



AQARAT  
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# AQARAT'S

Investors Conference Call

Wednesday 16 August 2023

At 1:30pm (Kuwait Time)

# 2023

## SPEAKERS

### **Mr. Talal Jassem Al Bahar**

Vice Chairman & CEO

### **Mr. Maher S. Khalaf**

Vice President – Finance Department

### **Mr. Saad Al Muneefi**

Vice President – Asset Management

### **Mr. Awrad Al Enezi**

Manager - Investor Relations

**Mai Attia:** Welcome everyone to AQARAT's earnings call for the Second quarter 2023. Please allow me to introduce the speakers in Today's call:

Mr. Talal Al Bahar – Vice Chairman & CEO  
Mr. Maher Khalaf –VP - Finance  
Mr. Saad Al Muneefi – VP of Asset Management  
Ms. Awrad Al Enezi - Investor Relations Manager.

**Awrad Al-Enezi:** Welcome everyone to AQARAT's earnings call for the second quarter of 2023, where we will present and discuss the company's key developments and financial performance during the period. Before we start, I would like to draw your attention to the disclaimer slide available in today's presentation as this presentation may contain forward looking statements. These statements reflect the Company's expectations and are subject to certain risks and uncertainties that may cause actual results to differ materially. In this matter, I would like to refer you to the full disclaimer contained in slide #2.

We will begin with the key highlights that occurred during the first half of 2023, then follow with the financial performance overview followed by the business update then eventually open the floor for the Q&A session.

As you can see here in slide #6, the first half of 2023 was a positive period for the company, led by solid financial results achieved despite the continuing global economic challenges, from inflationary pressures and aggressive interest rate hikes. As for AQARAT, we were able to withstand the difficult market environment and deliver consistent operational income and growth compared to the same period last year.

It's also important to highlight that we have surpassed our pre-pandemic levels (2019) in terms of Rental Revenue and Net Profit for Q2 and 1H period. This serves as a validation of our commitment on executing our strategy to diversify and expand our income producing portfolio, in addition to capturing opportunistic investments yielding attractive returns in mature markets to mitigate risks.

We have 2 main drivers for these results, first is the operational performance of our Domus- properties (1+2), contributing to the growth in our topline. Second driver is the sale of residential units in Th8 Hotel-Dubai.

Now moving to the next slide, our financial performance for the quarter and YTD. Aqarat recorded KD7.4 million in rental revenue for Q2, an increase of 13% compared to Q2 2022. And our YTD rental revenue was KD14.8 million, an increase of 6% y-o-y.

The net rental income in Q2 2023 was KD5.4 million, an increase of 6% compared to the same period last year and NR margin stood at 73%. For our YTD results, net rental income is KD11.2 million, an increase of 3% y-o-y and NR margin stood at 76%.

Our EBITDA was KD5.8 million in Q2, an increase of 21% compared to the same period last year and EBITDA margin stood at 79%. YTD our EBITDA was KD13 million an increase of 57% over last year.

And finally, our net profit for Q2 was KD2.9 million compared to KD2.7 million achieved in Q2 2022. YTD net profit was KD7.6 million, an increase of 62% compared to the same period last year. As mentioned earlier, our net profit growth is mainly a result of the sale of investment properties, Th8 residential units, that translated to approximately KD3 million for Q2 and KD7.4 million YTD.

The Total Debt at the end of the 2<sup>nd</sup> quarter stood at KD 197.9 million whereas the Total Assets reached KD 368.4 million for the period and Equity reached KD 129.9 million. As for the Assets to Liabilities ratio, it stands at 1.57.

The ROA is 2.1% for the period compared to 1.3% in Q2 2022, and the ROE for the period is 5.9% compared to 3.7% for the same period in 2022.

So this is the financial snapshot of AQARAT's performance and we will now go over the business updates and projects under development.

The market in Kuwait maintained its stable and solid performance with high occupancy levels witnessed throughout our properties, generating stable rental income.

As for the projects under development locally, we have the hotel in Arabella and Al Reggae hotel, both are on track to be opened this year.

Referring back to our announcement we made earlier this month regarding our partnership with IHG, the hotel in Arabella will operate under the Vignette Collection, a distinctive luxury and lifestyle hotel brand that differs from conventional hotel and resort offerings. We're looking forward to launch the Vignette Collection Hotel in Kuwait this year and capture the attention and admiration of both local and international guests.

We also have the BOT for the staff housing project in Sabhan and it's at the design and permitting stage.

Moving to our Real estate portfolio in UAE

Dubai has witnessed an impressive surge in its real estate market this year, especially when considering our residential portfolio. Dubai also enjoys a strong market in the leasing and hospitality sector supported by the remarkable growth in tourism recorded in the first half of 2023, surpassing pre-pandemic visitation levels.

Our existing portfolio, Domus 1&2 the Staff Housing properties are fully leased and operational. We also have TH8, where the sale of residential units contributed to our

net profit growth. TH8 hotel will also be operating under the Vignette brand as part of our newly launched partnership agreement with IHG.

As for the projects under development Domus 3&4, construction is underway and is progressing as planned. We expect to have them completed by Q1 2024.

Regarding our existing portfolio and investments in the US. We'll cover 3 key properties in Miami and NY in addition to our Single-Family Rental (SFR) investments. Our investment in Beacon Ridge Capital Management (BRCM), a real estate investment management firm specialized in single-family rental (SFR) investments, has exposed us to the growing SFR market in the US. We also believe that Beacon Ridge is well positioned to capitalize on the growth in that sector.

Moving on to Yotel Miami, as mentioned last quarter, we're finishing the first year of operations and we are pleased with its progress and are targeting to reach stabilization by the end of the second year. The Hotel performed well with good occupancy rates and ADR despite the weakening market in Miami.

Yotel New York has improved its performance in terms of occupancy levels and ADR compared to the same period last year.

As for the projects under development in the US, we have 501 First Residences in Miami. Construction is underway and going as planned and we expect completion in Q4 2025

We are very pleased with the results achieved for the first half of 2023 and working towards maintaining the growth momentum for the remainder of the year. And we would like to take this opportunity to thank you all for attending this session and we will open the call for any questions you may have.

**Rajat Bagchi:** Can u please comment on the drivers of net rental income growth in Q2 and how should we think of net rental income growth for the rest of 2023 and 2024.

**Talal Al-Bahar:** In 2023 we believe that we will have steady income in the third and fourth quarter, similar to last year. Less from the selling of the units and more growth from an operating aspect. In 2024, we are going to have 4 properties that we haven't experienced the revenue of it yet, which is the Arabella Hotel, The Riggae complex both with the commercial and the residential/hotel. We also have Domus 3 and Domus 4, so we believe that we will have hopefully good growth and income return. And on selling assets that's more opportunistic and really depends on the market, we have one project planned to be sold in Dubai if the market is good but again it all depends on the market. But we have the growth on our rental income from properties that will be completed and their revenue should be reflected in 2024.

**Rajat Bagchi:** Can you please comment on how we should think about the exits in the second half of 2023 and 2024 which have been a major driver in NP growth in 1H of 2023.

**Talal Al-Bahar:** In 2023, we still have some of the units that were sold but not booked, therefore we will book them in Q3 and Q4. In 2024, we have one project that is planned but it all depends on the market from unit sales.

**Rajat Bagchi:** Can you please comment on how we should think about the overall leverage levels and if there is a plan to pay down debt from the exits we saw in the first half of 2023.

We are paying down debt from our exits in the Dubai units and we will keep paying them down as we're collecting from clients. So, we're hoping that the debt level will be lower going forward for 2023 and 2024. The debt level might go up in the event of a new project taking place however regarding our existing portfolio, we're actually reducing the debt, not increasing it.

**Abdulmohsen Al Hamad:** Can you please provide an update on the legal case and the consultation session that was held on 13-Aug-23.

**Talal Al-Bahar:** This is related to a subsidiary that Aqarat acquired in 2014, and the lawsuit was filed before the acquisition. Although the ruling was in our favor and we got awarded, the recovery of the financial compensation depends on what may be collected, primarily because the judgment was issued against individuals. In addition to the fact that this ruling is being appealed to the Court of Cassation and have not yet been adjudicated.

**Awrad Al-Enezi:** This is the last question we received and I would like to thank you all for attending the session.