

Acorn Holdings released their H1'2022 financial results for the Acorn D-REIT and I-REIT, which invest in purpose-built student accommodation. The Development Real Estate Investment Trust (D-REIT) finances the development of student hostels whereas the Investment Real Estate investment trust (I-REIT) is mainly invested in the respective properties by the firm for rental income.

**Below is a summary of the Acorn's D-REIT and I-REIT H1'2022 performances:**

*Figures in Kshs mn Unless Stated Otherwise*

Income Statement						
	Acorn I - REIT			Acorn D - REIT		
	H1'2021	H1'2022	Change	H1'2021	H1'2022	Change
Rental Income	136.6	185.8	36.0%	11.0	138.9	1,159.4%
Income from Other Sources	8.4	5.0	(40.7%)	-	-	-
Operating Expenses	83.4	115.4	38.5%	151.3	274.5	81.4%
<b>Profit Before Tax</b>	<b>148.6</b>	<b>192.0</b>	<b>29.2%</b>	<b>114.2</b>	<b>105.3</b>	<b>(7.8%)</b>
<b>Basic EPS</b>	<b>0.89</b>	<b>0.86</b>	<b>(3.4%)</b>	<b>0.53</b>	<b>0.49</b>	<b>(7.8%)</b>

*Figures in Kshs bn Unless Stated Otherwise*

Balance Sheet						
	Acorn I - REIT			Acorn D - REIT		
	H1'2021	H1'2022	Change	H1'2021	H1'2022	Change
Total Assets	3.9	4.9	25.4%	6.4	9.7	51.3%
Total Equity	3.4	4.7	38.7%	4.2	5.6	31.3%
Total Liabilities	0.5	0.1	(70.8%)	2.2	4.1	90.4%

*Ratios summary for the D-REIT and the I-REIT*

Ratios Summary						
	Acorn I - REIT			Acorn D - REIT		
	H1'2021	H1'2022	% Points Change	H1'2021	H1'2022	% Points Change
ROA	3.8%	4.0%	0.1%	0.3%	1.4%	1.2%
ROE	4.4%	4.1%	(0.3%)	2.7%	1.9%	(0.8%)
Debt Ratio	12.1%	2.8%	(9.3%)	33.8%	42.5%	8.7%
<b>PBT Margin</b>	<b>87.3%</b>	<b>73.9%</b>	<b>(13.4%)</b>	<b>624.7%</b>	<b>75.6%</b>	<b>(567.1%)</b>
<b>H1'2022 Rental Yield</b>	<b>4.1%</b>	<b>4.2%</b>	<b>0.1%</b>	<b>0.2%</b>	<b>1.5%</b>	<b>1.3%</b>
<b>Annualized Rental Yield</b>	<b>8.4%</b>	<b>8.6%</b>	<b>0.2%</b>	<b>1.1%</b>	<b>9.3%</b>	<b>8.2%</b>
<b>Distribution Per Unit</b>	<b>0.38</b>	<b>0.29</b>	<b>(23.0)</b>	<b>0.23</b>	<b>0.19</b>	<b>(14.9%)</b>
<b>Payout Ratio</b>	<b>42.3%</b>	<b>33.7%</b>	<b>(8.6%)</b>	<b>42.9%</b>	<b>39.6%</b>	<b>(3.3%)</b>

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

- In February 2022, Acorn began the construction of two new hostels worth Kshs 2.5 bn next to the University of Nairobi Chiromo Campus along Science Crescent Road, off Riverside Road, consisting of 1,950 beds under the Qejani hostel brand, and the Qwetu hostel consisting 850 beds, bringing the total student accommodation capacity to 2,800, and,
- In June 2022, Acorn's Ksh 5.7 bn green bond that was floated in 2020, was voted as the most innovative bond in the Europe, Middle East, and Africa (EMEA) Finance 2021 Awards.

**Income Statement:**

- The basic earnings per unit for the Acorn D – REIT declined by 7.8% to Kshs 0.49 in H1'2022 from Kshs 0.53 in H1'2021. This was mainly driven by an 81.4% increase in the total expenses to Kshs 274.5 mn, from Kshs 151.3 mn in H1'2021, coupled with a 7.8% decline in the overall net earnings to Kshs 105.3 mn, from Kshs 114.2 mn in H1'2021. For the I – REIT, the basic earnings per unit declined slightly by 3.4% to Kshs 0.86, from Kshs 0.89 in H1'2021 mainly as a result of a 38.5% increase in the operating expenses which came in at Kshs 115.4 mn, from Kshs 83.4 mn in H1'2021,
- The rental income for both the D-REIT and I-REIT increased by 1,159.4% and 36.0% to Kshs 138.9 mn and Kshs 185.8 mn in H1'2022, respectively, from Kshs 11.0 mn and Kshs 136.6 mn in H1'2021, respectively. The D-REIT rental income increase was mainly driven by the launch of the 832 – bed Qwetu Hurlingham project in January 2022, and currently has an occupancy rate of 65.0%, whereas the I – REIT rental growth was driven by the rental income from its current properties,
- The annualized rental yield for both the D-REIT and I-REIT increased by 8.2% and 0.2% to 9.3% and 8.6%, respectively, in H1'2022 from 1.1% and 8.4%, respectively, in H1'2021, following an increase in the rental income,
- The total operating expenses for the D-REIT increased by 81.4% to Kshs 274.5 mn in H1'2022 from Kshs 151.3 mn in H1'2021. This was driven by an increase in the administrative expenses, and finance costs which came in at Kshs 53.2 mn and Kshs 128.3 mn in H1'2022, respectively, from Kshs 20.0 mn and Kshs 49.7 mn, respectively, in H1'2021. For the I – REIT, the total expenses came in at Kshs 115.4 mn in H1'2022, 38.5% increase from Kshs 83.4 mn in H1'2021. This mainly driven by an increase in the fund operating expenses, property expenses, and administrative expenses which came in at Kshs 47.8 mn, Kshs 33.1 mn, and Kshs 32.8 mn, respectively, in H1'2022, from Kshs 34.5 mn, Kshs 21.2 mn, and Kshs 26.0 mn, respectively, in H1'2021, and,
- For Acorn I-REIT, the Board of Trustees approved the payment of a final dividend of Kshs 64.0 mn which is equates to Kshs 0.29 per unit, to be paid by September 2022. The I-REIT recorded a payout ratio of of 33.7% in H1'2022, from 42.3% in H1'2021.

**Balance Sheet:**

- Total assets for the D-REIT and I-REIT increased by 51.3% and 25.4% to Kshs 9.7 bn and Kshs 4.9 bn in H1'2022, respectively, from Kshs 6.4 bn and Kshs 3.9 bn, respectively, in H1'2021. The increase in assets was mainly on the back of increased investment property with the D-REIT's coming in at Kshs 9.3 bn from Kshs 6.1 bn in H1'2021, whereas the I-REIT's investment property came in at Kshs 4.4 bn from Kshs 3.3 bn in H1'2021,
- Total liabilities for the D-REIT increased by 90.4% to Kshs 4.1 bn, from Kshs 2.2 bn in H1'2021 largely driven by the increased borrowings and amounts due to related parties which came in at Kshs 3.3 bn and Kshs 372.8 mn, respectively, in H1'2022, from Kshs 1.7 bn and Kshs 80.8 mn, respectively, in H1'2021. For the I-REIT, the total liabilities declined by 70.8% to Kshs 0.1 bn, from Kshs 0.5 bn in H1'2021 as a result of a decline in the amounts payable and amounts due to related parties which came in at Kshs 136.6 mn and Kshs 483,000, respectively, in H1'2022, from Kshs 363.3 mn and Kshs 106.3 mn, respectively, in H1'2021,
- The shareholder's funds for the D-REIT increased by Kshs 31.3% to Kshs 5.6 bn in H1'2022 from Kshs 4.2 bn as a result of the increased retained earnings to Kshs 1.0 bn, from Kshs 27.9 mn in H1'2021. For the I-REIT, shareholder's funds increased by 38.7% to Kshs 4.7 bn in H1'2022 from Kshs 3.4 bn in H1'2021 driven by an increase in the retained earnings, fair value reserve, and trust capital which came in at Kshs 160.4 mn, Kshs 154.2 mn, and Kshs 4.4 bn, respectively, in H1'2022 from Kshs 91.5 mn, Kshs 61.9 mn and Kshs 3.3 bn, respectively, in H1'2021, and,

**ACORN REIT EARNINGS NOTE– H1'2022**  
**29<sup>th</sup> July 2022**

- The I-REIT currently has a Return on Assets of 4.0% and a Return on Equity of 4.1%, while the D-REIT has a Return on Assets of 1.4% and a Return on Equity of 1.9%.

Going forward, we expect the Acorn D-REIT and I-REIT to continue showing improved performance evidenced by the impressive investment returns and the attractiveness of the student housing markets given the growing population of students as well as the number of tertiary learning. In light of this, the student housing facilities generated annual rental yields of 8.6% and 9.3% for the I-REIT and the D-REIT, respectively, compared to other asset classes such as the residential and commercial office spaces which recorded average rental yields of 4.9% and 7.3%, respectively, in H1'2022.