



Kuwait Real Estate Company

Investors Relations Conference Call Q3

Monday 11 November 2024

At 1:30pm (Kuwait Time)

2024

Speakers

Mr.Talal Jassem Al Bahar

Vice Chairman & CEO

Mr.Maher S. Khalaf

Vice President- Finance Department

Ms. Awrad Al Enezi

Manager – Investor Relations

AQARAT Transcript of the Analysts/Investors Conference

Third Quarter 2024

Shaza Shaker Good afternoon everyone. This is Shaza Shaker from EFG Hermes. We're very happy to be hosting AQARAT's Third Quarter of 2024 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 Good Afternoon and welcome everyone to AQARAT's Third Quarter and Nine Months earnings call. As done previously in our calls, we shall cover the presentation initially then open the floor for the Q&A. 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. Please refer you to the full disclaimer presented in slide #2.

With that, let's kick off today's presentation with the company's key developments and financial performance as highlighted on slide #4.

We are delighted to report our strong financial results for Q3 and nine months of 2024, continuing the positive momentum Aqarat has built in recent years. The company has made significant progress towards completing its projects locally and internationally while growing our asset base year over year. Today our assets equate to \$1.5 billion and we expect that to grow further over the next few years especially the size of projects we're undertaking. For example, our largest ongoing project is Tilal Al Tayy, our residential project in Sharjah, we are currently in the design and infrastructure development phase and we will start marketing the project units in the coming two months.

Moving to our financials for 9M of 2024 our rental income grew from KD 21.2 million to KD 24.3 million, 14.5% growth mainly from the inclusion of Domus 3 and 4. Our net rental income grew by 9.7%. Although interest rates have not decreased as widely anticipated, and our financing costs have risen by 25% compared to last year, we still achieved 11.3% growth in net profit for YTD, reaching KD 11 million, up from KD 9.9 million in the same period last year. The key factor in the NP growth is the is related to the reclassification of Tilal Al Tayy land located in Sharjah, from investment properties to trading properties.

Now covering our QTD numbers, we also posted double digit growth in Rental Revenue, an increase of 29.9%. Our Net revenue grew at a higher rate of 36.7% compared to the same period last year. Finally, we have our NP for the quarter, KD 1.1 million, which is lower than last year and that is mainly as a result of the increased finance cost for the period.

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

The Total Debt at the end of Q3 2024 stood at KD 223 million vs KD 199 million last year, an increase of 12% whereas our assets for the period grew at a higher rate, 14%. Our debt-to-assets ratio stands at 0.5, which is typical for our industry, given the scale of the projects we've undertaken in recent years. We are confident in our current debt levels, especially when we compare the growth of our assets to the increase in debt. It's evident that our assets are expanding at a faster rate than our debt. In fact comparing our asset base from 2020 to today, we have added more than KD 100 million over the past 4 years underscoring our strong financial position and continued growth trajectory. Notably, our total equity grew by an impressive 23% during the period.

This slide 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 strong and consistent quarter, with our properties maintaining high occupancy levels, generating steady rental income.

As for business updates here, the performance of both Arabella Beach Hotel and Al-Riggae Tower in Kuwait aligned well with market conditions in the country's hospitality sector. We also completed the commercial part of Al-Riggae complex and leasing has already started, with the opening scheduled in the near future.

Sabhan Labor Housing Project, construction is underway and progressing according to schedule, with completion expected by the end of 2025.

Moving to our Real estate portfolio in UAE

Domus 1 to 4 are fully operational, driving further growth in our rental income. Approval has been granted to begin construction on Domus 5, with the ground floor already completed. The project is expected to be finished by December 2025.

I have touched base earlier on our largest ongoing project in Sharjah, Tilal Al Tayy. We are now in the final stages of the submission process and have received most of the necessary permits from the relevant authorities. In parallel, we are finalizing contractor pricing and expect to begin the sales phase shortly.

Now, a quick update for our portfolio in the US and mainly the projects under development.

We have 501 First Residences in Miami. Construction commenced in April last year and as of Sep 2024, it is 72% complete, so we're happy with the progress so far and expect completion end of next year.

That concludes our quarterly updates. We are proud of the results and progress we've made thus far, and we remain focused on sustaining this positive momentum throughout the rest of the year. Thank you for your attention, and with that, I'd like to open the floor for any questions.

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- Moderator** Thanks for the presentation. If you have a question, you can type it in the chat box, or you can use the raise hand function to speak.
- Okay, we have a question in the chat box from Ahmad Alaini. “Can you please comment on the Kuwaiti market, any indications of housing reform to incentivize private developers and resolve the housing shortages?”
- Awrad-AlEnezi** Sorry, we're not seeing the question appearing in our Q&A chat box. Just give us a moment while we refresh it.
- Moderator** Ahmed, can you please send the question to everyone? Do you now see the question?
- Awrad Al-Enezi** Okay, I can see the question, “Can you please comment on the Kuwaiti markets? Any indications of housing reform to incentivize private developers and resolve the housing shortages?”
- Discussions are ongoing about increasing private sector involvement in that domain but as we know, policy adjustments are needed to tackle this issue and nothing has been set in stone yet. But I believe things are actually moving forward when it comes to the political climate in Kuwait and look forward to participate in addressing the housing challenges when the opportunity arises.
- Moderator** Thank you very much. We have no questions at the moment. Would you like to have any concluding remarks?
- Awrad Al-Enezi** Thank you all for attending our Q3 Earnings Call.