**Company: QNB Financial Services Co. WLL**

**Conference Title: Barwa Real Estate (BRES) Q2 2022 Results Conference Call**

**Moderator: Feras Al-Sarraj**

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Operator: Good day, and welcome to the Barwa Real Estate Q2 2022 Results Conference Call. Today's conference is being recorded. At this time, I would like to turn the conference over to Mr. Tamer Elsayed, Group Financial Officer. Please go ahead, sir.

Tamer Elsayed Mohamed: Thank you, so much. Bismillah Hir Rahman Nir Rahim, welcome everybody. I wish you all a very warm welcome to Barwa Real Estate Half-Year 2022 Post Results Conference Call. I'm Tamer Elsayed, the Group Chief Financial Officer of 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 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 new information, future events, or otherwise.

 Barwa Real Estate declares that the half-year 2022 financial statements 9th of August, 2022, and the investor presentation is available on the Qatar Stock Exchange website as well as on the Barwa Real Estate 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 rooms, and offices.

 As of June 30th, 2022, we have operating units of 7,289 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 relation presentation. Approximately 86% of our total operating revenue and about 96% of our operating profits are generated through these assets. Furthermore, Barwa has a land bank of approximately 5.5 million square meters of which 5.4 million square meters is 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.

 Now, I would like to highlight some key points on the performance of the company for the half year 2022. To begin with, our total operating revenues stood at QR932 million as against QR1.038 million for the half-year 2021. Our total operating profit came in at QR601 million against QR683 million in the half-year 2021. Our profit after tax for the half-year 2022 stood at QR545 million against QR537 million in the half-year 2021. On the balance sheet side, our financial position remains a strong with net-debt balance of QR15 billion and net-debt to equity at 0.72. We have adequate liquidity and balance sheet strength to pursue our growth agenda.

 Also, we keep working or refinancing part of our facilities to enhance our liquidity ratios and the cash-flow projections. 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 questions that you may have. I now hand over to the moderator at QNB financial services to field any questions. Thank you.

Operator: Thank you. Ladies and gentlemen, if you would like to ask the question, please do so by pressing star one on your telephone keypad. If you're using a speakerphone, please make sure your mute function is turned off to allow your signal to reach our equipment. We'll pause for just a moment to allow everyone an opportunity to signal for questions. We will now take our first question from Lee Beswick from QNB. Your line is open. Please go ahead.

Lee Beswick: Hello. Can you just, on page, I think it's 26 of the presentation, you talked about your deliveries particularly sort of one, four, and five, and I noticed that they've been delayed because they were due to come, I think, a couple of months ago, and you've put now August and October. Are they definitely going to be ready in August and October? Obviously, I'd say that with - obviously in mind that the World Cup, there's obviously zero building during the world cup, so you have to finish it now. So is it going to be ready? All the three of these projects, four these projects going to be ready?

Tamer Elsayed Mohamed: Thank you for your question. I think you are referring to two projects in Al-Wakrah, which are dedicated to the 2022 World Cup, and we have also the schools. For the - in general, yes, there is little delay in the three projects due to the market conditions and to what's happening around the world which affected the chain of raw materials and such things. Now we are targeting for the two Al-Wakrah projects, we are targeting end of August as a completion date. The good thing that is, still, we have time before the World Cup, which will start on third - last week of November. So, yes, it's - Inshallah, we will meet the deadline. For the schools, we already handed over five out of eight schools. The other three, Inshallah, expected to be handed over in the 4th quarter this year. Thank you.

Operator: Next up, we have Abdullah Amin from QNB. Your line is open. Please go ahead.

Abdullah Amin: Hi, can you just explain why the rental income was down, year-on-year, first half?

Tamer Elsayed Mohamed: Hi, regarding the rental income, 2021, we had the project mechanics compound. It was almost fully released to Qatar Discovery for the quarantine. And now after the situation in Qatar is much better so we started to receive gradually the blocks from Qatar Discovery and we're doing the - we're just receiving them and we'll be introducing them to the market gradually.

Abdullah Amin: Thank you. I have two more questions, one is regarding the impairment. Where is this impairment coming from? Because I go to footnote 19 refers to footnote six, and then footnote six refers to footnote 18, is there impairment between the group holdings or this is something Al-Ghali[?]?

Tamer Elsayed Mohamed: Regarding the impairment, it's mainly coming from one bulk deal where we have some receivables, one tenant and one perfect[?] project. Due to our internal policy, we took the full impairment and this will be - once the collection starts, we will be doing the reversal of impairments.

Abdullah Amin: Thank you. One last question regarding the financial expenses, they're up 35% year on year, given the high interest rate environment and expected interest rate, increases, what's the strategy going forward? How do you foresee reducing it going forward so that you can pay more dividends or have more for figures showing?

Tamer Elsayed Mohamed: We are now in negotiation with all our lenders or our banks to revisit the commercial terms of the facilities trying to enhance the finance cost rate, and for sure, to enhance the repayment schedule. So, Inshallah, by this - the half year, the second half year of 2022, by the end of this half, we will finalize all the agreements or the deals with the banks, Inshallah.

Abdullah Amin: Yeah. But with interest rates higher these days, and if it's expected to go further, how do you foresee that the bank will reduce rates for you given that your loans have increased by QR14 billion to QR16 billion as well?

Tamer Elsayed Mohamed: The good thing about Barwa is our good credit record with all the banks, and this will help us to renegotiate the terms with the banks. And this normally happens in such situations, because the rate is going up and for sure it doesn't mean that I have to pay finance rate or finance cost rate on 6% or a 5.5%. Normally in such a situation, we negotiate with the banks and normally they are accepting that thing considering the good record with the banks. And for sure, we are trying our best. But, Inshallah, we will have good terms with the banks and we can finish all the deals before the year-end. And we got a positive feedback, we got positive feedback, but for sure, subject to finalization with the banks.

Speaker: We appreciate, we appreciate that, I think we have a very good standing in the financial markets. But is there a strategy to reduce the debt because it's from QR14 billion to QR16 billion, is there strategy to reduce debt so that you don't have high finance charges when it goes up? Are you have planning something on that side?

Tamer Elsayed Mohamed: If you have a look on our cashflow, you will see that we keep always paying from our facilities. However, for the last two years there was a big - a significant increase in our facilities balance because of AL-Wakrah projects. The two Wakrah projects, we are talking about almost QR6 billion. Before Wakrah, our balance of facilities was always around the QR8 to QR10 billion. So now we've increased the balance in the last two years, just because of Al-Wakra, but on the same time, we are keep paying all the facilities.

 You'll see in the cash-flow, we already settled around QR700 million in the first half year of 2022. So we keep working on repaying of our facilities. And - but in the same time, we keep looking into the settlement or the repayment schedule to match with our cash-flow projections. Yes, Inshallah, we target to decrease the balance of QR16 billion around - within the next three years. Inshallah, it will go to smaller - a significant decrease in double loan balance.

Abdullah Amin: So will this impact that dividend payout in some manner or dividend payout will be stable as usual?

Tamer Elsayed Mohamed: Unfortunately, I cannot comment on this for the time being, dividends at the year-end is subject to different variables including, for sure, our cash flow position at the year-end. For now, I cannot comment on that.

Abdullah Amin: Sure, I understand. One last question, what is the view after the World Cup on real estate market in Qatar?

Tariq Al-Jaber: Hello, this is Tariq Al-Jaber from Assets. We have a somewhat of an optimistic outlook for the market post-World Cup. As you know, also, Barwa has its own brand strength so we have our way also in marketing our projects. Most of our projects are already running on - above 85% occupancy so it looks okay for us. It looks somewhat promising. So what's still optimistic.

Abdullah Amin: Thank you. Thank you very much for, we really appreciate that.

Operator: Once again, ladies and gentlemen, please press star one to ask a question. We will now take the next question from Nikiu Putani from CBSS[?]. Your line is open. Please go ahead.

Speaker: Hi, good afternoon. Well, my question is related with the first question - the previous question, in terms of your post-FIFA, where exactly you see in terms of your rank. I mean, anyway, you've mentioned on your presentation is one of the highest in Qatar, and given the fact that a lot of government have taken a lot of buildings, including compounds for FIFA, post that, whatever little bit increase that we have seen during 2021 and 2022 will normalize. So - and most likely again, there have been talks about lot of expats getting move out. So in that context, I wanted to know where exactly you place yourself with in terms of 2023 performance.

 Also, second question is related with the same Wakra Project which you have mentioned, there are a lot of other existing projects that you have got along that route. Do you see some kind of cannibalizing taking place once this particular project terms goes up? Items will just be shipped from one place to another place; do you see likely that possibility? Hence, occupancy rates, do you see that 85% could remain there or it will lower down? Thank you.

Tariq Al-Jaber: Yeah. Regarding the second question on the Wakra Project, I feel we already have an expression of interest on almost half of the project from third parties to lease post World Cup. So it's - we did, as I said, we are leveraging a lot on our brand strength here. We are a well-known company in Qatar and we have our presence in the market for the past 15 years and that gives us a lot of traction in the market, going forward. What was the first question, I don't - I didn't get it?

Speaker: No, I wanted to check, I mean, in terms of government has already hired or FIFA has taken a lot of compounds and other places where exactly they could be, I mean, where normally the rents could have been less, but over the last one year - one and a half years, you've seen rents going up in the region of 10% to 15%. So do you see after that, basically, there could be post-FIFA drastic fall-down in rent especially also in the context of GCC is already one of the RTP highest in terms of - as part your presentation, the highest in terms of rents for apartments. So do you see a fall down in that post-2023, and to what extent do you see that at least for your projection? Thank you.

Tamer Elsayed Mohamed: No, no, not necessarily. Again, there's always a time lag in terms of market response to any drop in government spending. And I don't see something like that happening drastically within a short period post-World Cup. In terms of occupancies, most of the occupants right now have contracts that are going for years with the company so we don't see a reason why there would be a drop in occupancy.

Speaker: Can we have a breakdown of in that case of where exactly, in terms of, as you directly mentioned, where you have directly in touch with the corporate. And the bulk, your project has been taken by them, and what exactly is on the individual side - retail side where the possibility to certain action could be higher in terms of moving out? Can we have a breakdown of that, please?

Tamer Elsayed Mohamed: Well, we have one project in Al-Fuor[?] which is almost 30% or 40% - 30% of our portfolio, and that's 100% occupancy. We have occupants also across other sectors in the residential, almost 100% in labor. It varies between projects. So some of them are 50%, others are 85%.

Speaker: Okay. But you can give an overall ballpark figure for across your existing projects, how much could come from corporate recurring kind of stable income while one from individuals - tenants who normally could come out of the project provided in case there's a drastic fall out, but in case of a drastic fall-out, they could be susceptible to change. Do you see that?

Tamer Elsayed Mohamed: No, it's not something available right now. I cannot provide that at a later stage.

Speaker: Yeah. Okay, sir. Thanks a lot. Really appreciate it.

Tamer Elsayed Mohamed: Thank you.

Operator: Once again, ladies and gentlemen, if you have a question, please press star one on your telephone keypad. It looks like there are no more questions at this time. I would like to turn a call back over to Mr. Elsayed for any additional or closing remarks.

Tamer Elsayed Mohamed: Thank you, and thanks everybody, for sharing our call and, Inshallah, I hope to talk together again on the Q3 financials. Thank you everybody.

Operator: This concludes today's call. Thank you for your participation. You may now disconnect.