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Conference Title: Barwa Real Estate (BRES) Q4 2021 Results Conference Call
Moderator: Roy Thomas
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Operator: Good day and welcome to the Barwa Real Estate Q4 2021 Results Conference Call. Today's conference is being recorded. At this time I would like to turn the conference over to Roy Thomas. Please go ahead.

Roy Thomas: Hello, everyone. This is Roy Thomas from QNB Financial Services. I want to welcome everyone to Barwa Real Estate company's fourth quarter and Fiscal Year 2021 Financial Results Conference call. On this call from Barwa Real Estate Company, we have Tamer Elsayed, the group chief financial officer, Tariq al-Jaber, the Investment Management Director, Mohamed Esmail Al Emadi, Director of Technical Services Abdulla Khalfan, the Financial Controller and Mohamed Dakur, Budget and Planning Controller.

We will conduct this conference call with management first reviewing the company's results, followed by a Q&A. I will turn the call over to Tamer Elsayed. Go ahead, Tamer.

Tamer Elsayed: Thank you, Roy. Bismillahir Rahmanir Rahim, welcome everybody. I wish you all a very warm welcome to Barwa Real Estate Q4 2021 post results conference call. I am Tamer Elsayed, the group chief financial officer for Barwa Real Estate. At the beginning, I would like to thank QNB Financial Services to host this call on behalf of Barwa Real Estate.

Please note that except for the historical facts, statements made by the management may contain a projection or other forward-looking statements regarding future events or future financial





performance of Barwa Real Estate. These forward-looking statements are not guarantees or promises of future performance. Barwa undertakes no obligation to update or revise any forward looking statements contained herein, whether as a result of review information, future events or otherwise. Barwa Real Estate declare the financial year 2021 financial statements on the 15th of February 2022 under the investor presentation is available on Qatar Stock Exchange website, as well as on Barwa Real Estate's website in the Investor Relations section.

Please let me start by giving you a brief introduction on Barwa Real Estate. We are one of the leading real estate developers in Qatar with expertise in developing, leasing and managing real estate assets. In total, we have about 3.6 million square meters built up area under operation, which consists of residential projects, labor rooms, warehouses, retail showrooms and offices.

As of 31 December 2021 we have operating units of 7289 residential units and around 38,000 labor rooms, in addition to commercial offices, hospitality and other operating portfolio components, which are detailed in our Investor Relations presentation. Approximately 85% of our total operating revenue and about 95% of our operating profits are generated through these assets.

Furthermore, Barwa has a land bank approximately 5.5 million square meters, of which 5.4 million square meters within Qatar. Of this, we own approximately 4.4 million square meters while the rest is leased. Looking forward, Barwa plans to selectively monetize this land bank by selling or developing properties based on the prevailing market demand. During the year 2021, we succeeded to sell our land in Riyadh city with the amount of 742 million Saudi riyals.

Now, I would like to highlight some key points on the performance of the company for the financial year 2021. To begin with, our total operating revenues stood at 2223 million against Qatari riyal 1637 million for the financial year 2020. The net rental income has witnessed an increase, with the





percentage of 29% compared to the financial year 2020. Our total operating profit came in at QAR1422 million against QAR1080 million in the year 2020.

Our profit after tax for the year stood at 1190 as against QAR1250 million for the year 2020.

On the balance sheet side, our financial position remains strong, with net debt balance of QAR12.7 and net debt to equity at 0.60.

During the year we have announced our intention to sell our shares in Al Imtiaz Group, which has been completed recently in 2022 for the value of QAR375 million. We have adequate liquidity and balance sheet strength to pursue our growth agenda.

With this, we can start the question and answer session. Again, thank you for joining the call and we will be happy to answer any question that you may have. I now hand over to the moderator at QNB Financial Services to feed any questions. Thank you.

Operator: Thank you. If you would like to ask a question, please press star one on your telephone keypad. Please ensure the mute function on your phone line is switched off to allow your signal to reach our equipment. If you find your question has been answered, you may remove yourself from the queue by pressing star two. Again, please press star one to ask a question. We will take the first question from Zohaib Pervez from Al Rayan Investments.

Zohaib Pervez: Thank you, gentlemen, for the presentation. I've got three questions. My first question is at the end of last year, I think even in the first quarter, your residential units were about 8140, but right now there are 7299. So what's the reason for the difference? That's my first question.

The second question is on your receivables. So your receivables have increased. As I understand, some of this is also related to the package, the construction package for the education. But even apart from that, it has increased. Could you give us some idea on that?





And my third question is on your debt to equity. So I mean, considering you are already investing these - making big projects, will you be taking on more debt or you think this is the peak? Thank you.

Tamer Elsayed: Thank you so much for your questions. Let me start by answering the question for the accounts receivable. The increase in the accounts receivable correctly, as you just mentioned, it's more related to the schools, the new project of the schools and the accounting treatment for that project as a PPP project. And according to the [inaudible] it's all it's about 400 million increase relating to that item only. In addition to that, we have some accrued income and some receivables related to the other project, but mainly it came from that accounting treatment related to the school project. This is number one.

Number two, relating to the debt to equity percentage, we are trying to balance between the new debts and repayment of the old debts. What happened in 2021 and the late of 2020 that we have these three mega projects two in Al-Wakra and one is the school, and the total CapEx of these projects, it's about 6 billion, which is the finance it through debt. This has increased the debt significantly between 2020 and 2021 compared to the previous years. However, at the same time, you will see from our cash flow that we are working on settling the old debts. We settled last year by about 900 million, and this year we settled more than 1 billion from all debt.

Our expectation, yes, we may go higher because still the two Wakra projects and the school is still in progress, so we will have to spend more. Which is the peak. So the peak will come by the end of 2022. But after that, the balance should go lower by the settlement of this debt.

About the first question for the number of units, I will pass to my colleague. He will give you more explanation about.





Speaker: Hi. With regard to the number of units, in Q1 and Q2 you would see the number of units to be around 800 and then Q4, you would see the number reduced to seven to eight times. The primary reasons are twofold. First of all, one of the properties has been categorized as a labor accommodation. So this is a reduction in the number of residential units and the increase in the number of labor accommodations.

The other reason is there's one property that we have in Lusail, which is Dara A which we are selling. So while reporting in Q2, we had included the project because substantially it was still within us. But however, currently with almost more than 90% almost sold, we have removed it from our overall product listing. So that's the main reason. Thank you.

Zohaib Pervez: Thank you. I just have two follow ups, actually. One is on the Dara A. You said 90% is sold. So is that like already you have already recorded it and you've handed over and recorded all of the 90% or much is left? And on the debt, how much more debt you will be taking on this year?

Tamer Elsayed: Thank you for that. Yes, it's recorded because all [inaudible] are ready and handed over to the clients. So as income, it's already recorded. However, now we are working on the collection as per the payment terms.

For the debt, we are expecting 2 billion more from here to the year end in sha Allah. Thank you.

Zohaib Pervez: Thank you.

Operator: As a reminder to ask a question, please press star one. We'll now take the next question from Sultan Fahad[?] who's private. Please go ahead.





Sultan Fahad: Hi. Thank you for giving me the opportunity to ask the question. My questions really are about the ongoing projects and the future projects in the pipeline. Is there any future or soon to be developed projects such as the Furjan Wadi Lusaid project or the Dara B to F projects in the works? Or do we expect them to be initiated within one or two years?

Also for the ongoing project, does this mean that you have completed the works associated with the Medinat Al Water and the Mukaynis project or they are still ongoing? And thank you.

Tamer Elsayed: Thank you for your questions, for the first part, about the future projects, now we are on the final stage of the feasibility study of many projects, which many of them already introduced in the cityscape, the last cityscape, including Furjan Lusail and including Marina Heights and Dara B to F. However, still, we are working on the final approvals and the feasibility study.

Our expectation, yes, maybe within the next two years, a big chunk of this project will be launched for the market. For now, we are still waiting, as I mentioned, we are waiting for the final approvals.

For the second question, I will pass the call to my colleague here.

Speaker: Salam Alaikum. For your question regarding Kaynis[?] compound. In Kaynis, the construction is already done there and it's operated. We have the hypermarket and MOI building, which soon, hopefully before the third quarter will be operated to the tenants. And for Medinat Al Water also, phase one and phase two is operated already. We have the remaining as phase three, which hopefully at quarter four this year will be delivered and operated. Thank you.

Operator: We will now take a follow up question from Zohar Pervez from Al Rayyan investment.





Zohaib Pervez: Hello [inaudible] gentlemen. Thank you for the presentation. I just want to comment on your on the real estate market in Qatar. We see on your presentation that rental yields have been falling continuously and is falling even in Q4 21. Do you see normalization coming in and some uptick with the World Cup kicking in? So your comments on that will be appreciated. Thank you.

Tamer Elsayed: Hi. With regard – so I address two of your questions. One is with regard to the occupancies and the uptake, and the second is with regard to the falling rentals. When it comes to the occupancies of our projects generally, especially in the residential sector as well as in the labor sector, we are already upwards of 85% to 90, 95% occupancy already. So we do expect a steady and healthy cash flows from those records in the short as well as medium term.

With regard to the falling rentals, this is a result or an impact of two criteria. One is, of course, the revenue, which if we look at the revenues, they have been either stable or increasing. The other is the impact on the valuations wherein we have a large number of projects already under construction. So, this is the gross yield that is reflected in the IO report, which means that there is an impact of the value of our under-construction projects as well as well as land bank as well. So that is one of the reasons. So once these projects are – the under-construction projects are completed once the Land Bank is developed. Of course, there would be a steady increase in the yields as well. Thank you.

Zohaib Pervez: Thank you. Thank you.

Operator: As a final reminder, to ask a question, please press star one. There are no further questions at this time. I'll hand the call back over to your hosts for any additional or closing remarks.





Roy Thomas: If there are no further questions, we would like to thank Barwa Real Estate company's management for the results update and look forward to speaking to you all for the first quarter 2022 results. Thanks.

Operator: Thank you. That was – thank you. That will conclude today's conference call. Thank you for your participation. Ladies and gentlemen, you may now disconnect.

