

DAR
AL ARKAN
دار الأركان

Investor Presentation Q3, 2017

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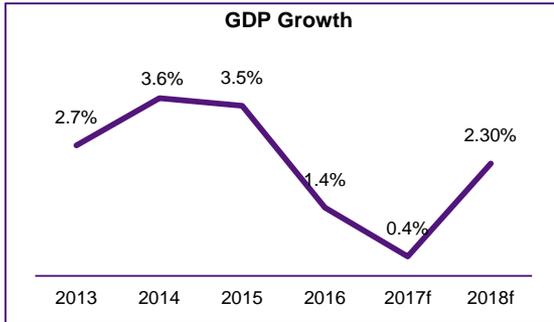
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1. Macro & Micro Economic Overview

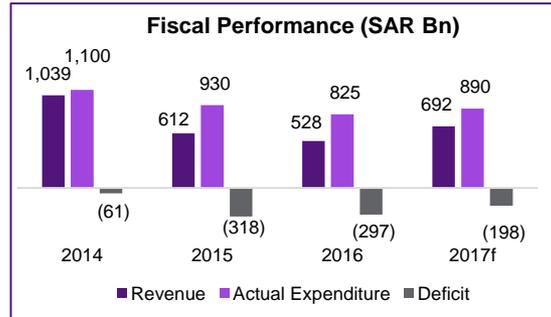
1.1 Macroeconomic Overview

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

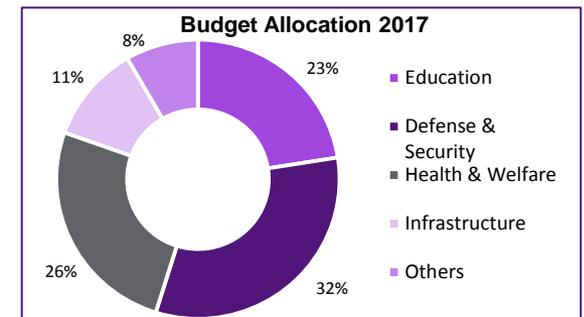
Oil Price Recovery and Economic Reforms to Drive Economy



Declining Deficit Projected in Coming Year



Over 7% Rise in Budget Expenditure Expected for 2017



- Brent oil prices increased by 6% QoQ in Q3 2017, to an average of \$52/barrel.
- More recently, rising expectations related to OPEC rolling over cuts in an upcoming meeting and regional condition have pushed Brent crude oil prices back above \$60/barrel.
- Economic growth is expected to pick up in medium to long term on the back of economic reforms.

- The Kingdom plans to further expand the fiscal year 2018 budget as the government is seeking to support the economy and promote growth, as well as consider the possibility of increased spending.
- During H1 2017, revenue was SAR 307.982 billion, an increase of 29% YoY and expenditure was SAR 380.71 billion, a reduction of 2% .
 - 46% of H1 budget expenditure was on socially important measures such as education, health and social development and municipal services.
- The deficit for H1 2017 was SAR 72.728 billion (51% of projected annual deficit) .
- The financial landscape in Saudi Arabia is changing rapidly and the introduction of five percent (5%) VAT on January 1st , 2018 will have an effect on most of the business sectors in the Kingdom.

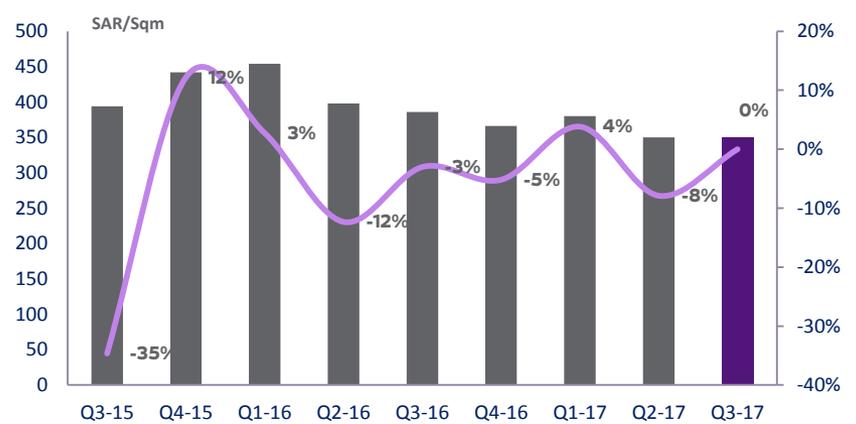
Source: MoF, SAMA, CDSI, IMF, The National

1.2 KSA Real Estate Sector Overview

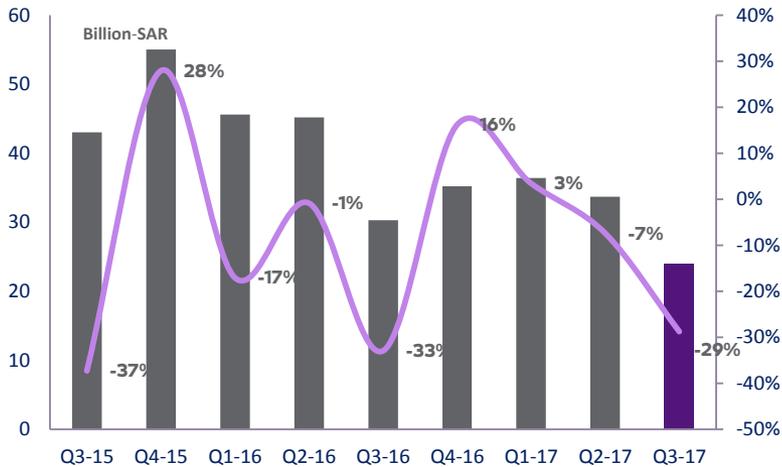
Commercial Real Estate Transactions Value



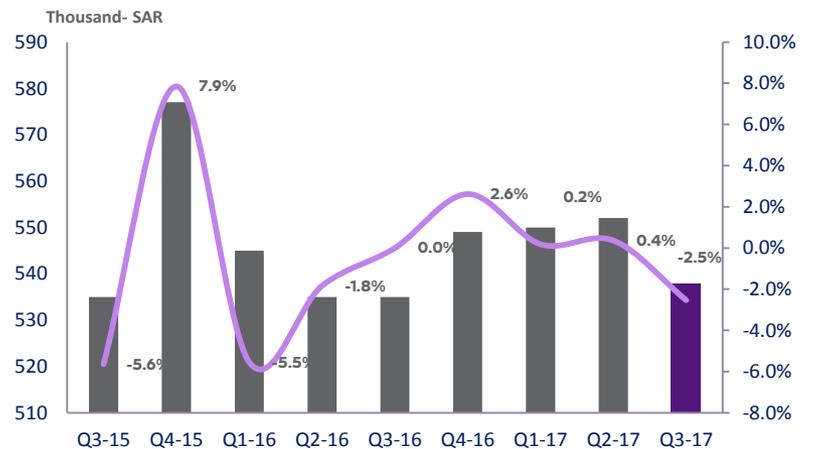
Average Residential Land Prices SAR/sqm



Residential Real Estate Transactions Value



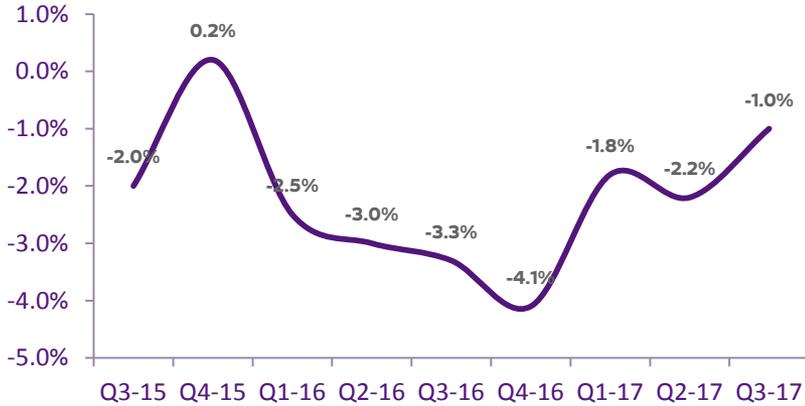
Units Transactions Value



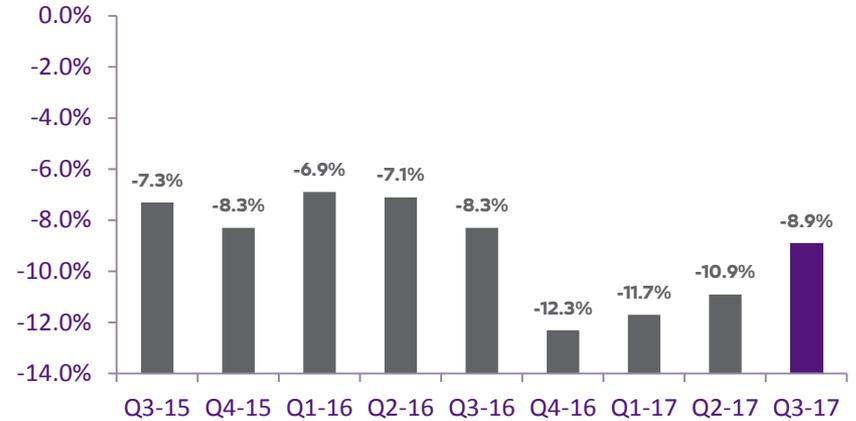
Source: Ministry of Justice, General Authority of statistics

1.2 KSA Real Estate Sector Overview

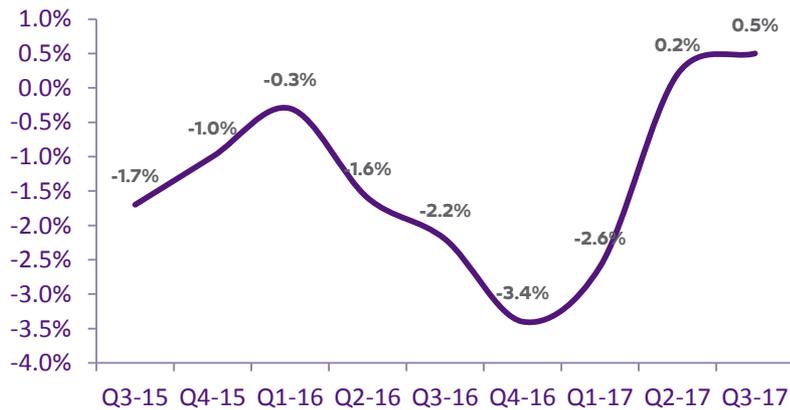
Commercial RE Price Index QoQ



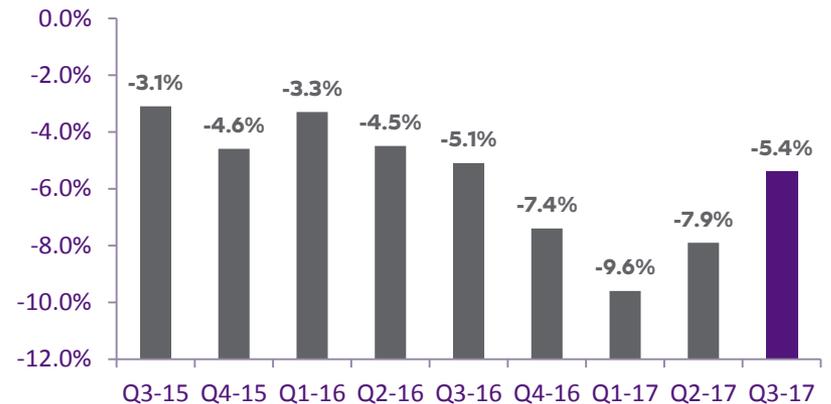
Commercial RE Price Index YoY



Residential RE Price Index QoQ



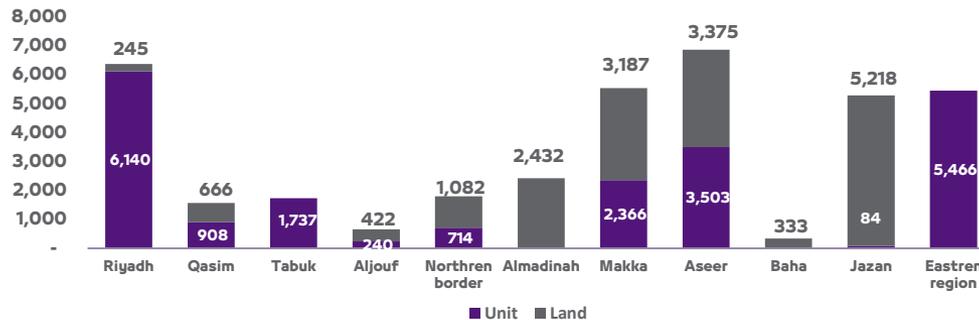
Residential RE Price Index YoY



1.3 Government Initiatives Update

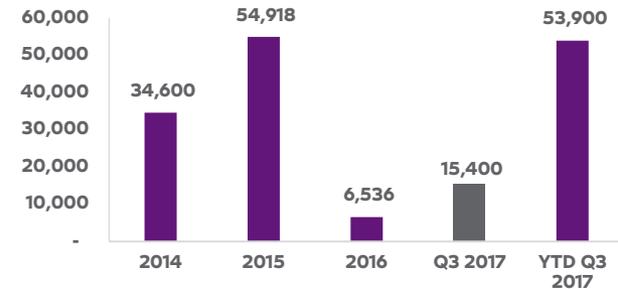
MoH

Number of announced products in main cities



REDF

Number of approved loans to be funded by Banks



- During Q3, MoH has announced 60,704 housing products across the Kingdom within its "SAKANI" (Housing) program.
- The program includes:
 - ✓ 15,400 REDF subsidized loans to be funded by banks and financing institutions.
 - ✓ 20,525 land parcels without financial support.
 - ✓ 24,779 off plan units through "WAFI" in cooperation with real estate developers.
- Makkah region has the highest rates of housing products, with a total of 11,714.
- Riyadh is the second highest rate of housing products with a total of 10,828.
- The number of housing and funding products has reached 156,666 in Q3 since the inception of the program in February this year.

2. DAAR's Overview & Strategic Positioning

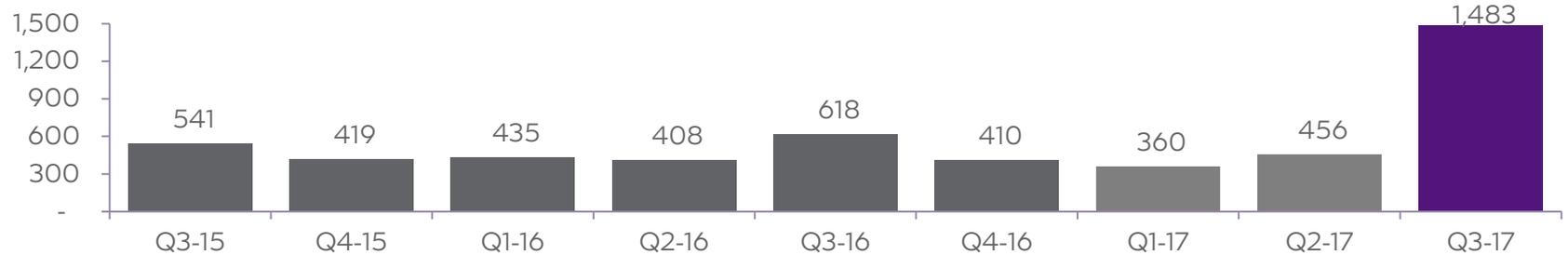
2.1 DAAR's Overview

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 13.3 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 optimize our leased asset base to adjust to the current market conditions. 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. Refurbish & reposition part of the portfolio for sale to improve occupancy Assess opportunity to partially offload the assets to REIT depending on the market conditions.
 <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. Expand internationally to diversify revenue sources. 	<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. Complete land acquisition in Dubai to launch development projects. Continue to monitor other 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, Dammam and the tendered projects were lost. Currently DAAR is working to list its un-occupied units to be available for sale.
 <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 – Q3, 2017 Profitability

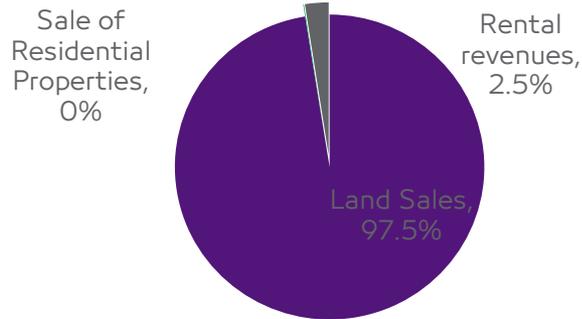
Historical Quarter Revenue (SAR mn)



- Revenue in Q3 of SAR 1,483 m is the highest recorded in the last 8 quarters even though market volumes in KSA are still a challenge.
- Q3, 2017 revenue increased by 140% to SAR 1,483 mn (2016, Q3 SAR 618 mn) due to higher volume of land sold.

Q3, 2017 Revenue Snapshots

Revenue mix



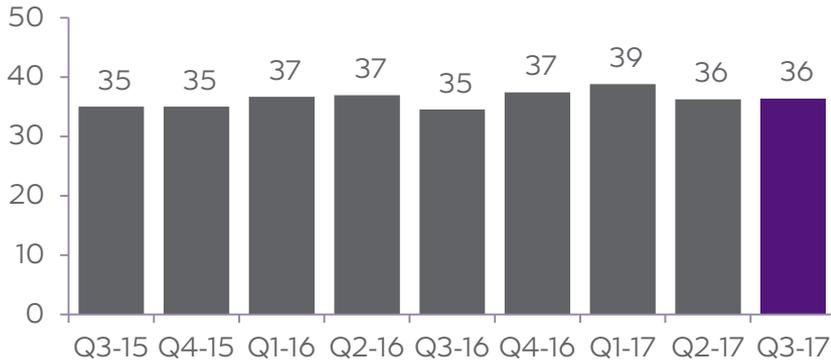
Gross profit & margins (SAR mn)



Land sale revenue SAR 1,445 mn, up 148% compared to Q3, 2016 (SAR 583 mn)

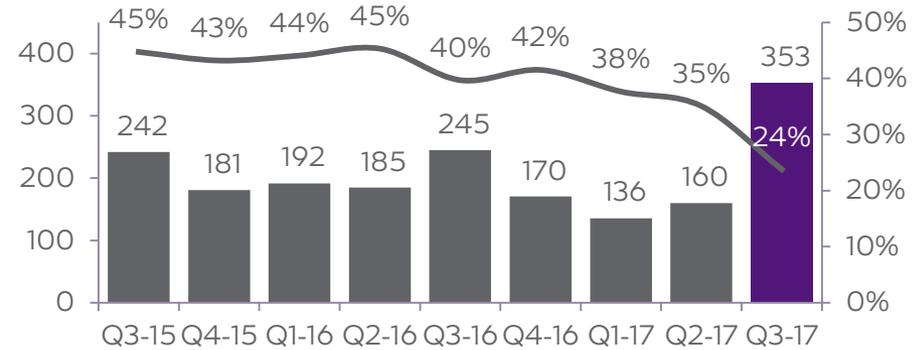
2.2 Financial Performance – Q3, 2017 Profitability

Recurring Revenue (SAR mn)



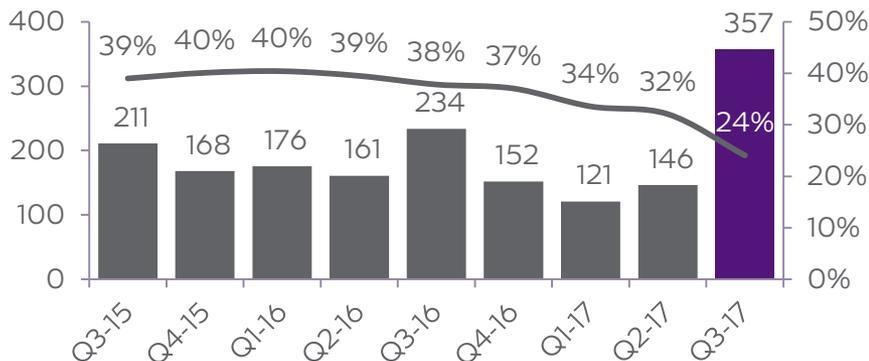
- **Recurring revenues (Leasing)** QoQ remained the same.

Gross Profit (SAR mn) & Margin (%)



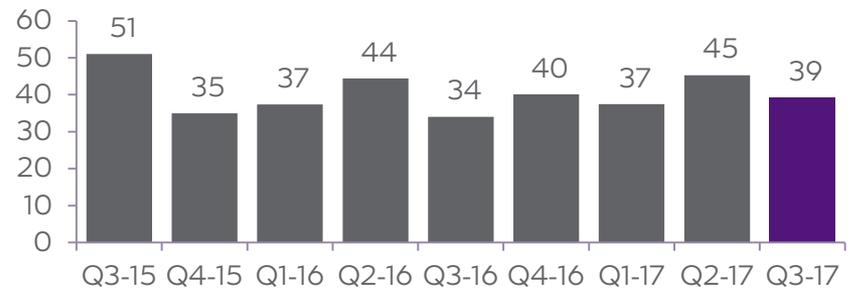
- **Gross Profit** increased by 120% to SAR 353 mn due to higher volume of land sales. However the gross margin percentage decreased to 24% (2017 Q2 : 35%) mainly due to product mix of land sold.

EBITDA (SAR mn) & EBITDA Margin (%)



- **EBITDA** SAR 357 mn up by 145% (2017 Q2 : SAR 146 mn) and higher than the gross margin increase of 120% due to lower SG&A by 6 m & higher other income by 10 m

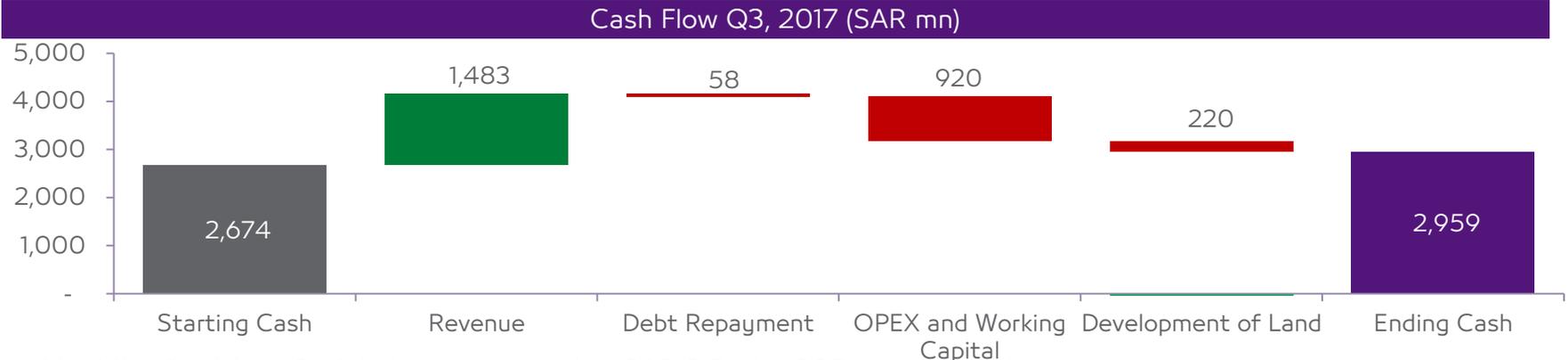
S G & A (SAR mn)



- **SG&A** is lower than previous quarter due to annual Ramadan Salary being paid in Q2 2017.

2.2 Financial Performance – Q3, 2017 Cash Flow

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



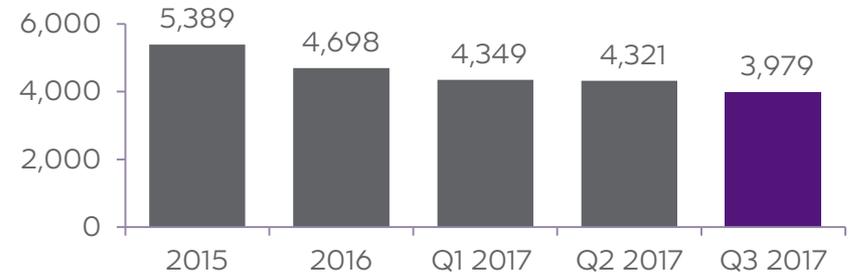
- **Liquidity Position:** Cash balance increased to SAR 3 Bn (up 285 mn) mainly due to increase in revenue.
- **Debt Position:** Repayment of Murabahas SAR 58 mn as per due dates.
- **Working Capital:** Accounts receivables increased by SR 798 mn due to higher revenue
- **DAAR invested** SAR 220 mn in development of existing lands and continued to be net seller of land due to sufficient land bank and cash preservation strategy

Investments (SAR mn)



DAAR invested SAR 220 mn in infrastructure development of existing lands

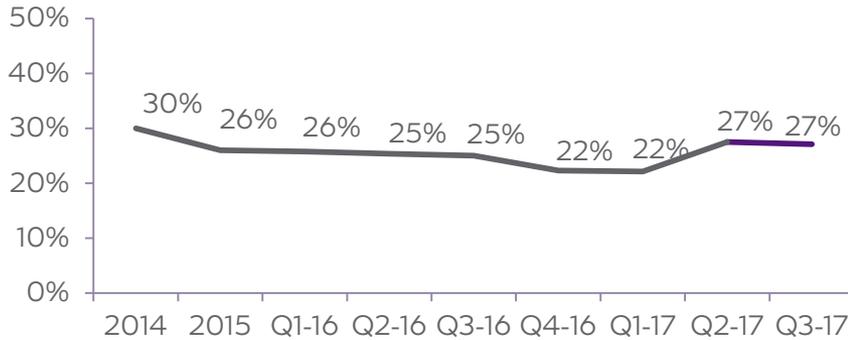
Net Debt (SAR mn)



- Since 2015, DAAR has reduced its net debt by 26%

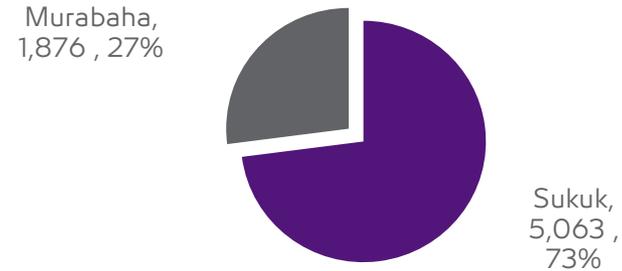
2.2 Financial Performance – Q3, 2017 Funding

Gross Debt / Capitalization



- **Gross debt** to capitalization remains at 27% as no new debt was taken.

Debt Profile (SAR mn)



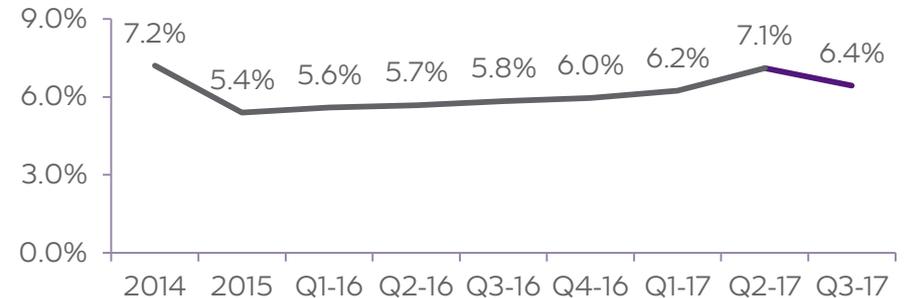
- Murabaha contribution to total debt remained at the same level of previous quarter

Debt Maturity Profile (SAR mn)



- Maturities are well spread and cash management is prudent. Maturity profile extends to 2027.
- Cash balance of SAR 2.96 bn is more than adequate for repayments till end 2018 and beyond.

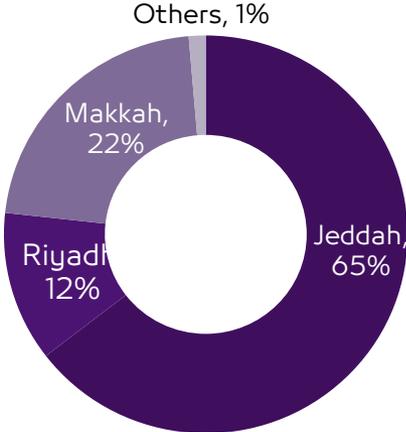
Effective Cost of Funding



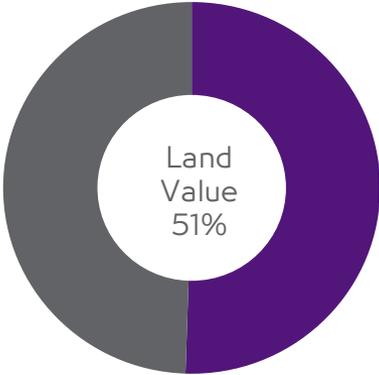
- Average cost of funding stands at 6.4% for the quarter, down by 70 bps
- Average debt cost excludes interest income of SAR 16.7 mn earned by deploying excess cash in short term liquid investments.

2.3 Land Development

Geographic Split of Dar Al-Arkan's Land Bank

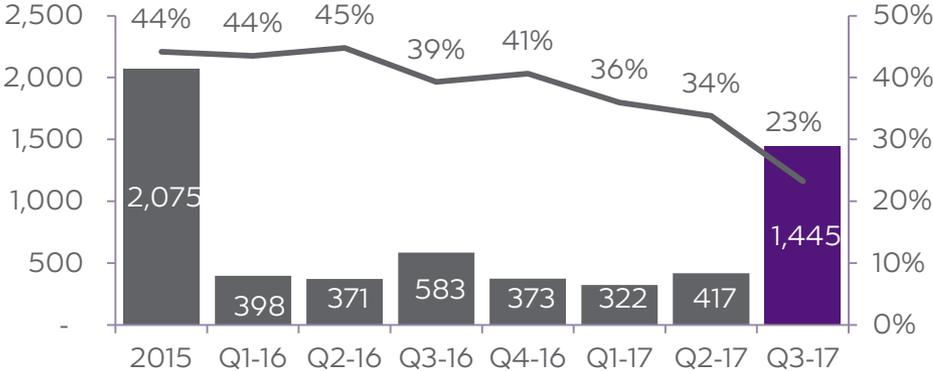


Land Bank (as a % of total Asset)



Book Value of Total Land Bank: SAR 13.3 bn

Land Revenue & Gross Margin (SAR Millions)



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.
- Company has received a waiver for land tax on Jeddah lands for SAR 13 million. Decision on Riyadh land is still pending

Source: Reviewed Financial Statements as of 30 September 2017

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 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 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.

Al Maseef Complex



- The complex is located in Al Maseef neighborhood, north of Riyadh. Close proximity to the Service Road that connects to the Northern Ring Road.
- Gated community that respects the privacy of its residents.
- Villas are spacious and the windows of the front hall present a view of the garden outdoors.
- A common swimming pool

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 Plans** - DAAR has submitted the new split master plans to municipality & ADA. Expected to receive approvals by end of the year and during next year.
- **Roads-stage1** 97% completed - minor landscaping and pavement work under finishing stage.
- Launch of sales of individual plots and villas is previewed for Q1 2018.

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) 496K

Residential area to be sold (sqm) 299K

- **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 Q3 DAAR has sold 288k sqm.
- **Al Tilal Land Development (Medina):** 213 k sqm is available for sale. It is fully developed land.

2.5 Property Management & Leasing

Al-Qasr Community



Built-up Area (sqm)	1.2mn
Residence Capacity	13,000
Apartments	2,350
Villas	66
Commercial space (sqm)	69,716
Occupancy Ratio %	49%

Activity in Q3 2017 : 54 new apartments lease contracts signed in during Q3



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

Al-Qasr Mall



Built-up Area (sqm)	220k
GLA (sqm)	79k
# Leasable Units	499
# Floors	4
Parking Capacity	1,579 cars
Leasing Ratio	88%

Activity in Q3 2017: 10 new lease contracts signed in during Q3 for 2,500 sqm.



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

3. Appendix

3.1 Appendix I – Income Statement

SR in 000s	FY 2015	FY 2016	9 Months 2016	9 Months 2017	Q3, 2016	Q3, 2017
Revenue	2,211,349	1,870,229	1,459,735	2,299,564	617,571	1,482,741
Cost of revenue	(1,228,117)	(1,078,286)	(838,249)	(1,650,923)	(372,376)	(1,129,931)
Gross profit	983,232	791,943	621,486	648,641	245,195	352,810
%	44.5%	42.3%	42.6%	28.2%	39.7%	23.8%
Operating expenses	(204,238)	(156,005)	(115,890)	(121,969)	(34,061)	(39,264)
Operating profit	778,994	635,938	505,596	526,672	211,134	313,546
%	35.2%	34.0%	34.6%	22.9%	34.2%	21.1%
Income from Associates	12,800	12,878	9,686	15,538	3,950	6,688
Depreciation & amortization	(39,586)	(36,471)	(27,713)	(27,444)	(9,208)	(10,222)
EBIT	752,208	612,345	487,569	514,766	205,876	310,012
%	34.0%	32.7%	33.4%	22.4%	33.3%	20.9%
Other income	1,075	(32)	(68)	25,705	60	16,740
Finance cost	(384,801)	(353,536)	(268,455)	(301,779)	(90,568)	(112,137)
PBT	368,482	258,777	219,045	238,692	115,368	214,615
%	16.7%	13.8%	15.0%	10.4%	18.7%	14.5%
Zakat	(9,325)	(7,943)	(5,500)	(6,000)	(2,900)	(5,000)
Net Income	359,157	250,834	213,545	232,692	112,468	209,615
%	16.2%	13.4%	14.6%	10.1%	18.2%	14.1%
EBITDA	862,094	722,261	570,168	624,061	233,575	356,685
%	39.0%	38.6%	39.1%	27.1%	37.8%	24.1%
KPIs						
GM%	44.5%	42.3%	42.6%	28.2%	39.7%	23.8%
Operating Profit %	35.2%	34.0%	34.6%	22.9%	34.2%	21.1%
EBITDA %	39.0%	38.6%	39.1%	27.1%	37.8%	24.1%
PBT%	16.7%	13.8%	15.0%	10.4%	18.7%	14.5%
Net Income%	16.2%	13.4%	14.6%	10.1%	18.2%	14.1%

3.2 Appendix II – Balance Sheet

SR in 000s	FY 2015	FY 2016	Q3, 2016	Q3, 2017
Cash	1,001,061	582,087	1,577,456	2,959,386
Accounts Receivables	1,948,687	1,839,470	1,717,592	2,327,881
Pre-paid Expenses	974,809	743,508	691,964	819,389
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	4,304,337	6,365,864
Project in Progress-LT	8,651,076	8,878,157	8,929,630	7,945,405
Investment in Land	5,982,401	6,261,462	6,101,762	6,406,057
Developed Land -LT	1,963,764	1,581,442	1,681,453	1,500,749
Investment Properties	3,501,637	3,424,778	3,443,301	3,321,747
Investment in Associates	776,207	790,585	787,393	806,123
Other Assets	68,416	66,959	67,004	69,620
Total Non-Current Assets	20,943,501	21,003,384	21,010,543	20,049,701
Total Assets	25,305,244	24,485,775	25,314,880	26,415,565
Payables & Accruals	1,065,035	1,067,215	1,092,002	1,132,229
Murabahas & Sukuks-ST	1,531,945	324,995	1,462,360	2,052,095
Total Current Liabilities	2,596,980	1,392,210	2,554,362	3,184,324
Murabahas & Sukuks-LT	4,760,617	4,890,375	4,597,914	4,797,192
Others	20,973	25,682	22,385	23,849
Total Non-Current Liabilities	4,781,590	4,916,057	4,620,299	4,821,041
Total Equity	17,926,674	18,177,508	18,140,219	18,410,200
Total Liabilities & Equity	25,305,244	24,485,775	25,314,880	26,415,565
Land development	17,034,426	17,038,387	17,030,170	16,111,419
Property management & leasing	3,501,637	3,424,778	3,443,301	3,321,747

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DAR
AL ARKAN
دار الأركان

Thank you

Investor Relations
Riyadh – Saudi Arabia
Tel: +966 11 206 9888
ir@alarkan.com