



شركة الصناعات الهندسية الثقيلة وبناء السفن ش.م.ك (عامه)  
Heavy Engineering Industries & Shipbuilding Co. K.S.C (Public)

Date: 15 March 2023

Reference: CM/AR/040/2023

التاريخ : 15 مارس 2023

إشارة : CM/AR/040/2023

To: Bursa Kuwait  
Greetings,

المحترمين

السادة / شركة بورصة الكويت  
تحية طيبة وبعد،،،

**Subject: Supplementary Disclosure of Analyst conference transcript for the 4th quarter of the financial year 2022:**

الموضوع: إفصاح عن معلومات جوهرية - إفصاح مُكمل  
محضر مؤتمر المحللين للربع الرابع من السنة المالية 2022 :

Reference to Our disclosure dated 14/03/2023 & article No. (7-8) "Listed Company Obligations" of Bursa Kuwait rulebook.

بالإشارة إلى إفصاحنا المؤرخ في 14/03/2023، وإلى المادة (7-8) "التزامات الشركة المُدرجة" من كتاب قواعد البورصة.

We would like to inform you that the Analyst conference was held through network conference call (Live webcast) at 3:00 pm local time on Tuesday 14/03/2023.

نحيطكم علماً بأن مؤتمر المحللين قد إنعقد عن طريق بث مباشر على شبكة الإنترنت (Live Webcast) في تمام الساعة 3:00 عصراً يوم الثلاثاء الموافق 2023/03/14 (وفق التوقيت المحلي).

Attached is The Analyst conference transcript & presentation for the 4<sup>th</sup> Quarter of the financial Year 2022.

مرفق طيه محضر مؤتمر المحللين والعرض التقديمي للربع الرابع من السنة المالية 2022 .

Yours Sincerely

وتفضلوا بقبول وافر التقدير والاحترام،،،

مرزوق ناصر الخرافي  
رئيس مجلس الإدارة

Marzouk Naser Al-Kharafi  
Chairman



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Email : heisco@heisco.com Commercial Reg. No : 20735

Issued and Paid-Up Capital : KD 18,024,151.700 Authorized Capital : KD 22,000,000

**نموذج الإفصاح المكمل**  
**Supplementary Disclosure Form**

<b>Date</b>	15 <sup>th</sup> Mar. 2023	15 مارس 2023	التاريخ
<b>Name of the listed company</b>	Heavy Engineering Industries & Shipbuilding Co. K.S.C. (Public)	شركة الصناعات الهندسية الثقيلة وبناء السفن (ش.م.ك) عامة	اسم الشركة المدرجة
<b>Disclosure title *</b>	Supplementary Disclosure of Analyst conference for the 4th quarter of the financial year 2022	إفصاح مكمل - محضر مؤتمر المحللين للربع الرابع من السنة 2022	عنوان الإفصاح*
<b>Date of Previous disclosure</b>	14/03/2023	2023/3/14	تاريخ الإفصاح السابق
<b>Developments that occurred to the disclosure</b>	Publish the Analyst conference transcript for the 4th quarter of the financial year 2022	نشر محضر مؤتمر المحللين للربع الرابع من السنة 2022	التطور الحاصل على الإفصاح
<b>The financial effect of the occurring developments (if any)</b>	Not Applicable	لا ينطبق	الأثر المالي للتطور الحاصل (إن وجد)

\* Supplementary disclosure from (name of the company) regarding (disclosure subject)

\* إفصاح مكمل من (اسم الشركة) بخصوص (موضوع الإفصاح)



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**Ali Afifi**

Good afternoon, ladies and gentlemen and welcome to HEISCO's 2022 earnings call. This is Ali Afifi, from EFG Hermes Research. With us on the call we have Mr Samir Hermez, Chief Executive Officer of HEISCO, Mr Joseph Mathew, Group Finance Manager, Mr Abdul Razzaq Al-Othman, General Manager of Group Affairs, Mr Waleed Attiya, Group Projects Control Manager, and Mr Ibrahim Safwat Abdelalim, Investor Affairs Unit Lead. So, without further ado, I'd like to hand over the call to management.

**Samir Hermez**

Good afternoon. Basically, I just want to introduce. It's the first time we have an investor conference and we'd like to introduce HEISCO. I'm not going to discuss any financials. Later the Group Financial Manager will present the financials for year '22. However, just introducing HEISCO. '22 was a very difficult year, especially in the construction industry. In Kuwait, we had a very hard year after the COVID clearance. '22 was almost a stagnant economy. However, HEISCO is determined to be the leader in our business domains. We are expecting the construction industry in '23 and onwards to recover and move forward.

The pipeline on the projects in '23-'24 are quite promising and we have also decided to expand our operations mainly to Saudi Arabia and Qatar. We have already a registered office and registered our HEISCO in the oil and gas sector. In Saudi Arabia we are almost embarking on a project, hopefully very soon, in the oil and gas industry. So, we have a good two years to come and basically the construction industry in Saudi and Qatar is quite huge. However, we are concentrating in Kuwait, where we expect things will improve and probably we have a good pipeline of projects, especially in the oil and gas and in the power industry. Thank you very much. This is our simple presentation and Mr Joseph will take over for the financial report on '22.

**Joseph Mathew**

Thank you, Mr Samir. Good afternoon, ladies and gentlemen. At the onset, thank you all for attending the first earnings call of HEISCO. Let me forward you an overview about the performance of the Group during '22 and status of its financial position. All figures mentioned are in Kuwaiti dinars unless otherwise stated. The Group declared a total revenue of 123.7 million, out of which HEISCO, the main company, contributed 112.6 million and our subsidiary company, Gulf Dredging, reported 11.1 million. The Group attained a net profit of 5.6 million, compared to 6.3 million in '21, a shortfall of KD 700,000. Reported an EBITDA of 11.63 million. I shall go into the rationale behind the shortfall in revenue, EBITDA and bottom line shortly. The total borrowings stood at 34.8 compared to 31.3 million in '21. Earnings per share was 31.22 fils compared to 35.37 last year. A cash dividend of 20 fils per share has been recommended by the Board, subject to AGM and statutory approvals.

Slide number eight. Moving on to slide number eight. As I mentioned in the previous slide, the total revenue decreased from 128.5 to 123.7. That's a shortfall of 0.9 million or 3.8%, in terms of percentage. The decrease in revenue compared to last year was mainly due to the decrease in the construction business line by 4.1 million and shipyard operations by 3.5 million. Most of the on-time projects for period have been completed or nearing completion and we are awaiting the commencement or award of new projects. However, we are quite comfortable going forward with an annual backlog of 317 million plus a sizeable amount of bids where HEISCO is still waiting for award.

As you may notice, we have a drop in the EBITDA from 11.6 against 15.1 last year, a drop of 3.5 million. Ever since COVID pandemic time our revenue has been significantly reduced due to delay in award of new projects and slow-paced execution of ongoing jobs, and as a result of which, our heavy equipment, machinery and galvanisation plant remained largely unutilised. Since depreciation was charged on a straight-line method, there was a mismatch between cost of depreciation and corresponding revenue. To rectify the same, management decided to adopt unit of production method from Jan '22 for these assets and hence there was a drop in cost of depreciation, which in turn resulted in lower EBITDA. The Group's net profit decreased by 11.7% from 6.3 in '21 compared to 5.6 million in '22, as I said a delta of 700k, largely due to the reduction in shipyard revenue and margin. In this regard, please note that the floating dock of shipyard is under refurbishment in ASRY, Bahrain, since June '22 and is supposed to be back in business in Q2 this year.

Now, moving on to slide number nine where we show the revenue by business line. Industrial, Oil & Gas has a reduction of 6.0 million. The reason was discussed earlier. Shipyard revenue, a drop of 24% is the missing business of the floating dock. At the same time Offshore business grabbed new projects during the year like Shuaiba oil pier, for ultimate client

KNPC through Samsung, for a value of 5.5 million, marine construction and repair of a naval base for Kuwait Navy of 7.5 million, and channel dredging of Kuwait Port for Kuwait Ports Authority for 3.8 million, just to state a few.

Moving on slide number ten which states the consolidated statement of financial position as well as cash flow in a nutshell. You see the Group current assets have gone up by 10.7 million, whereas the components of the trade receivables have gone up by 1.9 million and the contract retention has moved on from non-current to current assets to the tune of KD 8.0 million and cash in hand went up by 700,000. Current liabilities have gone up by 9.4 million, components are borrowing from bank to 6.2 million and trade payables at 2.6. Cash flow from the investing activities has now purchase of fixed assets. We have done a sizeable amount of purchase this year, totalling KD 11.6 million. On cash flows from financing activities, overdraft went up by 6.2 million, Wakala payable by 1.6, promissory notes by 1.3 million and due to the company 700,000.

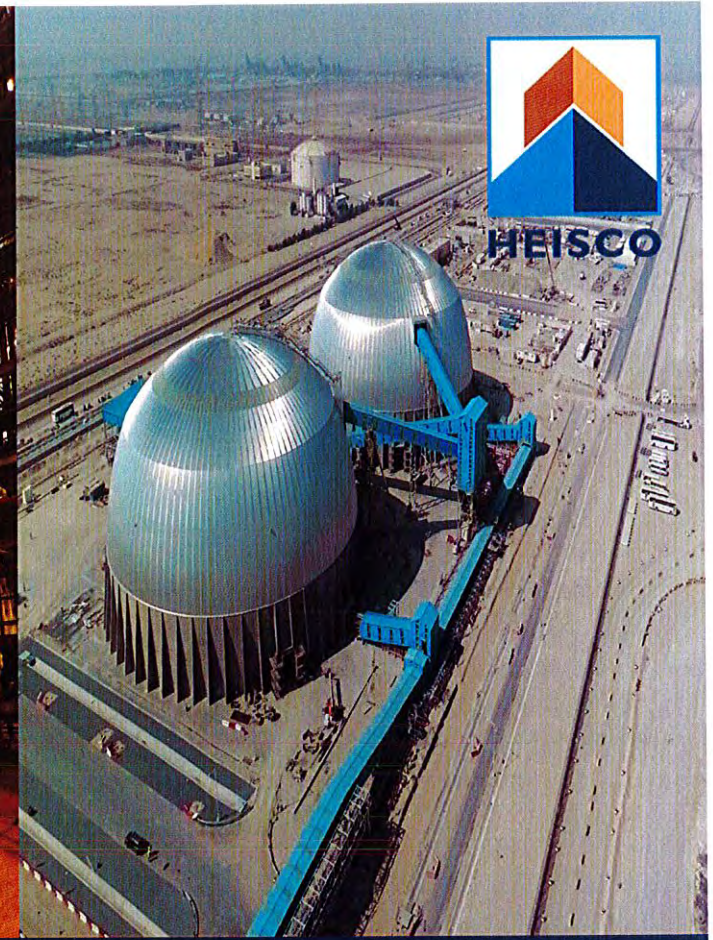
Coming to the ratio analysis, profitability ratios are all in line with the previous year, with minor negative drift except for EBITDA. The reason for the drop was explained earlier. Total debt-to-assets and debt-to-equity shows a positive trend, while interest coverage ratio is slightly slipping because of increase in finance costs and marginal decline in net profit. Liquidity ratios are at par with last year. Now, slides number 12, 13 and 14 are the Consolidated Statement of Financial Position and Income Statement both [unclear]. With that, I conclude the financial presentation and hand over the podium back to Mr Aziz Afifi, sorry Ali Afifi.

**Ali Afifi** Let's move to the Q&A session. If you have any questions, please use the Q&A box or use the Raise Hand function for me to unmute you. We'll give it a couple of minutes. We seem to have no further questions in the Q&A box or raised hands. In that case, I'd like to hand over the call to management for closing remarks.

**Samir Hermez** Since no questions from the attendees, I believe the financial report was covering all financial overview of the Group. Year '23, we look forward for year '23, for much better revenue and a much better profitable year. Thank you very much.

**Ali Afifi** Thank you very much for the good presentation. We will now disconnect.





# INVESTORS PRESENTATION FY '22



# PRESENTATION CONTENTS

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# DISCLAIMER

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Certain monetary amounts, percentages and other figures included on this presentation have been subject to rounding adjustments. Accordingly, figures as totals in certain tables or charts may not be the arithmetic aggregation of the figures that precede them, and figures expressed as percentages may not total 100 % or, as applicable, when aggregated, may not be the arithmetic aggregation of the percentage that precede them.



## HEISCO's Vision

HEISCO will become the customer's first preference Company for Shipbuilding, Ship Repair, Fabrication, Construction, Industrial Maintenance, Dredging and Offshore services inside Kuwait. HEISCO also aims to expand its business operations in the Middle East and North Africa.



## HEISCO's Mission

HEISCO aims to expand its business operations, focusing on countries such as Saudi Arabia, Qatar, Oman, Bahrain and Iraq. The company intends to identify potential business opportunities in these regions in the Oil & Gas, Refineries & Power sectors in Civil, Mechanical, Electrical & Instrumentation Construction and Fabrication Services



# ABOUT HEISCO

We are determined to provide complete service to our customers in the Shipbuilding, Ship Repair, Fabrication, Construction, Industrial Maintenance, Dredging and Offshore works. We are committed to achieve sustained growth rate by meeting the schedule and quality requirements of our customers. We will provide value added services at competitive prices by evolving efficient cost control measures and regular upgrading of our resources.

## **HEISCO's wide ranging fields of activities and capabilities are operated through:**

- Shipyard Operations
- Oil & Gas Construction Operations
- Industrial Maintenance Operations
- Fabrication Services Operations
- Trading Operations
- Testing & Calibration
- Quality Control & Testing
- Scaffolding Services
- Galvanizing Plant
- Onshore & Offshore Operations (through Gulf Dredging & General Contracting Co. K.S.C. (Closed) – a subsidiary company).
- Environmental Services & Industrial Inspections (through Kuwait International Company for Environmental Services and Industrial Inspection W.L.L. – a subsidiary Company)
- Technical Specialized Manpower Supply (through HEISCO for Technical Specialized Manpower Supply Co. W.L.L. – a subsidiary Company)

HEISCO has two branches in Iraq and Kingdom of Saudi Arabia to expand its services and take advantage of new markets in the country.





## HEISCO's Strategy

- Plans to expand its business in Saudi Arabia by involving a team of experienced local personnel while meeting stringent Saudization requirements since we have an active registered branch in KSA.
- Plans to strategically expand its business in Iraq in the potential market of the oil sector through subcontracting/partnering with reputed international contractors.
- Registering with Qatar Energy as a Project Preferred Manufacturer and plans to establish a branch or appoint a local agent to participate in direct bidding.
- Focuses on potential projects in Offshore and Marine Construction in the region and associating with suitable potential partners in the respective countries to strengthen our participation in tenders/bids.
- Aims to target potential markets in the Oil & Gas, Refineries & Power sector in Civil, Mechanical, Electrical & Instrumentation Construction and Fabrication services in Kuwait, Saudi Arabia, Qatar, Oman, Bahrain, and Iraq.
- Plans to work as a subcontractor to the main contractors such as JGC, TR, SAIPEM, HDEC, L&T, and SINOPEC to secure projects and increase revenue to achieve targets, especially in Saudi Arabia and Qatar.



# PERFORMANCE HIGHLIGHTS

KD' Million



123.70  
**Revenue**



5.62  
**Net Profit**



11.63  
**EBITDA**



176.59  
**Assets**



70.80  
**Equity**



34.76  
**Borrowings**



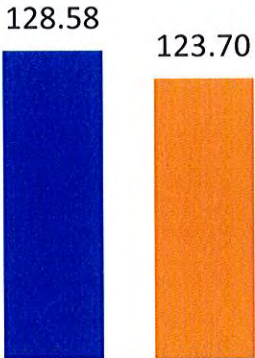
31.22 Fils  
**EPS**



20 Fils  
**Dividend**

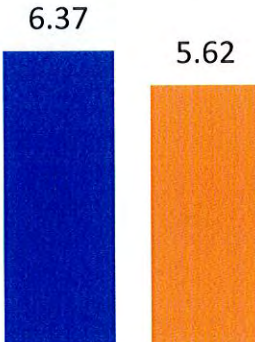
# FINANCIAL OVERVIEW- GROUP WISE

KD' Million



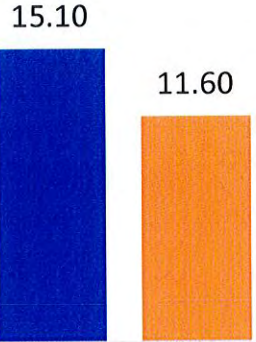
REVENUE

■ Dec-21 ■ Dec-22



NET PROFIT

■ Dec-21 ■ Dec-22



EBITDA

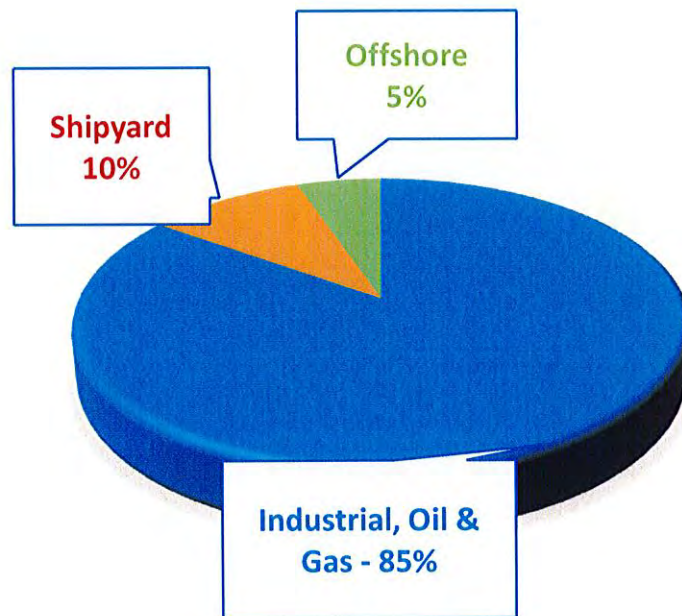
■ Dec-21 ■ Dec-22



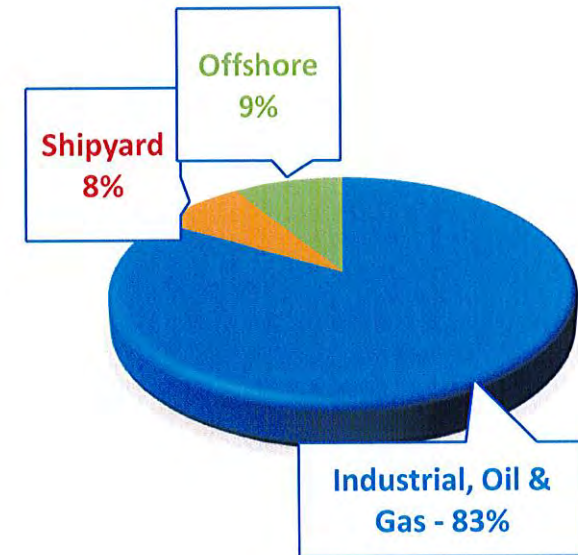
# BREAKDOWN OF REVENUE BY BUSINESS LINE

BUSINESS LINE	Dec-21	Dec-22	Dec-21	Dec-22	% Change
INDUSTRIAL,OIL & GAS	109,311,368	103,114,719	85%	83%	-6%
SHIPYARD	12,536,998	9,500,520	10%	8%	-24%
OFFSHORE	6,733,497	11,089,097	5%	9%	65%
TOTAL REVENUE	128,581,863	123,704,336	100%	100%	-4%

Dec - 21



Dec - 22



# FINANCIAL POSITION / CASH FLOW

## Consolidated Statement of Financial Position as at 31 Dec 2022

	Kuwaiti Dinars	
	2022	2021
NON CURRENT ASSETS	69,917,883	71,723,787
CURRENT ASSETS	106,673,655	95,940,226
<b>TOTAL ASSETS</b>	<b>176,591,538</b>	<b>167,664,013</b>
NON CURRENT LIABILITIES	23,638,069	26,105,921
CURRENT LIABILITIES	82,149,999	72,752,774
<b>TOTAL LIABILITIES</b>	<b>105,788,068</b>	<b>98,858,695</b>
EQUITY	70,803,470	68,805,318
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>176,591,538</b>	<b>167,664,013</b>

## Consolidated Statement of Cash Flow - Year ended 31 Dec 2022

	Kuwaiti Dinars	
	2022	2021
PROFIT FROM OPERATIONS	5,627,525	6,375,047
CHANGES IN WORKING CAPITAL	(7,284,359)	(9,381,615)
<b>NET CASH FLOW- OP ACTIVITIES</b>	<b>12,911,884</b>	<b>15,756,662</b>
NET CASH FLOW -INVESTING ACTIVITIES	(10,255,204)	(867,885)
NET CASH FLOW -FIN. ACTIVITIES	(1,805,018)	(14,397,658)
<b>NET INCREASE IN CASH &amp; CASH EQUIVALENT</b>	<b>851,662</b>	<b>491,119</b>
<b>CASH &amp; CASH EQUIV. AT PERIOD END</b>	<b>5,559,459</b>	<b>4,707,797</b>



# RATIO ANALYSIS

Ratios	Dec-21	Dec-22	Change
<b>Profitability</b>			
Gross Profit %	8.49%	7.81%	↓ -0.68%
EBIT %	4.96%	4.55%	↓ -0.41%
EBITDA %	11.79%	9.41%	↓ - 2.38%
Net Profit -%	4.96%	4.55%	↓ -0.41%
ROA	3.58%	3.27%	↓ -0.31%
ROE	9.27%	7.95%	↓ -1.32%
<b>Leverage</b>			
Total Debt % of Total Assets %	18.65%	19.69%	↑ 1.04%
Debt to Equity Ratio	1.44	1.49	↑ 0.05
Interest Coverage Ratio	7.85	6.21	↓ -1.64
<b>Liquidity</b>			
Current Ratio	1.32	1.30	↓ -0.02
Quick Ratio	1.18	1.17	↓ -0.01
Working Capital to Total Assets	13.83%	13.89%	↑ 0.06



## Common Size Analysis- Consolidated Statement Of Financial Position

ASSETS	2022	2021	2022	2021
<b>Non Current Assets</b>				
Right-of-use-assets	377,829	477,183	0.2%	0.3%
Property, plant and equipment	63,878,521	57,053,547	36.2%	34.0%
Investment securities	1,927,298	2,036,841	1.1%	1.2%
Trade and other receivables	3,734,235	12,156,216	2.1%	7.3%
<b>Total Non Current Assets</b>	<b>69,917,883</b>	<b>71,723,787</b>	<b>39.6%</b>	<b>42.8%</b>
<b>Current Assets</b>				
Inventories	10,792,914	10,306,198	6.1%	6.1%
Contract assets	49,763,539	49,953,338	28.2%	29.8%
Trade and other receivables	40,357,034	30,772,184	22.9%	18.4%
Cash and bank balances	5,760,168	4,908,506	3.3%	2.9%
<b>Total Current Assets</b>	<b>106,673,655</b>	<b>95,940,226</b>	<b>60.4%</b>	<b>57.2%</b>
<b>Total Assets</b>	<b>176,591,538</b>	<b>167,664,013</b>	<b>100.0%</b>	<b>100.0%</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Attributable to Parent Company's shareholders				
Share capital	18,024,152	18,024,152	10.2%	10.8%
Statutory reserve	10,946,089	10,946,089	6.2%	6.5%
General reserve	10,021,936	9,416,983	5.7%	5.6%
Investments revaluation reserve	780,505	890,048	0.4%	0.5%
Retained earnings	31,027,622	29,525,192	17.6%	17.6%
Non-controlling interests	3,166	2,854	0.002%	0.002%
<b>Total Equity</b>	<b>70,803,470</b>	<b>68,805,318</b>	<b>40.1%</b>	<b>41%</b>
<b>Non-Current Liabilities</b>				
Post employment benefits	18,203,489	16,064,614	10.3%	9.6%
Lease liabilities	269,753	311,191	0.2%	0.2%
Due to a company	716,484	2,002,158	0.4%	1.2%
Due to banks	2,014,163	4,779,222	1.1%	2.9%
Trade and other payables	2,434,180	2,948,736	1.4%	1.8%
<b>Total Non-Current Liabilities</b>	<b>23,638,069</b>	<b>26,105,921</b>	<b>13.4%</b>	<b>15.6%</b>



## Common Size Analysis- Consolidated Statement Financial Position

	2022	2021	2022	2021
<b>Current liabilities</b>				
Lease liabilities	97,959	117,959	0.1%	0.1%
Contract liabilities	207,040	215,163	0.1%	0.1%
Due to banks	32,754,468	26,491,408	18.5%	15.8%
Due to a company	1,398,214	723,407	0.8%	0.4%
Trade and other payables	47,692,318	45,204,837	27.0%	27.0%
<b>Total Current Liabilities</b>	<b>82,149,999</b>	<b>72,752,774</b>	<b>46.5%</b>	<b>43.4%</b>
<b>Total Liabilities</b>	<b>105,788,068</b>	<b>98,858,695</b>	<b>59.9%</b>	<b>59.0%</b>
<b>Total Equity and Liabilities</b>	<b>176,591,538</b>	<b>167,664,013</b>	<b>100.0%</b>	<b>100.0%</b>



## Common Size Analysis- Consolidated Statement of Income

	2022	2021	2022	2021
<b>Revenue</b>	123,704,336	128,581,863	100.0%	100.0%
Cost of revenue	-114,040,385	-117,659,597	-92.2%	-91.5%
<b>Gross Profit</b>	9,663,951	10,922,266	7.8%	8.5%
Other income	923,085	342,952	0.7%	0.3%
General and administrative expenses	-3,588,192	-3,074,246	-2.9%	-2.4%
Investment income	110,363	144,611	0.1%	0.1%
Expected credit loss on financial assets	-47,433	-455,028	-0.04%	-0.4%
Finance cost	-1,160,732	-989,450	-0.9%	-0.8%
Foreign exchange gain/(loss)	148,490	-114,615	0.1%	-0.1%
Profit before contribution to taxes and Board of Directors' remuneration	6,049,532	6,776,490	4.9%	5.3%
Board of Directors' remuneration	-85,000	-85,000		-0.1%
Contribution to Kuwait Foundation for Advancement of Sciences	-52,875	-65,240	-0.04%	-0.1%
National Labor Support tax	-202,951	-179,431	-0.2%	-0.1%
Zakat expense	-81,181	-71,772	-0.1%	-0.1%
<b>Net profit for the year</b>	<b>5,627,525</b>	<b>6,375,047</b>	<b>4.6%</b>	<b>5.0%</b>

<b>EPS</b>	<b>31.22</b>	<b>35.37</b>	<b>-4.15</b>	<b>-12%</b>
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# Thank You