

Date: 07/05/2019
Ref: M.C/E.M/176/2019

التاريخ:- 07/05/2019
الإشارة : ش.م.أ.ع/176/2019

To: Boursa Kuwait

السادة/ شركة بورصة الكويت المحترمين....

**Subject: Analyst/Investor Minutes of
Conference of Mabaneer's Company**

**الموضوع: محضر مؤتمر المحللين / المستثمرين
لشركة المبانى ش.م.ك (عامة)**

With reference to the aforementioned subject, and to our letter sent to you on 05/05/2019, reference No. M.C/E.M/175/2019, we attach to you the minutes of the analysts / investors conference on the first quarter of 2019.

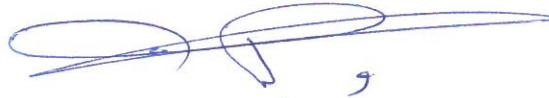
بالإشارة إلى الموضوع أعلاه، وإلى كتابنا المرسل لكم بتاريخ 2019/05/05 إشارة رقم ش.م.أ.ع/175/2019 ، نرفق لكم محضر مؤتمر المحللين / المستثمرين عن الربع الأول لعام 2019.

This is for your information and notice.

هذا للعلم والإحاطة

Best Regards,

وتفضلوا بقبول فائق الاحترام



وليد خالد الشريان
الرئيس التنفيذي

Waleed Khaled Al Sharian
Chief Executive Officer

First Quarter 2019 –Mabanees Earnings Conference Call

Thursday, May 2nd 2019 at 14:30 Kuwait Time

Speakers:

- Mr. Tareq AlAdsani- Deputy Chief Executive Officer, Mabanees
- Mr. Zahid Kasmani – Chief Financial Officer, Mabanees

Moderator:

- Mrs. Shuaa Al- Qati – Communications Director, Mabanees

Introduction

Mrs. Shuaa Al- Qati

Good afternoon everyone, and welcome to Mabanee's investors and analysts call to discuss the company's earnings for the first quarter of 2019. My name is Shuaa AlQati, I'm the Communications Director at Mabanee. I am joined today with Mr. Tareq AlAdsani Deputy Chief Executive Officer at Mabanee and Mr. Zahid Kasmani, CFO of Mabanee.

Warm welcome to everyone.

I would like to commence our call today by reading out a brief disclaimer, which you can also find in the presentation.

Certain statements in this presentation are forward-looking based on the company's expectation, predictions and estimates. They are not guarantees of future performance, achievements, or results.

I would also like to refer you to our full disclaimer on page 2 of the presentation.

Our format for today's call will include 10 to 15 minutes' presentation; the speakers will share with you their respective statements on the company's Q1 earnings. Afterwards, a Q&A session will take place immediately. To participate in the Q&A, please type your question on the screen at any time during the presentation.

I will turn the floor to Mr. Tareq

Mr. Tareq AlAdsani

Good afternoon ladies and gentlemen, welcome to Mabanee's conference call for the first quarter results 2019. I will present to you a quick overview of Mabanee, its key projects and outlook.

The net profit of Mabanee for Q1 2019 reached 13,756,238 compared to 12,170,387 for the same period in 2018, representing an increase of 13%.

The company continues its local and regional expansion by following a strategy of investing in developing and managing shopping malls in distinctive locations, while ensuring a good and continuous investment return.

Our projects are distinguished by the development of shopping, entertainment and hospitality destinations under an iconic brand name, "The Avenues". These expansions are implemented by direct investments or partnerships with a group of leading Gulf investors.

We are following a policy of diversifying our investments through targeting new sectors such as hotels, residential and medical projects, as well as developing projects of sizes and components commensurate with the needs of each market and region.

We believe that despite some challenges in the international retail market, certain markets continue to be an encouraging investment opportunity.

As for our project in Kuwait, The Avenues, Phase IV is progressing as planned with over 203 stores opened to date, representing 66% of phase IV stores.

Contractors started improving the traffic infrastructure, which will progress over two years, in collaboration with the Public Authority for Roads & Transportation. The occupancy rate for phase I, II and III is 95%, and 94% for phase IV. The total number of stores for all phases is 1095, of which 1037 are rented.

It is important to note that the Avenues - Kuwait supports the small and medium enterprises by offering stores in some districts. As we all know, Phase IV was declared a National Winner for 2019 at MEED Award for two categories; Commercial Property Project of the Year and Tourism & Leisure Project of the Year. It is a great thing.

As for Salmiya Project, it will be Mabaneer's first mixed-use project outside of The Avenues and will reflect new standards of design and experience. The concept and the feasibility of developing around 10,000 m² land is under a comprehensive study.

We also look forward to the possibility of partnership with the government in developing a number of its projects through PPP in Kuwait, noting that we were short-listed to participate in the tender for several projects.

The Avenues - Bahrain is witnessing a great success, which has driven us to update the design of the second phase of the project, which will add more leasable space to the western part. The construction of the Hilton Garden Inn hotel and phase II will commence within the next few months. The hotel will have direct access to the mall and will include 210 keys. The occupancy rate is 85% with 120 store, of which 103 are leased. It is also known that The Avenues - Bahrain was awarded The Best Retail Architecture Award in the Arabian Property Awards.

As for our projects in KSA, The Avenues - Riyadh, which is Mabaneer's largest project, will be one of the largest malls in the world with five multi-purpose towers. The main contractor has already been selected and an agreement will be signed in near future. SAR 5.1 Bn have been secured through an initial agreement with 9 GCC banks and a memorandum of understanding (MoU) with the Project Support Fund of the Ministry of Finance has been signed to fund part of the project with an amount of SAR 500 million. We value these relations as they reflect trust.

The design of The Avenues – Khobar, on the other hand, is pending approval. It will include commercial and entertainment areas, as well as four towers that will house residential apartments, hotels, offices, medical facilities, exhibitions, ballrooms and conference halls.

Mabaneer's other project in the GCC region is Sharjah Project, which is a strategic partnership with Shurooq; Sharjah Investment and Development Authority in the UAE. It is located on Sheikh

Mohammed Bin Zayed Road on a land area of 65,000 sqm and entails the investment and development of ca. 58,000 m² GLA and a 13,000 m², 200 key smart urban hotel proposition over a BUA of 182,000 m². We are still refining the design of the project.

Mabaneer is also constructing multiple hotels in the region. Hilton Garden Inn-Kuwait, with 400 guestrooms, will be adjoining two of the new districts, The Forum and Electra. It will become the brand's largest hotel in Europe, Middle East, & Africa. Havelock AHI has been awarded the turnkey fit-out packages for the Hilton Garden Inn Kuwait. We hope that operation will start in Q3-Q4. The accomplishment rate of the project is 85.5%. Waldorf Astoria Kuwait, with 200 guestrooms, will be located in "Prestige" district. It will feature a 640 sqm ballroom, multiple dining options and an outdoor pool and a Spa. The accomplishment rate of the hotel is 54%.

Hilton Garden Inn-Bahrain, on the other hand, will be the first Hilton Garden Inn with 210 rooms and apartments with a unique sea front view.

We are also constructing staff housing building in Al-Fintas area on a land space of 3800 sqm, with a cost of up to 8 million K.D.

Mrs. Shuaa Al- Qati

Thank you Mr. Tareq, I will turn the floor to Mr. Zahid, Mabaneer's CFO

Mr. Zahid Kasmani,

Thank you Ms. Shuaa.

Thank you all for joining us for discussion on the financial performance for the quarter ending March 31, 2019.

The operating income of the Group rose by almost 22% to KD 23m in Q1 of 2019 compared to Q1 2018, mainly due to the inauguration of Phase IV early 2018. Phase IV was opened at the end of Quarter 1, 2018.

The operating expenses of the mall increased by 26% over Q1 2018, mainly due to opening of Phase IV. In consideration of the increasing utilities rates in Kuwait, we have taken some provisions, to cover for some delayed meter reading. A minor dip in operating margin is mainly due to phase IV revenue potential not yet reached its potential. Going forward, we expect this to improve as and when phase IV becomes fully operational.

Phase IV continues to contribute to our bottom line. The net profit for the three months period ended March 31, 2019, rose by KD 1.6m to KD 13.8m, representing an increase of 13% over the same period in 2018.

The return on assets for the current period is at 6.39% compared to 6.05% in 2018.

The Return on equity rose to 12.7% in 2019 compared to 12.5% in 2018, reflecting better profitability, as expected from phase IV operations.

The Net profit margin decreased to 59.8%, as compared to 64.3% in 2018, mainly because of the following:

Income from Phase IV is not yet at full capacity.

Depreciation and finance charges are already charged to P&L;

Thus resulting in a dip in the margins. We expect this margin to improve as phase IV generates revenue at full potential.

The debt equity improved to 68% in Q1 2019 as compared to 73.1% in Q1 2018. Debt to asset also improved to 34.2% in Q1 2019 as compared to 35.4% in 2018.

The total assets and the book values increased to KD 873m and 446 fils respectively in Q1 2019 compared to KD 816m and 422 fils in 2018, which is mainly due to continued spending on asset creation, expansion and higher retention of profits in the business.

Adjusted EPS increased to 13.25 fils in Q1 2019 from 11.71 fils in Q1 2018 for the period ended March 31, 2019.

The Group recently released the cash dividends of KD 11,750,050, which represents a cash dividend of 12% and obtained regulatory approval on April 9, 2019, for the 6% bonus shares, which revises our share capital to KD 104,254,148.

I would like to take this opportunity to thank you for attending this session.

Mrs. Shuaa: Thank you Mr. Zahid. We will now start answering your questions. We will pause for a minute. Just a reminder to keep writing in your questions for us to answer them as they come in. Our first question is regarding phase IV, asking what is delaying the tenants of phase IV space from moving in given the difference between 94% occupancy rate and 66 opened rate.

Mr. Tareq: Yes, thank you for the question. First of all there are several factors that affect the difference. One would be the grace period between signing the lease and when the rent starts. The second reason would be the type of client and the type of operation that happened in some high end brands or bigger spaces. It takes longer to occupy that space and for rent to start. In smaller units easier type of operation if it is not F&B, then it would be easier to penetrate. Those are the two main reasons some tenants take longer to penetrate their space.

Mrs. Shuaa: Our second question is regarding The Avenues - Riyadh asking about the Ministry of Finance's contribution of 500 million SAR to The Avenues - Riyadh is it for equity and if so what would be their stake?

Mr. Tareq: Ministry of Finance's contribution will be purely debt. We will account for it as part of the financing that comes through banks and the ministry of finance so that total 5.6 which include the Ministry of Finance is all financing on agreed terms, so it has nothing to do with equity it is not an equity participation.

Mrs. Shuaa: the next question is also regarding our project in Saudi Arabia asking; for Mabanee Saudi Arabia project, can you please provide some current terms of financing like average of weighed financing rates, repayment schedules and when does repayment start?

Mr. Zahid: The financing for the Saudi project is based on the favorable market terms as part of the consortium of the 9 banks we will be making this announcement very soon but these are like very favorable terms and the repayment schedule is in line with the cash flow of the project. It was done in detail by the financial advisors.

Mrs. Shuaa: our next question regarding the hotels in Kuwait asking about giving us a sense of room rate, potential occupancy and margin for the hotel business to help us with our financial models

Mr. Tareq: Well, as part of our study, I don't have firm numbers to give, occupancy in Kuwait I believe stands between 50% and 60% depending on level of the star of the hotel and the location. Room rate the same. But what we believe for us, we will be above average, above market considering that the footfall that The Avenues get and that those two hotels are attached to it and it is a closer proximity to the airport compared to the other hotels. So to recap, yes we believe we can achieve better rate and better occupancy than what is available in the market. However, market data can be researched. I believe there are public information on that.

Mrs. Shuaa: the following question is; in what quarter do you expect the full impact of phase IV to come in at the revenue side?

Mr. Tareq: to define that, I think when all leased contract, as the first question, when the 94% signed lease goes into paying mode or when the rent starts. That is gradual as I believe shown in quarter by quarter when it will get to its full potential early 2020, Q1. It could be gradual of course that shifts slightly a month earlier or later but we believe that is a comfortable date to have most of phase IV potential, or at least the 94% leased so far.

Mrs. Shuaa: the following question again regarding The Avenues Riyadh when do you expect the mall to be operating and do you see the market has the capacity to cover the GLA of the mall?

Mr. Tareq: The Avenues, we expect the project to be a 4-year project, completion of course depends on the start date, hopefully we are targeting to start this summer, late Q2 or early Q3. That's the target for us, if that is achieved, then it is 4 years from summer 19, that means summer 2023, of course those are tentative dates to talk about but at least those targets for us for now. Capacity to cover GLA, we believe with the experience that we have in Kuwait, if I understand the question correctly, we have a great leasing team and a great leasing capabilities that leasing the mall will be achievable on relatively easy approach. We are currently talking with couple of major tenants on how to accommodate them in that mall so leasing efforts are starting from today, even before the project starts, to answer that question.

Mrs. Shuaa: the following question regarding phase I and II of The Avenues Kuwait; are you seeing any turnover in the tenants of these phases, phase I and II?

Mr. Tareq: Turnovers are always there. It's not something associated with opening a new phase. Yes opening a new phase might affect it but again the level of turnover that we have in the mall overall is within a comfortable level that we have. As you have seen our occupancy from quarter to quarter has not been affected massively, some of the turnover is related to the competition that we have within the mall. Some operators if not keeping up with the changes around them they might get affected or not achieve their target and tend to move out. But turnover is a fact always will be there, but however it is within a meaningful level and not in an alarming level.

Mrs. Shuaa: the following question regarding clarifying the total tenants sales for 2018?

Mr. Tareq: The type of contracts that we have with our tenants are not turnover contracts, therefore, it doesn't give us a real picture on how tenants are performing. Nevertheless, we do surveys, we have certain departments that do follow-ups which gives indication rather than factual information on their performance currently. Those surveys show good level and good satisfaction by tenants.

Ms. Shuaa: So, since there are no further questions we would like to thank you all for your attendance and we'd like to remind you that should you wish to ask any questions you may do so through our Investor Relations email listed on our website. Thank you all. I will just hand the call back to the operator.