



**Event Title:** Barwa Real Estate Company's Second Quarter Financial Results Conference Call

**Executives:**

Tamer Elsayed - Group's Chief Financial Officer  
Tariq Al Jaber - Investment Management Director  
Mohamad Daakour - Budget & Planning Controller  
Abdulla Khalfan - Financial Controller  
Saud Aldolaimi - Development Manager

**Operator:**

Hello everyone. My name is Ellie, and I'm going to be the lead operator for today's session. We would like to welcome you to the Barwa Real Estate Conference Call. As of right now, everyone has been joined on mute to avoid any background noises. I'd now like to hand you over to our presenter for today, Roy Thomas, you may now start the conference.

**Roy Thomas:**

All right. Thank you, Ellie. Hello, everyone. This is Roy Thomas from QNB Financial Services. I want to welcome everyone to Barwa Real Estate Company's Second Quarter and First Half of 2023 Financial Results Conference Call.

On this call from Barwa Real Estate, we have Tamer Elsayed, the group's chief financial officer, Tariq Al Jaber, the investment management director, Mohamad Daakour, the budget & planning controller, Abdulla Khalfan, the financial controller, and Saud Aldolaimi, the development manager. 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 so much. Bismillah Hir Rahman Nir Rahim, welcome everybody. On behalf of myself and all other speakers today, we wish you all a very warm welcome to Barwa Real Estate Half One 2023 Post-Results Conference Call.

I am 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 declared the first half of 2023 financial statements on the 26<sup>th</sup> of July 2023, and the Investors Presentation is available 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 5.5 mn sq.m built-up area under operation, which consists of residential projects, labor rooms, warehouses, retail showrooms, and offices. As of 30<sup>th</sup> June 2023, we have operating units of 14,069 residential units and around 55,000 labor rooms in addition to commercial offices, hospitality, and other operating portfolio components, which are detailed in our Investor Relation Presentation. Approximately 83% of our total operating revenue and about 95% of operating profits are generated through these assets. Furthermore, Barwa has a land bank of approximately 5.5 mn sq.m over which 5.4 mn sq.m within Qatar of this, we own approximately 4.4 mn sq.m while the rest is leased. Looking forward, Barwa plans to selectively monetize this land bank by selling or developing properties based on prevailing market demand.



Here, I would like also to draw your attention to a subsequent event, as we announced on 20<sup>th</sup> July 2023 that Lusail Golf Development Company fully owned subsidiary reached an agreement to sell two plots of land with a total area of 3.4 mn sq.m located in Lusail area. The total agreed selling price is QR 6.4 billion. The sale proceeds are expected to be collected over the period from the date of completion of the sale until the second quarter of 2024, and the proceeds will be used to settle part of the group's financial obligations. The group is planning to complete the sale procedures during the third quarter of 2023. Now, I would like to highlight some key points on the performance of the company for the first half of 2023. To begin with, our total operating revenue stood at QR 922 million as against QR 932 million for the first half of 2022. Our total operating profit came in at QR 660 million against QR 601 million in half one 2022. Our profit attributable to the equity holders of the parent for the first half of 2023 stood at QR 533 million as against QR 537 million in the first half of 2022. On the balance sheet side, our financial position remains strong with a net debt balance of QR 16.1 billion and net debt to equity at 0.76. We have liquidity and balance sheet strengths to pursue our growth agenda. Also, we keep working on refinancing part of our facilities to enhance our liquidity ratios and 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 it over to the moderator at QNB Financial Services to field any questions. Thank you.

**Operator:** Hello everyone. If you'd like to ask any questions, please press the star and number one on your telephone keypad. That is star and number one your telephone keypad. We have our first question from Izzul Molob from Epicure Investment. Your line is now open.

**Izzul Molob:** Hello. Hi. Can you guys hear me?

**Tamer Elsayed:** Yes, we can hear you. Please, please go ahead. Thank you.

**Izzul Molob:** Okay. I have a couple of questions. This is regarding the disposal of land in Lusail. So first of all, I would like to know where exactly the location of the land plot resides. And I mean you

hopefully you can give some kind of landmark. Second, whether it's commercial or residential plots and what's the reason for the disposal that's with?

Secondly, what's the expected gain from this disposal, and can you guide us on the recognition of these sales into your income statement in the next like couple of quarters? How would this be? Is it going to be a lumpy recognition in one quarter or is it going to be like gradually?

**Tamer Elsayed:** First, thank you for your question. I will answer the second one, first about the expected net profit of the deal. Again, as we disclosed in our advertisement, we will wait until we complete the sale. At that time, we can know exactly our total cost. And the impact of receiving the price over a period of time, and once we complete the sale for sure, we will announce all the details. So, please allow us to keep this information for now because we don't have accurate numbers for now as per whatever we disclosed, and this will be disclosed clearly once the sale is done.

Yes, I will let my friend answer your other questions about the location of the land and the anticipated target for this.

**Mohamad Daakour:** So, the location of the land is in the northernmost part of Lusail City. So, it's just south of the plots were sold by Aljarrah that were developed and sold by Aljarrah. To each side of it is the Qetaifan Islands. So, I don't know if that's... If you get to where the location is.

**Izzul Molob:** Sure. And what's the reason for the disposal? I mean, why not develop then?

**Mohamad Daakour:** The reason?

**Izzul Molob:** Why decided to disclose?



- Mohamad Daakour:** So, it was a good offer that we received, and it was also we were taking a very long time trying to find the right development plan and strategy for this land. So, the opportunity was better for us to exit at the moment.
- Izzul Molob:** Okay. Thank you very much. That's very helpful.
- Operator:** Thank you. We now have the next question from Abdullah Ahmad from Dar Al Baraka. Your line is now open.
- Abdullah Ahmad:** Salaam alaikum. [Foreign Language]
- Tamer Elsayed:** [Foreign Language]
- Abdullah Ahmad:** [Foreign Language]
- Tamer Elsayed:** [Foreign Language]
- Roy Thomas:** Hello, Ellie, you can go ahead and open for the questions if there are any more questions.
- Operator:** Yes, we have another question, my apologies. We have another question from Ankit Bansal from Sancta Capital, your line is now open.
- Ankit Bansal:** Hello, gentlemen. Thank you for taking my question. I have a couple of questions on financials and business as well. I'll start with the P&L. So, I was looking at the finance costs and comparing the finance costs for the first quarter of 2023 with the second quarter of 2023. The finance expenses and the cash flow statement and the P&L are almost similar for the first quarter of 2023. However, for the second quarter, the cash flow number is 345 and, in the P&L it's just 171. And when I go into the detailed financials description, I guess this is coming from capitalization of the finance costs. So, what I would like to know is the finance, is this capitalization of finance costs entirely coming from the second quarter and to which project or land bank does this relate to? Like why is the number so big for the second quarter? It's 156 million of capitalized finance costs.
- Tamer Elsayed:** Yes. Thank you for your question. Yes, you are right. The decrease in finance cost in Q2 compared to Q1 is related to the capitalization of finance costs. This happened because after we received back our two projects Al Wakra from the Supreme Committee, there was some snagging work, and some amendments happened to the project. So, we were entitled to recapitalize again on the same project. That's why we started to capitalize on Q2. And this work should be already done in Q2. So, we will not expect further capitalization in Q3 on the same project. So, it was at temporary capitalization.
- Ankit Bansal:** So, it's only for the second quarter. And how do you think this is only for the second quarter, right? This was not there in the first quarter.
- Tamer Elsayed:** Yes, because the related work was completed in the second quarter, and we don't expect any further capitalization increases.
- Ankit Bansal:** And how this process number I mean, this number is quite big, so your annual interest expenses are like 7% of your interest cost is roughly 7%. So how do you estimate this?
- Tamer Elsayed:** Yes, we are talking about two mega projects. We are talking about in general in total more than 6 billion as two projects. So, we do our calculation and the percentage based on our weighted average of borrowing rate and the total part of to be subject to the work. So, we did our calculations, and we calculated our capitalization for that.
- Ankit Bansal:** Okay. And secondly, when I go to the receivables, there was an additional allowance for expected credit loss and receivables of QR 108 million for the first half of 2023. Can you elaborate on where this is coming from? Which clients are these? And do we expect this to keep on coming in the coming quarters?
- Tamer Elsayed:** This receivable this is a provision related mainly to anchor tenants we had in Q1 mainly from Q1 and Q2. And now, we are in the settlement negotiations with both of them, and for sure we have our legal cases and all these things already done, and now we are in the settlement phase with them. Inshallah, we are hoping before the year-end to come to a conclusion or to come to a settlement with both of them.
- Ankit Bansal:** Okay. And on from a run rate perspective, what is the run rate quarterly like for coming quarters? Is it fair to say QR 50 million, we can expect for the resale every quarter until the matter is resolved?



- Tamer Elsayed:** As you know, it's very hard to budget for an impairment. Because again, as we mentioned, we are in a settlement and maybe they will start paying from next month. So, we will not have such an amount, but it's very hard to put a budget for or an estimate for provision. So, I don't actually to give you any number and not based on real study.
- Ankit Bansal:** All right. No problem. And I wanted to talk about the fair valuation gain on investment properties. So, this this number was around QR 311 million for the first half. Can you give a sense of which major projects this is coming from, like the bulk of it is coming from which projects?
- Tamer Elsayed:** It's mainly from the two Al Wakra projects. These projects are the subject most of that period for the last year was under development. And we started the operation, and we already concluded the construction contract this year. So, mainly the positive impact came from the two Al Wakra projects.
- Ankit Bansal:** All Right. So, these are built for QR 6 billion including the land cost and then there are capitalized expenses, and you have the fair valuation gains.
- Tamer Elsayed:** Yes, you are right, you are right.
- Ankit Bansal:** Okay. All right. And final question on the project. So yeah, these two Al Wakra projects were handed over back to you in March, I guess so in March or April. So, what's been the leasing progress since then? And also, if you can talk about the leasing progress at Mukaynis' worker compound because I believe that project is also 50% occupied currently? So, if you can give some ideas about interest from clients and/or think of an expected timeline to get these lease out?
- Tamer Elsayed:** Yeah. So, on the Madinatna occupancy rate is currently standing around 20% in the residential side. And in terms of the shops, it's around 86% leased. Barahat Al Janoub, which is Argentine village, is around 10% on the residential side and 90% of the shops have been leased. The current occupancy in... Sorry?
- Ankit Bansal:** Yes. So, Madinatna is said to be 20% on the residential, so that's 14 on the unit side because you have 7,000. Okay. Yes, you were talking about Mukaynis.
- Tamer Elsayed:** Mukaynis, the residential is around 40%, the shops are 100% leased.
- Ankit Bansal:** Okay. And any indication as to how long it might take to get this leased out or interest from clients and what's their expectation?
- Tamer Elsayed:** Well, it's slowly building up. I mean, we are actively marketing in the market, but again it's the summer period. So, we don't anticipate a significant pick-up until probably the fourth quarter of this year. So, slowly gradually it is ramping up. Hopefully, we can close the year on a much higher note.
- Ankit Bansal:** Sure. And if you can talk about the macro situation with the worker accommodation. So, last year there was a lot of construction activity happening in the country for the past few years. A lot of those projects' ready are hotels already. So, is this the year when the number of construction workers in the country or in general blue-collar workers? The population of workers is going down compared to last year and where do you think the future demand will come from? Will it be from the North Gas Expansion Project or what could be the source of demand for blue-collar workers coming to the country who would need this accommodation just trying to understand?
- Tamer Elsayed:** I mean, you're rightfully pointed to the projects, the North Field Expansion Projects. Apart from that, I think the government is also continuing and developing the main infrastructure projects the Qatar Rail network is still also work in progress. So, we don't really see a significant slowdown that has been talked about at length in the media. But also, on our side, the numbers are not that bad in terms of occupancy. We're not seeing really a sharp drop or a drop in occupancy.
- Ankit Bansal:** Sure. And on the North Gas Field, I mean, you have some projects, and you also have land on the northern side of the country. So, that location being more appropriate.



- Tamer Elsayed:** Mainly in AL Khor and we are the main... we cater to cut our energy needs in terms of occupancy, providing residential accommodation for their workers but this is their staff working in the north.
- Ankit Bansal:** Right. So, both Qatar Energy it's mostly...
- Tamer Elsayed:** Yes.
- Ankit Bansal:** But would Qatar Energy be able to use the space in Barahat Al Janoub which is in the South? Or is that a location which is not right for them, and they would go for accommodation...
- Tamer Elsayed:** No, this this is this is not necessarily to cater to Qatar Energy's needs actually to the wide market.
- Ankit Bansal:** Understood.
- Tamer Elsayed:** And we are in talks as well with the anchor tenants to take up multiple buildings in both projects.
- Ankit Bansal:** You mean Mukaynis and the Barahat Al Janoub?
- Tamer Elsayed:** No. Barahat Al Janoub and Madinatna.
- Ankit Bansal:** All right. Okay. Thank you. You've been very generous with your time. This answers all my questions. Thank you.
- Operator:** In order for you to ask your questions, please kindly press the star button on your keypad and the number one. Again, that's star and number one.  
Seems like we don't have any questions at all. Oh, we have one more from Zohaib Pervez from Al Rayan Investment, your line is now open.
- Zohaib Pervez:** Hello, welcome everybody, and thank you for the presentation. This is Zohaib Pervez from Al Rayan Investment. So, you've mentioned that you're selling off the land in Lusail, and if I understand your land, this is about 60% of your land bank. So, how do we see your future strategy with regard to development if a large part of your land bank is sold off? So, are you going to buy more land? And if you're planning on buying more land, do you have any ideas where? Or how do we see the going forward your strategy for development? That's my first question.  
The other question is there has been some change in your associates. You have, I think, changed and associated into selling into your trading portfolio. So, which associate is this and what can we expect from it? Is there any like are you going to be selling it soon or later? Could you give us some ideas on that?  
The third question is in on the proceeds from your land sale, can you expect a special dividend because of this or this will all be used for repayment of the debt? Thank you.
- Tamer Elsayed:** Thanks for your question. Let me answer the second or the third question first. About the associate question, we had the domain insurance or Beema, it was one of our associates. We owned up to the end of last year we were owning 20% of the company, and we sold the 5% in Q1. And now, the 15% has been reclassified from associate to investment through profit or loss. So, we already sold the 5%, however, the remaining 15% is a reclassification from the associate to the financial investment through profit or loss.  
The third question is about the proceeds. As we mentioned in the advertisement, the full sale price will be used to settle our part of our facilities balance. I cannot comment for sure about dividends or something like that. This is subject to the year-end and the Board, the recommendation to the General Assembly, but it is clear in our plan and in the advertisement that the QR 6.3 billion will be fully used to settle facilities. For the first question, my colleague will answer your question about that.
- Mohamad Daakour:** So, with regards to the development strategy. Now, the sale of one project which is as you said 60% of the overall land bank is only one project out of around potentially 10 or 11 projects. So, we still have a considerable land bank to work on with the access favorable holding within Lusail City itself. So, we're still assessing the way forward for most of these



projects and soon there will be some announcements made on future potential developments coming in the pipeline.

**Zohaib Pervez:** Thank you. Sorry, is my understanding correct that the land that has been sold is 60% of your total land bank?

**Mohamad Daakour:** It's almost. Yes.

**Tamer Elsayed:** We have 5.5 mn sq.m and the land sold is 3.6.

**Mohamad Daakour:** 3.4.

**Zohaib Pervez:** Yeah. Okay. So, do you plan on buying more land in the country?

**Mohamad Daakour:** Not at the moment.

**Zohaib Pervez:** Okay. And my other question, the last question, I'm taking the liberty of asking too many questions like my other participants. Thank you. So, your expenses are reduced significantly. So, the revenue is down now, this is my understanding, correct? That is because the COVID contract and the worker contract are finished, and your expenses related to those contracts are not there and the revenues are also not there. Is it because of that your revenues and expenses are lower in this quarter?

**Tamer Elsayed:** For sure if you are referring to the operating expense, the rental operating expense?

**Zohaib Pervez:** Yes.

**Tamer Elsayed:** Yes, you are right. Last year, we had the revenue come from the quarantine which was a higher operating cost. This year, we have the contract with the Supreme Committee, and we have the revenue from that trend, but we're at a very minimal operating cost. So, this has affected negatively our profit margin on the rental income. So, you are correct on your thought.

**Zohaib Pervez:** Thank you.

**Tamer Elsayed:** Thank you so much.

**Zohaib Pervez:** Thank you for the answer. Thank you.

**Operator:** Seems like we don't have any other questions as of the moment. I'd now like to hand it over to the management for their closing remarks. Back to you, Roy Thomas.

**Roy Thomas:** Yeah, if there are no further questions, we'd like to thank the Barwa Real Estate Company's management for the results update and answering all the queries, and we look forward to speaking to you all for the third quarter results. Thank you.