

# Investor Presentation

---

Q1 2020

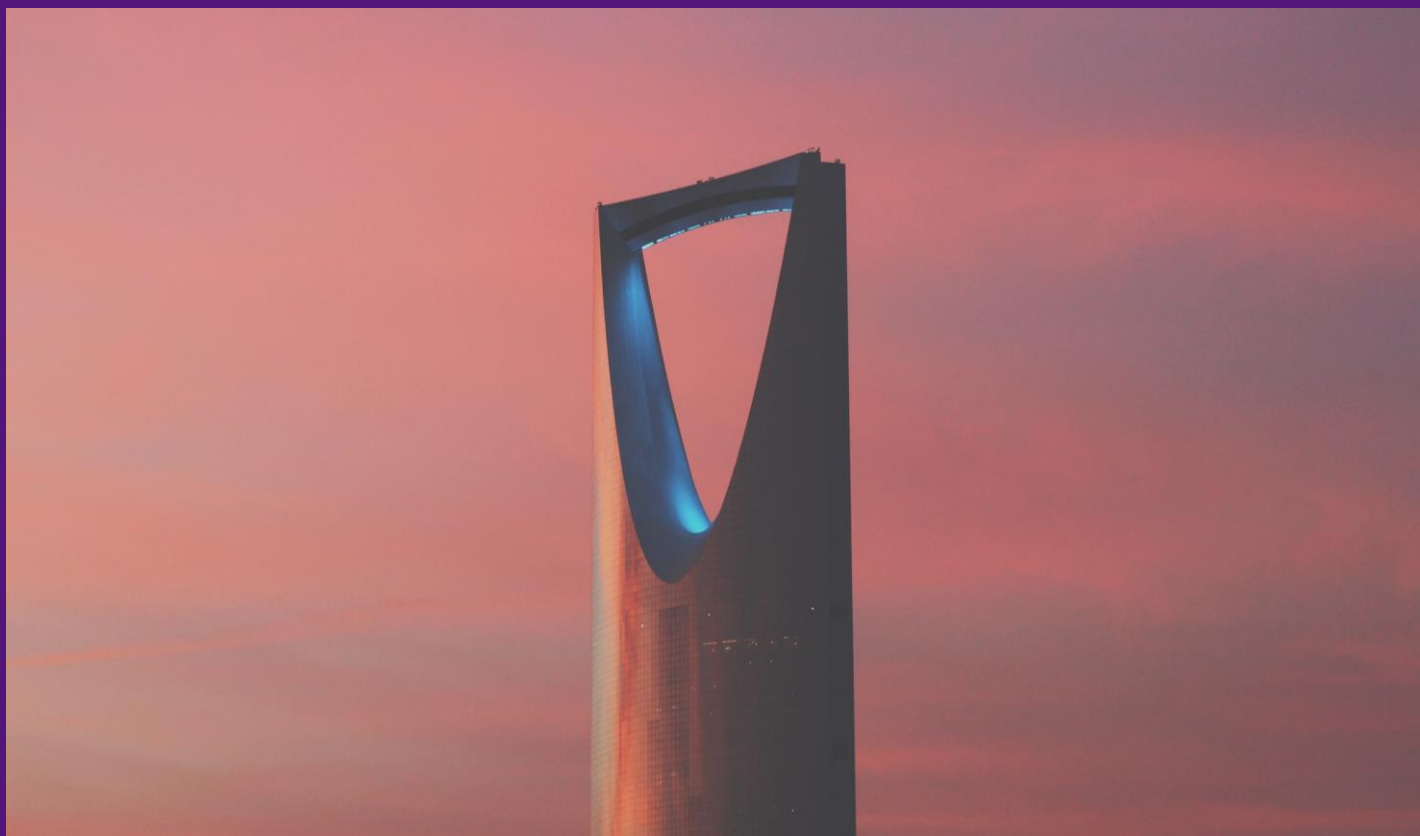
---

## Table of Contents

Page No.

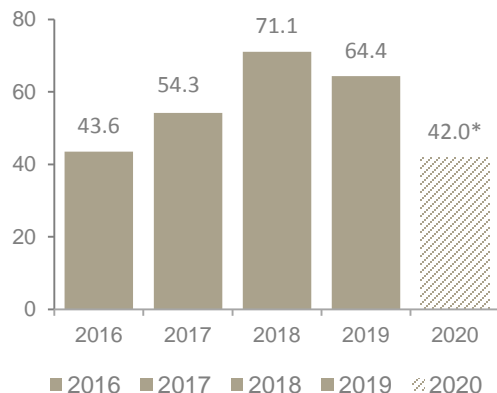
1. Macro Economic Overview & KSA Real Estate Market	3
2. Key Business Indicators Overview	8
3. Financial Performance Overview	11
4. Overview of Assets Portfolio	15
5. Appendix	19

# 1 | Macro Economic Overview & KSA Real Estate Market



## The economic outlook is clouded by massive uncertainty!

### Brent Oil Prices

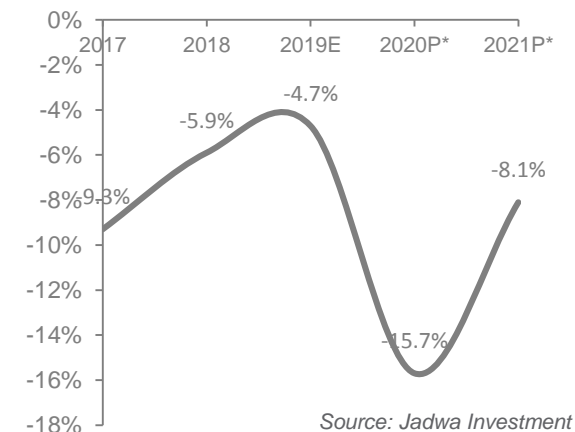


- Brent Price on May 29<sup>th</sup> 2020 stood at \$40.30.
- Global oil demand to contract by 6.9 million barrels per day over 2020.
- OPEC+ reach historic agreement to moderate crude oil production by 9.7 mbpd in May and June 2020 and then 7.7 mbpd for H2 2020 versus a base line of October 2018.
- Further cuts announced by KSA of 1 mbpd are attempting to further support the market.

### GDP to Shrink in 2020

- The Global economy is expected to shrink in 2020 as a result of the Covid-19 lockdowns, the length and magnitude of the correction remains uncertain.
- Saudi has been early and strict in applying measures to prevent the transmission of Covid-19, including lockdowns, and curfews.
- Expectations are for the Saudi GDP to contract in 2020, however the magnitude of this contraction will be driven by the length of the lockdown, the oil price dynamics and the government actions to limit the deficit, all of which remain highly uncertain.
- Below a sample of current forecasts for Saudi GDP:
  - IMF as of April 2020 forecast KSA GDP at (-2.3%).
  - Jadwa Investments on May 3<sup>rd</sup> 2020 forecast KSA GDP at (-1.7%).
  - 4Sight on May 11<sup>th</sup> 2020 forecast KSA GDP at (-2.9%).
  - Samba as of April 2020 forecast KSA GDP at (-3.2%).
  - Goldman Sachs on May 12<sup>th</sup> 2020 forecast KSA GDP at (-6.5%).

### Deficit to Expand in 2020



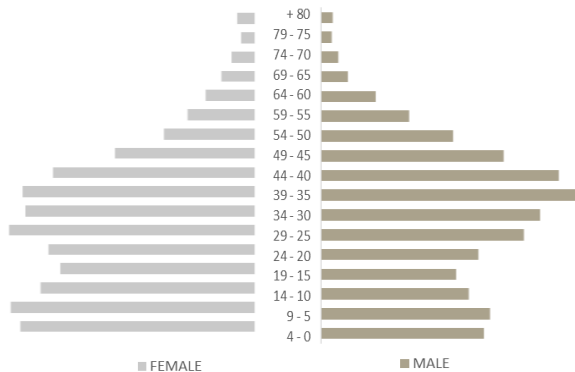
Source: Jadwa Investment

- The collapse in oil prices and the demand destruction following Covid-19 lockdowns globally have impacted Government revenues. Revenues for Q1 2020 totaled SAR 192 billion showing 22% YOY declines.
- Current expectations are for the budget deficit to reach c.-16% in 2020.
- Saudi's costs of supporting the economy have reached SAR 180 billion.
- Saudi is expected to borrow SAR 220 billion, to add to SAR 100 billion withdrawn from strategic reserves.
- VAT has been increased to 15% effective July 1<sup>st</sup> 2020 and a full review of government projects is underway.
- Import duties have been increased.
- The Government also suspended the cost of living allowance.

## However, the long-term fundamentals of the market remain intact

### Positive Demographic Trends

KSA Total Population (Age/Gender)



Total population 34 million

- Average population growth of 2.5% per year.
- C.60% of the population below the age of 30, entering their home making years.
- High per capita individuals per household, over 7.
- Social evolution leading younger generation to seek more independent living arrangements.

### Supply Shortages



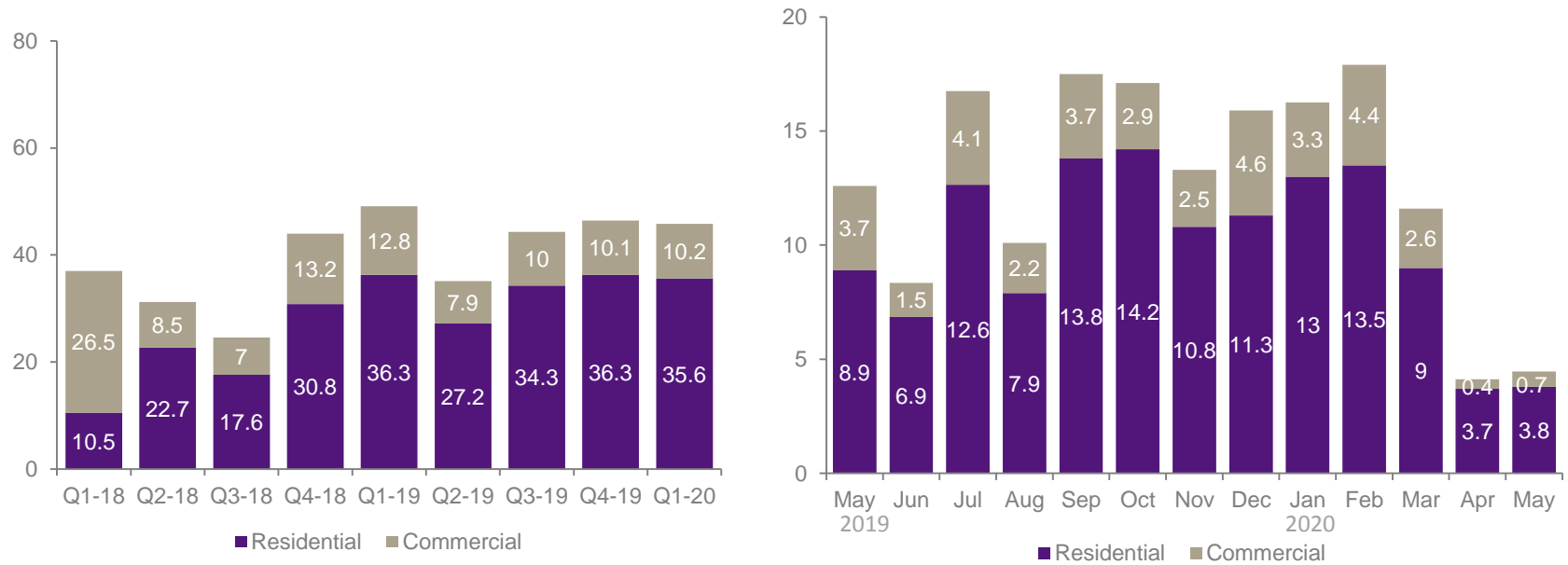
- Chronic under supply of residential housing.
- MOH estimates suggest that the residential market is under supplied by as many as 1.45 million units.
- Low home ownership penetration among Saudis, expected to be 50% in 2019.

### Government Support



- Government support for the housing market has not yet wavered.
- On-going MOH Sakani program for low income households continues to honor existing participants, while new participation is suspended.
- REDF support through interest free mortgages.
- SRC adding liquidity to the mortgage market.
- Banks continue the support of mortgage provision.
- 70% target as part of Vision 2030 for home ownership penetration.

## The underlying market dynamics in Q1 2020 showed resilience

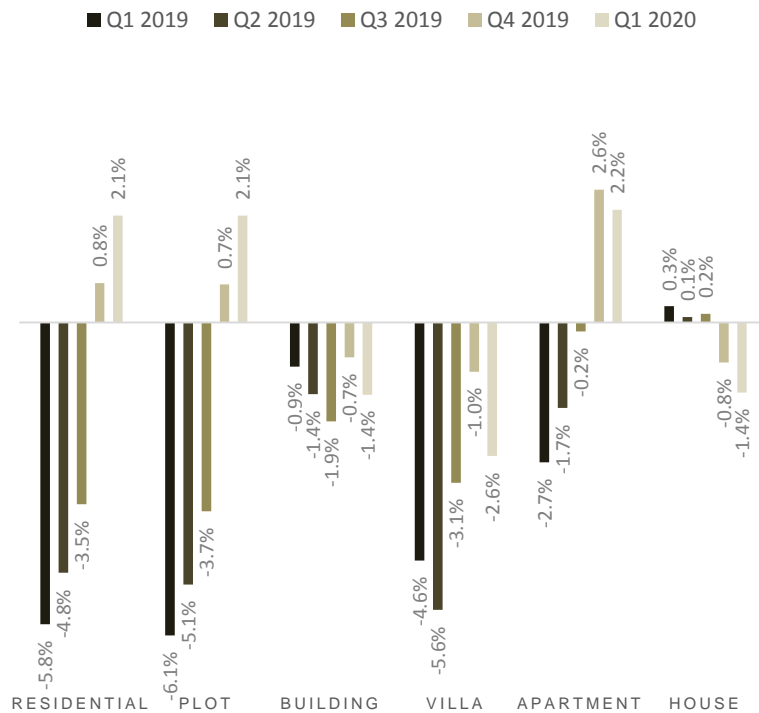


Value of Real Estate Transactions in KSA (SAR bn)

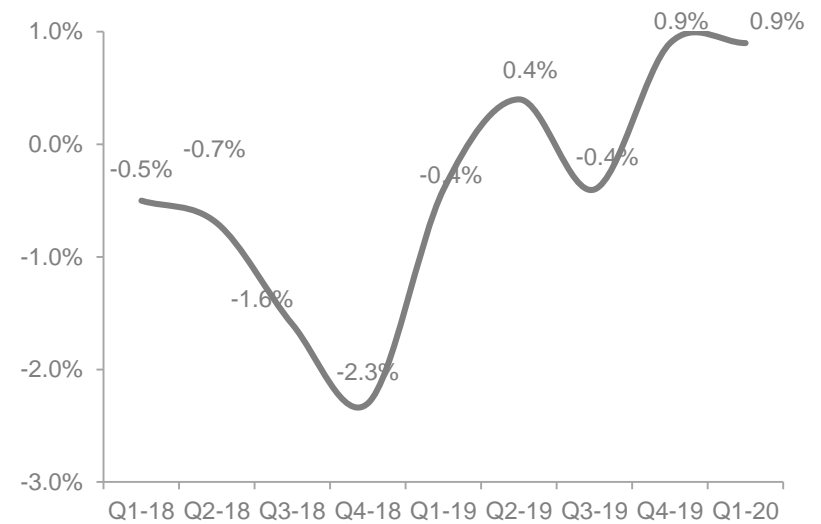
- Prior to full lock down and Covid-19 disruption, the Q1 transaction values were just 1.3% below Q1 2019 levels and 3% ahead of Q4 2019,
- Preliminary figures for the lockdown months of March, April and May have shown a precipitous drop in transactions which is mainly attributable restricted market activities.

## In Q1 2020 the residential plots and apartments delivered better pricing

Residential Index



KSA Real Estate Price Index (QoQ)



- The Real Estate price Index consolidated its recent positive correction with another 0.9% move in the first quarter underlying the improved pricing dynamics in the market.

## 2 | Key Business Indicators Overview





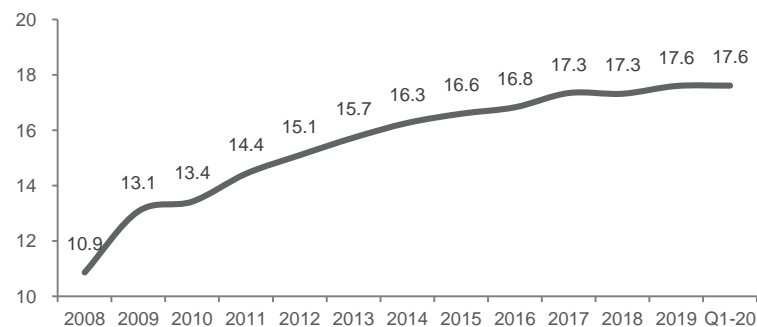
<p><b>Revenues (LTM) -27%</b></p>	<p><b>EBITDA (LTM) +9%</b></p>	<p><b>Investment In Development Properties (LTM) +17%</b></p>
<p><b>SAR 3,261 mn</b></p> <p>(At Q1 2019 : SAR 4,442 mn)</p>	<p><b>SAR 861 mn</b></p> <p>(At Q1 2019 : SAR 792 mn)</p>	<p><b>SAR 4,809 mn</b></p> <p>(At Q1 2019 : SAR 4,123 m)</p>
<p><b>Cash And Bank (24%)</b></p>	<p><b>Gross Debt/ Capitalization</b></p>	<p><b>Book Value Per Share</b></p>
<p><b>SAR 4,880 mn</b></p> <p>(Q1 2019 : SAR 4,710 mn)</p>	<p><b>32%</b></p> <p>(Q1 2019 : 26%)</p>	<p><b>SAR 17.6</b></p> <p>(Q1 2019 : SAR 17.3)</p>

### Strong Financial Position

DAAR maintains a strong balance sheet with SAR 8.4 bn in cash and receivables against gross debt of SAR 9.2 bn. Cash balance is sufficient to meet all operating expenses and debt maturities for the next three years.

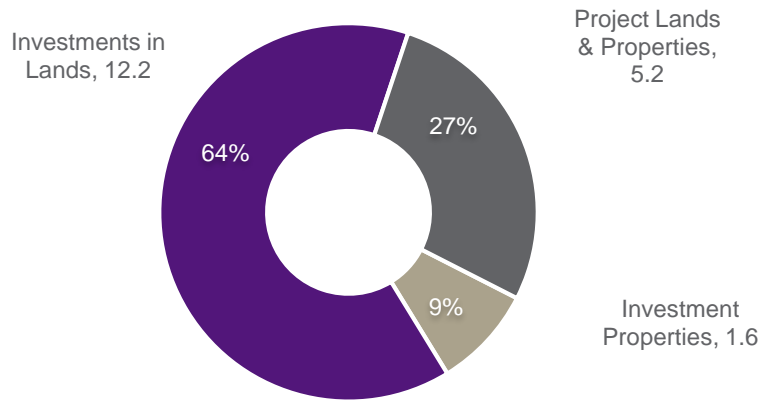
Despite carrying assets at cost, the 62% rise in book value of shares over last decade is reflective of the company's rising financial strength.

### Book Value per share (SAR)



- DAAR's Real Estate assets portfolio at cost is SAR 19.0 bn.

### Real Estate Properties Break up - SAR bn

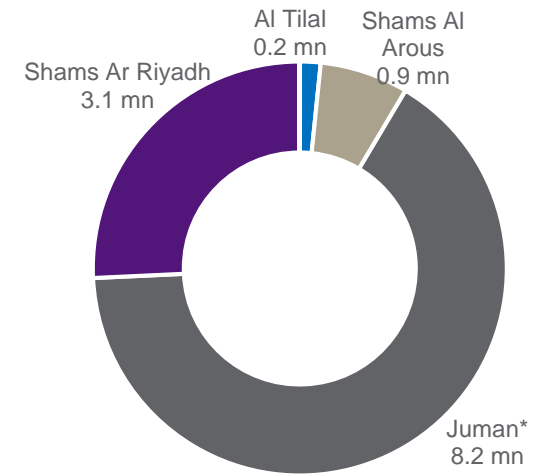


- Investment Properties
- Investments in Lands
- Project Lands & Properties

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

- Real Estate Properties are carried at historical cost.

- DAAR has a strong pipeline of projects across the Kingdom totaling 12.4 mn sqm.



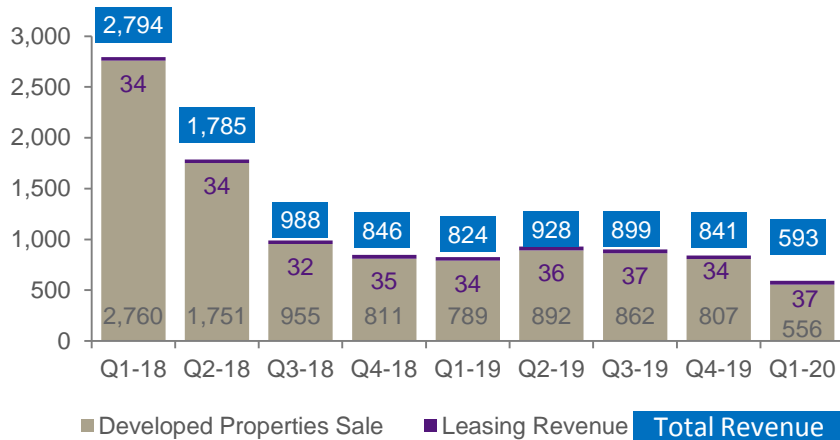
*\*DAAR holds 18% share in Juman*

- 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

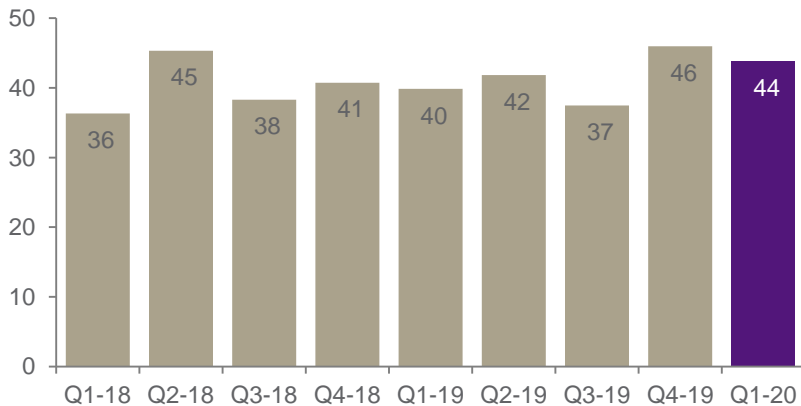


### Quarterly Revenues (SAR mn)



- Q1 2020 revenues decreased by 29% QoQ and by 28% YoY.
- Leasing revenue averages about 4% of total over the past two years.
- Nearly 50% of leasing revenue comes from residential sector.

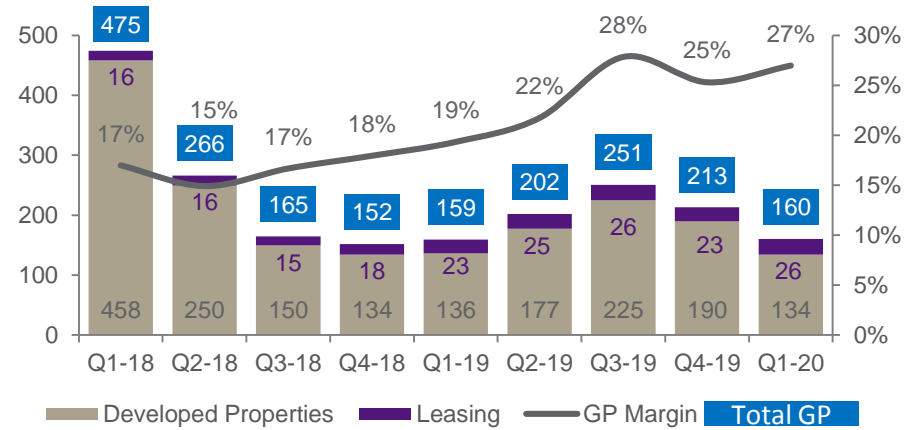
### SG&A (SAR mn)



- Q1 2020 SG&A decreased by 5% QoQ and increased by 10% YoY.

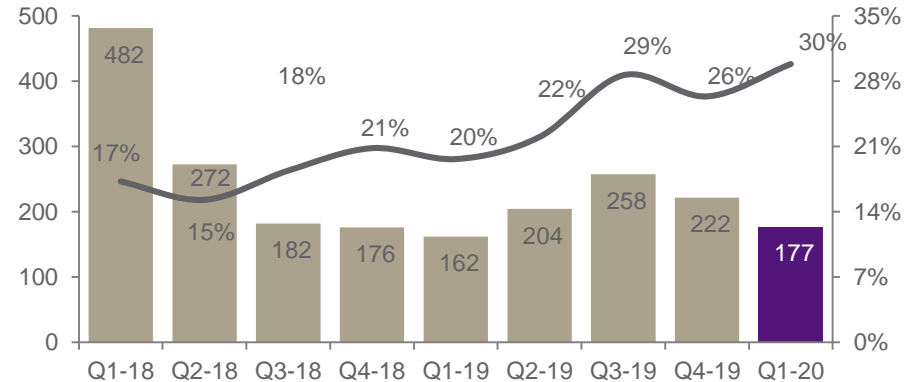
### Financial Performance – Q1 2020 Profitability

#### Gross Profit (SAR mn) & Margin (%)



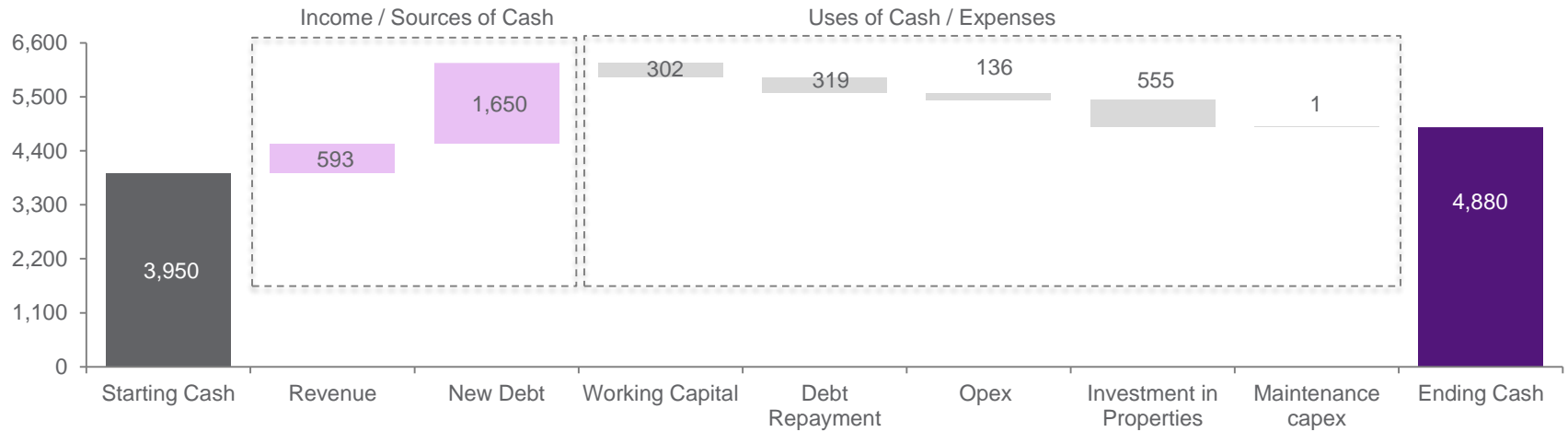
- Q1 2020 gross profit decreased by 25% QoQ and remained flat YoY.
- Leasing segment absolute GP contribution averages about 11% of total GP over past two years.

#### EBITDA (SAR mn) & EBITDA Margin (%)



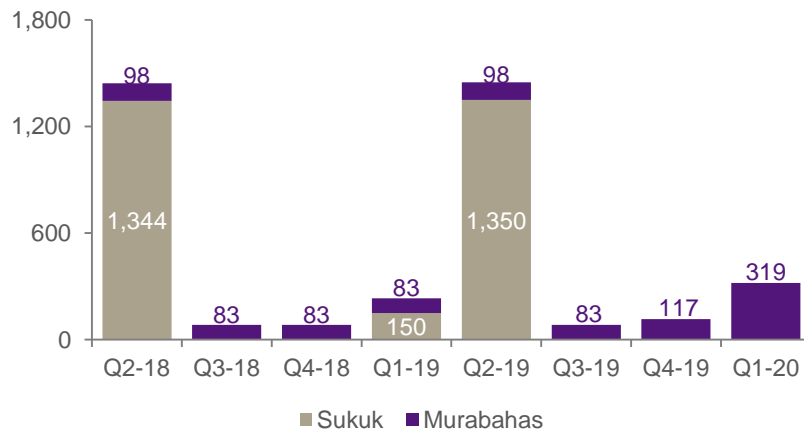
- Q1 2020 EBITDA decreased by 20% QoQ and increased by 9% YoY in spite of lower sales levels.

Cash Flow – Q1 2020 (SAR mn)

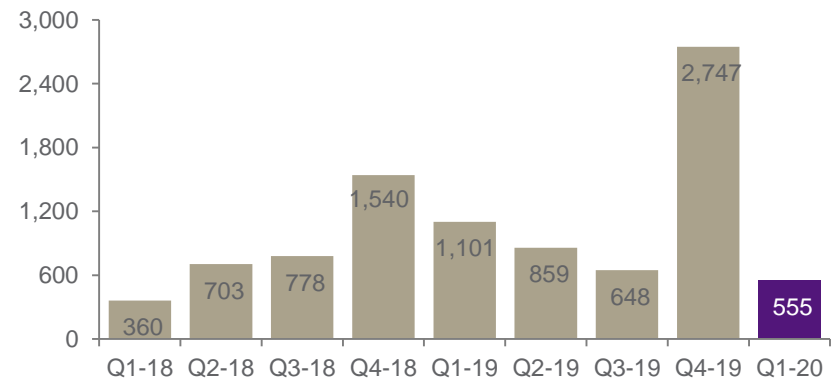


- DAAR's liquidity position remains robust with an ending cash balance of SAR 4.9 bn.
- Strong cash position allowed DAAR to investment SAR 0.6 bn in properties.

Debt Repayment (SAR mn)

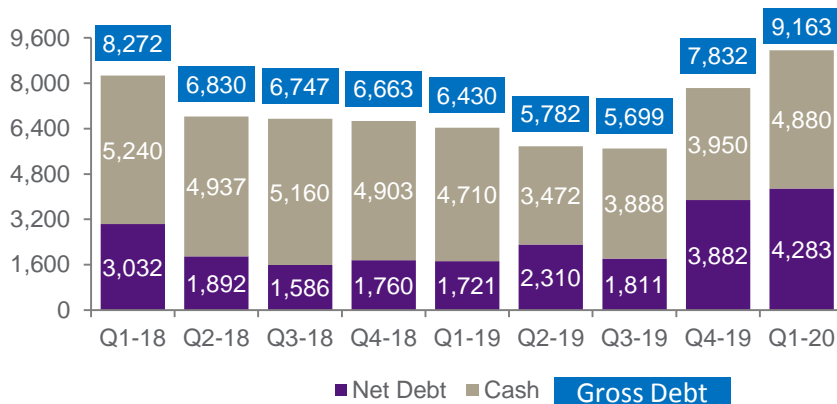


Investment In Development Properties – (SAR Mn)

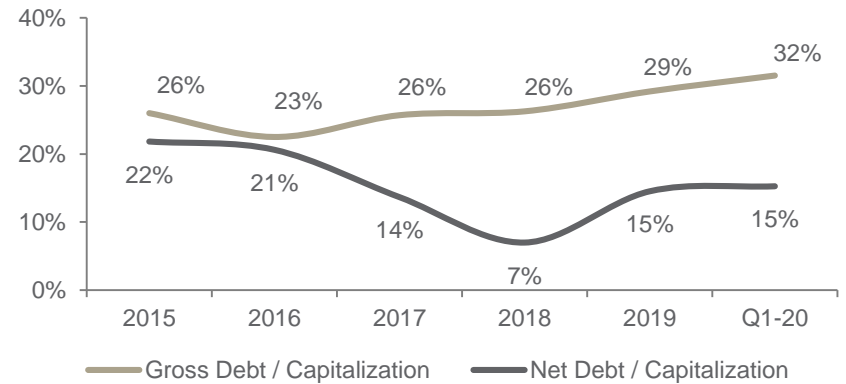


- Invested SAR 4.8 bn over last 12 months to replenish the Development Properties.

Gross Debt Vs Net Debt (SAR mn)



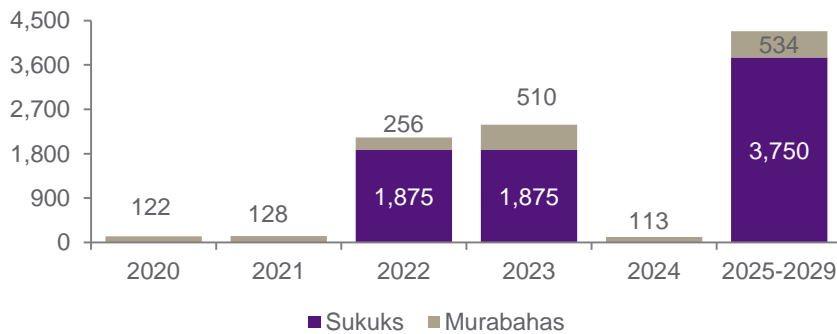
Debt\* / Capitalization



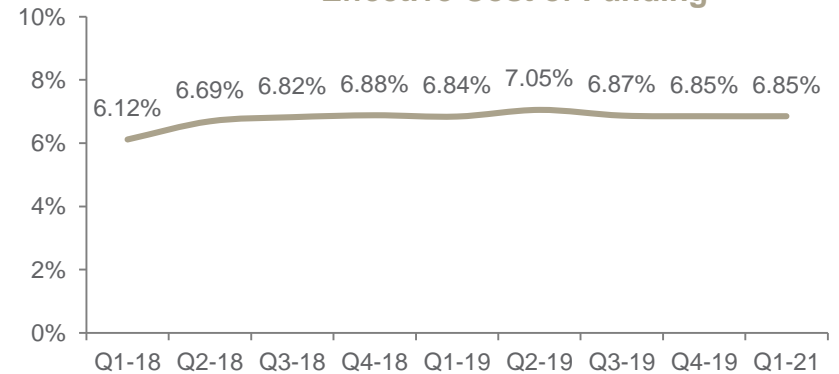
- Gross debt increased by SAR 1.3 bn due to \$400 Sukuk issued in Q1 2020.

- Net debt ratio remains below 15%.

Debt Maturity Profile (SAR mn)

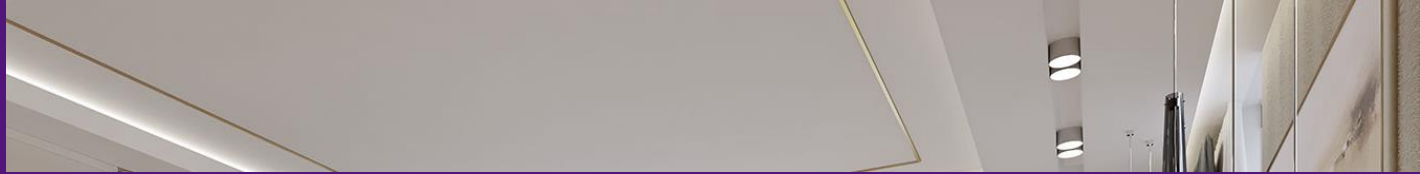


Effective Cost of Funding



- Maturities are well spread over the next nine years and will allow for prudent investment & cash management.
- Cash balance of SAR 4.9 bn covers repayments till end 2023.

- Cost of funding remains below 7%.



## 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. So far, 194 plots have been sold which includes bookings.
- Infra works on Zone 4 started in November 2019.
- Preparations underway for imminent launch of Shams Ar Riyadh Zone 3, 5 & 4-A.

**Key Facts – Zone 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.
- Development of the road network around the site is in discussion with authorities.
- Options of the land development and sales strategies in light of the above discussion with the authorities are on going.

**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. Juman 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 from external consultants has been completed and review is under progress.

**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 US\$ 215 mn.
- It is a 34 storied tower 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.
- 48% of launched units have been sold on off plan
- Vertical construction on site commenced during Q2-19 and going as per the development time schedule

**Key Facts:**

Saleable (GFA)	42,000 sqm
Project value	US\$ 215 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.
- Hand over of MOH Apartments initiated.
- 26% of apartments marked for sale have been sold.

### 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.
- 93% of the villas have been sold.

### 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.
- 73% of the villas have been sold.

### Al-Qasr Mall, Riyadh

Land Area	61,949 m <sup>2</sup>
Built up Area	220,202m <sup>2</sup>
Gross Leasable Area	78,958 m <sup>2</sup>
No. of floors	3 Leasable Floors plus two parking
Parking	1,579 Parking Spaces

#### Latest Activity:

- 91% occupancy achieved
- Cinema multiplex with 15 screens opened in 2019.
- Bowling activity fully operational now.
- Extending retail bazar activities to increase footfall.



### Al-Qasr Apartments and Villas, Riyadh

GLA	200,000 m <sup>2</sup>
Apartments	815

#### Latest Activity:

- 93% leased.



### Azizia Towers, Makkah

GLA	41,720 m <sup>2</sup>
# Leasable Units	285
# Leasable Floors	12

#### Latest Activity:

- 100% leased to King Abdullah Medical City (Government)



# 5 | Appendix



SAR in 000s	FY 2018	FY 2019	Q1 – 2019	Q1 - 2020
Revenue	6,412,265	3,491,856	823,678	593,021
Cost of revenue	(5,355,114)	(2,667,416)	(664,394)	(432,989)
<b>Gross profit</b>	<b>1,057,151</b>	<b>824,440</b>	<b>159,284</b>	<b>160,032</b>
%	16.5%	23.6%	19.3%	27.0%
Operating expenses	(160,753)	(165,174)	(39,850)	(43,796)
Operating profit	896,396	659,266	119,434	116,236
%	14.0%	18.9%	14.5%	19.6%
Income from Associates	15,432	7,885	(1,457)	5,025
Depreciation & amortization	(8,189)	(9,613)	(2,192)	(2,508)
<b>EBIT</b>	<b>903,639</b>	<b>657,538</b>	<b>115,785</b>	<b>118,753</b>
%	14.1%	18.8%	14.1%	20.0%
Other income	129,866	133,269	32,593	44,456
Finance cost	(511,652)	(478,418)	(122,211)	(150,474)
<b>PBT</b>	<b>521,855</b>	<b>312,389</b>	<b>26,167</b>	<b>12,735</b>
%	8.1%	8.9%	3.2%	2.1%
Zakat	(13,046)	(7,799)	(654)	(319)
<b>Net Income</b>	<b>508,809</b>	<b>304,590</b>	<b>25,513</b>	<b>12,416</b>
%	7.9%	8.7%	3.1%	2.1%
<b>EBITDA</b>	<b>1,111,861</b>	<b>845,450</b>	<b>161,791</b>	<b>177,002</b>
%	17.3%	24.2%	19.6%	29.8%

SAR in 000s	FY 2018	FY 2019	Q1 - 2019	Q1 - 2020
Investment properties, net	1,693,141	1,651,357	1,683,121	1,641,028
Long-term development properties	14,148,262	16,895,604	14,602,379	17,029,275
Property and equipment, net	83,085	79,765	82,458	77,654
Investment in associates and joint ventures	826,621	1,154,506	825,164	1,159,531
Other assets	2,511	1,501	2,259	1,249
<b>Total non-current assets</b>	<b>16,753,620</b>	<b>19,782,733</b>	<b>17,195,381</b>	<b>19,908,737</b>
Short-term development properties	349,329	334,950	343,507	334,231
Trade receivables and others	4,740,877	3,981,526	4,330,703	4,277,529
Cash and cash equivalents	4,903,491	3,950,020	4,709,640	4,879,647
<b>Total current assets</b>	<b>9,993,697</b>	<b>8,266,496</b>	<b>9,383,850</b>	<b>9,491,407</b>
<b>TOTAL ASSETS</b>	<b>26,747,317</b>	<b>28,049,229</b>	<b>26,579,231</b>	<b>29,400,144</b>
Borrowing-long-term maturity portion	4,731,167	7,326,740	4,638,622	8,956,320
End of service indemnities	19,011	21,614	19,511	22,743
<b>Total non-current liabilities</b>	<b>4,750,178</b>	<b>7,348,354</b>	<b>4,658,133</b>	<b>8,979,063</b>
Borrowing-Short-term maturity portion	1,849,623	405,943	1,718,067	96,400
Trade payables and others	885,355	798,779	914,703	858,236
Zakat provision	556,828	486,665	557,482	444,541
<b>Total current liabilities</b>	<b>3,291,806</b>	<b>1,691,387</b>	<b>3,190,252</b>	<b>1,399,177</b>
<b>Total liabilities</b>	<b>8,041,984</b>	<b>9,039,741</b>	<b>7,848,385</b>	<b>10,378,240</b>
Share capital	10,800,000	10,800,000	10,800,000	10,800,000
Statutory reserve	1,109,601	1,140,016	1,109,601	1,140,016
Retained earnings	6,795,732	7,069,472	6,821,245	7,081,888
<b>Total shareholders' equity</b>	<b>18,705,333</b>	<b>19,009,488</b>	<b>18,730,846</b>	<b>19,021,904</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>26,747,317</b>	<b>28,049,229</b>	<b>26,579,231</b>	<b>29,400,144</b>

SAR in 000s	FY 2018	FY 2019	Q1 – 2019	Q1 - 2020
Profit before Zakat	521,855	312,389	26,167	12,735
<b>Adjustments for:</b>				
Depreciation & Amortization	78,355	55,653	13,665	14,045
Provision for expected credit losses	0	2,000		0
End of service indemnities	4,122	4,313	601	1,392
Finance costs	511,652	478,418	122,211	150,474
Share of net profit from associates and joint ventures	(15,432)	(7,885)	1,457	(5,025)
<b>Operating cash flow before WC movements</b>	<b>1,100,552</b>	<b>844,888</b>	<b>164,101</b>	<b>173,621</b>
Development properties - net	1,903,999	(2,732,963)	(448,295)	(132,952)
Trade receivables and others	(707,552)	757,351	410,174	(296,003)
Other assets	(561)	0	0	0
Trade payables and others	347,330	(86,576)	29,348	59,457
<b>Cash from operations</b>	<b>2,643,768</b>	<b>(1,217,300)</b>	<b>155,328</b>	<b>(195,877)</b>
Finance costs	(474,207)	(445,309)	(113,155)	(137,412)
Zakat paid	(5,888)	(77,962)	0	(42,443)
End of service indemnities paid	(4,098)	(2,145)	(101)	(263)
<b>Cash flow from operating activities</b>	<b>2,159,575</b>	<b>(1,742,716)</b>	<b>42,072</b>	<b>(375,995)</b>
Investment in associates	0	(320,000)		0
Investment properties	(648)	(3,246)	(1,201)	(956)
Purchase of property and equipment (net)	(19,465)	(6,293)	(1,565)	(397)
<b>Net cash flow from investing activities</b>	<b>(20,113)</b>	<b>(329,539)</b>	<b>(2,766)</b>	<b>(1,353)</b>
Long term borrowings	144,363	1,118,784	(233,157)	1,306,975
Dividend	(540,000)	0	0	0
<b>Net cash flow from financing activities</b>	<b>(395,637)</b>	<b>1,118,784</b>	<b>(233,157)</b>	<b>1,306,975</b>
<b>Increase / (decrease) in cash and cash equivalents</b>	<b>1,743,825</b>	<b>(953,471)</b>	<b>(193,851)</b>	<b>929,627</b>
<b>Cash and cash equivalents, beginning of the period</b>	<b>3,159,666</b>	<b>4,903,491</b>	<b>4,903,491</b>	<b>3,950,020</b>
<b>Cash and cash equivalents, end of the period</b>	<b>4,903,491</b>	<b>3,950,020</b>	<b>4,709,640</b>	<b>4,879,647</b>

**THIS PRESENTATION IS NOT FOR PUBLICATION, RELEASE OR DISTRIBUTION, DIRECTLY OR INDIRECTLY, INTO AUSTRALIA, CANADA, JAPAN OR THE UNITED STATES.**

**THIS PRESENTATION IS NOT AN OFFER OR SOLICITATION OF AN OFFER TO BUY OR SELL SECURITIES. IT IS SOLELY FOR USE AT AN INVESTOR PRESENTATION AND IS PROVIDED AS INFORMATION ONLY. THIS PRESENTATION DOES NOT CONTAIN ALL OF THE INFORMATION THAT IS MATERIAL TO AN INVESTOR.**

The securities mentioned herein have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the **Securities Act**) nor with any securities regulatory authority of any state or other jurisdiction in the United States and may not be offered or sold in the United States or sold to, or for the account or benefit of U.S. persons (as such term is defined in Regulation S under the Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. No public offer of, or registration of any part of, the securities mentioned herein is being made in the United States.

This announcement is not being made, and this announcement has not been approved, by an authorised person for the purpose of section 21 of the Financial Services and Markets Act 2000 (the **FSMA**). Accordingly, this communication is not being distributed to, and must not be passed on to the general public in the United Kingdom. This communication is directed solely at (i) persons outside the United Kingdom, (ii) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 as amended (the **Order**), (iii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order and (iv) any other persons to whom it may otherwise be lawfully distributed in accordance with the Order (all such persons in (i)-(iv) above being **relevant persons**). Any investment activity to which this communication relates will only be available to and will only be engaged with relevant persons. Any person who is not a relevant person should not act or rely on this communication or any of its contents. This communication does not constitute an offer of securities to the public in the United Kingdom pursuant to an exception contained in the FSMA in connection with offers to a restricted category of qualified investors.

This presentation is provided for information purposes and is intended for your use only. The provision of information is not based on your individual circumstances and should not be relied upon as an assessment of suitability for you of a particular product or transaction. Even if we possess information as to your objectives in relation to any transaction or series of transactions, this will not be deemed sufficient for any assessment of suitability for you of any transaction or series of transactions. Any person considering the purchase of the securities described herein must inform

himself independently based solely on the prospectus in relation to such securities (including any supplement thereto) available when orders are confirmed before taking any investment decision.

This presentation contains data compilations, writings and information that are proprietary and protected under copyright and other intellectual property laws, and may not be redistributed or otherwise transmitted by you to any other person for any purpose.

This presentation may contain "forward-looking" information. Such information may include, but is not limited to, projections, forecasts or estimates of cash flows, yields or return, scenario analyses and proposed or expected portfolio composition. Any forward-looking information is based upon certain assumptions about future events or conditions and is intended only to illustrate hypothetical results under those assumptions (not all of which are specified herein or can be ascertained at this time). When evaluating any forward looking information you should understand the assumptions used and, together with your independent advisors, consider whether they are appropriate for your purposes. Any estimates and opinions included herein constitute judgments as of the date hereof and are subject to change without any notice.

This presentation does not disclose all the risks and other significant issues related to an investment in any securities/transaction. Prior to transacting, potential investors should ensure that they fully understand the terms of any securities/transaction and any applicable risks. This document is not a prospectus for any securities and does not contain an offer to sell any securities. Investors should only subscribe for any securities on the basis of information in the relevant prospectus and term sheet, including (without limitation) the risks described in the relevant prospectus, and not on the basis of any information provided herein. The merits or suitability of any securities to any investor's particular situation should be independently determined by such investor. Any such determination should involve, inter alia, an assessment of the legal, tax, accounting, regulatory, financial, credit and other related aspects of any securities.

This presentation is strictly private and confidential and may not be taken away, reproduced or further distributed to any other person or published, in whole or in part, for any purpose.

By accepting this document you will be taken to have represented, warranted and undertaken that (i) you are a person to whom this presentation may be given (as described above); (ii) you have read and agree to comply with the contents of this notice; and (iii) you will treat and safeguard as strictly private and confidential all such information and take all reasonable steps to preserve such confidentiality.

DAR  
AL ARKAN  
دار الأركان

Thank you

Investor Relations  
Riyadh – Saudi Arabia  
Tel: +966 11 206 9888 Ext:1670  
[ir@alarkan.com](mailto:ir@alarkan.com)