Welcome (Anthony) – Slide 2
Good afternoon everyone, and welcome to our NAV update call for the first quarter ended 30th June. Apologies if anyone recently had issues accessing our website from mobile devices – the Bank is now working on resolving this issue. If you are having issues accessing the website our reminder email for this call sent out today includes the presentation.

Presenting team (Anthony) – Slide 3
My name is Anthony Taylor, I am Head of Real Estate, and I am joined by Asif Siddique, ENBD REIT’s CFO. As usual, we will start with a snapshot of the REIT in the first quarter, and discuss some important issues and milestones from recent months, then open the call to your questions. We don’t typically host a 30th June NAV call during the summer as many people are away, but given the circumstances we felt it was responsible to keep the market updated and address any questions you may have. We also know more of you are around this year with the limitations on travel, so thank you for joining.

Snapshot (Anthony) – Slide 4
The first quarter of this financial year has been challenging, to say the least. The local real estate market was already soft and the impact of Covid-19 has amplified negative sentiment, while businesses across sectors have come under immense pressure. As you can see on slide 4, portfolio valuations have fallen by USD 18m this quarter which equates to 4.6% on portfolio value or 8.4% in terms of NAV. This is despite our assets continuing to generate positive rental income of USD 3.3m (6.27% on NAV annualized) and a 16% return from the share price of USD 0.34 as at 30th June.
WAULT has narrowed slightly, and occupancy has fallen significantly to 76% from 82% in March, partly due to the pandemic and partly due to challenges we are facing leasing one of the largest assets in our portfolio, Al Thuraya Tower, where occupancy has fallen to 45% from 51% last year.
LTV has moved up from 44% to 48% due to valuation pressure and additional drawdown of AED 50m from our Mashreq facility. This facility’s availability was maturing on 30th June 2020, and it had been earmarked for upgrades – particularly to Al Thuraya Tower – along with additional cashflow cover during the uncertainty created by Covid-19. With LTV at this level, for now it prevents us from pursuing further acquisitions, as this would take the LTV beyond 50%, which we don’t consider prudent in current conditions.

Payments to shareholders (Anthony) – Slide 5
Slide 5 provides a reminder of dividend payments made to shareholders. As you can see, the Final Dividend of USD 5.1m was paid in July, amounting to a total dividend for the year-ended March 2020 of USD 10m (0.04 cents per share), at a payout ratio of 91% of total net rental income generated during the year. The total dividend paid equates to a return of 11.24% per annum, at the prevailing share price as at 30th June.

Covid-19 impact (Anthony) – Slide 6
On slide 6 we have provided information on the impact of Covid-19, and our response to it. We have made a concerted effort to keep the market updated on the impact of the pandemic on our portfolio, and our efforts to work with tenants and service providers during the crisis.

To date, 71 tenants out of a total of 489 in the portfolio have enquired or applied for help, and we have offered USD 2.7m in rent relief and deferred rental payments to date. The impact of the pandemic on cashflows today is in the region of 4-6%, with more pressure expected before things start to improve. The reason for the range rather than an exact number is that negotiations with a number of tenants are still ongoing.

I want to reconfirm our position on this. We genuinely sympathize with our tenants and want to support those who find themselves in difficult and uncertain times. However, assisting them is a commercial decision, as we recognize that supporting them through this period is the fastest way to generate revenue from units, as opposed to letting tenants fail and vacate. To be clear, we do expect businesses who can afford to continue paying their rent to do so and we do not look favorably on any tenants we see attempting to take advantage of the situation. We therefore evaluate all applications carefully and conservatively. I’ll now hand over to Asif to discuss our capital structure.

Capital structure (Asif) – Slide 7
Thanks Anthony, we are now on slide 7. The REIT’s Loan to Value ratio has increased to 48% from 44% in the previous quarter, following valuation losses and drawdown of AED 50 million earmarked for upgrades to certain assets in the portfolio, as well as cashflow cover. The REIT remains fully in compliance with all its debt covenants, and we recently secured a Shari’a-compliant hedging agreement with Mashreq Bank – covering 56% of our total debt – to fix finance costs at these unprecedented low levels until June 2023.

This profit rate swap was an important recent announcement, and a material step in managing our costs going forward. The arrangement fixes the variable rate of EIBOR for two years from June 2021, with current low levels of EIBOR attractive for us. Reducing and maintaining lower fixed costs remains a high priority, with cost of financing our single largest expense – amounting to 47% of total expenses as at March 2020. We will now benefit from lower finance costs for the next three years on a significant portion of our facilities, thereby improving profitability. I’ll now hand back to Anthony, to discuss the portfolio.

**Portfolio occupancy (Anthony) – Slide 9**

Thanks Asif. Moving onto slide 9, you can see that occupancy is under pressure, with office occupancies falling, and having a significant impact, since this is the largest segment of the portfolio by value. While it looks like tenants in the alternative space are performing better, it’s worth mentioning that the sectors of these three tenants (education, student accommodation and retail) have seen their businesses severely impacted by movement restrictions, and a number of these tenants have come forward with rent relief requests.

**Portfolio valuations (Anthony) – Slide 10-11**

As shown on slides 10-11, where we have provided information on the portfolio valuations, which is down 4.3% in the quarter. This is largely due to the office portfolio being impacted by lower rental rates, increasing vacancies, as well as yield adjustments from the valuers in light of current market conditions. The office segment is now catching up with residential, which has been falling for some time. As the graphs show, we can see a percentage decrease in each asset since inception of the REIT in March 2017, which shows a consistent trend across sectors, but also makes the argument for a diversified investment strategy, which we believe remains important for real estate assets that are, by definition, long-term investments. In this context, we retain our view that diversity in the portfolio is a key
component for mitigating downside risk. The most significant fall in value is at Al Thuraya Tower, which is down 16% in the last year, due to the fall in occupancy and lack of current tenant demand.

**Asset snapshot: office (Anthony) – Slide 12**

As we move onto the portfolio, starting on slide 12, I’ll add some positives to what has been a fairly negative narrative so far. Starting with offices, we have actually had some positive developments in leasing at The Edge and Burj Daman buildings, which we will be announcing soon, once all agreements have been executed. Falling occupancy and attracting new tenants remains our biggest challenge in the Media City and Healthcare City assets. While we continue to undertake smaller improvement works in DHCC, we are pleased to announce that we have commenced a major upgrade at Al Thuraya Tower, looking to transform this building into a property that new tenants want to occupy. We have engaged consultants, Bluehaus Group as lead design, and Savills as our project management and cost consultants for the project, who are busy working on the concept design, and the overall project is expected to complete by H2 2021. A large portion of this work has been earmarked for some time but is challenging while the building has been operating at higher occupancy levels. At the current lower occupancy, and while the contractors’ pricing is competitive it makes sense to push the button on this major refurbishment, and hopefully we will have improved results in attracting new tenants to the building.

**Asset snapshot: residential (Anthony) – Slide 13**

For the residential portfolio on slide 13, we have taken a pragmatic approach to dealing with tenants who have unfortunately lost their employment and are unable to pay rent. If a tenant can prove their unemployment status and is willing to look for work (and demonstrate they are doing so), we will accommodate them for a short time under our rent relief programme. Hopefully, they find new suitable employment and can then continue paying rent as normal. If a tenant in a similar situation decides he can no longer afford the rent and wishes to vacate, we will not hold him to the penalties in the contract, as in most cases they are unable to afford these and they bring with them legal and administrative costs for the REIT.

**Asset snapshot: alternative (Anthony) – Slide 14**
For the alternative portfolio, we already touched on the fact that these sectors have been significantly impacted by the Covid-19 pandemic. Schools, universities and retail centres have all been shut down for periods of time during the quarter, and this has put these businesses under pressure when it comes to operations and cash flows. We are working with all affected tenants or operators to find contractual arrangements that are satisfactory for both parties, and will also announce these as well in due course.

I’ll now hand over to Asif to take you through the financials.

Financial summary (Asif) – Slide 16

Thanks Anthony. On slide 16, we look at key themes in financial performance that have emerged during the quarter. In summary, these include:

- Gross income is up 6% from last quarter – We all know that the vacancies have increased and occupancy fell to 76% but this increase is mainly due to the change in calculation of straight lined income in our newly implemented property management system Yardi and is reversed in the valuation movement which accounts for USD 530K of the gross income. Without this adjustment gross income is down slightly from the previous quarter, as expected given market conditions and lower occupancies.

  - Net rental income or FFO is up 5% from the last quarter on the back of straight lined income and reduction in finance cost we have achieved a FFO of USD 3.4 m during the quarter

- USD 18m of unrealised valuation losses – Anthony has already touched on this in detail on valuation movement slides.

- And our finance cost is down 23% from the last quarter, thanks to the lower profit/interest rates and our decision to keep interest rates floating in 2019

Financial performance (Asif) – Slide 17

Moving on to financial performance on slide 17, we provide a comparison to the same period last year. You will see that gross income is lower by USD 702,000 from the same period last year, mainly due to Al Thuraya vacancies and lower rental income from DHCC buildings and Arabian Oryx House, but rental income is still healthy and the majority of tenants are still paying their rents on time.
Expenses have decreased by USD 1.3 million across all categories. The main driver is reduced finance costs, but also cost saving initiatives throughout the portfolio, where we have stripped out all “nice to have” expenses and renegotiated contracts with most of our service providers. In addition, going forward the reduced management fee has taken effect from 30th June and will be reflected in the next quarter’s numbers.

FFO has increased by USD 560,000 from the same period last year. This is predominantly due to the reduction in finance costs, our continued active asset management, as well as a one-off expense incurred in the June 19 NAV for refinancing costs, which made that quarter’s FFO lower than usual. Despite positive rental income, valuation losses of USD 18 million reflect the softness of the local real estate market and impact of the pandemic. We are not yet out of this uncertain period, and we might see more valuation losses in the coming months before things start to improve. It is still too soon to fully understand the impact that Covid-19 has had on the local economy and real estate market.

Lastly, the net loss we have reported of USD 14.7 million is due to the valuation losses in the portfolio, despite cash generation by the portfolio being positive.

**Breakdown of total expenses (Asif) – Slide 18**

On the final slide before we move onto the Q&A, which is slide 18, we have provided a breakdown of the REIT’s expenses. Our operating expenses have decreased by USD 356,000 (or 19.75%), partially because of the lower occupancy at Al Thuraya Tower, which means that once occupancy improves, then associated direct costs will go back up due to the PMLA arrangement we have with TECOM. The decrease is also due to the active management of assets, which has brought some key operating expenses down such as facilities management, and non-critical repairs and maintenance.

Fund expenses are down by USD 532,000 (or 20%), because of lower management fees charged due to lower NAV, and some other expenses that have been actively managed. Our finance cost is lower by USD 374,000, mainly due to the refinancing of our debts to a more cost effective facility and the fact that interest rates globally have come down this year.

Lastly, a comment on provisions. As the pandemic is not yet over, we are still assessing the impact on the REIT. At this time, given that our tenants pay us rent in advance we can confirm that our default ratios are manageable but may come under pressure if the market continues to decline. With that, I will hand over to Anthony to wrap up the presentation.

**Closing remarks (Anthony)**
Thanks Asif. This concludes the presentation, and we will now open the floor to a Q&A, hosted by Arqaam Capital.