

DAR
AL ARKAN
دار الأركان

Investor Presentation

Q4 2018

www.daralarkan.com

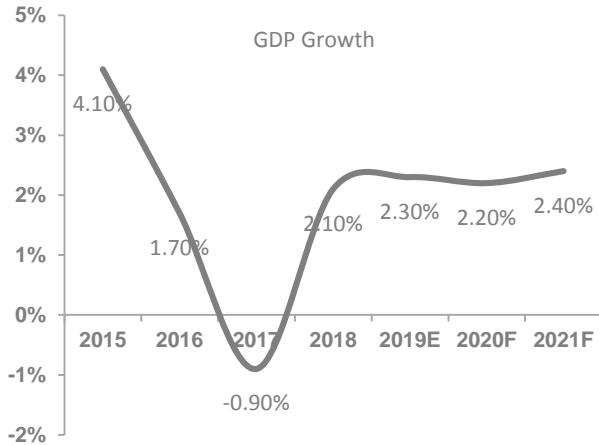
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1. Macro Economic Overview & KSA Real Estate Market



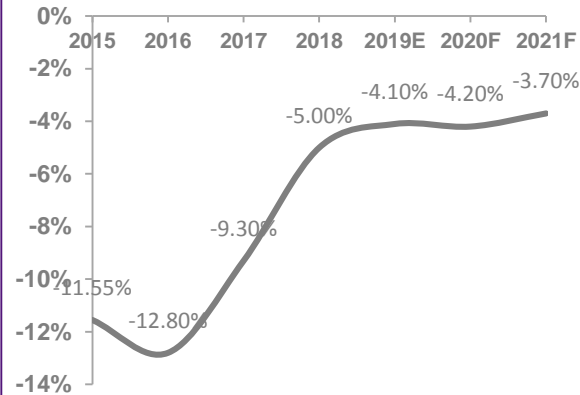
Announcement of 2019 budget (SAR 1 trillion) is expansionary and largest ever in Kingdom's history which shows government's commitment to drive economic growth in line with Vision 2030's objectives. Increase in government spending & opening KSA further for foreign business will boost the economy and make it less reliant on Oil.

Oil Price Recovery



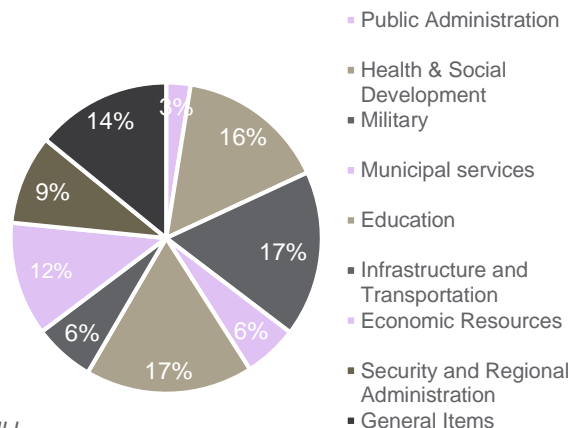
- Q4 crude prices declined by 37% to \$53.8 pb. However, the average price for Brent crude in 2018 was \$71.19 an increase of 32% over 2017 average price.
- Wall Street expects a moderate recovery for oil in 2019. (Current price has already recovered to \$65.31 pb).

Continued Reduction In Deficit

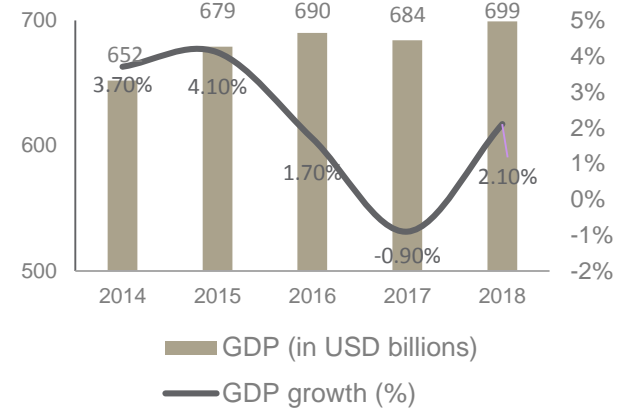


- Government initiatives since 2017 to bridge the deficit through levy of expat tax, VAT etc., is continuing with further increases in 2019.
- Over 7% rise in budget expenditure for 2019

Budget Allocation 2019

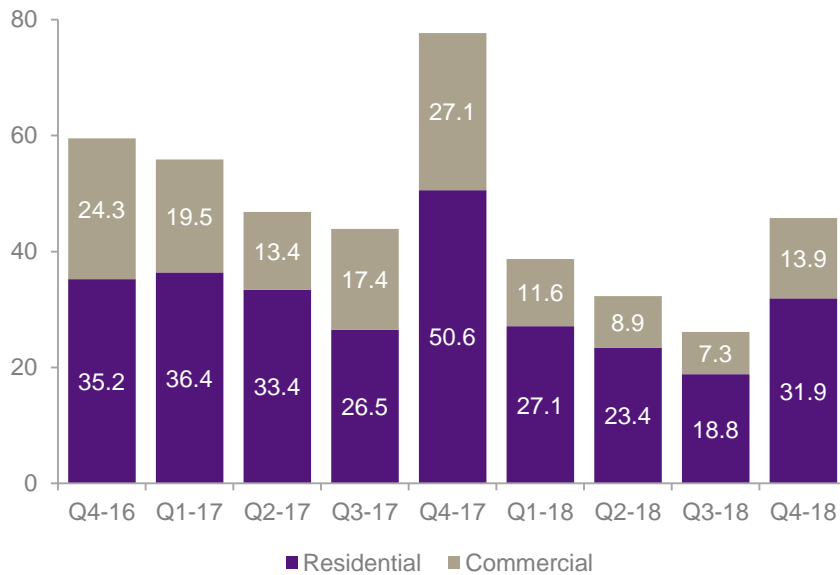


GDP Growth Picking Up

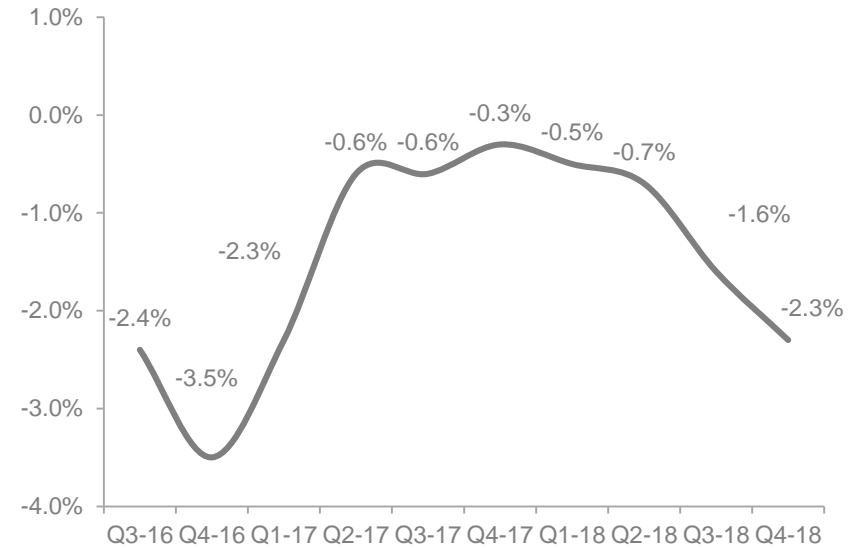


- 2.3% GDP growth forecast in 2019 driven by SAR 246 bn of capital expenditure (+ 22.2%) accounting for 20% of total govt. spend.
- Non-oil revenues increased to \$77 bn during 2018 and estimated to reach \$83.5 bn or around 1/3rd of total revenues in 2019.
- Increase in job reservations for Saudis is leading to increase in Saudi employment, especially women, which is improving spending power and boosting the economic growth.
- In the long run, focus on the following areas will further improve and diversify the economy.
 - Increase in religious tourism from c. 21 mn a year in 2017 to c. 37 mn by 2030.
 - Raising home ownership among Saudi nationals to 60% by 2020 and 70% by 2030 supported by SAR 120 billion mortgage fund – this will particularly benefit the real estate sector

Value of Real Estate Transactions in KSA (SAR bn)



KSA Real Estate Price Index (QoQ)



- The 4th quarter continued the trend of being strongest of the year with SAR 46 billion in transaction value delivering 75% growth vs. Q3 and 28% vs. the average of 2018. However, 2018 remained weaker than 2017 for the 4th quarter and also for the year as a whole.
- Market for property prices continues to be challenging. The rate of decline in Real Estate Price Index has increased in the quarter.
- Fall in price index at 2.3% for the quarter is average across KSA with Riyadh & Eastern Province fall being lesser.
- Residential market in KSA may continue to soften in the short term but at slower rate.

2. Overview of Dar Al Arkan



Prudent Real Estate Acquisition Strategies Paying Off

In challenging market conditions, management's rigorous acquisition policies, are proving their worth allowing the company to continually

- generate sizeable liquidity, at
- reasonable margins (especially in light of shorter holding periods)

In 2018, DAAR generated revenues of SAR 6.4 bn and gross profits of SAR 1.1 bn.

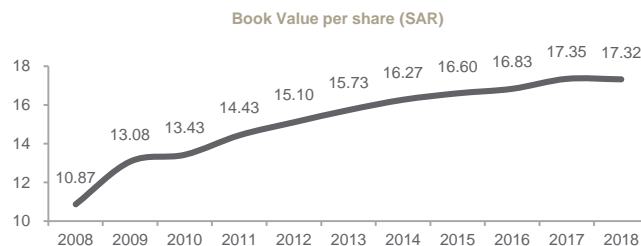
Proven Ability To Execute Large Scale Projects

Dar Al Arkan has developed some of the largest communities in Saudi Arabia including Ishbilya and Parisiana. Its Al Qasr Mall is among the largest shopping malls in Riyadh. Cinema multiplex with 16 screens (largest in KSA) is scheduled to open in early March 2019.

DAAR currently has 12.4 mn sqm land under development which includes projects such as Shams Ar-Riyadh, Shams Al Arous & Juman in KSA. It has also moved into vertical development with the I Love Florence project in Dubai.

Strong Financial Position

DAAR maintains a strong balance sheet with SAR 8.9 bn in cash and receivables, against total debt of SAR 6.6 bn.



Despite carrying assets at cost, the 59% rise in book value of shares over last decade is reflective of the company's rising financial strength.

Experienced Management With Good Corporate Governance

DAAR has a Board with wealth of experience in Real Estate and a Management team with extensive experience in executing large scale projects in KSA and internationally.

Diversification

Key purpose of the strategy is to deliver revenue from a diversified portfolio of development projects and also grow income producing assets.

Leased Portfolio

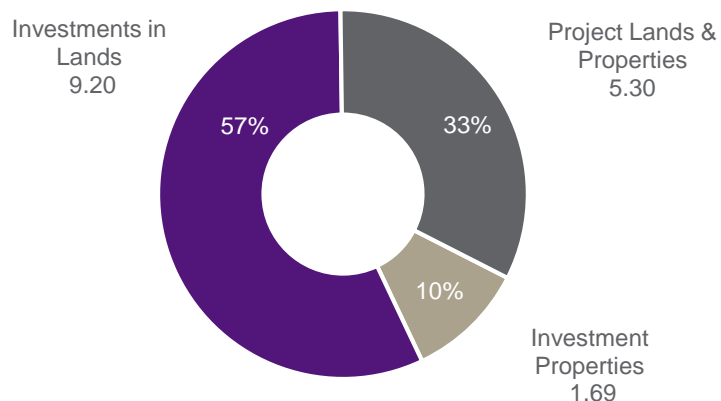
Company is in process to separately list its leased portfolio. Financial advisors and lawyers are onboard and discussions with regulators are underway

Government Support To Develop Local Real Estate Sector

Real Estate sector remains a priority for the Saudi government, driven by multiple initiatives launched by MOH, the support of SAMA through increasing LTV for housing and via PIF which is initiating trophy mega real estate projects across the Kingdom.

Revenues (+35%)	EBITDA (+2%)	Investment In Development Properties
SAR 6,412 mn (2017 : SAR 4,734 mn)	SAR 1,112 mn (2017 : SAR 1,086 mn)	SAR 3,382 mn (2017 : SAR 1,322 m)
Cash And Bank (+55%)	Gross Debt/ Capitalization	Book Value Per Share
SAR 4,903 mn (2017: SAR 3,160 mn)	26.0% (2017: 25.5%)	SAR 17.32 (2017: SAR 17.35)

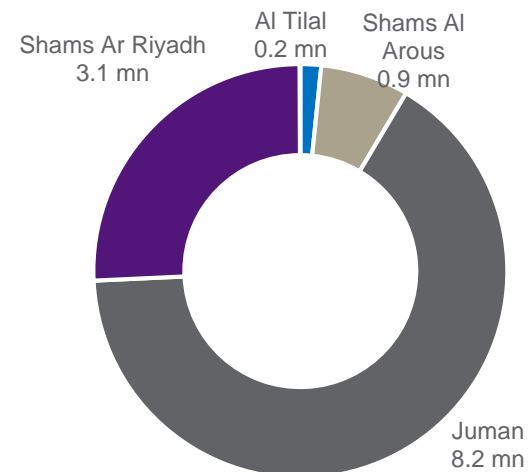
Real Estate Properties Break up - SAR bn



* Project Lands & Properties along with Investments in Lands are clubbed together as "Development Properties" in the financial statements.

- DAAR's portfolio of Real Estate Properties is carried in the books at a total value of SAR 16.2 bn.
- Real Estate Properties are carried at historical cost.

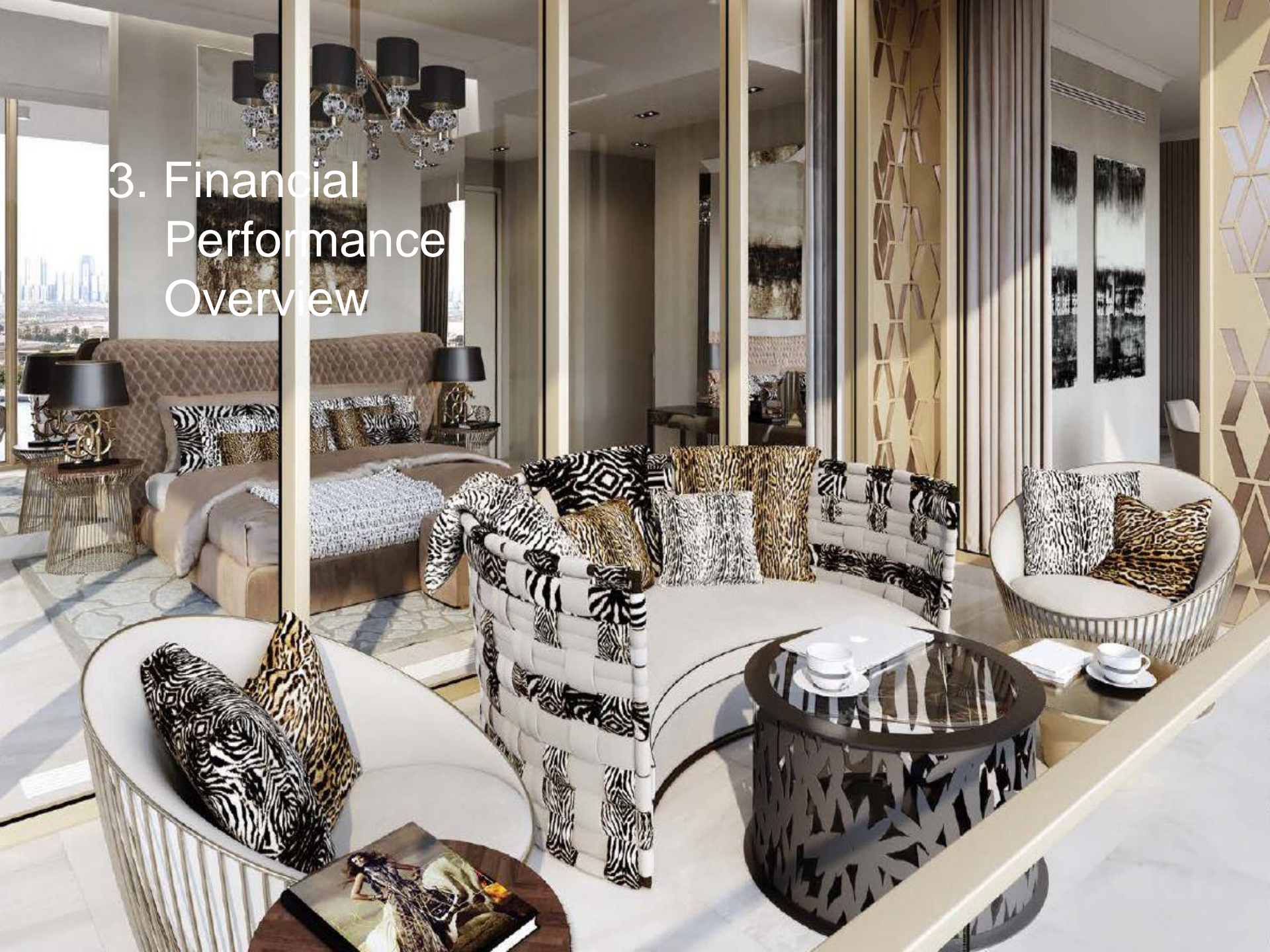
Projects Lands Break up (Sqm)



* DAAR holds 18% share in Juman

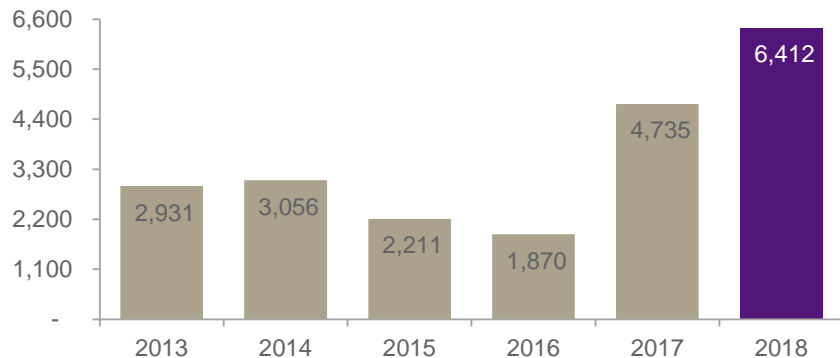
- DAAR has a strong pipeline of projects across the Kingdom totaling 12.4 mn sqm.
- DAAR's strategy is to increase retail sales with the objective of generating superior margins.
- DAAR is developing and selling residential plots, villas, apartments and commercial mix use properties.
- Currently, sales comprise of off-plan sales and finished properties.

3. Financial Performance Overview



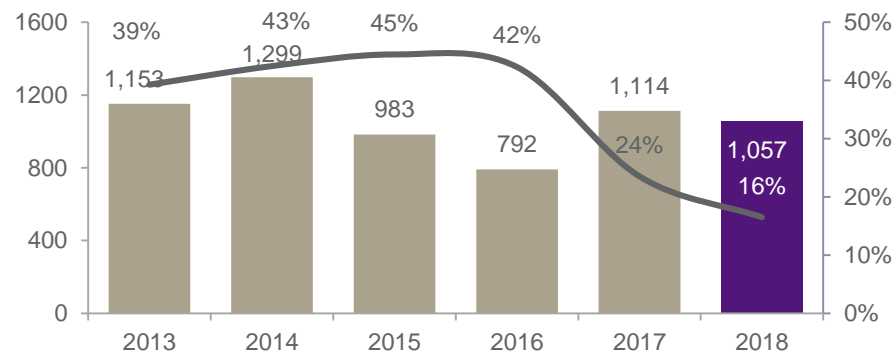
Financial Performance – 2018 Profitability

Yearly Revenues (SAR mn)



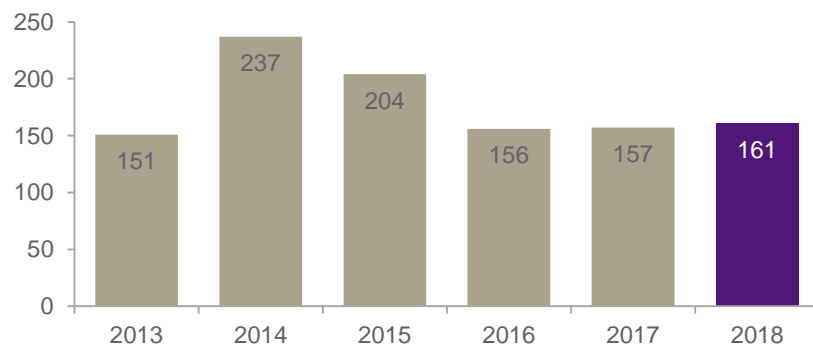
- 2018 Revenues increased by 35%. Highest ever.

Gross Profit (SAR mn) & Margin (%)



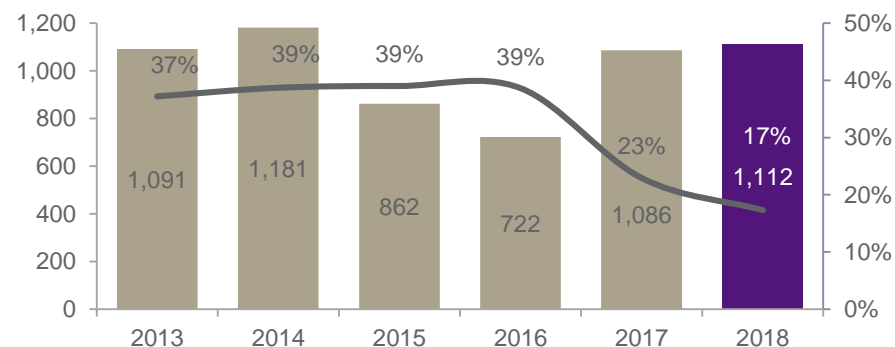
- 2018 marginal drop in gross profit due to lower average gross margin realization

SG&A (SAR mn)



- 2018 SG&A contained and flat for last 3 years

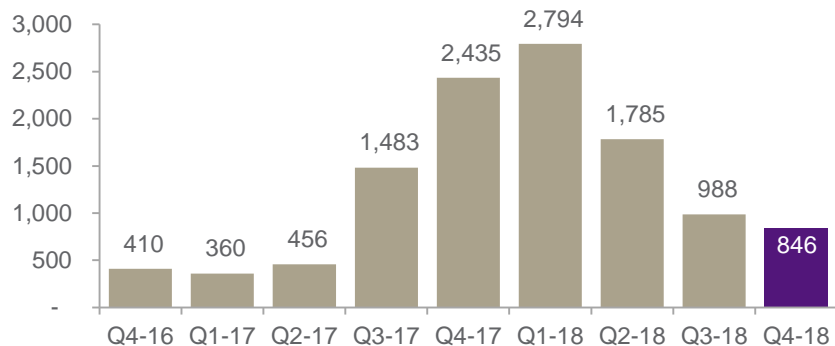
EBITDA (SAR mn) & EBITDA Margin (%)



- 2018 EBITDA increased by 2% due to higher sales revenue and increase in income from investment of higher cash balance

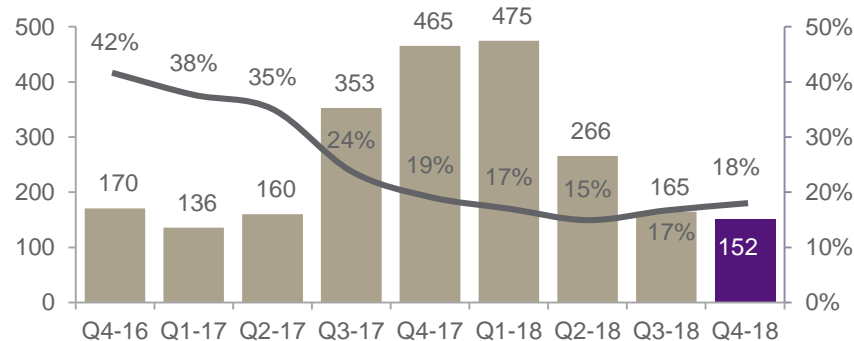
Financial Performance – Q4 2018 Profitability

Quarterly Revenues (SAR mn)



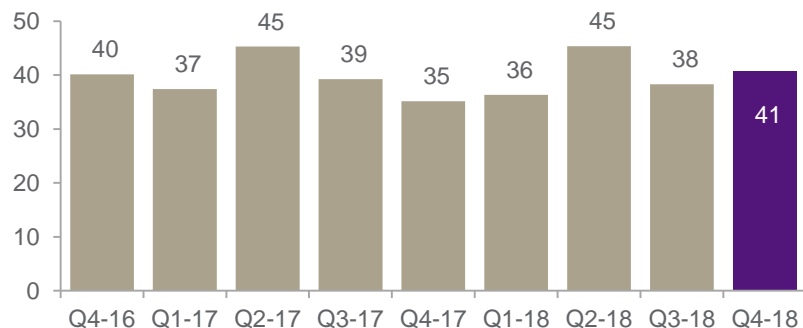
- Q4 2018 Revenues decreased by 14% QoQ and by 65% YoY.

Gross Profit (SAR mn) & Margin (%)



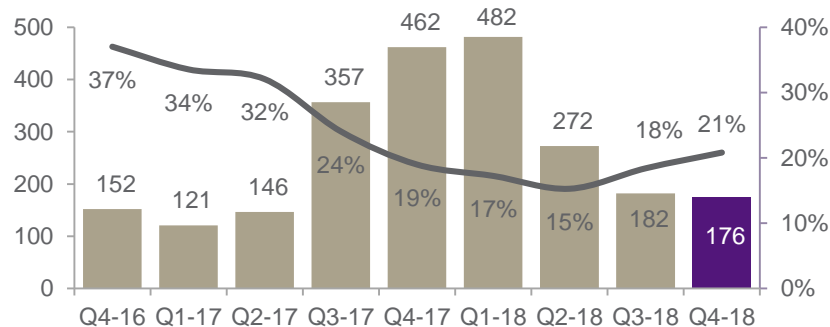
- Q4 2018 Gross profit decreased by 8% QoQ and 67% YoY.

SG&A (SAR mn)



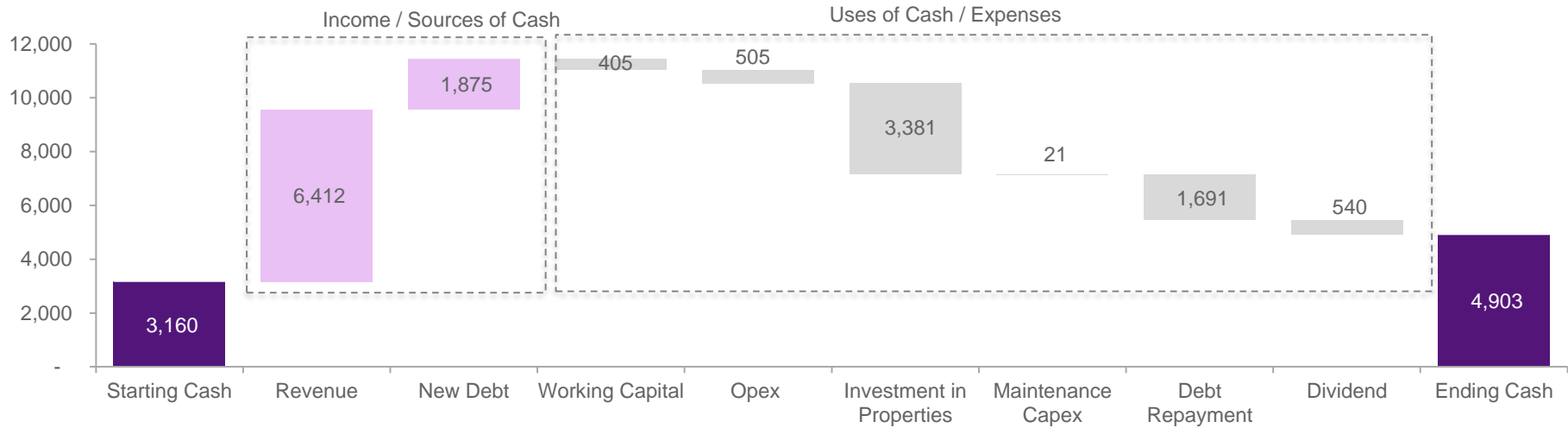
- Q4 2018 SG&A increased marginally over QoQ and YoY.

EBITDA (SAR mn) & EBITDA Margin (%)



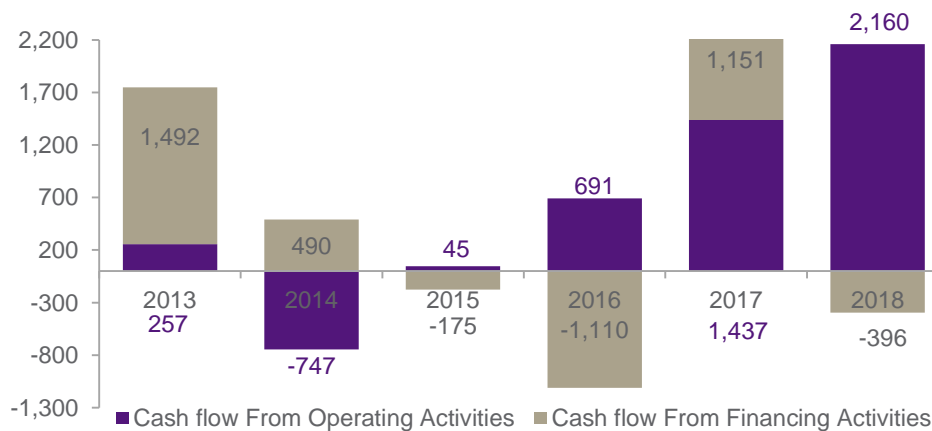
- Q4 2018 EBITDA decreased by 3% QoQ and 62% YoY.

Cash Flow – 2018 (SAR mn)

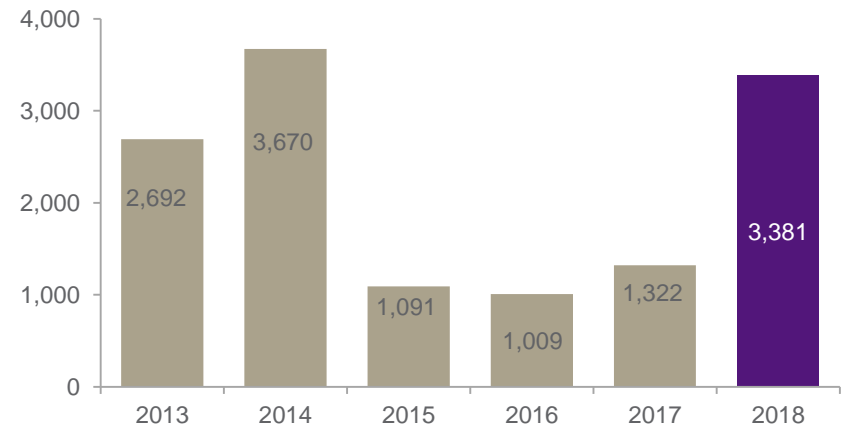


- During 2018, DAAR's liquidity position improved by SAR 1.7 bn to SAR 4.9 bn.
- SAR 3.9 bn outflow on investments and dividend were more than offset by strong revenue growth.

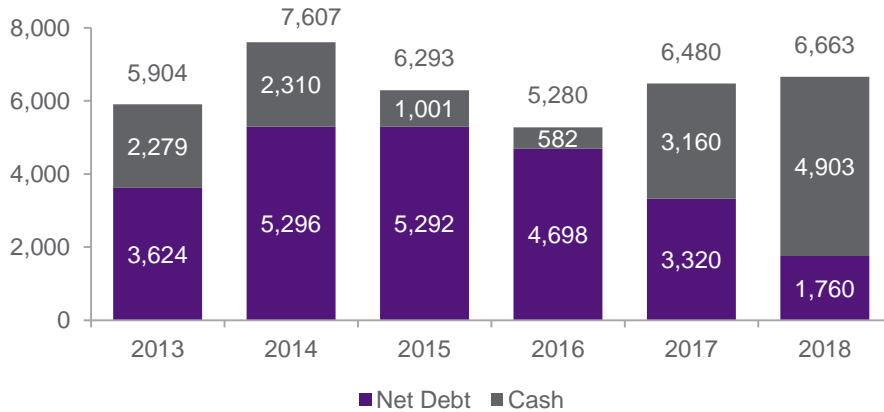
Activity Wise Cash Flow



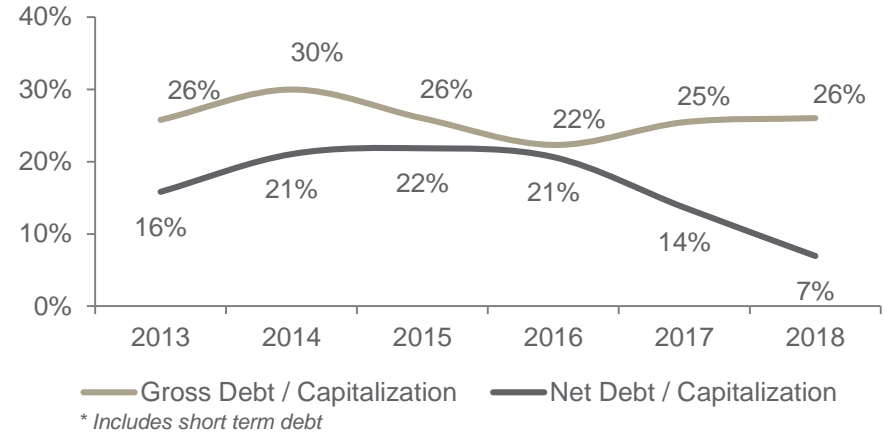
Investment In Development Properties – (SAR Mn)



Gross Debt Vs Net Debt (SAR mn)



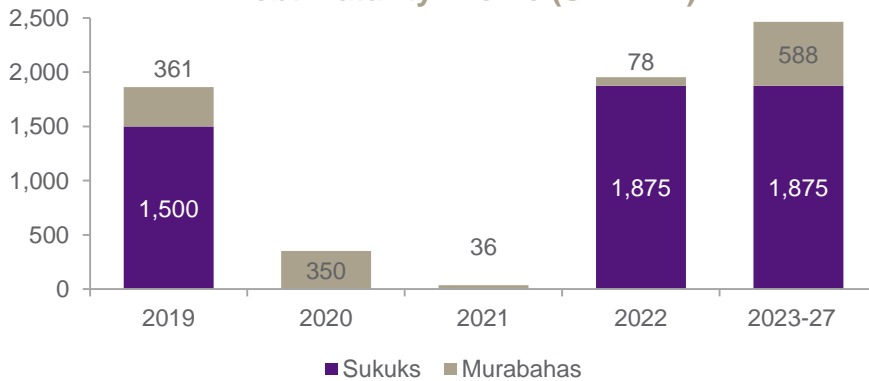
Debt* / Capitalization



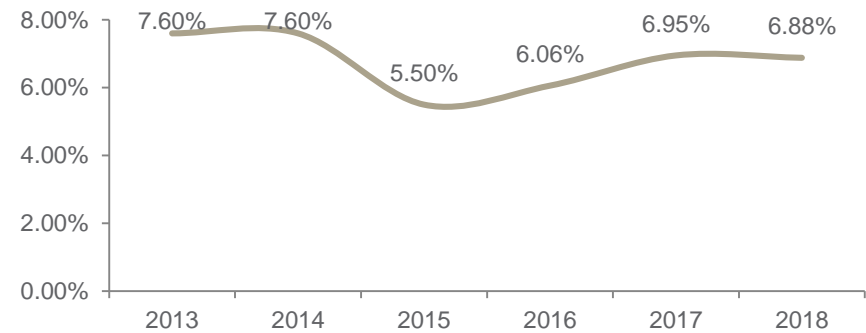
- Net debt continues to decline over last 3 years and is at the lowest level since 2007.

- Gross debt ratio is stable and net debt ratio continues to improve due to increase in cash balance

Debt Maturity Profile (SAR mn)



Effective Cost of Funding



- Maturities are well spread over the next nine years and will allow for prudent cash management.
- Cash balance of SAR 4.9 bn covers repayments till end 2022.

- Cost of funding remains below 7% inspite of increase in Libor & Sibor

4. Overview of Assets Portfolio



Riyadh Projects



- Situated in the Al-Ammariyah district (King Khalid Road), part of the growing northwest corridor of Riyadh, Shams ArRiyadh is close to the heart of the city.
- Total project land area is 5.0 mn sqm (out of which 1.8 mn sqm was sold to SABIC who have since developed housing for their staff) and is located just 19 km from KKI Airport and 9 km from King Abdullah Financial Center.
- Off plan land plot sales in Zone 4B started in Q2 2018 upon receipt of WAFI approval.
- Zone 3 & 5 master plan are in advanced stage of approval
- Model mansion construction started
- Infra of zone 4B started

Key Facts – 4B:

Gross Land	550k sqm
Saleable Plots	257k sqm
Residential Plots	208 plots

Jeddah Projects



- The site is situated 12 kms from CBD directly off the 6 lane Palestine Road which connects Arous with the Jeddah city center (CBD).
- The site can be accessed via this road from CBD, Central Jeddah, the North and southern parts of the city and the airport.
- Housing proposal for MOH is in process
- Upgradation work of electrical infrastructure is in the process of being awarded soon.

Key Facts:

Land Plots for Sale (Gross Land)	862k sqm
Retail Strip Development:	
Lot Size	55,000 sqm
GLA	31,000 sqm

Eastern Province Projects



- The project is located in the Eastern Province overlooking Tarout Bay.
- The project aims to be the new hub for this fast growing area, becoming a waterfront luxury residential, leisure and MICE destination with hospitality projects catering for the upper middle to the upper-upper luxury segments. Jumanaz will also include other commercial components.
- Phase 1 consisting of very shallow reclamation development for a resort is planned to start in 2020
- High & Best Use (HBU) study has been completed in the quarter and review is under progress.
- Bathymetric works under negotiation for award

Key Facts:

Land Area	8.2 mn mixed use land
DAAR Role	Master Developer
DAAR Holding	18% in JV

I Love Florence, Dubai



- The I Love Florence Tower project is located in the Business Bay area of Dubai, with a value of SAR 805 mn (US\$ 215 mn)
- The tower reaches 34 stories and is fully designed by Roberto Cavalli's heritage and love for Florence.
- Launch of sales of the project started in Q4 2017 in Dubai, followed by January launch in KSA.
- 40% of launched units have been sold on off plan
- Vertical construction package is in final stages of being awarded to contractor.

Key Facts:

Saleable (GFA)	42,000 sqm
Project value	SAR 805 mn
Number of Units	452
Number of Stories	34

Parisiana South



- Located in Riyadh city and easily accessed through King Fahad Road and major highways.
- Refurbished apartments with luscious landscape.
- Water feature installation surrounded by cafes, restaurants and shops.
- Private gym for men and women.
- Show Apartments ready for Ministry of Housing (MOH) sale
- Hand over of MOH Apartments initiated

Parisiana Living



- Located in Riyadh city and easily accessed through King Fahad Road, Parisiana Living is a focal investment location with access to all destinations; government departments, schools, big hospitals, and major shopping centers.
- Refurbishment of community street lights in progress
- Renovation of villas and the surroundings has been completed.
- Supply & installation of access gates has been done.

Naeem Eljiwar



- Located within the boundary of the Prophet's Mosque featuring vast ambiances and first-class services that offer comfort and luxury life to the residents.
- Villas of multiple design featuring variety of styles, interior designs and exclusive vanguard gardens.
- Renovation of villas and the surroundings has been done.

Al-Qasr Mall, Riyadh

Land Area	61,949 m ²
Built up Area	220,202 m ²
Gross Leasable Area	78,958 m ²
No. of floors	3 Leasable Floors plus two parking

Latest Activity: 16 screen multiplex cinema to be operational from first week of March 2019.
6,000 sq.m. leased to Apparel Dubai for new retail brands. Some of the brands are first time introductions in KSA.
Ongoing changes in tenant mix by adding new casual dining restaurants.



Al-Qasr Apartments and Villas, Riyadh

GLA	200,000 m ²
Apartments	815

Latest Activity: 95% plus leased.



Azizia Towers, Makkah

GLA	41,720 m ²
# Leasable Units	305
# Leasable Floors	12

Latest Activity: 100% leased to King Abdullah Medical City (Government).
The lease was renewed in Q4.



5. Appendix



SAR in 000s	FY 2016	FY 2017	Q4 - 2017	Q4 - 2018	FY 2018
Revenue	1,870,229	4,734,687	2,435,123	846,094	6,412,265
Cost of revenue	(1,078,286)	(3,620,675)	(1,969,752)	(694,231)	(5,355,114)
Gross profit	791,943	1,114,012	465,371	151,863	1,057,151
%	42.3%	23.5%	19.1%	17.9%	16.5%
Operating expenses	(156,005)	(157,106)	(35,137)	(40,747)	(160,753)
Operating profit	635,938	956,906	430,234	111,116	896,398
%	34.0%	20.2%	17.7%	13.1%	14.0%
Income from Associates	12,878	20,604	5,066	9,373	15,432
Depreciation & amortization	(4,023)	(4,896)	(1,360)	(2,225)	(8,189)
EBIT	644,794	972,614	433,940	118,264	903,641
%	34.5%	20.5%	17.8%	14.0%	14.1%
Other income	(32)	39,397	13,692	41,054	132,840
Finance cost	(385,985)	(441,525)	(115,838)	(122,981)	(511,652)
PBT	258,777	570,486	331,794	36,336	524,829
%	13.8%	12.0%	13.6%	4.3%	8.2%
Zakat	(7,943)	(14,443)	(8,443)	(831)	(13,046)
Total Comprehensive Income	250,834	556,043	323,351	35,505	511,783
%	13.4%	11.7%	13.3%	4.2%	8.0%
EBITDA	722,261	1,086,112	462,051	176,113	1,111,863
%	38.6%	22.9%	19.0%	20.8%	17.3%

Source: Audited or Reviewed Financial Statements

SAR in 000s	FY 2016	FY 2017	FY 2018
Investment properties, net	3,424,778	3,290,010	1,693,141
Long-term development properties	16,721,061	14,751,565	14,148,262
Property and equipment, net	66,131	70,925	83,085
Investment in associates and joint ventures	790,585	811,189	826,621
Other assets	828	1,950	2,511
Total non-current assets	21,003,383	18,925,639	16,753,620
Short-term development properties	317,325	122,675	349,329
Trade receivables and others	2,582,978	4,033,325	4,740,877
Cash and cash equivalents	582,088	3,159,666	4,903,491
Total current assets	3,482,391	7,315,666	9,993,697
TOTAL ASSETS	24,485,774	26,241,305	26,747,317
Borrowing-long-term maturity portion	4,890,375	4,720,334	4,731,167
End of service indemnities	25,682	21,961	19,011
Total non-current liabilities	4,916,057	4,742,295	4,750,178
Borrowing-Short-term maturity portion	324,995	1,678,648	1,849,623
Trade payables and others	529,721	537,142	885,355
Zakat provision	537,494	549,670	556,828
Total current liabilities	1,392,210	2,765,460	3,291,806
Total liabilities	6,308,267	7,507,755	8,041,984
Share capital	10,800,000	10,800,000	10,800,000
Statutory reserve	1,003,383	1,058,720	1,109,601
Retained earnings	6,374,124	6,874,830	6,795,732
Total shareholders' equity	18,177,507	18,733,550	18,705,333
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	24,485,774	26,241,305	26,747,317

SAR in 000s	FY 2016	FY 2017	FY 2018
Profit before Zakat	258,777	567,811	521,855
Adjustments for:			
Depreciation	77,500	76,775	78,355
End of service indemnities	6,317	5,129	4,122
Provision for doubtful debts	1,000	0	0
Finance costs	385,984	441,523	511,652
Share of net profit from associates and joint ventures	(12,878)	(20,604)	(15,432)
Operating cash flow before WC movements	716,700	1,070,634	1,100,552
Development properties - net	(3,960)	2,227,035	1,903,999
Trade receivables and others	339,518	(1,450,347)	(707,552)
Other assets	(828)	(1,122)	(561)
Trade payables and others	20,443	7,421	348,213
Cash from operations	1,071,873	1,853,621	2,644,651
Finance costs	(353,536)	(408,673)	(474,207)
Zakat paid	(26,206)	(2,267)	(5,888)
End of service indemnities paid	(1,608)	(6,175)	(4,098)
Cash flow from operating activities	690,523	1,436,506	2,160,458
Investment properties	3,382	0	(648)
Investment in associates	(1,500)	0	0
Proceeds from disposal of property and equipment	0	440	0
Purchase of property and equipment	(1,738)	(10,130)	(20,348)
Net cash flow from investing activities	144	(9,690)	(20,996)
Long term borrowings	(1,109,640)	1,150,762	144,363
Dividend	0	0	(540,000)
Net cash flow from financing activities	(1,109,640)	1,150,762	(395,637)
Increase / (decrease) in cash and cash equivalents	(418,973)	2,577,578	1,743,825
Cash and cash equivalents, beginning of the period	1,001,061	582,088	3,159,666
Cash and cash equivalents, end of the period	582,088	3,159,666	4,903,491

Source: Audited or Reviewed Financial Statements

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