

Company: QNB Financial Services Co.

Conference Title: Qatar German Medical Devices Co. (QGMD) Q1 2021 Results conference call

Moderator: Bobby Sarkar

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Operator: Good day, and welcome to the Qatar German Medical Devices First Quarter 2021 Results Conference Call. Today's conference is being recorded. At this time, I would like to turn the conference over to Bobby Sarkar. Please go ahead.

Bobby Sarkar: Thank you, Ashley. Hello, everyone. This is Bobby Sarkar, Head of Research at QNB Financial Services. I wanted to welcome everyone to Qatar German Medical Devices' first quarter 2021 results conference call.

So on this call from QGMD management, we have Ali Hassan Al-Emadi, who is the Chairman; Mohammad Ali Al-Ansari, who is the Board Member and a Managing Director; Abdullah Dhamesh, who is the Finance Manager; and Mai Al-Baroudi, who is the Board Secretary and IR Officer. So as usual, we will conduct this conference with first management briefly reviewing the company's results, followed by Q&A.

I would like to now turn the call over to Mai. Mai, please go ahead.

Mai Al-Baroudi: Thank you, Bobby. First of all, we would like to thank you all for attending QGMD Q1 2021 earnings call and in – and Ramadan Kareem for everyone. First of all, we would like to welcome our new Board that have been elected on March 2021 chaired by Mr Ali Al- Emadi. And we hope that more success and achievements of QGMD to come under the umbrella of the new Board of Directors.

And I will hand over the call to our CFO, Finance Manager, Mr Abdullah Dhamesh.

Abdullah Dhamesh: Thank you, Ms Mai. Thank you, Mr Bobby for the introductions. At the outset, I wish health and wellbeing for everyone in the state of Qatar. And we would like to thank the state of – for the effort made and to do as to fight the Corona COVID-19 pandemic.

Secondly, I would like to express my gratitude to the new Board for the continuous support for the company's activities that did again, follow up for all Board committees in order to achieve what has been achieved. Complimenting the efforts made and adhering to the plan set for moving the company to profitability and achieving the best percentage [inaudible] the company continue to achieve more goals set for the previous period.

We are talking about increasing all the percentage, which is indicate that the success of our plans and our goals that we are putting in our achievement. I – just gives me a chance to speak about quick notes for our statements financial as 31st March 2021.

I just start with our balance sheet or position for our company that we shared in the website. People, they can see that we have achieved a good working capital amount around QAR16,823,000 comparing with a negative for the last years. So it's a big achievement. Also the current ratio has been increased from negative to positive one to 1.55, means that the company is able to meet their current liabilities, okay, more than 1%. So it's a good achievement, means we have a good cash flow, means we have a good plans to meet all our liabilities.

Also, we can see from the balance sheet that we are using the accumulated losses around 0.37%, which is the second time in the life of our QGMD. And we are reducing the loans, short terms loans about percentage 19.2%. Also we have been successfully increase our equity around 1.5%. This is from the point of the balance sheet as of 31st March 2021.

Going forward to our profit and losses income statement, we can say – we can see the improvement there. And the figures, it's very clear that we are in the good shape, alhamdulillah, and we are in the right track that will lead us to be one of the biggest companies in Qatar, inshallah.

We can see that the revenue has been increased 232.25% from QAR2 million to QAR6.8 million to the same period to the last year. Also, we can see the gross profit has been increased, okay, from 22.06% to 40.56%, means we have a good gross profit percentage comparing with all the years.

Also, the other income has been increased around 37.3% for the same period from 618,000 to 848,000 for this period. Also you can see for the [inaudible] expenses, we already kept this one for this quarter, as one of our main target goals for this year 2021 to kill that expenses as much as we can. In 2020, we have the goals to reduce, but now we are aiming to kill that cost as much as we can just to put it in that right track.

Also, the general and the [inaudible] has been increased for this period because we are using manpower source, okay? We hire people also for the meetings demand of our revenue. Depreciation, you can see a slight difference only. And for the finance cost, we success to decrease it 77% from the last year. So in total, we are coming with a profit of QAR470,000 to QAR302,000 comparing with a net losses of QAR2,380,000 for the last year, which is a big achievement for Qatar German, because we are talking for a huge burden for the last years of losses.

So yes, maybe the figure is small, but behind this figure, there's a big effort has been done to challenge ourselves, challenge our depreciation, challenge our finance costs. So we are saying – if we are saying for [inaudible], we have a profit – operational profit of QAR2 million comparing with the losses operation in the last year for the same period.

So this will reflect positive for the basic entity as the share from negative 0.021 to a positive 0.004, which is – I think, it's the second time from 2021 for Qatar German. We believe in Qatar German that we are in a position to challenge ourselves to reach to the position that we are in the lead of the company in Qatar.

We believe, and we have the fruit and output for that. Nobody can stop our dream right now. We are in the correct right. Our new Board, our new management, also we have a full support from them as they are – the background of them all our business. So we are talking one language, business language. So this will be affect also a positive for our shareholders, which they will receive, inshallah, within this year or next year the output of this plans and this one.

And we believe that the new Board is coming with the new ideas, which will be both a new add value for our plans and our output.

Thank you, Mr Bobby.

Mai Al-Baroudi: We can start for the Q&A.

Operator: Thank you. If you wish to ask a question, please signal by pressing star one on your telephone keypad. Again, that is star one to enter the queue for questions. Okay. We will take a question from Shabbir Kagalwala of Al Rayan Investment. Please go ahead.

Shabbir Kagalwala: Thank you for the presentation and thank you for doing such a deep insight on the company. I had a couple of questions, if I may. In your other income, how much reversals have been booked in the first quarter? And my second question is on, have you got any new contracts –

Abdullah Dhamesh: So Shabbir, Mr Shabbir, can you just repeat? Obviously, we missed your last call conference actually.

Shabbir Kagalwala: Sure. Is my voice okay now?

Abdullah Dhamesh: Yes. Can you just repeat the first question? Yes.

Shabbir Kagalwala: Okay. So my question was that in your other income of QAR0.8 million, which – QAR0.848 million, which was reported, how much of it was – or reversals from ECL reversals or other reversals from the earlier provision book. And have you received any new contracts from Hamad recently?

Abdullah Dhamesh: Okay. For the other income, Mr. Shabbir, actually there is no reversal of any provisions we have this one. We played very well for one of our [inaudible] and social expenses. We try to gain some income for shipping and other expenses. So we try to take some other income from this part of expenses. So we turnover of around maybe QAR100,000 or QAR200,000 for this quarter. The balance is only from the rent of the our store, as you know. So there's no reversal of provisions for this year. It's just only we tried some way to get some other income to increase the shipping for the other people in terms of gaining some money.

And second for Hamad. This the – our previous contract has been already done. Nothing there, okay? We are into some, but inshallah, the management will disclose this one once it's clear.

Shabbir Kagalwala: And are you getting new contracts from, say, the Latin America and other markets, the international markets, which you are looking – you're exporting to? How is the situation there? And is the – are you seeing demand from those markets?

Abdullah Dhamesh: Yes. And if Mr Mohammad wants to speak about the demand for the BAHO[?] and this one, will be great.

Mohammad Ali Al-Ansari: Hi, everybody. Good afternoon. Regarding for your question for the international, we have – actually we have a lot of opportunity in not only Latin country, other country, but we still in negotiable for a term or condition and everything. And we will be, inshallah, announce it very soon, inshallah.

Shabbir Kagalwala: All right. Thank you. That's all from my side.

Mohammad Ali Al-Ansari: Thank you very much.

Abdullah Dhamesh: Thank you, Mr Shabbir.

Operator: We'll take our next question from Zohaib Pervez of Al Rayan Investment. Please go ahead.

Zohaib Pervez: Thank you, gentlemen, for the call. Could you give us a sense of what – which segments contributed to the revenue growth? Your revenue was, mashallah, increased from QAR2 million to nearly QAR7 million. So which segments were the prime growth areas? That's my first question.

Abdullah Dhamesh: Okay.

Zohaib Pervez: Should I ask all the questions or should we do it one by one?

Abdullah Dhamesh: Well, one by one better.

Zohaib Pervez: Okay. That's okay.

Abdullah Dhamesh: What's your name again?

Zohaib Pervez: Zohaib, Zohaib Pervez. I work in Al Rayan Investment.

Abdullah Dhamesh: Yes, Mr Zohaib. Actually we discuss when we meet together. Mr Zohaib, for the breakdown of the revenue, for the first quarter, we are saying QAR5,585,147 million, okay, QAR5.5 million is manufacturing, okay?

Zohaib Pervez: Okay. And this was –

Abdullah Dhamesh: And for the trading –

Zohaib Pervez: Okay.

Abdullah Dhamesh: Yeah. And for the trading divisions – for the finished good, we have around QAR1 million.

Zohaib Pervez: Okay.

Abdullah Dhamesh: And others, we have some consumable and [inaudible] around QAR300,000. So totally, it will be around 6.8. So we are talking about more than 80% of our revenue coming pure from manufacturing, which is meeting our plan and our target to utilize our full capacity of our factory. So this one, we are achieving the target 100%, alhamdulillah.

Zohaib Pervez: Alhamdulillah.

Abdullah Dhamesh: So second question, Mr Zohaib.

Zohaib Pervez: Yes. Just to follow up on that, do you believe that this momentum is going to continue for the remaining part of this year?

Abdullah Dhamesh: Definitely, Mr Zohaib. We are talking still – we are yet to start our manufacturing. We are increasing our capacity from around 75% to 90% to 100%. So the care of the drawing is going up, inshallah. And the next couple of months, you will see the output of our results, okay, meeting our targets.

Zohaib Pervez: Okay. My second question is on G&A. The G&A increased by 32.8%. Any specific reason? Is it – are there any one-off items, or is there more?

Abdullah Dhamesh: Yes. It's actually due to the huge demand we have from the supply – from our customers, we have to bring some people, basically the blue workers to meet the deliveries of these orders. So the increase which was all around QAR200,000, QAR300,000 because there's more sales means more manpower to meet the demands and deliveries.

Zohaib Pervez: So this – so we can assume this to be like sticky cost. It's not that it's going to be a one-off cost.

Abdullah Dhamesh: Yes.

Zohaib Pervez: Okay. My third and last question is on, you mentioned that there's a new Board and the new Board has got a new strategy. Could you discuss a little bit, or talk about what is the new strategy that the Board is currently implementing?

Abdullah Dhamesh: The new Board, actually we have luckily have such this team because the background of all our Board is business, manufacturings and they are in the market and they are extended companies. And they have success in this sector.

And our Board and also the committees will put a very – add value for our production and our plans to improve all the aspect of our factory. And the strategy is simple, Mr Zohaib. We need to increase our revenue, to increase our share in the market globally and locally and regionally. And we want to reduce as much as we can, our cost without touching a lot of production or quality or delivery times, simple like that.

All our plans is around these two, three points only. And the Board is very straightforward, very direct aims to the targets, increase the revenue, increase the GB[?], decrease the cost, enhance the quality, enhance the deliveries, increase the share of our brand name in the market, even Qatar globally and in the region.

Mohammad Ali Al-Ansari: If I can add something also about the Board, the Board strategy regarding your question Mr Zohaib, from the side of as a Board Secretary in my capacity, I would like to say that very soon the Board will approve a new strategy, will be disclosed maybe by the end of Q2 regarding the restructuring of QGMD capital, or regarding the strategies that they're going to follow to reach the successful achievements of QGMD. And regarding this will be a looking-forward information just for the – to confirm that.

Zohaib Pervez: Okay. That's interesting. So we'll be looking forward to that information. Thank you.
Thank you everyone for the answer.

Speaker: Thank you.

Abdullah Dhamesh: Thank you, Mr Zohaib.

Operator: As a reminder, if you wish to ask a question, please signal by pressing star one. We'll take our next question from Siju Philip of United Securities. Please go ahead.

Siju Philip: Good afternoon, gentlemen. Thank you for the call. First question is that I just want to confirm is that your current utilisation? Is it 75%, is what I heard? That's my first question. Second question is that since you guys are on a turnaround phase, I could see that you guys started making profits, and as well as more your revenues also being growing, how do you see you – how do you tackle – plan to tackle your accumulated losses of QAR125 million going forward? Could you just give a colour on that as well? It will be great.

Abdullah Dhamesh: Your good name, please?

Siju Philip: Siju. My name is Siju, S-I-J-U from United Oman.

Abdullah Dhamesh: For the first question – yeah, United Oman. For the first question, we are utilising 70% from our lines nowadays. We are looking to improve this one. We are bringing a lot of spare balance to enhance the productions in terms of operations. And we are now implementing a new mold and a new line for vaccine demand huge around the world. So for the capacity, it will be increased. Maybe you're saying now it's 55, inshallah, it will be up to 90. And looking forward to full utilise of our manufacturers.

For the second question, I will – divert this one to our Board Secretary, Ms Mai, because she – this is one of our strategy for this one.

Mai Al-Baroudi: As we mentioned before that still to be announced very soon about the QGDM strategy or capital restructure, because we cannot announcing any information about this, because it's still, it's not clear, not approved, not announced. So for sure our Board will look into all the

segments, all the details of QGMD because still they are new Board. They need to understand the structure fully. And they are going through a fully comprehensive induction for QGMD.

And soon, whenever we announce to the market about the strategy about the capital restructure, for sure, you will find all the related information published in the Qatar Exchange Markets.

Siju Philip: Okay. Fair enough. I had another question actually. It's regarding your acquisition plan of Elegancia, if I'm not mistaken. Could you give any update on that? And how does this add value, because if I understanding, it's the facility's management, I believe so if I'm not mistaken. Correct me if I'm wrong. So could you just give a colour on that as well?

Mai Al-Baroudi: Actually, as we announced my idea about the acquisition, that it ended up by the Elegancia Group, as we announced, and no more further information can be discussed regarding the acquisition. It was a trial, an initiative actually by the export. And we didn't succeed to arrangement or a confirmation between both parties. So it was a plan, but it was ended regarding the other party ended up the discussion.

And we are looking forward to have a better opportunity as well. As you know, it's an economic crisis over the world, and as you see, many big corporation are collapsing and many other sectors, they are having some acquisitions, some source of joint venture. So it's normal in the market. QGMD was trying to find another partner and it was ended up so simple as it is.

Siju Philip: Okay. And could you just give us some colours on the margin actually if – on the syringes?

Abdullah Dhamesh: Yes. The margin for the GB for the syringes is around 40% manufacturing. Okay. And for the trading divisions around 48%. For other around 50%, 55%, 52%. And this is

meeting a lot of plans and goals to increase the GB in the – to catch the chance nowadays for the vaccine campaign around the world.

Siju Philip: Okay. Fair enough. Thank you. Wish you all the best.

Abdullah Dhamesh: Thanks. Thank you.

Operator: And there are no further questions at this time.

Bobby Sarkar: Hi. This is Bobby Sarkar everyone. If there are no further questions, we can end the call – the first quarter call for today. I want to thank QGMD management for taking the time to speak to investors and analysts for a better understanding of the company and the prospects. Thank you very much.

Mohammad Ali Al-Ansari: Thank you very much.

Abdullah Dhamesh: Thank you, Mr Bobby.

Operator: Thank you. That concludes the call. Thank you for your participation. You may now disconnect.