

## Al Kathiri's Earnings Call Transcript FY2021

Call date	29-03-2022	
Hosts	Mr. Meshal Al Kathiri	CEO
	Mr. Basel Abdulsamee	CFO
	Mr. Nasser Alhudayan	Investor Relations Officer
	Mr. Abdulrahman Aldahri	SNB Capital

### Mr. Nasser Alhudayan

Hello Everyone, thank you for joining Al Kathiri's earnings call for the year 2021. I'm Nasser Alhudayan, Investor Relations Officer of Al Kathiri. Today we have Mr. Meshal Al Kathiri, Al Kathiri Holding CEO along with Mr. Basel Abdulsamee (Al Kathiri CFO) And for now, Mr. Meshal will shed some light on the company's performance. over to you Mr. Meshal.

### Mr. Meshal Alkathiri

Welcome and thank you everyone for attending the conference call.

### Mr. Nasser Alhudayan

at the start, I will give you a short presentation about the company and its activities and the highlights of 2021, and then our CFO will talk about the financial performance in a nutshell followed by a Q&A session

Al Kathiri is a holding company specialized in managing its subsidiaries and investing its funds to provide the support needed for these companies.

Al Kathiri owns Alian Ready-mix concrete Company by 99% (Alian is a Closed Joint-Stock) Company that works in supplying cement and concrete and recently developed its activity to include producing Emmedue building Panels.

Al Kathiri also owns Msandh Al-Emdad Limited Company by 100%, Msandh is involved in real estate development, contracting, logistical support, and providing IT solutions.

### Business Overview:

The year 2021 was a successful year for Al Kathiri due to several reasons, one of which is that the company was able

1-to increase its capital by granting free shares, so the capital after the increase became 113,022,000 (one hundred and thirteen million and twenty-two thousand) Saudi riyals.

2- Also during 2021, Al Kathiri announced the conversion of its subsidiary, Alian Industry Company, from a limited liability company into a closed joint-stock company in order to prepare it for listing on the parallel market (Nomu)

3- Alian also inaugurated its Modern building Plant in Sudhir industrial city. under the name of (Alian Plant for Modern Building Methods).

Thank you all for listening and for now, I will hand over the call to Mr. Basel Abdulsamee, Al Kathiri holding CFO, to talk about the financial performance.

Thank you, Nasser, and good day to everyone. Thank you for joining the call. I will give you a summary of the financial performance of Al Kathiri in 2021.

## Mr. Basel Abdulsamee

### Financial Performance:

Al Kathiri was able to improve its financial metrics for 2021 compared to 2020.

1-The company's capital has gone through several stages of development from 2016 to 2021, in 2016, the capital was (5 million) riyals only, and in 2021 the company's capital amounted to (113,022,000) million. Which indicates the success of the company's management and the speed of its development and growth.

2-The company's revenues for the year 2021 amounted to (128,777,194) riyals, which represent an increase of 23% compared to 2020.

3-The total assets of the company for the year 2021 amounted to (181,216,292) Million riyals, which represent an increase of 9% compared to 2020.

4-Comparing the debt-to-total assets ratio for 2021, we find that the debt-to-asset ratio was 26%, which indicates fewer risk factors, and that the largest percentage of financing was done by shareholders at 74%.

### Q&A Session

Person / Company	Question	Answer
<b>Saud Alduheyab (Al Rajhi Capital)</b>	Q1: What is the outlook of the cement demand, and how do you see the demand going forward?	A1: We hope that the demand will rise in the coming period due to the huge projects in Riyadh region, and the company, in turn, is ready for these projects by constructing concrete stations within the Riyadh region in the Al-Jawan suburb region. Where we have established 3 concrete stations in preparation for the upcoming requests.
<b>Abdulmalik Alothaim:</b>	Q1: I have a question regarding cement prices. In the fourth quarter, cement prices were low, so they did not benefit in terms of sales, so I want to know the reasons behind this issue.	A1: In fact, I think we benefited from this issue because in the fourth quarter we collected debts from clients. Where debts from customers decreased from 42 million to 17 million, and also we allocated a reserve for credit losses by an amount of eight and a half million, and we benefited from the collection amounts by constructing concrete plants in the north of Riyadh
	Q2: I would like to ask about the opening of your 3D Concrete plant, has it been inaugurated yet?	A2: The 3d Concrete plant was actually inaugurated in September 2021. We started selling some products from the plant like polystyrene and other different product until we have the license to start building and constructing houses and villas using the new technology. And we are planning to build a promotion villa so everyone would be to visit it and have a look at it. The new building technology will reduce costs and save time, but every new technology needs time and patience to succeed.
	Q3: What is the average price of cement? Especially with its low before and high now? And how much will the price of cement be approximately?	A3: As of today, the average price in the Riyadh region is 240 SR, last week it was 220.
	Q4: You were saying that the production rate of the 3D concrete plant in the first year would be 50%, so what happened?	A4: Actually, we said that the production rate would be 25%. But even 25% was an overestimate from our said. the production ratio now is 10% approximately, and we hope that next year it would be 20% and then the year after 30%.
<b>Indika Hemantha:</b>	Q1 and what about the prices of cement, hat it returned to the normal level?	A1: We believe that the prices of cement won't change in the near future and that it will be stable.
	Q2: What are your expectations of cement demand for the next 9 months for the big projects?	A2: As for the cement demand in Riyadh region, there are several projects that will start operating soon such as Al Diriyah project and other several projects, so we expect that the demand will be non-stop

	<p><b>Q3:</b> Have there been any substantial deliveries of cement to projects such as NEOM Red sea etc.? And who bears the additional transportation costs because the diesel price has been increased earlier? The company or the customer?</p>	<p><b>A3:</b> The company finished all the required processes to be qualified to deliver to these megaprojects. But other companies have been designated to do this job other than our company. In the meantime, we are focusing on the housing projects in the north Riyadh region. And we are more than ready to deliver to these megaprojects at any time. and as for diesel prices, we were not affected by the price increase because lately, we have been building patch plants inside the projects we work on so for now the effects will be limited and minor.</p>
	<p><b>Q4:</b> Are there any labor issues you are facing? And what about the Saudi building code?</p>	<p><b>A4:</b> Maybe in the next 4 months the labor issues will be resolved especially after removing Covid-19 restrictions. And with regard to the building code, engineering offices and consultants are starting to train on the code and it's now becoming easier to apply it on the ground.</p>
<p><b>Mohammad Alhadhrami</b></p>	<p><b>Q1:</b> How will the current rise in construction prices affect the market in general?</p>	<p><b>A1:</b> These price hikes in construction are not good at all. And we are absolutely against this. But somehow, these hikes motivated people to execute their projects. And in the next three months, the prices might decrease to normal.</p>
	<p><b>Q2:</b> Can you explain how the prices will still increase but at the same time the demand will be lower as well?</p>	<p><b>A2:</b> I think they might lower prices by 10% to 20% to motivate buyers.</p>
<p><b>Anas Aljarboua:</b></p>	<p><b>Q1:</b> The Ministry of Municipal, Rural Affairs, and Housing's involvement in the construction market are decreasing, and at the same time there are lots of Mega and Giga projects that are still in the construction phase, will that affect the construction market in any way?</p>	<p><b>A1:</b> The projects that the PIF and the private sector will carry out and cover the decrease that will arise from reducing the projects of the Ministry of Housing.</p>
	<p><b>Q2:</b> Will the upcoming projects' demand structure be any different from the traditional model?</p>	<p><b>A2:</b> There are government projects such as the Red Sea and Qiddiya that rely on simulating nature, so they are trying to reduce the huge construction process. So, the process will be different.</p>
	<p><b>Q3:</b> Are there any similarities between the prices of commodities around the world and in the Kingdom?</p>	<p><b>A3:</b> I believe there is an 80% similarity in prices between our market and the global market.</p>
<p><b>Jawaher Altassan- SNB Capital</b></p>	<p><b>Q1:</b> What is the reason behind cement price hikes, and what's your expectancy regarding the demand in the upcoming months? And will there be a price decrease in cement prices?</p>	<p><b>A1:</b> I believe this season will be a little different, as there will be no decline like in previous years because of the huge process of issuing permits to build homes and people's understanding of government legislation. Regarding the reasons for the rise in cement prices, I think that there is no convincing reason and this question is supposed to be answered by the cement companies. And as for the cement price drop, I do not think there will be a decrease in price in the future</p>
<p><b>Naif Aldossary:</b></p>	<p><b>Q1:</b> Regarding cement prices, we have more production capacity than we need What's your opinion regarding cement price hikes?</p>	<p><b>A1:</b> Local cement companies have huge production lines, so there will be no problem in meeting the needs, but the problem lies in transportation only, and I think that the cement companies came up with the idea and deliver the cement for a certain price because in the past the transportation process was easy, but now the general regulations and requirements have changed. Therefore, a certain price was set to protect them from losses</p>

**Mr. Nasser Alhudayan**

In the end, I would like to thank you for participating in Al Kathiri's full-year earnings call. If you need anything please do not hesitate to email us at [IR@Alkathiriholding.com](mailto:IR@Alkathiriholding.com)

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