

Company: QNB Financial Services Co

Conference Title: BARWA Real Estate (BRES) Q3 2020 Results Conference Call

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Conference Time: 10:30 (UTC + 00:00)

Speaker: Hello, ladies and gentlemen, this is [inaudible] calling from QNB Financial Services. I would like to welcome everyone BARWA Real Estate Company, third-quarter 2020 national results conference call. That is my pleasure to introduce from BARWA Real Estate Company Mr Tamer Mohamed Saeed. He's the group chief financial officer, Mr Abdulla Hassan; he's the financial controller. We also have on the call Mr Mohamed Dakor. He's the budget and planning controller.

We will start this conference call with a presentation on the company's performance for the period followed by questions and answers session. Now, I would like to hand over the call to Mr Tamer to get us started. Go ahead, sir.

Tamer Mohamed Saeed: [Arabic – 00:00:43]. Welcome, everybody. I wish you all a very warm welcome to BARWA Real Estate Q3 2020 post-results conference call. I am Tamer Saeed, 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 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. Whereas as a result of new information, future events or otherwise. BARWA Real Estate declared the Q3 2020 earnings on 27th October 2020 and the earnings presentation is available on Qatar stock exchange website,

as well as on BARWA Real Estate's website in the investor relations section. I hope you had a chance to go through it.

Let me start by giving you a brief introduction of 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 operation, which consists of residential projects, labour rooms, warehouses, retail, showrooms, and offices.

As of September 30th, 2020, we have operating units of 8,148, residential units and 37,340 labour rooms. Approximately 80% of our total operating revenue and about 96% of our operating profits are generated through these assets. Furthermore, BARWA has a land bank exceeding 7.8 million square metres over which 5.4 million square metres is within Qatar. This translates to having about 69% 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 monetise this land bank by selling or developing properties based on the prevailing market demand.

I would like to highlight some key points on the performance of the company for the Q3 2020.

To begin – to begin with, our total operating revenue for Q3 stood at 1 billion, 100 million as again, to 1 billion 138 million in Q3 2019. The net rental income has witnessed an increase with the percentage of 15% compared to the same period in 2019. Our total operating profit came in at 797 million, against 711 million in Q3 2019. Our profit after tax for Q3 2020 stood at 727 million. Again, Qatari real 808 million in Q3 2019.

On the balance sheet side, our financial position remains strong with a net debt of 8.9 billion and the net debt to equity at 0.45. We have adequate liquidity and balance sheet strength to pursue a growth agenda. Also, we are working on refinancing part of our facilities portfolio to enhance our liquidity issues. We already announced during the period refinancing deals with the total value of

2.7 billion riyals. With this, we kind of started 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.

Operator: Thank you. If you wish to ask a telephone question, please signal by pressing star one on your telephone keypad. Please ensure your mute function is turned off to allow your signal to reach our equipment. Again, press star one to join the queue.

We will take our first question from Zohab Perez of Al-Ryan Investments. Please go ahead. Your line is now open.

Zohab Perez: Thank you for the presentation, Ahmed. I have a question regarding the new projects – the local projects that you have recently announced. Can you tell me how – what is the financial plan for this project?

And second question is regarding – I saw in the presentation that you have also started work on the eight schools. Could you tell me the size of those eight schools? I mean the contract size, and what is the financing for that? Thank you.

Tamer Mohamed Saeed: Thank you for your questions. For question number one about the two recent projects, which we just announced a few days ago, we are talking about two projects in Al-Wakrah City. One of them will be as a family accommodation, and the other one is for labour. For financing the project, which is related to your question, for sure, it will be as debt to equity finance. And unfortunately, I cannot answer specifically this, because now we are in negotiation with the banks and who are very close to concluding the deals.

So I expect that within the next ten days or two weeks maximum to announce the details of the financing agreement. So please allow me not to give you more details about that because still, we are in negotiation with the banks or final stage for negotiation with the banks and we should announce that in the next two weeks, maximum.

For the second question, which is the schools. School – as you know, this is the first PPP in Qatar, and we have been awarded this project, and we already signed the PPP agreement almost one month ago. And it's a standard PPP project. So we are talking about eight schools, and our role is not as an operator. We're just the developer. Leave it to the government and do just the service – maintenance and the PM – sorry, the SM services. That's our role. So we are part of the details of the school, the operation. This is not our role. We will just be a developer; leave it to the government, get our rest income and just do the facility management.

Zohab Perez: Okay. So –

Tamer Mohamed Saeed: So the financing we already – yes?

Zohab Perez: Sorry. Please carry on.

Tamer Mohamed Saeed: Yeah, for the financing we already secured the finance – the related finance, but we didn't announce yet because now we are in the final stage of the facility agreement with the bank. Once we conclude the facility agreement and we sign it, for sure, we will announce.

Zohab Perez: Okay, what is the size of this? I mean, [inaudible] 5 billion their project. What about this schools project. How big is the project?

Tamer Mohamed Saeed: We are talking about less than 700 million.

Zohab Perez: Less than 700 million. Okay.

Tamer Mohamed Saeed: Riyals for sure.

Zohab Perez: And one last follow up. Yeah, just one last follow up on the [inaudible]. In the presentation you have mentioned that you'll complete it in the next 18 months, this project. So I mean, considering the size of the project, do you think this – there might be some delays to this? Because I mean, this is a big – this project – and you know, that project has taken some time to contemplate.

Tamer Mohamed Saeed: It's – you are right. It's a challenge for us but based on our experience, and already borrower has big record in mega-projects, and I think inshallah we will – yes, inshallah we will meet the target line and inshallah we will do it yes. For sure, we did it on a scientific basis. We have the development plan based on our assessment and in cooperation with the consultants and the contractor and whatever. So we did it – we did our homework and inshallah we have confidence – we are confident to complete the project by the timeline.

Zohab Perez: Okay, perfect. Thank you. Thank you, Tamer.

Tamer Mohamed Saeed: Thank you. Thank you.

Operator: As a reminder, please press star one to join the telephone queue. We will pause for just a moment to allow everyone an opportunity to signal. Again, that is the star key followed by the number one. At this time we have no – oh, apologies, we have received a follow-up question from Mr Zohab Perez of Al-Ryan Investments. Please go ahead. Your line is open.

Zohab Perez: Thank you again. I mean, if somebody else is not asking the questions I'll have another question regarding the [inaudible] project. This is another project. I saw that it was I think supposed to be completed in this outgoing quarter, but it has been extended. Is my understanding correct?

Tamer Mohamed Saeed: Yes. You are referring to [inaudible]?

Zohab Perez: Yes, yes.

Tamer Mohammed Saeed: The labour – labour? Yes, yes.

Zohab Perez: Yes.

Tamer Mohamed Saeed: We already completed phase one and phase two and almost phase three already done. Now we are talking about some additional work and – which we expect it to be extended to the next year. And, for sure, you know, that mainly the extension came because of what happened with the COVID-19 and the – some materials to be imported from outside of Qatar and the – you know, based on what happened under the shipment or the stoppage of shipping activities, this impacted our progress. But inshallah we are now more sure about completing it in the new timeline.

Zohab Perez: Inshallah. So, will there be any increase to the construction cost because of this? COVID-19 –

Tamer Mohamed Saeed: No.

Zohab Perez: This extension –

Tamer Mohamed Saeed: No. No, no.

Zohab Perez: Okay.

Tamer Mohamed Saeed: No variations. Up to now no variations.

Zohab Perez: Okay.

Tamer Mohamed Saeed: It is still within the development – still it's within the development budget – the original development budget.

Zohab Perez: Which was about 1.2 billion [inaudible]?

Tamer Mohamed Saeed: This is the construction. This is – 1.2 is the construction. We are still in the development – total development course. You know, you have construction, consultancy and whatever. So still we are in the total development cost budget.

Zohab Perez: Okay, okay. Thank you.

Tamer Mohamed Saeed: Welcome.

Operator: As a reminder, please press star one to queue for a question. Our next question will come from Shabbir Kagalwala of Al-Rayan Investments. Please go ahead.

Shabbir Kagalwala: Hi, thank you for holding the call. I have a question regarding the [inaudible] question on your new project. So you it's a value of the new project [inaudible]. Does that 5 billion, is the construction cost on the whole government costs? Or does this include – also include the land value?

Tamer Mohamed Saeed: The land is leased. So we don't have land value. It's leased land.

Shabbir Kagalwala: And it is leased by – recently or is it like from the old lease land bank?

Tamer Mohamed Saeed: No, no. It's a new one. It's a new one.

Shabbir Kagalwala: Okay, and the lease is for 99 years I would assume?

Tamer Mohamed Saeed: 50 years.

Shabbir Kagalwala: Six years?

Tamer Mohamed Saeed: 50 years.

Shabbir Kagalwala: 50, okay, okay. 5-0. All right, and in terms of exit planning of the development, have you already done the design work and everything? Is it done or – I mean, you are starting with the whole process. I mean, [inaudible] when you'll start actually digging the hole in the ground to [inaudible]. To understand that – where you stand today?

Tamer Mohammed Saeed: Actually we started, and if you see the presentation, we have some live pictures from the site, and you can see some – some works already done and the photos in the presentation and it's a design and build contract. So the contractor is responsible on the details – the design and these things. So they are working in parallel between the details, the design and the works and you can see that clearly in the presentation—some photos from the real site.

Shabbir Kagalwala: Okay, and one more question on this. Unless you are able to lease it to the government for the 2022 World Cup, there's apparently no use for this project. I mean, have you done any assessment what would happen if there are delays?

Tamer Mohamed Saeed: I don't recover if we announced anywhere that this will be like fully leased or for how long it will be leased to the 2022. The project is done in cooperation with – or we take it as one of the initiatives to support the government needs and based on the research we did and based on the discussions we did with the related authorities; we have a demand for that. Especially, we are talking about high-quality residential units with an affordable lease rate, and we believe, and we are sure, based on our discussions and the studies we did with the related authorities we have a demand for that.

Shabbir Kagalwala: All right, and this 5 billion includes the like, furnishing costs and everything or it's just only the development of the area?

Tamer Mohamed Saeed: It depends. If you are referring to our announcement about signing the contract so the 5 billion you are referring to, this is a construction value, no furniture or even the other items like consultancy under supervision. This is only the value signed with the contractor for the construction works.

Shabbir Kagalwala: Okay, and once it is built, I mean, is there any target plan number of rooms or apartments or is there, I mean, any indication you can share with us right now?

Tamer Mohamed Saeed: Yeah, yeah. Sure. I – this is also announced. We are talking about for that – for the family, we are talking about 6780 apartments between two bedrooms and three bedrooms for the labour, and this is – should – as a full capacity, it should accommodate about 27,000 people.

For the labour, 64,000 rooms. Sorry, 64,000 people. This should accommodate 64,000 people. We are talking about 16,848 rooms.

Shabbir Kagalwala: All right, good. All right, good. Thank you very much.

Tamer Mohamed Saeed: Thank you. Welcome.

Operator: At this time, we have not received any further telephone questions. I would like to hand the conference back to Saeed and Nefusi for any additional or closing remarks.

Speaker: Well, if there are no further questions, I would like to thank Mr Tamer Saeed and Mr Abdulla Hassan, Mr Mohammed Dakor and also our operator Molly, and all the participants on this call for being here. Please do reach out to us at QNB FS Research Team or BARWA Real Estate Company's team if you have any further questions or enquiries.

Thank you very much. Please stay safe. Goodbye.

Tamer Mohamed Saeed: Goodbye.

Operator: This will conclude today's conference call. Thank you all for your participation. You may now disconnect.