

Investor Presentation Q1, 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

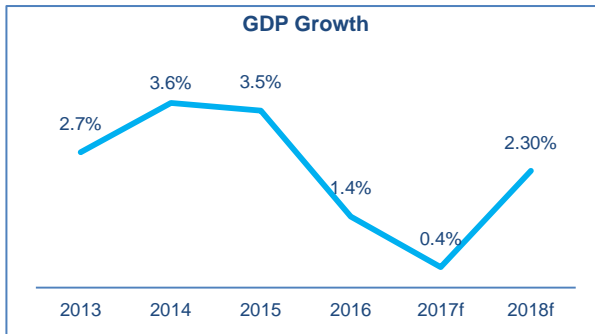
Access to international and domestic capital markets

2. Macro & Micro Economic Overview

2.1 Macroeconomic Overview

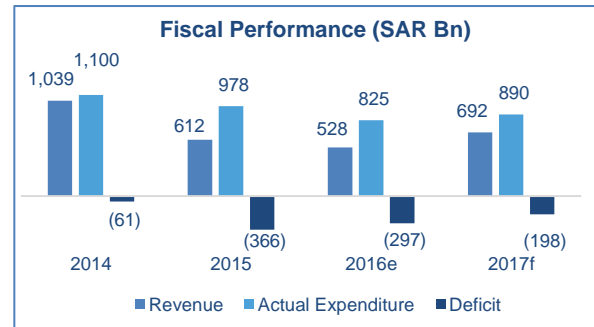
National Transformation Plan NTP (2020) aims to rebalance and diversify the economy through private sector inclusion. Stabilizing oil prices and NTP to spur the economic growth in 2017 and beyond

Oil Price Recovery and Economic Reforms to Drive Economy



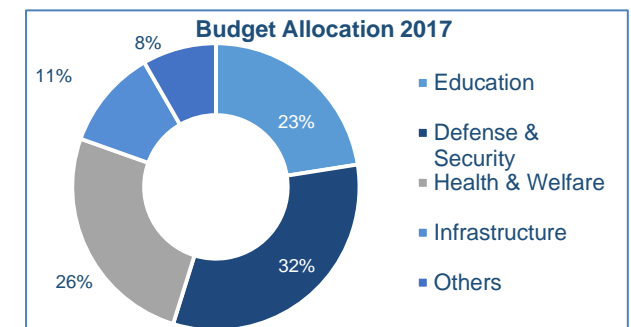
- The recent OPEC deal agreement on the oil production cut have raised the oil prices above USD 50/barrel .
- Economic growth is expected to pick up in medium to long term on the back of economic reforms.
- Public Private Partnership (PPP) strategy in various sector will be a vital driver for economic growth.
- The govt is transferring the airports ownership to Public Investment Fund (PIF), as part of a nationwide privatization.

Declining Deficit Projected in Coming Year



- In 2017, the govt. has taken various measures to curb fiscal deficit. Current debt level is 14% of GDP, below international level.
- Ministry of Economy stated that the deficit had reduced in Q1 2017 by more than half in part because of prudent public spending. (SAR 26 bln against projected SAR 54 bln)
- The government reinstated financial allowances for all govt. employees ending cuts to a key incentives triggered by low oil prices.

Over 7% Rise in Budget Expenditure Expected for 2017



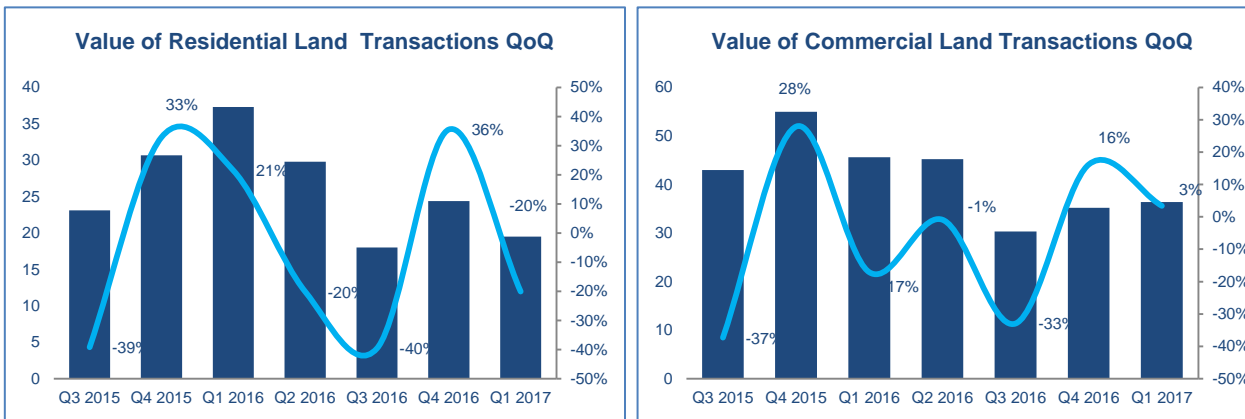
- In an effort to reduce the deficit and wean the economy off oil, Saudi govt. have increased projected expenditure to SAR 890billion (SAR 825billion in 2016), increase of 7.3% YoY.
- To provide better housing and transport facilities, the govt. has allocated separate SAR 25 billion for various projects,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



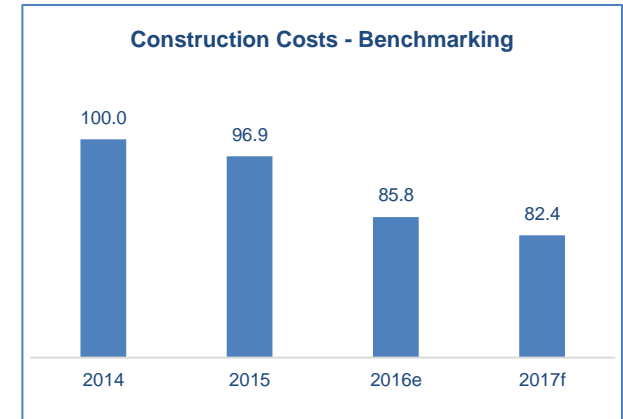
2.2 KSA Real Estate Sector Overview

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 Transactions Value



Continuous Reduction in Construction Cost Benefitting the Real Estate Sector



- Residential market ended in Q1 2017 with a decline in total transactions value by 20% to settle at SAR 20 billion, compared to SR 24 billion for Q4 2016.
- According to the General Authority of Statistics, the residential land prices decreased by 2.6% in Q1 2017 compared to Q4 2016 and decreased by 9.5% same period last year, Q1 2016.
- A minor increase in commercial land transactions during Q1 2017 by 3% with a value of SAR 36 billion compared to 35 billion in Q4 2016.
- Commercial land prices decreased by 1.8% in Q1 2017 compared to Q4 2016 and decreased by 11.7% same period last year Q12016.

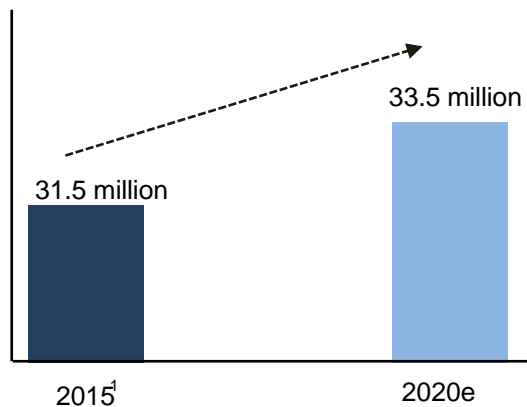
- Saudi govt. made SAR 40 billion payments to construction companies in Nov-16, which represents ~25% of the total money owed to contractors.
- Lower building material cost and off-plan sales will benefit developers and make housing more affordable.



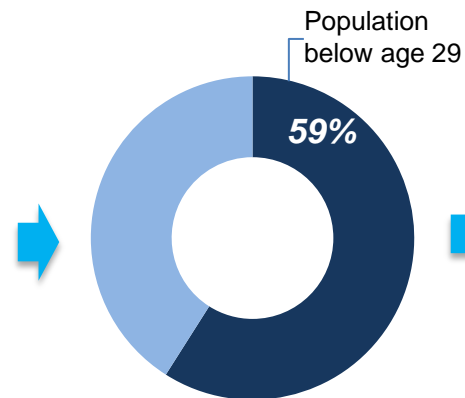
2.2 KSA Current Housing Market Situation

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

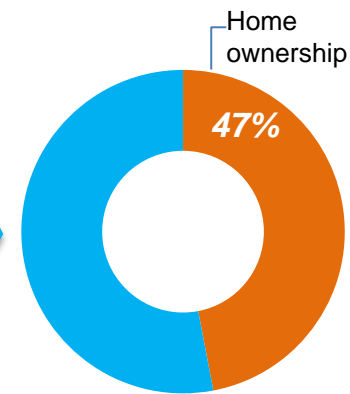
Total Saudi Population



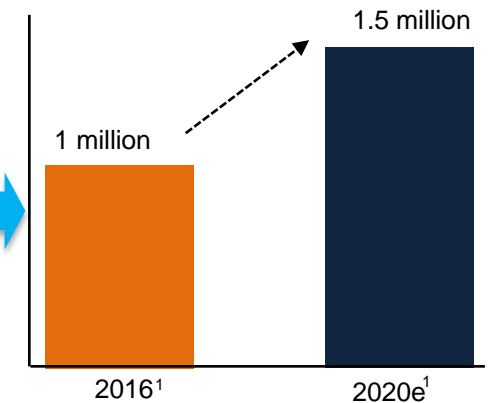
Population Under 29



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

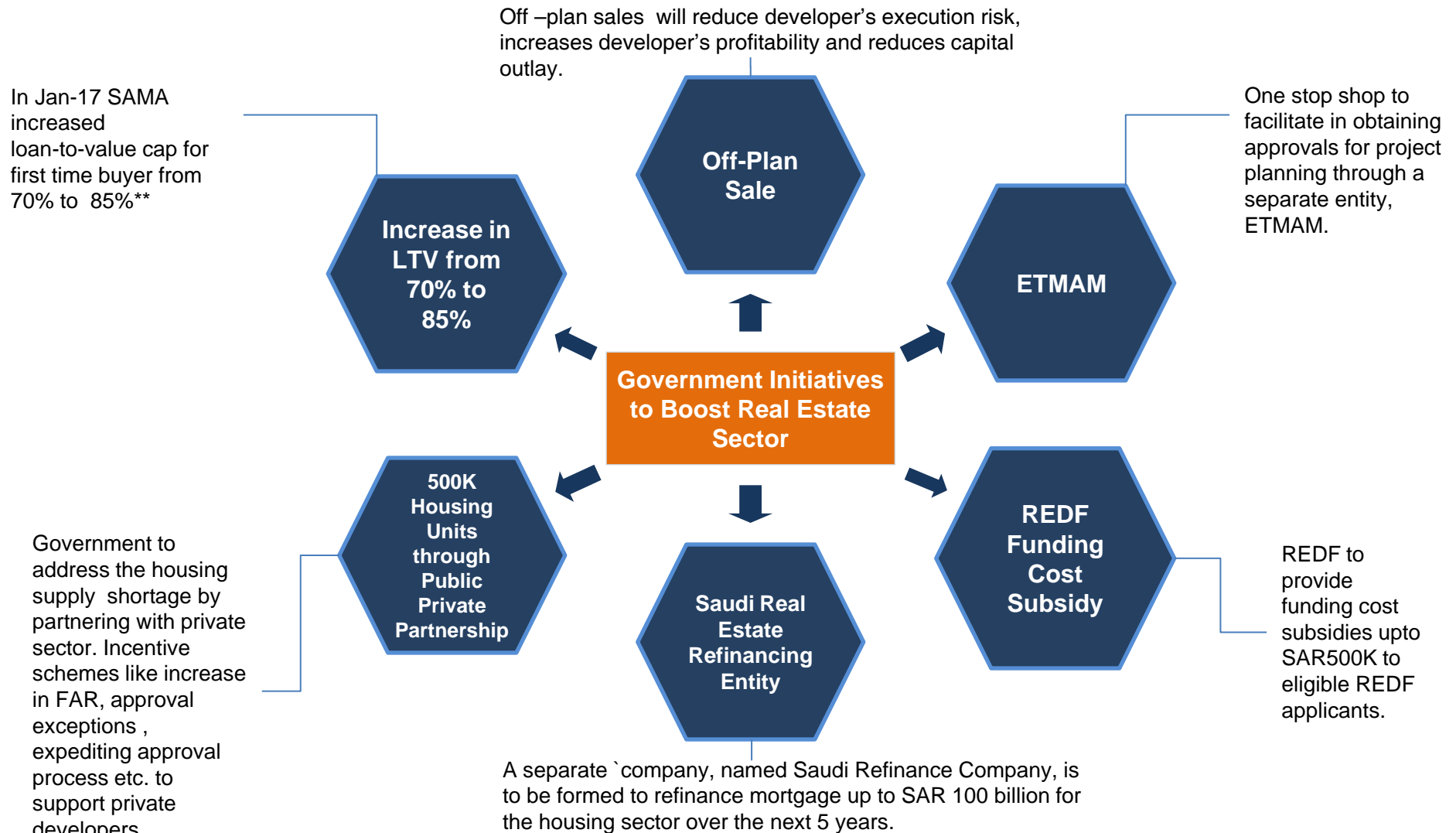
3 - https://www.stats.gov.sa/sites/default/files/estm_pop_2016_4.pdf

4 – NTP 2020



2.3 Government Real Estate Sector Initiatives

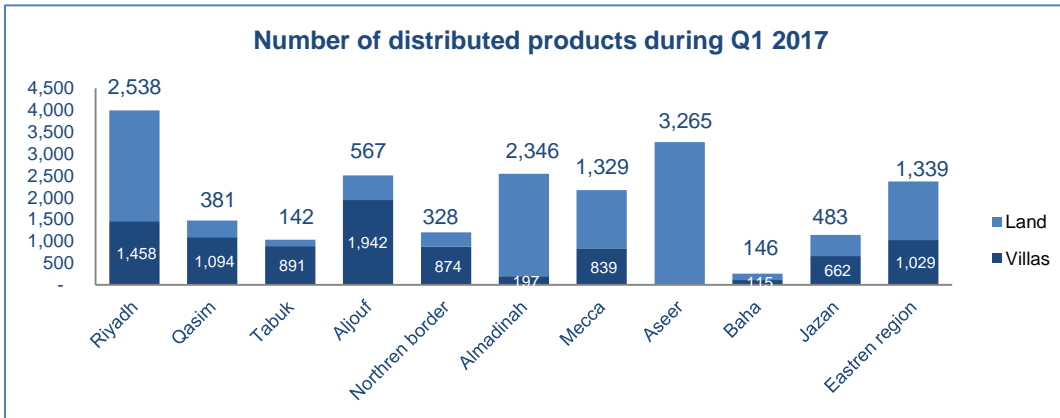
The government is keen on enhancing the performance of the real estate sector in the Kingdom and, in coordination with various authorities, is taking various measures, projects and initiatives that support supply and reinforce demand





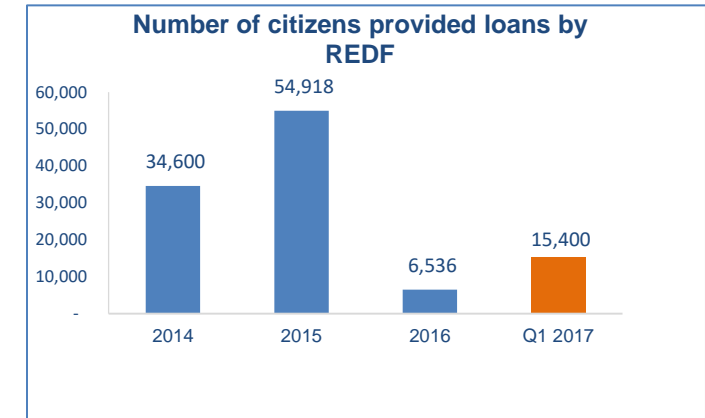
2.3 Government initiative update during Q1 2017

MOH



- A total of 7,160 Villas were distributed in batches during the months of Feb & Mar to be developed by PPPs.
- DAAR has tendered for the upcoming projects, bids are on the evaluation process.
- 11,016 land parcels were provided by MOH to applicants as part of MOH initiatives.

REDF



- During Q1 2017, REDF announced 15,400 names that they will obtain the subsidised SAR 500k loans.
- DAAR's products is being offered to the market with a new concept that meets the beneficiary requirements.
- REDF is expected to provide 80,000 loans every year and within three years as previously announced when "My House" program was launched.

3. DAAR's Overview & Strategic Positioning

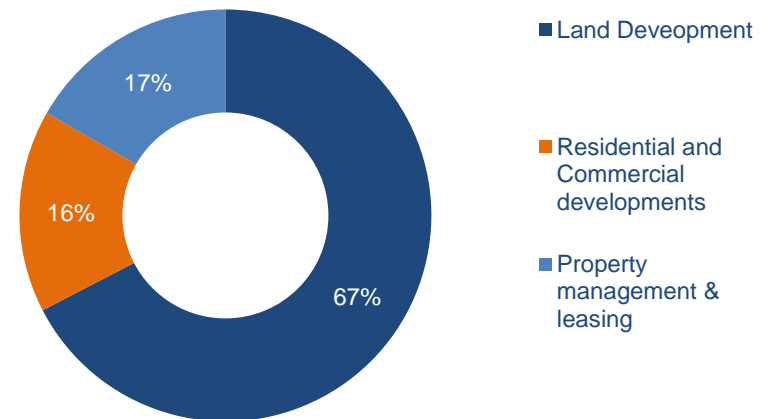


3.1 DAAR's Overview – Current Operations

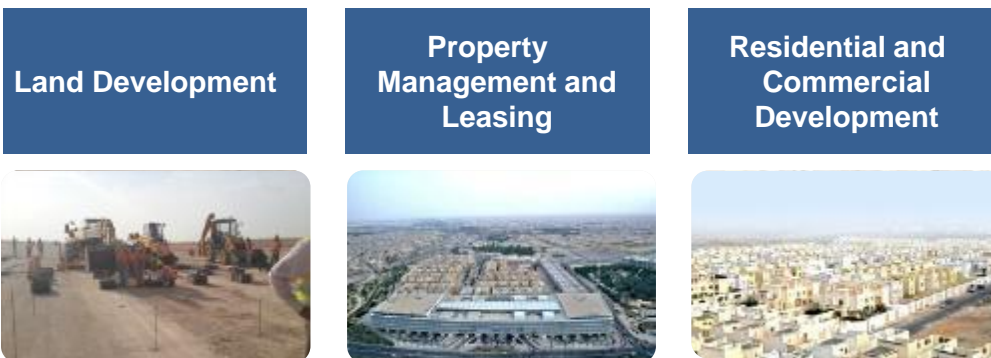
Dar Al-Arkan is the largest listed real estate developer in the Kingdom of Saudi Arabia, with assets of over SAR 24.5 bn (US\$ 6.5 bn), continuously diversifying across the real estate sector.

- Dar Al Arkan has successfully created a portfolio of recurring assets worth SAR 3.7 Bn (USD 1 Bn) with focus on reducing cost in asset management to increase yields across residential, retail and malls portfolio in current market condition.
- 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
- To add geographical diversification, the company is evaluating international expansion opportunities.
- Kick start "for sale" developments driven by established customer and investor database in Saudi Arabia with positive affinity towards the brand assisting in both local and international markets.
- These initiatives are in line with DAAR's organic value creation strategy and revenue diversification approach.

Existing Asset Portfolio Break-up



Existing Business Sectors



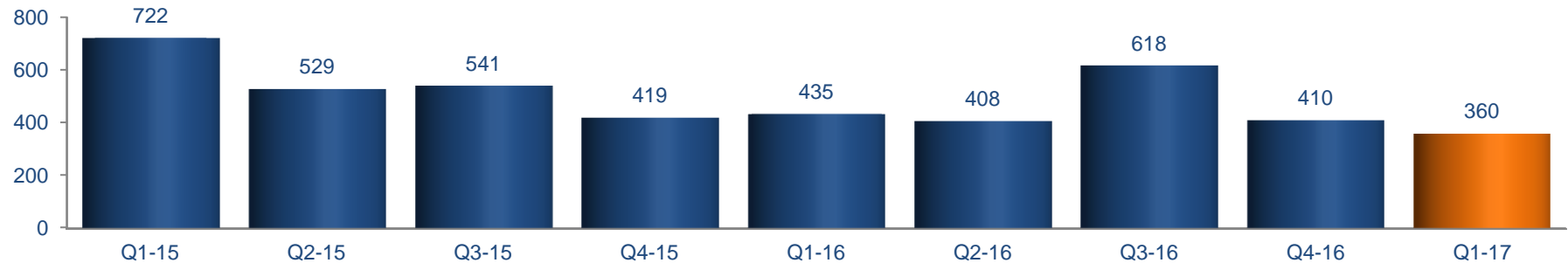
Additional Business Sectors





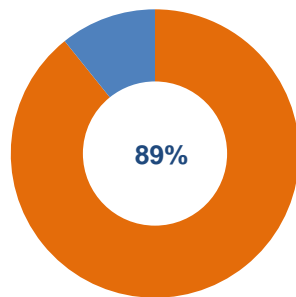
3.2 Financial Performance – Q1, 2017 Profitability

Historical Quarter Revenue (SAR mn)

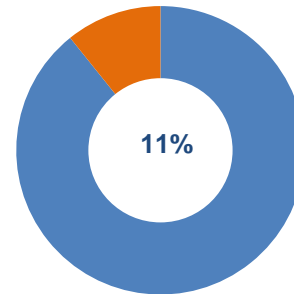


In Q1, 2017 revenue decreased 17% to SAR 360 mn (2016, Q1 SAR 435 mn) driven by slower than expected land trading volumes in KSA owing to challenging market conditions.

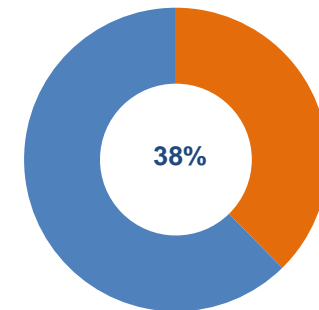
Q1, 2017 Revenue Snapshots



Land sale revenue (as a % of total revenue)
SAR 322 mn, down 19% compared to Q1, 2016 (SAR 398 mn)



Property management and leasing revenue
(as a % of total revenue)
SAR 39 mn, up 6% compared to Q1, 2016
(SAR (37 mn)

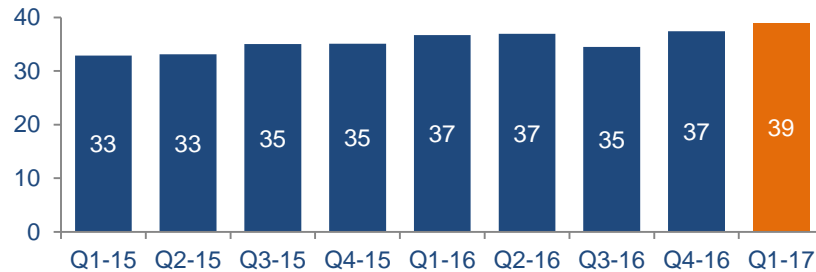


Gross margin in Q1, 2017 was lower than Q1, 2016 of 44% due to product mix of land sold



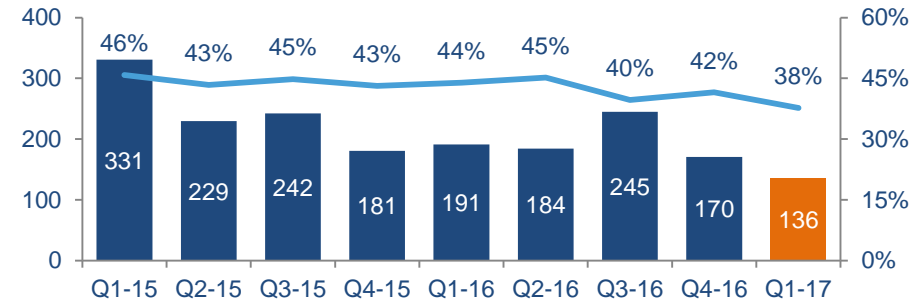
3.2 Financial Performance – Q1, 2017 Profitability

Recurring Revenue (SAR mn)



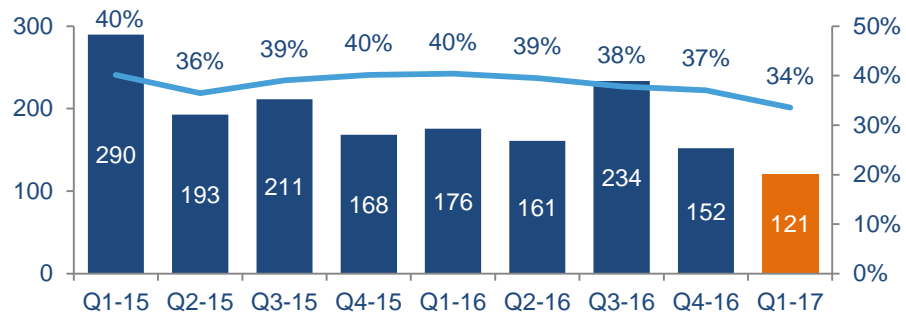
- **Recurring revenues (Leasing)** increased by 5% in Q1, 2017

Gross Profit (SAR mn) & Margin (%)



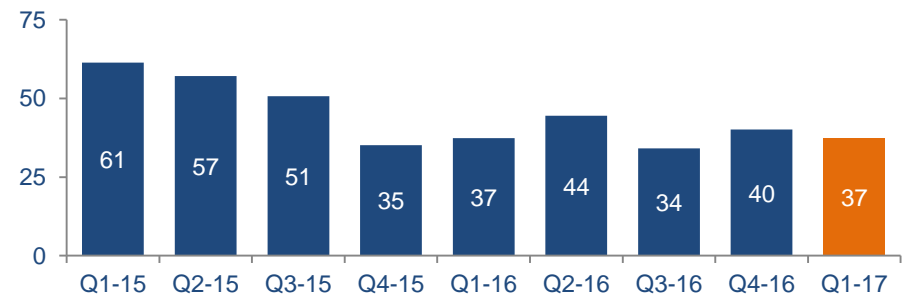
- **Gross Margin** decreased to 38% (2016 Q1 : 44%) mainly due to product mix of land sold.

EBITDA (SAR mn) & EBITDA Margin (%)



- **EBITDA** SAR 121 mn down 31% (2016 Q1 : SAR 176 mn) due to lower sales volume and gross margin.

S G & A (SAR mn)



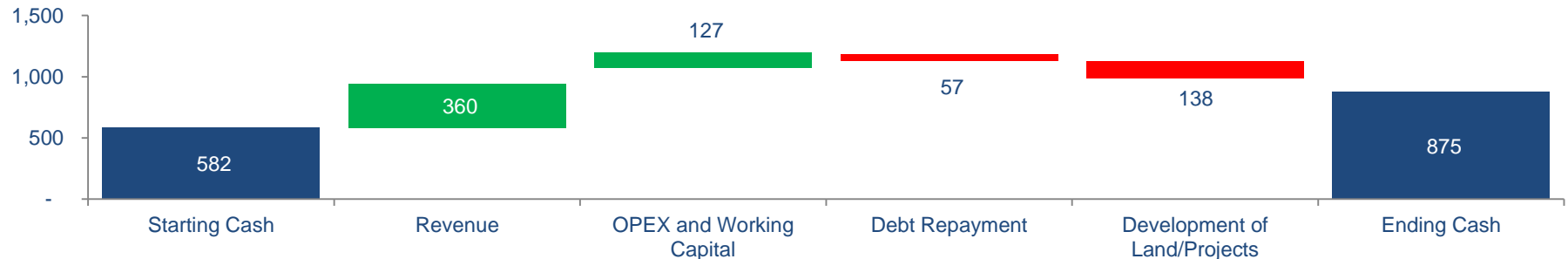
- **SG&A** was maintained at SAR 37 mn



3.2 Financial Performance – Q1, 2017 Cash Flow

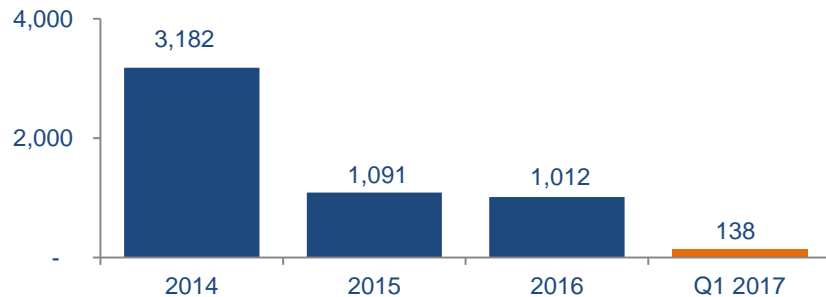
DAAR continues to generate cash from operations, reduce net debt and restrict investments to land development

Cash Flow Q1, 2017 (SAR mn)



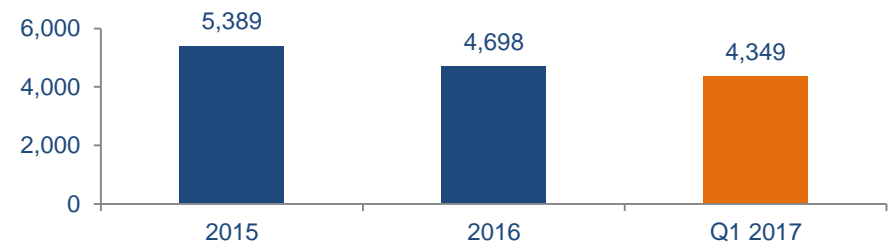
- **Liquidity Position:** Cash balance increased to SAR 875 mn (+293 mn) helped by improvement in working capital.
- **Working Capital:** Accounts receivables decreased by SR 177 mn due to higher collection, thus improving working capital.
- **Debt repaid:** Repayment of Murabahas SAR 57 mn as per due dates. No new debt taken in Q1, 2017.
- **DAAR invested** SAR 138 mn in development of existing lands and continued to be net seller of land owing to selective approach and cash preservation.

Investments (SAR mn)



DAAR invested SAR 138 mn in development of existing lands and continued to be net seller of land owing to selective approach and cash preservation

Net Debt (SAR mn)

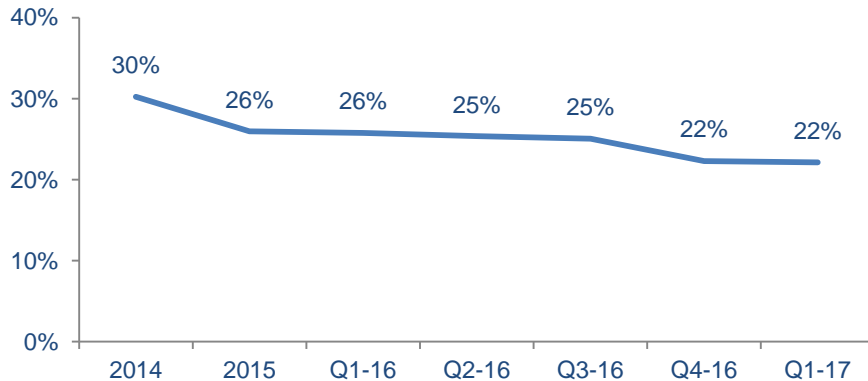


- Since 2015, DAAR has reduced its net debt by 19%



3.2 Financial Performance – Q1, 2017 Funding

Gross Debt / Capitalization



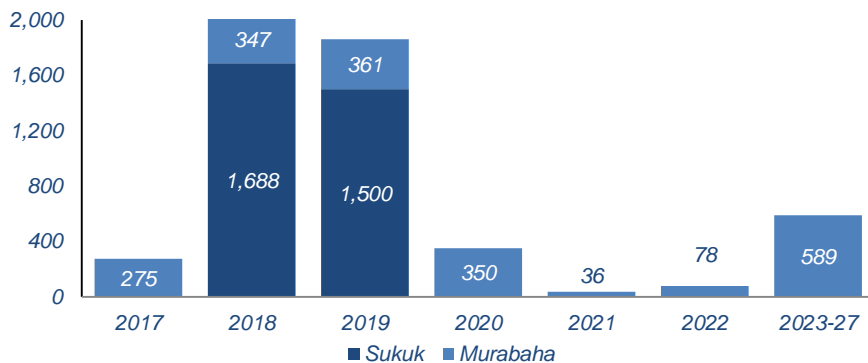
- In Q1 2017, **Gross debt** was 5,224 mn, which reduced marginally by 58 mn compared to 2016 end gross debt of 5,281 mn. Thus, gross debt / capitalization remained low at 22%

Q1, 2017 Debt Profile (SAR mn)



- Moody's has upgraded DAAR's outlook to stable from negative while confirmed its corporate credit rating at B1 following a recent review of the company performance.

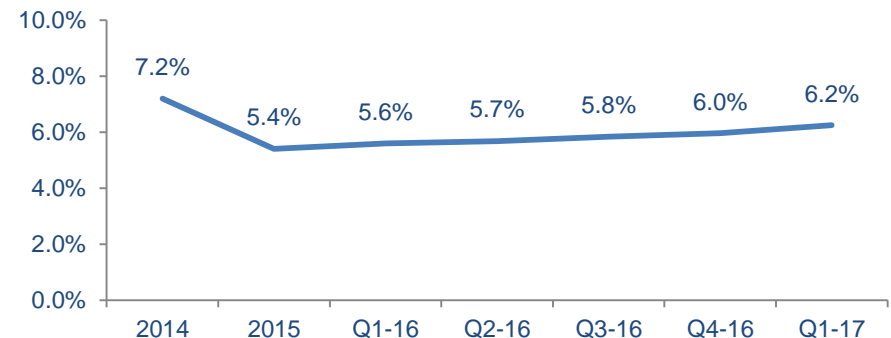
Debt Maturity Profile (SAR mn)



Excludes SAR 1,875 m Sukuk issued in Q2, 2017 and maturing in 2022

- Maturities** are well spread and cash management is prudent. Maturity profile extends to 2027

Effective Cost of Funding

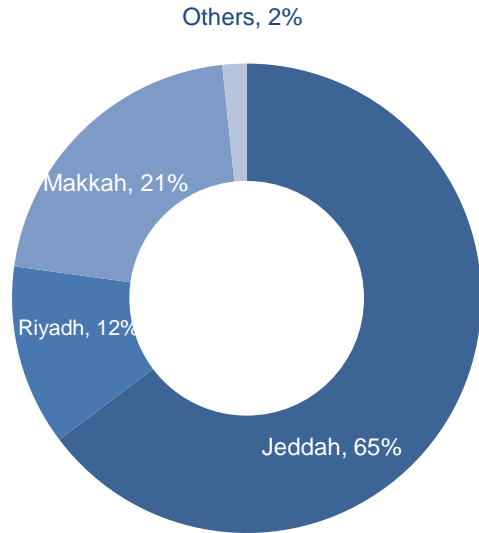


- Average cost of funding** stands at 6.2% for the quarter, marginally up by 20 bps driven by impact of increasing Sibor & Libor rates on 39% of the debts.

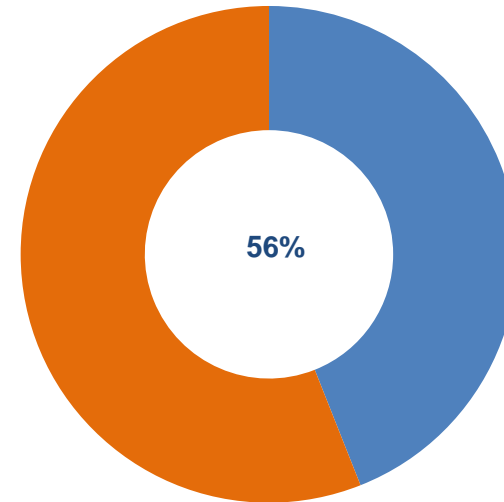


3.3 Land Development

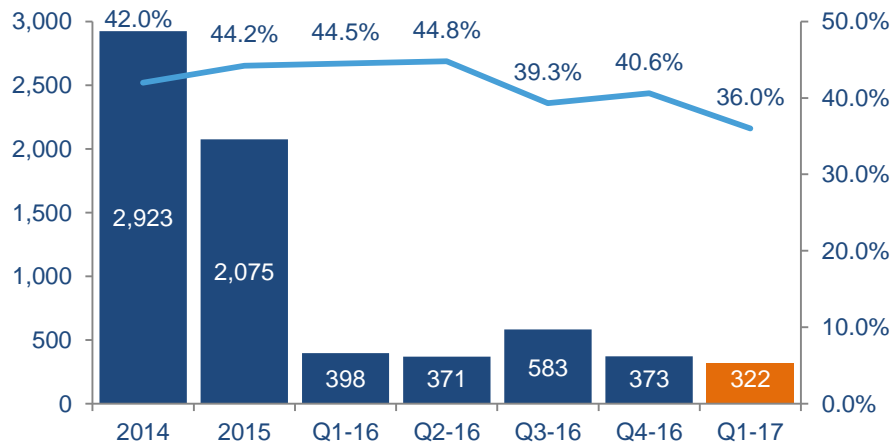
Geographic Split of Dar Al-Arkan's Land Bank



Land Bank (as a % of total Asset)



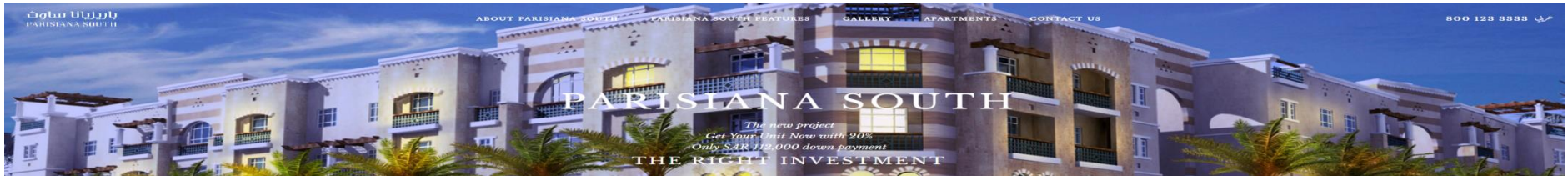
Land Revenue & Gross Margin (SAR Millions)



Book Value of Total Land Bank: SAR 13.7 bn

- DAAR has a diversified land portfolio across the Kingdom of Saudi Arabia
- DAAR has been a net seller of lands since 2015.
- DAAR has an active land acquisition and development strategy. DAAR retains lands that have a significant value enhancement potential, while opportunistically selling lands at the right premium

3.4 Residential & Commercial Development



- Parisiana South is a new “for Sale” project that was launched as part of DAAR’s strategy to diversify revenue and provide housing for families in Riyadh.
- Parisiana South consists of 97 residential units located in the southern part of Al Qasr community near King Fahd Road, and close to the Kingdom's largest cultural, sports and leisure city (Al-Giddiah) to be developed.
- Selling activities were started during this week at the Riyadh Exhibition.
- New female sales force were hired for selling Parisiana South and similar projects to be launched going forward.



3.4 Residential & Commercial Development – Cont'd

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 one of a kind Master Planned Community Project and is located in Riyadh's Al Dariya district

Latest Updates:

- Master Plan has been reviewed and refined by Albert Speer & Partner and is currently under discussion with ADA.
- Roads-stage1 including infrastructure work has commenced. Completion expected by mid of Q2 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 and 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 – is the Company's third Master Planned Community and is located in Jeddah

All the land has infrastructure in place and is available for sale.

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

3.4 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 %	45%

Activity in Q1 2017 : Negotiations ongoing with institutional tenants for leasing of c. 665 residential units including Dallah Hospital for 150 apts.



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 2017 : 1 fast food outlet, 1 Kiosk have been leased out.



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, 29% leased



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

4. Appendix



4.1 Appendix I – Income Statement

SR in 000s	FY 2014	FY 2015	FY 2016	Q1, 2016	Q1, 2017
Revenue	3,056,060	2,211,349	1,870,229	434,607	360,329
Cost of revenue	(1,756,805)	(1,228,117)	(1,079,537)	(243,607)	(224,636)
Gross profit	1,299,255	983,232	790,692	191,000	135,693
%	42.5%	44.5%	42.3%	43.9%	37.7%
Operating expenses	(237,453)	(204,238)	(156,005)	(37,395)	(37,425)
Operating profit	1,061,802	778,994	634,687	153,605	98,268
%	34.7%	35.2%	33.9%	35.3%	27.3%
Income from Associates	16,000	12,800	12,878	3,300	3,824
Depreciation & amortization	(41,888)	(39,586)	(36,470)	(9,266)	(7,533)
EBIT	1,035,914	752,208	611,095	147,639	94,559
%	33.9%	34.0%	32.7%	34.0%	26.2%
Other income	46,895	1,075	(32)	(121)	22
Finance cost	(493,294)	(384,801)	(353,509)	(88,761)	(81,948)
PBT	589,515	368,482	257,555	58,757	12,633
%	19.3%	16.7%	13.8%	13.5%	3.5%
Zakat	(14,820)	(9,325)	(7,943)	(1,500)	(500)
Net Income	574,695	359,157	249,612	57,257	12,133
%	18.8%	16.2%	13.3%	13.2%	3.4%
EBITDA	1,181,498	862,094	722,261	175,621	120,958
%	38.7%	39.0%	38.6%	40.4%	33.6%
KPIs					
GM%	42.5%	44.5%	42.3%	43.9%	37.7%
Operating Profit %	34.7%	35.2%	33.9%	35.3%	27.3%
EBITDA %	38.7%	39.0%	38.6%	40.4%	33.6%
PBT%	19.3%	16.7%	13.8%	13.5%	3.5%
Net Income%	18.8%	16.2%	13.3%	13.2%	3.4%



4.2 Appendix II – Balance Sheet

SR in 000s	FY 2014	FY 2015	FY 2016	Q1, 2016	Q1, 2017
Cash	2,310,196	1,001,061	582,087	1,484,322	874,570
Accounts Receivables	1,747,778	1,948,687	1,839,470	1,573,400	1,662,279
Pre-paid Expenses	816,697	974,809	743,508	977,325	736,727
Developed Land -ST	794,145	437,185	317,325	317,325	322,757
Total Current Assets	5,668,816	4,361,743	3,482,390	4,352,372	3,596,333
Investment in Land	5,445,630	5,982,401	6,261,462	6,075,402	6,694,500
Project in Progress-LT	8,916,056	8,651,076	8,878,157	8,723,930	8,455,726
Developed Land -LT	1,949,764	1,963,764	1,581,442	1,858,854	1,496,100
Investment Properties	3,567,451	3,501,637	3,424,778	3,483,489	3,405,934
Investment in Associates	763,407	776,207	790,585	781,007	794,409
Other Assets	71,422	68,416	66,959	68,531	67,634
Total Non-Current Assets	20,713,730	20,943,501	21,003,384	20,991,212	20,914,303
Total Assets	26,382,546	25,305,244	24,485,775	25,343,584	24,510,636
Payables & Accruals	1,189,858	1,065,035	1,067,215	1,097,961	1,129,903
Murabahas & Sukuks-ST	2,148,064	1,531,945	324,995	1,495,189	350,995
Total Current Liabilities	3,337,922	2,596,980	1,392,210	2,593,150	1,480,898
Murabahas & Sukuks-LT	5,458,564	4,760,617	4,890,375	4,744,365	4,814,256
Others	18,544	20,973	25,682	21,543	25,842
Total Non-Current Liabilities	5,477,108	4,781,590	4,916,057	4,765,908	4,840,098
Total Equity	17,567,516	17,926,674	18,177,508	17,984,527	18,189,640
Total Liabilities & Equity	26,382,546	25,305,244	24,485,775	25,343,584	24,510,636
Land development	17,105,595	17,034,426	17,038,387	16,975,510	16,969,083
Property management & leasing	3,567,451	3,501,637	3,424,778	3,483,489	3,405,934



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