



Company: QNB Financial Services Co.

Conference Title: Barwa Real Estate (BRES) Q1 2021 Results conference call

Moderator: Mr Tamer Elsayed

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Operator: Good day and welcome to the Barwa Real Estate Quarter One 2021 Results conference call. Today's conference is being recorded. And at this time, I would like to turn the conference over to Tamer Elsayed, Group CFO. Please go ahead.

Tamer Elsayed: Bismillah al-Rahman al-Rahim. Welcome everybody. Ramadan Kareem to all. I wish you all a very warm welcome to Barwa Real Estate quarter one 2021 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 you 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 statement contained herein, whether as a result of new information, future events or otherwise.

Barwa Real Estate declared the Q1 2021 earnings on 20th April 2021. And the earnings presentation is available on Qatar Stock Exchange as well as an on both Qatar exchange website and as well as Barwa Real Estate website in the investor relations section.





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 the real estate assets. In total, we have about 3.6 million square meters built up area under operation, which consists of residential projects, labour rooms, warehouses, retail showrooms and offices. As of 31st March '21, we have operating units of 8148 residential units and 37,300 labour 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 99% of our operating profits are generated through these assets. Furthermore, Barwa borrower has a land bank approximately 7.8 million square meters over 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 these 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 Q1 2021. To begin with, our total operating revenues for the Q1 stood at 517 million against 387 million for Q1 2020. The net rental income has witnessed an increase with the 37% compared to the Q1 2020. Our total operating profit came in at 340 million against 254 million in Q1 2020. Our profit after tax for the Q1 2021 stood at 192 million against 178 million in Q1 2020.

On the balance sheet side, our financial position remains strong with net debt balance of 9.4 billion and net-debt-to-equity at 0.5. We have adequate liquidity and the balance sheet strength to pursue our growth agenda.





With this, we can start with a question-and-answer session. Again, thank you all 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.

Speaker: Okay, great. Thank you, Tamer. Simon, we can go for Q&A, please.

Operator: Thank you, gentlemen. Ladies and gentlemen, if you would like to ask a question at this time, please signal by pressing star one on your telephone keypad. If you are using the speakerphone, please make sure your mute function is turned off just to allow your signal to reach our equipment. So once again, ladies and gentlemen, that is star one on your telephone keypad to ask a question. And we'll pause for just a brief moment to allow everyone an opportunity to signal for questions.

We'll now move to our first question over the phone, which comes from [inaudible]. Please go ahead. Your line is now open.

Speaker: Hi, thank you for this opportunity. And my question is with regards to the value of the land bank after you sold a land – a parcel of land in Saudi Arabia. So can you please guidance on the current book value or the market value of your land bank? That is number one. Number two is about what are the – what is the occupancy level for the commercial properties that you have in the labour rooms?

Tamer Elsayed: Thank you for your question. For the first question about the land, just to clarify, for the Saudi land, it is not sold yet, so we just signed a preliminary sale agreement. However, the completion should be done within 90 days, so still it is shown in our financials. We have two items, including our land, the trading properties and the investment properties. The Saudi land is within our trading properties, okay. As a value we are talking about around – in total land, we are talking





about around 9 billion as a value for our property – for our land bank, and this is including the owned land, not the leased land. Okay, I hope this answered the first question.

For the second question about the occupancy of the commercial, for sure, it differs from one project to another. For example, we have some project is 100% and some project it's between 70% to 90%. And talking about – in this, we are talking about the main commercial components, but some projects that they have like three or four shops. This is not included in the percentage I'm talking about. I'm talking about the major commercial components. I hope this answers your question.

Speaker: Yes, that was very helpful. Just as a follow up to your guidance on the land bank. So you said that is around 9.4 – around 9 billion, so after the Saudi's transition gets executed, how much of that value will come down from 9 billion?

Tamer Elsayed: I cannot say specifically the value or the cost or the book value of the Saudi Arabia now because still the sale agreement is under process, so we have some concerns to disclose our profit from this deal. So, as we said before, we bought this land at 659 million. In addition to that, we spent some money about master plans and some advisory service, but the purchase price was 659 million.

Speaker: Okay. Understood. Thanks a lot.

Operator: Just as a reminder, ladies and gentlemen, it is star one on your telephone keypad, if you would like to ask a question on today's call. We'll now move to our next question over the phone, which comes from Varun Kumaresh from SICO Bank. Please go ahead. Your line is now open.

Varun Kumaresh: Hi, thank you, gentlemen, for the opportunity. I have two questions. The first one is on the residential portfolio, if you can give an average occupancy level of the residential portfolio





also. And when I look at your new projects, the new residential projects, which are coming up, roughly, I mean, how long does it take for these projects, a typical project, to reach full occupancy? What is your expectation? So those are my questions. Thank you.

Tamer Elsayed: Thank you for your questions. The first one about the occupancy of our residential project, again it differs from one project to another and from one segment to another. For example, we have two main segments, which is labour rooms and apartments. For apartments, most of our projects are more than 90% occupancy. Labour room, we are talking about an average, we're talking about from 40% to 70%. And again, it differs from one project to another but I'm talking on average.

For the second question about our assumption for the new project, normally we assume that it takes like from three to four years to get the stabilized occupancy, which we are talking about, we are talking about 80% to 90%. This is normal, our assessment and again, it differs from one project to another. I hope this answered your question.

Varun Kumaresh: Yes, pretty much. So, if I may ask one or two follow up questions. The first one is on the residential market, real estate market in Qatar, if you could give an overview of – in terms of latest developments, what has happened in the past one year and how do you see the market going forward?

Tamer Elsayed: From our side, yes, we see there is a challenge in the market. However, in the same time, we see a good opportunity. By the next year, we would have, Inshallah, the 2022 World Cup, which is a good opportunity for all the real estate developers. After that, it would be a challenge for everybody. It's all about the competition about what you are offering to the market. And this is what we in Barwa is working hard on, on how to make ourselves more special to the tenants through a mix between competitive prices, high quality in the service we are providing, we are giving





integrated community. This is what we are working on. Yes, we see there is a challenge but we are preparing ourselves for that.

Varun Kumaresh: If I may ask, sorry, my one last question. In terms of your clients and composition, especially in the residential space, do you – I mean, what is the composition between corporate clients versus the like individuals? Is there a information that you can share?

Tamer Elsayed: You're talking about rates we offering to the corporate and individuals?

Varun Kumaresh: No, not the rates but I'm saying in terms of – so if you have like 100 apartments, how much of that will be coming under cooperate like agreements, like contracts? Whereas as opposed to –

Tamer Elsayed: Yeah, as a percentage, it's – again, it's different. We have one – we have some projects, which are fully leased to corporates and some projects are 100% to individuals and it differs. It's not easy to answer this, and it's differs. Sometimes, it's about the period, we have a new projects. Yeah, we are working like, for example, we have two new projects now, which we announced in Al Wakra, those will be released to the government during the 2022. But after that, they will be offered to the market. I cannot assure how much from that will be offered to corporate or will be leased to corporate and how much for individuals. It differs.

Varun Kumaresh: Okay, thank you. Thank you so much.

Tamer Elsayed: Thank you for questions. Thank you.

Operator: We'll now take our next question from Akber Khan from Al Rayan Investment. Please go ahead. Your line is now open.





Zohaib: Thank you, Tamer. This is Zohaib from Al Rayan Investment. Apology that I joined in a bit late and if these questions have already been answered but could you give us some idea of what is leading to rental growth? Is it higher residency, higher pricing in the units? That's the first question. Second question is on the sale of property and project, you recorded a 22 million in revenue this quarter. Is this related to [inaudible] project? And my third question is on operating expenses, they increased quite a lot. Could you give us an idea of what is leading to this increase and is this because of some one-off or [inaudible]? Thank you.

Tamer Elsayed: Thanks for your question. The first one about the increase in the rental, the increase in the rental came mainly from two projects or increase in occupancy of two projects. One is Al Baraha labour camp and the second is Mukaynis labour camp and Mukaynis is a new project. Baraha, there is increase in occupancy. So it came mainly from the increase in occupancy of two projects. That was the first question.

Second question about that 22 million, which is the sale of properties. It is sale of properties and construction income. It has two components. One is sale of properties, which we have one project in low sale area and it's for sale, apartments, it's for sale. The second part is construction income. As you know, we have announced before that we already got – we won a PPP agreement with the government about development of schools.

That has been classified as [inaudible] as concession agreement, and according to that we are recognizing construction income. That's why we have this 22 million. It came from sale of units and under the development of the school the project. The third question is the increase in the operation expense. The increase in operation expenses comes – resulted mainly from the increase in the rental income. It's directly related. So but in total, it has increased the net revenues. So it's directly related to the increase in income. I hope this answered your question.





Zohaib: Okay. Thank you. Yes. Yes, thank you. I have to follow up to that. Firstly, you mentioned that the Baraha and the Mukaynis project occupancy increased. Could you give us an idea of increase –how much it increased from where to where? What was it last year, how much it is right now? And the second, you mentioned about the construction revenue, how much of the – I mean, what – if I'm correct, the project is for 750 million, the education project and so how much of that will be the construction revenue? Thank you.

Tamer Elsayed: Thank you. The first question about the increase in occupancy, Mukaynis, for example, we – at the end of December we were 44, now we are 72%. For Al Baraha, we were 57% and March we are 71%. This is the increase in occupancy.

For the second one, the second question, I prefer not to disclose now the total income because we have another tender under evaluation now. So we don't want to have some numbers which may affect our opportunity with the new tenders.

Zohaib: Okay, thank you. Just one more, for the Mukaynis, you mentioned, this is for all the three projects, for all the three phases, right, the occupancy? The total occupancy you mentioned right.

Tamer Elsayed: I mentioned two project as a increase in occupancy, Baraha and Mukaynis.

Zohaib: No, I'm sorry. For the summer project, the Mukaynis project, you mentioned the occupancy increased from 50% to one and that is for –

Tamer Elsayed: Al Baraha increased – yes, Baraha increased from 57 to 71. Mukaynis increased from 44 to 72.





Zohaib: Okay. Perfect. Okay. Thank you.

Tamer Elsayed: Thank you.

Operator: We will now take our next question from [inaudible] from Al Faisal. Please go ahead. Your line is open.

Speaker: Yes. Good afternoon. Thank you for taking my question. I had a question on the slide nine of your presentation. It is a two-part question. Firstly, on the mix, you have – you present there a mix of you say residential 50%, mixed use 35 etc. Could you tell us this 50% is of what number in your balance sheet? Is it of the 18 billion completed investment properties or what is exactly the number based on which you calculate the mix as you have on the slide?

And the second question please, next split you have a comparison to demonstrate that you have – you're outperforming the Residential Rental Index. You have the blue line where it says rental yield 4.4% currently [inaudible], old data, it is Q4 '19 but what is the current rental yield for you, residential rental yield for you? Because the 8.7 that you have there in these numbers is older, is basically accrued – it is for older data points. So what is exactly the current yield for your residential? And then you can offer the yield that you achieved in the other major categories, [inaudible] etc. Thank you.

Tamer Elsayed: Thank you for your questions. For the first one – I will answer the first one and the second question, I will pass it to my colleague from the asset management team. For the first question about the 50%, it's 50% of our investment property portfolio. This is the percentage of – I hope this answered. [inaudible].

Speaker: [inaudible].





Tamer Elsayed: Sorry, for the first question you have clarification. Please go ahead.

Speaker: Yeah, I have a clarification, please. So is it of the total investment property portfolio or the completed part within the investment property portfolio? As per your – [inaudible] the 18 billion.

Tamer Elsayed: It is from the 18, the investment properties.

Speaker: Okay, thank you very much.

Tamer Elsayed: Thank you. Please, can you repeat your second question, so my colleague can answer.

Speaker: So you have some data mixed with, again, it's out of date but anyways, let's assume that is here to reality at the moment with comparing rental yields, I assume in Qatar overall, with your yield, okay. And you're trying to demonstrate that you have a higher yield, I assume. So, can you tell us, as of now, what exactly is the yield you achieved in residential versus the Qatar market residential yield? And if you could also provide what yield you achieved in the other major components of your portfolio, in particular mixed use? Thank you.

Speaker: Sorry, the question is about yields, residential yield?

Speaker: Yes. So, what is your residential yield, you achieved versus the Qatar [inaudible]?

Speaker: Residential yield does not apply to our portfolio a lot. We have a lot of assets that have been operational now for over seven years. So I'm not sure how to address the question.

Speaker: Based on the market valuation of your portfolio, how much yield you achieved?





Speaker: The assets are income generating, so they are already operational.

Speaker: So, you have a yield on operational, [inaudible] this is only for the residential component.
Is it available? [inaudible].

Tamer Elsayed: Yeah, my friend, can I propose that we take your question and we can reply later to that in more detail.

Speaker: Okay. Sure. Thank you very much.

Tamer Elsayed: Please. Thank you. Because yes, as far I mentioned this question is not easy to answer, because we have a very wide portfolio. And it is not easy to have one number to describe everything. So it's better we can give you more details later on, on that question, by email.

Speaker: Yeah, it is fine. Thank you very much. Thank you.

Tamer Elsayed: Our investor relationship officer, his email is available on the website. Please share with him any questions you are willing to ask.

Speaker: Thank you. Thank you very much.

Operator: We'll now move to our next question over the phone, which comes from Mohammed from SICO Bank. Please go ahead. Your line is open.





Mohammed: Yes. Hi. And thank you for having the call. I have a couple of questions, if I may. Let me start with the industrial segment. Can you give us an idea how did that segment perform in 2020 and what's the current occupancy?

Tamer Elsayed: Yes, thanks for the question. We have two projects under this segment. We have one which is [inaudible], it is fully leased to one tenant. And we have another project, which is Al Baraha houses and we are talking about the percentage now is about 77% occupancy, and we have workshops, it's 92%.

Mohammed: Okay, great. And if I can go to the hotel segment, how did that perform also in 2020, given the, like you know, the past year political situation, and how does it stand now in terms of occupancy?

Tamer Elsayed: We have two projects under that. One of them is in Saudi Arabia and unfortunately, it is not working very well, because of the Corona consequences, because it is [inaudible] area, so it is directly related to [inaudible]. So, most of these hotels are already closed down. We have another one in Qatar and that one is performing much – more better than the Saudi one and we are talking now about 60% or 50%, between 50 to 60% as occupancy.

Speaker: Yeah, I believe we achieved around 70 plus last year and we are around 60 this year.

Tamer Elsayed: Yes.

Mohammed: Okay. And can I get an idea how, how contributing in terms of profit is the hotel segment or like how did it perform in 2020? Is it is it still profit making?





Tamer Elsayed: As a final number, no, for 2020, especially with the Corona, no, I don't think it's profit making, it's a loss making. However, at the end, it is minimal compared to our portfolio.

Mohammed: Perfect. If I can go quickly to the office space, also, the occupancy and most importantly, have you witnessed some drop in occupancy given the, obviously, the COVID restrictions and working from home policies?

Tamer Elsayed: For offices, the biggest project we have serving offices, which is in the south, and it's leased to one tenant, to the government, so we have no issue with that. Other than that, we are talking about less space and yes, the occupancy varies between 40% to 70% but the biggest one is leased to one tenant, which is government-related entity.

Mohammed: Okay. And last, if I may, across all of your segments, have you, like, provided the tenants with waivers during last year? I mean – and what kind of waivers have you given or over how many like? What kind of details can you give?

Tamer Elsayed: We postponed.

Speaker: I don't think we have provided the type of waivers. What we provided were more of a rescheduling of payments.

Mohammed: Okay. Okay, thank you.

Operator: And now we will move to our next question, which comes from Hassan Abdi from Qatar National Bank. Please go ahead. Your line is open.





Hassan Abdi: Hi, I just wanted to clarify the Saudi thing is 900 million, not 9 billion the selling price of that thing?

Tamer Elsayed: What 9 billion you are talking about? Sorry.

Hassan Abdi: Initially, in the call you were saying 9 billion of something, so I was – I just wanted to clarify.

Tamer Elsayed: No, it was a question about our land bank, not the Saudi land. It was about all our land bank.

Hassan Abdi: Okay.

Tamer Elsayed: That sale price for Saudi land, which is already announced is 742 million, but the 9 billion is all our land bank.

Hassan Abdi: Okay, thanks. Thank you very much.

Operator: Mr. Elsayed, there are no further questions queued over the phone at this time. Sir, so I would like to turn the call back over to yourself for any additional or closing remarks.

Tamer Elsayed: Thanks, everybody, for sharing us for this meeting and Inshallah, see you for the next quarter. Thank you, everybody, for that. Assalamu Alaikum wa Rahmatullah.

Speaker: Thank you, Tamer and Barwa's management for the company update. There are no more questions, we can conclude this call. Thank you.





Operator: Thank you, sir. And thank you ladies and gentlemen, this does conclude today's call. You may now disconnect.

