

Investors Update Feb/Mar 2017





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Investment Summary

1

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

2

Longstanding land price appreciation with some recent weakening from macro uncertainty

3

Progress with revenue diversification through leasing, off plan sales, housing and contracting

4

Potential development in Saudi real estate sector supported by the government initiatives to change and improve the sector

5

Proven ability to develop large scale projects and master planned communities

6

Continued focus on land sales with premium margins

7

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

8

Experienced management team and good corporate governance

9

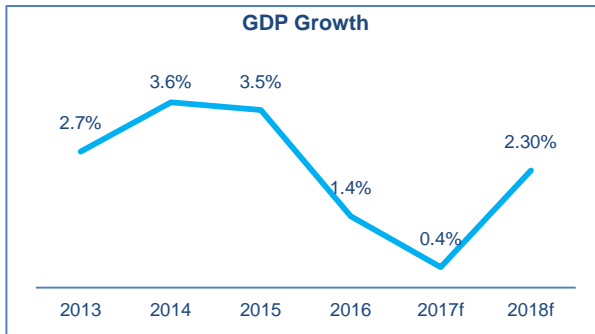
Access to international and domestic capital markets

2. Macro & Micro Economic Overview

2.1 Macroeconomic Overview

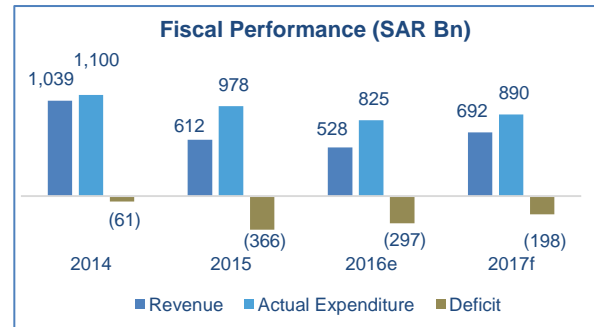
National Transformation Plan NTP (2020) aims to rebalance and diversify the economy through private sector inclusion. Stabilizing oil prices and NTP to spur the economic growth in 2017 and beyond

Oil Price Recovery and Economic Reforms to Drive Economy



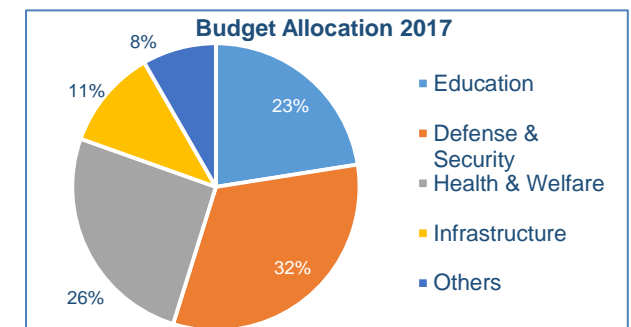
- The recent OPEC deal agreement on the oil production cut have raised the oil prices above USD 50/barrel .
- Economic growth is expected to pick up in medium to long term on the back of economic reforms.
- Public Private Partnership strategy in various sector will be a vital driver for economic growth.

Declining Deficit Projected in Coming Year



- In 2016, the govt. has taken various measures to curb fiscal deficit. Current debt level is 12% of GDP, well below international level.
- Lower debt level provides significant cushion to tap international market, as witnessed by successful bond issuance Q4 2016.
- The Kingdom's aim to eliminate the fiscal deficit altogether by 2020. This is in line with vision 2030 and related programs.

Over 7% Rise in Budget Expenditure Expected for 2017

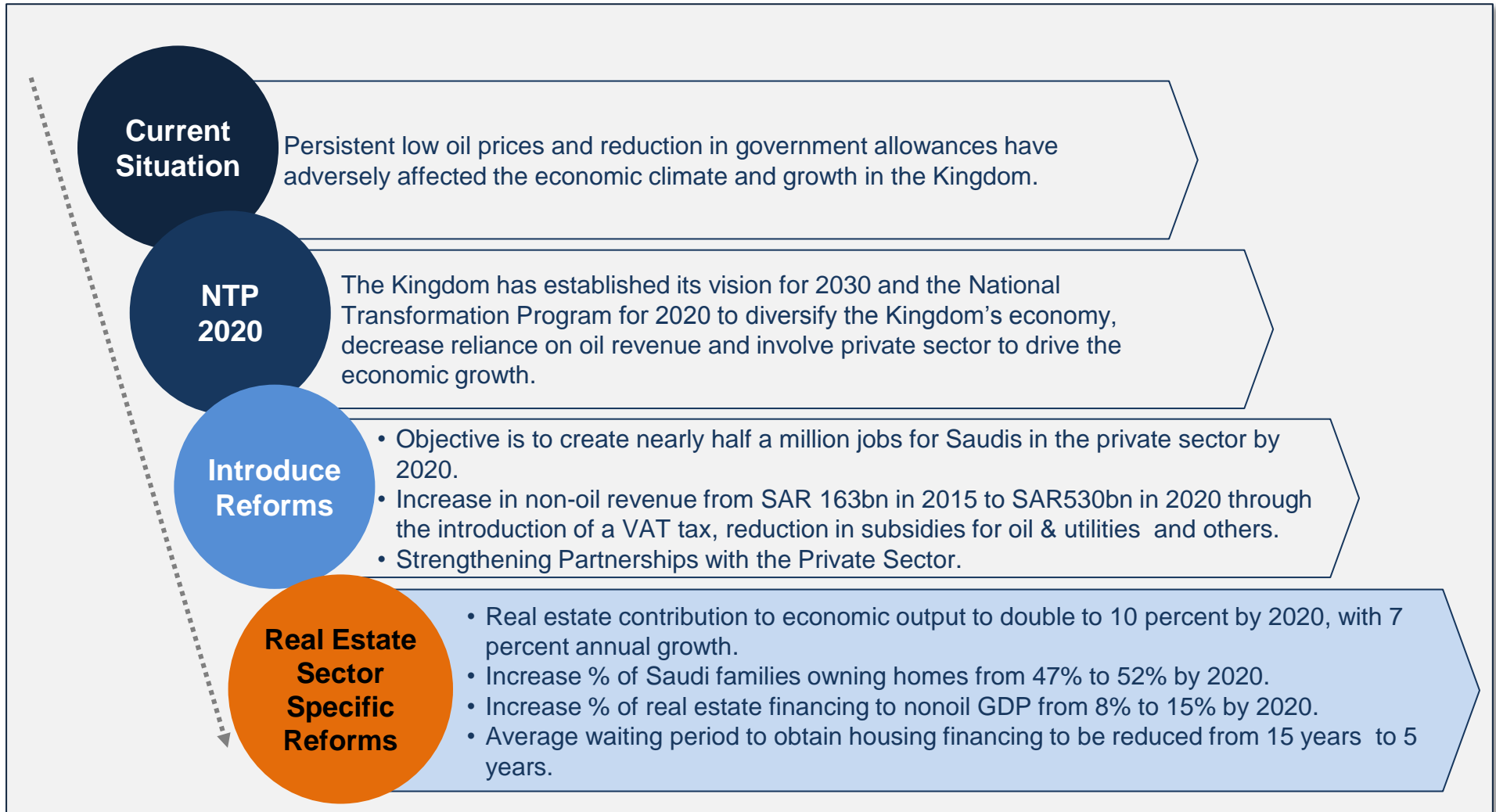


- In an effort to reduce the deficit and wean the economy off oil, Saudi govt. have increased projected expenditure to SAR 890billion (SAR 825billion in 2016), increase of 7.3% YoY.
- To provide better housing and transport facilities, the govt. has allocated separate SAR 25 billion for various projects, an increase of 13% from last year.



2.1 National Transformation Plan (NTP) 2020

Government of Saudi Arabia approved its NTP 2020, a key part of a blueprint to prepare the kingdom for the post-oil era and a strategic roadmap for economic diversification

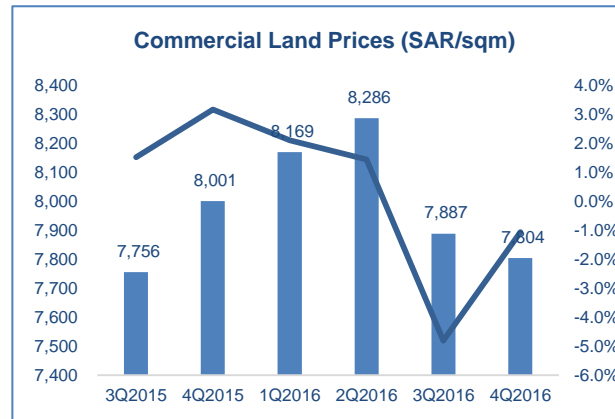
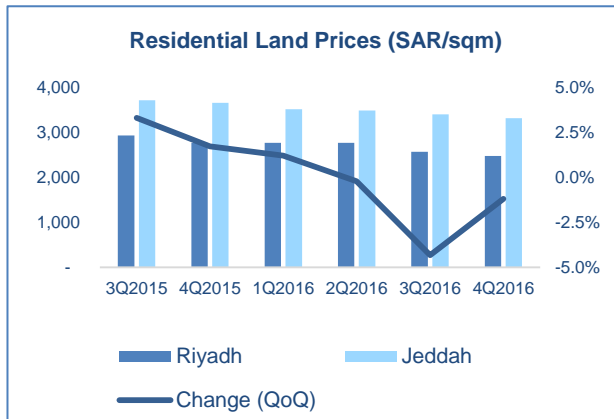




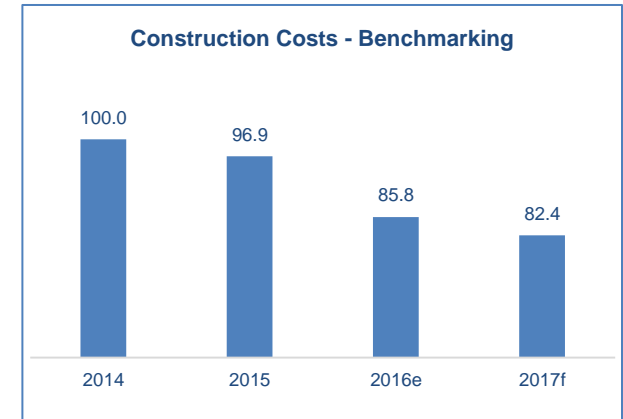
2.2 KSA Real Estate Sector Overview

Medium to long term prospects for real estate seem positive backed by strong fundamentals including, favorable demographics, government support and increased affluence

Residential and Commercial Land Prices Showing Signs of Stability



Continuous Reduction in Construction Cost Benefitting the Real Estate Sector



- Downward pressure on residential and commercial land prices as witnessed in first three quarters of 2016 has softened in Q4 2016 and we expect this stabilizing momentum to continue in 2017.
- Government recent issuance of international bond resulted in improved liquidity in local banks which has reduced borrowing cost. This is expected to support confidence in the Real Estate sector.

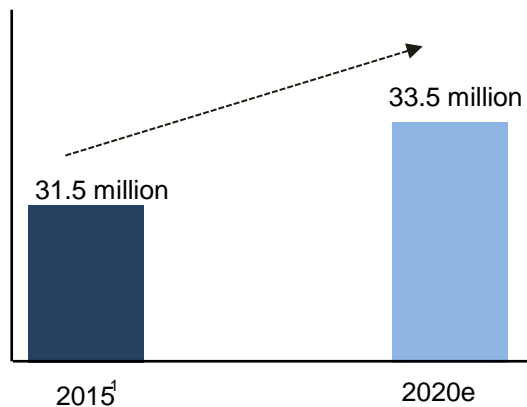
- Saudi govt. made SAR 40 billion payments to construction companies in Nov-16, which represents ~25% of the total money owed to contractors.
- Lower building material cost and off-plan sales will benefit developers and make housing more affordable.



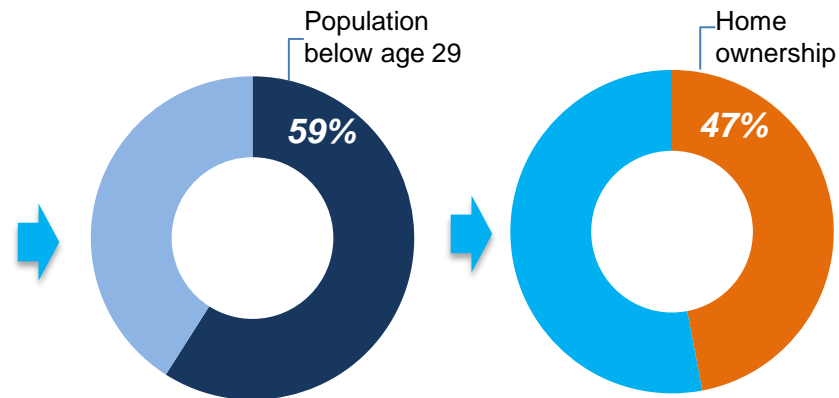
2.2 KSA Current Housing Market Situation

Increasing young population in urban centers & work force will increase demand for home ownership in the future thus putting pressure on existing housing supply shortage

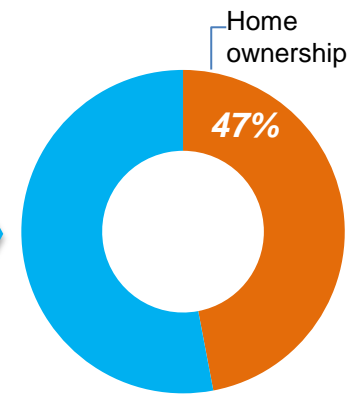
Total Saudi Population



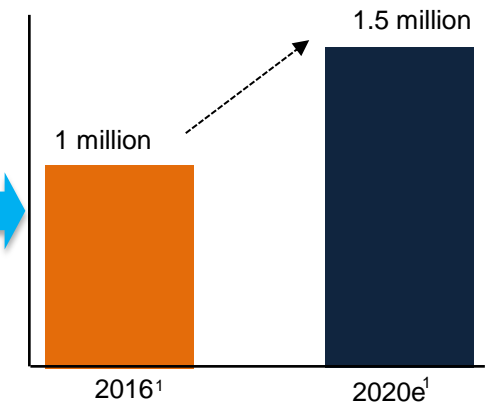
Population Under 29



Home Owners



MoH Supply Target



1 Population is has grown by approximately 2% between 2015 and 2016 and is expected to grow up to 33.5 million by 2020 (UNDP Sources)...

2 ... with around 59% of the total population being below age of 29...

3 ... and only 47% of the Saudi Population owns their housing units...

NTP 2020 objective
To increase home ownership from 47% to 52% by 2020

4 ... the MoH has set a target for delivering 1.5 million housing units over the next 5-7 years. Overall, the total housing demand is projected to reach 3.3 million units, over the next 10 years

1 – <https://www.bloomberg.com/news/articles/2016-04-04/saudi-arabia-goes-into-homes-business-to-tackle-chronic-shortage>

2 – United Nation Population estimates

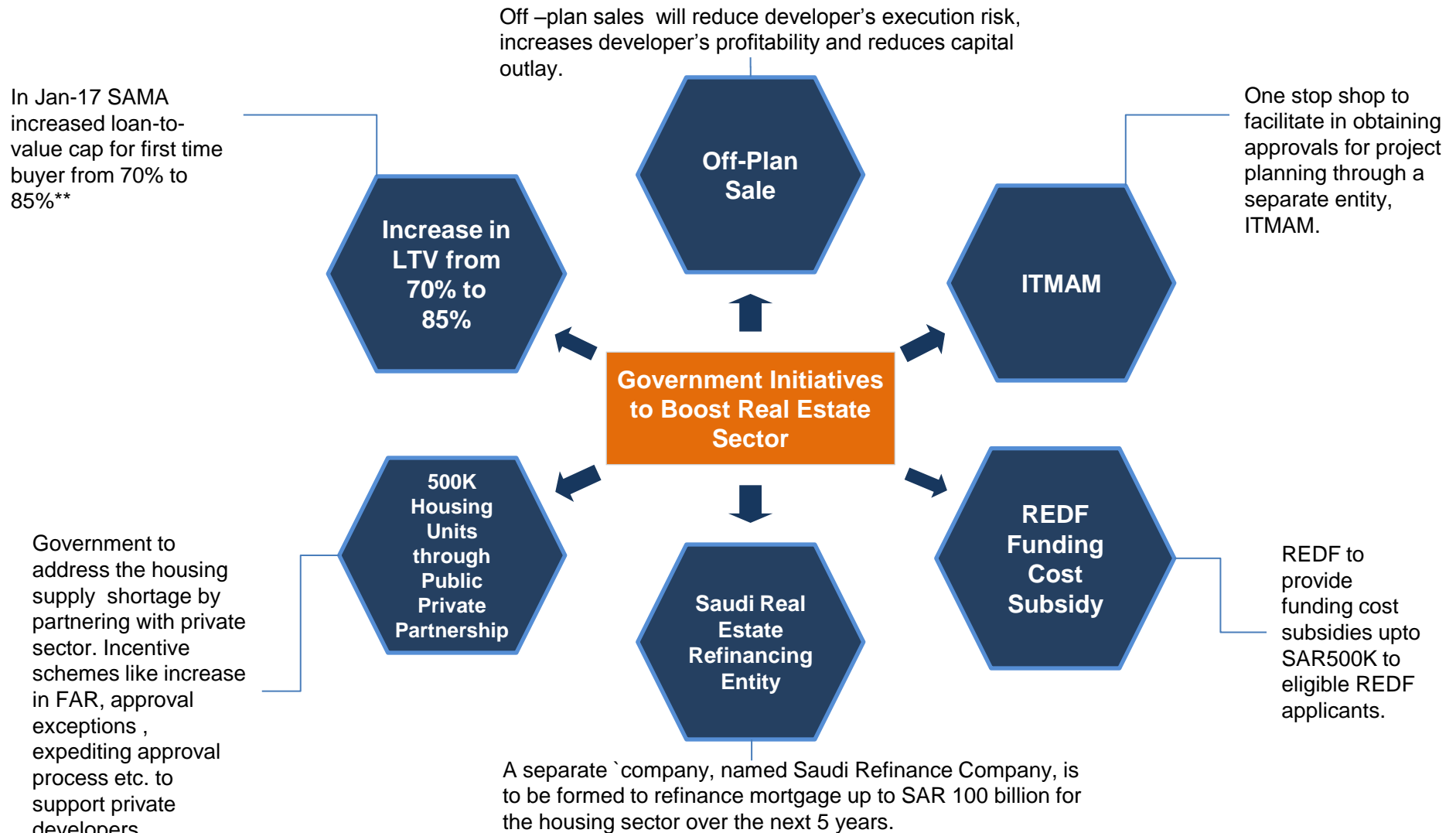
3 - https://www.stats.gov.sa/sites/default/files/estm_pop_2016_4.pdf

4 – NTP 2020



2.3 Government Real Estate Sector Initiatives

The government is keen on enhancing the performance of the real estate sector in the Kingdom and, in coordination with various authorities, is taking various measures, projects and initiatives that support supply and reinforce demand





2.4 Government Initiatives & Growth Prospects for DAAR

Dar Al Arkan is strategically positioned to benefit from government initiatives to develop the housing and real estate sector

Govt. Initiatives	Opportunities for DAAR
Off-Plan Sale	<ul style="list-style-type: none">• Dar Al Arkan to proceed with off-plan sales with Shams Al Riyadh & Shams Al Arous Projects if it achieves 30% - 50% of pre-sales.• Off plans sales will help DAAR to utilize less internal cash to finance project hence increasing it's profitability.
ITMAM	<ul style="list-style-type: none">• ITMAM will help in expediting the planning permission process hence improving the execution of development process.
REDF Funding Cost Subsidy	<ul style="list-style-type: none">• DAAR to market their residential units to eligible REDF applicants.• Demand for land plots expected to increase due to direct funding by REDF to applicable land owners.
Saudi Real Estate Refinancing Entity	<ul style="list-style-type: none">• Refinancing entity is expected to spur the mortgage industry resulting in increased appetite of citizens to purchase homes.• DAAR as leading Real Estate developer will indirectly benefit from such initiatives.
500K Housing Units through PPP	<ul style="list-style-type: none">• DAAR has invested in its contracting capabilities to cater for this bulk demand with focus on infrastructure and superstructure for housing projects.• DAAR has dedicated resources to identify MoH projects and liaise with internal contracting team that will be involved in the bidding and execution of those projects.
Increase in LTV from 70% to 85%	<ul style="list-style-type: none">• Increase in LTV is expected to encourage mortgage financing, which could benefit the Real Estate Sector. DAAR will be a direct beneficiary of increased availability of mortgages.

3. DAAR's Overview & Strategic Positioning

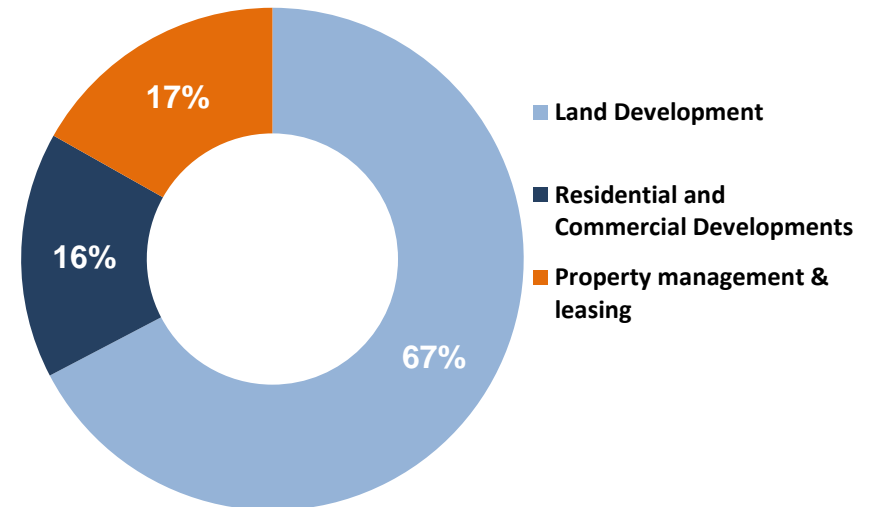


3.1 DAAR's Overview – Current Operations

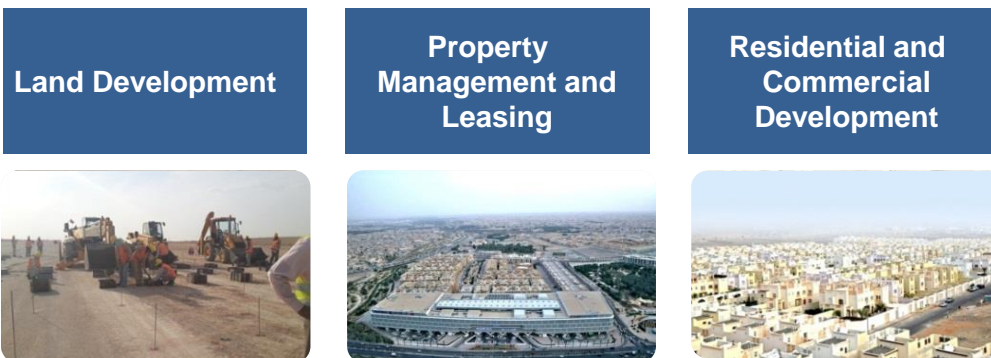
Dar Al-Arkan is the largest listed real estate developer in the Kingdom of Saudi Arabia, with assets of over SAR 24 bn (US\$ 6.5 bn), continuously diversifying across the real estate sector.

- Dar Al Arkan has successfully created a portfolio of recurring assets worth SAR 3.7Bn (USD 1Bn).
- To compliment DAAR's existing business sectors and to reduce its reliance on land transactions, it is focusing on two new sectors, namely:
 - Housing
 - Contracting
- This is in line with DAAR's organic value creation strategy and revenue diversification approach.

Existing Asset Portfolio Break-up



Existing Business Sectors



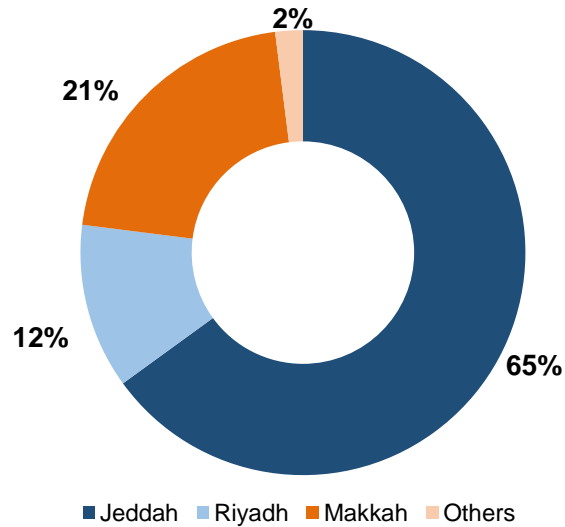
Additional Business Sectors



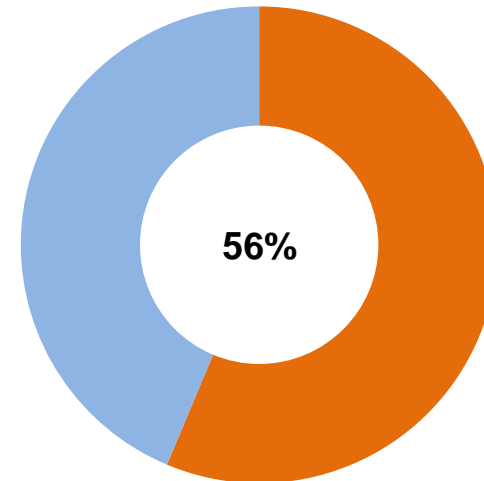


3.2 Land Development

Geographic Split of Dar Al-Arkan's Land Bank

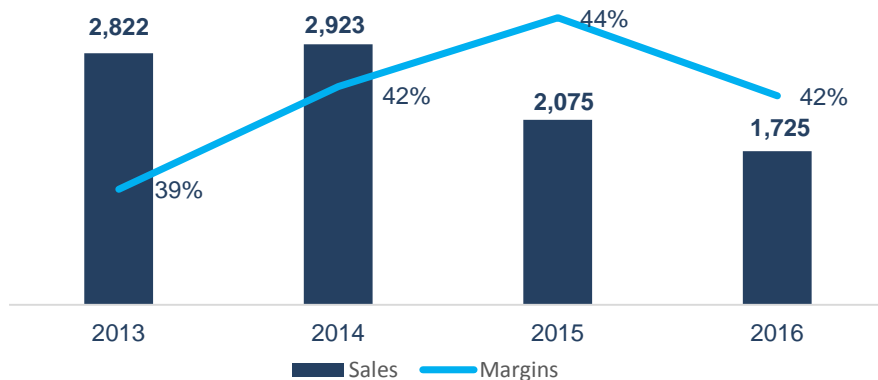


Land Bank (as a % of total Asset)



Book Value of Total Land Bank: SAR 13.8 bn

Land Revenue & Gross Margin (SAR Millions)



- DAAR has a diversified land portfolio across the Kingdom of Saudi Arabia
- DAAR has been a net seller of lands in 2015 and 2016
- Gross margins have remained stable at around 41%
- DAAR has a selective land acquisition and scheduled development strategy. DAAR retains lands that have a significant value enhancement potential, while opportunistically selling lands at the right premium



3.2 Property Management & Leasing



Al-Qasr Community by Numbers

Built-up Area (sqm)	1.2mn
Residence Capacity	13,000
Total # Residential Units	3,051
# Villas for Leasing	102
# Apartments for Leasing	2,447
Occupancy Ratio %	47%



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%



Azizia Towers (Mecca)
Leasable area 40,746 sqm
Leased 100% to KAMC



Al Tilal Villas (Medina)
Leasable area 87,025 sqm
Out of 279 villas, 31% leased



Al Masif Compound (Riyadh)
26 villas. 100% leased to NESMA



3.2 Residential & Commercial Development

Shams Al Riyadh



Shams Al-Riyadh by Numbers

Total area (sqm)	3.2 m
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	49%

Shams Al Riyadh - is a Master Plan Community Project and is located in Riyadh's Al-Dariya district

Latest Updates:

- Master Plan has been reviewed and refined by the Albert Speer & Partner
- Approvals and work permit for Roads-Stage1 including infrastructure work obtained. Construction has commenced. Completion expected by end of Q1 2017

Juman



Juman Project by Numbers

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

Juman - is located in Dammam and will be an integrated Master Plan Community Project, will provide its residents and visitors modern waterfront living.

Latest Updates:

- Discussions continue with various authorities including MoMRA and Dammam Amana
- The Master Plan continues to be refined at pre-concept level

Shams Al Arous & Al Tilal



Shams Al-Arous by Numbers

Total net area (sq m)	938K
Residential area to be sold (sqm)	733K
Infrastructure completion (%)	100%

Shams Al Arous – one of the Company's Master Planned Community and is located in Jeddah

Master plan infrastructure in place

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

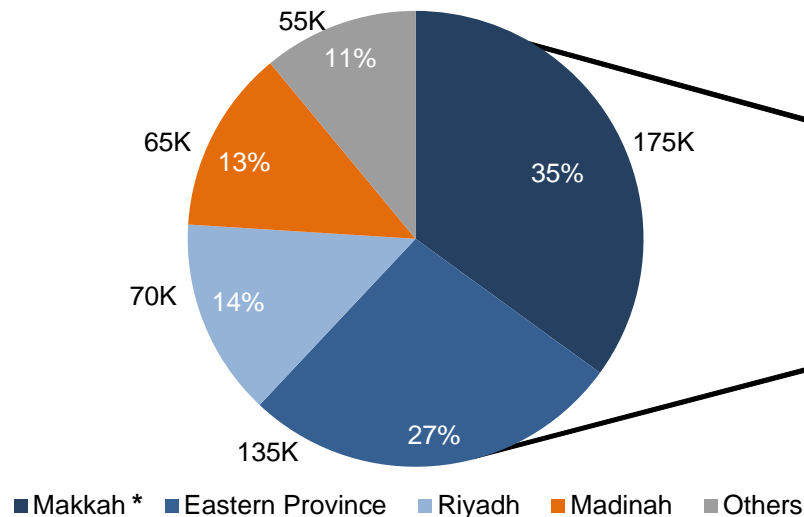


3.2 DAAR's Housing Sector

DAAR's Housing sector will cater to MoH housing initiatives and is well positioned to be a partner with MoH to meet its 500K housing units target

MoH Target to deliver 500K units in 5 years

Potential Opportunity for DAAR to develop Residential Units



DAAR being the largest listed developer in KSA can potentially be a leading participant in the MoH housing programme

Housing Sector Objective

- Housing will liaise with MoH to identify opportunities for partnerships.
- Create new models that would incorporate features that would be attractive to identified target markets.
- Achieve off-plan selling permits by cultivating relationship with the authorities, escrow agents and other required consultants.
- Target achieving at least 30%-50% of launched inventory to be pre-sold.
- Leverage DAAR's unique market positioning to become the lead housing provider in the Kingdom, satisfying the increased demand fueled by population and economic growth.



3.2 DAAR's Contracting Sector

Contracting will cater to various construction projects within DAAR portfolio and other external projects.

Current Market Landscape

- Given the demand for housing in the Kingdom of Saudi Arabia, specialist contracting firms are required to build affordable houses in bulk.
- This require specialist skills and efficient processes for timely deliver on cost effective basis.

DAAR's Strategic Positioning

- DAAR has invested in enhancing its capabilities to cater for this bulk demand in housing and is evaluating and acquiring existing contracting entities available for acquisition with focus on infrastructure and superstructure.

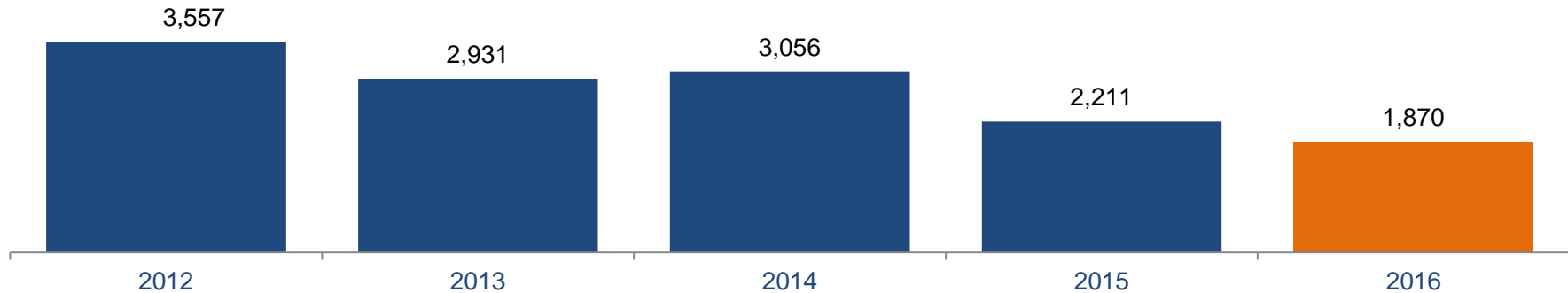
Diversified Revenue Stream

- DAAR to bid for internal and external projects.
- Integrate DAAR current Construction Department into newly acquired contracting telant.



3.3 Financial Performance – 2016

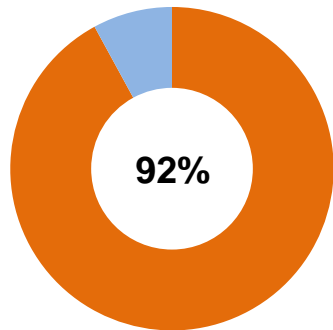
Historical Annual Revenue (SAR mn)



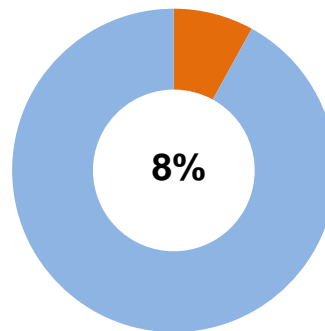
In 2016, revenue decreased by 15% to SAR 1,870 mn, compared to 2015 revenue of SAR 2,211 mn. This is due to the decrease in land sales revenue which declined 17% from SAR 2,075 mn in 2015 to SAR 1,725 mn in 2016.

Property management and leasing revenue increased 7% to SAR 146 mn, in line with the Management's strategy to diversify revenue streams

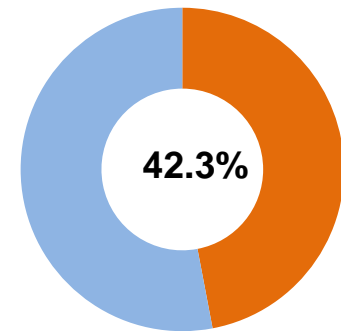
2016 Revenue Snapshots



Land sale revenue (as a % of total revenue)
SAR 1,725 mn, down 17% compared to
2015 (SAR 2,075 mn)



Property management and leasing revenue
(as a % of total revenue)
SAR 146 mn, up 7% compared to 2015 (SAR
(136 mn))

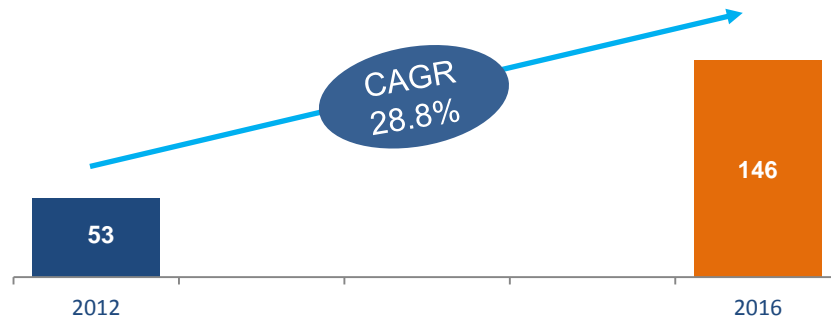


Gross Margin
In line with long term average



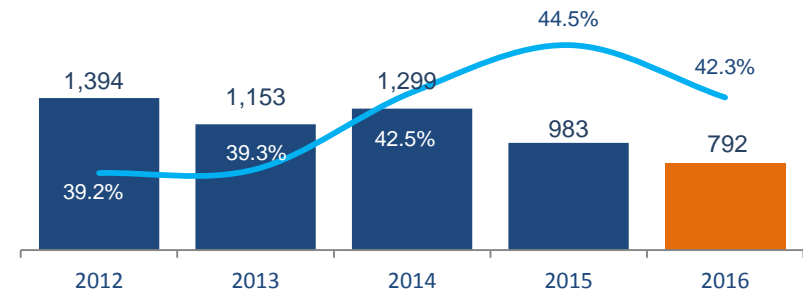
3.3 Financial Performance – 2016 (continued...)

Recurring Revenue (SAR mn)



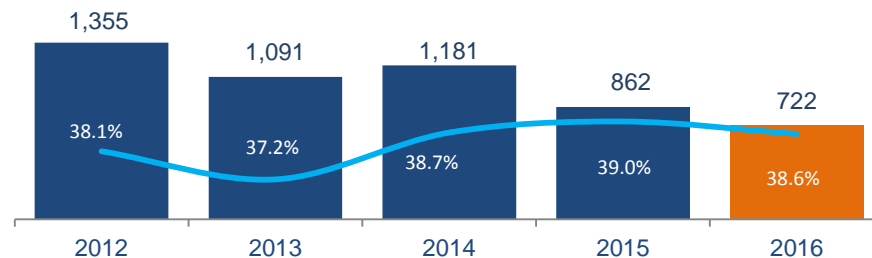
Recurring revenues (Leasing) demonstrated robust growth, in line with Management strategy to diversify revenue streams, in spite of the challenging macroeconomic conditions

Gross Profit (SAR mn) & Margin (%)



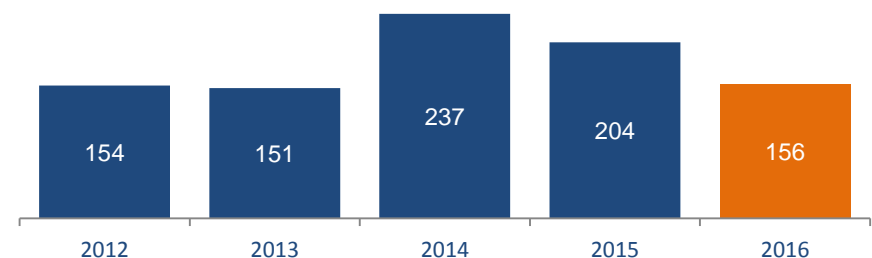
Gross Margin dropped by 220 basis points to 42.3% compared to 2015 margin of 44.5%. However, it is in line with long term average

EBITDA (SAR mn) & EBITDA Margin (%)



EBITDA* was SAR 722 mn, down 16% compared to 2015. This was due to lower revenue for the year. EBITDA margin decreased slightly to 38.6% compared to 39% in 2015

S G & A (SAR mn)



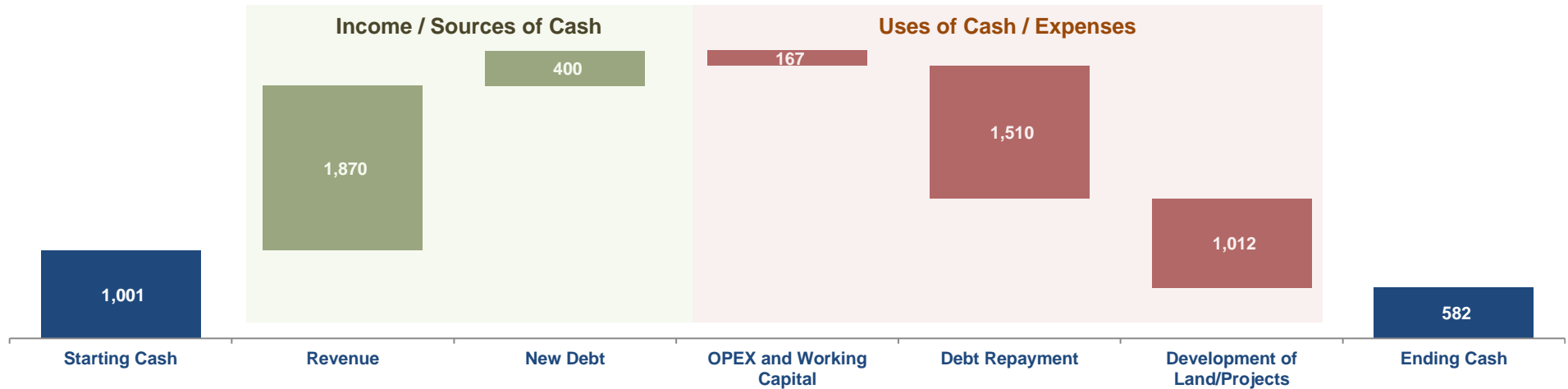
SG&A** was at SAR 156 mn, a drop of 24% mainly due to lower professional and consulting services. This shows DAAR's ability to scale operations according to market conditions



3.3 Financial Performance – 2016 (continued...)

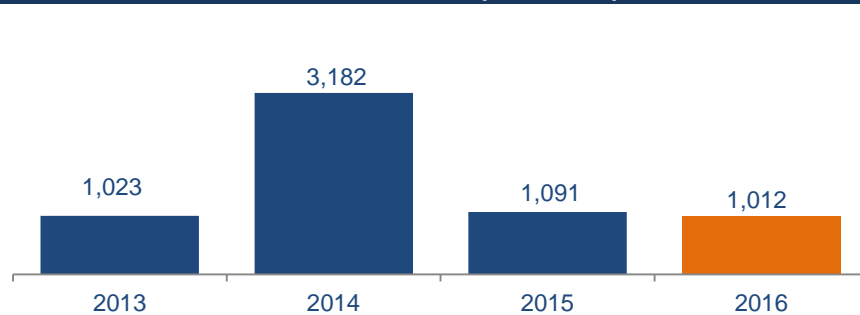
In 2016, Dar Al-Arkan repaid debt worth SAR 1,510 bn (including Sukuk VI of SAR 1.1 bn), in line with their maturities. In 2016, DAAR raised new debt of SAR 400 mn.

Cash Flow 2016 (SAR mn)



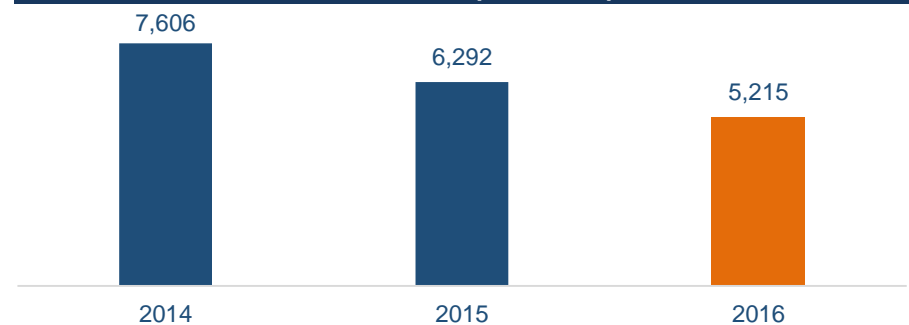
Given DAAR robust cash flow generation capabilities from above chart

Investments (SAR mn)



DAAR invested SAR 1,012 mn towards the development of existing land and purchase of new land. Overall, DAAR has been a net seller of land of c. 2.3 mn sqm

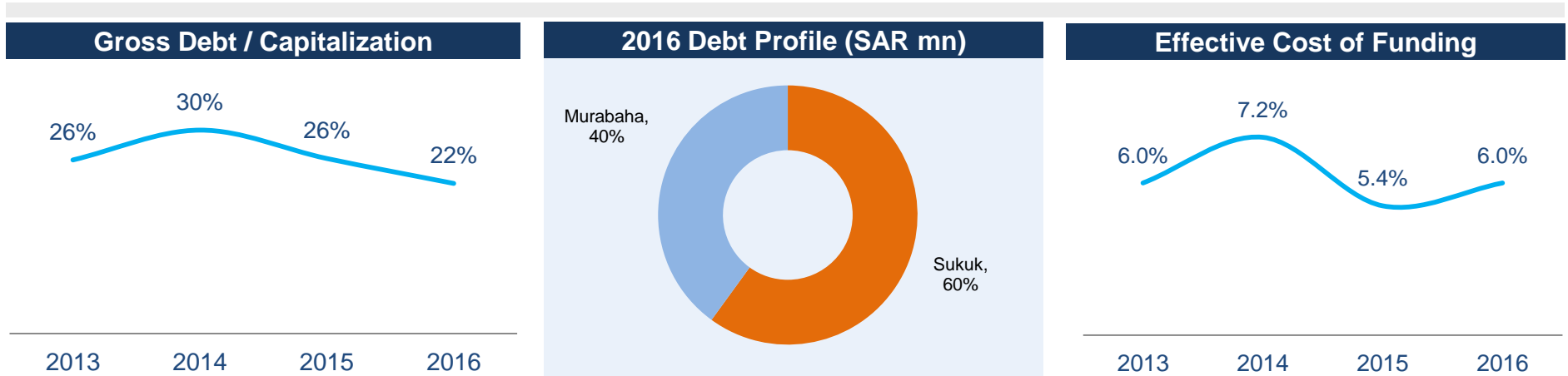
Net Debt (SAR mn)



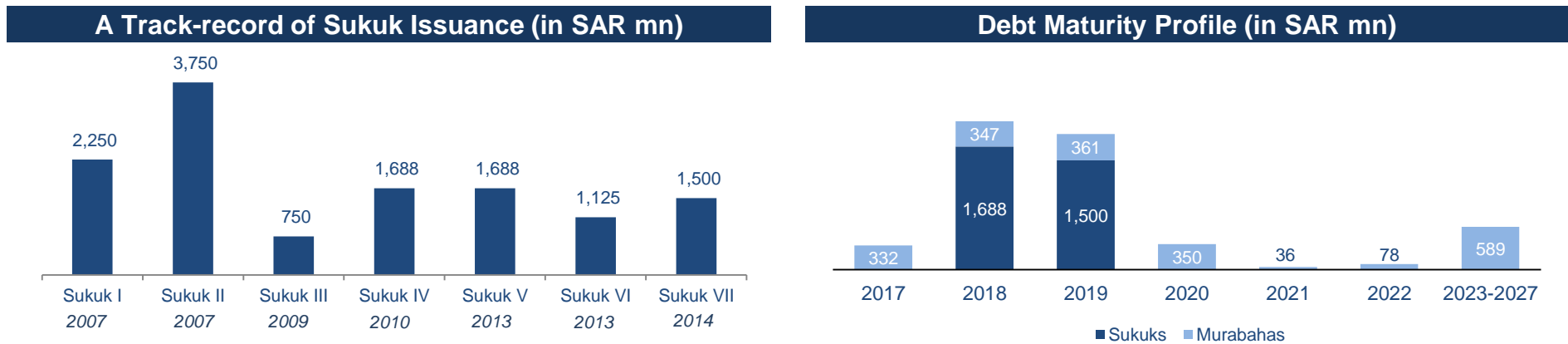
Since 2014, DAAR has repaid SAR 3.2 bn worth of Sukuk and has issued net bilateral facilities of SAR 900 mn, hence resulting a net debt reduction of SAR 2.3 bn



3.3 Financial Performance – 2016 (continued...)



In 2016, gross debt / capitalization was lower at 22% compared to 26% in 2015. Effective cost of funding for 2016 was 6.0%, up by 60 bps driven by the impact of increasing SIBOR and LIBOR rates on 40% of total debt



DAAR has regularly tapped the capital market for Sukuk issuance. To date, DAAR has issues 7 Sukuks, of which 5 have been repaid

Include sukuks and bilateral maturity profile extending till 2027

4. Appendix



4.1 Appendix I – Income Statement

SR in 000s	FY 2013	FY 2014	FY 2015	FY 2016
Revenue	2,931,168	3,056,060	2,211,349	1,870,229
Cost of revenue	(1,778,097)	(1,756,805)	(1,228,117)	(1,078,287)
Gross profit	1,153,071	1,299,255	983,232	791,942
%	39.3%	42.5%	44.5%	42.3%
Operating expenses	(151,027)	(237,453)	(204,238)	(156,005)
Operating profit	1,002,044	1,061,802	778,994	635,938
%	34.2%	34.7%	35.2%	34.0%
Income from Associates	3,250	16,000	12,800	12,878
Depreciation & amortization	(31,665)	(41,888)	(39,586)	(36,470)
EBIT	973,629	1,035,914	752,208	612,346
%	33.2%	33.9%	34.0%	32.7%
Other income	39,320	46,895	1,075	(32)
Finance cost	(313,959)	(493,294)	(384,801)	(353,537)
PBT	698,990	589,515	368,482	258,777
%	23.8%	19.3%	16.7%	13.8%
Zakat	(17,528)	(14,820)	(9,325)	(7,943)
Net Income	681,462	574,695	359,157	250,834
%	23.2%	18.8%	16.2%	13.4%
EBITDA	1,091,102	1,181,498	862,094	722,261
%	37.2%	38.7%	39.0%	38.6%
KPIs				
GM%	39.3%	42.5%	44.5%	42.3%
Operating Profit %	34.2%	34.7%	35.2%	34.0%
EBITDA %	37.2%	38.7%	39.0%	38.6%
PBT%	23.8%	19.3%	16.7%	13.8%
Net Income%	23.2%	18.8%	16.2%	13.4%



4.2 Appendix II – Balance Sheet

SR in 000s	FY 2013	FY 2014	FY 2015	FY, 2016
Cash	2,279,132	2,310,196	1,001,061	582,088
Accounts Receivables	1,364,297	1,747,778	1,948,687	1,839,470
Pre-paid Expenses	484,201	816,697	974,809	743,508
Project in Progress-ST	44,529	-	-	0
Developed Land -ST	927,110	794,145	437,185	317,325
Others	143	143	-	0
Total Current Assets	5,099,412	5,668,959	4,361,742	3,482,391
Investment in Land	4,864,302	5,445,630	5,982,401	6,261,462
Project in Progress-LT	8,780,457	8,916,056	8,651,076	8,878,157
Developed Land -LT	1,936,614	1,949,764	1,963,764	1,581,442
Investment Properties	2,694,638	3,567,451	3,501,637	3,424,777
Investment in Associates	747,407	763,407	776,207	790,585
Other Assets	74,502	71,279	68,416	66,959
Total Non-Current Assets	19,097,920	20,713,587	20,943,501	21,003,383
Total Assets	24,197,332	26,382,546	25,305,243	24,485,774
Payables & Accruals	1,283,586	1,189,858	1,065,035	1,067,215
Murabahas & Sukuks-ST	744,308	2,148,064	1,531,945	324,995
Total Current Liabilities	2,027,894	3,337,922	2,596,980	1,392,210
Murabahas & Sukuks-LT	5,159,269	5,458,564	4,760,617	4,890,375
Others	17,348	18,544	20,973	25,682
Total Non-Current Liabilities	5,176,617	5,477,108	4,781,590	4,916,057
Total Equity	16,992,821	17,567,516	17,926,673	18,177,507
Total Liabilities & Equity	24,197,332	26,382,546	25,305,243	24,485,774
	-	-	-	-
Land development	16,508,483	17,105,595	17,034,426	17,038,387
Property management & leasing	2,694,638	3,567,451	3,501,637	3,424,777



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