AQARAT
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Investors Conference Call

Kuwait Real Estate Co.

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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

Shaza (Operator)

Good afternoon, everyone. This is Shaza from EFG Hermes. Welcome to AQARAT's 1Q '26 Earnings Call. Thank you all for joining us today. For today's call, we have Mr. Talal Jassim Al-Bahar, Vice Chairman and CEO; Mr. Maher Khalaf, Vice President of Finance; and Ms. Awrad Alenezi, Vice President for Investor Relations. I will hand it over now to Ms. Awrad for the presentation.

Awrad Al Enzi (VP -Investor Relations)

Thank you, Shaza.

Thank you, Shaza. Good afternoon everyone, and welcome to AQARAT's First Quarter 2026 Earnings Call. As usual, we will begin by walking through the presentation and then open the floor for Q&A. So, before we start, I would like to draw your attention to the disclaimer on Slide 2. Today's discussion may contain forward-looking statements that are subject to risks and uncertainties, and actual results may differ materially. Please refer to the full disclaimer included in the presentation.

With that, let's begin with the key highlights for Q1. I'm pleased to report a very strong start to 2026 despite the recent geopolitical tensions in the region, and our results reflect the quality of the platform we have been building. Our net profit rose 60% year-on-year. Our total revenue more than doubled compared to the same period last year.

So, the headline story this quarter is clear. AQARAT started recognizing revenues from Al Tay Hills, which is our AED 3 billion residential development in Sharjah. The recognition of property sales this quarter reflects the real construction progress achieved on the ground, and it marks an important milestone for our business.

AQARAT's has evolved into a more diversified real estate platform. We started with a solid base of rental income, then expanded through our Domus staff housing strategy, which significantly grew that income stream and that significantly boosted our rental income.

Today, with the start of revenue recognition from Al Tay Hills, we have added a new development-driven earnings engine running in parallel which provides visibility into our profits over the next several years. And that is what we communicated to investors when we launched the project in early 2025.

Let me take you through the key financial metrics before turning to the operational story behind them.

Revenue for Q1 2026 was KD 23.8 million, up 151% from KD 9.5 million in Q1 2025.

The breakdown of that is first, our real estate rental income, which delivered growth year-on-year, despite the challenging environment in our region during Q1, so we’re happy with this performance.

Second, we have the property sales from Al Tay that contributed to our revenue growth mainly.

And last component of our revenue was from Active holding, our subsidiary that operates in the health and fitness industry, which grew 57% year-on-year.

Gross income was KD 11.5 million, translating to a gross margin of 48%. Net profit was KD 6.4 million - a 60% improvement year-on-year.

Earnings per share came in at 5.32 fils, up from 3.88 fils - and I will note that the comparative has been adjusted to reflect the bonus share distribution approved for FY2024.

Moving to the balance sheet, total assets stood at KD 549.1 million for the period, an increase of 14.5% compared to last year.

Total equity increased to KD 220.3 million, up 20.1% year-on-year.

Total borrowings amounted to KD 240.3 million, with approximately 89% maturing beyond one year, which provides us with a comfortable debt maturity profile and no near-term refinancing pressure.

Our annualized ROA and ROE both improved compared to last year as you can see at the bottom of this slide. And the same with our debt-to-assets ratio, where it improved to 43.8% compared to 47.8% in the same period last year.

And for our final part of our call, we're going to go ahead with the business updates, and we'll start with our local assets. In Kuwait, our Sabhan Labor Housing project reached 95% completion.

The project comprises 16 residential buildings, two commercial complexes, and supporting administrative and service facilities. We expect the project to begin operations shortly, which will add a meaningful new recurring income stream under a 20-year BOT contract.

And then we have our UAE updates. We'll start with Sharjah. Al Tay Hills continues to make excellent progress. Deep infrastructure works have been completed, surface works are ongoing, and the Pre-Cast Skeleton Works for all 1,100 villas has been awarded to one of the top Pre-Cast factories in the UAE.

We also obtained approval for an on-site power substation as part of our value engineering initiatives. Percentage of completion reached 5.63% by the end of the quarter and Phase 1 delivery target in 2028 remains intact.

Next in the UAE, we have Domus 5 in Dubai and that reached 86% completion and experienced slight delay on the handover but our teams response was proactive and identified alternative solutions to mitigate potential time and cost impacts. Now the target date for completion is the second quarter of 2026.

And the last leg of our business update, we have our U.S. assets. In the US, we completed the handover of 501 First Residences in Miami as mentioned in our last call.

Our US investment platform, Beacon Ridge Capital Management, which is a single-Family Rental real estate investment firm, maintained stable operating performance with a tenant retention rate of 65% and annual rental growth of 1.9%.

These assets continue to strengthen the geographic diversification of our overall portfolio.

Looking at the remainder of 2026, we see several clear catalysts.

First, the imminent handover of Sabhan adds rental income.

Second, Domus 5 completion in Q2 adds to the rental income as well.

Third, Al Tay Hills continues to generate progressive revenue recognition as construction milestones are achieved.

Fourth, our AGM tomorrow, once convened, will consider the proposed 6% bonus share distribution for FY2025.

Together, these milestones reinforce our confidence in the Company’s ability to deliver sustainable growth and enhanced shareholder value over the coming years.

That concludes our prepared updates for today.

I will now open the floor for questions, and Mr. Talal Al-Bahar will address them.

Shaza (Operator)
Thank you, Awrad, for the presentation. If you'd like to ask a question, you can type in the chat box or use the raise hand function.

Awrad Al Enzi (VP-Investor Relations)

Hi, Shaza. I don't see any questions.

Shaza (Operator)

Yes, we have no questions at the moment. Do you have any concluding remarks?

Awrad Alenezi (Vice President for Investor Relations)

Thank you all for your continued interest in AQARAT and today's presentation will be available on our website and along with the disclosures in Boursa Kuwait.

Shaza (Moderator)

Perfect. Have a good day.

Awrad Alenezi (Vice President for Investor Relations)

Thank you so much.