



AQARAT  
عقارات

Investors Relations Conference Call

Wednesday 21 May 2025

At 1:30pm (Kuwait Time)

2025

## SPEAKERS

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

Vice Chairman & CEO

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

Vice President – Finance Department

### **Ms. Awrad Al Anezi**

Vice President – Investor Relations

## AQARAT – Q1 2025 Analysts/Investors Earnings Call Transcript

### **Moderator: Shaza Shaker, EFG Hermes**

Good afternoon, everyone. Thank you for joining AQARAT's Q1 2025 results call. We are pleased to have with us today Mr. Talal Al Bahar, Vice Chairman & CEO, Mr. Maher Khalaf, VP - Finance, and Ms. Awrad Al Enezi, VP -Investor Relations.

**Awrad Al Enezi** – Good afternoon everyone and thank you for joining us today. I'm pleased to walk you through AQARAT's financial and operational performance for the first quarter of 2025.

Before we begin, please note that today's presentation may include forward-looking statements. These reflect the Company's expectations and are subject to risks and uncertainties that could cause actual results to differ. Kindly refer to the full disclaimer in this presentation.

Let's begin with some key highlights:

### **Key Highlights**

The first quarter of this year marked a pivotal milestone in AQARAT's growth journey with the official launch of **Al Tay Hills** in Sharjah—our largest and most ambitious development to date. This project is a turning point in AQARAT's story, and once delivered, is expected to set a new baseline for profitability in the years to come. While our operating performance posted year-on-year growth, our net profit came in lower compared to Q1 2024. This is primarily due to the timing of project delivery. In Q1 2024, we recognized fair value gains linked to the reclassification of certain Dubai assets from "under development" to "trading properties", which boosted the bottom line in that period. In contrast, the delivery and revenue recognition for our current pipeline, including Al Tay Hills, will take place later in the year, particularly in Q3 and Q4. Despite this accounting timing difference, the full-year outlook remains unchanged, and we are confident in the company's trajectory and earnings visibility.

### **Financial Performance**

Let me now walk you through our financial results for the quarter.

Revenue recorded was KD 9.5 million for the quarter, up from KD 8.2 million in Q1 last year, representing a 15.3% increase. This growth reflects continued strength in our income-generating portfolio, particularly from our assets in Kuwait and the UAE. In addition to that, you will notice we added a new line item in our P&L this year - Revenue from contracts with customers – this is related to our gym business, Active, a fully owned subsidiary.

On a net basis, our gross profit stood at KD 6.7 million, posting a double-digit growth of 26.1% versus last year, reflecting healthy margins and operational efficiency.

At the EBITDA level, our earnings remained solid despite the absence of fair value revaluation gains that contributed significantly in the prior-year quarter. Our finance costs were reduced by 5.1% compared to last year and the impact on net profit was expected and temporary as I explained earlier, due to the timing of project delivery in the Q1 last year.

## Balance Sheet Position

Our total assets grew by 15.2% year-on-year to reach KD 479.4 million as of March 31, 2025, up from KD 416.3. This growth reflects continued capital deployment across ongoing developments and investments. At the same time, our total debt rose moderately by 6.2% to KD 229 million. As a result, our debt-to-asset ratio improved to 47.8%, down from 51.8% a year ago. This demonstrates that our asset base is expanding at a faster rate than our liabilities.

Total shareholders' equity increased to KD 200.9 million, a 17.2% increase compared to Q1 2024. Based on annualized net profit our Return on Assets (ROA) stood at 3.4 % and Return on Equity (ROE) came in at 8.8%.

## Business Updates

Starting in Kuwait, we continue to benefit from a stable operating environment. Our income-generating portfolio in the country maintained high occupancy levels across key residential, commercial, and hospitality assets.

Progress continues on the **Sabhan Labor Housing Project**, developed under a 20-year BOT contract. The project reached 50% completion and remains on track for delivery in the beginning of 2026.

We have also launched leasing activity for **41 retail units at the Riggae Commercial Complex**, enhancing the utility of our local assets.

In the UAE, we continued to make strong progress across both development and income-generating platforms.

Our largest project, **Al Tay Hills in Sharjah**, launched at the beginning of this year, has already achieved over 85% sell-through, including full sales of Phases 1 and 2. Phased handovers are scheduled to begin in Q1 2028, and enabling works and infrastructure procurement are currently underway.

Moving to our staff accommodation assets, Domus. Domus 1 to 4 continued to operate at full occupancy, reflecting consistent demand for such assets. **Domus 5** construction reached 50% with completion scheduled for Q4 2025.

To capitalize on this demand, we have committed AED 100 million as a strategic investor in the newly launched **AIM Residential Fund**. The fund is designed to rapidly scale a pipeline of purpose-built housing assets across the UAE.

Shifting to our US portfolio, our **501 First Residences project in Miami** reached 87% completion as of March 2025. Interior works and commissioning are progressing smoothly, and we remain on schedule for final delivery by the end of this year.

This concludes all our key updates for the first quarter of 2025. I'll now open the floor for your questions, please submit them via the chat function, and we will address as many as possible.

**Shaza Shaker** – Yes, we have a question. How is the progress with the massive project in Sharjah?

**Talal Al Bahar** – Well, the progress is good. We almost finished the land leveling and we've awarded the infrastructure last week, the infrastructure contract, and we're progressing well on plan.

**Shaza Shaker** – What kind of earnings can be expected in 2025, 2026 and 2027?"

**Talal Al Bahar** – Well, the earnings from the Al Tay Hills project, we're expecting between KD 85 million to KD 90 million profitability as publicly announced. I think quarter three and quarter four, we can recognize some of the profit, but very little. We expect the bulk will come '26, '27 and the first half of '28 in line with handover timelines and percentage-of-completion revenue recognition.

**Shaza Shaker** – So, he's saying that he was wondering about the group earnings expectations.

**Talal Al Bahar** – Well as per CMA requirement, I cannot give a forward-looking earnings projections, but our aim is to see continued growth and positive progress compared to last year. But due to the CMA rules, we cannot give forecast numbers. But I gave you, which we've announced, the profitability of the project, and we've announced that we've sold almost 85% of the project, so you should be able to make reasonable assumptions regarding the financial impact.

**Shaza Shaker** – You have another question. How does the pipeline of new projects look like?

**Talal Al Bahar** – The pipeline is interesting. We have two or three projects right now that are under review, and our aim is with the capital increase that we've announced to launch a project by end of the year or Q1 '26.

**Shaza Shaker** – Thank you so much for the questions.

**Awrad Al Enezi** – Thank you for your time today. We look forward to sharing continued progress in the coming quarters.