

Investor Presentation Q2, 2017





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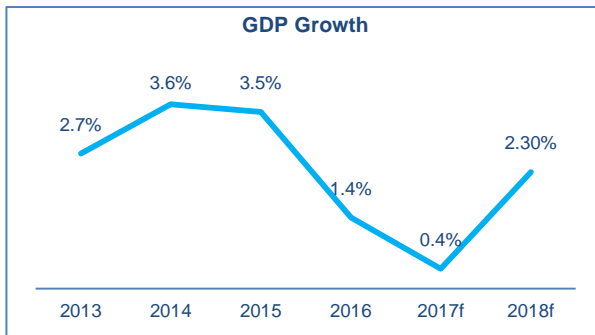
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1. Macro & Micro Economic Overview

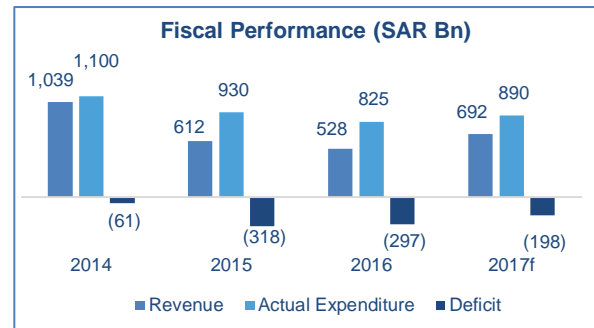
1.1 Macroeconomic Overview

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

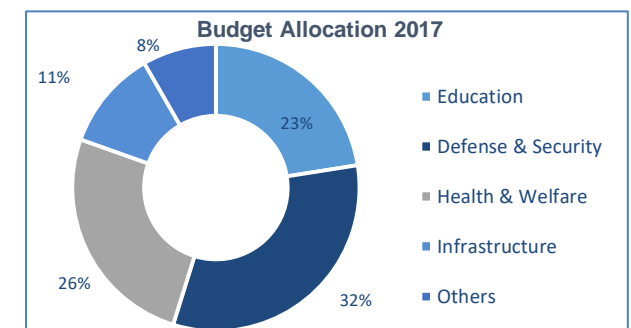
Oil Price Recovery and Economic Reforms to Drive Economy



Declining Deficit Projected in Coming Year



Over 7% Rise in Budget Expenditure Expected for 2017



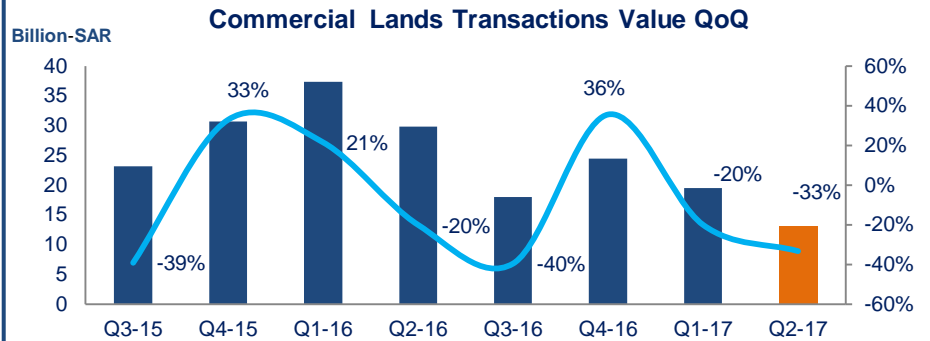
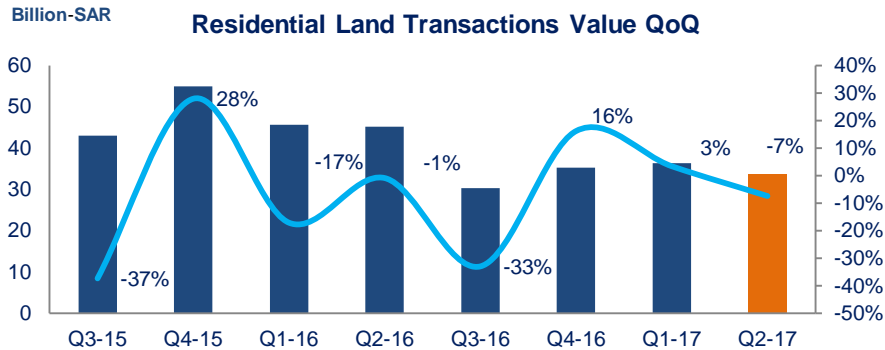
- The recent OPEC deal agreement on the oil production cuts have kept the oil prices within 40 to 50 USD/barrel.
- Economic growth is expected to pick up in medium to long term on the back of economic reforms.
- Public Private Partnership (PPP) strategy in various sectors will be a vital driver for economic growth.
 - As part of a nationwide privatization, the gov't has hired a financial adviser to manage the sale of a stake in Riyadh airport.

- In an effort to reduce the deficit and wean the economy off oil, Saudi gov't. has increased projected expenditure to SAR 890billion (SAR 825billion in 2016), increase of 7.3% YoY.
- In 2017, the gov't. has taken various measures to curb fiscal deficit. Current debt level is 14% of GDP (excluding recent Sukuk/Bond issuances).
- Recent sukuk issuances :
 - USD 9 billion international sukuk in (April 2017).
 - SAR 17 billion (USD 4.5billion) domestic sukuk in (July 2017).
- The gov't has imposed new expat dependent fee as part of its efforts to increase public revenue.
- To provide better housing and transport facilities, the gov't. has allocated separate SAR 25 billion for various projects, an increase of 13% from last year.



1.2 KSA Real Estate Sector Overview

Land Transactions Value QoQ

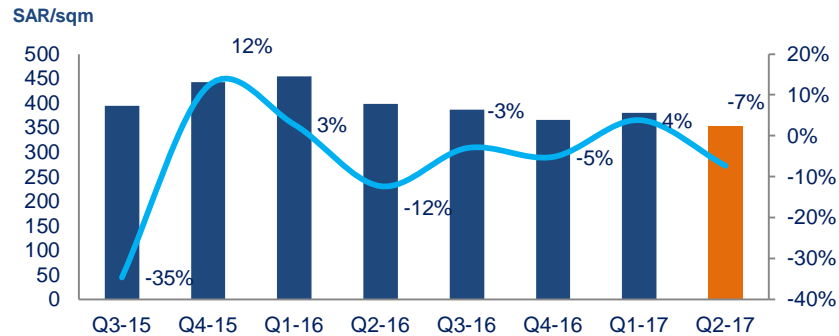


- Residential market ended in Q2 2017 with a decline in total transactions value by 7% to settle at SAR 34 billion, compared to SAR 36 billion for Q1 2017.

- Commercial market ended in Q2 2017 with a drop in total transactions value by 33% to settle at SAR 13 billion, compared to SAR 20 billion for Q1 2017.

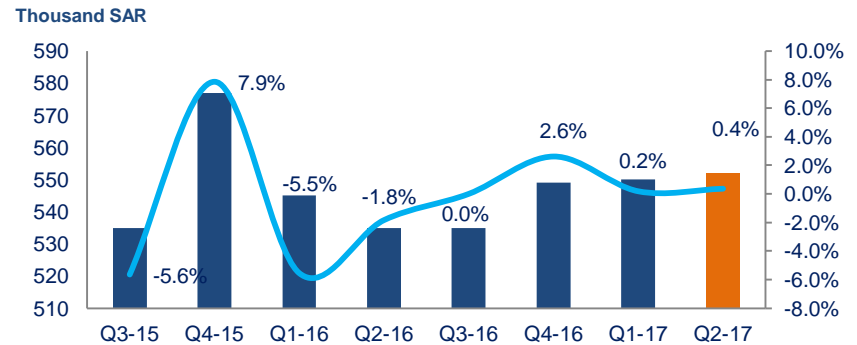
KSA Real Estate Average Prices/sqm

Average Residential Land Prices/sqm QoQ



- YoY, average land prices in Saudi have decreased by 12% (SAR 352/sqm in Q2-17 compared to SAR 398/sqm in Q2-16).

Average Residential Apartments Prices QoQ



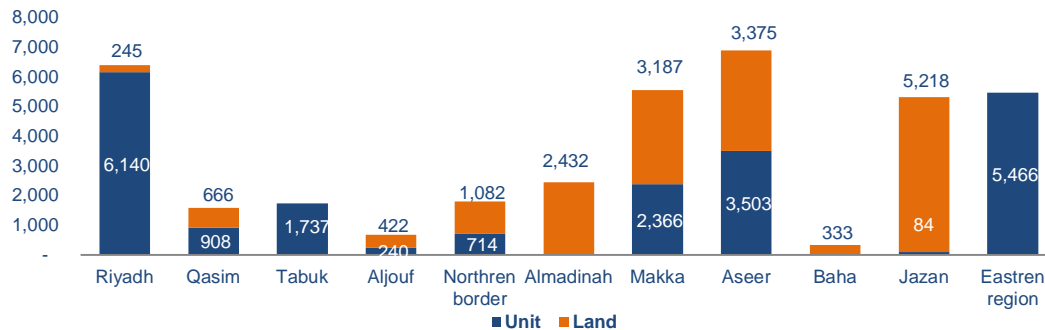
- Average apartments price in Saudi have decreased slightly by .4% (SAR 552 thousand in Q2-17 compared to SAR 550 million in Q2-16).



1.3 Government Initiatives Update

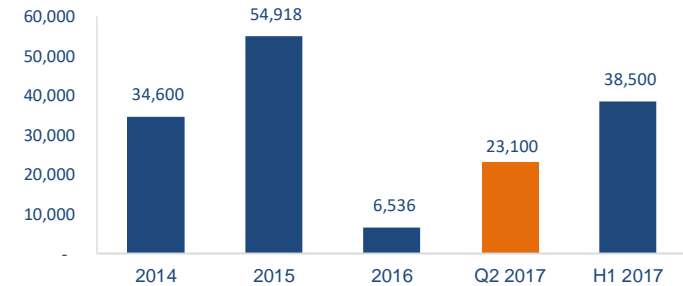
MoH

Number of launched products in main cities



REDF

Number of approved loans to be funded by banks








- During Q2, MoH has launched 66,723 housing products across the Kingdom within its “SAKANI” (Housing) program.
- The program includes:
 - ✓ 23,100 REDF subsidized loans to be funded by banks and financing institutions.
 - ✓ 20,525 land parcels without financial support.
 - ✓ 23,098 off plan units through “WAFI” in cooperation with real estate developers.
- Riyadh region has the highest rates of housing products, with a total of 12,456.
- Makkah region is the second highest rate of housing products with a total of 9,571.
- The number of housing and funding products has reached 100,957 in Q2 since the inception of the program in February this year.

2. DAAR's Overview & Strategic Positioning



2.1 DAAR's Overview

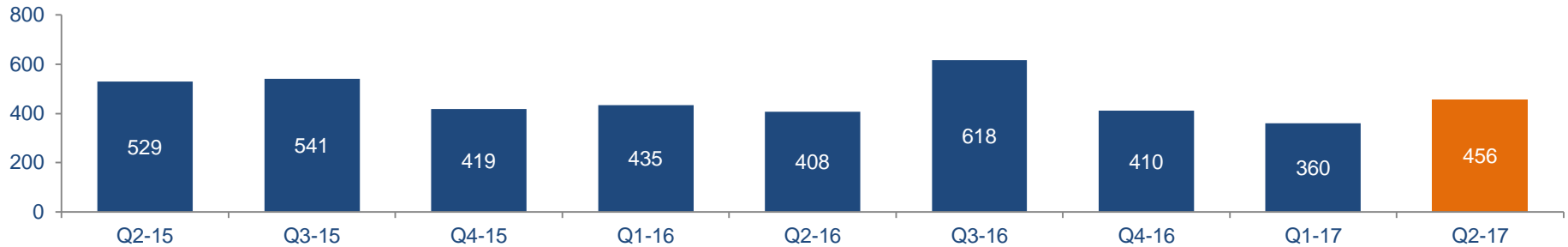
Dar Al-Arkan is the largest listed real estate developer in the Kingdom of Saudi Arabia, with assets of over SAR 26.2 bn (US\$ 6.98 bn), continuously diversifying across the real estate sector.

	Overview	Current Status
	<p>Land Development</p> <ul style="list-style-type: none"> ➤ Our Aim is to acquire and develop urban land for sale as serviced plots. ➤ A land bank of SAR 13.9 Bn predominantly located in Jeddah followed by Makkah and Riyadh. 	<ul style="list-style-type: none"> ➤ DAAR continues to invest into land development to create value and maintain high margins.
	<p>Property Management and Leasing</p> <ul style="list-style-type: none"> ➤ Our aim is to grow our leased asset base in the medium-term to reduce income volatility and improve profitability ➤ Property portfolio of residential and commercial asset of SAR 3.3 Bn located in Riyadh, Makkah and Medina 	<ul style="list-style-type: none"> ➤ Continue to increase the occupancy levels by targeting corporates and individual customers. ➤ Refurbish part of the existing properties available for rent to improve the overall living experience. ➤ Reposition part of the portfolio for sale to improve occupancy
	<p>Residential and Commercial Development</p> <ul style="list-style-type: none"> ➤ Our aim is to leverage development opportunities created from our master-planned communities and to build the highest quality residential and commercial assets for sale ➤ Development portfolio of SAR 3.0 Bn of master planned communities in the tier 1 cities in KSA. 	<ul style="list-style-type: none"> ➤ Continue to work with the authorities for master plan developments and approvals. ➤ Launch properties for sale from existing property portfolio. ➤ Building sales and marketing capacity by adding 30 employees. ➤ Continue to monitor international markets for development opportunities.
	<p>Housing</p> <ul style="list-style-type: none"> ➤ The objective is to develop affordable housing by participating in the MOH affordable housing initiatives by tendering for PPP's across KSA. 	<ul style="list-style-type: none"> ➤ DAAR tendered for affordable housing projects in Khames-Mushait, Tabuk and Dammam. ➤ Two of the tendered projects were lost and Dammam is under the evaluation process with MOH.
	<p>Contracting</p> <ul style="list-style-type: none"> ➤ Objective is to complement the Development activities and reduce development costs through in-house contracting excellence. 	<ul style="list-style-type: none"> ➤ DAAR is closely monitoring the contracting market for acquisition and partnering opportunities.



2.2 Financial Performance – Q2, 2017 Profitability

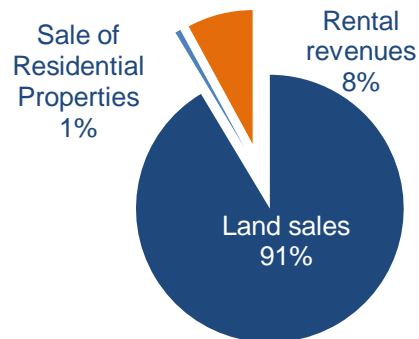
Historical Quarter Revenue (SAR mn)



- Revenue in Q2 of SAR 456 m is the second highest recorded in the last 6 quarters even though market volumes in KSA are still a challenge. The price fall has however flattened out.
- Q2, 2017 revenue increased by 12% to SAR 456 mn (2016, Q2 SAR 408 mn) primarily due to better average price realization on land sales from a more favourable product mix.

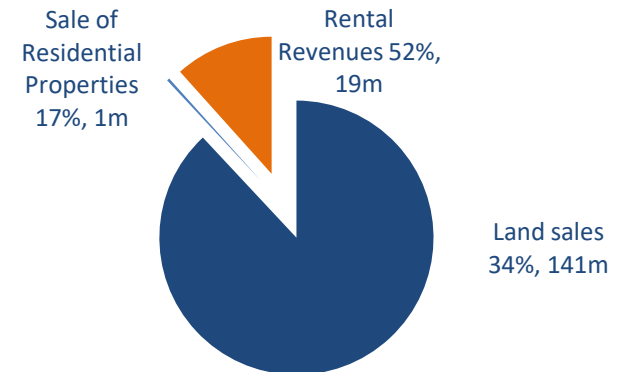
Q2, 2017 Revenue Snapshots

Revenue mix



Land sale revenue SAR 417 mn, up 13% compared to Q2, 2016 (SAR 371 mn)

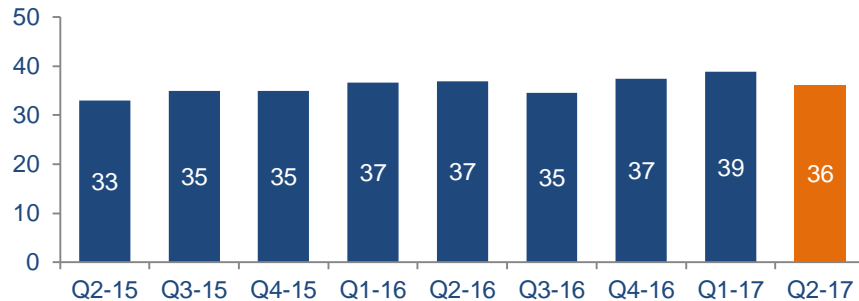
Gross profit & margins





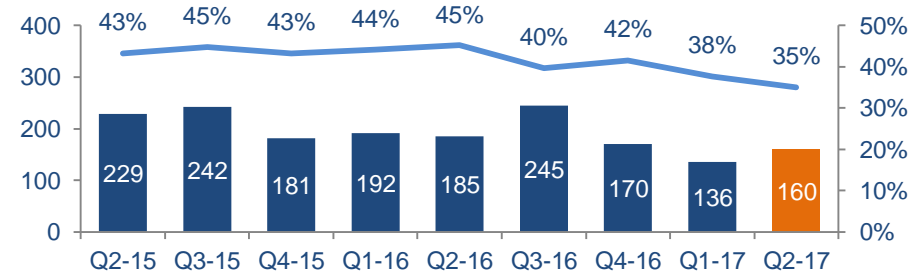
2.2 Financial Performance – Q2, 2017 Profitability

Recurring Revenue (SAR mn)



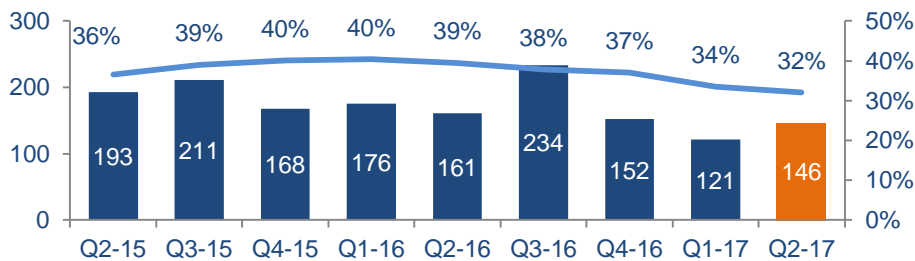
- **Recurring revenues (Leasing)** QoQ decreased by 7% in Q2, 2017 mainly due to decrease in revenue from renting of advertising space and also due to termination of lease agreement of 8 shops and 5 storage areas. As a result, leasing ratio of Al Qasr mall dropped to 82% from 88%.

Gross Profit (SAR mn) & Margin (%)



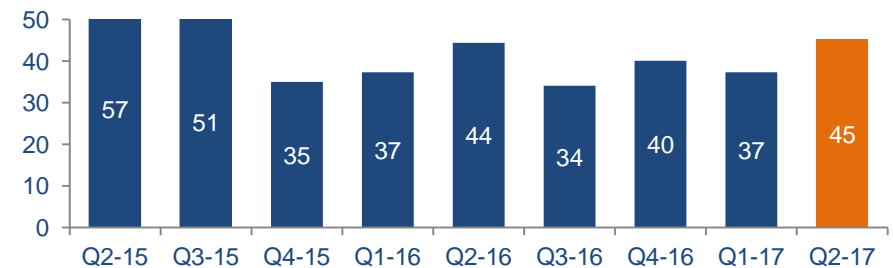
- **Gross Margin** decreased to 35% (2016 Q2 : 45%) mainly due to product mix of land sold.

EBITDA (SAR mn) & EBITDA Margin (%)



- **EBITDA** SAR 146 mn down 9% (2016 Q2 : SAR 161 mn) inspite of increase in revenue. This is primarily due to lower gross margin

S G & A (SAR mn)

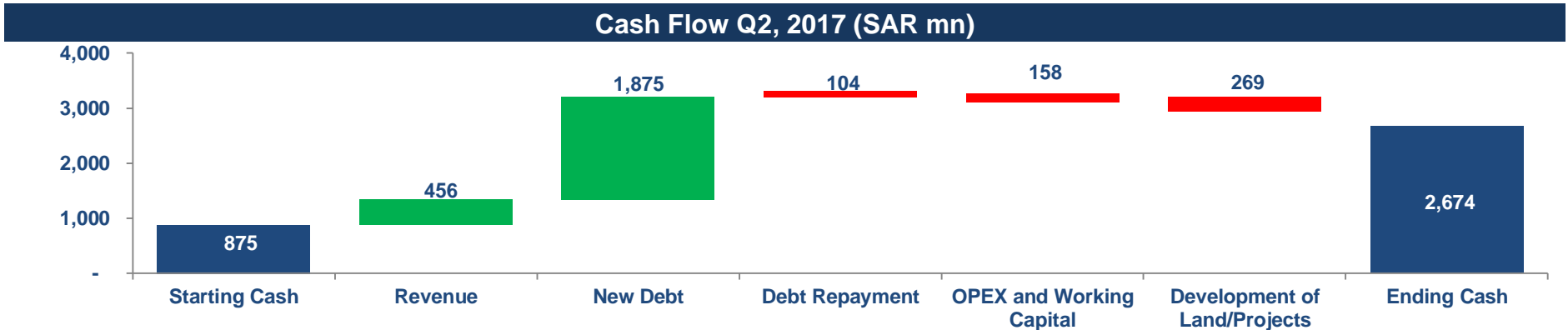


- **SG&A** is in line with Q2 2016 and higher than previous quarter due to annual Ramadan salary paid.

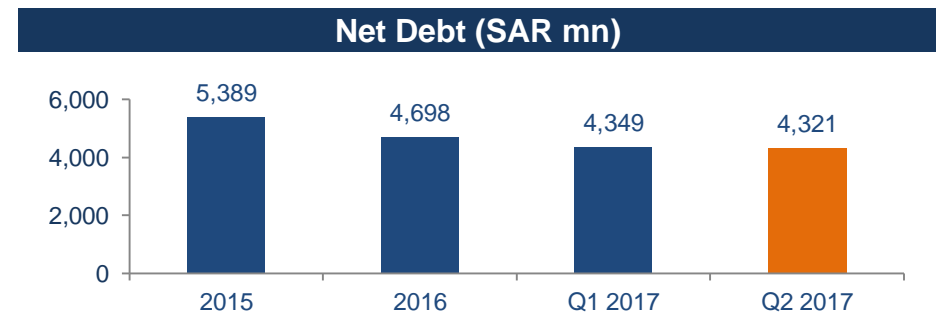
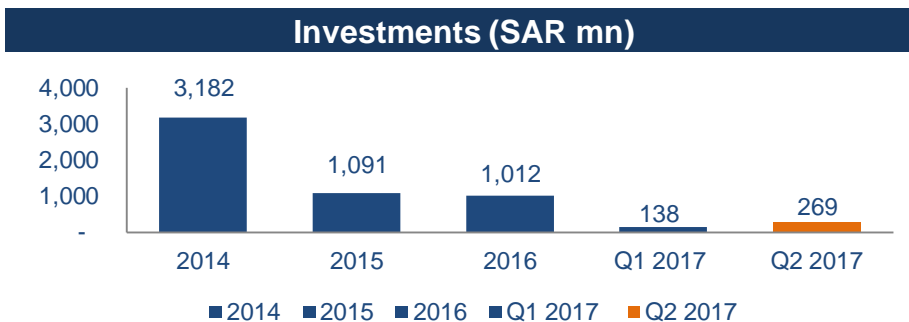


2.2 Financial Performance – Q2, 2017 Cash Flow

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



- **Liquidity Position:** Cash balance increased to SAR 2.6 Bn (up 1.8 Bn) mainly due to increase in debt as below.
- **Debt Position:** New Sukuk of 1,875 mn issued in Q2, 2017 and repayment of Murabahas SAR 104 mn as per due dates.
- **Working Capital:** Accounts receivables decreased by SR 132 mn due to higher collection, thus improving working capital.
- **DAAR invested** SAR 269 mn in development of existing lands and continued to be net seller of land owing to selective approach and cash preservation.



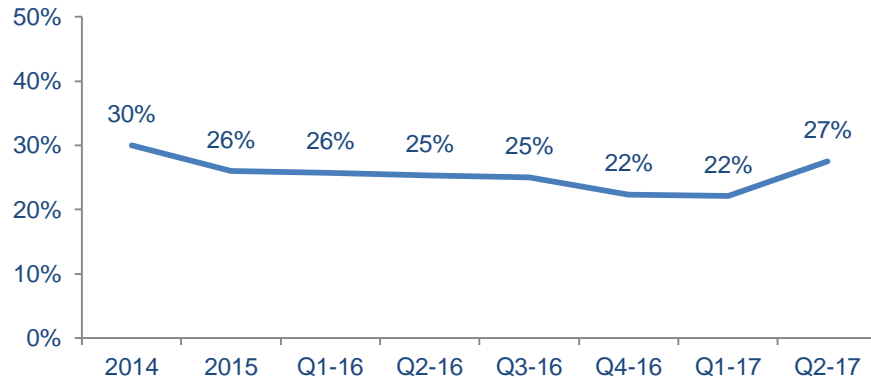
DAAR invested SAR 269 mn in development of existing lands

- Since 2015, DAAR has reduced its net debt by 20%



2.2 Financial Performance – Q2, 2017 Funding

Gross Debt / Capitalization



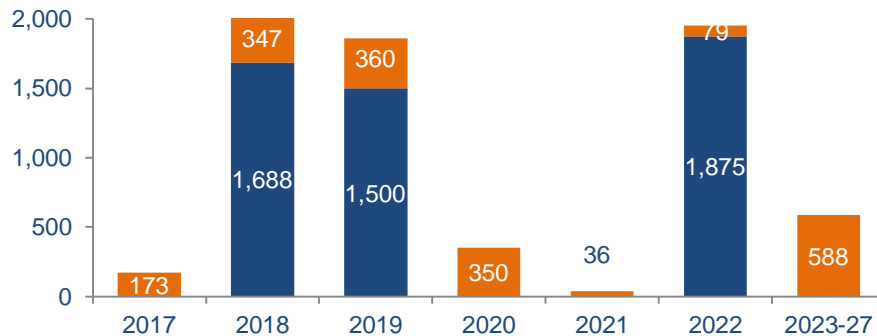
- In Q2 2017, Gross debt was 6,994 mn, which increased by 1,771 mn compared to Q1 2017 resulting in gross debt/capitalization increase by 500 bps.

Debt Profile (SAR mn)



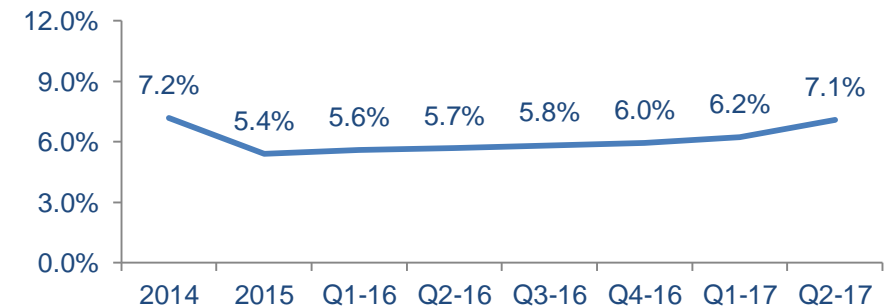
- Murabaha contribution to total debt decreased to 28% from 39% in Q1 2017 mainly due to issuance of Sukuk in Q2 2017 of 1.8 bn.

Debt Maturity Profile (SAR mn)



- Maturities are well spread and cash management is prudent. Maturity profile extends to 2027.
- Cash balance of SAR 2.7 bn can meet repayments till end 2018.

Effective Cost of Funding

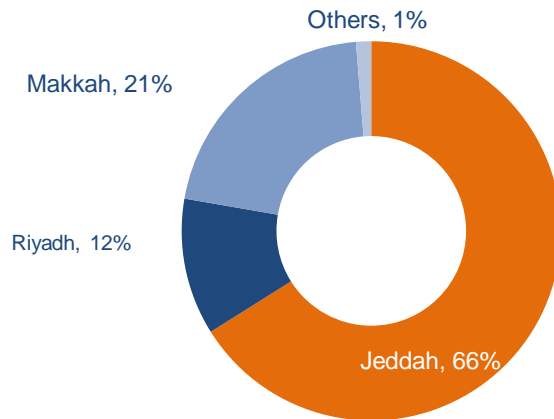


- Average cost of funding stands at 7.1% for the quarter, up by 90 bps driven by Sukuk issuance at 6.88% and increase in Libor.
- Average debt cost excludes interest income of SAR 8 mn earned by deploying excess cash in short term liquid investments.

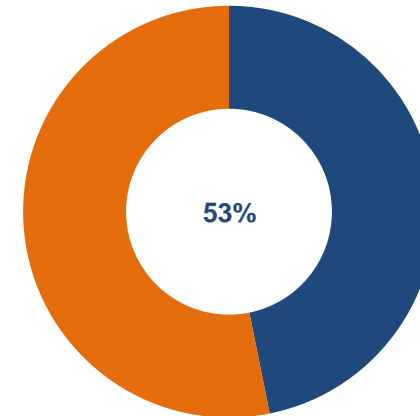


2.3 Land Development

Geographic Split of Dar Al-Arkan's Land Bank

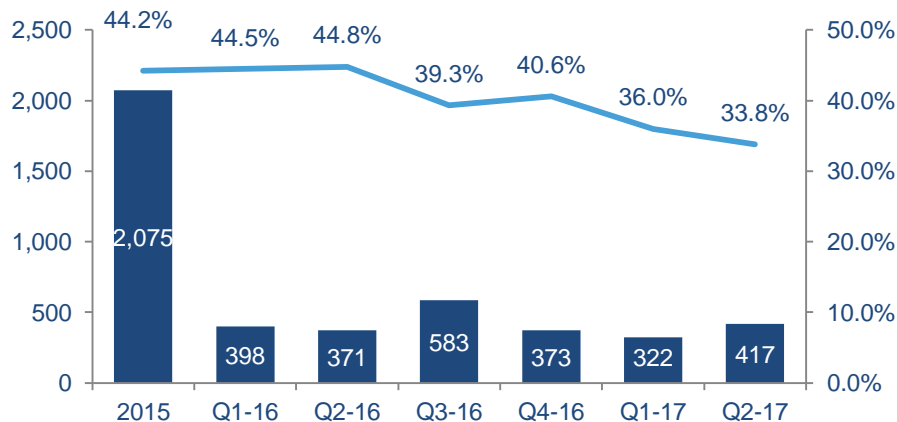


Land Bank (as a % of total Asset)



Book Value of Total Land Bank: SAR 13.9 bn

Land Revenue & Gross Margin (SAR Millions)



Source: Reviewed Financial Statements as of 30 June 2017

Strategy

- 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

Land Tax Update

- Land tax notice for SAR 22 million received and disputed by the company.

2.4 Residential & Commercial Development - Sales

Plan underway to open 3 sales offices in Riyadh and 1 in Jeddah to tackle current sales of units and prepare for the launch of the other master plans.

Parisiana South



- Located in the center of 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.
 - Installation of new strip lighting.

Parisiana Living



- Located in the center of 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 is underway.
 - Supply & Installation of Access Gates.

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 is underway.



2.4 Residential & Commercial Development -Projects

Shams Al Riyadh



Total area (sqm) 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** – DAAR is presenting the new master plan to ADA expected to take place during in second half of 2017.
- **Roads-stage1** including infrastructure work is at final stages of completion which is expected by end of August 2017

Juman



Total Area (sqm) 8.2 m

DAAR's Holdings of the Project's SPV 18%

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:

- Currently soliciting proposals from international master planners for the master plan and specialized consultancy services.

Shams Al Arous



Total net area (sq m) 783K

Residential area to be sold (sqm) 578K

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. In Q2 DAAR has sold 269k sqm.

Al Tilal Land Development (Medina): In Q2 233k sqm has been sold and balance available is 213k sqm. It is fully developed.



2.5 Property Management & Leasing

Al-Qasr Community



Built-up Area (sqm)	1.2mn
Residence Capacity	13,000
Apartments	2,419
Villas	66
Commercial space (sqm)	75,974
Occupancy Ratio %	46%

Activity in Q2 2017 :51 apartments leased to Dallah Hospital in July. Negotiations ongoing with institutional tenants including Hamadi Hospital for leasing of c. 464 residential units.



Azizia Tower (Mecca)
Leasable area 41,719 sqm
Leased 94 % to KAMC



Al Tilal Villas (Medina)
Leasable area 87,025 sqm
Out of 279 villas, 23% leased

Al-Qasr Mall



Built-up Area (sqm)	230k
GLA (sqm)	78k
# Leasable Units	430
# Floors	4
Parking Capacity	1,800 cars
Leasing Ratio	82%

Activity in Q2 2017: Leasing dropped from 88% to 82% QoQ due to termination of lease agreement of 8 shops and 5 storage areas..



Al Masif Compound (Riyadh)
Leasable area 6,838 sqm
26 villas. 0% leased

3. Appendix



3.1 Appendix I – Income Statement

SR in 000s	FY 2015	FY 2016	H1 2016	H1, 2017	Q2, 2016	Q2, 2017
Revenue	2,211,349	1,870,229	842,164	816,823	407,557	456,494
Cost of revenue	(1,228,117)	(1,079,537)	(465,873)	(520,992)	(222,862)	(296,356)
Gross profit	983,232	790,692	376,291	295,831	184,695	160,138
%	44.5%	42.3%	44.7%	36.2%	45.3%	35.1%
Operating expenses	(204,238)	(156,005)	(81,829)	(82,705)	(44,434)	(45,280)
Operating profit	778,994	634,687	294,462	213,127	140,261	114,858
%	35.2%	33.9%	35.0%	26.1%	34.4%	25.2%
Income from Associates	12,800	12,878	5,736	8,850	2,436	5,026
Depreciation & amortization	(39,586)	(36,470)	(18,505)	(17,222)	(9,239)	(9,689)
EBIT	752,208	611,095	281,693	204,754	133,458	110,195
%	34.0%	32.7%	33.4%	25.1%	32.7%	24.1%
Other income	1,075	(32)	(128)	8,965	(7)	8,943
Finance cost	(384,801)	(353,509)	(177,887)	(189,642)	(89,126)	(107,694)
PBT	368,482	257,555	103,678	24,077	44,325	11,444
%	16.7%	13.8%	12.3%	2.9%	10.9%	2.5%
Zakat	(9,325)	(7,943)	(2,600)	(1,000)	(1,100)	(500)
Net Income	359,157	249,612	101,078	23,077	43,225	10,944
%	16.2%	13.3%	12.0%	2.8%	10.6%	2.4%
EBITDA	862,094	722,261	336,593	267,377	160,972	146,418
%	39.0%	38.6%	40.0%	32.7%	39.5%	32.1%
KPIs						
GM%	44.5%	42.3%	44.7%	36.2%	45.3%	35.1%
Operating Profit %	35.2%	33.9%	35.0%	26.1%	34.4%	25.2%
EBITDA %	39.0%	38.6%	40.0%	32.7%	39.5%	32.1%
PBT%	16.7%	13.8%	12.3%	2.9%	10.9%	2.5%
Net Income%	16.2%	13.3%	12.0%	2.8%	10.6%	2.4%



3.2 Appendix II – Balance Sheet

SR in 000s	FY 2015	FY 2016	Q2 2016	Q2 2017
Cash	1,001,061	582,087	1,496,749	2,674,348
Accounts Receivables	1,948,687	1,839,470	1,375,614	1,530,178
Pre-paid Expenses	974,809	743,508	681,611	764,162
Project in Progress-ST	-	-	-	43,560
Developed Land -ST	437,185	317,325	317,325	215,648
Total Current Assets	4,361,743	3,482,390	3,871,299	5,227,896
Investment in Land	5,982,401	6,261,462	6,050,762	7,003,796
Project in Progress-LT	8,651,076	8,878,157	9,104,640	8,240,078
Developed Land -LT	1,963,764	1,581,442	1,858,855	1,500,749
Investment Properties	3,501,637	3,424,778	3,461,689	3,342,238
Investment in Associates	776,207	790,585	783,443	799,435
Other Assets	68,416	66,959	67,807	68,457
Total Non-Current Assets	20,943,501	21,003,384	21,327,195	20,954,753
Total Assets	25,305,244	24,485,775	25,198,494	26,182,649
Payables & Accruals	1,065,035	1,067,215	1,021,546	1,058,764
Murabahas & Sukuks-ST	1,531,945	324,995	1,478,941	2,024,132
Total Current Liabilities	2,596,980	1,392,210	2,500,487	3,082,896
Murabahas & Sukuks-LT	4,760,617	4,890,375	4,648,236	4,874,444
Others	20,973	25,682	22,020	24,724
Total Non-Current Liabilities	4,781,590	4,916,057	4,670,256	4,899,168
Total Equity	17,926,674	18,177,508	18,027,751	18,200,584
Total Liabilities & Equity	25,305,244	24,485,775	25,198,494	26,182,649
Land development	17,034,426	17,038,387	17,331,581	16,960,271
Property management & leasing	3,501,637	3,424,778	3,461,689	3,342,238



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