



AQARAT  
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# AQARAT'S

Investors Conference Call

Thursday 04 April 2024  
At 1:00pm (Kuwait Time)

# 2024

## SPEAKERS

**Mr. Talal Jassem Al Bahar**

Vice Chairman & CEO

**Mr. Maher S. Khalaf**

Vice President – Finance Department

**Mr. Awwad Al Enezi**

Manager - Investor Relations

**Mai Attia:**

Good afternoon, everyone. This is Mai Attia from EFG Hermes. We're very happy to be hosting AQARAT Fourth quarter 2023 results call today. Please allow me to introduce the speakers in Today's call:

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

**Awrad Al-Enezi:**

Welcome everyone to AQARAT's earnings call for the fourth quarter and full year of 2023, where we will present and discuss the company's key developments and financial performance during the year. 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 presented in slide #2.

We are delighted with the financial results achieved in 2023, it was filled with key milestones and accomplishments quarter over quarter. From a financial standpoint, this is the third year in a row we achieved double digit growth in our net profit. We have also witnessed our market cap grow 90% from Jan'23 to Dec'23, and it has more than doubled as of today standing around \$700 million. In light of these positive results, the Board has recommended to distribute 4% cash dividends and 6% bonus shares, subject to AGM approval. We're very proud of the company's performance over the last few years as it's a testament to the successful application of our growth and diversification strategy towards our investments and real estate products, which enhanced our profitability and created greater value for our shareholders.

I will quickly go over the key highlights and main events that occurred during the year, then provide an overview of our financial results and business updates. After that we will open the floor for the Q&A session, so please type in your questions in the chat box section on your screen.

Starting with slide #6.

As part of our diversification strategy, we entered into the health and fitness market in Kuwait through our subsidiary Active Holding which opened its gyms under the “NOW” brand and signed a franchise agreement with Xponential Fitness to launch 4 specialized studios (Rumble, Cyclebar, Club Pilates and Stretch Lab) in Kuwait and Qatar. We will leverage the company's success to build a platform from which Active will expand in the region.

Franchise agreements were also signed with InterContinental Hotels Group (IHG), to open two new hotels operating under the Vignette Collection brand, marking the first launch and presence of this brand in Kuwait and the region. The agreement includes both Th8 Hotel in Dubai and the Arabella Beach Hotel in Kuwait.

As for our real estate development strategy, we have made significant progress in setting a new standard for developing integrated corporate housing solutions for staff and hospitality employees, and expanding this product in key markets in the region. We will apply the same concept to the labor accommodation project in Sabhan, which is a contract with the Ministry of Finance under a BOT agreement covering an area of 14,120 square meters, for a 20-year period. The Riggae Tower Hotel, consisting of 140 keys, was opened in 2023 and outperformed budgets, achieving high occupancy rates and we're currently developing the commercial part adjacent to the hotel.

In terms of forming strategic partnerships, during 2023 we announced the signing of an MOU with Sanam Real Estate Company to launch Sharia-compliant real estate products, allowing for periodic distribution of profits to shareholders. We have also entered a JV with investors to acquire strategic real estate investments in the American and European markets.

This covers our main highlights and now moving to the financial results slides.

For our QTD 2023 results, Aqarat recorded KD 7.4 million in rental income which is almost the same level as last year with KD 7.5 million. However, our net rental income grew 24.7%, from KD 4.4 million to KD 5.5 million as a result of our cost optimization efforts. Gross profit margin was significantly higher in Q4'23 compared to last year standing at 74% vs. 59%. Net profit was KD 1.4 million compared to KD 1.6 million.

Next slide shows our full year results for 2023 where we recorded KD 28.7 million in rental income, a 3.7% growth compared to last year. The main driver for the rental income growth is our Domus project and we will cover the updates related to it later on the presentation.

The net rental income was KD 21.6 million, an increase of 8% and gross profit margin stood at 75% compared to 73% last year. Net profit was KD 11.3 million compared to KD 7.3 million, a growth of 55%. The main driver for the NP growth is the sale of Th8 units in 2023 reflecting the surge in demand for such real estate products in the Dubai market.

Now moving to the next slide, our balance sheet items.

The Total Debt at the end of 2023 stood at KD 202.6 million whereas our total asset base grew 9.1% from last year reaching KD 393.4 million for the period. Our equity reached KD 146.1 million, an increase of 14.4% over last year.

The ROA is 2.9% for the period compared to 2% last year, and the ROE for the period is 7.7% compared to 5.7% 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 Kuwait market demonstrated another quarter of healthy and steady performance, with our properties maintaining high occupancy rates and generating stable rental income.

As for the projects under development locally, we have Arabella Hotel that will open very soon. As I mentioned earlier, we are also working on the commercial aspect of the Riggae Tower Hotel and this is expected to be completed by Q2 2024.

We also have the BOT for the staff housing project in Sabhan and construction has started and expect completion in Q1 2025

Moving to our Real estate portfolio in UAE

Dubai real estate market had a favorable impact in 2023 on our existing portfolio. Domus 1&2 are fully leased, driving further growth in our rental income. Domus 3 was completed at the end of 2023 and has already achieved full occupancy, demonstrating the strong demand for Domus's offerings. Meanwhile, Domus 4 is on track for completion by the end of April 2024 and we will start with construction with Domus 5. Finally, we have TH8, where the sale of residential units in 2023 was the main driver for the growth witnessed in our net profit. Note that only half of the units were released and sold, we still have the remaining units in our portfolio.

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 which has exposed us to the single-family rental (SFR) market in the US, showcased yet another quarter of solid performance with the funds NAV continued its upward trajectory in 2023. We hold a positive outlook on this investment's future prospects. Moving on to Yotel Miami, we marked the first year of operations back in June and it demonstrated impressive progress towards stabilization, navigating the challenges that often accompany a new hotel launch. The property witnessed a consistent rise in occupancy rates in 2023. We are targeting to reach stabilization by the end of the second year. Yotel New York has significantly improved its performance in terms of occupancy rates and ADRs compared to last year.

As for the projects under development in the US, we have 501 First Residences in Miami. Construction commenced in April 2023 and as of December 2023, the concrete

structure has reached the 9th floor, so we're happy with the progress so far and expect completion in Q4 2025

That wraps up our quarterly updates, and to reiterate our message, we are proud of the results and achievements witnessed in 2023 and look forward to sustain this positive momentum in 2024.

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.

With this, I would like to conclude the call.

Thank you all for attending.