Operator: Ladies and gentlemen, welcome to ENBD REIT, September 30th NAV Update conference call. I now hand it over to your host, Mohamad Haidar from Arqaam Capital. Sir, please go ahead.

Mohamad: Good day ladies and gentlemen. And welcome to ENBD REIT 30th of September 2017 NAV Update conference call. This call is hosted by Arqaam Capital. And I am Mohamad Haidar, Real Estate analyst here at Arqaam. With us today from ENBD REIT are Mr. Anthony Taylor, the Fund Manager. And Mr. Asif Siddique, CFO. Without further delay, I will now hand over the call to Mr. Anthony. Please, go ahead.

Anthony: Thank you, Mohamad. Hi, everyone. Thanks for joining the call. We would like to take you through the 30th of September numbers. The NAV has recently been announced. Just to clarify at the beginning of this call, all the numbers that you see will be as of the 30 of September, unless we specify otherwise. I’m sure you’ve seen in the recent announcements that have been made relating to ENBD REIT. Our recent acquisition of the Edge office building leased to Oracle in Dubai Internet City. That acquisition was done on the 5th of October. So, again, they fall outside of these numbers, unless, we specify them in the numbers that we reflect. Moving onto the portfolio as of the 30th of September. We have 9 properties now in the portfolio, following the acquisition in the quarter of South View School, which is an education asset under development in the Remraam community. The allocations in the portfolio by sector are 59% offices, 27% residential, and 14% into alternative assets, including our student accommodation, which we acquired in May this year and then the education asset that I referred to. In terms of the occupancy, you’ll probably notice that this is down slightly, from the previous quarter. The reason for that is due to two of our residential assets, the Binghatti Terraces on which the rental guarantee has ended and our Remraam residential asset, where our single-tenant, Media Rotana vacated in July so that building is currently leasing up again. We’ll take you through those numbers in detail a bit later. But the portfolio occupancy was in the 80s (%) back in June. It’s now at 79%. The loan to value is 28% and a gross yield of 8% on the portfolio.

Our unexpired lease term is up at 3.6 years. Again, that’s something that we’ve been focusing on, in terms of acquisitions. Moving off about 1.7 at time of listing back in March. So just moving onto the next slide and trying to give you an idea of how the Edge acquisition affects us in the portfolio. This is a portfolio snapshot at the 5th of October, with all numbers staying the same. As of 30th of September, that’s including the Edge asset now into the equation as well. Our property portfolio grows to USD434 million. Obviously, we’ve increased to 10 properties. Slightly overweight in offices now, 67%, given the size of the Edge acquisition at 280 million dirhams. And residential and alternative sectors are adjusted down accordingly. Your unexpired lease term remains the same. Occupancy has gone up to 82%. And loan to value is now sitting 32% with a drawdown of our finance facility to accommodate the purchase. The gross yield is at 7.8%. This is based on the yields on the acquisition being at 7.2%, so bringing that eight down, slightly. But, again, keep this in mind with the occupancies of the residential as well as Burj Daman at its current occupancy rates in the portfolio.

So in terms of the performance, the NAV has moved up to USD 292 million as of the 30th of September. And our property portfolio has also increased from IPO, to USD 353 million. We also look at the share price quite closely and how that is tracking against the NAV per share, and this is as of the 30th of September. Currently at $1 a share. It was down during the summer as well, I think. It got to a low of .97 and has been trading up since then. It’s trading above a dollar per share at the moment. So something that we’re keeping a close eye on as it has been tough through the summer where there’s been limited activity across most local exchanges. Hopefully, with these new acquisitions and getting the income up on these portfolios, we should start to see that share price
We'll just move onto some of the history and track record of the portfolio. So prior to listing in March, ENBD REIT was a private real estate fund. And, in terms of the life of that fund, we have executed 25 acquisitions totaling close to 750 million dollars. We've also made some strategic disposals along the way -- 15 properties exiting at about $300 million U.S. dollars of assets. We've, obviously, evidenced the acquisition track record with the last three acquisitions since the IPO. And we have two to three opportunities at the moment, which we currently are looking at closely hoping to execute at least one more before the end of the year further pulling down on our finance facility, and getting our leverage up to close to 40%. That will further improve the yields on the portfolio.

So, in terms of highlights for the quarter, I'll run you through the portfolio values. Keep in mind, this is excluding our Edge acquisition. Our cash position at 63 million was relatively high, still. That's mainly from the IPO proceeds from March. Gross asset value of just over 400 million dollars. In terms of gross yield, 9.7, the net yield on the NAV is at a 5.1 number. And I think it’s probably good to explain this a bit more. It’s in terms of unrealized gains or valuation gains in the quarter that have been relatively flat. What we saw in the first quarter and in June 17, that there was an element of capital appreciation on the assets. And given the current market climate that has not continued. We can take you through those numbers as well a bit later in terms of how that affects the portfolio. But what we’ve also tried to do is illustrate having now utilized our cash position invested into the Edge building and put the Edge income over the last six months, so effectively adding the Edge to our portfolio from the first of April of this year. That gets us to a net yield of 7.2%. And that's trying to give some sort of guidance of how the fund should perform now that we're increasing the rental generation of the portfolio. Obviously, no dividend paid out in September. And the share price trading at $1 as of the 30th of September. In terms of the portfolio overview, we've touched on the occupancy. And on the right, you can see the weightings across the portfolio per asset. Our largest three assets accounting for slightly over 50% of the portfolio.

Moving onto our geography, we're still focused...or 100% today invested in Dubai. You'll recall that our strategy is to be diversified across the Emirates. So we are actively looking at investing into Abu Dhabi and one or two of the other northern Emirates at this time. We haven't executed, yet. But it is something that we'll be looking to grow our portfolio into to those regions. Within Dubai, our strategy remains the same. It's investing into prime office locations where there are strong occupancies. And it is even more so now focused onto our alternative asset class. Which includes your industrials, or your logistics, or manufacturing. Some more education and potentially healthcare as well. With a strong focus towards what we call the new Dubai, around the new Al Maktoum Airport/Jebel Ali Port, that, for us, is an area which has good growth prospects for the next five to 10 years. Ideally, when we invest into these areas, we take on long-term leases to cover any short-term volatility in the market.

So just a little bit more on strategy, what we would like to be ultimately is 50% to 60% in offices, residential 20% to 30%. And then that alternative asset class that I spoke about at 20% to 30% just going back to where we are today, as I mentioned, slightly overweight in offices. We'll look to balance that out with some acquisitions into the alternative space. Additionally, adding some assets from Abu Dhabi, targeting typically assets above 30 U.S. million dollars so 100 million dirhams plus and by the regulations, not getting over 30% of NAV into any development assets. Moving onto the portfolio, the bar charts that you will see at the top left of your screen here, illustrate the income that has been generated over the last 12 months, from the existing portfolio. And then, moving onto your right hand-side your annual contractual rentals as of today, essentially, trying to
give some sort of forward-looking numbers for the year going forward which is increasing. Obviously, the alternative asset class is growing with the acquisitions that we have made. The residential number you'd see moving from USD 8.2 million down to USD 6.5 million. That's purely on the current vacancies that we've had at the Binghatti building and Remraam, which are set to improve and that's likely to move back to approximately eight million in the coming months. And then the USD 18 million, which stays pretty stable on our office sector, that's without the Edge acquisition. So that will obviously increase as that Edge moves onto our portfolio. So just moving across, onto the portfolio in a bit more detail, we've seen some positive leasing activity coming out of our Dubai Healthcare City properties. As of the 30th of September occupancies are 85% and 89%. We've had further success after the quarter end and both of these assets are looking to be occupied over 90% going forward. In terms of our Burj Daman asset in DIFC, this asset is still sitting at 56% occupancy. What we saw last year September 2016 to March 2017, was when the majority of the leasing activity was executed. It has been a very quiet summer for us, in terms of leasing. We're starting to see a lot more inquiries coming back now, after the holidays and the summer and are expecting to close on one or two of these leasing opportunities towards the end of the year and in the beginning of 2018. But the occupancy is not where we want to be on Burj Daman, at the moment. In terms of Al Thuraya 1, this is still our largest asset in the portfolio. Its occupancy is still remaining high, probably worth noting the unexpired lease terms is at 8 years. This is because a lot of the leases on the building are annual leases and they come up for expiring in May, so that WAULT comes down during the year and then, obviously, gets pushed out again as they renew. Most of these tenants have been in building for five/10 years. So they're quite committed, and usually renew on an annual basis. Moving onto the residential portfolio, where there's probably a bit more movement at the moment with two assets providing some challenges in the quarter. The first one was anticipated with the Binghatti Terraces rental guarantee expiring in July. The second one was a little less anticipated, with the single tenant at our Remraam building Media Rotana vacating in July as well. In April, this year, the tenant was very committed to the building but unfortunately changed their mind and went looking for alternative accommodation, which was much more affordable to them. We simply couldn't compete with the rental rates that they were being offered in more secondary locations to the Remraam community. So we made a call that we could not drop our rental rates to what they were prepared to sign at and we felt that we could keep the gross rental higher by Media Rotana leaving and us leasing out to individual tenants. As of the 30th of September, our occupancy rate at Remraam is 38%. We've actually seen a good level of leasing activity and interest on this property. But there have been a number of maintenance issues that we needed to tidy up on the building and we only want to be leasing units that are 100% ready to go to the individual tenant. So any unit that is available has been leased, and that gets us to 38%. We've seen the take-ups being very quick when the units become available. And there's actually a waiting list that covers the entire 105 units today. Again, it's been positive to see that the demand is there for the building. It is just a process, now, working through all the maintenance items and leasing it out. Following the 30th of September, we've had further leasing success of the units that are available. So that's moving up above 40%. It's closer to 45%, today.

On Binghatti Terraces, in middle of July, that occupancy was at 70%. That has improved over 80% going forward. Asteco is appointed as Property Managers on that building, leasing it out. It's more a test of the market that you need to get the rental rates correct. We probably went out, initially, asking slightly higher than the market on some of the units, given the quality of the building and that it was a new building coming to market. We've now managed to adjust those rates and get them in line with what the market is willing to pay. And we've seen that take up happen a lot quicker, once we get the market rates right.

In terms of Arabian Oryx House, again, this continued to do well -- 95% occupancy and a gross yield of
8.5%.

Moving onto our alternative asset classes. So the Uninest asset acquired in May, this year, that is 100% leased to a global student accommodation operator. And again, acquired at an 8% yield. This will continue to perform well for us. It's on a seven-year lease with contractual increases in year four and year six of that lease agreement. And then South View School, which is currently under construction but with a total development value of AED 55 million. This is fully leased to the operator on a 35-year lease. So in terms of our key tenants in the portfolio, we’re very pleased to welcome Oracle, who take up the majority of the Edge building, as well Snapchat and McGraw-Hill. But as you can see, we do have a number of international prominent tenants within the portfolio today. And it is our focus on our acquisition to make sure that we continue to improve this tenant component of the portfolio.

Moving onto our Edge acquisition, please keep in mind this is after the 30th of September. We have been in negotiations with the developer for some time on this building. We were looking at it, while it was under construction in the previous fund. We also revisited it about a year ago once Oracle had signed up to the building but was working through their rent-free period. And now they are in and paying full rent on this space. It is a very strategic asset for ENBD REIT. It is very well located within Dubai Internet City. One of the prominent commercial locations within Dubai. The appeal for this is 85% of the office space is leased to Oracle on long contractual terms. They signed on 10 years, contractually. But there is a break in year five for the tenant. Something that we looked at very carefully during the due diligence. And given Oracle’s investment into this building, it is unlikely that they will be looking to exit so shortly after moving in. Other tenants occupying the remaining space on the first floor include Snapchat, McGraw-Hill and the developer, Sweid & Sweid. On the ground floor, we have Costa Coffee, Just Salad, and Classic Burger as your retail and food beverage compliment to the building. So 100% occupied, all on long-term leases, in a Grade A building, the quality you don’t often see in Dubai makes it a good acquisition, which in our view will maintain its value going forward. In terms of the yields? We acquired it at a gross yield of 7.4%. That equates to a net yield of 6.6% and a return on equity using a 50% LTV of 9%. With the drawdown that we’ve utilized so far on the acquisition, that has moved our loan to value ratio from 28% up to 32%.

We’ve touched on the other two acquisitions. The first one was our South View School education asset. And then Uninest student accommodations. So I won’t any more time on that. What I’ll do now is pass it over to our CFO, Asif Siddique, to run you through some of the financials.

Asif: Thanks, Anthony. It was a difficult quarter for us in the sense that the summer was extended due to Eid but also, at the time of listing, the money raised was still in the liquid form. Now, on 5th of October, we have deployed all the equity raised in the listing. We can take you through the numbers in more detail now.

Mudaraba payable remained the same from the previous quarter. Investment property moved up slightly due to the progress payment made in case of SVS School. Islamic deposit and cash dropped down due to the distribution paid and the operating or maintenance expenses paid in this quarter. Mudaraba payable remained the same as of the 30th of September but with the Edge acquisition, our investment properties jumped to 434 million dollars, our liquidity of cash and cash equivalent drops down to 6.5 million dollars. It also increased our debt from 117 million to 141 million, which took ENBD REIT from 28% loan to value ratio to 32%. We are targeting our optimal capital structure, which is 45% debt and 55% equity. With the current facility fully drawn we will jump to 39% to 40% of LTV. Management is looking at various options on the debt, which will allow us to generate higher returns. I will now move on to the income statement.
On this slide, you can see there are two components - the bar chart on the left-hand side, which is our revenue component. And on the right-hand side, you can see the donut, which has the various types of expenses in it. I’ll first take you through the bar chart, which is our revenue component. Rental income is slightly less than the previous quarter, which is mainly, as Anthony touched on two buildings, Binghatti Terraces and Remraam, where the rental guarantee lapsed or the tenant vacated. So our rental income is slightly down from last quarter but overall, our total revenue is around 14.3 million dollars. We expect that 8.5 million revenue for this quarter for the next quarter. And guidance across revenue is 17 million for the second half of this financial year. With this, our recurrent annual rental income will jump to 34 million dollars. But for this year, it will be in the range of 30 to 32 million dollars. Once our optimum capital structure will be achieved, it will be above than 34 million, which will be due to the further acquisitions. So if you look at our rental income, this is around 82% of the total income. With this, I’ll move to the second bar, which is profit share. The blue bar is for the previous quarter, which starts from 1st April to 30th of June. And the yellow one is about 1st July to 30th September. The gray bar is for the year-to-date six months information. Our profit share is mainly from the Islamic deposit. It dropped down to 211,000 from 298,000 dollars. That's mainly because we deployed some cash in Uninest in Q2 of this year. And once this and the Edge's deployment has happened this profit share will reduce down to what we'll hold cash. To meet expenses that will be kept in various Wakalas on short-term deposits to generate some returns but mainly it will be very minimal number. On the unrealized gain side, 2.5 million dollar revaluation gain was booked Q2 of this year and USD 100,000, which is a flat valuation at this stage for this quarter, which I already touched that it was a difficult quarter where various buildings were vacated or rental guarantee lapsed or occupancy were maintained or slightly less than the previous quarter. So this unrealized gain is based on that. We are seeing that improvement in occupancy is happening, which will take our unrealized gain for the next quarter at an improved rate of with this, the total income at this...H1 of this year is 17.5 million dollars. But with the Edge, if we will consider this revenue for the next quarter, it will be around 8.5 million for one quarter and 17 million for the second half of this financial year, which is ending 31st March. 2018. With this, I will move to the donut, which is basically the total revenue, which we generated of 17.5 million dollars. Out of that, 20% is spent on the operating expenses of the buildings. These are the maintenance or various utilities or facility management expenses. Our facility management expenses are around 60% of the total expenses, 18% to 20% is for the utilities and chiller and in the range of 12%, on the maintenance. At this stage, we are looking at Remraam maintenance and some other small maintenance expenses. But there is nothing major at this moment, which we are foreseeing in the next quarter. If you look at the finance cost, that is in the range of 16% to 17% of the total expenses, which will remain in the same region. And then we are moving to the fund expenses, which has various components. But some of them are one-off, which will drop down the next quarter or next half total fund expenses well-below than what we are anticipating at this moment or what we are having at this stage. So if you look at the overall margin, that is in the range of 43% but with inclusion of Edge or some new acquisitions which we are foreseeing in this quarter, before the financial year-end. This will jump to closer to 50% or above 50%. With this, I will move to the next slide, which is on the capital structure as I have already touched on the optimum capital structure, which is our 45% debt and 55% equity. Currently, we have a facility availed, which is 700 million dirham as of the 30th of September. We have 430 million dirham drawn on it. But with the Edge, we have drawn a further 88 million dirham. And the balance available at this stage is AED 182 million from the current facility but we are looking at various options of the debt structure.
So with this facility, we will stay at 40% but we can jump to 45% with various options. With this let me turn the call over to Mohamad, who will open the line for any queries.

Operator: Ladies and gentlemen, we will now start our Q&A session. If you wish to ask a question, please press zero-one on your telephone keypad. Thank you for holding until we have our first question. Ladies and gentlemen I would like to remind you if you have any further questions, please press zero-one on your telephone keypad. Thank you for holding.

We have a question from Daniel Sizer, from National Bonds Corporation. Please, go ahead.

Daniel: Thank you, Anthony and Asif for going through the presentation. Anthony, earlier in the presentation, you mentioned Abu Dhabi and the Northern Emirates as part of the acquisition strategy going forward. However, can you please comment on the acquisition strategy outside of the UAE. And in your response, please address the attractiveness of other GCC markets and, specifically, Saudi Arabia?

Anthony: Hi, Daniel. First, going within the UAE. We’re looking to invest into areas where we see strong growth in the medium to long-term. So we’re looking at five to 10 years. For us, Abu Dhabi is doing a lot right, in terms of their infrastructure spend. I think it’s fair to say that their real estate market is fairly soft today. But, again, that’s expected to pick up with the whole of the UAE, as sentiment turns. So it is a good time to be looking and getting invested into that region. Typically, we’re looking to move into this alternative asset class in the other Emirates as well. For us, industrial offers attractive options. We have seen some residential opportunities. However, given our weighting in the portfolio of residential today, it’s probably not something high up on our priority list. And it's more likely that you'll see us getting into the industrial space outside. When we move to the Northern Emirates, we really need to go a level further with our tenant covenants. Because those markets could be quite volatile in the future. And it is important to team up with the right covenants when you invest into those spaces. So it takes a little bit more time to do those due diligences but they do offer higher yields as well. So, again, it could be a way of getting the income up on the portfolio.

Outside of the UAE? Look, today, our focus is within the UAE. There are some very interesting opportunities that do come to us out from the region. Saudi Arabia is obviously the first place to look. And, again, what we’re seeing there is yields are not moving. We’re not seeing, you know, a significant opportunities/high-yielding assets there. I think the last couple of assets that have come through are all in the 6%-7% range. And, for us, we’re comfortable that our investment environment within the UAE is sufficient to fully deploy and invest. We had kept our mandate open to, in the future, go out into the region as well. But I think in the short to medium-term, the next one or two years, we will remain focused on the UAE, rather than branching out into the other regions.

Daniel: Thank you.

Operator: Our next question is from Mohamad Haidar from Arqaam Capital. Please, go ahead.

Mohamad: Hello, Anthony and Asif. My question is on dividends. In your calculation of annualized dividend yield, do you assume to still have a final dividend payment, similar to what was given in the first dividend payment in June? And I think that would imply a dividend payment of 19 million. So out of this, how much do you currently have in cash? And do you think H2, do you think the REIT will generate enough cash in H2 to cover the full dividend payment? Or, you will be resorting to additional debt funding to fully cover that?
Anthony: Yeah. Thanks, Mohamad. We currently deployed our cash holding into the acquisition of the Edge. We are holding a small balance of cash available now, just purely for the expenses on the building. We do have our credit facility, which is available for drawdown, which will be utilized at the time of the dividend. Again, it's essentially sitting as a balance...a deposit for us at this point. In terms of the target for the dividends, yes, we're aiming to distribute a similar level to what we did in July, off the June numbers. Again, holding the cash for the six month period, ideally, we would have liked to have been fully invested sometime during the summer. It took slightly longer so that has put a bit of pressure on the income returns but again, we're comfortable that we should be close to that number coming towards December this year. We're also looking at lining up our dividend structure with our financial period. So at the moment, we're paying dividends in June and December...well, for periods ending in June and December and our financial year-end is in March. This is from the previous fund structure, which operated in that way. Going forward, we look to pay a future dividend in March, subject to the relevant approvals that need to be put in place, which will be a final dividend for the year. And then, going forward, we're also looking at potentially paying dividends on a quarterly basis. Again, subject to the relevant approvals, that may be the strategy we adopt going forward as we are receiving most of the income upfront in the rental payments, so there's no reason why we shouldn't be distributing this out to investors as soon as possible.

Asif: And just to add to Anthony's point. We are not completely reliant on the credit facility. We have some cash, around seven million dollars, which is gradually increasing in this quarter and in the following quarter, so we will have reasonable cash which can be used for the distribution along with the operating or maintenance expenses.

Mohamad: And this credit facility, if utilized, will take LTV to which level?

Anthony: Fully drawn on the current facility available. We'll take as close to 40% LTV. Our target is to move up 45% and regulations allow us to go to 50%. So there is ability to negotiate further financing facilities from the market and look to deploy that into further acquisitions.

Mohamad: And the dividend, the full-year dividends if 19 million dollars, by my numbers, would imply a payout that's closer to 120% of EPS. Does that require a special approval from the board or you can simply proceed with that?

Anthony: No. That requires a special approval from the board, as well as approval from the oversight committee as well. So if we are distributing for a period more than we're generating, that does require additional approval.

Mohamad: And going forward, do you think this payout ratio will normalize to the 80% minimum required level?

Anthony: Yeah, absolutely. I think once we have fully deployed into...and all the assets within the portfolio are performing at their optimal levels, will very comfortably be at those levels. There is this transition phase that we're going through. Obviously, we slipped on the cash balance during the summer. That's been six months of relatively low return of that amount. That amount is now invested into income-producing assets. Utilizing the leverage facilities that are currently in place and the additional ones that we can go out and obtain, we will get up to those levels.

Mohamad: Thank you very much. That was very useful.
Operator: We have no further questions at this time. Ladies and gentlemen, I would like to remind you if you have any further questions, please press zero-one on your telephone keypad. Thank you for holding. As a reminder, if you wish to ask a question, please press zero-one on your telephone keypad. Thank you for holding. We have no further questions. Mr. Mohamad, back to you for the conclusion.

Mohamad: I would like to thank everyone for joining the call. Anthony and Asif, if you have any final remarks, please, go ahead.

Anthony: Thanks, Mohamad. Just, likewise. Thank you all for joining. As always, we do value your feedback. If there’s anything that you’d like us to expand on, further information that you’d like us to provide, we’ll be looking to add that to any future presentations. And I think, just in closing, it has been a slow summer/a long summer. But we're in a much better position, now, having executed the proceeds and are looking to improve this portfolio going forward.

Mohamad: Thank you. Thank you very much.

Anthony: Thank you.

Asif: Thank you.

Operator: This concludes today's conference call. Thank you, all, for your participation. You may now disconnect.