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Speakers from GISS:	Mr. Mohammed Al-Sulaiti, Manager, Privatized Companies Affairs, Qatar Petroleum Sami Mathlouthi, Assistant Manager, Privatized Companies Affairs, Qatar Petroleum Mr. Riaz Khan, Investor Relations and Communications Lead, Qatar Petroleum
Moderator:	Bobby Sarkar, Head of Research – QNB Financial Services
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Operator:	Good day and welcome to the Gulf International Services Company (GISS) Q2 2021 Results Conference Call. Today's conference is being recorded. And at this time, I would like to turn the conference over to Bobby Sarkar. Please go ahead, sir.
Bobby Sarkar:	<p>Thanks, Simon. Hello, good afternoon, everyone. This is Bobby Sarkar, Head of Research, at QNB Financial Services. I wanted to welcome everyone to GISS, Gulf International Services Q2 2021 Results Conference Call. So on this call, as usual, from QP's Privatized Companies Affairs Group, we have Mohammed Al-Sulaiti, who is the Manager of Privatized Companies Affairs, Sami Mathlouthi, who is the Assistant Manager in Financial Operations, and Riaz Khan, who is the Head of IR and Communications.</p> <p>So, we'll conduct this conference with first management reviewing the company's results, followed by a brief Q&A. I would like to turn the call over now to Riaz. Riaz, please go ahead.</p>
Riaz Khan:	<p>Thank you Bobby. Good afternoon and thank you all for joining us. Hope you are all staying safe.</p> <p>Before we go into the business and performance updates of GIS, I would like to mention that this call is purely for the investors of GIS and no media representatives should be attending this call.</p> <p>Moreover, please note that this call is subject to GIS's disclaimer statements as detailed on slide no. 2 of the IR deck.</p> <p>Moving on to the call, on 5th of August, GIS released its results for the six-month period ended 30th of June 2021, and today in this call, we will go through these results and provide you an update on the key financial and operational highlights of GIS.</p> <p>Today on this call, along with me, I have:</p> <ol style="list-style-type: none"> 1- Mohammed Jaber Al-Sulaiti, Manager, Privatized Companies Affairs; and 2- Sami Mathlouthi, Asst. Manager, Financial Operations

	<p>We have structured our call as follows:</p> <ul style="list-style-type: none"> ▪ At first, I will provide you a quick insight on GIS's ownership structure, competitive advantages, overall governance & BOD structure by covering slides 5 till 8, and slides 29 & 30; ▪ Secondly, Sami will brief you on GIS's key operational & financial performance matrix. ▪ Later, I will provide you with insights on the segmental performance. ▪ And finally, we will open the floor for the Q&A session. <p>To start with, as detailed on slide no. 6 of the IR deck, the ownership structure of GIS comprises of Qatar Petroleum with 10% stake being the Parent shareholder, whereas GRSIA with approximately 22% stake is the largest shareholder.</p> <p>As detailed on slide no. 5, Qatar Petroleum provides most of the head office functions through a service-level agreement. The operations of GIS's subsidiaries are independently managed by their respective Board of Directors, along with the senior management team.</p> <p>The BOD structure is detailed on slide no. 7 of the IR Presentation.</p> <p>In terms of competitive advantages, as detailed on slide no. 8, all of the GIS's group companies are strategically placed having significant market share in their respective business sectors within Qatar.</p> <p>For eg. drilling business is the only Qatari on-shore drilling service provider with 100% market share and having more than 50% market share in the off-shore drilling business in Qatar. Similarly, the aviation business of GIS is a sole provider of helicopter services in Qatar's Oil & Gas service sector and being one of the largest operator in the MENA region. In terms of insurance business, it is one of the leading medical insurance providers in Qatar. This is supported by an experienced senior leadership having expertise in the relevant business segments.</p> <p>In terms of the Governance structure of GIS, you may refer to slides 29 & 30 of the IR deck, which covers various aspects of GIS's code of corporate governance in detail.</p> <p>I will now hand over to Sami.</p>
<p>Sami:</p>	<p>Thank you Riaz. Good afternoon and thank you all for joining us.</p> <p>During first half of 2021, oil and gas industry showed positive signs of recovery with constructive macroeconomic drivers, on the back of effective vaccination campaigns leading to ease of lockdown restrictions in major markets linking to heightened economic activity.</p> <p>However, the post-pandemic recovery within the Group remained uneven, with Aviation and Insurance segments reported improved set of results, while the macroeconomic tailwinds were not immediately felt within the drilling segment.</p> <p>In terms of Group's financial performance, as detailed on slide 12, the Group's total revenue for the first half of 2021 declined by 8% compared to same period last year, to reach QR 1.4 billion. Revenue growth from insurance segment was entirely offset by reduction in revenue from all the other segments.</p>

	<p>For the six-month period ended, the Group averaged an EBITDA of QR 245 million, with a decline of 32% versus same period last year. The Group reported a net loss for the first six months of 2021 of QR 0.8 million, as compared to a net profit of QR 54 million for the same period last year.</p> <p>When analyzing the profitability in more detail, as reflected on slide 14, the main contributor towards the decline in the bottom line profitability was the overall decline in revenues which contributed QR 127 million negatively towards the current period's bottom-line earnings versus same period last year.</p> <p>Direct costs at the Group level increased by 2% versus 1H-20, and contributed negatively by QR 21 million to the net earnings.</p> <p>On the other hand, finance cost contributed positively to the bottom line earnings and decreased by 34%, on the back of the declining interest rates. General and administrative expenses also declined by 10% on account of continued optimization drive.</p> <p>Moreover, the performance of Group's investment portfolio was positively impacted due to recovery in capital markets, and a recovery amounting to QR 44 million was noted on account of unrealized gains on revaluation of investment securities, when comparing current period's investment portfolio performance with the same period last year.</p> <p>Moving on to quarter-on-quarter analysis, revenue for Q2-21 represented a moderate increase of 3%, compared to Q1-21, mainly on account of growth in revenue from aviation and drilling segments, offset by decline in revenue from insurance. The overall growth in Q2-21 revenue was mainly attributed to improved flying hours with better MRO activities within the aviation segment and deployment of three new rigs within the fleet of Gulfdrill JV during Q2-21.</p> <p>Net profit for Q2-21 amounted to 4.8 million increased by 186% compared to Q1-21. The improvement was mainly due to constructive growth in bottom-line profitability across all the segments, on account of healthier topline by certain segments. However, higher interest rates contributed negatively towards the bottom-line.</p> <p>On overall basis, our base case strategy will continue to focus on market development focusing on building market share, reducing operating costs and continue to improve utilization of assets.</p> <p>I will now hand over to Riaz, to cover the segmental performance.</p>
<p>Riaz Khan:</p>	<p>Thank you Sami.</p> <p>Drilling I will start with Drilling segment, where you may refer to slides 16 till 18.</p> <p>The segment reported a revenue of QR 440 million for the six-month period ended 30 June 2021, down by 16% compared to the same period last year. The reduction in revenue was primarily driven by the ongoing rig suspension within the onshore fleet and lowered rig day-rates, effective since July 2020.</p>

	<p>The segment reported a net loss of QR 132 million, compared to a net loss of QR 44 million for the same period last year. This notable increase in net losses was primarily driven by the negative growth in revenue. However, this negative growth was partially offset by lowered finance cost.</p> <p>Aviation Moving on to Aviation segment, as detailed on slides 19 till 21. Here, the segment reported a total revenue of QR 338 million for the six-month period ended 30th June 2021, down by 1% compared to the same period last year.</p> <p>The negative growth in revenue was mainly on the back of lower revenue from international segment, which was partially offset by increase in MRO related revenue and improved flying hours.</p> <p>The segment net profit, reached QR 111 million, representing a growth of 18% compared to first half of 2020. Profitability improvement was mainly supported by realized savings in operating costs due to lowered repair and maintenance expenses. This was slightly offset by overall decline in topline for the segment.</p> <p>Insurance Moving on to insurance segment, as discussed on slides 22 till 24. Revenue within the segment for the six-month period ended 30th June 2021, increased by 2%, as compared to the same period last year, to reach QR 481 million. The growth in revenue was mainly due to higher premiums from the general insurance segment, partially offset by decline in premiums from medical line of business.</p> <p>Segment's net profit for 1H-21, increased by 161% compared to same period last year. The strong growth in bottom line profitability was mainly supported by significant improvement in premiums, coupled with strong performance of the investment portfolio on the back of recovery in capital markets.</p> <p>Catering Finally, moving on to the catering segment, as discussed on slides 25 till 27, the segment reported a revenue of QR 172 million, with a decline of 24% compared to 1H-20. This was mainly as a result of lowered number of meals served across majority of catering locations, due to COVID-19 restrictions. This was in addition to demobilization of some contracts within both the manpower and catering contracts during Q4-20, which hampered segment's topline growth trajectory for 2021.</p> <p>The segment reported a net loss of QR 9.4 million for six-month period ended 30 June 2021, compared to a net profit of QR 4.7 million for 1H-20, mainly due to lowered margins and declining revenues.</p> <p>Now, I think we can open the floor for the Q&A Session.</p>
<p>Operator:</p>	<p>Thank you very much to our speakers. Ladies and gentlemen, if you would like to ask a question over the phone at this time, please signal by pressing star one on your telephone keypad. If you are using a speakerphone, just please make sure your mute function is turned off to allow your signal to reach our equipment. So once again, that is star one to ask a question. And we'll pause for just a brief moment to allow everyone an opportunity to signal for questions.</p>

<p>Bobby Sarkar:</p>	<p>Thanks, Simon. This is Bobby again. While we are holding for questions, I have a few, couple of questions that I can get started with. Could you just refresh our memory with the names of the two initial rigs that were deployed in the NFE project? And then, the timetable on when exactly were each of these five rigs deployed? Then staying on NFE project, are you still comfortable with the QAR 2.39 billion of total value of the contract.</p> <p>Are these estimates still valid? And then third, just moving outside of the NFE project in drilling, could you let us know which offshore and onshore rigs are working in the H2? And what is the average rig rate and percentage increase for the offshore rigs in the new rigs that you talked about in the presentation that came effect in July? And how long will these rigs be effective for? Thank you so much.</p>
<p>Sami:</p>	<p>Yes, I will start with the first question, Bobby. So, in terms of the new JV rigs, we have Java Star, West Tucana and West Telesto. So, the Javastar started operations on 9th of May 2021. West Tucana started on 23rd of June 2021 and West Telesto on 31st of May 2021. So those are the three new rigs that have been deployed in 2021, together with the initial two rigs that has started operations back in 2020. So, Gulf Lovando was deployed on 24th of March 2020 and West Castor, which was the second one, had started operations from 14th of August 2020.</p> <p>Now, in terms of your second question relating to the assumptions of those JV rigs, most of the assumptions are still valid. We are still yet to reconfirm which are based on the late deployment of the three rigs, as they were supposed to start in the beginning of Q1 2021.</p> <p>But unfortunately, we lost few days in terms of deployment and will affect the whole assumptions in terms of revenue generation and in terms of Net Profit.</p>
<p>Bobby Sarkar:</p>	<p>Okay. And so the third question for the rig rates and the percentage increase and what rigs are being deployed, both offshore and onshore.</p>
<p>Sami:</p>	<p>Yes. For the rig rates, the percentage increase, we are looking at 15% to 20% increase in terms of offshore rig rates that's based on the new formula that is indexed to the oil price. On-shore rigs, we have three rigs that are supposed to start in Q3 2020. So, one of them was GDI-7, has already started on 6th of August. And two other rigs, so GDI-4 and GDI-5, they are ready and they will be deployed during this Q3, 2021.</p>
<p>Bobby Sarkar:</p>	<p>Okay. And offshore rigs, the new rate, the 15% - 20% increase, how long, what's the effective period of these? Are they effective for the next year? Or, how do they work?</p>
<p>Sami:</p>	<p>Yes. They are effective for the next year.</p>
<p>Bobby Sarkar:</p>	<p>Okay. So, until July of next year. Okay, great. Simon.</p>
<p>Bobby Sarkar:</p>	<p>Just to follow up, if let's say prices dropped below the \$40 level, is it possible for the rig rates to come down again? Or how does it work? Like, what's the delay period between spot oil and rig rates?</p>
<p>Mohammed Al-Sulaiti:</p>	<p>There's a floor and a cap. So, the floor is \$40. And that's the price that we concluded with our clients last year, 1st of July. So that's the floor price, and then the premium kicked in, on 1st of July 2021. So, if the oil is trading above \$40, then there's the premium that is calculated towards the rig rates. And again, similarly, as we've agreed the floor, the clients as well, agree this ceiling. So, the ceiling is \$74,000.</p>

Bobby Sarkar:	Okay, great. Thank you so much, Simon. Can we open up the call to outside questions, please? Thank you.
Operator:	Certainly. So just as a reminder, ladies and gentlemen, its star one to ask a question over the phone. And we'll now move to our first question over the phone, it comes from Nitin Garg from SICO. Please go ahead, your line is open.
Nitin Garg:	Yes. Hi, this is Nitin from SICO. Thank you for the call. So, I have two questions. First one is from your fleet. How many rigs are looking for work? How many are idle? I remember attending the call at the end of FY 20 results, I missed last quarter. So that time, three onshore rigs were looking for work. So, what's the status now? And coming to the rig rates, so last year, we remember when oil prices went below \$40, the rig rates were lowered. Now the rig rates have inched upwards from July. So, and you told the premium kicks in after \$40. So, let's say oil stays, above \$70 - \$75, so this ceiling will prevail, \$74,000 you said? Or this premium will increase, if oil sustained \$75? Thank you.
Mohammed Al-Sulaiti:	So, at the current oil prices, we're not yet at the ceiling price of \$74,000 per day per rig, for the offshore fleet. So, you're still within range of the maximum, so there's still a bit of more room. I did not calculate the formula to make sure to understand what is the ceiling oil price, but that's something that maybe we could get back to you later. As for the onshore rigs that are currently idle, I'll hand it on to Sami. Sammy, maybe you could answer that question please.
Sami:	Yes.
Mohammed Al-Sulaiti:	Just to answer the offshore fleet is all utilized. It's only on the onshore fleet. So maybe Sami, you could explain.
Sami:	Yes. In terms of onshore fleet, so we have three rigs which has been suspended. It was GDI-4, GDI-5 and GDI-7. So GDI-7 has been returned back to operations on 6th of August. GDI-4 and GDI-5, they are available for operations. And they're expected to return back during Q3, 2021. And then we have GDI-8. That's the only rig which is not utilized. And, yes, so based on that, and we have GDI-3, which has been fully impaired last year.
Nitin Garg:	So, two things are idle as of now, two onshore rigs?
Sami:	So, it's only one onshore rig which is idle, which is GDI-8. And GDI-5 and GDI-7, they are ready, and they will start very soon.
Nitin Garg:	So, GDI-7 has started from 6th August, right. GDI-5, you are expecting to start in Q3.
Sami:	GDI-4 and GDI-5 are expecting to return back very soon.
Nitin Garg:	Okay, so GDI-8 is idle?
Sami:	Yes.
Nitin Garg:	GDI-8, okay. Just one follow up on the rig rates. So, we still have not reached the ceiling, \$74,000. Can we ask, when oil went below \$40, how were the rig rates at that time, last year, last year, July?
Mohammed Al-Sulaiti:	Sami, what was the average offshore rig rates on the contract last year?
Sami:	Yes. Same as current rates, it's around \$60.
Nitin Garg:	\$60? \$60 last year? Okay. And now also it's \$60, from July 2021?
Sami:	Well, from July 2021, the rates have not changed yet.

Mohammed Al-Sulaiti:	It would depend on the end of the quarter, where the oil prices is calculated for the formulae. The end of every quarter, would they look at the oil price average during the quarter. And then you'd be completed on the formula under contract.
Nitin Garg:	Thank you, thank you very much.
Mohammed Al-Sulaiti:	But at this stage, we know we're in a premium, but we're calculating roughly 20%. It would depend on how the oil price behaves and the remainder of the course.
Nitin Garg:	So, the premium is above \$60,000. Right? So, \$60,000 is a base. So premium is, when you said 20% is on \$60,000. Am I correct?
Sami:	Yes. From the \$60,000, and then.
Riaz Khan:	Operator, do we have any further questions?
Operator:	No, sir. Just to confirm the queue is clear now.
Bobby Sarkar:	Hi. It's Bobby again. Can I just jump in with one extra question? Just a clarification. So, if the rigs are being, are, sorry, if the contract kicks in at the end of the or the rig rates click in at the end of the quarter, does that mean the period now in the Q3, you still have the old rates in effect or how does it work? Was it retroactive? Or maybe I'm just confused about this. Thank you so much.
Sami:	So, starting from 1st of July, we will have the new rig rates in effect. So, starting from 1st of July, so the new formula will be used, and this is based on the indexation formula. So, from July 2020 until the 30th of June 2022, no change to the rig rates.
Bobby Sarkar:	Okay, okay.
Operator:	Yes, indeed. It does appear now we have a follow up from Mr. Garg from SICO. Please go ahead. Your line is once again open.
Nitin Garg:	Yes, thank you. Is there any update on refinancing? That was also a critical thing. Last year, we knew that we were very close to refinancing, then pandemic happened, and it didn't work out. So, what's the update there now?
Sami:	So, now after the period, let's say the one-year period has passed, we're now relooking at the redeveloping the financial model and the business plan to understand what's the sustainable level amount of debt and to start negotiating with our lenders as well, the restructure. So that's currently still work in progress. So we're working with various stakeholders, including the lenders. So, our financial advisor is currently leading that exercise. So, hopefully towards the end of the year, we will have a bit of more clarity on the next steps and hopefully in the next earnings call, we may have better answers to give on that subject specific.
Nitin Garg:	Okay. Can I ask one more question please, if time permits? Yes. So, I have a very basic lay man question actually. So, what we know is the GulfdriII JV, will do the drilling, further future expansion, the North Field gas expansion. So, my question is, what does the existing fleet is doing? You have like onshore rigs, eight rigs and offshore rigs. So Qatar's overall oil and gas production has been stable. So, what does these rigs do? Do they are involved in drilling? Or are they involved in some workover stuff? So, just wanted to understand the basics here? What actually does the existing fleet do?

Sami:	<p>So, it's both, workover and Drilling. So, currently, if you look at the onshore, we still continue to maintain the market share. So there's no other player as we speak, that operates on onshore. So, we manage all the onshore activity of drilling when it comes to Qatar Petroleum Onshore Drilling, in the onshore fields. For offshore, there are other operators as well.</p> <p>So, there's several clients that we have, that carry and have drilling activity across the offshore, the state facilities of Qatar. So we currently maintain around 60% market share. So there's still another 40% of international drilling companies or operators that are working in Qatar. So the activities there, it's the NFE plus the current production ensuring continuity of the current capacities that are being produced.</p>
Nitin Garg:	<p>So, basically, this, the existing fleet is involved in the work just to maintain the current levels of production. Because, the production has been stable over last few years.</p>
Sami:	<p>Absolutely. It's maintaining the current production, but the NFE that's related to the expansion and the access capacity that's going to come in a few years.</p>
Nitin Garg:	<p>Okay. Just one more follow up if I may. So, the Gulfdrill JV, will it cite more premium, in terms of day rates, the rig rates, than your existing fleet? Or we should assume the same rates, rig rates, like your existing offshore fleet and the Gulfdrill JV?</p>
Sami:	<p>Well, for the remainder term of the contract, I would not expect any premium. It would depend on when those contracts become extended or the time comes to extend those contracts, i.e., two and a half to three-year contract period of durations. Only then would we be able to understand the market environment and what the prevailing drilling day rates, that GDI and the Gulfdrill could achieve.</p>
Nitin Garg:	<p>Okay. Thank you. Thank you very much. Very helpful.</p>
Operator:	<p>We'll now move on to our next question over the phone which comes from Zohaib Pervez from Al Rayan Investment. Please go ahead. Your line is open.</p>
Zohaib Pervez:	<p>Thank you, gentlemen, for the presentation. There's been so much discussion on rates. So, I just got a bit confused. The rates, the drilling rates have been changed for offshore from the 1st of July, correct?</p>
Sami:	<p>Yes.</p>
Zohaib Pervez:	<p>And they are higher by 15% to 20% compared to last year. Correct?</p>
Sami:	<p>Yes. Compared to the existing rates, that's correct. But different rigs, they have different rates. So, we are speaking about average number here. So the existing average day rate is around \$60, and we're expecting an increase by around 15% to 20%.</p>
Zohaib Pervez:	<p>Okay. And this will be effective from the 1st of July, which is the Q3 of this year.</p>
Sami:	<p>Exactly, yes.</p>
Zohaib Pervez:	<p>Okay. And I've got two other questions. One; how much was the decline last year, in percentage terms for the rig rates?</p>
Sami:	<p>It's almost 15% to 17%.</p>
Zohaib Pervez:	<p>Okay, 15% to 17%. Okay, my last question is on AMWAJ. So recently there was a news flow that there's a company which is owned by the Nissan in Kuwait. And they won the contract for the FIFA World Cup and the Arab World Cup that will be at the end of this year. So I was wondering, is this full and final? Will AMWAJ, your catering business not participate? Or this is just one bit of the tender? What is your take on it?</p>

Sami:	Well, while we can double check the exact information for you, we don't know exactly what AMWAJ has tendered for. So we know that we have won one of the contracts relating to the World Cup, which is relating to the transportation side. But for this specific tender, I can double check for you the information.
Zohaib Pervez:	Okay. All right. Thank you.
Sami:	Thank you.
Operator:	Just to confirm there are no further questions queued over the phone at this time.
Bobby Sarkar:	Okay, thank you, Simon. This is Bobby, again. So if there are no further questions, I would like to thank everyone. I would like to thank Mohammed, Sami, Riaz for taking the time to speak to us. And we can pick this up next quarter. Thank you so much.
Riaz Khan:	Thank you.
Sami:	Thank you.
Operator:	Thank you to our speakers. Ladies and gentlemen, this does conclude today's call. Thank you very much for your participation. You may now disconnect.