



AQARAT
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Kuwait Real Estate Company

Investors Relations Conference Call Q1

Wednesday 22 May 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

First Quarter 2024

Mai Attia Good afternoon everyone. This is Mai Attia from EFG Hermes. We're very happy to be hosting AQARAT's First 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 Welcome everyone to AQARAT's earnings call for the first quarter of 2024, Today, we will present and discuss briefly 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. Please refer you to the full disclaimer presented in slide #2.

We are happy with the solid set of results achieved in Q1 2024, marking another period of profitability and building on the positive momentum from previous years. Since embarking on our accelerated growth journey post-COVID, we have focused on expanding and diversifying our real estate portfolio despite a challenging macroeconomic environment fueled by aggressive interest rate hikes. Currently interest rates are stabilized, while there are expectations of rate reductions as the year progresses. We're looking forward for these reductions to materialize in the future.

Starting with slide #6, our highlights. Revenue went up 11.9% in Q1 2024 vs last year, mainly due to the inclusion of our Domus 3 property in Q1'24, that was completed by the end of last year. Our net profit increased 7.5% y-o-y resulting from an increase in our operating activities and change in FV of some of our assets in Dubai from that moved from "under development" to "completed" during the period. Highlights, from an operational standpoint, we saw our Riggae Hotel, that was recently opened to the public, beating our expectation in terms of occupancy rates. Active Holding Company, a subsidiary of AQARAT that operates in the health and wellness industry, opened its largest gym facility in Riggae with 4 specialized studios.

Moving to our financials for Q1, as mentioned earlier, our rental income grew from KD 7.4 million to KD 8.2 million. Our net rental income declined slightly from KD 5.8 million to KD 5.2 million. Despite the fact that our finance costs increased 27%, we were able to record a net profit growth of 7.5%, standing at KD 5 million compared to KD 4.7 million in Q1 last year.

In a nutshell, the main driver for the rental income growth is our Domus 3 project and for our NP growth, the completion of some projects that were under development in Dubai.

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

The Total Debt at the end of Q1 2024 stood at KD 215.7 million vs KD 189.3 million last year. We are comfortable with the level of debt we currently have considering the industry we operate in and the size of real estate activities AQARAT has undertaken over the past several years.

Our total asset base grew by 13.2% from last year reaching KD 416.3 million for the period. Our equity reached KD 157.1 million, an increase of 20.5% over last year.

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 showcased another quarter of robust and consistent performance, with our properties maintaining high occupancy rates and delivering stable rental income.

As for business updates here, we have officially opened Arabella Beach Hotel (Q2 2024) and 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 on our existing portfolio. Domus 1,2 and 3 are fully leased and operational, driving further growth in our rental income. Domus 4 was completed this quarter while construction works for Domus 5 is progressing as planned.

Regarding our existing portfolio and investments in the US, Yotel Miami has shown impressive progress towards stabilization. The property experienced a steady increase in occupancy rates throughout 2023, and we aim to achieve full stabilization by June this year.

Yotel New York continued showing positive improvements in 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 last year. As of March 2024, the concrete structure has reached the 15th floor, so we're happy with the progress so far and expect completion in Q4 2025

That concludes our quarterly updates. We are proud of the results and achievements seen so far and look forward to maintaining this positive momentum for the remainder of the year.

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.

Awrad Al-Enezi We got a question from asking about how many Domus buildings are currently operating in Dubai as of today's date? Currently, our Domus Staff Housing Project consists of five buildings. The ones that are fully operational are our one to three. We recently completed Domus 4, so that's going to be contributing to our rental income this year hopefully. And Domus 5 is going to be completed around Q4 2025.

We have another question from Faisal Hussein. What is the expected revenue from these projects? I'm assuming he's referring to the Domus Projects. It is around KD 5 million for the five Domus buildings, that is the expected net rental income.

We've got another question. Why there was an increase in real estate operating costs? Is there any part of that increase non-recurring?

Talal Jassim Al-Bahar KD 900,000.

Awrad Al-Enezi So 900,000 out of the total real estate operating cost is non-recurring. We've got another question talking about real estate operating cost increasing, and I just answered that. There is a non-recurring operating cost, which is the KD900,000.

We've got another question asking about the Arabella Hotel that just opened, and you have mentioned that its results beat expectation, can you clarify further about the occupancy and how much revenue already came from this hotel in Q1?

Talal Jassim Al-Bahar He meant Riggae.

Awrad Al-Enezi That was Riggae Hotel and not Arabella Beach Hotel in Q1. Arabella Beach Hotel opened in Q2 this year, so technically so the numbers for that are still not recorded

Another question is related to the expected gain from sale investment properties in 2024.

Talal Jassim Al-Bahar We haven't budgeted for that.

Awrad Al-Enezi Question about the expected revenue from Arabella Hotel?

Talal Jassim Al-Bahar Full year, about KD one million in net revenue.

Awrad Al-Enezi We got another question. What is the main driver for debt increase?

The main reason for that was to finance the development projects we have.

Another question about Sabhan Projects. As a BOT, when is it going to be completed, and expected revenue.

Talal Jassim Al-Bahar 12 months from today is the expected completion date. Expected revenue is around KD 1 million.

Awrad Al-Enezi I think we have answered all the questions. With this, I would like to conclude the call. Thank you all for attending.