شركة العقارات المتحدة
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Salem Al-Khulaqi (VP, Corporate Communications)

Good afternoon, everyone. This is Salem Al-Khulaqi, VP, Corporate Communications. I would like to welcome you all to our Earnings Call for United Real Estate Company (URC) H1 2026. Thank you very much for taking the time to attend this conference call. Please note that today's call is being recorded. It's a pleasure to have with us on the call today, Mr. Santhosh Kumar, Group CFO; and Mr. Tareq Anbousi, CIO at URC. Please note that today's presentation is also available on the company's website, along with the financial statements for the period ending June 2026. I will now hand over to Mr. Santhosh Kumar to take you through the presentation.

Santhosh Kumar (Group Chief Financial Officer)

Thank you, Salem. Good afternoon, everybody. I'm Santhosh Kumar, the Group CFO. In this presentation, we will discuss the company's business profile and overview, key developments and updates and the results for the first half of 2026. We'll be happy to answer your questions at the end of the presentation. We start with a brief overview. URC was established in 1973, demonstrating more than 50 years of legacy and growth in the real estate sector. The company was listed in 1984 in Kuwait Boursa and currently has a market cap of around KD 395 million.

URC has total assets under management of more than $3 billion, while our development and land portfolio spans around 5.9 million square meters. Over the years, we have successfully delivered more than 60 projects. We maintain a BBB- credit rating with Capital Intelligence. The company's major shareholder is KIPCO Group, which holds around 68% of the total shares as of 30th June. Moving to the next slide, yes. This highlights URC's geographic footprint and business segments. As shown in the map, URC has established a presence across several markets in the Middle East and the North Africa region.

Looking at our business segments, our operations are structured across 4 key segments: rental operations with a leasable area of around 223,000 square meters, hospitality operations with around 1,100 keys, real estate development and property trading and contracting and services, which includes UBC and UFM.

Moving to the next slide, yes. This provides an overview of our current portfolio of major assets in Kuwait, including the KIPCO Tower, Marina World, Hessah District, City Tower, Al-Shaheed Tower, Al-Masseel, and Al-Mutahida.

This slide shows the current portfolio in the region, which includes Abdali Mall, Gardens Mall and Hotel in Oman, Waldorf Astoria, Hilton in Egypt, Raouche View in Lebanon and Assoufid in Morocco. I will now hand over to Mr. Tareq Anbousi, our CIO, to provide an update on the key developments of the company.

Tareq Anbousi (Chief Investment Officer)

Thank you, Santhosh. We can start with Souq Sharq or Sharq Waterfront, which has been the recent addition to URC's portfolio, originally established in 1998. It's being redeveloped as a premium waterfront destination to enhance customer experience. In March 2026, URC was awarded the tender for the upgrade, development, major maintenance, management and operation of the Seafront Project, Phase 3, popularly named as Souq Sharq. It features a superyacht marina, a premier retail experience, refined fish market and dedicated nautical area.

Sharq Waterfront extends along a shoreline of 2.7 kilometers on the northwestern edge of the Arabian Gulf. The total investment period for the project is 16 years, structured as a 1-year grace period followed by 15 years of operation with a built-up area of around 75,000 square meters and leasable area of 35,000 square meters. The project is expected to be completed in the second half of 2027.

Marasi United Company, a wholly owned project dedicated subsidiary of URC, signed an agreement with Ministry of Finance, Department of State Properties in Q2 2026. Further, in May 2026, a new Islamic banking facility agreement is executed by Marasi United Company with a local Islamic bank with an aggregate value of KD 38 million cash and non-cash for a period of 17 years to finance the project.

Moving to the next slide. Located in Hessah Al Mubarak District, Plot 42 is a luxury residential tower project, which is developed on a prime property of more than 1,600 square meters facing the sea on the Gulf Road in Kuwait. The project will consist of 20 units developed on a built-up area of more than 8,500 square meters. It's expected to be completed by 2029 and would have estimated sales value of more than KD 35 million.

Moving to the next slide, URC entered into a partnership agreement with Nobu Hospitality to launch Kuwait's first branded luxury service residence and Nobu Restaurant at Hessah Plaza. The project will feature signature Nobu Restaurant, a ballroom and 90 exclusive luxury service residences and is expected to open by the end of the year.

Moving to the next slide, Hessah District consists of multiple commercial and residential components. Operations have started in the retail and F&B segment of Hessah Business District, namely Hessah Plaza and Hessah Hub. Over 90% of the construction is completed in Hessah Work, H Suites, Hessah Health with targeted completion by the end of this year. Further, construction of the residential components has been completed and around 94% of total units in Hessah Towers and 88% of total units in Byout Hessah have been handed over to customers.

Next, please. S5. URC signed a partnership agreement to develop Jira Gardens consisting of three blocks located within Sabah Al Ahmad, around 65 kilometers south of Kuwait City. It's being developed as a third space rather than a traditional park. The project has an investment period of 20 years plus 2 years for design and construction. It's being developed on an area of more than 35,000 square meters and will have a leasable area of around 10,400 square meters with targeted completion by 2027.

Next, for Masirah Island, URC is developing an integrated tourism complex in Masirah province in Oman. The project includes hospitality, residential and commercial components with 72 shops and roughly 46 villas. It has an investment term of 50 years and spans across 60,000 square meters and is expected to be completed by 2029.

Next, please. Sharm El Sheikh Resort is an exceptional destination resort featuring a 5-star hotel with more than 330 hospitality units, along with branded residential units. The development is located in proximity to Sharm El Sheikh International Airport and will be built on an area of 354,000 square meters and a built-up area of around 141,000 square meters and is expected to be completed by 2028. I will now hand over the call to Mr. Santhosh to cover the financial performance of the company.

Santhosh Kumar (Group Chief Financial Officer)

Thank you, Tareq. We will cover the URC performance for H1 2026. URC posted total revenue of KD 49.5 million in H1 2026, a marginal growth of around 0.9% from KD 49 million reported in H1 2025. As detailed in our segmental reporting in the financial statements, revenue increase is largely due to the increase in the real estate services revenue by about KD 1.8 million and the real estate development and trading income by about KD 700,000, which was offset by a decrease in contracting revenue by about KD 2.2 million.

Looking at the revenue breakdown by geography, Kuwait remains our largest market, accounting for 74% of the total revenue, followed by Egypt at 14%; Jordan at 5%, Oman, Lebanon and Morocco contributed 3%, 3% and 1%, respectively. Our revenue base is diversified across key business segments. Real estate services and contracting contributed 46% of the revenue, followed by rental operations, which accounted for 34% of revenue. Hospitality operations contributed 17% of the total revenue.

Next, the gross profit increased by about 2.7% from KD 16.6 million in H1 2025 to KD 17 million in H1 2026, largely driven by a KD 1.1 million increase in the gross profit from rental operations. Gross profit from rental operations increased due to increase in gross rental income, other operating income and reduced operating costs during H1 2026. Looking at the gross profit by segment, rental operations contributed 73% of gross profit, followed by the real estate services and contracting, which accounted for 16%. Hospitality operations represented 10% of the gross profit.

The next slide, please. Despite the ongoing geopolitical conflict, URC reported an increase of 10.2% in the operating profit from KD 12.2 million to KD 13.5 million at the end of H1 2026 with an operating margin of 27%, up from 25% in H1 2025. Despite the increase in the operating profit and reduction in the finance cost, company reported 29.7% decline in the net profit attributable to shareholders from KD 4.4 million to KD 3.1 million at the end of H1 2026, primarily due to the lower share of profits from associates in H1 2026.

The next slide. The total assets increased to KD 827 million at the end of 2026 due to the addition of Sharq Waterfront to the investment portfolios in 2026 against KD 688 million reported at the end of 2025. URC continues to have well-diversified portfolio across geographies and business segments. Looking at our assets distribution by geography, Kuwait accounts for 48% of our total assets, followed by Egypt at 19%, Jordan represents 14%, Oman accounts for 8%, Morocco represents 5% and Lebanon accounts for 4%. Other markets contribute 2% of our total asset base. The next chart shows the assets by segment. Rental operations account for 54% of the total assets, followed by the real estate development and trading at 24%. Hospitality and real estate services and contracting represents 16% and 6% of our asset base, respectively.

Then in the next slide, URC continues to gradually reduce its gross debt to KD 356 million from KD 360 million, about KD 4 million repaid during the first half of 2026. 94% of our debt is due after one year. Shareholders' equity increased by 2% to KD 207 million at the end of June 2026 compared to KD 203 million at the end of 2025.

Next slide. Earnings per share declined to 2.27 fils for H1 2026 compared to 3.4 fils for H1 2025. The book value per share reduced from 156 fils as of June 2025 to 147 fils as of June 2026 due to the distribution of bonus shares of 5% from treasury shares to the shareholders in Q3 2025 and 3% from treasury shares in June 2026. The total asset to total equity increased to 3.9x compared to 3.3x in June 2025. Net debt to total equity dropped marginally to 1.6x from 1.63x at the end of June 2026.

The ESG update. URC released its second Sustainability Report for 2025 in accordance with the Global Reporting Initiatives and aligned with the UN Sustainable Development Goals, New Kuwait Vision, Boursa Kuwait Index and GCC Stock Market Index. This publication underscores URC's strategic commitment to embedding Environmental, Social and Governance principles into our core operation and investment strategies. The report is now available on our website. I will now hand over the call to Shaza to invite our listeners to ask any questions they may have.

Shaza (Moderator)

Thank you, management team, for the presentation. We will now open up the floor for questions. If you would like to ask a question, please use the raise hand function or you can type your question through the chat box. We'll give it a few moments. As a reminder, if you would like to ask a question, please use the raise hand function or type your question through the chat box. We have received a question through the chat box asking about the cause of the decrease in associates in the first half.

Santhosh Kumar (Group Chief Financial Officer)

There is a question, what caused the decrease in associates in the first half? This is in last year, we had handing over of the residential component in Hessah project, which was completed in

2025 June. So that was not there in the first half of 2026. So that is the difference between '25 and '26.

Shaza (Moderator)

A final reminder, everyone. If you would like to ask a question, please write it in the chat box or raise your hand. We have received another question from Abdulla Naseef asking, what should be the normalized effect of associates going forward?

Santhosh Kumar (Group Chief Financial Officer)

Going forward, it's about the operations of the business district, where you will have the rental income and the rental expenses. This was a one-off which happened in 2025, where we had handed over those residential components, and we have booked their revenue and the corresponding cost in 2025.

Shaza (Moderator)

We'll give it a few moments if there are more questions to come. We have received another question asking, when does the Marina Mall contract end?

Tareq Anbousi (Chief Investment Officer)

So the Marina Mall contract was extended based on a letter we received from the Ministry of Finance until further notice, and we have already announced that in the disclosure on the Kuwait Boursa website.

Shaza (Moderator)

A final reminder, everyone. If you would like to ask a question, please write it in the chat box or use the raise hand function. We have received another question asking, is there a target debt-to-equity ratio?

Santhosh Kumar (Group Chief Financial Officer)

We don't have a target debt-to-equity ratio, but our goal is to keep reducing it from the current 1.6x.

Shaza (Moderator)

We don't seem to have further questions. So back to you, management, for any closing remarks.

Salem Al-Khulaqi (VP, Corporate Communications)

Thank you, everyone. I think with that, we will wrap the meeting. Thanks all for viewing our conference call and wish to see you [Foreign Language] next time, next quarter. Thank you, everyone.

Shaza (Moderator)

Thank you, everyone. You may now disconnect.