Welcome (Anthony) – Slide 2
Good afternoon everyone, and welcome to our final NAV call for the 2020-2021 financial year. We hope that you have all been keeping safe and healthy during this time.

Presenting team (Anthony) – Slide 3
My name is Anthony Taylor, and I am the Head of Real Estate, and I am joined by Asif Siddique, ENBD REIT’s CFO. I have a few remarks I would like to share before we get into the Quarterly Investor Presentation, which is available on our enbdreit.com website under Investor Relations – Results and Reports.

2020-21 was a challenging year as a result of the Covid-19 pandemic and an already soft real estate market. During the year, our priority was to ensure we stabilized occupancy across the portfolio and to limit downward movement on rental income. Additionally, we looked at expenses across the business including at a fund and property level and took steps to reduce these where possible.

We were also successful in taking advantage of the significantly lower interest rate environment last year and Asif will provide more details on our debt facilities shortly.

On the income side we were successful in safeguarding occupancy levels and achieved a healthy and stable 76% occupancy rate, versus 82% last year, which can be attributed to active asset management and a flexible leasing strategy. During the year we rolled out our rental relief program to tenants who were materially impacted by the pandemic, which allowed us to maintain occupancy levels albeit with a lower collection rate than we would usually achieve. We ended the year 8% down on gross revenue, however due to significant cost savings (16% lower on previous year and 23% if exclude provisions for doubtful debts) we were able to achieve an 8% increase in net rental income or FFO.
With lower occupancy in some assets, we also took the opportunity to enhance the value of the portfolio by initiating strategic capital renovation projects in the office segment which are targeted to be finalized in 2021.

**Snapshot (Anthony) – Slide 4**

On slide 4 we highlight some key metrics as at 31st March. As you can see, our property portfolio value stands at USD 360 million, with valuations down USD 51.3 million or 12% y-o-y and are pleased to report that these valuation losses appeared to be levelling off, down only 1.5% for the last quarter. These valuation movements are largely a result of general softness in the local real estate market and the direct impact of the Covid-19 pandemic last year.

As mentioned, occupancy across the portfolio is relatively healthy at 76%, however is somewhere off our target levels of 85-95%. This is largely due to challenges at Al Thuraya which has a 43% occupancy and some of our residential assets where we see supply outweighing demand. Weighted Average Unexpired Lease Term (WAULT) increased during the year to 4.09 years, a result of longer-term leases secured in the office sector often as a result of rent negotiations and Covid relief being offered to certain tenants. Loan To Value (LTV) has increased above 50% in the year, 52% as at 31st March, due to falls in valuations and we are in close contact with our lenders to mitigate the impact of potentially exceeding any LTV covenants in the future. We would like to thank our lenders for their support and engagement during these challenging times over the last 12 months.

NAV now stands at USD 180 million cum-dividend or USD 0.72 per share, which is down 17% y-o-y. We continue to hold a diverse portfolio with 11 properties across office, residential and alternative asset classes. Our holdings are 68% office, 14% residential, and 18% alternative. We remain conservative on projections for the new financial year while continuing to take steps to safeguard income and reduce costs. We will also look at potential disposals, on the basis that they offer fair value to shareholders in the life cycle of the property.

**Payments to shareholders (Anthony) – Slide 5**

On slide five, you can see the payments made to ENBD REIT’s shareholders since listing. Despite market conditions, ENBD REIT has maintained positive cash flow and is proposing a final dividend of USD 4.4 million or 1.76 cents per share. This equates to a total dividend for the year of USD 9.25 million or 3.7 cents per share. This dividend is down 7.5% from last year. It’s worth explaining that the regulatory requirement for REITs is to distribute 80% of annual audited net income, this number includes valuation
movements, and since negative valuation movements exceeded net rental income, there is no regulatory requirement for ENBD REIT to distribute dividends this year. However management and the board are committed to distributing as much of the net rental income/FFO as possible while maintaining a sustainable liquidity position going forward. In this light, we believe the proposed dividend, at 78% of net rental income generated during the period is a fair reflection of market conditions. This amount equates to 90% of total cash generated in the year, if we remove all receivables still at risk. I’ll now hand over to Asif to take you through our debt position.

**Capital structure (Asif) – Slide 6**

Thanks Anthony. Our current LTV rate of 52% is a result of further pressure on valuations. As Anthony mentioned, we remain in regular dialogue with both our lenders, specifically in relation to our LTV covenants. Despite pressures on valuations, cash flows remain strong and cover all ongoing payment obligations. During the year, we made a principal prepayment of USD 850,000 to Standard Chartered to avoid non-compliance with the facility to value ratio. We are confident that the USD 45 million facility can be managed through to maturity in November 2021, as it is secured against two well occupied assets – The Edge and Souq Extra. We are currently in negotiations with Standard Chartered, as well as other banks in relation to refinancing of this facility.

We have also been in continuous discussions with Mashreq Bank on our biggest facility where we have kindly been offered a waiver from them for FTV covenant testing for the 12-month period from February 2021 as we manage out of period of market uncertainty. Additionally, our forward hedge executed in June 2020 will start from 1st July 2021 on 55% of our overall debt. This will increase our cost of finance slightly going forward, however given this hedge is for the next 2 years, we still believe this to be a prudent approach to protect against rising rates in the future. I’ll now hand over to Anthony.

**Portfolio characteristics (Anthony) – Slide 8**

Thanks Asif. As you can see on slide 8, our portfolio remains well-diversified, and allocation remains stable. The portfolio demonstrated reasonable resilience in its occupancy, at 76%, down 6% from last year. Following the departure of two large corporate tenants over the last 18-24 months, occupancy at Al Thuraya remains our biggest challenge with occupancy at 43%. In light of current market conditions, we continue to maintain a flexible rental strategy to safeguard, and where possible improve, occupancy while remaining competitive in the market. On the residential portfolio, occupancy at Arabian Oryx improved significantly from 88% to 97% with the revision of rental rates and a strong leasing campaign.
Analyst Call Script

led by our appointed property managers Asteco. Remraam occupancy has slipped to 46% from 74% and rental rates have been revised accordingly to address this.

To address occupancy challenges in our office portfolio we’ve also rolled out a number of refurbishment projects. During the year we deployed USD 866,000 and earmarked USD 5-6 million for the remainder of 2021 to upgrade existing assets and support leasing performance. With regards to the refurbishment at Al Thuraya, which is the largest capital project ENBD REIT has undertaken to date, work is well underway and we expect that the project will have a positive impact on leasing once completed in towards the end of 2021.

**ENBD REIT’s portfolio valuations (Anthony) – Slide 9&10**

On to slides 9 and 10, we continue to see valuations coming under pressure across the portfolio, due to the lingering effects of the Covid-19 pandemic and weaker leasing demand, especially in our office portfolio, which has resulted in adjusted valuation assumptions on leasing rates, take-up periods and yields.

During the year, across the ENBD REIT portfolio Uninest valuation movement was the most significant. This was due to non-payment of rent by the operator, and we are in ongoing discussions with them to find a workable solution going forward. Residential assets were impacted by a continued decline in leasing rates in line with market conditions.

**Asset snapshot (Anthony) – Slide 11,12 & 13**

We will look at the portfolio segments in more detail on slides 11 through 13, starting with the office properties. As mentioned, we continue to see pressure in the office market. Al Thuraya 1 and The Edge have the most significant share of our total portfolio value at 19% and occupancy levels at 43% and 97% respectively. As mentioned earlier, refurbishment work at Al Thuraya, including upgrades to the Ground floor lobby, lifts, external landscape and MEP services is on track for completion this year. Occupancy at The Edge remains stable given the renewed extension of the Oracle lease for a further 5 years. At Burj Daman subdivision and fitout works have been completed and we have recently started marketing these completed units for leasing.

On slide 12, the residential segment remains under pressure. While reduced rental rates have been successful in maintaining high occupancy and maximizing cashflows, the impact on net rental income
Analyst Call Script

and valuations has been significant. As mentioned earlier, the residential market remains a challenge with shorter lease terms and mobile tenants given the high levels of supply and softer demand currently.

On slide 13, we can see the alternative portfolio. With longer term leases, the segment continues to perform well in terms of occupancy, however due to restrictions to tackle the Covid-19 pandemic some tenants were materially impacted. The Uninest valuation fell significantly during the year due to non-payment of rent, and we are pleased with progress we are making with the tenant to find a workable solution.

With students returning to classrooms, South View School is back to full rental payments following some rent relief offered during the lockdown restrictions last year. Souq Extra is holding up well, being situation in a densely populated location within DSO and with strong anchor tenants. I’ll hand back to Asif to take you through the financials in more detail.

Financials (Asif) – Slide 15
Thanks Anthony. We’ve touched on most of the points of slide 15 in previous slides. However, we’ll unpack the numbers in more detail on the following slides.

Financial performance (Asif) – Slide 16
On slide 16, we provide a summary for the full year. Gross income has decreased by USD 2.8 million or 8% due to vacancies in Al Thuraya 1 and lower rental income in the residential portfolio. Expenses have decreased by USD 3.8 million across operating expenses, finance costs and fund expenses. Our Net Rental Income or FFO has increased by USD 908 thousand a result of the REITs active asset management strategy and a reduction in costs across all expense lines.

Valuation losses increased this year, reflecting soft real estate market conditions and the effects of the Covid-19 pandemic. As Anthony mentioned earlier, we reported USD 51.3 million valuation loss for the year as at 31 March year end valuations. Despite positive net rental income, we reported a net loss of USD 39.5 million for the year due to these valuation movements. While we are pleased to see the write downs in valuations levelling off, we do still expect to see some further pressure during the coming quarters before market conditions start to recover.

Breakdown of total expenses (Asif) – Slide 17
Moving on to slide 17, we provide a breakdown of total expenses. We are pleased to report that operating expenses are down 7.6% or USD 508 thousand due to our active asset management strategy where we have renegotiated all contracts with service providers in light of challenging market conditions. We would like to thank all these providers for understanding and continuous support.

Fund expenses have gone down by 27.1% excluding a provision made for doubtful debts, mainly due to the management fee being lower as its linked to a lower NAV, but also due to a reduction in the actual percentage management fee charge as well as Board and committee fees. This year the provision for doubtful debts increased to USD 1.8 million, from USD 182 thousand last year, primarily due to the Uninest provisions. Lastly, finance costs decreased by USD 3.3 million due to the lower lending rate environment, which we were able to achieve by keeping our profit rates floating for the year.

Before handing back to Anthony, I’m pleased to confirm the reduction of capital has been concluded and this benefits shareholders by allowing us to continue paying dividends from the FFO generated as well as potentially distributing any excess proceeds from disposals in the future. Back to you Anthony.

**Closing remarks (Anthony)**

Thanks, Asif. This concludes the presentation. As a final note, I would like to recap on the various steps we have taken over the course of the financial year to improve the REIT's performance including:

- The reduction of costs in operating and fund expenses
- The implementation of an active leasing strategy to safeguard occupancy
- The roll-out of refurbishment works in our office portfolio to ensure we are suitably positioned to benefit from positive changes in market sentiment in the future

We appreciate your time today and look forward to welcoming shareholders at our AGM on 29th June.

We will now hand back to our host, Mohammad, who will open the call for questions. Thank you.