

Investor Presentation Q1, 2016





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I. Macro-economic & Sector Overview



Market Outlook

Long term outlook for Saudi Real Estate remains positive, despite current challenges

Saudi Real Estate Market

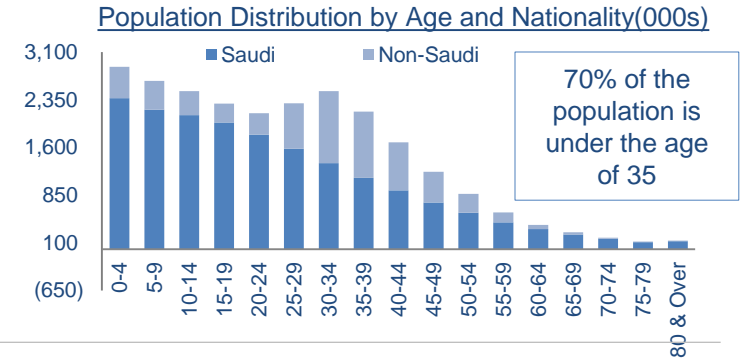
- The overall economic outlook for 2016 continues to be challenging owing to recent changes in the oil price, and the political situation in the region. However, we have seen unexpected initiatives from the Kingdom towards international projects and the strategy of diversifying the Kingdom's income and investments as initiated by Deputy Crown Prince.
- Despite the economic downturn, housing still remains a priority for the Saudi Arabian government.
- ⁽¹⁾According to research reports, the long term outlook of the RE sector remains positive driven by very high demand levels resulting from favorable demographics, household sizes decrease and the desire for home ownership. These factors will continue to fuel demand and ensure residential real estate continues to be an attractive market segment in 2016.
- ⁽¹⁾During Q1, Residential sales prices have decreased for flats and villas 4% and 6% respectively as well as a decrease in over all leasing prices of about 1%

Macro-economic & Real Estate Sector Overview

The Saudi Real Estate Sector: Underpinned by a fast growing economy, vast wealth reserves and attractive demographic fundamentals

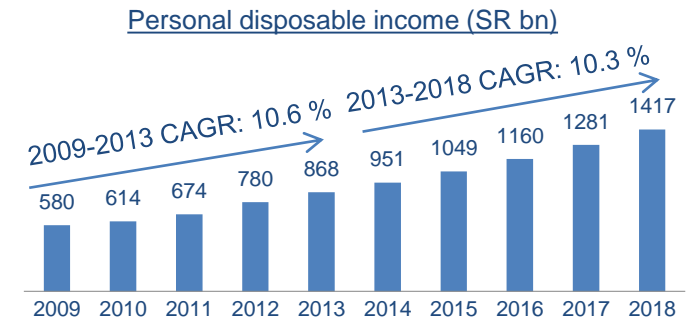
Attractive Demographics

- 70% of the population under the **age** of 35 and 40% are under the age of 15.
- **Population** grows 2.4% annually with estimated population of 37.6m by 2025.
- Average **household size** is expected to continue to decline due to the changing family structure in the Kingdom.
- Strong **housing demand** for approximately 200,000 new homes per annum.



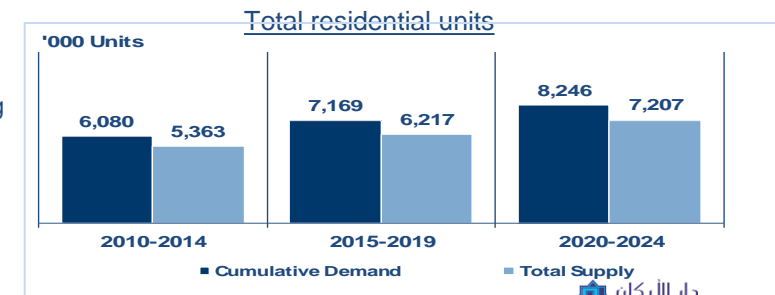
Growing Economy and Disposable Income

- **GDP growth rate** 3.6% actual in Q1 2016 and expected to fall to 2.2% in Q2 and to 1.4% by end of 2016.
- **Government spending is now decreasing** but employment and housing remain a priority.
- **Inflation** in the Kingdom has increased at 4.2% in Q1 2016 and expected to decrease to 3.8% by end of 2016.
- Citizens will continue spending on their homes whether through lease or mortgage .



Housing Situation

- Majority of homes are self built and financed from savings, personal loans or REDF loans. This creates growing demand for developed land.
- Due to a **severe shortage** in housing, the government has developed housing aid program to support low income Saudis.
- Despite this and other measures, there is likely to remain a shortage of affordable housing in Saudi Arabia for some time to come.





DAAR overview of 2016

Positive factors for 2016

- **Ministry of Housing “Eskan“ and Real Estate Development Fund “REDF”**
 - King Salman met with Housing Minister and RE development authorities end of Q1 2016 and went through the importance of developing the housing projects.
 - Contracts for 180,000 units to be delivered as soon as possible have been signed with different local and international developers.
 - REDF approved 15 billion SR real estate loans in 2015 and has introduced new schemes which will be implemented during 2016.
 - REDF new schemes allows loans to be extended to RE developers.
 - REDF loans can cover the down payments for RE mortgages to banks and down payments to off plan sales of properties.
 - DAAR is well positioned to continue to supply developed land parcels to satisfy this growing demand.
- **Mortgage Law**
 - LTV ratio has increased from 70% to 85% announced officially by SAMA Governor on 15th March, 2016.
 - Banks will see greater lending opportunities, higher fee income, pick-up in real-estate prices and opportunities to tap new clients.
 - New regulations allow REDF loans to be paid directly to banks and be considered as equity for the mortgage.
- **Off Plan Sale**
 - Ministry of Commerce and Industry “MOCI” announced the regulations of off plan sales in Feb 2016 which included:
 - All payments are held in an escrow account.
 - Down payment is 5%.
 - First installment is 20%.
 - Infrastructure and buildup warranty is 10 years.
 - MOCI has given 29 off plan licenses in Q1.
 - SAMA has given their approval for banks to participate in off plan sale mortgaging in Q1.
- **Vacant Land Fees (VLF)**
 - Eskan is finalizing the regulations of VLF, which is expected to be submitted in June to the council of Ministries.
 - These fees will categorize the lands into higher value and lower value once applied.
 - DAAR land bank should not be imposed by fees because they fall under: developed lands ready to be sold, lands underdevelopment, and lands without municipal services.

II. Company Overview & Financial Performance



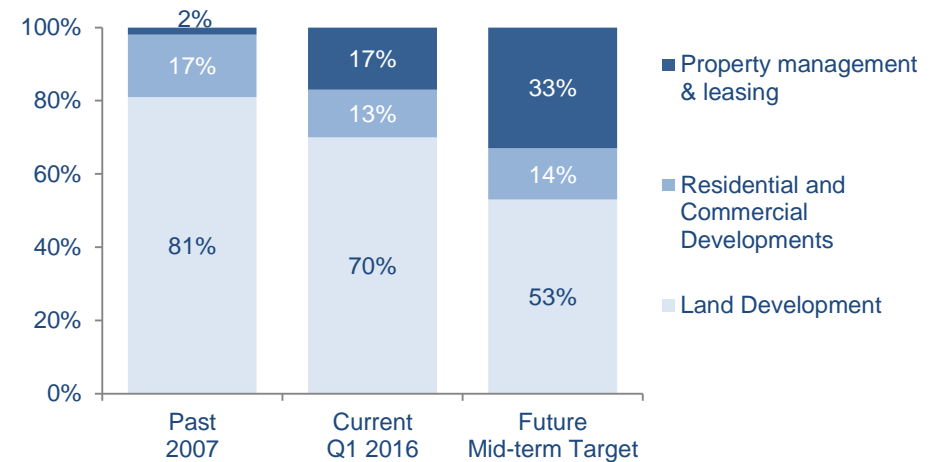
Company overview



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

- Largest listed real estate developer in Saudi Arabia
- As at 31 March 2016:**
- **Market Capitalization:** SAR 5.7 bn (US\$ 1.5 bn)
- **Total number of employees:** 346
- **Revenue:** Q1 2016 SAR 435 mn (US\$ 116 mn)
- **EBITDA:** Q1 2016 SAR 176 mn (US\$ 47 mn)
- **Book value of assets : SAR 25.3 bn (US\$ 6.7bn)**
 - Land Bank: SAR 14.4 bn (US\$ 3.8 bn)
 - Leasing: SAR 3.5 bn (US\$ 933 mn)
 - Residential and commercial development projects: SAR 2.7 bn (US\$ 709 mn)
 - Other assets: SAR 4.7 bn (US\$ 1.3 bn)
- Headquarters:** Riyadh, Saudi Arabia

Increasing investments in leasing assets



Diversification strategy.

DAAR remains committed to its strategy of diversifying revenue streams within its business and reducing the weighting of land sales. This will enhance value creation from owned land, increase earnings visibility, create smoother earnings delivery and reduce the Company's financial risk profile.

The strategy will be executed by:

- Increasing occupancy in current asset base to reach full occupancy in 2017
- Deliver gated community and residential units for leasing from ongoing development projects to contribute to revenue from 2019 onwards
- Acquire performing lease assets from market to portfolio (on hold due to market conditions in 2016)
- Deliver off plan residential units from ongoing developments to contribute to revenue from 2019 onwards



Land Development



Property Management and Leasing



Residential and Commercial Development



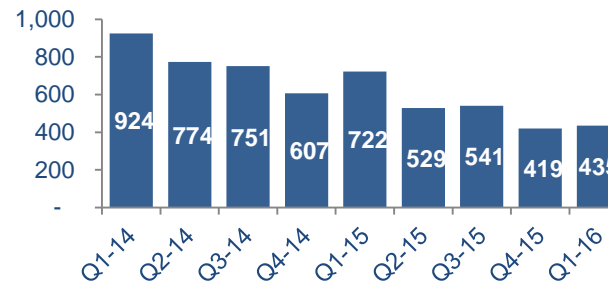


Financial Performance

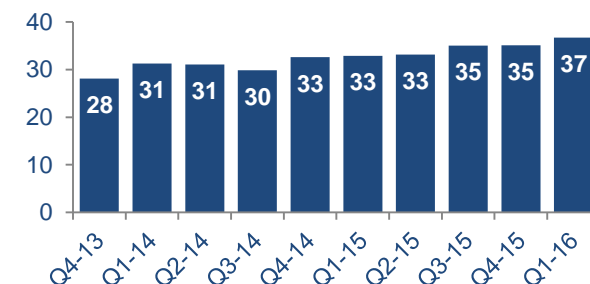
Q1, 2016 Profitability

- **Revenue** decreased 40% to SAR 435 mn (2015, Q1 SAR 722 mn) driven by slower than expected land trading volumes in KSA owing to challenging market conditions.
- Land sales revenue SAR 398 mn (2015, Q1: SAR 690 mn), down 42%.
- Property management and leasing revenue increased to SAR 37 mn (2015 Q1 : SAR 33 mn), up 12%.
- **Gross Margin** slightly decreased to 44% (2015 Q1 : 46%) mainly due to product mix of land sold.
- **SG&A** was at SAR 37 mn (2015 Q1 : SAR 61 mn) mainly due to lower professional and consulting fees.
- **EBITDA** SAR 176 mn down 39% (2015 Q1 : SAR 290 mn) due to lower sales volume.
- **Finance expenses** were SAR 89 mn, down 20% (2015 Q1 : SAR 111 mn) due to repayment of high cost Sukuk and lower average cost of borrowing.
- **Net profit** amounted to SAR 58 mn, down 61% (2015 Q1 : SAR 147 mn).

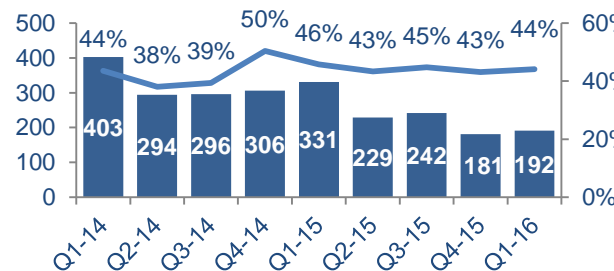
Revenue (SAR mn)



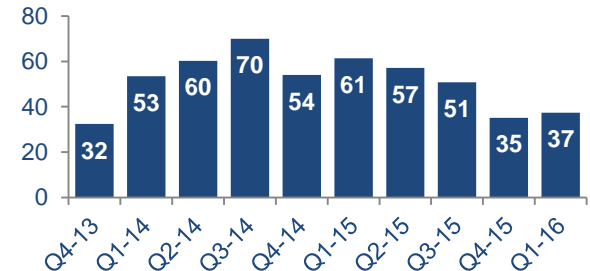
Recurring Revenue (SAR mn)



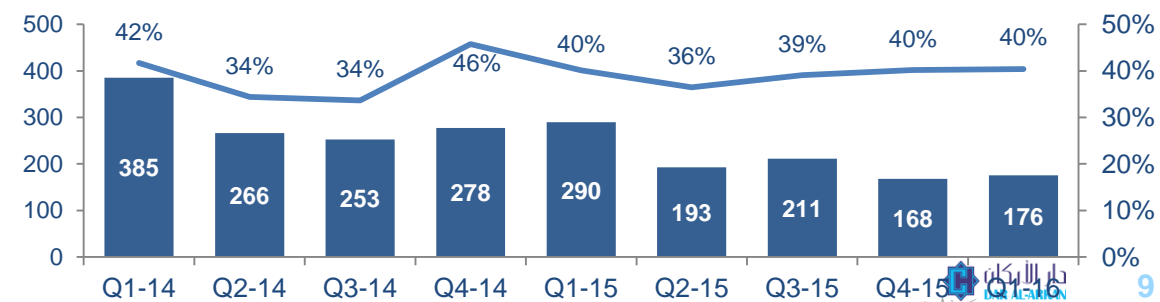
Gross Profit (SAR mn) & Margin (%)



SG & A (SAR mn)



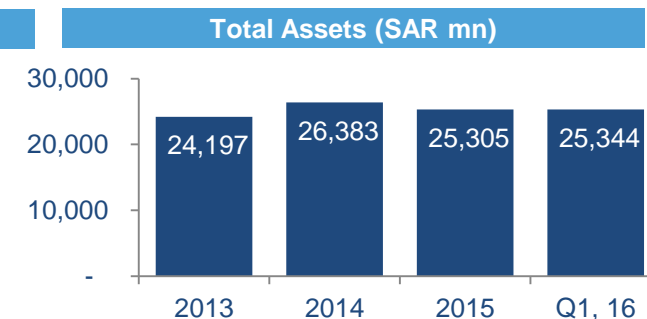
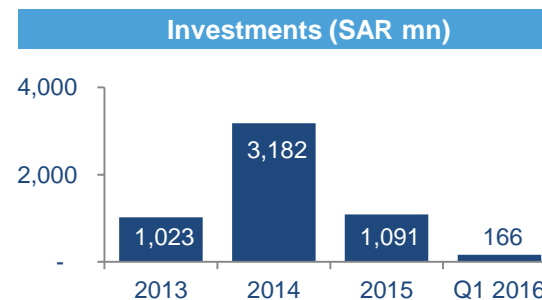
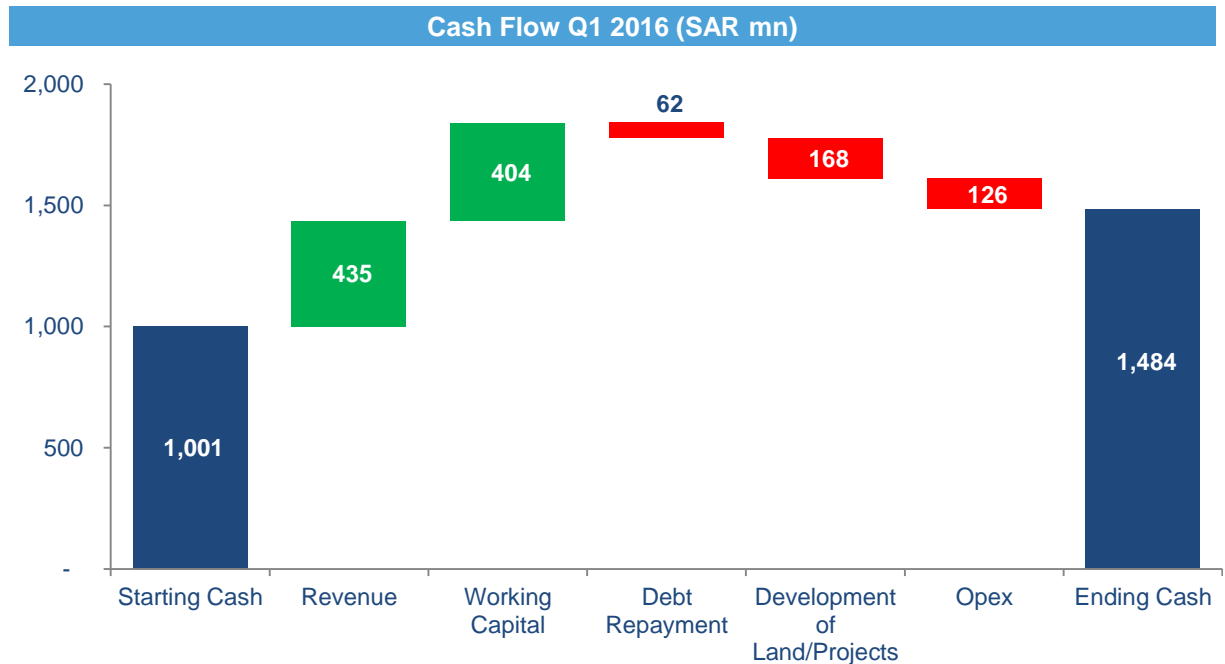
EBITDA (SAR mn) & Margin (%)



Financial Performance ... cont'd

Q1, 2016 Balance Sheet

- **Liquidity Position:** Cash balance increased to SAR 1.48 bn (+483 mn) mainly due to improvement in working capital.
- **Working Capital:** Collection of accounts receivables decreased it by SR 375mn, resulting in improvement of working capital.
- **Debt repaid:** Repayment of Murabahas SAR 62 mn as per due dates. No new debt taken in the quarter.
- **DAAR invested** SAR 166 mn only in land developments of existing lands. Net seller of land (no acquisition vs. sale of land costing SAR 225mn), owing to selective approach and cash preservation.



Source: Reviewed Financial Statements as of 31 Mar 2016



Financial Performance ... cont'd

Q1, 2016 Funding

- **Net debt** stands at SAR 4,755 mn (Q4, 2015 SAR 5,291 mn) gross debt / capitalization stands at 25.8%
- **Maturities** are well spread and cash management is prudent. Maturity profile extends to 2027.
- **Average cost of funding** stands at 5.7% driven by 2015 repayments and improving credit terms with local banking institutions on new debt.

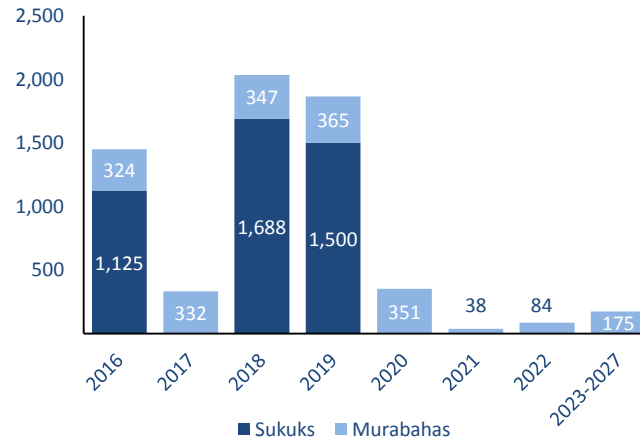
	2015 end	Q1 2016
Gross debt	6,293	6,240

Gross Debt/Capitalization



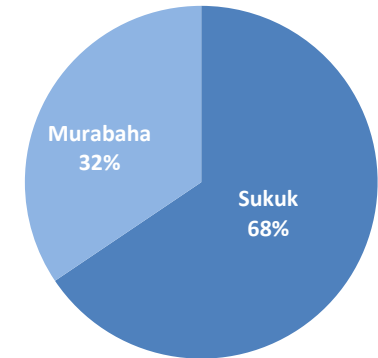
2013 2014 Q1 2015 Q2 2015 Q3 2015 Q4 2015 Q1 2016

Debt Maturity Profile (SAR mn)

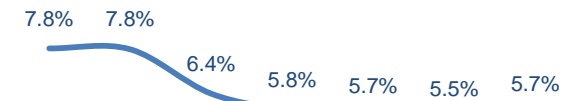


■ Sukuks ■ Murabahas

Q1, 2016 Debt Profile (SAR mn)



Cost of Funding



2013 2014 Q1 2015 Q2 2015 Q3 2015 Q4 2015 Q1 2016

Source: Reviewed Financial Statements as of 31 Mar 2016



Financial Performance ... cont'd

Sukuk repayment strategy

- **2016 Sukuk (SAR 1.1 bn)**
 - Already taken care of as DAAR has cash balance of SR 1.5 bn
- **2018 Sukuk (SAR 1.7 bn)**
 - Cash from operations over next 2 years SAR 3 – 4 bn
 - Mortgage funding against leasing portfolio:
 - Assets worth SR 1.1 bn readily available for fresh loans from local banks.
 - Furthermore, assets worth SR 1.5 bn would become available for fresh funding by mid 2017
 - Reduce land acquisition/development expenses – DAAR can adjust its land purchase/development expenses to conserve liquidity without adversely affecting operations in view of large land bank in its portfolio.
 - Accelerated land sale from large land bank at lower margin – It is possible for DAAR to sell land faster but will not be considered unless the above strategies fall short.

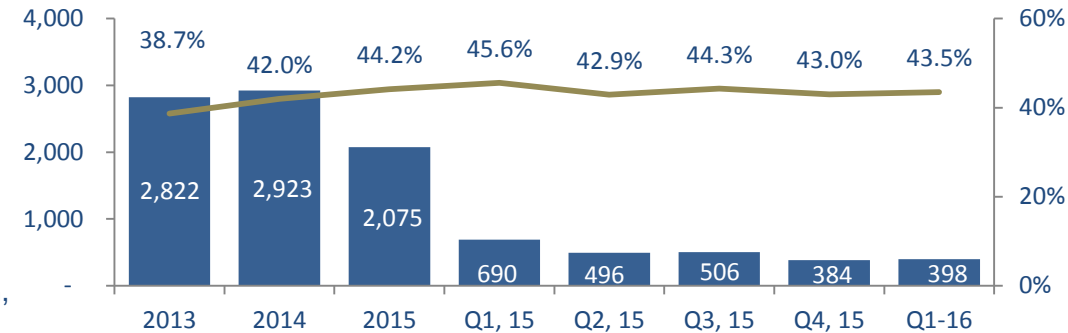
III. Company Activities

Land Development

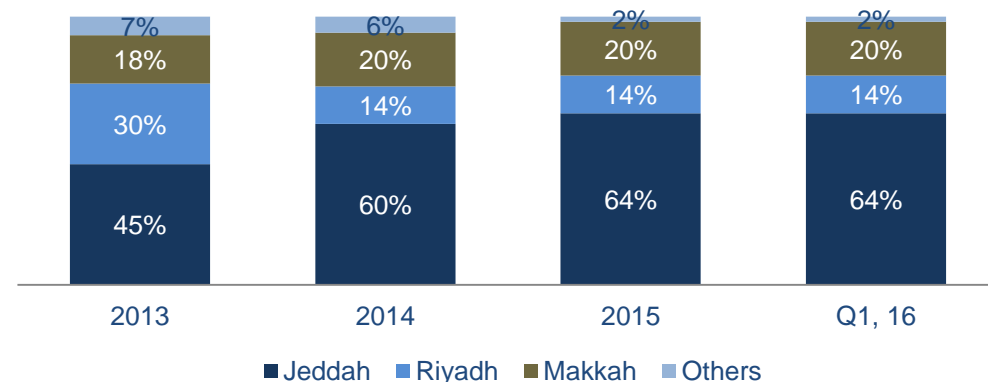
Substantial and Geographically Diverse Land Bank

- 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
 - Focus on accessibility, particularly connections to downtown, 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.
- Continuing from 2015 into 2016 Q1, DAAR has been a net seller of land and this will continue in 2016, as we focus on conserving cash for the November 2016 Sukuk repayment

Land revenue & gross margin (SAR Millions)



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



Properties

Al Qasr Community

Al Qasr Mall

Others



Al-Qasr Community by Numbers

Built-up Area (sqm)	1.2mn
Housing Capacity	13,000
Total # Residential Units	3,051
Total # Villas	254
Total # Apartments	2,797
# Villas for Leasing	102
# Apartments for Leasing	2,447
Street Shops GLA sqm.	56k
Office Building GLA sqm.	20k
Occupancy Ratio %	49%

Activity in Q1 2016

- 8 shops and 3 residential units were leased
- Negotiations ongoing with institutional tenants for leasing of c. 300 residential units
- 1,277 sqm of commercial units under negotiations with prospective tenants
- Average price increased by 13% for all new/renewals of residential units
- Occupancy dipped marginally to 49% due to higher termination of leases



Al-Qasr Mall by Numbers

Built-up Area (sqm)	230k
GLA (sqm)	76k
# Leasable Units	429
# Floors	4
Parking Capacity	1,800 cars
Leasing Ratio	88%

Activity in Q1 2016

- 11 shops and 7 kiosks leased
- Entertainment zone, leased to Jamouly under fit-out & expected to open by end of Q2
- Study in progress with external consultant to improve the vehicular traffic flow due to increasing popularity of the mall



Azizia Tower (Mecca)

- Leasable area 40,746 sqm
- Leased 100% to KAMC

Al Tilal Villas (Medina)

- Leasable area 87,025 sqm
- Out of 279 villas, 37% leased

Al Masif Compound (Riyadh)

- 26 villas. 100% leased to NESMA

Residential and Commercial Development

Shams Ar Riyadh



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

Activity in Q1, 2016

- The Master Plan received the support of the ADA in December 2015, however some issues related to the development are still pending and under review.
- DAAR has engaged an international consultant, Albert Speer & Partner, to conduct a review of the Master Plan to assist in resolving the issues.

Shams Ar-Riyadh by Numbers	
Total area (sqm)	2.4m
No of Residential units to be leased	1,160
No of Residential units to be sold	325
Commercial land development (sqm)	0.5 m
Commercial development BUA	3.2 m
% Infrastructure completion	55%
% Superstructure completion	0%

Juman



Juman is located in Dammam and will be an integrated, Master Planned community providing its residents and visitors modern waterfront living.

Activity in Q1, 2016

- Discussions continue with various authorities including MoMRA and Dammam Amana to better introduce the project and obtain their feedback and guidance.
- The Master Plan continues to be refined at pre-concept level.

Juman Project by Numbers	
Total Area (sqm)	8.2 m
DAAR's Holdings on the Project's SPV	18%
DAAR's role	Master developer

Shams Al Arous and Al Tital



Shams Al Arous is the company's third Master Planned Community and is located in Jeddah.

- All the land has infrastructure in place.
- Connecting the project to Palestine Road led to significant value appreciation. Subsequently land parcels are being sold to sub developers and brokers.

Al Tital Land Development (Medina) is 438k sqm. It is fully developed and 50%+ of residential and commercial plots have been sold.

Shams Al-Arous by Numbers	
Total net area (sq m)	938K
Residential area to be sold (sqm)	733K
No. of Residential units to be leased	3,304
Commercial BUA to be leased (sqm)	190k
Infrastructure completion (%)	100%
Superstructure completion (%)	0%

IV. Investment Summary



Investment Summary

1 Healthy and growing real estate sector in Saudi Arabia driven by favorable underlying demographics and continued supportive legislative backdrop

2 Longstanding land price appreciation with some recent weakening from macro uncertainty

3 Progress with revenue diversification through leasing and off plan sales

4 A substantial and geographically diverse land bank with rigorous approach to acquisition and current focus on cash preservation

5 Proven ability to develop large scale projects such as Master Planned Communities

6 Continued focus on premium margins

7 A conservative financial profile with a strong balance sheet, healthy income generation and prudent cash management

8 Experienced, recently strengthened management team and good corporate governance

9 Access to international and domestic capital markets

V. Appendix



Financial Performance

a) Income Statements

SR in 000s	FY2013	FY 2014	FY 2015	Q1, 2015	Q1, 2016
Revenue	2,931,168	3,056,060	2,211,349	722,357	434,607
Cost of revenue	(1,778,097)	(1,756,805)	(1,228,117)	(391,434)	(243,011)
Gross profit	1,153,071	1,299,255	983,232	330,923	191,596
%	39.3%	42.5%	44.5%	45.8%	44.1%
Operating expenses	(151,027)	(237,453)	(204,238)	(61,344)	(37,395)
Operating profit	1,002,044	1,061,802	778,994	269,579	154,201
%	34.2%	34.7%	35.2%	37.3%	35.5%
Income from Associates	3,250	16,000	12,800	3,500	3,300
Depreciation & amortization	(31,665)	(41,888)	(39,586)	(11,536)	(9,266)
EBIT	973,629	1,035,914	752,208	261,543	148,235
%	33.2%	33.9%	34.0%	36.2%	34.1%
Other income	39,320	46,895	1,075	504	(121)
Finance cost	(313,959)	(493,294)	(384,801)	(110,960)	(88,761)
PBT	698,990	589,515	368,482	151,087	59,353
%	23.8%	19.3%	16.7%	20.9%	13.7%
Zakat	(17,528)	(14,820)	(9,325)	(3,796)	(1,500)
Net Income	681,462	574,695	359,157	147,291	57,853
%	23.2%	18.8%	16.2%	20.4%	13.3%
EBITDA	1,091,102	1,181,498	862,094	289,885	175,621
%	37.2%	38.7%	39.0%	40.1%	40.4%
KPIs					
GM%	39.3%	42.5%	44.5%	45.8%	44.1%
Operating Profit %	34.2%	34.7%	35.2%	37.3%	35.5%
EBITDA %	37.2%	38.7%	39.0%	40.1%	40.4%
PBT%	23.8%	19.3%	16.7%	20.9%	13.7%
Net Income%	23.2%	18.8%	16.2%	20.4%	13.3%

Source: Reviewed Financial Statements as of 31 Mar 2016



Financial Performance

b) Balance Sheet

SR in 000s	FY2013	FY 2014	FY 2015	Q1, 2015	Q1, 2016
Cash	2,279,132	2,310,196	1,001,061	694,897	1,484,322
Accounts Receivables	1,364,297	1,747,778	1,948,687	1,971,523	1,573,400
Pre-paid Expenses	484,201	816,697	974,809	930,216	977,325
Project in Progress-ST	44,529	-	-	-	-
Developed Land -ST	927,110	794,145	437,185	584,133	317,325
Others	143	143	-	-	-
Total Current Assets	5,099,412	5,668,959	4,361,742	4,180,769	4,352,372
Investment in Land	4,864,302	5,445,630	5,982,401	5,522,252	6,075,402
Project in Progress-LT	8,780,457	8,916,056	8,651,076	9,194,942	8,723,930
Developed Land -LT	1,936,614	1,949,764	1,963,764	1,963,764	1,858,854
Investment Properties	2,694,638	3,567,451	3,501,637	3,551,149	3,483,489
Investment in Associates	747,407	763,407	776,207	766,907	781,007
Other Assets	74,502	71,279	68,416	70,573	68,530
Total Non-Current Assets	19,097,920	20,713,587	20,943,501	21,069,587	20,991,212
Total Assets	24,197,332	26,382,546	25,305,243	25,250,356	25,343,584
Payables & Accruals	1,283,586	1,189,858	1,065,035	1,166,759	1,097,961
Murabahas & Sukuks-ST	744,308	2,148,064	1,531,945	759,984	1,495,189
Total Current Liabilities	2,027,894	3,337,922	2,596,980	1,926,743	2,593,150
Murabahas & Sukuks-LT	5,159,269	5,458,564	4,760,617	5,589,729	4,744,365
Others	17,348	18,544	20,973	19,077	21,543
Total Non-Current Liabilities	5,176,617	5,477,108	4,781,590	5,608,806	4,765,908
Total Equity	16,992,821	17,567,516	17,926,673	17,714,807	17,984,526
Total Liabilities & Equity	24,197,332	26,382,546	25,305,243	25,250,356	25,343,584
Land development	16,508,483	17,105,595	17,034,426	17,265,091	16,975,511
Property management & leasing	2,694,638	3,567,451	3,501,637	3,551,149	3,483,489

Source: Reviewed Financial Statements as of 31 Mar 2016



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