

Below is a summary of the ILAM Fahari I-REIT's FY'2021 Performance;

Figures in Kshs bn Unless Stated Otherwise

Balance Sheet	FY 2016	FY'2017	FY'2018	FY'2019	FY'2020	FY 2021	Δ (FY'21/ FY'20)
Total Assets	3.72	3.76	3.85	3.88	3.88	3.71	-4.4%
Total Equity	3.59	3.67	3.72	3.76	3.78	3.54	-6.2%
Total Liabilities	0.13	0.10	0.13	0.12	0.11	0.17	56.8%

Figures in Kshs bn Unless Stated Otherwise

Income Statement	FY 2016	FY'2017	FY'2018	FY'2019	FY'2020	FY 2021	Δ (FY'21/ FY'20)
Rental Income	0.25	0.28	0.31	0.34	0.34	0.30	-12.8%
Income from Other Sources	0.14	0.10	0.06	0.03	0.02	0.03	48.5%
Operating Expenses	0.27	0.23	0.24	0.23	0.23	0.23	0.0%
Profit Before Tax	0.11	0.17	0.19	0.18	0.15	(0.12)	-183.7%
Basic EPS	0.59	0.95	1.07	0.97	0.82	(0.68)	-183.7%

Ratios Summary	FY 2016	2017 FY	FY 2018	FY 2019	FY 2020	FY 2021	Δ (FY'21/ FY'20) Points
ROA	2.9%	4.5%	5.0%	4.5%	3.8%	-3.3%	-7.2%
ROE	3.0%	4.7%	5.2%	4.7%	3.9%	-3.5%	-7.4%
Debt Ratio	3.5%	2.5%	3.3%	3.0%	2.8%	4.6%	1.8%
PBT Margin	22.3%	46.0%	49.7%	46.2%	42.6%	-41.4%	-84.0%
Rental Yield	4.4%	7.0%	5.7%	5.1%	4.3%	-3.8%	-8.1%

Key Highlight in FY'2021:

- After the loss of Tuskys as the anchor tenant for Greenspan mall in October 2021, ICEA Lion replaced the retailer with Naivas supermarket. This was thought to result to an improvement in revenue collection from the property. However, Naivas came in and did not occupy the same space Tuskys occupied. Tuskys occupied 48.0% of the Gross Lettable Area (GLA) compared to 37.0% occupied by Naivas, enabling the company to only get a portion of the revenue expected.

Income Statement:

- Earnings per unit declined by 183.7% to Kshs (0.7) in FY'2021, from Kshs 0.8 in FY'2020 as the ILAM Fahari I-REIT recorded a loss of Kshs 124.0 mn compared to a profit of Kshs 148.0 mn in FY'2020. The performance was mainly attributable to revaluation losses recorded by the property portfolio in the context of the COVID-19 pandemic, whose impact continues to be a material valuation uncertainty in the short to medium term, particularly in the retail space. This was coupled by a 18.2% decline in total operating income to Kshs 299.6 mn, from Kshs 324.5 mn in FY'2020,
- Rental income declined by 12.8% to Kshs 297.5 mn in FY'2021, from Kshs 341.2 mn in FY'2020. This was attributable to an increased vacancy at Greenspan Mall resulting from Naivas, the new anchor tenant, taking up a smaller space of 37.0% of the (GLA) compared to that previously occupied by Tuskys that occupied 48.0% of the GLA contributing up to 40.0% of the rental income collected. The loss of

Tuskys not only resulted in a direct loss of revenue but also occasioned reduced footfall in the mall and low collections from the rest of the tenants,

- Interest income increased by 14.7% to Kshs 25.7 mn in FY'2021, from Kshs 22.4 mn in FY'2020 due to the increase in interest income to the increased cash available for investing following the increased rental income seen during the period,
- Total operating expenses grew by 8.0% to Kshs 107.5 mn in FY'2021, from Kshs 99.3 mn in FY'2020 attributable to the REIT Manager temporarily reducing their management fees by 10.0% to cushion the investors from the impact of the COVID-19 pandemic,
- Distributable earnings declined by 24.1% to Kshs 102.0 mn in FY'2021 from Kshs 134.4 mn in FY'2020 following the loss of revenue from the key anchor tenant, Tuskys Supermarket, at Greenspan Mall. However, we expect an improvement in the future after the management signed a contract with Naivas supermarket who are set to replace Tuskys supermarket at the Greenspan Mall within the second half of the year,
- Net earnings declined in FY'2021 following a 183.7% decrease to a loss of Kshs 124.0 mn from a profit of Kshs 148.0 mn in FY'2020. This was driven by a 13.8% reduction of total operating income to Kshs 299.6 mn from Kshs 347.5 mn coupled with an 8.3% increase in total operating expenses to Kshs 107.5 mn in FY'2021 from Kshs 99.2 mn in FY'2020 and the Kshs 225. mn revaluation loss to the REIT's investment property, and,
- The Board of Directors recommended a final dividend per share of Kshs 0.5 for FY'2021 subject to shareholder's approval translating to a total dividend payout of Kshs 90.4 mn. At the current price of Ksh 5.9 this translates to a dividend yield of 8.5% with a pay-out ratio of 88.7%

Balance Sheet:

- Total assets reduced by 4.4% to Kshs 3.7 bn in FY'2021 from Kshs 3.9 bn in FY'2020, driven by a 6.4% decrease in investment property to Kshs 3.3 bn from Kshs 3.5 bn in FY'2020 coupled with an 8.6% decline in property and equipment to Kshs 13.3 bn from Kshs 14.5 bn in FY'2020
- Total liabilities increased by 56.8% to Kshs 169.3 mn in FY'2021, from Kshs 108.0 mn in FY'2020 attributable to an 56.8% increase in trade and other payables to Kshs 169.3 mn, from Kshs 108.0 in FY'2020. The REIT remained without borrowed funds as at FY'2021,
- The shareholder's funds declined by 6.2% to Kshs 3.5 bn in FY'2021, from Kshs 3.8 bn in FY'2020. The REIT closed with a net asset value of Kshs 19.6 per share, a 6.2% decline compared to the FY'2020 value of Kshs 20.9, and,
- The REIT currently has a Return on Assets of -3.3% and a Return on Equity of -3.5%.

Share Price Performance:

- On the bourse, the REIT continued to perform poorly trading at an average of Kshs 6.5 in FY'2021, a 2.3% decline compared to a Kshs 6.6 average trading price in FY'2020, and 67.5% lower than the initial price of Kshs 20.0. The current price is also 66.9% lower than the net asset value per unit of Kshs 19.6 as at FY'2021. The poor performance in its share price is further attributed to factors such as i) declining performance of the real estate market in the wake of the pandemic and lockdown restrictions, particularly the retail sector, ii) lack of investor appetite in the instrument as evidenced by the 24.2% decline in the volume traded to 40,113.6 in FY 2021 compared to 52,932.5 in FY 2020, and iii) general lack of knowledge about the instrument.

Going forward, we expect the I-REIT to record improved performance. The REIT Manager on boarded Naivas Limited as the replacement anchor tenant with rental income accruing from August 2021. The tenant opened their store in February 2022 and is now actively trading. We believe 2022 will be a better year with the new development. Besides the above, the REIT Manager has continued to perform strategic and operational

functions in managing the property portfolio and cash reserves in order to ensure effective long-term management of the REIT to deliver investor returns and comply with regulatory and legislative requirements: