

Shaza

Good morning, everyone. Welcome to Al-Tijaria's 4Q FY24 earnings call. This is Shaza from EFG Hermes on behalf of Mia Attia. We have from the management Engineer Abdulmutaleb Marafie, CEO; Mr. Walid Wizani, Finance and Strategic Planning Department Manager; Mr. Fuad Hassan, Accounting Department Manager; Mr. Ahmed Abbas Shakib, Deputy Manager of the Investment Department; and Mrs. Hagar Abdelbaki, Investor Relations Unit Head.

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

Hager Abdelbaki

Thank you, Shaza. Good afternoon, ladies and gentlemen. Your presence is much appreciated. Thank you for joining today's webcast. In this conference, we will discuss the results of the full year 2024 and will gladly answer all your questions at the end of the presentation.

Today's presentation will provide an overview of Al-Tijaria's business for the full year 2024, a summary of financial performance and an update on our strategy, properties, portfolio and investments. Following this presentation, we will have a Q&A session to answer any questions received through the webcast platform. The presentation will be available on Al-Tijaria's website and Bursa Kuwait for our investors.

I'd like to commence our call today by reading out a brief disclaimer. The information set out in this presentation and in the subsequent discussion 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 would like to start the presentation with slide 5. 2024 was truly a remarkable year for Al-Tijaria, filled with significant achievements. We are glad to provide an update on our key recent milestones.

- Additional investments have been added to Al-Tijaria Group Portfolio located in the USA & UAE
- Extensions for some of our key projects such as Rehab complex and our iconic green project "Boulevard" is under progress & Symphony Car Park is near completion
- Our ESG efforts have proved their success with a BBB score from Morgan Stanley Capital Index in the real estate sector
- we got included in FTSE Russel Index during Sept. 2024
- In November 2024, we have made investment in "Domus" Dubai with Strategic Partners
- Our last milestone, we have recently been awarded, through one of our subsidiaries, by the public authority for Housing Welfare a 22-year investment opportunity in Qairawan area for the development of a retail & health club

Now moving to slide 6, our strategic focus is highlighted in four key areas.

- Currently, our key focus is on strategic asset reallocation for better financial performance, and rebsectorsng our real estate portfolio, to include developed and emerging markets,

- multi and single family residential, retail and office, in addition to real estate related defensive sector such as logistics and health.
- Geographic diversification to minimize country specific risk
 - We are making steady progress to divest from our non-performing assets
 - Finally, capitalizing on new laws & reforms in Kuwait with regards to real estate sector such as Kuwait mortgage law, encouraging private sector involvement and opening property markets to expats with new reforms

Slide No.7 showing our presence in various countries in the GCC, Europe and USA.

- Now we'll talk about business overview and financial performance. Turning to slide 9, I'll start by elaborating on our key business activities.

The chart on the top left side shows our rental and hospitality income, which recorded KWD 26.91mn and KWD4.13 mn for FY24, respectively, a minor share goes for proceeds from lands held for trading standing at KWD281K for FY24 compared to KWD500K for FY23. This is mainly due to improved occupancy rates which are shown on the top right side of slide as they reached 93.1%.

Our Share of profit from associates witnessed a significant growth by 92.82% at KWD 5.24 mn Y-o-Y, up from KWD2.72 mn, which is shown in the bottom left of the slide.

Third is our net gain on investments, in the bottom right of the slide which declined by 15% to KWD8.37 mn, down from KWD9.86 mn

Moving to the Key highlight on our financial performance for FY24. Al Tijaria achieved another strong year with solid performance. This year, Net profit reached KWD [15.59] million, making an increase from KWD [14.42] million in FY 2023. This impressive growth is equivalent to [8.11%] Y-o-Y, which is mainly attributed to our remarkable 92.82% growth in our share of results from associates and an 18% increase in our hospitality income as indicated in the previous slide.

The main increase drivers of associates growth are coming from our investment in Kuwait Resorts Company, Hajar Tower, Vacation Club Venture, and Jahra Tourism (Slayel Al-Jahra).

As for the finance costs, we can see that there is an increase of 10.9% from KWD 11.26 million in FY2023 to KWD 12.49 million in FY24. This is mainly due to the global interest rate hikes that have happened in recent years.

As for the balance sheet, moving to the total assets, total assets reached KWD 574.2 million as on Dec. 2024 compared to KWD 561.5 million in December 2023, which is mainly driven by an increase in investments from associates and investments at FV through P&L

As for the total liabilities, it increased from KWD 245.9 million in December 2023 to KWD 253.8 million in FY24

Regarding the total equity, it increased from KWD 315.5 million in FY23 to KWD 320.39 million in FY24.

Slide 11 shows our key profitability indicators. Our return on assets improved to 3.04% in the FY24 compared to [2.87] % in the FY23. Our return on equity in the FY24 is 5.26% compared to 4.95% in the FY23.

In the third line, net profit margin reached 49.89% for FY24 compared to 48.85% for FY23

Regarding the leverage ratios, the debt to asset ratio remained at the level of 41% in FY24 and debt to capital ratio at 129% in FY24 compared to 125% in December 2023.

In terms of our earnings per share, it improved to 8.76 fils for the FY24 compared to 8.13 fils in the FY23. This highlights our company's ability to strengthen our market position and deliver enhanced value to our shareholders.

We have achieved revenue gains through operations and investment activities, reflecting our success in diversifying our income source effectively.

In the next slide, the top chart on the right shows that as we are continuously delivering robust performance, our board has proposed the distribution of a cash dividend of 3 fils per share. In addition, the distribution of a 3% bonus share.

The corresponding chart shows net income and the corresponding net profit margin, total assets and the return on assets and total equity, our return on equity and the book value per share.

We move to the overview on our projects on pipeline:

a new strategic partnership for Al-Tijaria Group (its subsidiaries and an associate company) with other strategic partners to invest in Domus Real Estate Fund, with a total value of AED 100 million. This investment aims to acquire, develop, and operate investment properties to provide accommodation for hospitality sector employees in the United Arab Emirates.

In the next slide, Recently, one of Al-Tijaria's subsidiary has been awarded an investment opportunity in Qairawan (Q1), Kuwait, by the Public Authority for Housing Welfare to

develop and operate the commercial project for 22 years over the plot area of 12,575 square meters.

In the next slides, these are showing us our Al-Tijaria key properties that are already existing, which are Al-Tijaria Tower, Symphony, Light Complex, Dome complex, Boulevard and Rehab Complex.

This slide is showing our key properties in Bahrain. We have Symphony Tower and Jawhara Plaza.

Moving to slide 18, speaking about some of our regional investments, till date, we have sold more than 40 units through our associate in Bayan Reality, Al Khobar, Eastern Province in Saudi Arabia. Since we started the selling phase in March 2024, and we are expecting better sales this year.

Goknur, is a listed company in Istanbul Borsa which specializes in manufacturing fruit concentrates and organic fruit juice and products exporting more than 80% to the US, Asia, and European markets.

Moving to our global real estate and investment portfolio, we have investments worth more than KWD 78 million primarily focused on the real estate sector in the UK, Western Europe and the United States.

Now, I will talk about the ESG slides.

We strongly believe in the urge to implement environmental, social, and governance aspects within our business, which promotes corporate sustainability locally & globally.

Our ESG efforts have proved itself within real estate sector in Kuwait with a score of 25.5 from Sustainalytics and a BBB score from Morgan Stanley Capital Index. Al Tijaria's Group has invested an amount of 20.8 million Kuwaiti dinars towards environmentally responsible properties or green investments as of FY2024, emphasizing our commitment to financial returns and environmental sustainability through investing in LEED platinum and good gap certified projects. As we have a 10.08% reduction in scope 1 emissions Y-O-Y, an increase in female employees by 18.12%, and 45,765 Kuwaiti dinars have been spent towards corporate social responsibility within 2024. Throughout FY2024, we also had no incidents of noncompliance with laws and regulations, no data breaches, no complaints regarding data privacy violations.

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

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

We have a question in the chat. “Can you comment on the government’s latest large scale housing tenders published last week, and how the work will be split between the local and foreign developers?”

Abdulmutaleb Yes, good afternoon. Regarding this question of this Public Authority of Housing tender, we are now in the process of qualification to enter this opportunity and study it carefully before we comment on any kind of PPP projects. But in general, we, at Al-Tijaria, are looking always eager to have some kind of due diligence about all these ventures and all these projects that the government is tendering.

Now we are just sending them a query regarding what is the requirement for pre-qualification.

Shaza, we have another question. “Can you elaborate on Al-Tijaria Towers net margin expansion given the revenues were in line with 2023?”

Hager Abdelbaki Can you repeat that question, please?

Shaza “Can you elaborate on Al-Tijaria Towers’ net margin expansion, given the revenues were in line with 2023?”

Walid Yes. Overall, speaking on the rental incomes from all the towers related to Al-Tijaria, regarding rental income comparing ‘24 to ‘23, we have witnessed an increase of approximately 200,000 KD with an average occupancy, as my colleague mentioned earlier, of 93.1%. That increased from the level of 92.6%. Our target is to keep sustaining our revenues with any potential of growth opportunities, while keeping up with the local market prices, especially that we have a mixed portfolio that is spread in a different locations and areas in Kuwait.

Shaza Sorry, he was asking about Hajar Tower, not the Tijaria tower.

Ahmed Shakib Regarding Hajar Tower, the main reason of the increase and profit is that we are witnessing a huge increase in the number of the pilgrimage and visitors to Mecca during the 2024, plus the rental rates per room also has been increased, and all these leads this company to recognize a good profit. Plus, until the end of 2024 the company became a debt free company and paid all the loans which saves interest cost. For that reason, we have witnessed good profit for Hajar during 2024.

Shaza Thanks. We have another question. “Can you please give us more clarity on the economics of margins on your recent project win from the Public Authority for Housing and Welfare? What is the internal rate of return of this project?”

Abdulmutaleb Yes, regarding the latest project awarded to Al-Tijaria’s subsidiary company, which is Q1 there on, we are in the process of signing this contract. And then after that, we can disclose the figures. But now since we are now discussing the balance sheet and the financial statements of 2024 so we can disclose the financial figures later.

- Shaza Thank you. We have another question. “How big is the scale of these potential housing tenders for local developers relative to their existing asset base?”
- Ahmed Shakib As I mentioned before, they didn't disclose anything yet, so we are now in the stage of pre-qualification of this project. And since we don't have enough information, we cannot disclose anything yet.
- Shaza We have another question. “Is Al-Tijaria planning to invest more in Kuwait, given the recent reforms on economic transformation?”
- Abdulmutaleb Yes, as our strategy, as the Al-Tijaria group, we always think about having a diversified portfolio, local and international. But we are, of course, looking for all the opportunities that the government is now planning for the next future project like the Public Authority of Housing Welfare, and all the municipality. All the current projects which are in the pipeline, we are all in to do all this due diligence about it and see that it should be in line with our strategy and our required rate of return on our investment. But, yes, I just confirmed that we can see that we are seeing all the new and potentially good projects we are thinking about entering and studying all the opportunities.
- Shaza, we have covered all questions in the queue. Do you have any concluding remarks? Sorry, we got a new question in the chat. “Do you think local developers will be given preferential terms on upcoming commercial and residential projects relative to foreign developers?”
- Hager Abdelbaki Could you repeat the question, please?
- Shaza “Do you think local developers will be given preferential terms on upcoming commercial and residential projects relative foreign developers?”
- Ahmed Shakib Yes, sure. First, it depends on the experience of the local developers who already are in this sector. Plus, in case that they have built some PPP or governmental projects, then upon finishing these BOT terms or leasing term with the government, by law they have some preferential ratio. I think 10% or 5%. Or in case that a developer is proposing some material investment opportunity to the government with the full study, then also by law, they have also some preferential percentages during the tendering. But that does not mean that the international developer does not have any preferential percentage and economic of Kuwait. And the Kuwait market, with all this happening during last recently, we will see for sure a big progress in real estate sector, which will open huge opportunities for both local and international developers.
- Shaza Thank you. I have a follow-up question. “Will local or foreign, especially Chinese developers, take more of the upcoming projects? Will Chinese developers play a big role in the upcoming?”

Transcript

US: +1 800 893 0568
Asia-Pacific: 852 2877 1422
Europe: +44 (0) 800-014-8131
www.netroadshow.com

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- Ahmed Shakib Yes. Sure. The Chinese are so far taking the mega projects with the governments in the housing sector. So, I think this is also a good opportunity for them for the upcoming projects.
- Shaza Thank you. We have covered all questions so far. Do you have any concluding remarks?
- Hager Abdelbaki Thank you, ladies and gentlemen. Thank you all for your time, and it's highly appreciated. I'd like to conclude this call by thanking you all for attending. If you have any further questions relating to Al-Tijaria financials or any follow-up, please don't hesitate to contact us through the investor's unit email. Thank you.