

# Investor Presentation

Q3, 2019

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# 1. Macro Economic Overview & KSA Real Estate Market



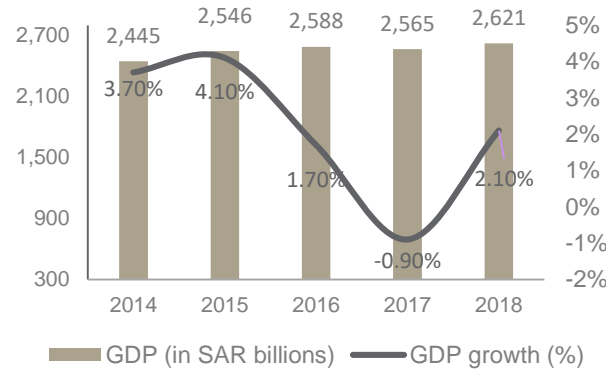
The Government is committed to drive the economy. It has announced the largest ever budget of SAR 1.1 trillion for 2019 keeping the objectives of Vision 2030 in focus. This, along with opening of the economy for business, is expected to boost and diversify the economy.

### Brent Oil Prices



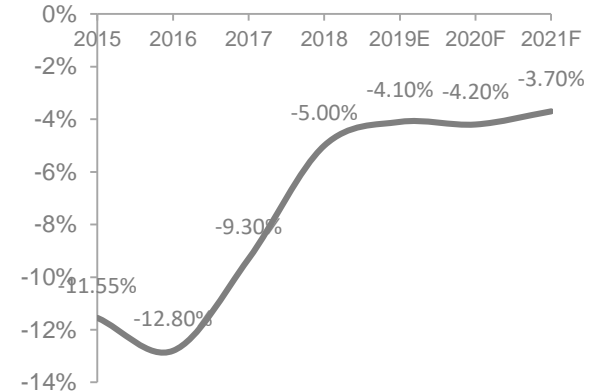
- Brent oil prices on Sep 30, 2019 \$61.0 pb and the year-to date average stands around \$64.5 pb.
- In an OPEC (and non-OPEC) meeting during the year, an extension to the voluntary output reduction agreement was confirmed until March 2020
- OPEC revealed a modest level of global oil demand growth for 2020. According to the organization, next year to witness growth of 1.14 million barrels per day

### GDP Growth Picking Up



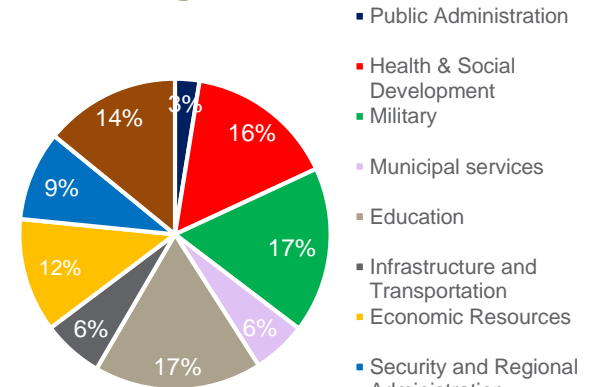
- Driven by SAR 246 bn of capital expenditure (+ 22.2%) and accounting for 20% of total govt. spend. 2.3% GDP growth forecast in 2019.
- SAR 313 bn i.e., 1/3rd of total revenues in 2019 forecast to come from non-oil revenues
- Increase in job reservations for Saudis is leading to increase in employment among Saudis, especially women, which is improving spending power and boosting the economic growth.
- Focus on the following areas will further improve and diversify the economy in the long term:
  - Increase in religious tourism from c. 21 mn a year in 2017 to c. 37 mn by 2030.
  - Increasing 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

### Continued Reduction In Deficit (as% of GDP)



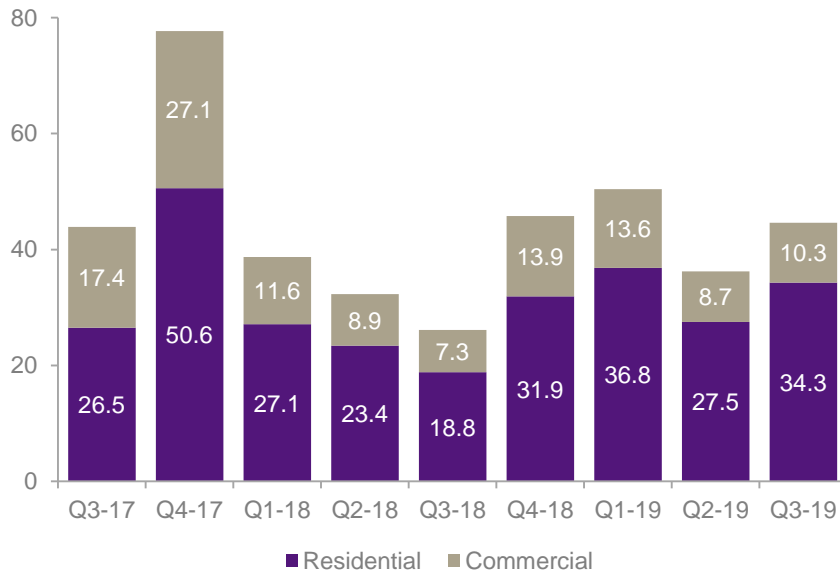
- Government initiatives since 2017 to bridge the deficit through levy of expat tax, VAT etc., is continuing with further increases in 2019.

### Budget Allocation 2019

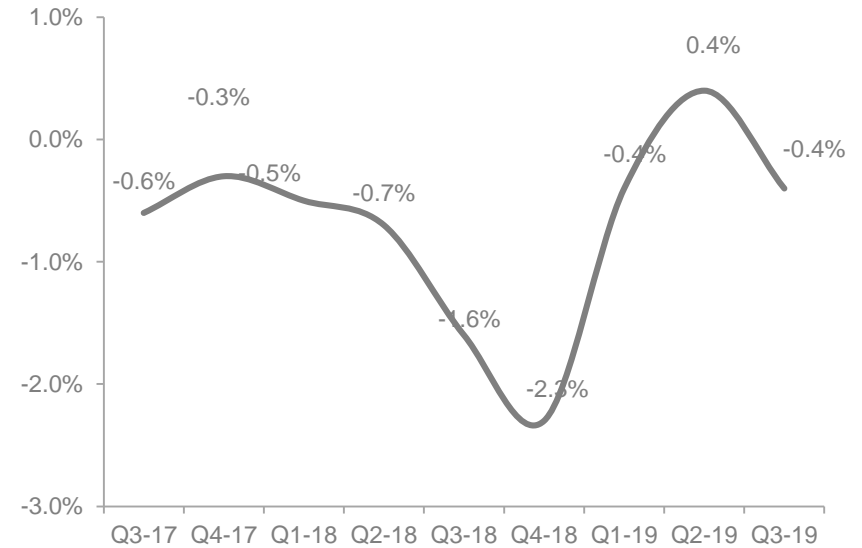


- Over 7% rise in budget expenditure for 2019

Value of Real Estate Transactions in KSA (SAR bn)



KSA Real Estate Price Index (QoQ)



- Recovery of Real Estate market continues. Residential and Commercial segment witnessed a growth of 82% and 41% respectively on YoY basis with an overall growth of 71% in Real Estate Sector.
- Over YTD 2019, Residential and Commercial segment witnessed a growth of 42% and 17% respectively with an overall growth of 35% in Real Estate Sector.
- In Q3-2019, the Nation Real Estate Price Index was corrected slightly and maintained at Q1-2019 levels. On a YTD basis the index appears to be stabilizing with improved transaction values.

## 2. Overview of Dar Al Arkan





## Prudent Real Estate Acquisition Strategies Paying Off

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

- generate decent levels of liquidity
- Improve margins (especially in light of shorter holding periods)

In Q3 2019, DAAR generated revenues of SAR 899 mn and gross profits of SAR 251 mn.

## Proven Ability To Execute Large Scale Projects

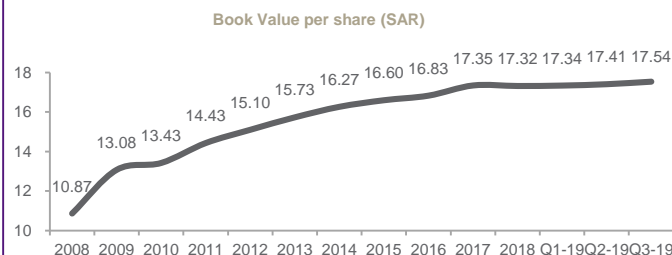
Dar Al Arkan has developed some of the largest communities in Saudi Arabia including Ishbilya and Parisiana. Its Al Qasr Mall is among the largest shopping malls in Riyadh. Cinema multiplex with 15 screens (largest in KSA) opened in March 2019.

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 7.3 bn in cash and receivables, against total debt of SAR 5.6 bn.

Despite carrying assets at cost, the 61% 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

DAAR's strategy is to generate revenue from a diversified portfolio of development projects and also grow income producing assets.

## Leased Portfolio

Company is pursuing the process for separately listing its leased portfolio. Financial advisors and lawyers are onboard and discussions with regulators are ongoing.

## 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.

Government is seeking public private partnership with local real estate developers to develop affordable housing. DAAR is also looking at some opportunities to work with the Govt. under this program.

**Revenues (LTM) -56%**

**SAR 3,497 mn**

(At Q3 2018 : SAR 8,001 mn)

**EBITDA (LTM) -43%**

**SAR 800 mn**

(At Q3 2018 : SAR 1,398 mn)

**Investment in  
Development Properties  
(LTM) +63%**

**SAR 4,151 mn**

(At Q3 2018 : SAR 2,542 mn)

**Cash and Bank**

**SAR 3,888 mn**

(Q3 2018: SAR 5,160 mn)

**Gross Debt/  
Capitalization**

**22.9%**

(Q3 2018:26.3%)

**Book Value Per Share**

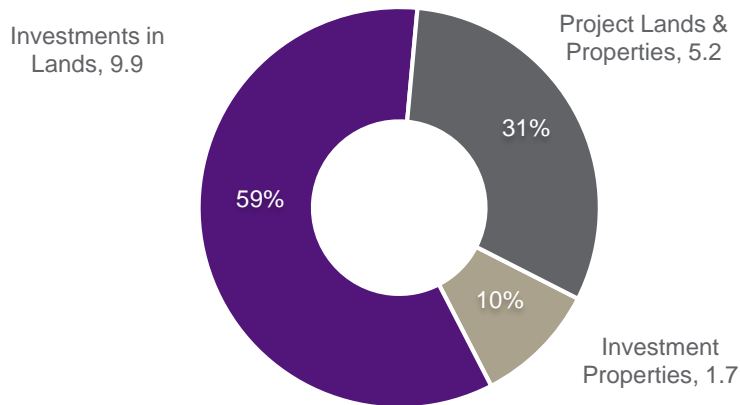
**SAR 17.54**

(Q3 2018: SAR 17.29)



- DAAR's total Real Estate Properties as per the financial statements is SAR 16.8 bn.

### Real Estate Properties Break up - SAR bn



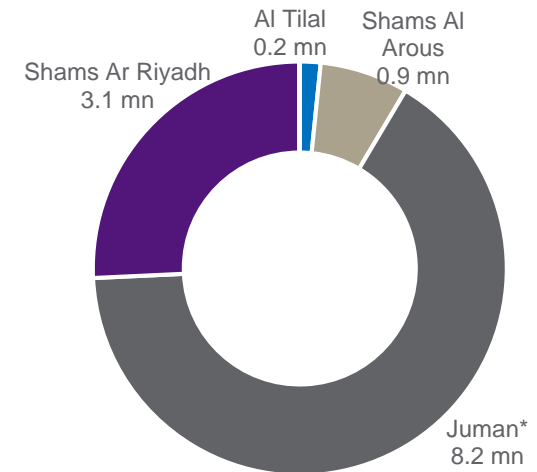
- Investment Properties
- Investments in Lands
- Project Lands & Properties

*\*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.

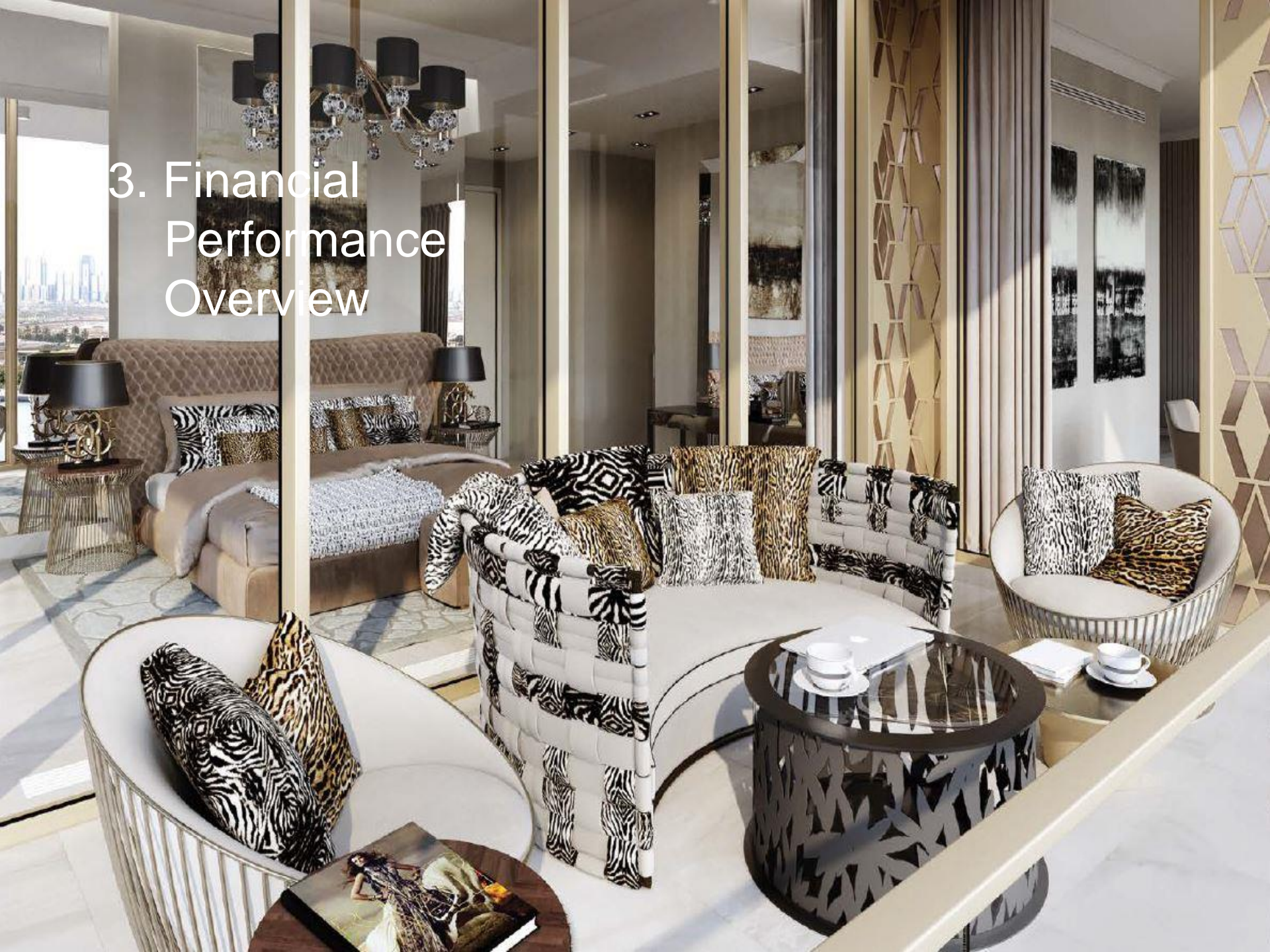
### Projects Lands Break up (Sqkm)



*\*DAAR holds 18% share in Juman*

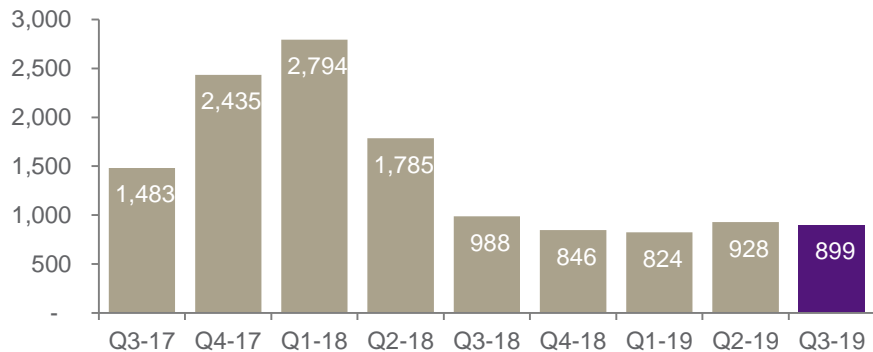
- DAAR's strategy is to increase retail sales with the objective of generating superior margins.
- DAAR is developing and selling residential plots, villas, apartments and commercial mix-use properties.
- Currently, sales comprise of off-plan sales and finished properties.

### 3. Financial Performance Overview



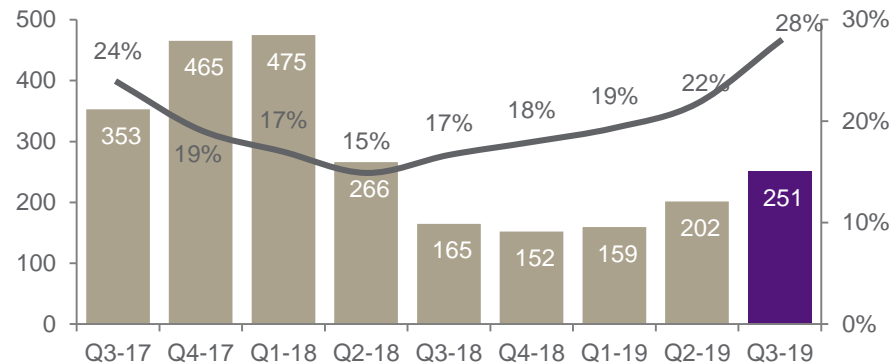
## Financial Performance – Q3 2019 Profitability

### Quarterly Revenues (SAR mn)



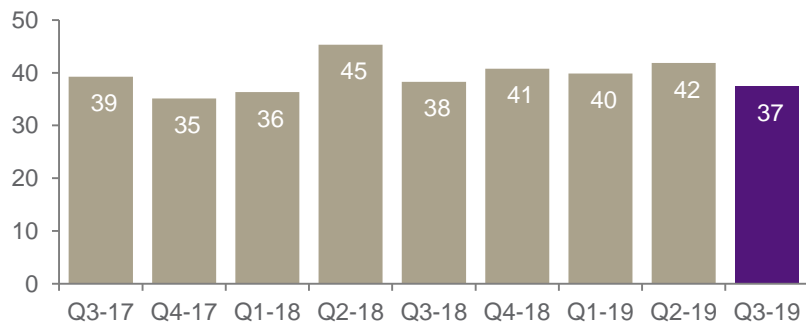
- Revenues decreased by 3% QoQ and by 9% YoY.

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



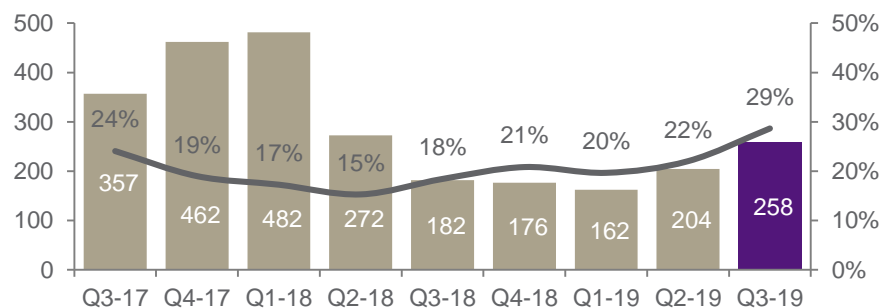
- Gross profit increased by 24% QoQ and by 52% YoY.

### SG&A (SAR mn)

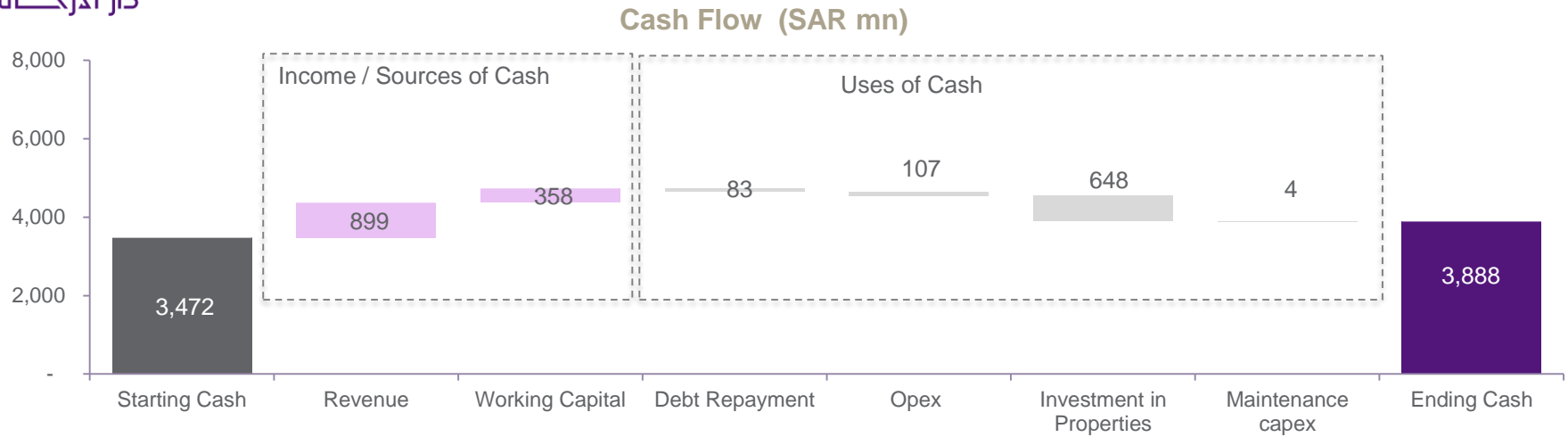


- SG&A decreased by 10% QoQ and remained flat YoY.

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

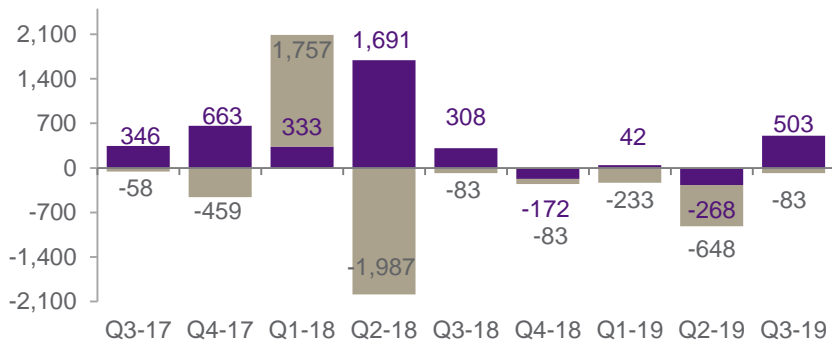


- EBITDA increased by 26% QoQ and by 42% YoY primarily due to increased gross margins.



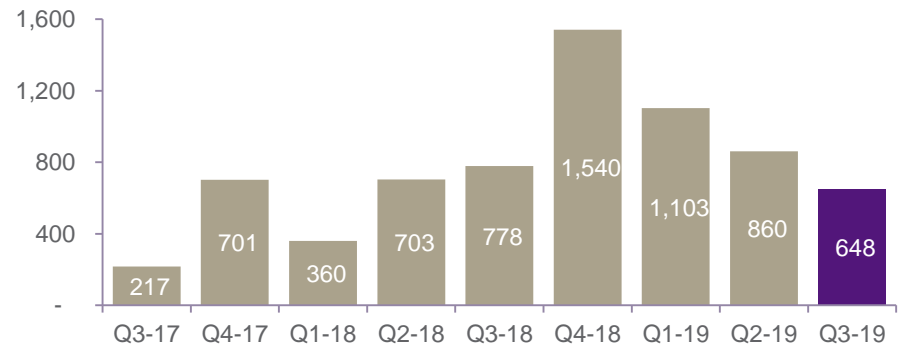
- DAAR's liquidity position remains robust.
- Strong collections of SAR 1.3 bn enabled investments of SAR 0.65 bn in Development Properties.

Activity wise Quarterly Cash Flow (SAR mn)



■ Cash flow From Financing Activities ■ Cash flow From Operating Activities

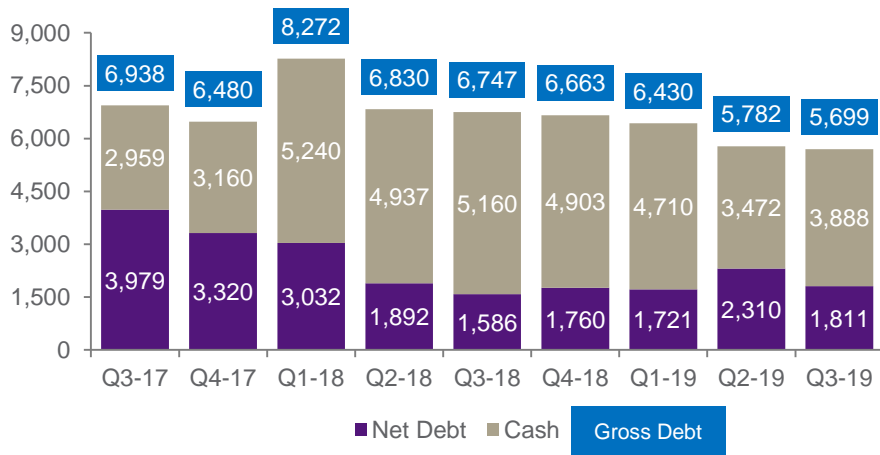
Investment in Development Properties (SAR mn)



- Invested SAR 4.2 bn over last 12 months to replenish the Development Properties.

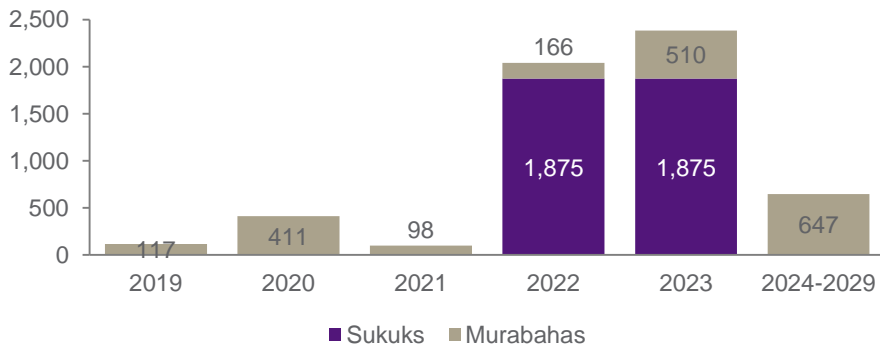


### Gross Debt Vs Net Debt (SAR mn)



- Gross debt reduced by 83 mn in the quarter and is at the lowest level in last 2.5 years.

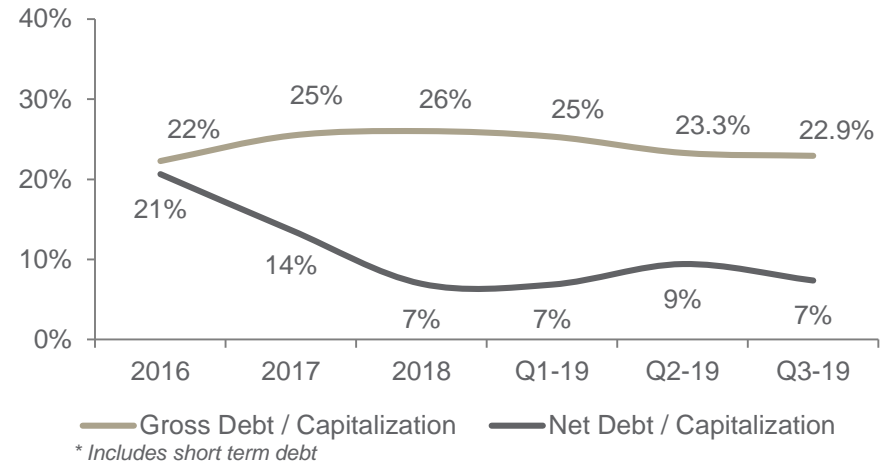
### Debt Maturity Profile (SAR mn)



- Next 9 years maturities are well spread over allowing for prudent cash management.
- Cash balance of SAR 3.9 bn is sufficient to cover repayments till end 2022.

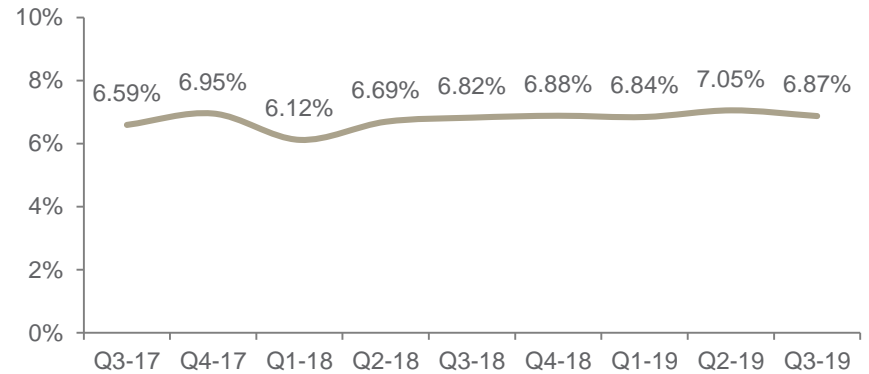
### Financial Performance – Q3 2019 Debt

#### Debt\* / Capitalization



- Gross Debt/Capitalization continues to improve due to repayments

#### Effective Cost of Funding



## 4. Overview of Assets Portfolio





- 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, 176 plots are sold which includes bookings.
- Zones 1, 3 and 5 initially approved from Wakala, final approval expected soon.
- Infra works on Zone 4 started in November 2019.
- Preparation for Zone 3 and 5 launch underway.
- Design of the Commercial Area is in process.

**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.
- 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

**Residential & Commercial Development Projects**

**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 SAR 805 mn (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 the quarter and going as per the development time schedule .

**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.
- 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 <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:**

- More than 90% occupancy achieved.
- Cinema multiplex with 15 screens opened in March 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:** 95% plus leased.



### Azizia Towers, Makkah

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

**Latest Activity:** 100% leased to King Abdullah Medical City (Government).





# 5. Appendix



SAR in 000s	FY 2017	FY 2018	9 Months Ended 2018	9 Months Ended 2019	Q3 – 2018	Q3 - 2019
Revenue	4,734,682	6,412,265	5,566,171	2,650,934	987,627	899,408
Cost of revenue	(3,620,672)	(5,355,114)	(4,660,883)	(2,039,366)	(822,955)	(648,844)
<b>Gross profit</b>	<b>1,114,010</b>	<b>1,057,151</b>	<b>905,288</b>	<b>611,568</b>	<b>164,672</b>	<b>250,564</b>
%	23.5%	16.5%	16.3%	23.1%	16.7%	27.9%
Operating expenses	(157,106)	(160,753)	(120,006)	(119,193)	(38,306)	(37,498)
Operating profit	956,906	896,396	785,282	492,375	126,366	213,066
%	20.2%	14.0%	14.1%	18.6%	12.8%	23.7%
Income from Associates	20,604	15,432	6,059	2,522	4,798	3,220
Depreciation & amortization	(4,896)	(8,189)	(5,964)	(6,105)	(2,146)	(1,681)
<b>EBIT</b>	<b>972,614</b>	<b>903,639</b>	<b>785,377</b>	<b>488,792</b>	<b>129,018</b>	<b>214,605</b>
%	20.5%	14.1%	14.1%	18.4%	13.1%	23.9%
Other income	36,722	129,866	91,786	95,024	33,075	30,064
Finance cost	(441,523)	(511,652)	(388,670)	(342,447)	(124,426)	(106,344)
<b>PBT</b>	<b>567,811</b>	<b>521,855</b>	<b>488,493</b>	<b>241,369</b>	<b>37,667</b>	<b>138,325</b>
%	12.0%	8.1%	8.8%	9.1%	3.8%	15.4%
Zakat	(14,443)	(13,046)	(12,215)	(6,034)	(940)	(3,458)
<b>Net Income</b>	<b>553,368</b>	<b>508,809</b>	<b>476,278</b>	<b>235,335</b>	<b>36,727</b>	<b>134,867</b>
%	11.7%	7.9%	8.6%	8.9%	3.7%	15.0%
<b>EBITDA</b>	<b>1,086,112</b>	<b>1,111,861</b>	<b>935,750</b>	<b>623,679</b>	<b>181,781</b>	<b>257,621</b>
%	22.9%	17.3%	16.8%	23.5%	18.4%	28.6%

SAR in 000s	FY 2017	FY 2018	Q3 – 2018	Q3 - 2019
Investment properties, net	3,290,010	1,693,141	3,231,894	1,662,399
Long-term development properties	14,751,565	14,148,262	11,997,327	14,764,037
Property and equipment, net	70,925	83,085	83,357	82,366
Investment in associates and joint ventures	811,189	826,621	817,248	1,149,143
Other assets	1,950	2,511	2,764	1,754
<b>Total non-current assets</b>	<b>18,925,639</b>	<b>16,753,620</b>	<b>16,132,590</b>	<b>17,659,699</b>
Short-term development properties	122,675	349,329	115,422	336,006
Trade receivables and others	4,033,325	4,740,877	5,108,963	4,078,559
Cash and cash equivalents	3,159,666	4,903,491	5,160,415	3,887,951
<b>Total current assets</b>	<b>7,315,666</b>	<b>9,993,697</b>	<b>10,384,800</b>	<b>8,302,516</b>
<b>TOTAL ASSETS</b>	<b>26,241,305</b>	<b>26,747,317</b>	<b>26,517,390</b>	<b>25,962,215</b>
Borrowing-long-term maturity portion	4,720,334	4,731,167	4,820,270	5,154,991
End of service indemnities	21,961	19,011	21,475	20,025
<b>Total non-current liabilities</b>	<b>4,742,295</b>	<b>4,750,178</b>	<b>4,841,745</b>	<b>5,175,016</b>
Borrowing-Short-term maturity portion	1,678,648	1,849,623	1,834,599	485,092
Trade payables and others	537,142	885,355	615,221	876,539
Zakat provision	549,670	556,828	555,997	484,900
<b>Total current liabilities</b>	<b>2,765,460</b>	<b>3,291,806</b>	<b>3,005,817</b>	<b>1,846,531</b>
<b>Total liabilities</b>	<b>7,507,755</b>	<b>8,041,984</b>	<b>7,847,562</b>	<b>7,021,547</b>
Share capital	10,800,000	10,800,000	10,800,000	10,800,000
Statutory reserve	1,058,720	1,109,601	1,058,720	1,109,601
Retained earnings	6,874,830	6,795,732	6,811,108	7,031,067
<b>Total shareholders' equity</b>	<b>18,733,550</b>	<b>18,705,333</b>	<b>18,669,828</b>	<b>18,940,668</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>26,241,305</b>	<b>26,747,317</b>	<b>26,517,390</b>	<b>25,962,215</b>

SAR in 000s	FY 2017	FY 2018	9 Months Ended 2018	9 Months Ended 2019
Profit before Zakat	567,811	521,855	488,493	241,369
<b>Adjustments for:</b>				
Depreciation & Amortization	76,775	78,355	58,586	40,620
End of service indemnities	5,129	4,122	3,538	2,310
Finance costs	441,523	511,652	388,670	342,447
Share of net profit from associates and joint ventures	(20,604)	(15,432)	(6,059)	(2,522)
<b>Operating cash flow before WC movements</b>	<b>1,070,634</b>	<b>1,100,552</b>	<b>933,228</b>	<b>624,224</b>
Development properties - net	2,227,035	1,903,999	2,767,359	(602,452)
Trade receivables and others	(1,450,347)	(707,552)	(1,075,638)	662,318
Other assets	(1,122)	(561)	(814)	0
Trade payables and others	7,421	348,213	78,079	(8,816)
<b>Cash from operations</b>	<b>1,853,621</b>	<b>2,644,651</b>	<b>2,702,214</b>	<b>675,274</b>
Finance costs	(408,673)	(474,207)	(360,274)	(318,460)
Zakat paid	(2,267)	(5,888)	(5,888)	(77,962)
End of service indemnities paid	(6,175)	(4,098)	(4,024)	(1,296)
<b>Cash flow from operating activities</b>	<b>1,436,506</b>	<b>2,160,458</b>	<b>2,332,028</b>	<b>277,556</b>
Investment in associates	0	0	0	(320,000)
Investment properties	0	(648)	(375)	(5,386)
Purchase of property and equipment (net)	(9,690)	(20,348)	(18,395)	(3,016)
<b>Net cash flow from investing activities</b>	<b>(9,690)</b>	<b>(20,996)</b>	<b>(18,770)</b>	<b>(328,402)</b>
Long term borrowings	1,150,762	144,363	227,491	(964,694)
Dividend	0	(540,000)	(540,000)	0
<b>Net cash flow from financing activities</b>	<b>1,150,762</b>	<b>(395,637)</b>	<b>(312,509)</b>	<b>(964,694)</b>
<b>Increase / (decrease) in cash and cash equivalents</b>	<b>2,577,578</b>	<b>1,743,825</b>	<b>2,000,749</b>	<b>(1,015,540)</b>
<b>Cash and cash equivalents, beginning of the period</b>	<b>582,088</b>	<b>3,159,666</b>	<b>3,159,666</b>	<b>4,903,491</b>
<b>Cash and cash equivalents, end of the period</b>	<b>3,159,666</b>	<b>4,903,491</b>	<b>5,160,415</b>	<b>3,887,951</b>



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