

Below is a summary of the ILAM Fahari I-REIT's H1'2022 Performance;

Figures in Kshs bn Unless Stated Otherwise

Balance Sheet	H1'2021	H1'2022	Δ (H1'22/ H1'21)
Total Assets	3.9	3.7	(5.3%)
Total Equity	3.7	3.5	(4.6%)
Total Liabilities	0.2	0.1	(20.3%)

Figures in Kshs mn Unless Stated Otherwise

Income Statement	H1'2021	H1'2022	Δ (H1'22/ H1'21)
Rental Income	136.7	171.8	25.7%
Income from Other Sources	11.8	14.5	23.0%
Operating Expenses	106.3	100.1	(5.8%)
Profit Before Tax	42.2	86.2	104.1%
Basic EPS	0.2	0.5	104.1%

Ratios Summary	H1'2021	H1'2022	Δ (H1'22/ H1'21)
ROA	1.1%	2.3%	1.2%
ROE	1.1%	2.4%	1.3%
Debt Ratio	4.8%	4.0%	(0.8%)
<b>PBT Margin</b>	<b>31.2%</b>	<b>51.2%</b>	<b>20.0%</b>
<b>H1'2022 Rental Yield</b>	3.9%	5.3%	1.3%
<b>Annualized Rental Yield</b>	8.0%	10.9%	2.9%
<b>Income Yield</b>	6.6%	8.4%	1.8%
<b>Dividend Yield (Assuming 90.0% distribution)</b>	7.4%	6.8%	(0.6%)

#### **Key Highlights in H1'2022:**

- Naivas supermarket replaced troubled Tuskys supermarket at Greenspan Mall as the anchor tenant in February 2022, thereby taking 37.0% worth of retail space at the mall. This was in order to increase Fahari I-REIT's revenue from the aforementioned property, after cash strapped Tuskys' exit following default in the monthly rent payments, and,
- A final dividend of Kshs 50 cents per unit, which is also the first by the REIT manager ILAM, was paid in April 2022, in respect to the 2021 fiscal year.

#### **Income Statement:**

- The basic earnings per unit increased by 104.1% to Kshs 0.5 in H1'2022, from Kshs 0.2 in H1'2021. This was driven by a 24.4% increase in the total operating income which came in at Kshs 182.9 mn in H1'2022 from Kshs 147.1 mn in H1'2021, coupled with a 5.8% decline in the total operating expenses which came in at Kshs 100.2 mn in H1'2022, from Kshs 106.3 mn recorded in H1'2021,
- Rental income increased by 25.7% to Kshs 171.8 mn in H1'2022, from Kshs 136.7 mn recorded in H1'2021, mainly driven by an increase in the occupancy rate at the Greenspan Mall which is its most valuable property worth Kshs 2.2 bn, following Naivas' take over as the anchor tenant from troubled Tuskys supermarket that in turn led to an increase in the rental income. The performance was also driven by the economic recovery from the effects of the pandemic, that led to normalcy in the property market,
- The rental income as a percent of interest earning asset implies a gross rental yield of 5.3% on the property portfolio,

## ILAM FAHARI I-REIT EARNINGS NOTE– H1'2022 24<sup>th</sup> July 2022

- Interest income increased by 23.0% to Kshs 14.5 mn in H1'2022, from Kshs 11.8 mn realized in a similar period in 2021, following a 21.4% increase in the rental income,
- The total operating expenses declined by 5.8% to Kshs 100.2 mn in H1'2022, from Kshs 106.3 mn recorded in H1'2021, driven by an 8.4% decline in property expenses to Kshs 48.4 mn in H1'2022, from Kshs 52.8 mn in H1'2021 coupled with a 3.2% decline in the fund operating expenses to Kshs 51.8 mn in H1'2022, from Kshs 53.5 mn in H1'2021. The decline in expenses was mainly on the back of a reduction in the provision for irrecoverable withholding tax, as the REIT manager received a tax exemption for its subsidiaries which enabled tenants to cease withholding 10.0% of the rental income, coupled with a deferral of the Annual General Meeting (AGM) that is expected to take place at a later date in the year,
- Expenses made up 54.8% of the total operating income leaving 45.2% as distributable to unit holders,
- The net earnings for the period H1'2022 increased by 104.1% to Kshs 86.2 mn, from the 42.4 mn that was recorded in H1'2021, mainly driven by a 24.4% increase in the total operating income to Kshs 182.9 mn in H1'2022, from Kshs 147.1 mn that was realized in H1'2021, coupled with a 5.8% decline in the total operating expenses to Kshs 100.2 mn in the period under review, from Kshs 106.3 mn recorded in H1'2021,
- Distributable earnings per unit increased by 104.1% to Kshs 0.5 in H1'2022, from Kshs 0.2 in H1'2021 following an increase in the net earnings, and,
- The Net Income Yield to unit holders is 8.4%. Assuming a 90.0% distribution, the annualized dividend yield would be 6.8%,

### **Balance Sheet:**

- Total assets reduced by 5.3% to Kshs 3.7 bn in FY'2021 from Kshs 3.9 bn in H1'2021, driven by a 6.3% decline in investment property to Kshs 3.3 bn from Kshs 3.5 bn in H1'2021, coupled with an 8.7% decline in property and equipment to Kshs 12.7 bn from Kshs 13.9 bn in H1'2021,
- Total liabilities declined by 20.3% to Kshs 148.9 mn in H1'2022, from Kshs 186.7 mn in H1'2021 attributable to a 20.3% decline in the trade and other payables to Kshs 148.9 mn, from Kshs 186.7 in H1'2021. The REIT remained without borrowed funds as at H1'2022,
- The shareholder's funds declined by 4.6% to Kshs 3.5 bn in H1'2022, from Kshs 3.7 bn in H1'2021, following a massive revaluation reserve correction of 39.1% to Kshs 85.5 mn, from Kshs 140.4 mn recorded in H1'2021, and,
- The REIT currently has a Return on Assets of 2.3% and a Return on Equity of 2.4%.

### **Going forward,**

- We expect the I-REIT to remain stable following the restructuring plans by the fund manager ICEA Lion Asset Managers, which we expect to make room for financial planning and ensure that the business remains afloat. This is in addition to the replacement of Tuskys supermarket by Naivas supermarket at the Greenspan Mall, which is expected to continue boosting the profitability of the I-REIT. However, the general limited investor knowledge on REITs is expected to weigh down the optimum performance of the I-REIT, as a result of the low trading volumes.