Company:	**Gulf International Services**
Conference Title:	**Gulf International Services (GISS) Q1-21 Results Conference Call**
Speakers from IQCD:	**Mr. 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**
Date:	**Thursday, 6 May 2021**
Conference Time:	**13:30 Doha Time**

Operator:	Good day and welcome to the Gulf International Services Company 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, sir.
Bobby Sarkar:	Thank you, operator. Hello, good morning. Good afternoon, everyone. This is Bobby Sarkar, head of research of QNB Financial Services. I wanted to welcome everyone to Gulf International Services First Quarter 2021 results conference call. So on this call from QPs Privatized Company, the first group we have, Sami Mathlouthi, who is an assistant manager in financial operations, and Riaz Khan who's the head of IR and Communications. So as usual, we will conduct conference with first management reviewing the company's results, followed by Q&A. Now, I would like to turn the call over to the Riaz. Riaz, please go ahead.
Riaz Khan:	Thank you Bobby. Good afternoon and thank you all for joining us. Hope you are all staying safe. DISCLAMER: 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 participating in this call. Moreover, please note that this call is subject to GIS's disclaimer statements as detailed on slide no. 2 of the IR deck. Moving on to the call, on 29th of April, GIS released its results for the three-month period ended 31st March 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. Today on this call, along with me, I have: 1- Sami Mathlouthi, Asst. Manager, Financial Operations We have structured our call as follows: ▪ At first, I will provide 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. 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. 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. The BOD structure is detailed on slide no. 7 of the IR Presentation. 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. 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. 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. I will now hand over to Sami.
Sami Mathlouthi:	Thank you Riaz. Good afternoon and thank you all for joining us. During Q1-21, oil and gas industry showed early signs of recovery, amid cautious global optimism arising from the vaccine rollout and ease of lockdown restrictions in major markets. However, the positive signs of economic recovery were not immediately felt within the Group's operating segments. In terms of Group's financial performance, as detailed on slide 12, the Group's total revenue for Q1-21 declined by 15% compared to same period last year, to reach QR 705 million. Revenue growth from insurance segment was entirely offset by reduction in revenue from all the other segments. For the three-month period ended, the Group averaged an EBITDA of QR 112 million, with a decline of 28% versus Q1-20. The Group reported a net loss for the Q1-21 of QR 5.5 million, as compared to a net profit of QR 8.7 million for Q1-20. 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 Q1-20.

	On the other hand, direct costs at the Group level declined by 1% versus Q1-20, and contributed positively by QR 7 million to the net earnings. Similarly, finance cost contributed positively to the bottom line earnings and decreased by 41%, on the back of the declining interest rates. General and administrative expenses also declined by 16% on account of continued optimization drive. Moreover, the performance of Group's investment portfolio was positively impacted due to recovery in capital markets, and a recovery amounting to QR 55 million was noted on account of unrealized gains on revaluation of investment securities, when comparing current period's investment portfolio performance with Q1-20. This has been reported on slide 14 as part of other income. 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. I will now hand over to Riaz, to cover the segmental performance.
Riaz:	Thank you Sami. Drilling I will start with Drilling segment and you may refer to slides 16 till 18. The segment reported a revenue of QR 198 million for the three-month period ended 31 March 2021, down by 32% compared to 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. The segment reported a net loss of QR 72 million, compared to a net loss of QR 0.4 million for Q1-20. This notable increase in net losses was primarily driven by the negative growth in revenue. However, this negative growth was partially offset by savings in general and administrative expenses and reduction in operating costs, as part of the ongoing cost optimization drive. In addition, the segment also benefited from lower interest rates. Aviation Moving on to Aviation segment, as detailed on slides 19 till 21, the segment reported a total revenue of QR 165 million for the three-month period ended 31 March 2021, down by 11% compared to Q1-20. The negative growth in revenue was mainly on the back of ongoing impact of COVID-19 restrictions, affecting the flight demand, both domestically and internationally, as the actual recovery in terms of flying hours has been slower than expected during the first quarter of 2021. The segment net profit, reached QR 50 million, representing a reduction of 15% compared to Q1-20. The reduction in net profits was primarily related to lower operating profits, due to a decline in segment revenue.

	Insurance Moving on to insurance segment, as discussed on slides 22 to 24, revenue within the segment for the three-month period ended 31 March 2021, increased by 11%, as compared to Q1-20, to reach QR 256 million. The growth in revenue was mainly due to higher premiums from the general insurance segment. The segment's net profit for Q1-21, increased by 134% compared to same period last year. The strong growth in bottom line profitability was mainly supported by significant improvement in premiums, in addition to strong recovery within the investment portfolio on the back of recovery in capital markets. Catering Finally, moving on to the catering segment, as discussed on slides 25 till 27, the segment reported a revenue of QR 86 million, with a decline of 31% compared to Q1-20. This was mainly as a result of lowered number of meals served across majority of catering locations, due to COVID-19 restrictions and lockdowns imposed, in addition to demobilization of some contracts within both the manpower and catering contracts during Q4-20. The segment reported a net loss of QR 0.5 million for three-month period ended 31 March 2021, compared to a net profit of QR 8 million for Q1-20, mainly due to lowered margins and declining revenues. Now we will open the floor for the Q&A Session.
Operator:	Thank you, if you would like to ask a question on today's call, please, press star one on your telephone keypad. That's star one to ask a question. We will pause for a moment to allow everyone to signal. Again that's star one.
Bobby Sarkar:	Hi, operator, that is Bobby Sakar again. Yes. Let me just jump in with the first question. Guys, just a little follow up with the costs. Can you tell me, given the significant progress that we have seen in cost reduction so far, what can we expect in terms of further progress, in terms of cost optimisation? And then also in the drilling segment, for the NFE project, when do you expect the remaining four rigs to be deployed? I think they were supposed to be in the first half of this year. So can you please give us an update on the progress there, please? Thank you.
Sami Mathlouthi:	Thank you Bobby. I will start with the second question, so regarding the NFE project. So as you know, so there are two rigs that has been deployed in last year in 2020. So that's Lovando and West Castor. And the plan there are other three rigs that should be deployed during the first half year of 2021. So there are some delays for that. So because the initial plan that you will see two of the rigs to start in Q1 2021 and the third one that will start in Q2 2021. So now the plan is the first two rigs will be deployed in the next two to three weeks. So they're out of the shipyard and they will be ready in two, three weeks. And then we have the fifth JV rig. It will be starting beginning of June 2021. So in general, we are as per the plan. So it's half year 2021, and hopefully by half year, we will have all the JV rigs deployed and we will see the outcome from those rigs in the JV. So that's the second question. In terms of cost reduction, I think it's seen in all the entities, in all the operating entities. We are trying to operate those companies as lean as possible. So we have seen this starting from last year – actually from previous years, but last year we have implemented another optimisation plan still ongoing with specially direct and G&A cost. And we have seen the results. So this year we have 7 million savings in Q1 2021 in direct cost and 7 billion in G&A as well. So this will be the strategy, we'll continue this approach across all the operating companies and hopefully we can drive this business as lean as possible.

Bobby Sarkar:	Thank you, Sami. Just a follow up, if I may. For the West Tucana rig, I think it was originally scheduled to be part of the NFE. Is it still part of the NFE, or if not, then what is it being deployed in? Thank you.
Sami Mathlouthi:	Yeah, so the five rigs are we have two Chinese and three rigs from the JV, and basically West Tucana is part of them. So in total, we have five rigs that would be operated by the JV.
Bobby Sarkar:	Ok, great. Thank you.
Sami Mathlouthi:	Thank you.
Operator:	We can now take our first question from Lee Beswick, from QNB. Please go ahead.
Lee Beswick:	Hi, thanks for the presentation. It's pretty clear to everyone that you made an acquisition back in 2014 that was substantially overvalued and then the market has given way and you've been paying for that ever since. And that's why you're basically a breakeven company. You need a huge write down on the assets. And you probably, well, I don't know, maybe you need a recapitalisation of the business as well and raising equity. Why not just get it out of the way and actually just restore your balance sheet and your P&L out to some sort of normality rather than just go through the process every year just breaking even and not earning any money?
Sami Mathlouthi:	Well, thank you so much. So if we look at the business in itself, and if you referring to GDI, so the business is generating a positive EBITDA and positive cash flows for the company. So there is an issue with the debt and with the acquisition. So basically, mainly relating to the actual rig rates which was lower compared to the date of the acquisition and which makes the debt. So we are we are in discussion with all the stakeholders together to find a way to restructure and to arrive to an optimal capital structure for the business where we can sustain the debt and at the same time will be able to generate positive net income GDI level and which could contribute as well to GIS. So there are ongoing discussions together with all the stakeholders, and we will update all the shareholders once we reach an agreement between all the parties.
Lee Beswick:	Okay. So, there is a discussion ongoing about whether you would just recapitalise GIFS and actually fix the capital structure? That's part of the discussion, is it?
Sami Mathlouthi:	There are various discussions. So if you remember, last year we were about to arrive to an agreement with was the lenders regarding the debt structure of GDI and GIS together. So that was – so we are about to arrive to an agreement, but due to the Covid and due to the change in the market condition and the economic condition in the market and the lower rig rates that we have seen, this have impacted the cash flow that will be generated in the future and the sustainability of the debt. So at that time, we stopped the discussions and now we are discussing again with all the stakeholders, including the banks, including GIS and including the major shareholders to find an optimum solution for the capital and for the debt.
Lee Beswick:	Okay, thank you. Sorry. Do you know when that's going to conclude, that discussion, is it imminent or you have any timeframe?
Sami Mathlouthi:	It's under it's under discussion, so we don't know yet. So we are trying our best to speed up this process. But we will let all the shareholder know when the discussion is completed and we are in agreement with all the parties.
Lee Beswick:	Okay. Thank you.
Operator:	We can now take our next question from [Inaudible] from [Inaudible]. Please go ahead.
Speaker:	Okay. So my question was with regard to the North Field gas expansion that is going to take place in some period. So the response which you have made, that is regards to north filed gas expansion only.
Sami Mathlouthi:	It's related to North Field expansion only. So the five rigs that will be deployed by the JV, it will be deployed only for the North Field expansion. So the initial plan was to have the contract – was two and a half years to three years, and then those could be extended for another period of the year.

Speaker:	Perfect, perfect. And just one last question on the insurance side. So there was a considerable increase in claims during Q1 21. So should this be a new normal for the coming period?
Sami Mathlouthi:	I think it's all relating to what is happening in the whole world relating to the vaccine and to the virus itself. So if you have seen in starting from Q2 2020 and to the Q4 2020, we have seen a huge decline in the net claims, which is mainly due to the non-ability of people to go out to travel and to seek for medical intervention. So in Q1 2021, so after the deployment of the vaccine, we have seen much more mobility of the people. So we have seen much more people are claiming. I think we will see. So if nothing will change in terms of flexibility of traveling, I think this will be the norm. So if there are new restrictions that will happen from especially European countries, so then we will see a reduction in the net claims.
Speaker:	Okay. That was clear. Thanks a lot.
Operator:	Thank you. And our next question comes from Nafez Al Abass, from AIG Capital.
Nafez:	Thank you, gentlemen, for the call. My question is regarding the insurance entity, is it part – can you give us some view on the potential impact from the draft law that is being passed in Qatar about having medical insurance mandatory for expatriates, would that benefit the entity? Or do – I mean, if you can just give us some view on it, please. Thank you.
Sami Mathlouthi:	So at the moment, as you know, we are – most of our activity, it's business-to-business relations. So Alkoot started as a captive insurance mainly for the needs of QP. So then it has moved to increase that QP – that captive sector to include additional companies. So then it moved to the medical insurance. So medical insurance is mainly – we are not dealing directly with private people, we are dealing mainly with companies. So at the moment, we don't see huge impact based on the new law. So unless we will study this option and then maybe will move to another sector, which is the individual healthcare insurance. But at the moment it will not be impacted in our business plan.
Nafez:	All right. Thank you very much.
Operator:	There are no further questions on the line at this time. I would now like to turn the call back to the host for any additional or closing remarks.
Bobby Sarkar:	Thank you, operator. This is Bobby again. So if there are no further questions, we can end the call for today. I want to thank Saamy and Riaz for taking the time to answer our questions, and we'll do it again next quarter. Thank you very much.
Sami Mathlouthi:	Thank you so much Bobby and to everyone.
Riaz Khan:	Thank you.
Operator:	Thank you. That concludes today's conference. Thank you for your participation. Ladies and gentlemen, you may now disconnect.