

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

<i>Values in Kshs bn unless stated otherwise</i>							
Balance Sheet	FY'2017	FY'2018	FY'2019	FY'2020	FY'2021	FY'2022	Δ Y/Y (FY'21/ FY'22)
Total Assets	3.8	3.9	3.9	3.9	3.7	3.6	-2.6%
Total Equity	3.7	3.7	3.8	3.8	3.5	3.4	-3.4%
Total Liabilities	0.1	0.1	0.1	0.1	0.2	0.2	12.9%

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Income Statement	FY'2017	FY'2018	FY'2019	FY'2020	FY'2021	FY'2022	Δ Y/Y (FY'21/ FY'22)
Rental Income	0.3	0.3	0.3	0.3	0.3	0.4	19.1%
Income from Other Sources	0.1	0.1	0.0	0.0	0.0	0.0	-8.7%
Operating Expenses	0.2	0.2	0.2	0.2	0.2	0.2	6.0%
Profit/Loss	0.2	0.2	0.2	0.1	-0.1	0.0	-77.1%
Basic EPS	0.9	1.1	1.0	0.8	-0.7	-0.2	-77.1%

Ratios Summary	FY'2017	FY'2018	FY'2019	FY'2020	FY'2021	FY'2022	Δ Y/Y (FY'21/ FY'22)
ROA	4.5%	5.0%	4.5%	3.8%	(3.3%)	(0.8%)	(76.5%)
ROE	4.7%	5.2%	4.7%	3.9%	(3.5%)	(0.8%)	(76.3%)
Debt Ratio	2.5%	3.3%	3.0%	2.8%	4.6%	5.3%	16.0%
PBT Margin	63.2%	58.2%	49.5%	45.6%	(46.7%)	(8.4%)	(82.0%)
Rental Yield	11.4%	9.2%	10.0%	9.8%	9.1%	12.1%	32.9%

Key Highlights in FY'2022:

- Naivas supermarket replaced Tusksys 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 Tusksys' exit following default in the monthly rent payments,
- ILAM Fahari I-REIT released their FY'2021 earnings, highlighting that ILAM Fahari I-REIT recorded a loss of Kshs 124.0 mn in FY'2021 down from a profit of Kshs 148.0 mn in FY'2020. For more information, please see our [Cytonn Q1'2022 Markets Review](#),
- 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 FY'2021,
- ICEA Lion Management announced that its listed property fund, ILAM Fahari I-REIT's restructuring proposal is under review by the Capital Market's Authority's (CMA), awaiting approval. As highlighted in the ILAM Fahari Earnings Note, FY'2021, the REIT recorded a net loss of Kshs 124.0 mn, a significant decline from a net profit of Kshs 148.0 mn in 2020, occasioned by high total operating expenses which grew by 8.0% to Kshs 107.5 mn in FY'2021, from Kshs 99.3 mn in FY'2020. For more information, please see our [Cytonn Weekly #28/2022](#),
- ILAM Fahari I-REIT released its H1'2022 results highlighting a 104.1% increase in the net earnings to Kshs 86.2 mn, from the 42.4 mn that was recorded in H1'2021. For more information, please see our [Cytonn Weekly #29/2022](#), and,

- Property fund manager ILAM Fahari I-REIT announced plans to sell some of its assets in an aim to increase its returns from its property investments. The expected sale transaction is part of its proposed restructuring plans which is currently awaiting approval by the Capital Markets Authority (CMA). For more information, please see our [Cytonn Weekly #29/2022](#).

Income Statement:

- The basic earnings per unit improved by 77.1% to a loss of Kshs 0.2 per unit in FY'2022, from a loss of Kshs 0.7 per unit in FY'2021. The performance was driven by a significant improvement in ILAM Fahari's net earnings which improved to a Kshs 28.4 mn loss in FY'2022, from Kshs 124.0 mn loss recorded in FY'2021. This was mainly driven by a 22.8% increase in the total operating income which came in at Kshs 367.8 mn in FY'2022, from Kshs 299.6 mn in FY'2021,
- Rental income increased by 19.1% to Kshs 354.3 mn in FY'2022, from Kshs 299.6 mn recorded in FY'2021, mainly attributable by increased rental contribution by Greenspan Mall's anchor tenant, Naivas Supermarket, as well as other tenants, in line with rent escalations. The performance was also driven by improved occupancy rates in the mall following Naivas' takeover of 37.0% of total mall space as the anchor tenant from troubled Tuskys supermarket, and recovery of the economy from the effects of the pandemic that led to normalcy returning in the property market,
- The rental income as a percent of interest earning asset implies a gross rental yield of 11.4% on the property portfolio,
- Interest income increased by 113.3% to Kshs 31.0 mn in FY'2022 from Kshs 14.5 mn realized in a similar period in 2021, driven by the 16.4% growth in Investment Securities to Kshs 287.0 bn from Kshs 246.7 mn in FY'2021,
- The total operating expenses increased by 6.0% to Kshs 243.4 mn in FY'2022 from the Kshs 229.6 mn recorded in FY'2021, driven by a 7.6% increase in property expenses to Kshs 131.3 mn in FY'2022, from Kshs 122.1 mn in FY'2021, coupled with a 4.3% increase in the fund operating expenses to Kshs 112.0 mn in FY'2022, from Kshs 107.5 mn in FY'2021. Key to note, expenses accounted for 68.7% of the total operating income,
- The 7.6% increase in property expenses is attributable to costs incurred to undertake major refurbishment works at Greenspan Mall. Moreover, operational expenses rose by 4.3% mainly due to expenses incurred towards the implementation of ILAM Fahari's new strategy, which involves operational restructuring of the REIT, a strategic decision approved by both the REIT Trustee, and the Board of the REIT Manager in July 2022,
- The net earnings for the period FY'2022 improved by 77.1% to a Kshs 28.4 mn loss, from the Kshs 124.0 mn loss that was recorded in FY'2021, mainly as a result of a 22.8% increase in the total operating income to Kshs 367.8 mn in FY'2022, from Kshs 299.6 mn that was realized in FY'2021. However, total operating expenses increased by 6.0% in FY'2022 attributable to a 7.6% and 4.3% increase in property and fund operating expenses respectively as mentioned above,
- Distributable earnings per unit increased by 39.2% to Kshs 0.7 in FY'2022, from Kshs 0.5 in FY'2021 following an increase in net earnings, and,
- The current dividend yield stands at 7.7%.

Balance Sheet:

- Total assets reduced by 2.6% to Kshs 3.6 bn in FY'2022 from Kshs 3.7 bn in FY'2021, driven by a 10.4% decline in investment property to Kshs 2.9 bn recorded in FY'2022 from Kshs 3.3 bn realized in FY'2021, coupled with a 25.3% decline in cash and cash equivalents to Kshs 89.9 mn in FY'2022, from Kshs 120.3 mn recorded in FY'2021

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- Total liabilities increased by 12.9% to Kshs 0.19 bn in FY'2022, from Kshs 0.17 bn in FY'2021 attributable to a 12.9% increase in trade and other payables to Kshs 0.19 bn in FY'2022, from Kshs 0.17 bn in FY'2021. The REIT remained without borrowed funds as at FY'2022,
- The shareholder's funds declined by 3.4% to Kshs 3.4 bn in FY'2022, from Kshs 3.5 bn in FY'2021, following a massive revaluation reserve correction of 199.2% to Kshs (255.8) mn, from Kshs (85.5) mn recorded in FY'2021, and,
- The REIT currently has a Return on Assets of (0.8%) and a Return on Equity of (0.8%).

Going forward,

- The I-REIT is anticipated to maintain its stability through the restructuring plans implemented by ICEA Lion Asset Managers, which will allow for effective financial planning and ensure the business's survival. Furthermore, the replacement of Tuskys supermarket with Naivas supermarket at the Greenspan Mall is expected to sustain the I-REIT's profitability. However, the limited knowledge of REITs among investors is likely to impede the I-REIT's optimal performance due to the low trading volumes.