level and the level of the – at the state level and the level of the individual. And thus, the visibility of investing in the medical sector was confirmed because of its utmost importance during the occurrence of the medical pandemic. So – and we in Qatar German Medical Company realize that – realize this early during the corona pandemic, and it had a great impact in improving our financial results and we are looking in future on the local and global demand for syringe after the corona vaccine to be bought in the world.

So it is a continuously plan for our company during this pandemic. So the result if you can – we will see the numbers. It's really something make us heads up. We have improved for ratios. We

have improved for the sales operations and everything. So we are ready for any questions, any clarification for – from the people who is in our conference – for the our investors.

Operator: Ladies and gentlemen, if you would like to ask a question, please signal by pressing star one on your telephone keypad. If you need to remove yourself from the queue of questions, you can signal by pressing star two. Again, if you would like to ask a question, please signal by pressing star one on your telephone keypad. We will take our first question and we will ask that the person asking the question announce your name and company before asking the question. Thank you.

Shabbir Kagalwala: Gentlemen, thank you for the call and thank you for the fantastic result. This is Shabbir Kagalwala from Al Rayan Investment. I had a couple of questions, if I may. If you can just talk about your exports as to how the export business is doing?

The second question is about the contract with Hamad Medical Corporation, how the contract is going through, if you can just elaborate on that.

The third question is on the other income. We saw an extra QAR1 million of other income in the current quarter in June. If you can explain that please as well? Thank you.

Abdullah Al Hemish: Thanks Shabbir for the question. Actually for the first point for the export market, actually this was our strategy from the beginning. Due to the blockage for the happen with us for countries, we enlarge our scope of award to see where we can invest and where we can bought our products there.

We very happy we found that there is a huge demand over the world, okay, in MENA, Middle East and North Africa. We are recently opening a huge line with Pakistan and a huge line also

with Iraq, with Libya recently, and we are now opening with Yemen, and Ethiopia[?], Suman[?] and Africa, Kenya, Jordan. This is for the MENA.

Actually also we are – we have a safety syringes, which is our patent. So we – this product especially we already marketed in EU, union – and Canada and USA for – especially for our safety syringe. So for the export market, there is a huge demand. It will happen, inshallah, within this – before the end of this year.

For the second question for the contract of Hamad, we almost done for the HMC, Hamad, okay? We deliver all the filters, HEPA filters for pandemic of corona and we successful, alhamdulillah rabbil alamin, for delivering in the time in export, and we meet the deadlines. So both parties, HMC and us, we are happy for this fast-track project. And we prove ourselves that we are – we can stand for any such this projects.

And for the third question for the other income, actually this is a goal has been already achieved during this quarter to retain some of our money from the market. Actually this is – was – has been taken before as a provision, but we achieve to take an confirmation from the client and we achieve to take the money from them. So we increased the collection statistics for us. It will be a huge difference. And this is our – and one of our goals to improve and to both our collections turnover in good shape. Thanks.

Shabbir Kagalwala: Okay. And talking about the export, sir, how much of the revenues in the second quarter were from exports, if any, or do you see that revenues coming in the future?

Abdullah Al Hemish: Yeah. In the export we have our target to be more than 50% from our production to be in export, because Qatar market is not that much huge for our production because we have a massive production for syringes and other products. So we are looking very, very, very much – we are thirsty for this markets and we are planning very well, okay, for this one to increase more

than 50% from our revenue to be focusing in the new market. And they are willing to take from Qatar German. We have a huge feedback – yes.

Shabbir Kagalwala: In the second quarter, were there any revenues coming from export?

Abdullah Al Hemish: Yes, yes. For the second quarter, maybe around 25-30% that's coming from the export.

Shabbir Kagalwala: Mashallah, nice.

Abdullah Al Hemish: We have already served BAHO[?] and MENA and other countries also.

Shabbir Kagalwala: Right. And you mentioned that the Hamad contract is almost done. So are you expecting new contracts coming in from Hamad as well for the rest of the year or –

Abdullah Al Hemish: Yes, yes, yes. We are now – yeah, you know, Hamad has a lot of establishment under Hamad. So they are sitting and we are finalizing with also with their – with the other collaborations to provide the same HEPA filters to them, because now we have in the third stage and the people start now to – people going to their works, schools, universities, ministries. So this product it should be placed where offices before return to the normal situation. It's something a long-term supply.

Shabbir Kagalwala: Perfect. Thank you. Thank you for your time, sir. And all the very best for the future.

Abdullah Al Hemish: Thank you. Thank you, Mr Shabbir.

Operator: As a reminder, ladies and gentlemen, if you would like to ask a question, please signal by pressing star one on your telephone keypad. We can now take our next question. Again please announce your name and company before asking a question. Thank you.

Shabbir Kagalwala: Apologies. I had one more question, if I may. This is again Shabbir from Al Rayan Investment. You had announced a merger, an acquisition, sorry, on the 20 – in July with a company. If you can just elaborate what this acquisition is all about and give some color on it please? Thank you.

Abdullah Al Hemish: Actually this one I will divert to Ms Mai, okay, for this question.

Mai Al-Baroudi: Hello, Mr Shabbir. Actually this is still the first disclosure. It's still a very initial step. And we cannot disclose more about this process as you know as per the rules in Qatar Exchange and the QFMA. And the chairman can give us like a brief on this if you need to have more information. But as you know that the market rules and regulation we cannot disclose more about this because it's still a very, very initial discussion. And once we have this initial discussion, we directly disclose it to the market, to the shareholders to – from the transparency angle. So if you have any more clarification, our chairman can be answering this question, Mr. Saleh.

Shabbir Kagalwala: I was just wanting to know as to what's the direction the company is going to, what this company does or where do we see QGMD benefiting or synergies or things like that. What direction the company is going? So that's what I was trying to understand when you announced this acquisition.

Saleh Majed Al Khulaifi: That's fair. And as was mentioned, again, as you know this is a publicly traded company, I just want to make it clear that the merger is an initial – what we announced was an initial disclosure to study the potential synergies between both companies. As you mentioned,

the company that we are acquiring has businesses in or has lines in both services and manufacturing.

What we can see synergies whether supporting our current clientele or extending into different lines and different businesses within, again, a new market segment, and the market utilizing our great presence in the manufacturing team.

And especially that QGD already has a good portfolio of trading items and we have signed some services agreement with Hamad when it comes to some technical and specific, whether it's training or we are in the disease control, as this is our main powerhouse in QGMD, our main patent is into safety patent. So we are trying to utilize our strong elements and to build on them.

Shabbir Kagalwala: So this acquisition will complement what QGMD currently does and it will help it grow in the future, that's what the idea is to grow for this acquisition, if I'm understanding it correctly?

Saleh Majed Al Khulaifi: Can you repeat the question, please?

Shabbir Kagalwala: So I was just saying that just to confirm that my understanding is right. So this acquisition will complement to what QGMD currently is doing and growing in the direction as to where there is a long-term –

Saleh Majed Al Khulaifi: Yes. And both manufacturing and services and to also give us access to new markets and new segments in the markets.

Shabbir Kagalwala: Perfect. Thank you. Thank you for your time.

Operator: As a reminder, ladies and gentlemen, if you would like to ask a question, please signal by pressing star one on your telephone keypad. Hello, speakers, we have no further questions at this time.

Zaid Al-Nafoosi: Okay. Then I would like to take this opportunity to thank Mr Saleh Al Khulaifi, Mr Eisa Al Maslamani, Mr Abdullah Al Hemish, and Ms Mai Al-Baroudi, also Mark, our operator, and everyone else who is participating for this call. Please do reach out to us at QNBFS or Qatar German Medical Devices teams if you have any further questions or inquiries. And thank you again, and apologies for the delay that took place and please stay safe. Goodbye.

Mai Al-Baroudi: Thank you.