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Mehmet Aksoy: Hi. Good afternoon ladies and gentlemen. This is Mehmet Aksoy, from QNB Financial Services. I want to welcome everyone to BARWA Real Estate Second Quarter 2020 Financial Results Conference Call. On this call from BARWA, we have Mr Tamer Elsayed, who is the Group Chief Financial Officer; Mr Abdulla Khalfan, who is Financial Controller; and Mr Mohamad Daakour Budget and Planning Controller. We will conduct this conference, 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.

Tamer Elsayed: Thank you, Dr Mehmet, Bismillah Rahman Rahim, welcome everybody. I wish you all a very warm welcome to BARWA Real Estate Q2 2020 post results conference call. I am Tamer Elsayed, the Group 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 maybe by the management may contain a projection for 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 declared the Q2 2020 earnings on 27th July 2020. And the earnings presentation is available on Qatar Stock exchange website. As well as on BARWA Real Estate's website, in the investor relation section. I hope you had the 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 meters built-up area under operation, which consists of residential projects, labor rooms, warehouses, retail showrooms and offices.

As of 30th of June 2020, we have operating units of 8148 residential units and 37340 labor room. Approximately 81% of our total operating revenues and about 96% of our operating profits are generated through these assets. Furthermore, BARWA has a land bank exceeding 7.8 million square meter, out of which 5.4 million square meters is within Qatar. This translates to having about 69% of our land bank within Qatar. Of this, we own approximately 4.4 million square meter, while the rest is leased. Looking forward, BARWA plans to selectively monetize these 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 Q2 2020. To begin with, our total operating revenue for the six months stood as QAR 780 million as against QAR 762 million for Q2 2019. The split between rental revenues and consultancy revenues for the same period stood at 81% to 19% as against 77% to 23% year-over-year.

The net rental income has witnessed an increase with percentage of 10%, compared to the same period in 2019. Our total operating profits came in at QAR 522[?] million, against QAR 481 million in Q2 2019. The split between rented profit and consultancy profit for the same period stood at 96% to 4% as against 94% to 6% in 2019.

Our profit after tax for the six months 2020 stood at QAR 588 million as against QAR 530[?] million in Q2 2019. On the balance sheet side, our financial position remains strong with net debt of QAR 8.8 billion and the net debt to equity at 0.4. We have adequate liquidity and balance sheet strength to pursue our growth agenda. Also, we are working or refinancing part of our facilities portfolio to enhance our liquidity ratios. BARWA has already announced[?] refinancing deal in July 2020 with the value of QAR 1.9 billion. For the operation, in April 2020 BARWA Real

Estate Group announces being selected as Preferred Bidder for the Qatar Schools PPP Development Program - Package 1 by the Public Works Authority ASHGHAL.

BARWA participation in the project remains subject to the finalization of the project agreements with ASHGHAL and to the satisfaction of conditions precedent, including financial close. The company is also evaluating and participating in other various opportunities, offered by the government for the PPP module. In 15th July BARWA Real Estate Group has announced that the necessary procedures are being completed for contracting to start the implementation of two new projects in Al-Wakra City. It is planned that one of the two projects will be allocated as an integrated housing complex for workers and the other as an integrated residential city for low-income families.

The two projects that BARWA will develop come within the Group's initiatives to achieve Qatar's National Vision 2030, in terms of improving the living conditions of all groups in the society. Going forward, BARWA will continue to explore opportunities based on the evolving marketing demands building on the land bank we have ended opportunities with government. 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 the – to the moderator of QNB Financial Service to field any questions.

Operator: Thank you. To ask a question on today's call, please signal by pressing star one on your telephone keypad. If you are using a speakerphone, please make sure your mute function is turned off to allow your signal to reach our equipment. Once again, that is star one to ask a question today. We will pause for just one moment.

Mehmet Aksoy: Hi. This is Mehmet from QNB Financial Services again. And while we are going for questions, if I can start off with the question of my own. Recently BARWA announced that it

signed a new facility with the amount of QAR 1.9 million, can you give us some color on how this facility will affect BARWA? Thank you.

Tamer Elsayed: Thank you, Dr Mehmet, for your question. Actually BARWA always keep monitoring the – our facilities portfolio and we are always looking to make this portfolio as balance it for – from the repayment schedule. The one you are referring to which was announced in July 2020, it's refinanced for one of our current facilities and we are talking about in total QAR 1.9 billion as total facility. This will help BARWA for sure that to repay the current facility and it will help us to improve our liquidity ratios, this is one.

The second, that we can use our cash other than repayment to the current facilities, we can use this cash to develop the new project, which will improve our recurring profit. This position came from that we see that our leverage is on a very healthy rate; that's why we have this good opportunity to refinance the part of our current facilities. We will balance between whatever we do as a refinance and whatever we repay. So, I think this will be very useful in our favor and this, as I said, it will help us to improve our liquidity ratios and help BARWA to financing the new projects to support our recurring profit.

Mehmet Aksoy: Thank you very much, Mr Al Sayed –

Tamer Elsayed: Thank you –

Mehmet Aksoy: Operator, can you open up for questions now please?

Operator: Certainly, we take our first question, please go ahead caller. Your line is now open.

Speaker: Hi. Thanks for organizing the call. My question is going to be on the rental income growth, I mean despite weakness in the Qatar real estate's market that's been a standard for I

think that past four years already, we've been seeing rental declines. I mean, you have closed with decent rental growth, I am just trying to understand what percent of it like yeah – is it like a – have you managed to pass on like a higher rent to the clients or is it because of like the addition to the investment properties that we have seen, rental income growth?

And my second question is going to be given the requirement – given your willingness to refinance the debt and also like upcoming Qatar's schedule, I am just wondering whether this will be wise for you to maybe like skip or like reduce the dividends in the coming season in order to get like the financial flexibility? Thank you.

Tamer Elsayed: Thank you for your questions. To answer the first question about the rental income growth, it came purely from new projects. As you know, it's not the right time for any rental rate increase, but it came from new projects. We have – mainly, we have two new projects, one of them is the Mukaynis[?] labor camp, which we started operation in late of 2019[?] and with the occupancy now is increasing, this helped us to have these increments in the – or we have this growth in the rental income. The other project was Al-Baraha Warehousing & Workshops also started operation in late of 2019 and start – and increased the occupancy during 2020 and this has also helped us to achieve this growth in the rental income.

The second question is about dividend, I think it's too early to answer such a question. And as you know, the right time, maybe will be at the year end and the subject again to the board assessment under the general assembly resolution. So, sorry, I cannot answer this question for now.

Speaker: Sure, yeah. Just a follow-up question on the first one. What are the kind of like utilization in those two assets that you just launched like the one the labor camp and also the other workshop that you have mentioned? And also like what's been like a like-for-like rent growth like

in Q2 2020, compared to last year, did we see like a rental decline or did we see flat – if you are to talk about like-for-like?

Tamer Elsayed: Okay, right – for – if we are talking about percentage of occupancy, for Al-Baraha, Warehouses & Workshops, the warehouse currently is 64% and the workshop is 97%. If we are talking about the labor camp, we are talking about now 76% as residential unit, okay?

Speaker: Sure.

Tamer Elsayed: For – yes, for the second question, I think please repeat it again, sorry?

Speaker: So, like the excluding those projects that's recently started, I am just trying to understand what has been the like-for-like rent growth on the existing project, existing of the investment property.

Tamer Elsayed: Look as a lease rate, we are the same, but what happen as a change, it's only in a few projects, which we mainly for some labors projects, we have witnessed decrease in the percentage of occupancy. However it is not significant compared to the size of the whole portfolio[?]. This is as a change aside from the new projects.

Speaker: Yeah, sure, thank you.

Operator: Thank you. We move on to our next questioner. Please go ahead caller. Your line is now open.

Speaker: Thank you for the call. This [Inaudible] from Al Rayan Investment. I want to know what was the rationale for the strong jump in your G&A expenses?

Tamer Elsayed: Thanks for your question. The increase in G&A comes mainly from provisions. And due to the current situation and whatever we are all was doing the assessment of whatever accrued expenses of any litigations or whatever, this comes mainly from provisions. Other than provisions, actually we have a decrease in the G&A.

Speaker: So – sorry, could you tell me how much is the provision?

Tamer Elsayed: We are talking about around QAR 40 million.

Speaker: QAR 40 million, okay. And could you also give us some color on the gain on investment properties that you have taken during the quarter? Which property is this related to the Salwa project or which property is the – did you take the gain up?

Tamer Elsayed: Yeah, please if you refer to disclosure – to the financial statement for the investment property, you will find the disclosure about one of the contracts which we extended the lease term, it's a land, and we leased from government and we have an operating project over these lands. There was a change in the term, in the lease term and we increase the term from 25 to 99 years and the effect of that was reflected on the valuation again.

Speaker: Okay, then. One last question, on the Salwa project, you said that the total – the occupancy currently is 76%, and this is across all the three phases?

Tamer Elsayed: Yeah, this is the whole project, 76% from the whole project.

Speaker: Yeah. And if I correctly remember in the last call you had mentioned that the rents from phase one had started coming in as from the start of the year – and rents from phase two had to come in the second quarter is my understanding correct, the rents for –

Tamer Elsayed: – yes you are right –

Speaker: – second phase started in second quarter and the third phase –

Tamer Elsayed: – yes, you are right.

Speaker: – [Inaudible]

Tamer Elsayed: – and a part from phase three also started in the second quarter.

Speaker: Part of – okay, part of three also started.

Tamer Elsayed: – of phase three yes, okay.

Speaker: Perfect –

Tamer Elsayed: Welcome.

Speaker: Thank you.

Operator: Thank you. We now move on to our next questioner. Please go ahead caller.

Speaker: Hi! This is Neeth[?] from ICN[?]. I have – some of my questions have already been answered though I have some more questions as well. I just want to know how much of CapEx, have you planned for the next two or three years, given that you have some things in the pipeline, so I just wanted to understand how much of CapEx percent that do you have in your mind. So this is the question which – that I would like to have the color.

Tamer Elsayed: Okay, thanks for your question, relating to the CapEx, I cannot give you net accurate number, because of different reasons, the first one, we announced before that has – we have been chosen as the preferred bidder for the school, however – it is one of the projects with the government here. However, we did not finance it. And once we sign, we can estimate the related number for this project.

Again also in – recently, we have announced that we are finalizing the contracting of two new projects, which one of them is the family housing and one of them is labor camp. Also, I cannot disclose the numbers until we finalize the agreement. These three projects, we are talking about mega projects, which has a big number of CapEx estimates. Other than [Inaudible] three projects, we are still working on assessing our land bank and assessing other opportunities with the government. So, for now, I cannot give you an accurate number, I prefer whenever we have any concluded deal, we will – for sure we will announce all the details, including the CapEx, and at that [Inaudible] one by one project. But I assume, Inshallah, by Q3 or Q4, we will have more accurate number for the CapEx spending.

Speaker: Sure, thanks. I am just doing a follow-up on that the project, which you have mentioned right now, about the residential project that is there in the pipeline along with the school; so, how – tentatively how soon, do you think these will be – they will start contributing to the income?

Tamer Elsayed: For the school, we are talking about two – yes, for the school, as a preliminary plan, we are talking about two and a half years to start operation. For the other two projects, we still are working on the feasibility and the plan, the final plans to be agreed. So I cannot say now when these two projects will be operating; but for the school, we know that it should be for maximum two and a half years to start operation.

Speaker: Okay, that was very helpful, thanks a lot.

Tamer Elsayed: Thank you.

Operator: Thank you. We now, move on to our next questioner, please go ahead caller. Your line is open.

Speaker: Salaam-Alaikum.

Tamer Elsayed: Alaikum salaam.

Speaker: [Foreign Language].

Tamer Elsayed: [Foreign Language].

Speaker: [Foreign Language].

Tamer Elsayed: Next question, please?

Operator: Thank you. We take our next question now, please go ahead. Caller your line is open.

Speaker: Hello?

Tamer Elsayed: Hi.

Speaker: Okay, hi. Sorry, within the accounts that you published on page 17, note 9 you list some of the assumptions which go into valuation methods for the properties, can I just ask for the properties in Qatar, what is the assumed rental growth that's been used in most valuations?

Tamer Elsayed: Sorry, again the last sentence, I didn't get you well?

Speaker: So, within the assumptions that go into the valuations of the properties in note 9 on page 17 of your accounts, you have listed rental growth of 0% to 2.5% it is an assumption; –

Tamer Elsayed: Yeah.

Speaker: – so, what I wanted to know is for the Qatar properties specifically, what level of rental growth did you assume between 0% and 2.5%?

Tamer Elsayed: Yeah, the thing here, well, it differs from one project to another. Some of our contract, leasing contract, it's including acceleration rate and some of them is based on our pure assessment for the current lease rates if it is matching with the market and we – if we have an opportunity in the future to increase it. So it differs from one project to another. Some of the projects, we have already escalation mechanism in the lease contract, some of them are pure subject to our assessment, we are not including growth rate in all our valuations, it depends, it differs from one project to another. So, it's not an easy thing to give you a range for Qatar or outside of Qatar, it differs from one project to another.

Speaker: Okay. What proportion of projects have an acceleration clause in them?

Tamer Elsayed: Not the majority.

Speaker: Okay.

Tamer Elsayed: We are talking – yeah, I mean, I don't have it – I don't want to give you improper number, but it is not a – not the majority.

Speaker: Okay. So, it would be fair to assume then, on most of the Qatar properties, if you are saying most of them don't have an acceleration phase or an acceleration clause, that actually the rental growth should be assumed in there for the ones that don't have an acceleration clause should be zero? Because rents are going down – going down structurally[?] not significantly?

Tamer Elsayed: – yeah – no, I will say that most of our project with no growth, yeah, and the big portion of our project has no growth rate and the remaining is between some of them including acceleration rates and the remaining it's based on our pure assessment, but most of the projects have no growth rates.

Speaker: Okay, thanks.

Operator: Thank you. As a quick reminder, that is star one for your questions today. We move on to our next questioner, please go ahead. Caller your line is now open.

Speaker: Hi. This is Abdullah[?] from QNB, I just wanted to ask a general question. What do you think, when this – given this economic scenario right now, when the market is going to recover for real estate market, especially for residential and commercial? And how the vacancy or occupancy levels in your properties, especially Fox Hills in Lusail?

And one last question, do you think that you can lower the debt to equity ratio given the economic conditions or cash – like do you want to reduce your debt to equity ratio?

Tamer Elsayed: Thanks for your question. For the first question, I think it's very difficult to answer it, due to the uncertainty and un-clarity in the whole world [inaudible] and I don't think that anyone can give you accurate answer for that. What I can assure you or what I can personally I am confident with that Alhamdulillah in Qatar it's a big difference, we have a big difference in Qatar compared to other cities or other countries. Alhamdulillah, we have a clear vision for the country, we have the 2022 World Cup, we have the 2030 as a Qatar National Vision, we have government spending in all sectors, which help to absorb impact of the COVID19 and we have a clear vision for the future, which will make the market always attractive to foreign investors and for – and this will help all of us.

So, for sure, I cannot give a clear answer about the – how to quantify the impact, the negative or the positive, it's very difficult, especially in the current time and the current situation. But we are – at least we are optimistic, Inshallah, that things will be in the right way.

For the second question, about the percentage of occupancy, till now we didn't witness any significant change in our occupancy rates, in most of our projects, residential is almost the same. For the labor, we had or we have some declining in occupancy but it is not significant and in not all the projects.

In the retail, we had this initiative, three months ago to give a delay of three months for the lease, for all of the retail and I think that was very useful for those tenants and it helped them a lot. But again, we did not miss any significant change in the occupancy rates for all of our projects.

For the leverage, I think our leverage is very healthy. Currently we are talking about net debt to equity, we are talking about 45%, which is I think it's very healthy and it give us – actually, it gives us a room to expand and to have good opportunity to financing new projects to enhance our recurring profit and to enhance our cash profits. So now we keep monitoring the leverage, all the time. For the time being we see, it's a healthy ratio and Inshallah, it gives us the opportunity to enhance our performance and to increase our portfolio side. I hope this answer all your questions.

Speaker: Hello?

Tamer Elsayed: Yes.

Speaker: Hello?

Tamer Elsayed: Yeah.

Speaker: Thanks for all the information. I just wanted to ask one more thing that is there like any difference guidance like, given the situation in the market right now. How much do you think the

rents will be down, year-on-year for the next 12 months, around 10% or less than 10%? And I wanted to also ask how much is the occupancy for Fox Hills, your project in Lusail? Thank you.

Tamer Elsayed: Sorry, the first one, I didn't get it clearly, what was the first question, again?

Speaker: Like do you expect rents to go down by a certain percentage within the next 12 months, like 5-10%, overall for your properties or you expect no change in the rent?

Tamer Elsayed: As our lease rates, we don't have any plans to decrease the lease rates, at least for the time being, we don't have any plans to decrease. The only risk we have is the decrease in the occupancy and especially in the labor. But I think – or I believe that the increase in the rental income from the new projects like Mukaynis and Al Baraha Warehouses, this will absorb or will offset any decrease in the occupancy and, Inshallah, it will give us increase as year-to-year comparable. For Lusail, we have only one project, Lusail, which is Dara A and it is for sale, not for lease.

Speaker: Okay, thank you, thank you very much.

Tamer Elsayed: You are always welcome.

Operator: Thank you. We take our next questioner. Please go ahead, caller, your line is now open.

Speaker: My question has been answered, thank you.

Operator: Thank you. At the moment, there are no further questions in the queue.

Tamer Elsayed: So, actually I would like to thank – yeah, please.

Mehmet Aksoy: Please Tamer, go ahead.

Tamer Elsayed: Yeah, I just wanted to thank everybody for joining our call and we are always ready for any clarifications, any questions and we will be more than happy to answer this. And at the end I thank you – thank QNB Financial Service and everybody. Please Dr Mehmet, if you have anything to add?

Mehmet Aksoy: Actually, I would like to thank BARWA for participating in the call, please do reach out to the team at QNB Financial Services or BARWA if you have any further questions. Thank you very much.

Tamer Elsayed: Thank you.

Operator: Thank you, this concludes today's call. Thank you for your participation. Ladies and gentlemen, you may now disconnect.