

# Investor Presentation

Q3, 2018

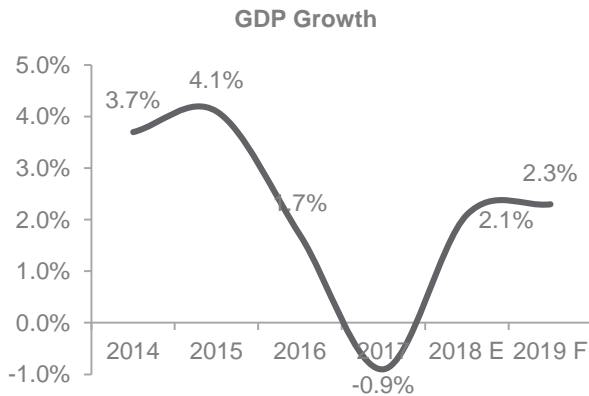
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# 1. Macro Economic Overview & KSA Real Estate Market



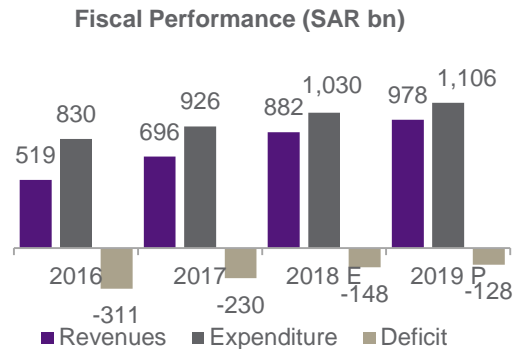
National Transformation Plan NTP (2020) aims to rebalance and diversify the economy through private sector inclusion. Stabilizing oil prices and NTP to spur the economic growth in 2018 and beyond

### Oil Price Recovery and Economic Reforms to Drive Economy



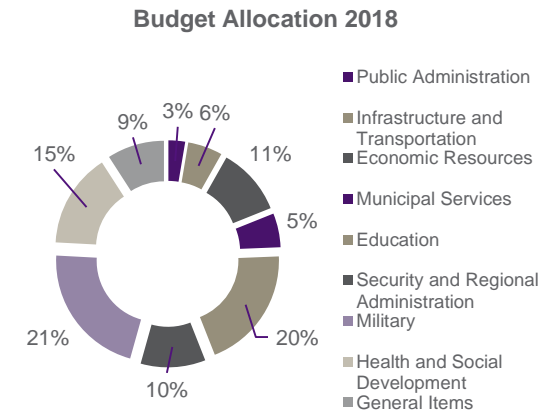
- Brent crude prices increased 4% in Q3 to \$77 pb (but have since tapered off and are currently at \$72 pb)
- The average price for Brent crude in 2018 till sept end was \$72 pb an increase of 33% over 2017 average price

### Continued Declining Deficit Estimated in 2018

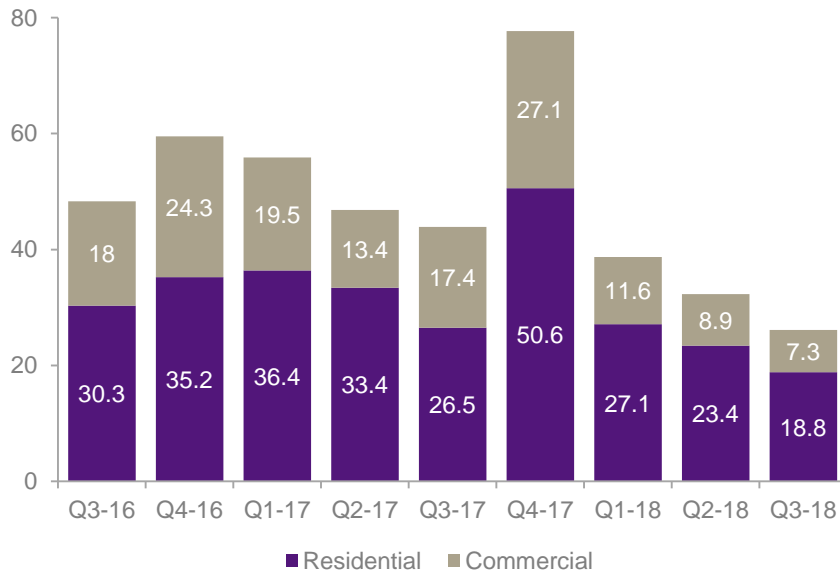


- Government is aiming to reduce its dependency on Oil Revenues. As per current statistics, Non-oil revenues up to the end of Q3 2018 increased by 48% YoY.
- Issuance of cinema license commenced in Q1 and 4 licenses have been issued till Sept. In Riyadh 2 cinemas have already commenced operations.
- More than 811,000 expatriates have left Saudi Arabia on final exit visas over the past 18 months, according to the Government.
- REDF drops down payment from 10% to 5% and also exempts VAT for first time Saudi home buyers, to reduce their burden.
- Saudi Refinance Company started to buy mortgage portfolios from commercial banks and mortgage providers.

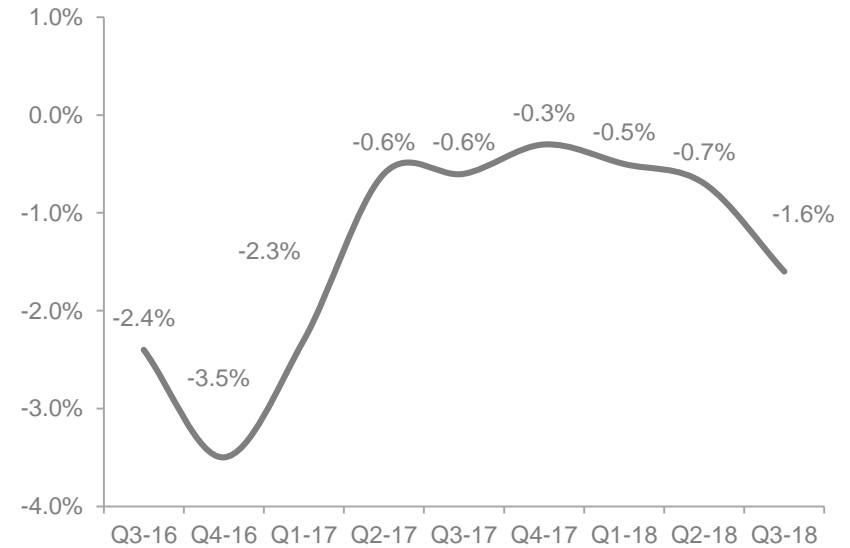
### Over 5% Rise in Budget Expenditure Expected for 2018



Value of Real Estate Transactions in KSA (SAR bn)



KSA Real Estate Price Index (QoQ)



- Market condition for residential properties continued to be challenging. The rate of decline in Real Estate Price Index has increased in the quarter.
- Land transaction volumes declined QoQ and YoY – this can be attributed to the introduction of VAT at the beginning of this year and continuing softness in economic conditions.

## 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
- attractive margins

Over the last year, DAAR has liquidated nearly 21% of its real estate portfolio generating revenues of SAR 8.0 bn and gross profits of SAR 1.4 bn.

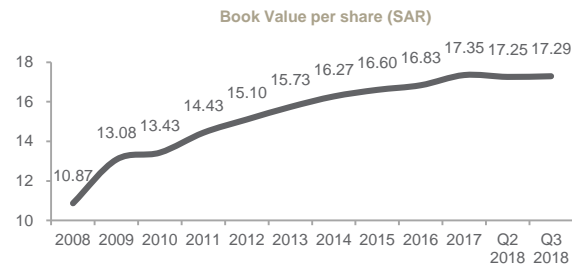
### Proven ability to execute large scale projects

Dar Al Arkan has developed some of the largest communities in Saudi Arabia including Ishbiliya and Parisiana. Its Al Qasr mall is among the largest shopping malls in Riyadh and is to soon launch an 14 theatre Cinema Multiplex.

DAAR currently has 12.5 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 9.6 bn in cash and receivables, against total debt of SAR 6.7 bn.



Despite carrying assets at cost, the 60% rise in book value of shares over last 10 years, 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 & international expansion

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

### Government support to develop local Real Estate Sector

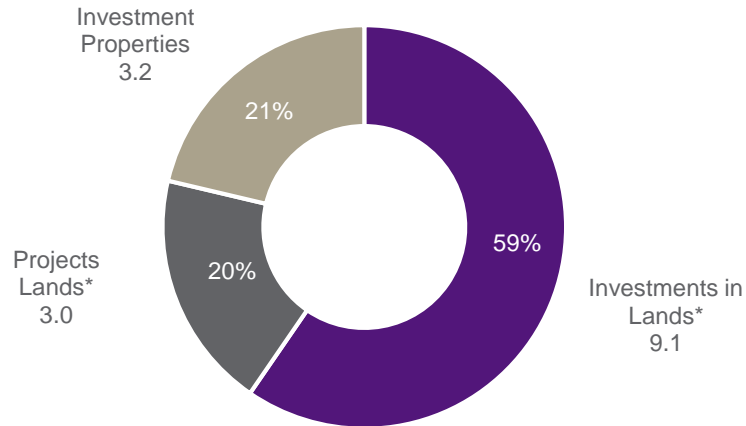
Real Estate sector remains a priority for the Saudi government, driven by multiple initiatives launched by MOH, the support of SAMA through increasing LTV for housing and via PIF which is initiating trophy mega real estate projects across the Kingdom.



<b>Revenues (LTM) +195%</b>	<b>EBITDA (LTM) +80%</b>	<b>Investment in Development Properties (LTM)</b>
<b>SAR 8,001 mn</b> (At Q3 2017 LTM: SAR 2,710 mn)	<b>SAR 1,398 mn</b> (At Q3 2017 LTM: SAR 776 mn)	<b>SAR 2,543 mn</b> (At Q3 2017 LTM: SAR 851 m)
<b>Cash and Bank +74%</b>	<b>Gross Debt/ Capitalization</b>	<b>Book Value Per Share</b>
<b>SAR 5,160 mn</b> (Q3 2017: SAR 2,959 mn)	<b>26.3%</b> (Q3 2017:27.1%)	<b>SAR 17.29</b> (Q3 2017: SAR 17.05)



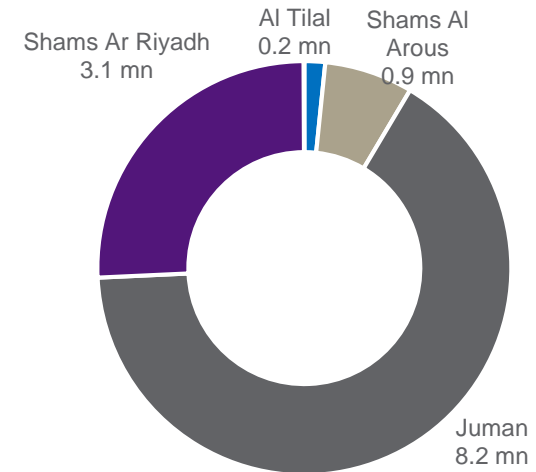
### Real Estate Properties Break up - SAR bn



*\*Projects Lands and 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 15.3 bn.
- Real Estate Properties are carried at historical cost.

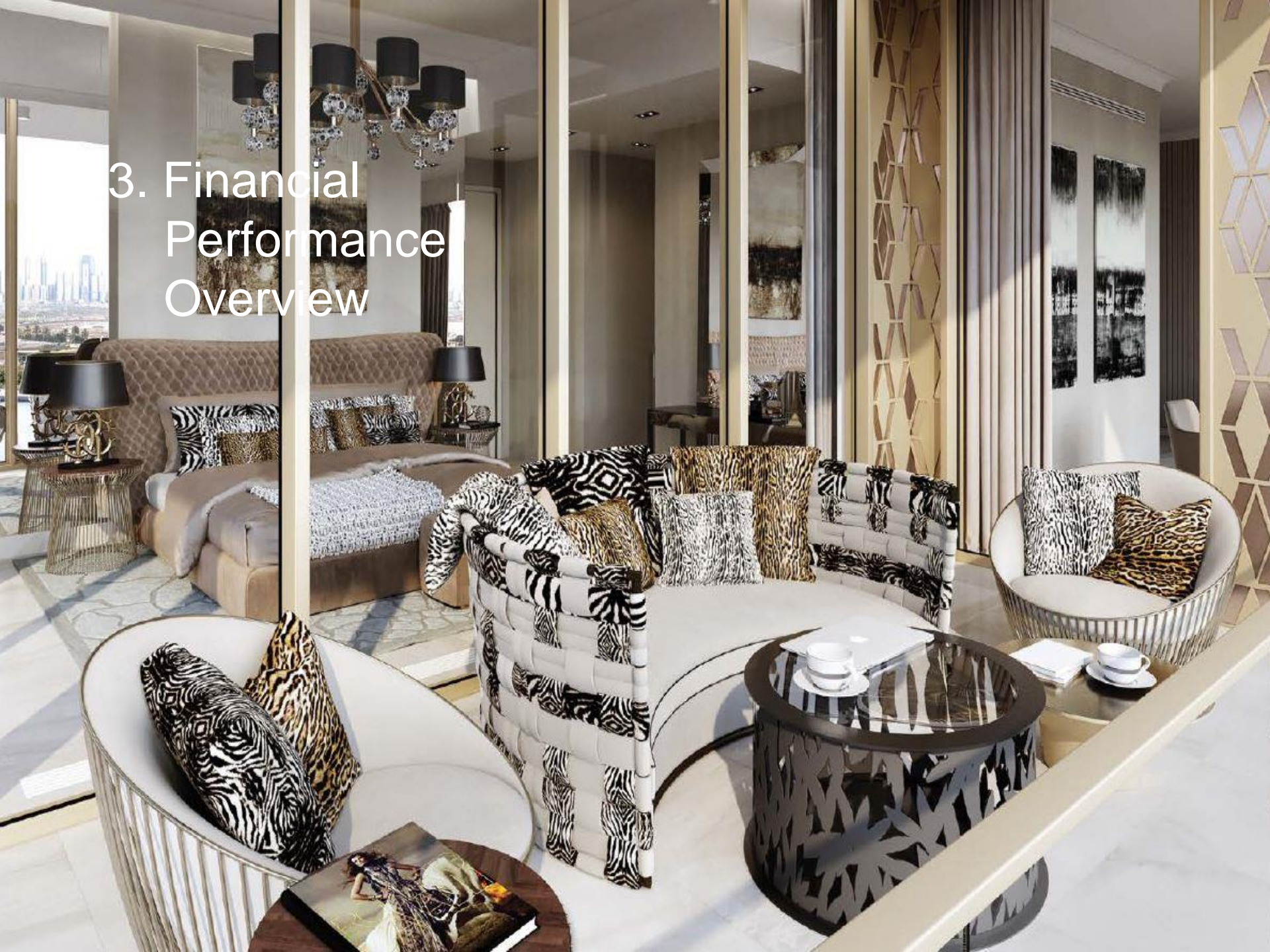
### Projects Lands Break up (Sqm)



*\*DAAR holds 18% share in Juman*

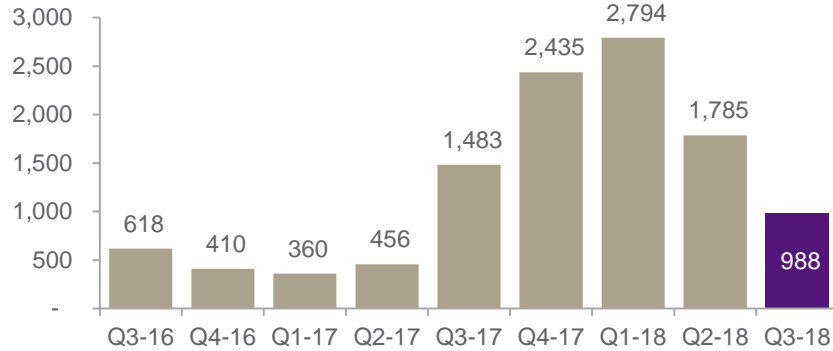
- DAAR has a strong pipeline of projects across the Kingdom totaling 12.4 mn sqm.
- DAAR's strategy is to increase retail sales with the objective of generating superior margins.
- DAAR is developing and selling residential plots, villas, apartments and commercial mix use properties. Currently, all sales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

### 3. Financial Performance Overview



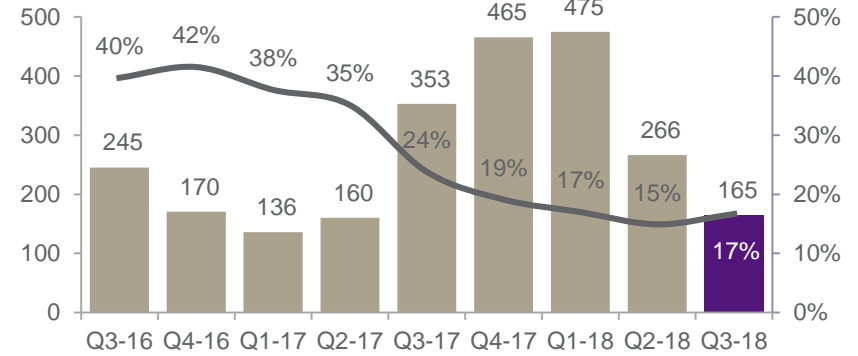
## Financial Performance – Q3 2018 Profitability

### Quarterly Revenues (SAR mn)



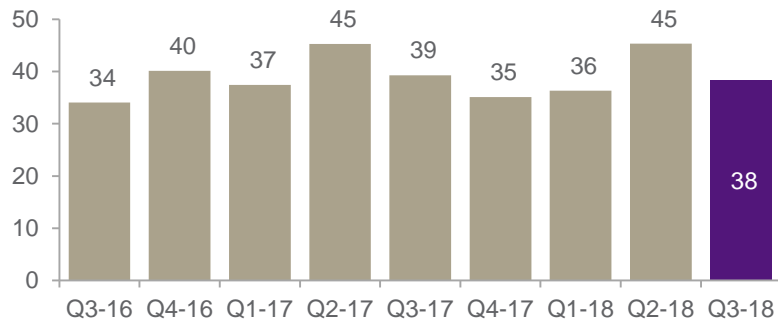
- Q3 2018 Revenues decreased by 45% QoQ and by 33% YoY.

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



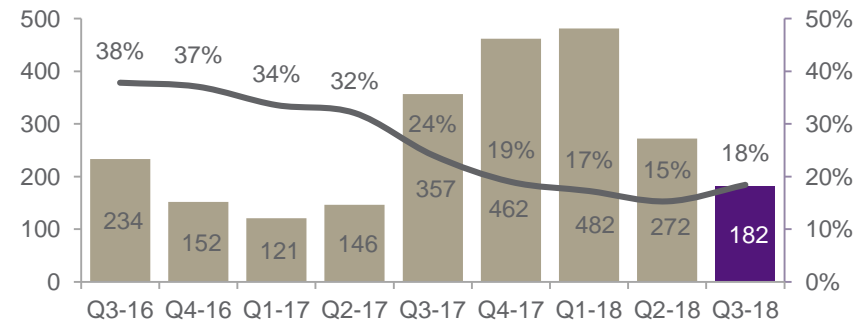
- Q3 2018 Gross profit decreased by 38% QoQ and 53% YoY.

### SG&A (SAR mn)

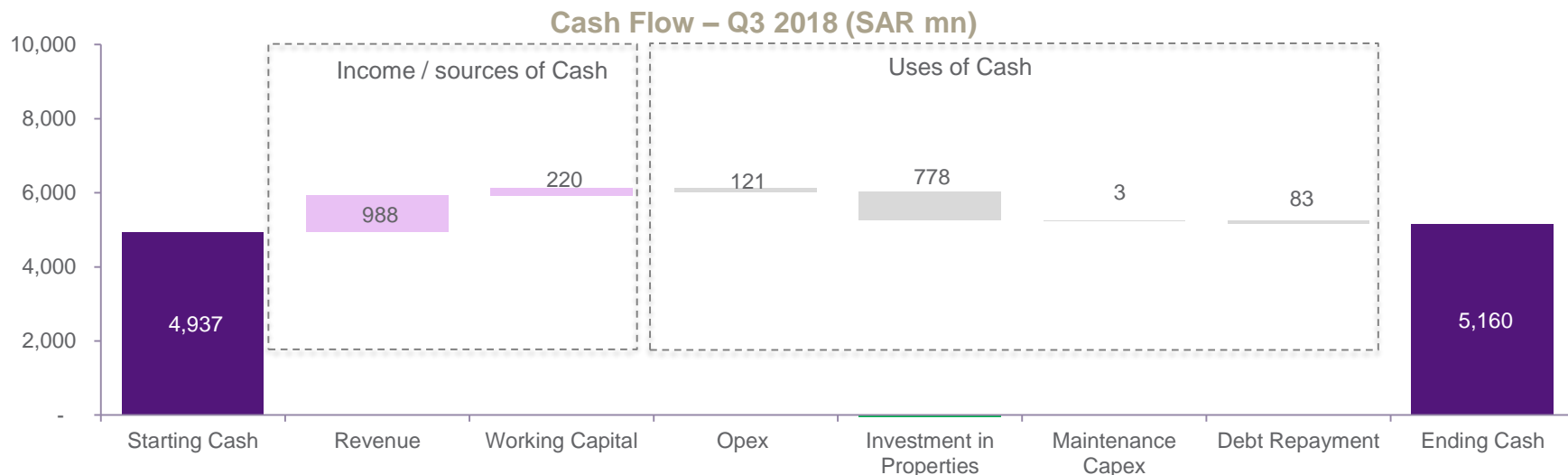


- Q3 2018 SG&A decreased by 16% QoQ due to bonus payment in the last quarter and remained flat YoY.

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

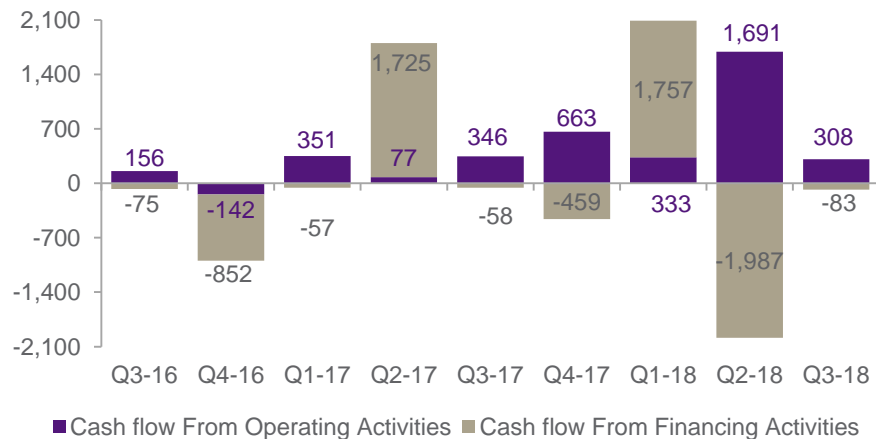


- Q3 2018 EBITDA decreased by 33% QoQ and 49% YoY. The QoQ decline was primarily due to lower land sales.

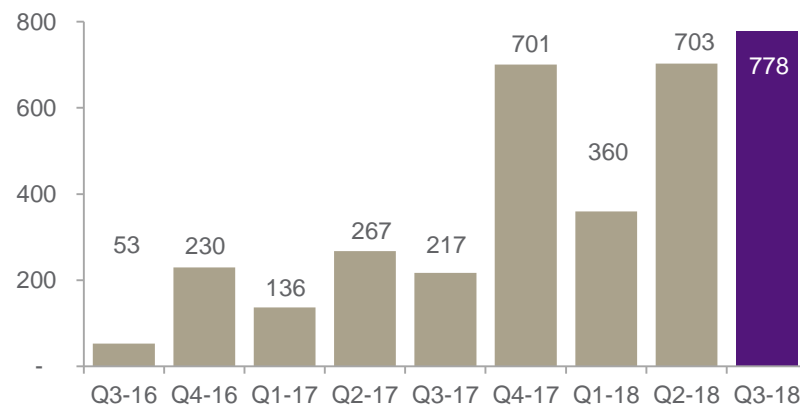


- DAAR's liquidity position remains robust. Strong collections of SAR 1.2 bn offset outflows of SAR 1.0 bn so that cash balance increased by SAR 0.2 bn.

**Activity wise Quarterly Cash Flow**

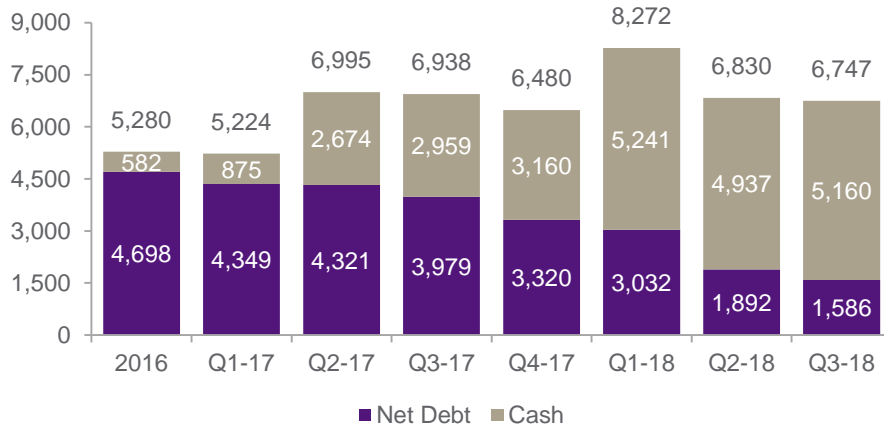


**Investment in Development Properties (SAR mn)**



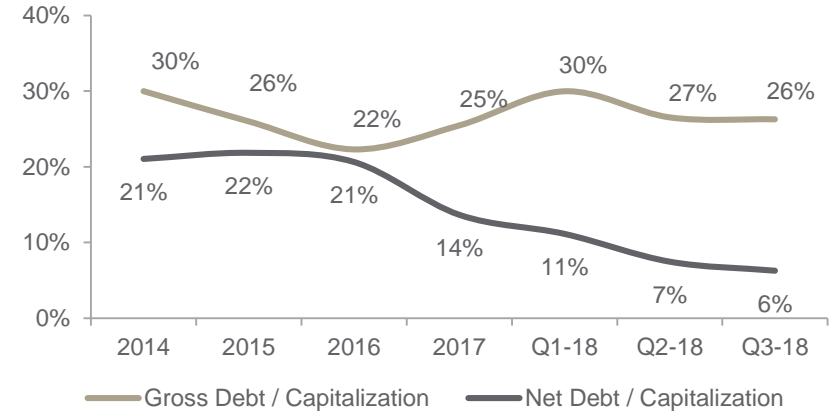


Gross Debt Vs Net Debt (SAR mn)



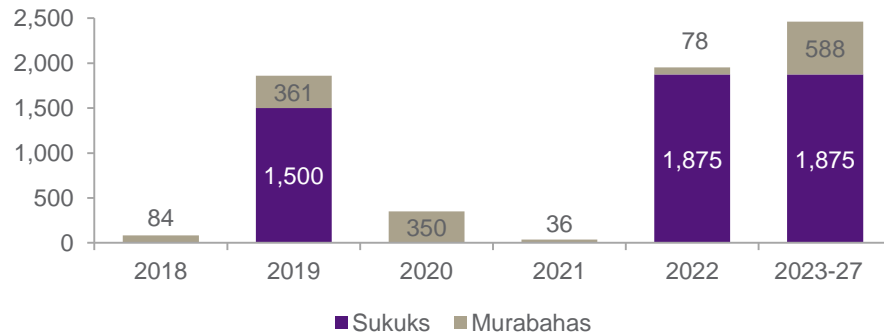
- Net debt has dropped further and is at the lowest level since 2006

Debt\* / Capitalization



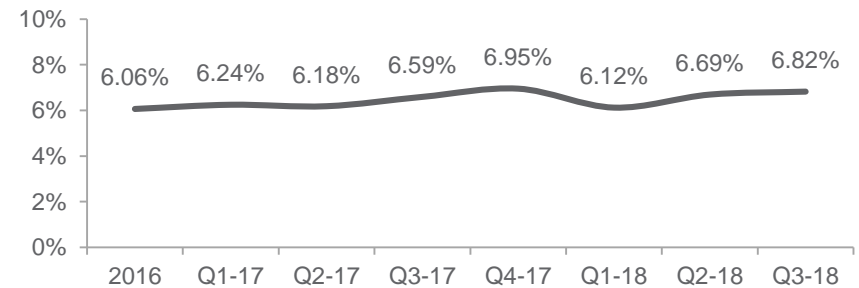
- Debt ratios continue to improve due to repayments and increase in cash balance

Debt Maturity Profile (SAR mn)



- Maturities are well spread over the next nine years and will allow for prudent cash management.
- Cash balance of SAR 5.2 bn covers repayments till end 2022.

Effective Cost of Funding



## 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 has started in Q2 2018 upon 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	523k sqm
Saleable Plots	257k sqm
Luxury Branded Villas	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

**Key Facts:**

Land Plots for Sale (Gross Land)	0.8 mn 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.
- Once completed, the island will be an integrated community with waterfront living. 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 is in process

**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 in Dubai, followed by January launch in KSA.
- Shoring work completed. Piling work in final stage.
- Vertical construction package is in final stages of awarding 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.
- Built a private gym for men and women.
- Retail shops (Parisiana Boulevard) are available for sale.

### Parisiana Living



- Located in Riyadh city and easily accessed through King Fahad Road, Parisiana Living is a central investment location with access to all destinations; government departments, schools, big hospitals, and major shopping centers.
- 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 <sup>2</sup>
Built up Area	220,202 m <sup>2</sup>
Gross Leasable Area	78,958 m <sup>2</sup>
No. of floors	3 Leasable Floors plus two parking

**Latest Activity:** 14 theater multiplex cinema fitout is in progress and should be operational from early 2019



### Al-Qasr Apartments and villas, Riyadh

GLA	419,000 m <sup>2</sup>
Apartments	2,350
Villas	66
Commercial space	75,963 m <sup>2</sup>

**Latest Activity:** Continue to focus on targeting and approaching large corporate tenants. 700 units earmarked for sale under MoH scheme.



### Azizia Towers, Makkah

GLA	41,720 m <sup>2</sup>
# Leasable Units	305
# Leasable Floors	12

**Latest Activity:** Property fully leased to King Abdullah Medical City (Government)



### Al Tilal villas, Medina

GLA	87,000 m <sup>2</sup>
# Leasable villas	279

**Latest Activity:** Property leased to individuals and in process to be fully converted for sale





# 5. Appendix



SAR in 000s	FY 2016	FY 2017	9 Months Ended 2017	9 Months Ended 2018	Q3 - 2017	Q3 - 2018
Revenue	1,870,229	4,734,687	2,299,564	5,566,171	1,482,741	987,627
Cost of revenue	(1,078,286)	(3,620,675)	(1,650,922)	(4,660,883)	(1,129,930)	(822,955)
<b>Gross profit</b>	<b>791,943</b>	<b>1,114,012</b>	<b>648,642</b>	<b>905,288</b>	<b>352,811</b>	<b>164,672</b>
%	42.3%	23.5%	28.2%	16.3%	23.8%	16.7%
Operating expenses	(156,005)	(157,106)	(121,969)	(120,006)	(39,264)	(38,306)
Operating profit	635,938	956,906	526,672	785,282	313,546	126,366
%	34.0%	20.2%	22.9%	14.1%	21.1%	12.8%
Income from Associates	12,878	20,604	15,538	6,059	6,688	4,798
Depreciation & amortization	(4,023)	(4,896)	(3,536)	(5,964)	(1,388)	(2,146)
<b>EBIT</b>	<b>644,794</b>	<b>972,614</b>	<b>538,674</b>	<b>785,377</b>	<b>318,846</b>	<b>129,018</b>
%	34.5%	20.5%	23.4%	14.1%	21.5%	13.1%
Other income	(32)	39,397	25,705	91,786	16,740	33,075
Finance cost	(385,985)	(441,525)	(325,687)	(388,670)	(120,971)	(124,426)
<b>PBT</b>	<b>258,777</b>	<b>570,486</b>	<b>238,693</b>	<b>488,493</b>	<b>214,616</b>	<b>37,667</b>
%	13.8%	12.0%	10.4%	8.8%	14.5%	3.8%
Zakat	(7,943)	(14,443)	(6,000)	(12,215)	(5,000)	(940)
<b>Net Income</b>	<b>250,834</b>	<b>556,043</b>	<b>232,693</b>	<b>476,278</b>	<b>209,616</b>	<b>36,727</b>
%	13.4%	11.7%	10.1%	8.6%	14.1%	3.7%
<b>EBITDA</b>	<b>722,261</b>	<b>1,086,112</b>	<b>624,061</b>	<b>935,750</b>	<b>356,685</b>	<b>181,781</b>
%	38.6%	22.9%	27.1%	16.8%	24.1%	18.4%

Source: Audited or Reviewed Financial Statements

SAR in 000s	FY 2016	FY 2017	Q3 - 2017	Q3 - 2018
Investment properties, net	3,424,778	3,290,010	3,321,747	3,231,894
Long-term development properties	16,721,061	14,751,565	15,852,212	11,997,327
Property and equipment, net	66,131	70,925	68,792	83,357
Investment in associates and joint ventures	790,585	811,189	806,123	817,248
Other assets	828	1,950	828	2,764
<b>Total non-current assets</b>	<b>21,003,383</b>	<b>18,925,639</b>	<b>20,049,702</b>	<b>16,132,590</b>
Short-term development properties	317,325	122,675	259,208	115,422
Trade receivables and others	2,582,978	4,033,325	3,147,270	5,108,963
Cash and cash equivalents	582,088	3,159,666	2,959,385	5,160,415
<b>Total current assets</b>	<b>3,482,391</b>	<b>7,315,666</b>	<b>6,365,863</b>	<b>10,384,800</b>
<b>TOTAL ASSETS</b>	<b>24,485,774</b>	<b>26,241,305</b>	<b>26,415,565</b>	<b>26,517,390</b>
Borrowing-long-term maturity portion	4,890,375	4,720,334	4,797,192	4,820,270
End of service indemnities	25,682	21,961	23,849	21,475
<b>Total non-current liabilities</b>	<b>4,916,057</b>	<b>4,742,295</b>	<b>4,821,041</b>	<b>4,841,745</b>
Borrowing-Short-term maturity portion	324,995	1,678,648	2,052,095	1,834,599
Trade payables and others	529,721	537,142	591,002	615,221
Zakat provision	537,494	549,670	541,227	555,997
<b>Total current liabilities</b>	<b>1,392,210</b>	<b>2,765,460</b>	<b>3,184,324</b>	<b>3,005,817</b>
<b>Total liabilities</b>	<b>6,308,267</b>	<b>7,507,755</b>	<b>8,005,365</b>	<b>7,847,562</b>
Share capital	10,800,000	10,800,000	10,800,000	10,800,000
Statutory reserve	1,003,383	1,058,720	1,003,383	1,058,720
Retained earnings	6,374,124	6,874,830	6,606,817	6,811,108
<b>Total shareholders' equity</b>	<b>18,177,507</b>	<b>18,733,550</b>	<b>18,410,200</b>	<b>18,669,828</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>24,485,774</b>	<b>26,241,305</b>	<b>26,415,565</b>	<b>26,517,390</b>

SAR in 000s	FY 2016	FY 2017	Q3 - 2017	Q3 - 2018
Profit before Zakat	258,777	567,811	238,693	488,493
<b>Adjustments for:</b>				
Depreciation	77,500	76,775	59,682	58,586
End of service indemnities	6,317	5,129	2,206	3,538
Provision for doubtful debts	1,000	0	0	0
Finance costs	385,984	441,523	325,687	388,670
Share of net profit from associates and joint ventures	-12,878	-20,604	-15,538	-6,059
<b>Operating cash flow before WC movements</b>	<b>716,700</b>	<b>1,070,634</b>	<b>610,730</b>	<b>933,228</b>
Development properties - net	-3,960	2,227,035	973,851	2,767,359
Trade receivables and others	339,518	-1,450,347	-564,292	-1,075,638
Other assets	-828	-1,122	0	-814
Trade payables and others	20,443	7,421	61,281	78,079
<b>Cash from operations</b>	<b>1,071,873</b>	<b>1,853,621</b>	<b>1,081,570</b>	<b>2,702,214</b>
Finance costs	-353,536	-408,673	-301,779	-360,274
Zakat paid	-26,206	-2,267	-2,267	-5,888
End of service indemnities paid	-1,608	-6,175	-4,039	-4,024
<b>Cash flow from operating activities</b>	<b>690,523</b>	<b>1,436,506</b>	<b>773,485</b>	<b>2,332,028</b>
Investment properties	3,382	0	0	-375
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	-6,197	-18,395
<b>Net cash flow from investing activities</b>	<b>144</b>	<b>-9,690</b>	<b>-6,197</b>	<b>-18,770</b>
Long term borrowings	-1,109,640	1,150,762	1,610,009	227,491
Dividend	0	0	0	-540,000
<b>Net cash flow from financing activities</b>	<b>-1,109,640</b>	<b>1,150,762</b>	<b>1,610,009</b>	<b>-312,509</b>
<b>Increase / (decrease) in cash and cash equivalents</b>	<b>-418,973</b>	<b>2,577,578</b>	<b>2,377,297</b>	<b>2,000,749</b>
<b>Cash and cash equivalents, beginning of the period</b>	<b>1,001,061</b>	<b>582,088</b>	<b>582,088</b>	<b>3,159,666</b>
<b>Cash and cash equivalents, end of the period</b>	<b>582,088</b>	<b>3,159,666</b>	<b>2,959,385</b>	<b>5,160,415</b>

Source: Audited or Reviewed Financial Statements



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