

Below is a summary of the ILAM Fahari I-REIT's FY'2024 Performance;

<i>Values in Kshs bn unless stated otherwise</i>							
Balance Sheet	H1'2022	FY'2022	H1'2023	FY'2023	H1'2024	FY'2024	Δ Y/Y (FY'23/ FY'24)
Total Assets	3.7	3.6	3.6	3.5	3.4	3.7	5.8%
Total Equity	3.5	3.4	3.4	3.3	3.2	3.6	7.6%
Total Liabilities	0.1	0.2	0.2	0.2	0.1	0.1	(30.1%)

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Income Statement	H1'2022	FY'2022	H1'2023	FY'2023	H1'2024	FY'2024	Δ Y/Y (FY'23/ FY'24)
Rental Income	0.2	0.4	0.2	0.3	0.1	0.3	(13.3%)
Income from Other Sources	0.0	0.0	0.0	0.1	0.0	0.1	4.4%
Operating Expenses	0.1	0.2	0.1	0.2	0.1	0.2	(2.5%)
Profit/Loss	0.1	(0.03)	0.1	(0.0003)	0.1	0.4	126631.0%
Basic EPS	0.5	(0.2)	0.5	(0.002)	0.3	2.1	126631.0%

Ratios Summary	H1'2022	FY'2022	H1'2023	FY'2023	H1 2024	FY'2024	Δ Y/Y (FY'23/ FY'24) % Points
ROA	2.3%	(0.8%)	2.4%	(0.01%)	1.6%	10.3%	(0.8%)
ROE	2.4%	(0.8%)	2.5%	(0.01%)	1.7%	10.6%	(0.9%)
Debt Ratio	4.0%	5.3%	4.9%	4.7%	4.3%	3.1%	(0.6%)
PBT Margin	51.2%	(8.4%)	48.4%	(0.1%)	38.4%	128.5%	(9.9%)
Annualized Rental Yield	10.3%	9.8%	12.7%	11.6%	10.2%	9.2%	(2.4%)

Key Highlights in FY'2024:

- ICEA Lion Asset Managers (ILAM) Fahari I-REIT was admitted to the [Unquoted Securities Platform \(USP\)](#) of the Nairobi Securities Exchange (NSE), following their delisting from the main investment market in February 2024. ILAM Fahari joined Acorn I-REIT, Acorn D-REIT, and Linzi Sukuk in the USP, marking the first trading day in the segment. For more information, please see our [Cytonn Weekly #28/2024](#).

Income Statement:

- The basic earnings per unit increased by 126,631.0% to come in at a gain of Kshs 2.1 bn in FY'2024, from a loss of Kshs 0.002 bn in FY' 2023. The performance is attributed to an increase in ILAM Fahari's comprehensive profit to a gain of Kshs 377.2 mn in FY'2024, from a loss of Kshs 0.3 mn recorded in FY'2023. This was mainly driven by a 274.2% Increase in total adjustment in fair value a gain of Kshs 249.6 mn realized in FY'2024 from a loss of Kshs 143.3 mn in FY'2023. Additionally, operating expenses declined by 2.5% to Kshs 220.3 mn in FY'2024 from Ksh 225.8 mn in FY'2023,
- Rental income declined by 13.3% to Kshs 279.5 mn in FY'2024, from Kshs 322.4 mn recorded in FY'2023, largely attributed to the loss of revenue from 67 Gitanga place Properties upon lease expiry. We note that efforts are underway by the REIT Manager to secure a new tenant for the property,
- Interest income increased by 41.2% to Kshs 54.8 mn in FY'2024, from Kshs 38.8 mn realized in the similar period in 2023, owing to the high interest rates experienced in the market during the year,

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- The total operating expenses declined by 2.5% to Kshs 220.3 mn in FY'2024 from Ksh 225.8 mn in FY'2023, driven by a 14.7% decrease in Fund-Operating expenses to Kshs 109.7 mn in FY'2024, from Kshs 128.6 mn in FY'2023. However, there was a 13.8% increase in the property expenses to Kshs 110.6 mn in FY'2024, from Kshs 97.2 mn in FY'2023. The increase in expenses was mainly on the back of the restructuring costs incurred during the year under review. Key to note, expenses made up 63.3% of the total operating income,
- Total earnings available for distribution for the period FY'2024 decreased by 23.6% to Kshs 113.6 mn, from the Kshs 148.8 mn recorded in FY'2023, primarily driven by an increase in fair value loss of investment property, which increased to Kshs 263.6 mn in FY'2024, from a loss of Kshs 149.0 mn realized in FY'2023,
- Distributable earnings per unit came in at Kshs 0.6 in FY'2024, a 23.6% decrease from Kshs 0.8 recorded during a similar period in 2023 as there was reduction of operational expenses offset by a decline in rental income, and,
- The REIT Manager recommended a first and final distribution of Kshs 54.3 mn in relation to FY 2024 amounting to 30 cents per unit. This translates to a dividend yield of 2.5% and an implied capitalization rate of 7.4%.

Balance Sheet:

- Total assets increased by 5.8% to Kshs 3.7 bn in FY'2024, from Kshs 3.5 bn in FY'2023. This was primarily attributable to a 102.3% increase in investment securities to Kshs 357.6 mn in FY'2024, from Kshs 176.8 mn recorded in FY'2023,
- Total liabilities decreased by 30.1% to Kshs 113.9 mn in FY'2024, from Kshs 163.0 mn in FY'2023 attributable to a similar decrease in the trade and other payables to Kshs 113.9 mn in FY'2024, from Kshs 163.0 mn in FY'2023. The REIT remained without non-current liabilities as at FY'2024,
- The shareholder's funds increased by 7.6% to Kshs 3.6 bn in FY'2024, from Kshs 3.3 bn in FY'2023, following a revaluation reserve correction of Kshs 4.3 mn, which realized a 98.7% decrease from Kshs 319.36 mn revaluation recorded in FY'2023, and,
- The REIT currently has a negative Return on Assets of 0.8% and a negative Return on Equity of 0.9%.

Going forward,

- We expect the I-REIT's performance to strengthen and stabilize following its recent listing on the Unquoted Securities Platform (USP). This restructuring is anticipated to enhance ILAM Fahari I-REIT's operational flexibility and growth prospects, offering unitholders improved returns and more diversified investment opportunities. ILAM plans to acquire high-quality assets in prime locations with strong tenants and aims to double its portfolio value from Kshs 3.5 bn to Kshs 7.0 bn over the next three years. The restructuring is expected to deliver several benefits to unitholders, including greater flexibility to pursue a wider range of investments such as direct real estate acquisitions and developments, better alignment of the REIT's strategy with long-term unitholder needs, and reduced costs and administrative complexities associated with being a listed REIT. This development signals positive momentum for the real estate sector, demonstrating how innovative financial instruments can unlock value and drive growth in Kenya's market.