

## Commercial Real Estate Company K.S.C. 1H24 Results Call

Sunday, 18 August 2024

**Moderator** Good afternoon, everyone. Welcome to Al-Tijaria's 2Q '24 earnings call. This is Shaza from EFG RMS on behalf of Mai Attia. We have from the management, CEO Engineer. Abdulmutaleb Marafie; Mr. Walid Wizani, Finance and Strategic Planning Department Manager; Mr. Ahmed Abbas Shakib, Deputy Manager of the Investment Department; and Mrs. Hagar Abdelbaki Investors Relations Unit Head.

I'll hand it over to Hagar for the presentation, and then we will move to the Q & A part of the session.

**Hagar** Thank you, Shaza. Good afternoon, ladies and gentlemen. Your presence is much appreciated. Thank you for joining Al-Tijaria conference. In this conference, we will discuss the results of the first half of 2024 and we will gladly answer all your questions at the end of the presentation.

Today's presentation will provide an overview of Altijaria business for the first half 2024, and a summary of the financial performance and an update on its properties, portfolio and investments. Following this presentation, we will have a Q&A session to answer any questions received through the webcast platform. Today's presentation will be available on Tijaria's website and the Boursa Kuwait website for investors.

I would like to commence our call today by reading up a brief disclaimer . The information set out in this presentation and provided in the discussion subsequent thereto doesn't constitute an offer, an agreement or a solicitation of an offer to buy or sell securities. It is solely for use as an investor presentation and is provided as information only. I'd also like to urge you all to read our full disclaimer in this presentation.

With this, I will start the presentation by giving some key highlights on our operating performance. In the first half 2024, Al-Tijaria achieved a remarkable net profit of KWD9.5 million, making a significant increase from KWD5.9 million in the first half 2023. This growth is equivalent of 60.3%, which is mainly attributed to our share of results from associates and net gain on the investments. Eventually, our earnings per share improved to 5.36 fils for the first half 2024 compared to 3.42 fils in the first half 2023. This highlights our company's ability to strengthen our market position and deliver enhanced value to our shareholders.

We have achieved revenue gains across operations and investment activities, reflecting our success in diversifying our income source effectively. In the real estate and hospitality sector, Al-Tijaria obtained a growth of 3.7% compared to the same period last year, with total revenue reaching KWD 15.6 million. Notably, our gross revenue in this sector rose by KWD 0.5 million, which is mainly driven by the increase of revenue from the hospitality sector, which has increased from KWD1.8 million to KWD 2.1 million during the first half 2024.

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Consequently, our net income from operating activity has increased to KWD 11.1 million during the first half 2024 compared to KWD 10.6 million during the first half of 2023.

As for the income from investment and associates sector, this also saw a significant uptick, increasing by KWD3.6 million from KWD 4.6 million in the first half 2023 to KWD8.2 million in the first half 2024.

Having said that, our investment dividends, (Fair Value through OCI & P&L) decreased from KWD2.3 million in the first half 2023 to KWD 1.3 million in the first half 2024. This was primarily due to the date of dividends collection, which happened after closing of the second quarter.

As for the finance costs, we can see that there is an increase of 11.7% from KWD5.4 million in the first half 2023 to KWD6.1 million in the first half to 2024. This is mainly due to the global interest rate hikes happened in the recent years.

As for the balance sheet, moving to the total assets, total assets reached KWD573.4 million as of June, 2024 compared to KWD561.5 million in December, 2023.

As for the total liabilities, it increased from KWD245.9 million in December, 2023 to KWD257.7 million in June, 2024.

Regarding the total equity, it remained almost unchanged compared to December 2023 reaching KWD315.6 million.

Moving to the profitability indicators, our return on equity in the first half, 2024 is 3.3% compared to 2.1% in the first half 2023. Our return on assets improved to 1.9% in the first half 2024 compared to 1.3% in the first half 2023.

Regarding the leverage ratios, it increased with our debt-to-equity ratio reaching 77% in June 2024 compared to 73% in December, 2023. As for the debt to asset ratio as well, it increases slightly to 42% in June 2024 from 41% in December 2023. And debt to capital ratio also was at 131% in June 2024 compared to 125% in December 2023.

Our real estate portfolio has enjoyed improved occupancy rates, moving from 92% to 93% in the first half of 2024. Our strategy to diversify our portfolio, both locally and internationally, is driven by engaging with tenants who share our long-term vision, committed to provide top notch property management service catering for both residential and commercial sectors.

Now moving to our local business overview of our key properties. Moving to our global real estate and investment portfolio, we have investments worth more than KWD72 million primarily focused on the real estate sector in the UK, Western Europe and the United States.

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As diversification is our key strategy and by following a conservative approach, we are targeting income recurring assets and sustainable and defensive sectors securing consistent and sustainable income stream for our valued shareholders. This proactive approach profited the company from a global market structure, ensuring it will inform a decision-making process that minimizes the risk and capitalize on lucrative opportunities.

Furthermore, during the first half 2024, we have recognized net profit from our investments in Aria Vacation Club, an associate of the company, which mainly resulted from selling timeshares, operating the units of properties and revaluation of the property located in Jumeirah Palm, Dubai. Moreover, we started the sale phase for our residential and commercial plots for Bayan Al Aziziya project in Al Khobar, Eastern Province in Saudi Arabia, through our associate company, Bayan Real Estate during the first half of 2024.

Now, I will introduce my colleague, Mr. Jaber in our Compliance and Governance. He will talk about the ESG slide.

Jaber

Yes, good evening. At Al-Tijaria, we strongly believe in the importance of environmental, social, and governance standards, which enhance corporate sustainability and positively impact the environment, economy and society. In July 2024, the company released its 2023 Sustainability Report, for the fourth consecutive year since 2020, reflecting its unwavering commitment to sustainability principles (ESG). The company also received a "BBB" rating from Morgan Stanley Capital International (MSCI) and topped the list for the real estate industry in Kuwait with a rating of 16.3 from Sustainalytics ([sustainalytics.com](https://www.sustainalytics.com)). Since 2020, Al-Tijaria Group has invested KD 20.8 million in environmentally responsible projects & sustainable investments around the world, reaffirming our commitment to green financial returns and environmental sustainability through investments in LEED certified, Good Gap and BREAM projects, and we were able to achieve a 13.4% reduction in total energy consumption across our properties by the end of 2023 compared to the previous year. In addition to a 15.1% decrease in the total water consumption in our properties compared to the previous year, and a 13.29% reduction in Scope 2 emission reductions from 2023 and a 15.1% decrease in total water consumption in its properties in 2023 compared to the previous year, and an 11.4% increase in employee training investments. Al-Tijaria also spent KD 41,256 in 2023 within its CSR budget.

Thank you for your time.

Hagar

That ends our presentation. Thank you, and now we'll open the floor for any questions.

Moderator

Thanks, Hagar. If you would like to ask a question, you can type it in the chat box, or you can use the raise hand function to speak directly.

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We have no questions at the moment. Hagar, do you have any concluding remarks or would you like to add anything?

Hagar                      Thank you. Ladies and gentlemen, thank you all for your time, and it's highly appreciated. I'd like to conclude this call thanking you all for attending. If you have any further questions relating to Tijaria's financials or any follow up, please don't hesitate to contact us through the investor unit's email.

Jaber                      Thank you.

Hagar                      Thank you.