



## ***Q4 and FY 2013, Results Presentation***



## *Forward-Looking Statement*



This presentation contains forward-looking statements. Such statements are not statements of historical fact, and reflect the beliefs and expectations of the Company's management. The words "anticipates," "believes," "estimates," "expects," "forecasts," "intends," "plans," "predicts," "projects" and "targets" and similar words are intended to identify these statements, which necessarily involve known and unknown risks and uncertainties. Known risks and uncertainties include those resulting from the short history of the Company's operations as a real estate developer, the inherent risk of the execution of large scale master planned development and the introduction of competition, as well as those relating to the cost and availability of financing, the performance of KSA economy generally and the levels of exchange rates between Saudi Riyal and foreign currencies. Accordingly, the actual results of operations of the Company may be different from the Company's current expectations, and the reader should not place undue reliance on these forward-looking statements. Forward-looking statements speak only as of the date they are made, and the Company does not undertake any obligation to update them in light of new information or future developments.



# Company overview



*Dar Al-Arkan – A leading real estate developer in Saudi Arabia*

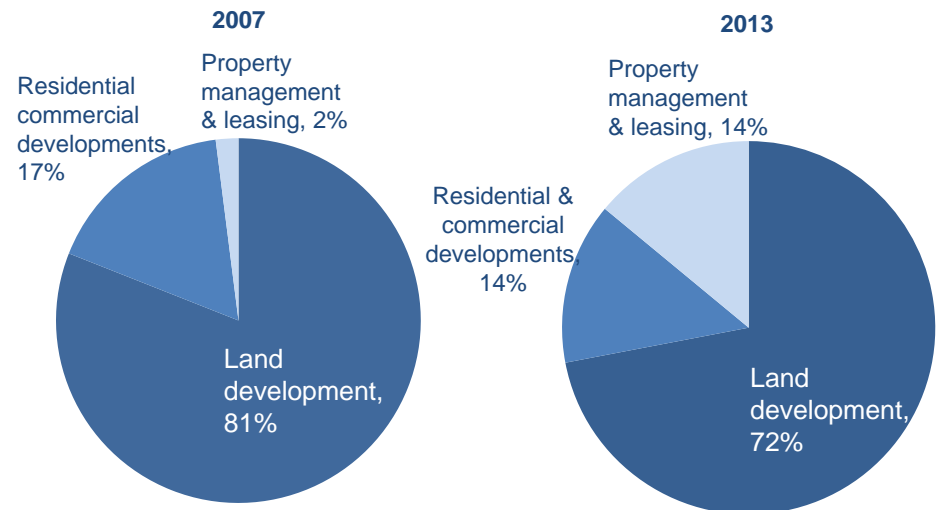
- Largest listed real estate developer in Saudi Arabia
- Market Capitalization as at 12 Jan 2014 was SR 11 bn (US\$ 2.9 bn)

**As at 31 Dec 2013:**

- **Total number of employees:** 332
- **Revenue:** FY2013 SR 2.9 bn
- **EBITDA:** FY2013 SR 1.1 bn
- **Book value of assets :**
  - Land Bank: SR 13.8 bn (US\$ 3.7 bn)
  - Leasing: SR 2.7 bn (US\$ 717 mn)
  - Residential: SR 2.8 bn (US\$ 735 mn)
  - Other asset: SR 4.9 bn (US\$ 1.3 bn)

**Headquarters:** Riyadh, Saudi Arabia

### Increasing investments in leasing assets



Land Development



Property Management and Leasing



Residential and Commercial Development

- A leading developer of residential real estate in Saudi Arabia
- Operating in the most populous and growing cities and regions
- Managing real estate developments & providing affordable homes to mid-income Saudis





## Dar Al Arkan



*At a glance*

More than  
**10,000,000**

SQM of Developed Land

**500,000**

Square Metres of  
Rental Properties

**+70,000**

People Living in  
Residential Units Delivered by DAAR

Total Units Delivered

**15,000**

To the Saudi Real Estate Market

**SR 11.3 bn**

Successful Sukuk Issuances,  
Reflecting Great Access to the  
Financial Markets

**53%**

Higher Market Value  
of Assets versus  
Book Value

Moderately leveraged

**15%**

Net Debt to Asset

Cash Balance

**SR 2.3 bn**

As at 31 December 2013

Total Book Value of Assets

**SR 24.2 bn**

As at 31 December 2013



## ***2013 Business & Results Highlights***

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## ***Financial Highlights***

### *FY 2013, Results, Financing and Balance Sheet*

#### **Results**

- Revenue SR 2.9 bn (2012 : SR 3.5 bn); Net Profit SR 681.5 mn (2012: SR 988.5 bn).
- Gross Margin 39.3 % (2012 : 39.2%), EBITDA Margin 35.9% (2012 : 35.4 %), Net Margin 23.3% (2012 : 27.8 %). Margins are in line with last year, highlighting the quality of the DAAR real estate portfolio. Net margin was impacted by lower non-operating income from the closing of the SWAP derivative.
- Property management and leasing revenue of SR 108.4 mn (2012 : SR 52.8 mn), 3.7% of total revenue.
- Land development revenue of SR 2,822 mn (2012 : SR 3.479 mn), 96.2% of total revenue.
- Residential and commercial projects – minimal contribution due to lower units inventory available for sale, attributable to the development cycle of our projects and market conditions.

#### **Financing and Balance Sheet**

- Strong year end cash position of SR 2.3 bn.
- Significant investment in 2013 – acquisition of 4.2 mn sqm of land (5 land plots: 3 in Makkah & 2 In Jeddah) costing SR 2.2 bn. A further SR 285 mn was invested in projects under development.
- Early repayment of 87% of SR 750 mn April 2014 local Sukuk together with SR 726 mn of Islamic Murabaha facilities. Total debt repaid in 2013 of SR 1,376 mn.
- Raised a total of US\$ 750 mn (SR 2,812 mn) in 2 highly successful Sukuk transactions. Net debt stands at SR 3.6 bn. Net debt/asset ratio of 15%.
- S&P upgraded credit rating to Positive and affirmed it at B+. Ram rating in Malaysia affirmed an AA3/P1 credit rating and revised its outlook to Positive from Stable.



## ***Business Highlights***

### *FY 2013, Market Backdrop – Key Highlights*

#### **Residential**

- Steady growth in Saudi housing segment driven by strong demand from a rising population, young demographic profile, urbanization, higher disposable incomes and better financing options.
- Medium term outlook remains positive for target mid-income segment supported by government investment in education and employment. Large infrastructure spending (roads, rail, tube, ports, etc.) also expected to help sustain housing demand.
- Land and house prices increased 3-6%<sup>(1)</sup> in 2013. Rental market remains robust – prices up 3-7%<sup>(1)</sup> in 2013.

#### **Mortgage Law Update**

- In 2013, regulations for three of the five laws to create the new Real Estate and Financing Law for the Kingdom were published.
- By the end of January 2014, SAMA had awarded six licences to Saudi banks and financing companies to practice real estate financing according to the new laws. A further 9 applications await approval.
- New laws will have a positive impact on the home financing markets in KSA but will take time to gain acceptance and momentum.

#### **Policy Update (Ministry of Housing (MOH))**

- In 2013 REDF approved 52,689 interest free loans, totalling SR 26.3 bn to build 63,219 units. Waiting period now reduced to 10 years (16 years, 3 years ago).
- MOH announced major land development plans throughout KSA. Developed plots to be distributed to deserving Saudi applicants under new housing support regulation. Support options include land and loan, loan, land, ready housing unit. MOH intends to involve Real Estate Developers.
- Actions of MOH may have a slight positive impact on DAAR driven by land acquired or removed from open market and given free to low-income Saudis not active in the housing market due to their affordability limitations.

1. *Century 21 Saudi's Research & Advisory*



# Financial Results

## *Income Statement Highlights*

SR in millions	Q4 2012 vs. Q4 2013	FY2012 vs. FY2013
Revenues	21% decline from SR 877 mn to SR 693 mn	17.6% decline from SR 3,557 mn to SR 2,931.2 mn
Gross Profit	14.8% decline from SR 308.8 mn to SR 263 mn	17.3% decline from SR 1,393.7 mn to SR 1,153.1 mn
Operating profit	8.8% decline from SR 242 mn to SR 220.8 mn	18.1% decline from SR 1,184.4 mn to SR 970.4 mn
Net Income	8.9% growth from SR 144 mn to SR 156.8 mn	31.1% decline from SR 988.5 mn to SR 681.5 mn

### **Commentary Q4 2013 Vs. Q4 2012.**

- The top line decline in Q4 2013 versus Q4 2012 is mainly due to lower property sales, which is attributable to lower priced areas offered for sale.
- The net income growth in Q4 2013 versus Q4 2012 is driven firstly by higher margins from properties sold, which is attributable to the degree of development and geographical location of the property. Secondly, this increase is driven by deposit income, and finally, it is due to lower operating expenses driven by lower marketing and consultancy fees.
- In Q4 2013, DAAR sold 2 land parcels one in Jeddah Shams Al Arous project and one from eastern province which totalled 671,000 sqm versus 1.5 mn sqm of land sold in Q4 2012.

### **Commentary FY 2013 Vs. FY 2012**

- The top line decline in FY2013 versus FY2012 is mainly due to lower property sales, as the Company was conservative in its property offering during 2013 due to the strong cash position and to preserve value in an environment of escalating property prices .
- The net income in FY2013 was impacted firstly by lower property sales; secondly, the decrease was driven by a lower SWAP derivative valuation, and finally an increase in finance charges, which were partially offset by lower non-operating costs and Zakat provisions.
- During FY2013, DAAR sold 5 mn sqm of land versus 6 mn sqm in FY2012.



## *Real Estate portfolio Highlights*

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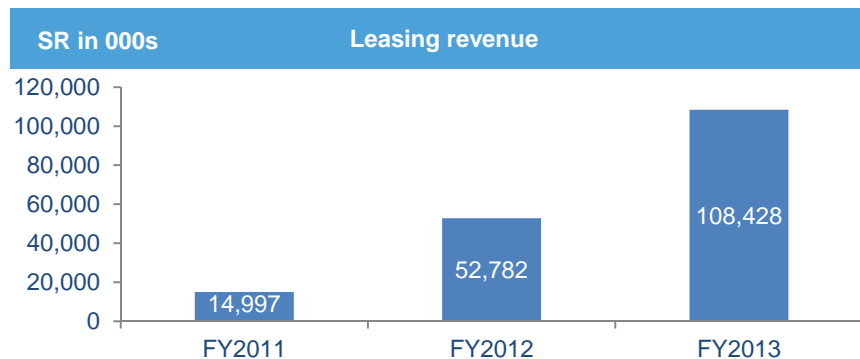
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# Leasing Portfolio

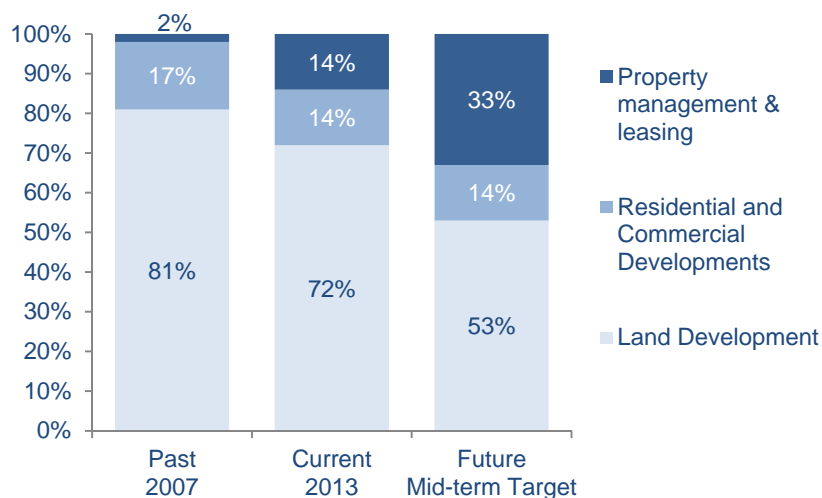
*Growing portfolio with excellent occupancy rate*

Leasing property	Occupancy Q4 2013
Al Qasr Mall	87%
Al Qasr (Apartments & Shops)	56%
Al Qasr Office Building (in advanced stage of negotiation for leasing in whole to Govt. Agency.)	0%
Azizia Towers	100%
Al Qasr (Villas)	100%
Al Masif (Villas) (under renovation and releasing within 6 month )	0%



Source: Audited Financial Statements & Management Information

## Planned evolution of increasing investments in leasing assets





# Leasing Portfolio

## Al-Qasar Mall



- In June 2012, Dar Al-Arkan opened the Al-Qasar Mall located adjacent to the Al-Qasar project, which is the largest mall in Riyadh
- Al-Qasar Mall includes a children's amusement zone, a food court and an 800 metre long exterior lighting façade used for advertising

### Leasing activity in Q4 2013.

- 2,081 sqm. was leased out to China Gallery
- On-going negotiations with new tenants



Al-Qasar Mall by Numbers	
Built-up Area (sq m)	230k
Net Leasable Commercial Space (sq m)	78k
Leasing Ratio	87%
# Shops	350
# Floors	4
Parking Capacity	1,800 cars
Total cost	SR 950m (\$253m)

### Blue Chip Tenant Mix





# Leasing Portfolio

## Al-Qasr Lease Asset



- DAAR enjoys a unique market position by having such a large number of units in the same location. This enabled the Al Qasr community to attract high quality long-term institutional tenant mix.

**The Al-Qasr Project**, Dar Al-Arkan's first Master Planned Community, was started in 2006 and materially completed in 2012

- Located in the Al-Suwaidi suburb of Riyadh and designed to cater to the middle-income market segment, it is divided into 5 zones and includes various public service and commercial facilities, including mosques, public parks, green belts, schools, entertainment areas and retail areas
- Dar Al-Arkan sold most of the units offered for sale in Al Qasr, and retained all mixed use buildings overlooking the project's main streets as a lease asset. Details of the project as below.

### Leasing activity in Q4 2013

- 101 units will be transferred from the sales to leasing portfolio.
- Al Qasr Office Building in advanced stage of negotiation for leasing in whole to Govt. Agency.
- New bulk lease agreement for 50 Apartments was signed with Al Hammadi Hospital.

### Al-Qasr Project by Numbers

Built-up Area (sq m)	1.2mn
Total cost (exc. Al-Qasr Mall) (SR)	1.8 bn (US\$480 mn)
Office Space (sq m)	20k
Commercial Space (sq m)	65k
Housing Capacity	13k people
Total # Residential Units	3,051
Total # Villas	254
Total # Apartments	2,797
# Villas Retained for Leasing	57
# Apartments Retained for Leasing	1,318
% of Leasing Units which have been leased	56%



*\*\*Based at potential sale value expected*

*\*\*\*Based at 8% outgoing yield*





# Residential & Commercial Developments



## Al Tital Project



**The Al-Tital Project** is located in southern Medinah, south of Hijra Road, c. 9km from the Holy Prophet Mosque and partially within the boundary of the Haram zone, which is considered a desirable area by many Muslims

- The construction of Al-Tital's 499 villas was completed in 2010 and all of these villas have since been sold

### Activity in Q4 2013

- Design for commercial centre building is on-going. This commercial center will be retained as leasing asset.



### Al-Tital by Numbers\*

Total net area (sq m)	0.5 mn
Residential area to be sold (sq m)	457k
Commercial space to be leased (sq m)	4k
% Infrastructure completion	100%
% Superstructure completion	0%
Estimated value of sellable area (SR)**	607 mn
Estimated value of leasable area (SR)***	72 mn

*\*Based on current development plan*

*\*\*Based at potential sale value expected*

*\*\*\*Based at 8% outgoing yield*



# Residential & Commercial Developments

## Shams Ar-Riyadh & Shams Al-Arous



**Shams Ar-Riyadh** is Dar Al-Arkan's second Master-Planned Community and is located in Riyadh's Al-Dariya district

- One of the largest residential development projects ever initiated in the Kingdom, comprising a total area of approximately 5mn of which 2.6 mn sqm was sold to SABIC and others in 2012 & 2013
- The project to cater to the middle-income market segment, notable features include high land altitude, wide roads, pedestrian sidewalks and scenic landscaping.

### Activity in Q4 2013

- Master plan zones detailed layouts approval transferred to Q1 2014.
- Detailed market study for the compound was completed. The compound development on an area of c.450,000 sqm containing residential buildings (apartments and villas) and a range of community facilities and commercial services.
- The compound development design is under tendering
- Main roads and infrastructure re-design are under tendering.



### Shams Ar-Riyadh by Numbers\*

Total Area (sq m)	2.4 mn
Total cost (SR)	2.5 bn
Infrastructure development completion**	47%
Compound development completion**	0%
Estimated value of saleable area (SR)***	3.6 bn
Estimated value of leasable area (SR)****	2.3 bn

**Shams Al-Arous** is Dar Al-Arkan's third Master-Planned Community and is located approximately 12km east of downtown Jeddah.

- All the land has been fully developed including access to Palestine road which is one of the main highways in Jeddah
- Connecting the project to Palestine Road led to significant value appreciation. Subsequent city growth and strong demand for the area supports steady rise in land prices.

### Activity in Q4 2013

- Zones Parcellization are in progress
- Construction of two mosques commenced.
- 360,432 sqm of land was sold.

### Shams Al-Arous by Numbers\*

Total Area (sq m)	1.3 mn
Total cost (SR)	3.7 bn
Residential area to be sold (SQM)	1.1 mn
# Residential units to be leased	3,304
Commercial space to be leased (SQM)	190k
Infrastructure completion (%)**	100%
Superstructure completion (%)**	0%
Estimated value of saleable area (SR)***	1.8 bn
Estimated value of leasable area (SR)****	2.8bn



\*Based on current development plan \*\* Excluding land cost

\*\*\*Based at potential sale value expected

\*\*\*\*Based at 8% outgoing yield

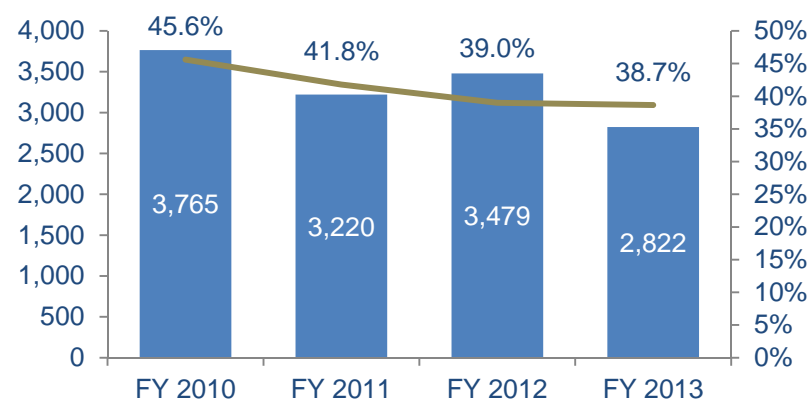


# Land Development

## Substantial and Geographically Diverse Land Bank

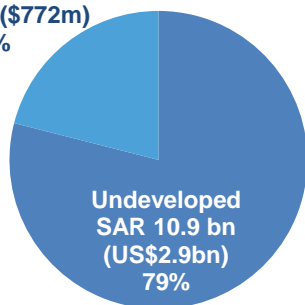
- Land plots are purchased based on thorough analysis
  - Target large cities with supply / demand gap
  - Follow expansion trends from the city centre to the newer suburban areas
  - Follow historical prices and capitalize on potential for appreciation
  - Account for accessibility, particularly connections to the downtown and proximity to main roads and basic infrastructure
- The land bank is subject to continuous strategic assessment for retention or disposal. Some land has the potential for significant value enhancement and is therefore retained in the portfolio, while land deemed right for disposal offers a compelling opportunity for crystallizing a near term capital gain.

Land revenue & gross margin (SAR Millions)



Dar Al-Arkan's Land Bank Portfolio

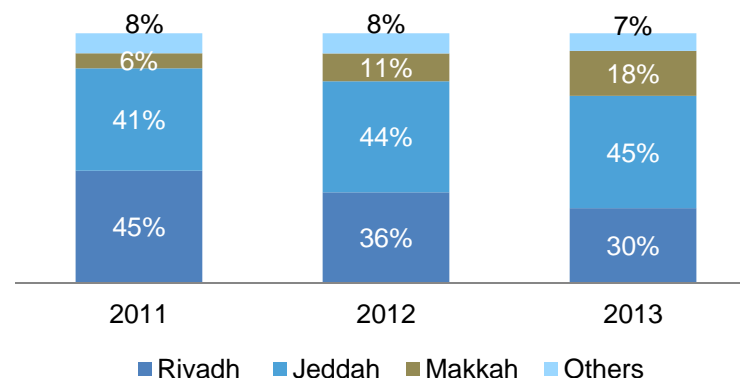
Developed  
SR 2.9 bn (\$772m)  
21%



**Total Value of Land Bank:**  
SR 13.8 bn (US\$ 3.6 bn)  
*All valued on balance sheet at cost*

**Independent valuation overseen by CMA in 2011, valued 52% of RE assets, at 53% higher than book value**

Geographical Split of Dar Al-Arkan's Land Bank Portfolio



Source: Reviewed Financial Statements as of 31 Dec 2013

## *Financial Performance*

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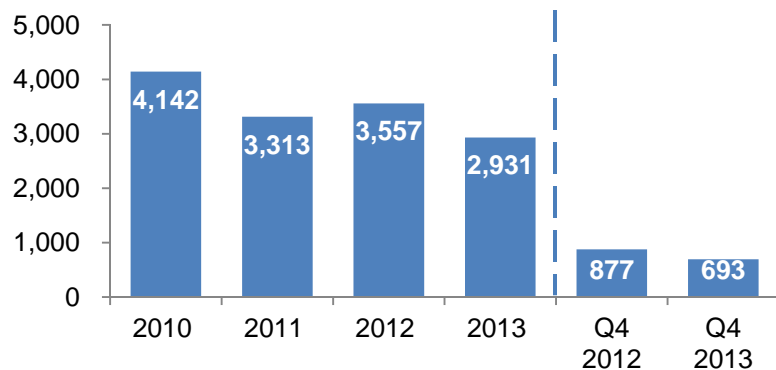
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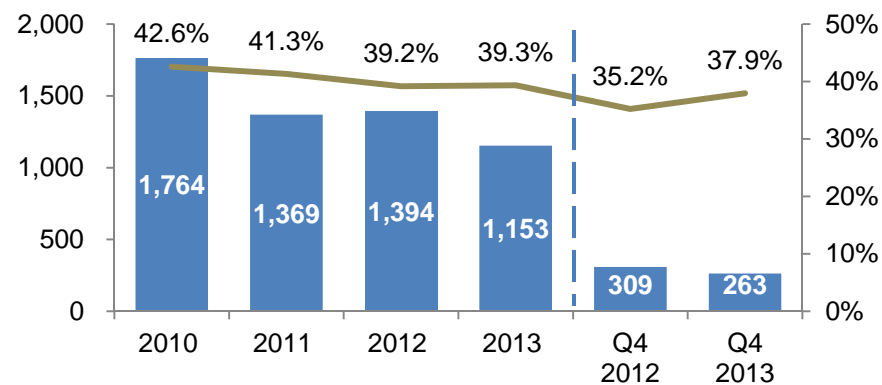


# Historical Performance

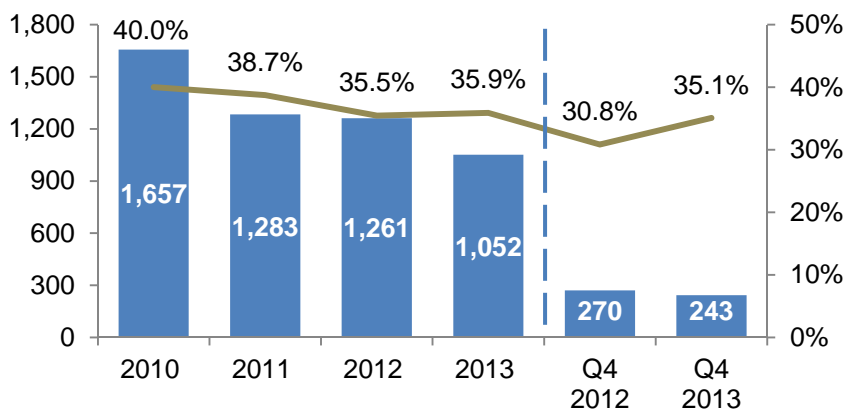
### Revenue (SR mm)



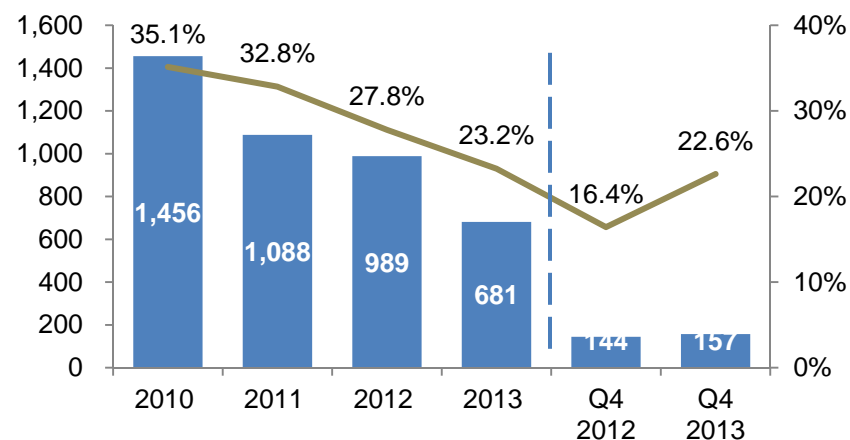
### Gross Profit (SR mm) & Margin (%)



### EBITDA (SR mm) & Margin (%)



### Net Income (SR mm) & Margin (%)



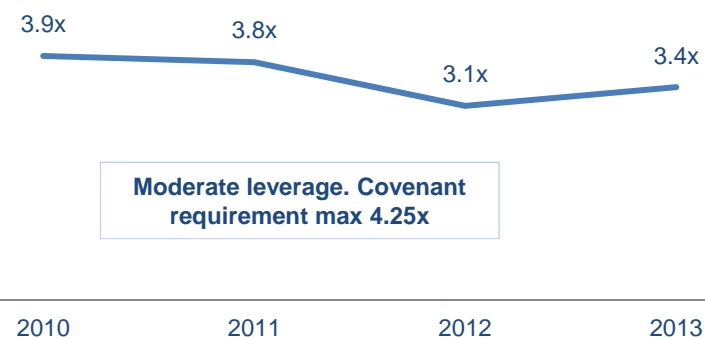


# Historical Performance

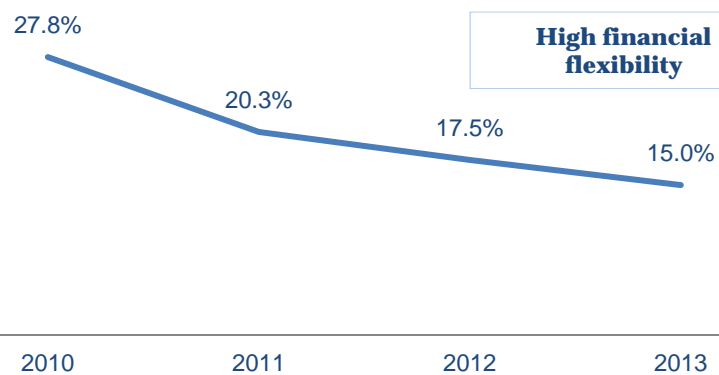
### Current Ratio



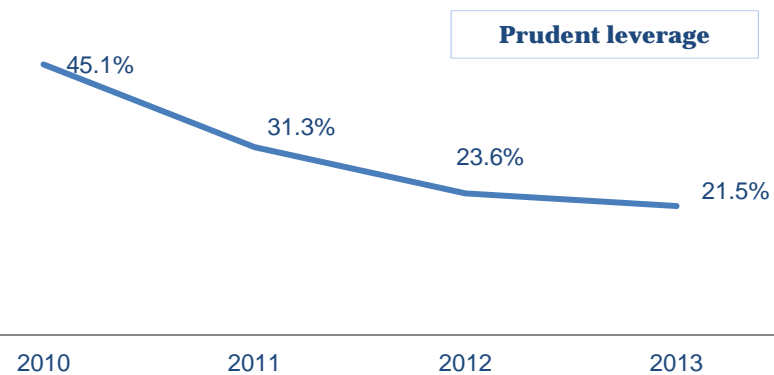
### Net Debt/EBITDA



### Net Debt/Total Assets



### Net Debt/Equity





## Financial Performance

### Income Statements

SR in 000s	FY 2010	FY 2011	FY 2012	FY 2013	Q4 2012	Q4 2013
Revenue	4,141,981	3,312,510	3,557,072	2,931,168	876,850	692,927
Cost of sales	(2,377,724)	(1,943,497)	(2,163,366)	(1,778,097)	(568,025)	(429,962)
<b>Gross profit</b>	<b>1,764,257</b>	<b>1,369,013</b>	<b>1,393,706</b>	<b>1,153,071</b>	<b>308,825</b>	<b>262,965</b>
Operating expenses	(107,492)	(91,793)	(154,601)	(151,027)	(47,888)	(32,416)
<b>Operating profit</b>	<b>1,656,765</b>	<b>1,277,220</b>	<b>1,239,105</b>	<b>1,002,044</b>	<b>260,937</b>	<b>230,549</b>
Income from Associates	0	400	850	3,250	450	-
Depreciation & amortization	(14,260)	(8,510)	(21,197)	(31,665)	(18,980)	(9,790)
<b>EBIT</b>	<b>1,642,506</b>	<b>1,269,111</b>	<b>1,218,759</b>	<b>973,629</b>	<b>242,407</b>	<b>220,759</b>
Other income	79,364	99,299	92,776	39,320	(1,843)	31,555
Finance cost	(239,158)	(231,100)	(297,567)	(313,959)	(93,696)	(91,554)
<b>PBT</b>	<b>1,482,712</b>	<b>1,137,310</b>	<b>1,013,968</b>	<b>698,990</b>	<b>146,868</b>	<b>160,760</b>
Zakat	(27,000)	(49,374)	(25,430)	(17,528)	(2,830)	(3,928)
<b>Net Income</b>	<b>1,455,712</b>	<b>1,087,936</b>	<b>988,538</b>	<b>681,462</b>	<b>144,038</b>	<b>156,832</b>
<b>Revenue growth</b>	<b>-24.2%</b>	<b>-20.0%</b>	<b>7.4%</b>	<b>-17.6%</b>	<b>8.1%</b>	<b>-20.98%</b>
<b>EBITDA</b>	<b>1,656,765</b>	<b>1,283,397</b>	<b>1,261,279</b>	<b>1,051,782</b>	<b>270,332</b>	<b>243,049</b>
<b>KPIs</b>						
GM%	42.6%	41.3%	39.2%	39.3%	35.2%	37.9%
Operating profit%	40.0%	38.6%	34.8%	34.2%	29.8%	33.3%
EBITDA%	40.0%	38.7%	35.5%	35.9%	30.8%	35.1%
PBT %	35.8%	34.3%	28.5%	23.8%	16.7%	23.2%
Net income %	35.1%	32.8%	27.8%	23.2%	16.4%	22.6%



## Financial Performance... cont'd)

### Balance Sheet

SR in 000s	FY 2010	FY 2011	FY 2012	FY 2013
Cash	1,188,513	2,505,774	535,771	2,279,132
Accounts Receivables	1,667,000	1,227,708	1,492,749	1,364,297
Pre-paid Expenses	556,391	506,761	632,781	484,201
Residential and commercial development-ST	184,660	64,469	46,702	44,529
Develop Land -ST	270,887	2,106,603	844,332	927,110
Others	1,364	143	143	143
<b>Total Current Assets</b>	<b>3,868,815</b>	<b>6,411,458</b>	<b>3,552,478</b>	<b>5,099,412</b>
Investment in Land	4,731,660	5,082,926	5,605,630	4,864,302
Residential and commercial development-LT	3,677,456	3,868,580	3,214,085	2,718,238
Land development projects -LT	4,971,362	3,978,354	3,924,500	6,062,219
Develop Land -LT	2,929,939	759,757	2,124,441	1,936,614
Investment Properties	1,914,327	2,753,353	2,737,060	2,694,638
Investment in Associates	1,162,360	1,162,760	744,157	747,407
Other Assets	92,942	83,571	77,938	74,502
<b>Total Non-Current Assets</b>	<b>19,480,046</b>	<b>17,689,301</b>	<b>18,427,811</b>	<b>19,097,920</b>
<b>Total Assets</b>	<b>23,348,861</b>	<b>24,100,759</b>	<b>21,980,289</b>	<b>24,197,332</b>
Payables & Accruals	1,115,149	1,106,902	1,267,876	1,283,586
Murabahas & Sukuks-ST	1,000,000	4,634,380	1,095,120	744,308
<b>Total Current Liabilities</b>	<b>2,115,149</b>	<b>5,741,282</b>	<b>2,362,996</b>	<b>2,027,894</b>
Murabahas & Sukuks-LT	6,721,485	2,757,756	3,289,359	5,159,269
Others	12,599	14,158	16,575	17,348
<b>Total Non-Current Liabilities</b>	<b>6,734,084</b>	<b>2,771,914</b>	<b>3,305,934</b>	<b>5,176,617</b>
Total Equity	14,499,628	15,587,563	16,311,359	16,992,821
<b>Total Liabilities &amp; SE</b>	<b>23,348,861</b>	<b>24,100,759</b>	<b>21,980,289</b>	<b>24,197,332</b>
<b>Business Assets Breakup:</b>				
Land development	12,903,848	11,927,640	12,498,903	13,790,245
Property management and leasing	1,914,327	2,753,353	2,737,060	2,694,638
Residential and commercial developments	3,862,116	3,933,049	3,260,787	2,762,767

## *Closing Remarks*

# Closing Remarks

## Investment Highlights

1

Healthy and growing real estate sector in Saudi Arabia driven by favourable demographics and a supportive legislative backdrop

2

Continued favorable trends in land price appreciation

3

Continued focus on premium margins

4

Dar Al-Arkan's proven ability to develop large-scale projects such as Master Planned Communities

5

The Company's substantial and geographically diverse land bank

6

A conservative financial profile with a strong balance sheet and healthy income generation

7

An experienced management team and good corporate governance

8

The benefits of its access to the international and domestic capital markets