

Below is a summary of the ILAM Fahari I-REIT's H1'2023 Performance;

<i>Figures in Kshs bn Unless Stated Otherwise</i>			
Balance Sheet	H1'2022	H1'2023	Δ (H1'22/ H1'23)
Total Assets	3.7	3.6	(3.3%)
Total Equity	3.5	3.4	(4.1%)
Total Liabilities	0.1	0.2	(16.8%)

<i>Figures in Kshs mn Unless Stated Otherwise</i>			
Income Statement	H1'2022	H1'2023	Δ (H1'22/ H1'23)
Rental Income	171.8	179.5	4.5%
Income from Other Sources	14.5	16.5	13.7%
Operating Expenses	100.1	110.0	9.8%
Profit Before Tax	86.2	86.0	(0.2%)
Basic EPS (Kshs)	0.5	0.5	(0.2%)

Ratios Summary	H1'2022	H1'2023	Δ (H1'22/ H1'23) (% points)
ROA	2.3%	2.4%	0.1%
ROE	2.4%	2.5%	0.1%
Debt Ratio	4.0%	4.9%	0.9%
PBT Margin	51.2%	48.4%	(2.8%)
Rental Yield	5.3%	6.1%	0.8%

Key Highlights in H1'2023:

- During the H1'2023 period, the REIT manager ILAM did not recommend an interim dividend, and,
- In April 2023, the REIT manager ILAM paid the first and final dividend of Kshs 65 cents per unit with respect to the 2022 fiscal year.

Income Statement:

- The basic earnings per unit came in at Kshs 0.5 in H1'2023, remaining relatively unchanged from H1'2022. The performance was mainly due to a 0.2% decline in ILAM Fahari's net earnings to Kshs 86.0 mn in H1'2023, from Kshs 86.2 mn recorded in H1'2022. The overall performance was mainly weighed down by a 9.8% increase in the total operating expenses to Kshs 110.0 mn in H1'2023, from Kshs 100.1 mn in H1'2022, which outpaced the 6.3% growth in total operating income to Kshs 194.4 mn in H1'2023 from Kshs 182.9 mn in H1'2022,
- The increase in total operating expenses was mainly due to an 11.6% increase in property expenses to Kshs 54.0 mn in H1'2023, from Kshs 48.4 mn in H1'2022 coupled with an 8.1% increase in the fund operating expenses to Kshs 56.0 mn in H1'2023, from Kshs 51.8 mn in H1'2022. The increase in expenses is attributable to the challenging economic environment which led to a rise operational costs such as in electricity expenses, as well as increase in fund operating costs relating to the ongoing operational restructuring. Key to note, expenses made up 56.6% of the total operating income,
- Rental income grew by 4.5% to Kshs 179.5 mn in H1'2023, from Kshs 171.8 mn recorded in H1'2022, mainly due to rent escalations in line with the lease agreements with Greenspan Mall's anchor tenant, Naivas Supermarket, as well as other tenants, coupled with the management working on a leasing strategy to increase occupancy levels,

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- The rental yield increased by 0.8% points to 6.1% in H1'2023 from 5.3% in H1'2022 attributable to the 4.5% growth in rental income relative to the 10.6% decline in investment property value to 3.3% in H1'2023 from 3.3% in H1'2022,
- Interest income increased by 13.7% to Kshs 16.5 mn in H1'2023, from Kshs 14.5 mn realized in the similar period in 2022, owing to the high interest rates being experienced in the market currently,
- Distributable earnings per unit came in at Kshs 0.5 in H1'2023, remaining relatively unchanged from what was recorded in a similar period in 2022, as the growth realized in rental and related income was offset by an increase in the operational expenses and,
- The current dividend yield stands at 10.5%.

Balance Sheet:

- Total assets reduced by 3.3% to Kshs 3.6 bn in H1'2023 from Kshs 3.7 bn in H1'2022, as a result of 10.6% decline in investment property to Kshs 2.9 bn from Kshs 3.3 bn in H1'2022, coupled with a 33.8% decline in investment securities to Kshs 192.2 mn in H1'2023, from Kshs 290.2 mn recorded in H1'2022,
- Total liabilities increased by 16.8% to Kshs 173.8 mn in H1'2023, from Kshs 148.9 mn in H1'2022 wholly attributable to the increase in the trade and other payables,
- The shareholder's funds declined by 4.1% to Kshs 3.4 bn in H1'2023, from Kshs 3.5 bn in H1'2022, following a massive revaluation reserve correction of Kshs 255.8 mn, realizing a 199.2% increase from Kshs 85.5 mn revaluation recorded in H1'2022, and,
- The REIT currently has a Return on Assets of 2.4% and a Return on Equity of 2.5%.

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 Naivas supermarket which signed a lease agreement in 2022 to be the anchor tenant at Nairobi's Greenspan Mall until 2031, providing guaranteed income to the REIT over the 10-year period. 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.