

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

**Conference Title:** Barwa Real Estate (BRES) Q4

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Mehmet Aksoy: Good afternoon, ladies and gentlemen. This is Mehmet Aksoy from QNB Financial Services. I want to welcome everyone to Barwa Real Estate's 2019 Financial Results Conference Call. On this call from Barwa, we have Mr Tamer Elsayed, who is Group Chief Financial Officer; Mr Abdulla Khalfan, who is the Financial Controller; and Mr Mohammed Daakour, Budget and Planning Controller. We will conduct this conference call first with brief comments on the presentation followed by Q&A.

I will now hand the call over to Mr Tamer Elsayed to get us started. Mr Elsayed, please go ahead.

Tamar Elsayed: Thank you, Mehmet. [Arabic, 00.00.35], welcome everybody. I wish you all a very warm welcome to Barwa Real Estate quarter four and 2019 post-results conference call. I am Tamar Elsayed, the Group Chief Financial Officer of Barwa Real Estate. At the outset, I would like to thank QNB Financial Services to host this call on behalf of Barwa Real Estate. On the call, we have with us Mr Abdulla Khalfan, Financial Controller; and Mr Mohammed Daakour, Budget and Planning Controller.

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 statement contained herein, whether as a result of new information, future events or otherwise. Barwa Real Estate declared the quarter four and the financial year 2019 earnings on 11<sup>th</sup> March 2020, and the earnings presentation is available on Qatar Stock Exchange website as

well as on Barwa Real Estate website in the Investor Relations section. I hope you had the chance to go through it.

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 metres built-up area under operations, which consists of residential projects, labour rooms, warehouses, retail showrooms and offices. As of December 31<sup>st</sup>, 2019, we have operating units of 8,129 residential units and 37,340 labour rooms. Approximately 77% of our total operating revenue and about 90% of our operating profits are generated through these assets.

Furthermore, Barwa has a land bank exceeding 7.7 million square metres, of which 5.2 million square metres is within Qatar. This translates to having about 67% of our land bank within Qatar. Of this, we own approximately 4.4 million square metres, while the rest is leased. Looking forward, Barwa plans to selectively monitor this land bank by selling or developing properties based on the prevailing market demand.

Over the years, we have made Barwa into a strong brand franchise within Qatar with a strong preference for it. We have a strong reputation for using local expertise well, for being highly cost efficient, for delivering high standards and for the timely delivery of our projects.

I would like to highlight some key points on the performance of the Company for the financial year 2019. To begin with, our operating revenue for the financial year 2019 stood at QR1.556 billion, as against QR1.637 billion year-over-year. The split between rental revenue and the consultancy revenue for the same period stood at 77% to 23%, as against 79% to 21% year-over-year. Our total operating profit came in – came in at QR990 million against QR993 million in 2018. The split between rental profits and the consultancy profit for the same period stood at 80% to 11%, as against 94% to 6% year-over-year. Our profit after tax for the

financial year 2019 stood at QR1.505 billion against QR1.917 billion in 2018. I am pleased to inform you that the balance sheet of Barwa Real Estate remains strong with a net debt of QR8.2 billion, and net debt to equity at 0.4. We have a liquid – liquidity and balance sheet strength to pursue a growth agenda.

Considering the overall financial performance and the liquidity position, our Board has recommended a dividend of 20%, which means 20 dirhams per share for the financial year 2019, subject to the General Assembly approval.

Regarding our upcoming opportunities, Barwa Real Estate is conducting pre-feasibility studies and the design enhancement plans for several land bank properties, such as Phase 3 of Barwa Al Baraha project, the Umm Shahrain Extension and Phase 3 of Barwa City project. The Company's also evaluating and participating in various opportunities offered by government here in Qatar for PPP modules.

Regarding the recently completed projects, leasing has begun in both Mukaynis Compound and Barwa Al Baraha for workshops and warehouses.

Going forward, Barwa will continue to explore opportunities based on the evolving market demand. Currently, Barwa is planning to venture into developing new types of assets like educational and healthcare assets; and also to move up the value chain by developing mid to high-mid residential homes for lease and/or for sale; and by developing aspirational assets in the freehold area such as Lusail.

With this, we start and 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.

Operator: Many thanks. If the participants would like to ask a question, please press the star or asterisk key followed by the digit one on your telephone keypad. Again, that's star one on your telephone keypad, and we will pause for a moment to give everybody an opportunity to signal us. Thank you.

Mehmet Aksoy: Hi, this is Mehmet Aksoy from QNB again. And while we are calling for questions, if I can start off with a few questions of my own. As my first question, we would like to understand the Company's blended rental yield [inaudible] brief. How does it behave over the last couple of years, and how do you expect the rental yields to shape up going ahead?

As a second question, Barwa has a presence in the hospitality segment. Have you witnessed any significant decline in the occupancy in your hospitality segment due to coronavirus? If yes, how much would be the impact on the top line and bottom levels? Thank you.

Tamar Elsayed: Thank you for your questions. For the first one relating to the rental yield, if we look into the rental yield based on our total value of investment property, we will find it has come down from 8% in 2018 to 4.4% in 2019. However, we should – to make it a more accurate calculation, we should exclude the non-performing or non-operating assets from our investment property number, which – including mainly lands. If we exclude these non-operational assets from our investment property, we will find our yield as 8.7%, which is more than last year. We are expecting the yields to remain, in the same short to mid-term, to be around that number due to the current demand-supply dynamics within the country. We are still working on doing all the high [inaudible] for all of our operating – or all our land bank. But in the same time, we are trying to move up in the value chain, we are trying to go into more sectors like health and the educational sectors, which we believe they have a very good opportunity in the market now.

In addition to that, we will focus more onto mid to high-mid, and if we are talking about the residential part, we will focus on mid to high-mid. We believe those sectors will be, inshallah, less adversely affected by the current economic cycle. This is for the question number one.

For question number two relating to the hospitality segment, we have – yes, we have a presence in the hospitality segment, but we don't drive any significant revenue from these assets. Currently, as an owner, we have only two assets: one which is Millennium Plaza in Qatar, and the other one is Shazal Al Madina in Saudi Arabia. However, both of them, they are not generating that huge or significant amount compared to our other assets.

Back to the distraction for coronavirus and these things, we are witnessing – yes, we are witnessing some minus in the occupancy currently. However, we expect – and we expect it will be further in the short term, but we believe, inshallah, there will be a recovery again – well, after a couple of months as everybody's expecting, inshallah, and for the good sake of us here[?]. Thank you.

Mehmet Aksoy: Thank you very much.

Operator: And we have a question from Zohaib Pervez, please – Al Rayan Investments. Please go ahead.

Zohaib Pervez: Thank you, Tamer, for the call. I have – firstly, if you could talk about how you have suspended rentals for the commercial and warehouse sectors for a three-month period. So, how will this work? I mean will you – this is just a postponement, and you will record it as an accrual, and your receivables should go up for rentals – short period? So, could you please give us more idea on that? That's one question.

Second question is you received some – as per the balance sheet, you had some advances against a land which was supposed to be transferred to you. And at the end of last year, I am assuming

that was transferred because this [inaudible] went down. Could you tell us what – where this land is and what's the size of this land? And is it already part of your land bank which you've been mentioning?

Tamer Elsayed: Thank you for your questions. For question number one [inaudible], we are talking about postponing the payments, so it's not a relief or something; it's postponing the payments. For sure, everybody knows about the circumstances in the market, and we are trying to help our tenants; they are our clients, we are appreciating the strategic relationship with all of them. And whenever we feel that we should give help, we will do it for sure without any question.

For – if we are talking about the type of these things, if you read the announcement it was very clear that to whoever gets affected by the situation, subject to it will be one of these categories: workshops, showrooms, warehouses. Anything of these categories, as long it gets affected by these circumstances, we will give them a postponing for the three months' rent. After that, for sure, we will collect. As you said, yes, we may witness some increase in the – in the receivables for the next three months. After that, with the collection, it will go down. We don't expect a big number of that; it's – all in all, it will not be more than QR20 million per month –

Zohaib Pervez: Okay.

Tamer Elsayed: – if we give – postpone for all of these cases we have. So, in three months, you are talking about QR60 million; it's not that big a number compared to Barwa, yeah. This is for question number one, yes?

Zohaib Pervez: Yes, great, okay.

Tamer Elsayed: Okay. For question number two, the land we are talking about, it's the land named as Lusail Golf. Lusail Golf is 3.5 million square metre in Lusail area; it was recorded under the

advances because up to that date, it was not handed over to Barwa. But in Q4 2019 it handed over to us, so we had to reclassify it from advances to investment property. And if it is included in the number we are disclosing for the land bank, yes, it's included in that number.

Zohaib Pervez: Okay, great. Just one follow-up on the first part of the question, are you receiving – I mean the government has also announced, you know, a benefit for the private sector like QR75 billion. Are you expecting any benefit as – because you're already giving benefit to your clients, will you be expecting any benefit from the government or have you seen anything, or have you talked about that?

Tamer Elsayed: I think this will not be the right time to discuss with government for something about that. Let's do whatever initiatives we take based on our initiatives.

Zohaib Pervez: Okay.

Tamer Elsayed: Later on, under – after, inshallah, we altogether pass this hard situation, we will see what's – what can happen. But, for sure, there is no talks between Barwa and government for the time being about anything of that.

Zohaib Pervez: Okay, thank you.

Tamer Elsayed: Thank you.

Operator: And as a reminder, it's star one to ask a question. And there are no further questions at this time, so I'd like to hand it back over to the speakers.

Tamer Elsayed: Thank you. Thank you, everybody, for joining us today, and inshallah –

Operator: My apologies for the – my apologies for the interruption there, we just received another question. Would you like to take it?

Tamer Elsayed: Yes, please.

Operator: The question will come from Hela Romdhani from Qatar Insurance Company. Please go ahead.

Bo Choi: Hello, hi guys, thank you for the call. This is Bo Choi[?] from QIC. My question is on the rental yield. You were saying that your rental yield is around 8.7%. How sustainable do you think it will – this rental yield is over the next two to three years? And what risks do you see, because it seems very high and – as compared to the market, so how do you see your rental yield coming back to market levels?

Tamer Elsayed: Thank you for your question. As I previously said, we are expecting the yields to remain subdued in the short to mid-term due to the current demand and supply dynamics in the market. However – and we feel this is a very challenging period and, inshallah, before – from now up to 2022 we feel, inshallah, it will be a good opportunity for us. And after 2022, this is what we are working for now. That's why we are moving up in the value chain; we are working on studying other segments like medical, like healthcare. We are trying to finalise most of the projects or all the projects we have now in the pipeline as construction to start operational in the near future; we will focus on this talking with the government, participating in all the tenders available as a PPP. This will give us and secure us, inshallah, a stable and decent yield over the years, inshallah.

Bo Choi: I have one more question, and that's on the – on the education and hospital – hospitality plans that you're planning to target. By when do you – like after, do you have some planning projects going on you want to – those are finished, then you will start looking at those, or is it currently under study?

Tamer Elsayed: Yeah, I mean, for example – I will give you example – for the educational, for example, there are now in the market different PPPs tenders already available in the market. Package 1, we already submitted our offer to the government, to Al Jarai[?], which is now under the study from their side. They have issued Package 2 – still we didn't participate in; the deadline didn't come yet, so we are working on that. For medical, we are – we are doing our studies for one or two projects which may be – can be made on our land bank, but it's still – it's subject to the market study and if it is feasible or no. We are following up with the government for all the PPPs that may be come to the market in the next future. We are talking about their target to go for educational, their target to go for carparks, we are – their target for different tenders, which we will be – all of them will be studied by Barwa, and we will be, inshallah, keen to participate in all of them.

Other than that, we are doing some feasibility studies to all our land bank to see what is the right, and the high and best use for all of them. Based on that, we will choose the right time, and we will start, inshallah, to construct.

Bo Choi:        Okay. And what kind of IRR are you looking at from the education sector?

Tamer Elsayed: Unfortunately, I cannot disclose that because I am saying it's a tender, we cannot say that

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Bo Choi:        Okay.

Tamer Elsayed: – this will harm our position in the tender.

Bo Choi:        Okay, okay. But it would be – it's fair to estimate that it will be in the same range as other projects that are going on?

Tamer Elsayed: Again, I cannot say that, sorry for that.

Bu Choi: Okay, well said. Thank you. Thank you, that's it from –

Operator: And there are no further questions at this time. Please go ahead.

Tamer Elsayed: Okay. Thank you everybody for this, and I hope, inshallah, everybody will be safe, all you and your loved family. Inshallah, we will see you again in our next quarter, or quarter one investor relations call. Thank you, everybody; thanks, QNB, for your efforts.

Operator: Thank you, that will conclude today's conference call. Thank you for your participation, ladies and gentlemen, and you may now disconnect.