

DAR AL ARKAN

دار الأركان

Investor Presentation

Q2 2022



DAR AL ARKAN

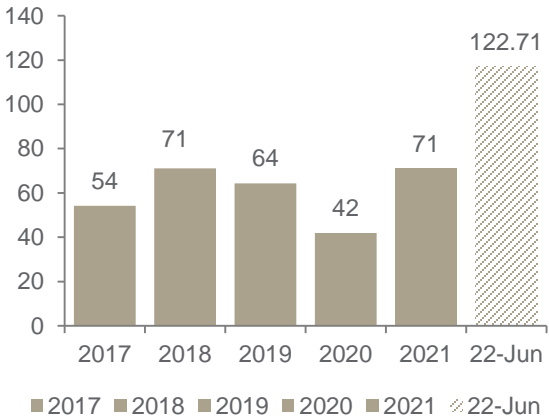
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1 | MACRO ECONOMIC OVERVIEW & KSA REAL ESTATE MARKET

2021 saw a return to growth that has accelerated in 2022

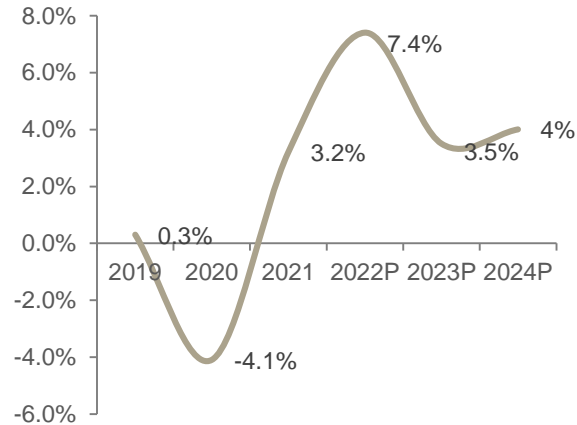
Average Brent Oil Prices



Source: Statista

- Brent oil price stood at \$114.81 as of 30 Jun 2022.
- Brent oil price averages \$122.71 for the month of Jun 2022 a \$49.55 increase from the month Jun 2021 average.
- The war in Ukraine with the related sanctions imposed on Russia and the heightened geopolitical risks against a low inventory backdrop have driven the oil price to levels not seen since 2014 and the oil price peaked at \$123.21 in Mar 7.
- Further oil production disruption as a result of the continued war or demand destruction coming from China given Covid-19 related lockdowns might materially affect the oil price going forward.

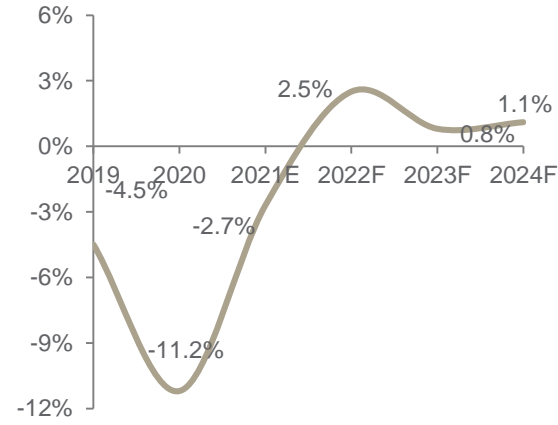
GDP Growth to Accelerate in 2022



Source: Ministry of Finance

- Saudi Arabia's economy is the fastest growing in the world by posting 7.6% during the current year 2022, according to the International Monetary Fund (IMF) through a combination of better oil prices and a return to growth in the non-oil economy contributed by economic, structural and legislative reforms.
- The Saudi real GDP jumped by 11.8% year-on-year (YoY) in the second quarter of 2022, the highest in 11 years, while compared to the same quarter of 2021. Whereas, the real GDP increased by 1.8% in Q2-2022 compared to Q1-2022.
- This economic growth was mainly driven by a significant increase in oil activities by 23.1% YoY and by 4.8% and 5.4% rise in non-oil activities
- 2022 GDP growth is expected to accelerate to 7.4%.

Deficit Turns to Surplus in 2022

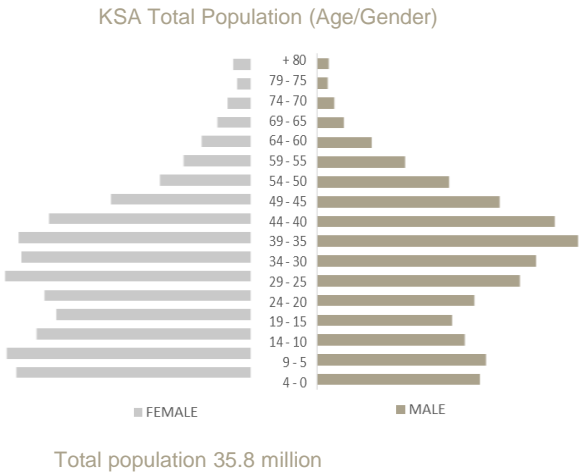


Source: Ministry of Finance

- 2021 ended with a fiscal deficit of SAR 85 billion or -2.7% of GDP, a notable recovery from the -11.2% levels of 2020.
- As per Ministry of Finance, Saudi Arabian economy posted a budget surplus of SAR 135.5 billion in H1-2022, that is 150% over the full year projection of SAR 90 billion.
- Debt levels are expected to remain constant in 2022 at SAR 938 billion or 25.9% of GDP.

The strong long-term fundamentals of the market remain intact

Positive Demographic Trends



- Population growth of 1.6% per year.
- C.60% of the population below the age of 30, entering their home making years.
- High per capita individuals per household.
- Social evolution leading younger generation to seek more independent living arrangements.

Supply Shortages



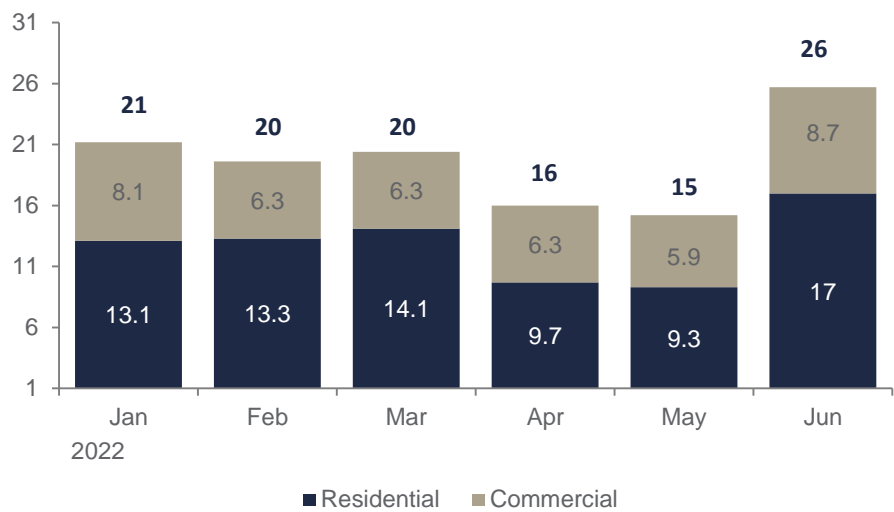
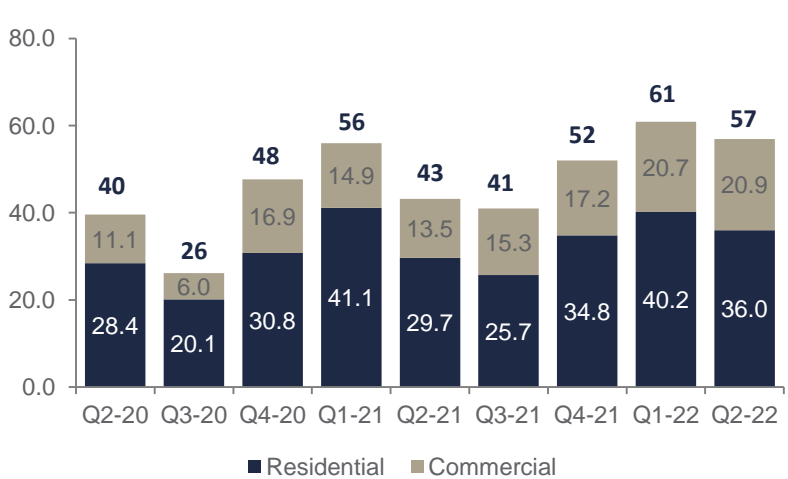
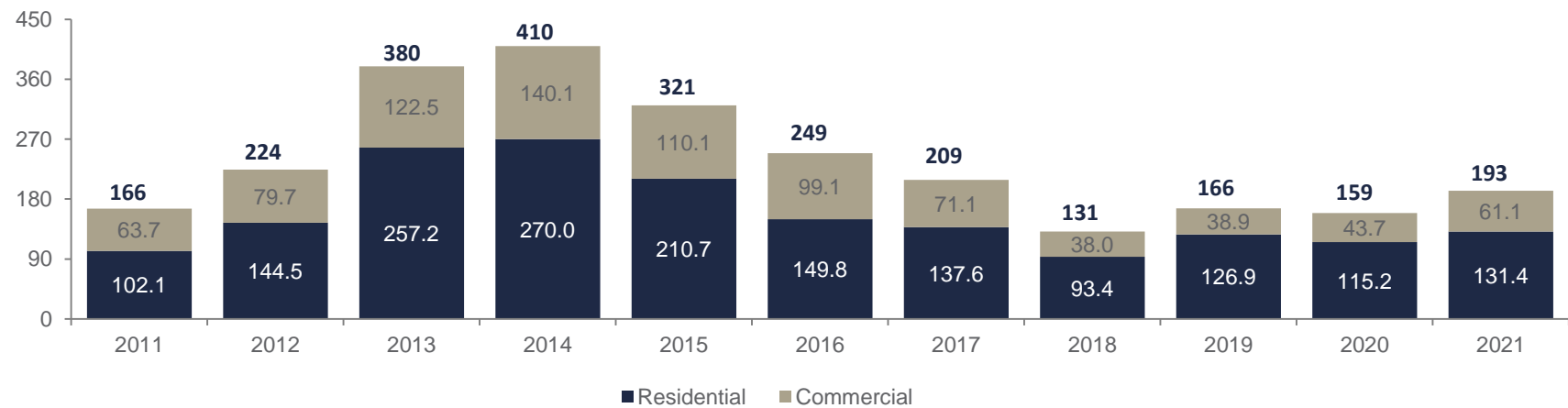
- Chronic under supply of residential housing.
- MoMRAH estimates suggest that the Kingdom has the requirement for an additional 1.2 million homes by 2030.
- Low home ownership penetration among Saudis, was reported at 60% in 2020 and is expected to reach 62% by 2025.
- 70% target as part of Vision 2030 for home ownership penetration.
- His Royal Highness, The Crown Prince, announced recently that the demand expectations for housing over the next 10 years to exceed 4 million units.

Government Support



- 15% VAT has been scrapped for the sector and replaced by a 5% Transaction tax.
- On-going MoMRAH Sakani program for low income households continues to honor existing participants & new participants.
- REDF support through interest free mortgages.
- SRC adding liquidity to the mortgage market.
- Banks continue the support of mortgage provision.
- Residential real estate finance provided for individuals by banks increased by 58% year-on-year (YoY) to SAR 13.12 billion in June.

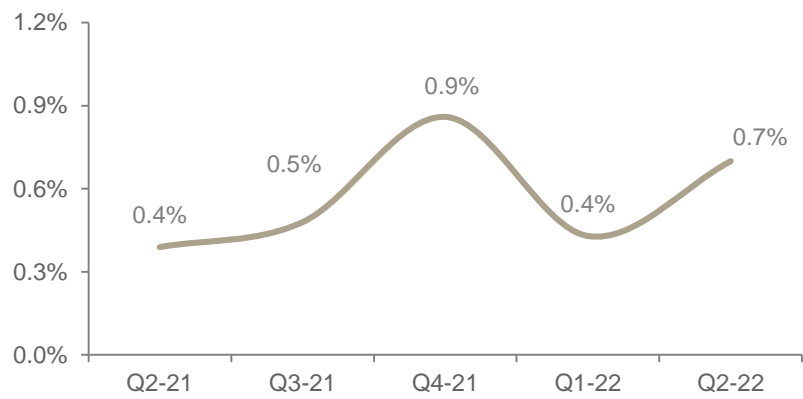
Residential deals rose 27% year-on-year (YoY) to SAR 13.15 billion and value of Commercial deals increased by 60% YoY to SAR 8.87 billion



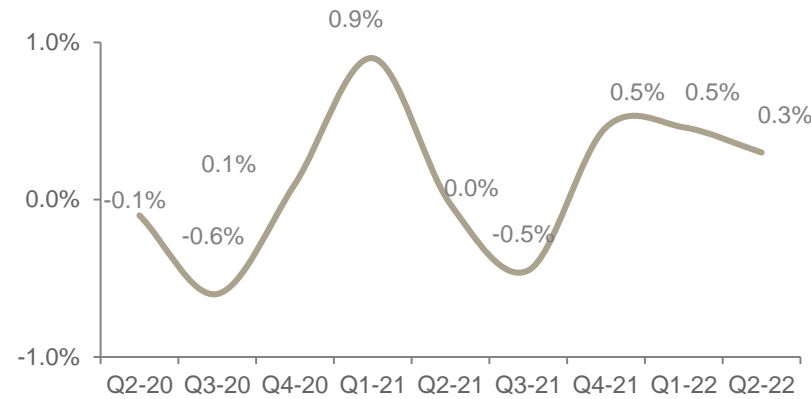
Value of Real Estate Transactions in KSA (SAR bn)

The Real Estate Price Index continues its positive momentum YoY in Q2 2022 with Plots leading the way

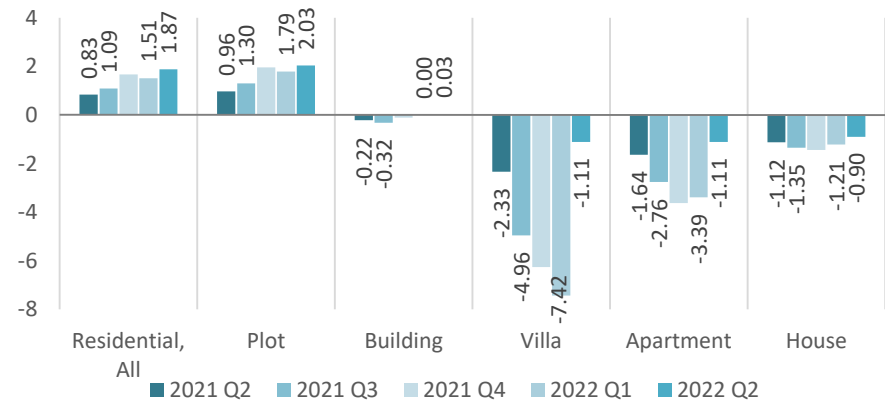
KSA Real Estate Price Index (YoY)



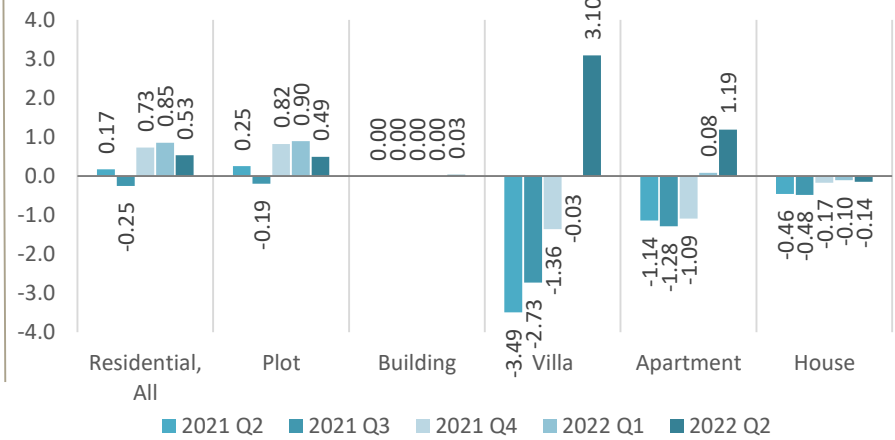
KSA Real Estate Price Index (QoQ)



Residential Real Estate Price Index by Type (YoY%)



Residential Real Estate Price Index by Type (QoQ%)



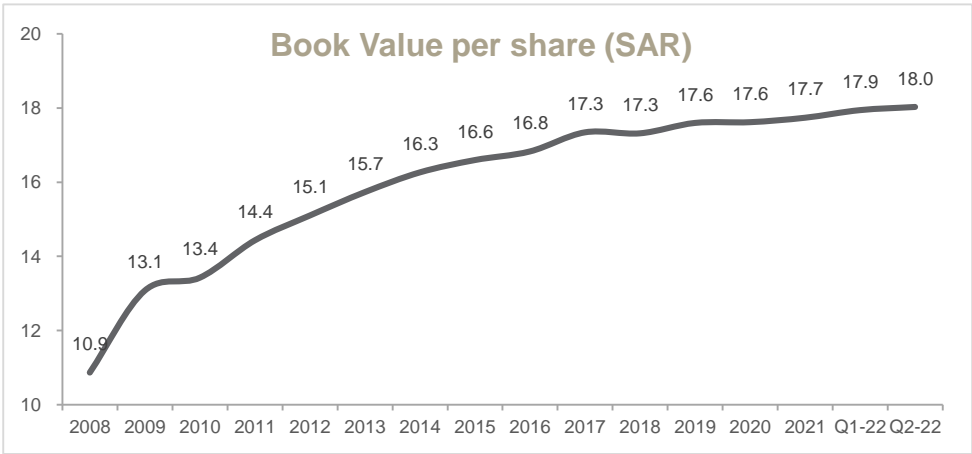
2 | KEY BUSINESS INDICATORS OVERVIEW

Revenues (LTM) 86.6%	EBITDA (LTM) 54.8%	Investment In Development Properties (LTM) 3%
SAR 3,668 mn	SAR 1,199 mn	SAR 1,662 mn
(Q2 2021 : SAR 2,010 mn)	(Q2 2021 : SAR 771 mn)	(Q2 2021 : SAR 2,695 mn)
Cash And Bank	Gross Debt/ Capitalization	Book Value Per Share
SAR 4,636 mn	29%	SAR 18.0
(Q2 2021 : SAR 4,299 mn)	(Q2 2021 : 35%)	(Q2 2021 : SAR 17.7)

Strong Financial Position

DAAR maintains a strong balance sheet with SAR 8.7 billion in cash and receivables against gross debt of SAR 7.8bn. Cash balance is sufficient to meet all operating expenses and debt maturities for the next two years.

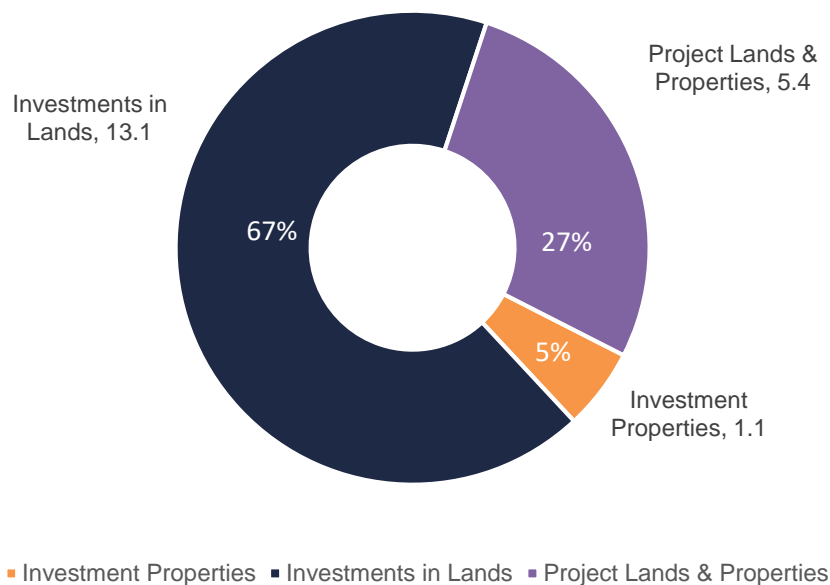
Despite carrying assets at cost, the 66% rise in book value of shares over last 14 years is reflective of the company's rising financial strength.



Dar Al Arkan Real Estate Assets

- DAAR's Real Estate assets portfolio at cost is SAR 19.56 bn.

Real Estate Properties Break up - SAR bn

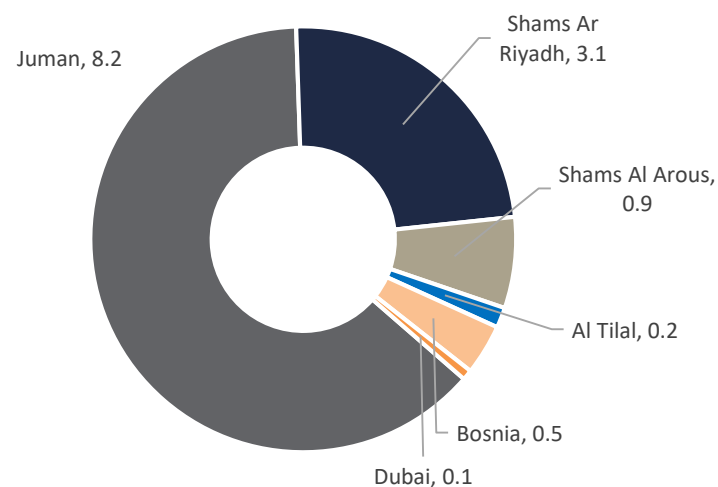


**Project Lands & Properties along with Investments in Lands are clubbed together as "Development Properties" in financial statements.*

- Real Estate Properties are carried at historical cost.

- DAAR has a strong pipeline of projects across the Kingdom, UAE and Europe totaling 13.0 mn sqm.

Total Land Area - SQM

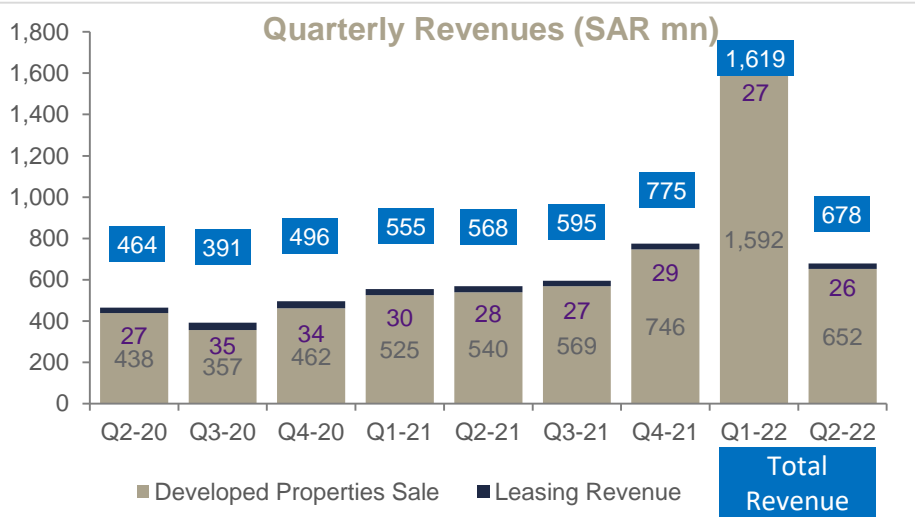


**DAAR holds 18% share in Juman*

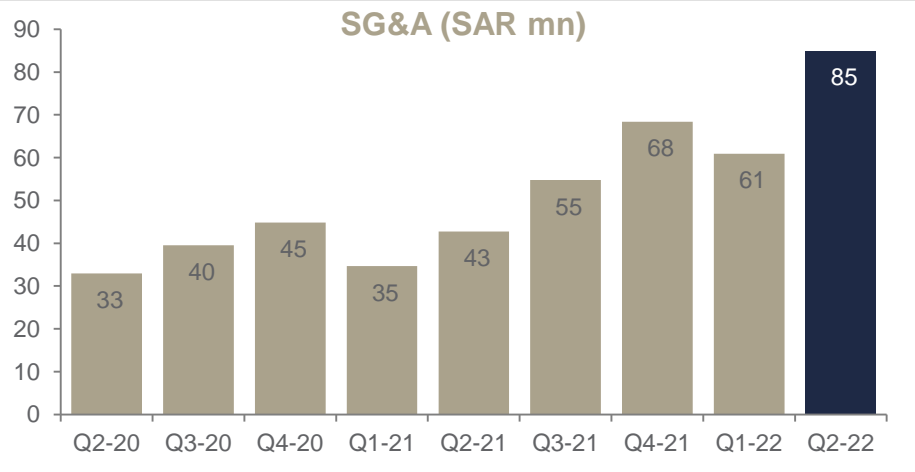
- DAAR's strategy is to increase retail sales with the objective of generating superior margins.
- DAAR is developing residential plots, villas, apartments and commercial mix-use properties and offered for sale.
- Shams Ar Riyadh and Urban Oasis Dubai are offered under off-plan sales program for which revenue recognition commenced in current year only.

3 | FINANCIAL PERFORMANCE OVERVIEW

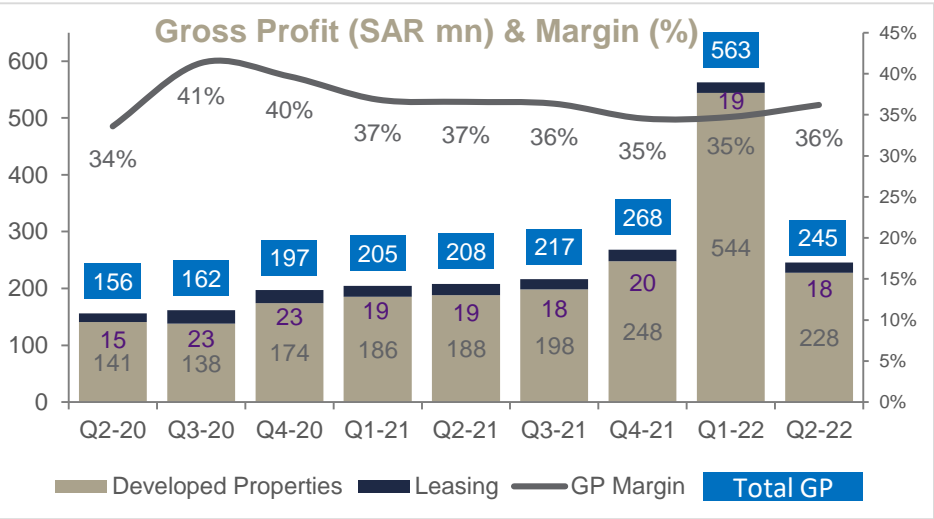
Financial Performance – Q2 2022 Profitability



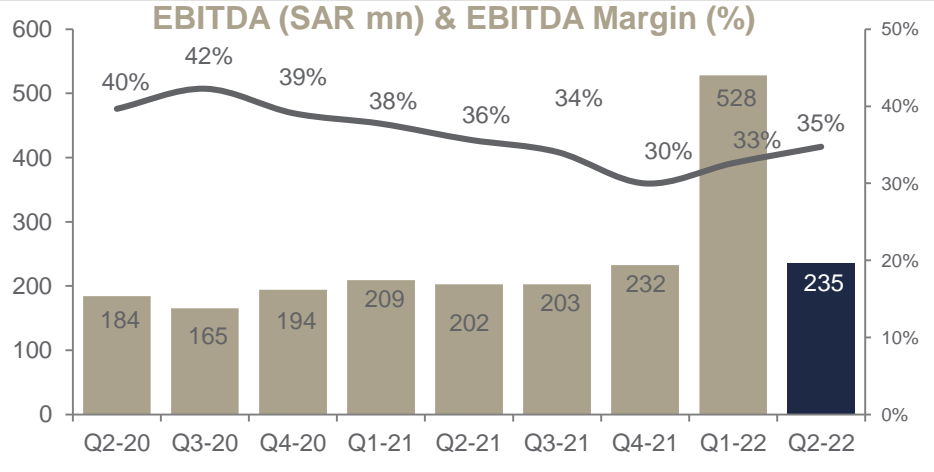
■ Q2 2022 revenues increased by 19% YoY though decreased by 58% QoQ mainly due to lower bulk land sales and due to higher revenue recognition in Q1 2022 from off-plan sales projects (Shams Ar Riyadh and Urban Oasis Dubai).



■ Q2 2022 SG&A increased materially by 39% QoQ and by 99% YoY. This increase is attributable to increase in marketing and selling expenses, professional fees and maintenance expenses.



■ Q2 2022 gross profit increased by 18% YoY, however decreased by 56% QoQ in absolute terms due to lower property sales. Whereas, GP margins improved slightly compared to previous quarter.

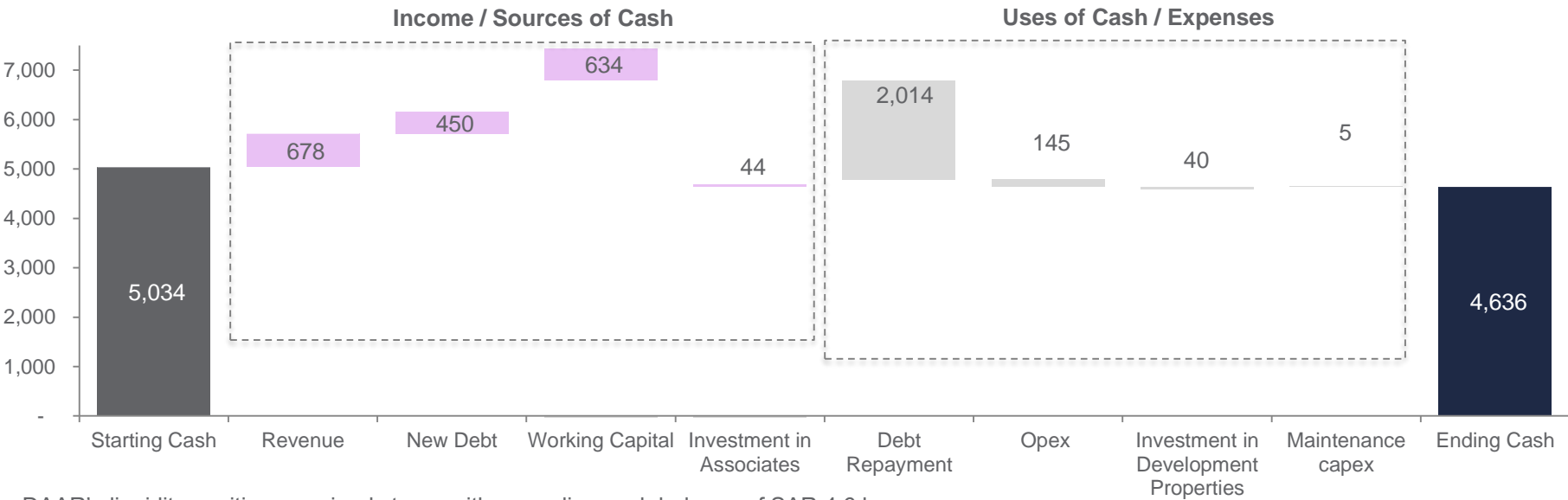


■ Q2 2022 EBITDA increased by 16% YoY and reduced by 55% QoQ in absolute terms mainly due to lower sales compared to Q1 2022.

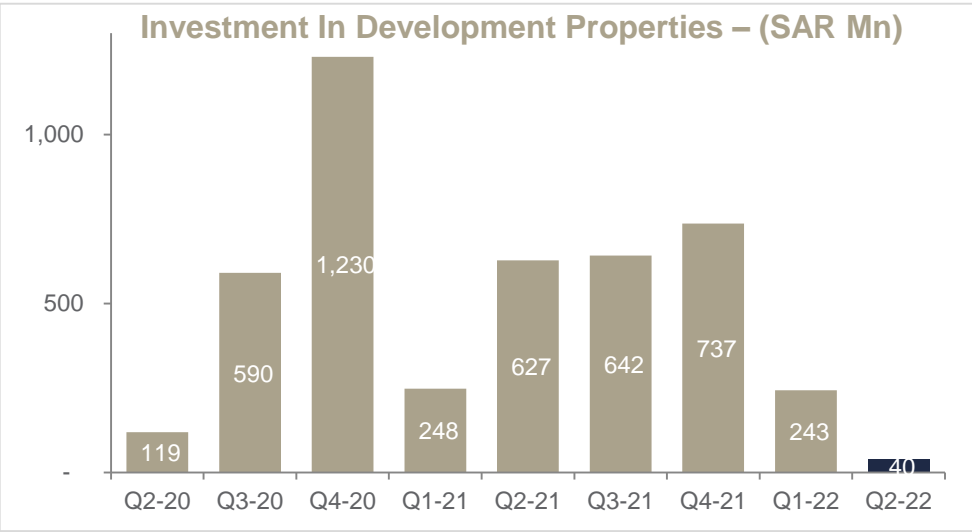
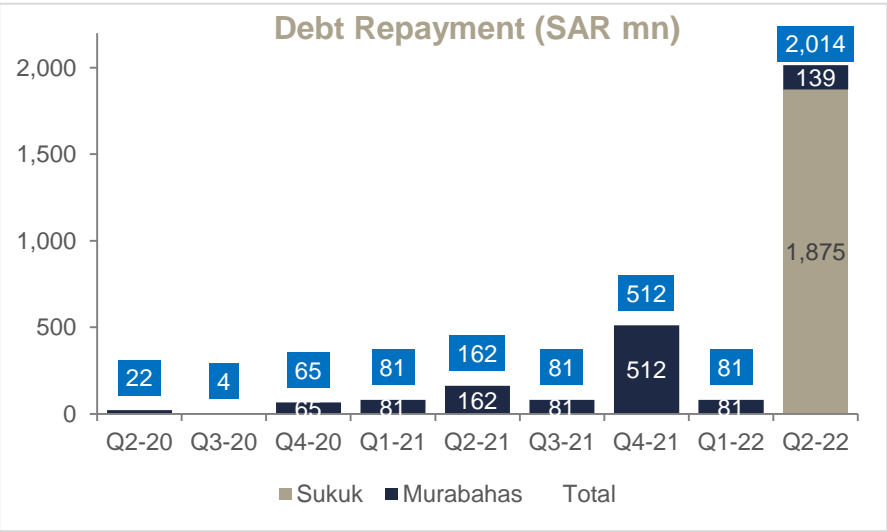
■ EBITDA margin improved by 2% QoQ but declined by 1% YoY mainly due to increase in SG&A costs.

Financial Performance – Q2 2022 Cash Flow

Cash Flow – Q2 2022 (SAR mn)

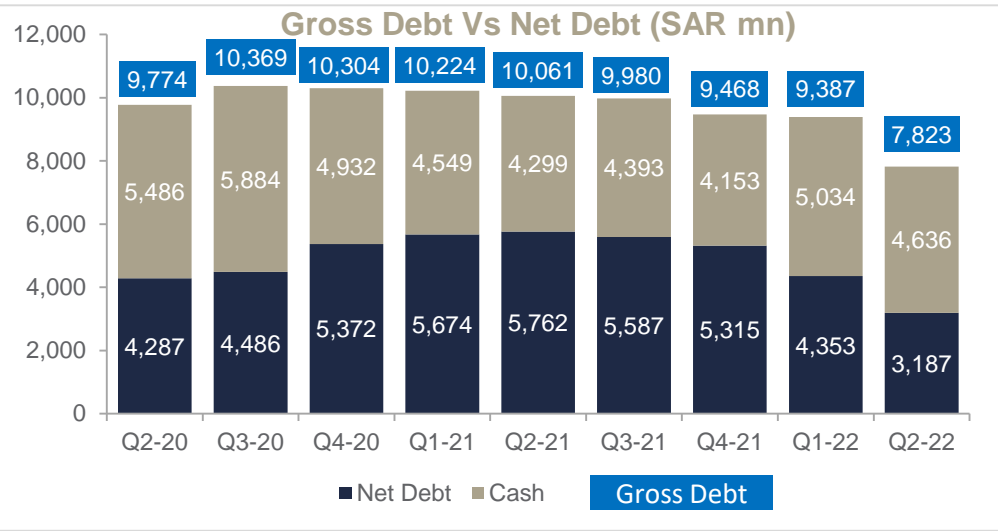


- DAAR’s liquidity position remained strong with an ending cash balance of SAR 4.6 bn.
- Strong cash position and revenue allows DAAR to continue opportunistic and discretionary investment in development properties.

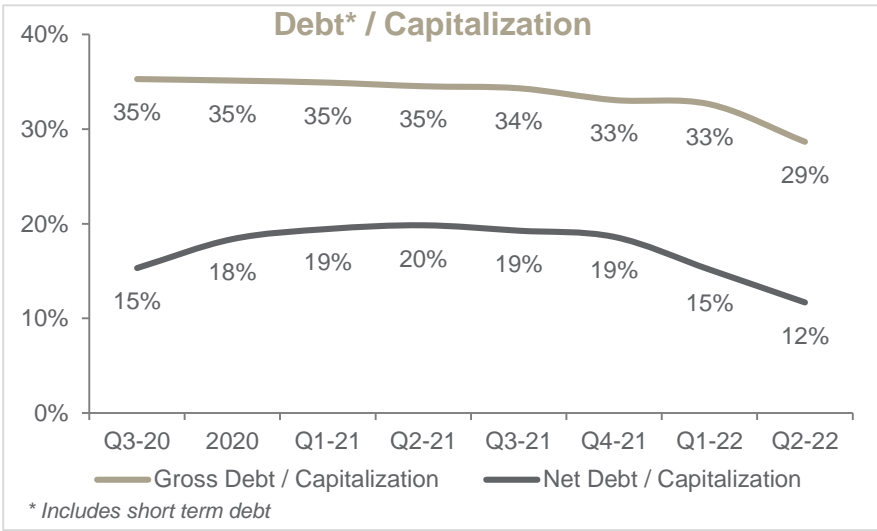


- Sukuk of SAR 1.87 bn was redeemed in Q2 2022.
- Invested SAR 1.7 bn over last 12 months to replenish the Development Properties.

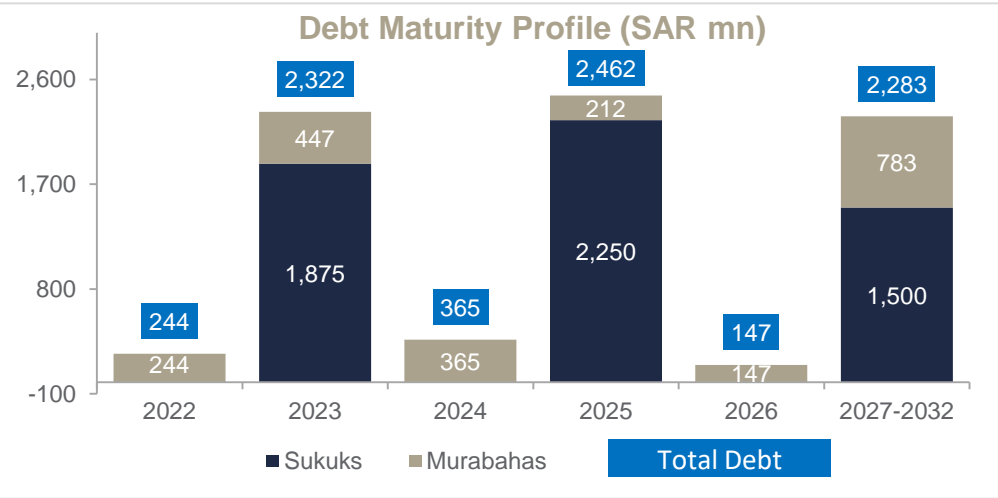
Financial Performance – Q2 2022 Debt



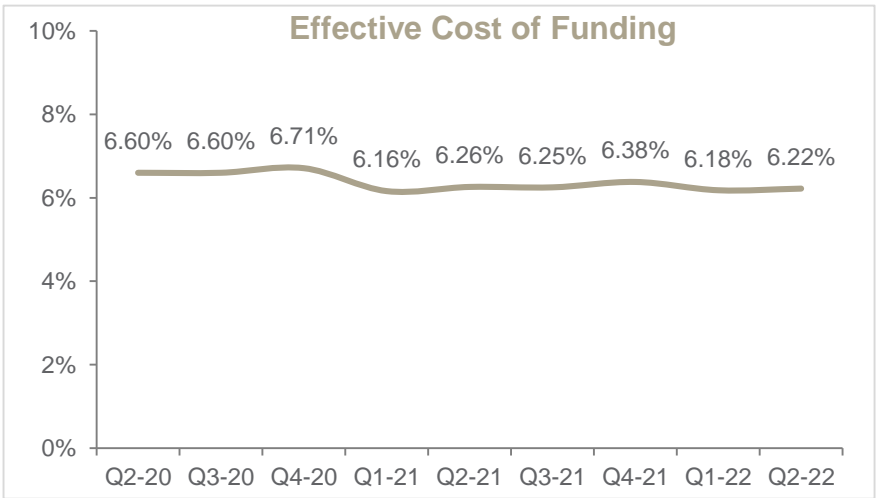
- Reduction in gross debt due to scheduled repayments of Murabaha facilities and redemption of a Sukuk in April 2022. The above chart does not include the impact of SAR 1.5 billion Sukuk issued in July 2022.



- Net debt ratio improved in Q2 2022 and remained significantly below 20%.



- Maturities are well spread over the next ten years and will allow for prudent investment & cash management.
- Post issuance of SAR 1.5 billion Sukuk in July 2022 results into a pro-forma cash balance of SAR 6.1 billion that can fully cover repayments till end of 2026.



- Cost of funding increased slightly but remained below 6.5%.

4 |

OVERVIEW OF ASSETS PORTFOLIO

Shams Ar Riyadh – Key Facts



Location

- Situated in the Al-Ammariyah district (King Khalid Road), part of the growing northwest corridor of Riyadh, Shams Ar Riyadh is close to the heart of the city and is located just 19 km from KKI Airport and 9 km from King Abdullah Financial Center.

Project Progress

- 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).
- Upon receiving approval from WAFi for off-plan sales, DAAR started launching various zones from Q2 2018. Currently all zones are approved and DAAR successfully launched sales for four zones.
- Infra works on zones 4A and 4B have been 100% completed whereas works on other zones are more than 50% complete and progressing steadily and are expected to complete as per commitments.

YTD Off-plan Sales Status

Particulars	Unit	Zone 1	Zone 3	Zone 4A	Zone 4B	Zone 5	Total
Salable Area	Sqm '000	510	270	502	257	383	1,921
Launch Date		Q3 2020	Q2 2020	Q1 2020	Q2 2018	Q4 2020	
Total Number of Plots	Number	771	491	406	208	189	2,065
Number of Plots Sold / Booked	Number	771	491	406	208	189	2,061
Booked/Sales Agreement in Process	SAR mn	487	346	958	217	1,502	3,510
Executed Contract Sales	SAR mn	1,237	522	777	411	233	3,180
Revenue Recognized	SAR mn	NIL	NIL	391	243	NIL	634

Residential & Commercial Development Projects

Bosnia Projects



- The site is situated in Ravne, Vareš, 38 km outside Sarajevo, Capital of Bosnia & Herzegovina.
- The largest single real estate development project in the country.
- The project aims to provide low-Rise residential holiday villas, commercial area, hotel and recreational facilities.
- Total project land area is around 500k sqm.
- Municipal and federal approval for the development have been obtained.
- Almost 55% of the total units have been launched for booking and project has seen good response from investors so far.

YTD Off-plan Sales Status:

Gross Land	539k sqm
Total Plots	476
Released Plots	263
Plots Sold/Booked	93
Booked Sales	SAR 20 mn

Jeddah Projects



- Shams Al Arous is a master-planned, best in class integrated community project in the Jeddah city area.
- The site is located to the east of Jeddah, about 5 km from the intersection of Palestine road and Al-Harmain road.
- It features an array of residential and mixed-use buildings, in addition to schools, commercial centers, beautifully landscaped green spaces, government offices and mosques.
- Project is divided into 4 zones and complete with a retail strip to offer amenities and serve the community.
- Phase 1 of this project was launched officially in Q1 2021. 50% of the onsite construction works were completed by the end of 2021.

YTD Off-plan Sales Status:

Gross Land	863k sqm
Total Plots	865
Released Plots	234
Plots Sold/Booked	234
Booked Sales	SAR 347 mn

Eastern Province Projects



- Juman project is strategically located in the Eastern Province overlooking the shores of the Arabian Gulf.
- 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.
- Phase 1, over an area of approximately 3 mn sqm consisting of very shallow reclamation development for a resort is planned.
- In Q3 2021, the concept design was presented to the Eastern Province Development Authority and awaiting approval to proceed.

Key Facts:

Land Area	8,200k sqm mixed use land
DAAR Role	Master Developer
DAAR Holding	18% in JV

Urban Oasis Tower, Dubai



- The Urban Oasis Tower is located in the Business Bay area of Dubai, with a development value of SAR 896 mn.
- It is a 34 storied tower and currently co-branded with Missoni.
- Launch of sales of the project started in Q4 2017 in Dubai, followed by January launch in KSA.
- 93% of the units have been launched, 95% of which have been sold on off plan.
- Forecasted project completion is Q4-2023. Exterior structure of 34-storey tower has already been completed.
- Revenue recognition for this project has commenced in 2022 as per IFRS 15.

YTD Off-plan Sales Status:

Saleable (GFA)	44,000 sqm
Total Units	457
Units Released for Sale	422
Units Sold	400
Booked Sales	SAR 678 mn

Residential & Commercial Development Projects

Dar Al Arkan Pagani Tower, Dubai



- The Dar Al Arkan Pagani Tower is a residential building in Downtown Dubai with interiors designed by Pagani and having a development value of SAR 990 mn.
- It is strategically located along the canal part of Business Bay district in Downtown Dubai. It overlooks the world's tallest building Burj Khalifa and is a stone throw away from Marasi Business Bay.
- The tower is a true geometric symphony of perfection comprised of 3 basement levels, a ground floor and 19 floors of residential masterpieces.
- Launch of the project was made in December 2021 in Dubai and project has seen good response from investors so far.

YTD Off-plan Sales Status:

Saleable (GFA)	21,000 sqm
Total Units	88
Units Released for Sale	33
Units Sold/Booked	13
Booked Sales	SAR 115 mn

W Residences, Dubai



- The W Residences is a residential building in one of the most prominent and affluent neighborhoods in the world, Downtown Dubai with a total development value exceeding SAR 1 bn.
- It is a distinct residential tower strategically located by Business Bay, where Dubai's major landmarks are your natural view.
- It offers superlative amenities that features a clubhouse, guest suites, a cutting-edge fitness center, a communications space with a private cinema, game room, business offices with co-working space and meeting rooms, an infinity outdoor pool, and a colossal terrace with a lounge area, dining area, and a walk track.
- Launch of the project was made in early 2022 in Dubai and majority of units have already been booked.

YTD Off-plan Sales Status:

Saleable (GFA)	36,000 sqm
Total Units	376
Units Released for Sale	376
Units Sold/Booked	370
Booked Sales	SAR 999 mn

Aida, Oman



- In Dec 2021, Dar Al Arkan signed an MOU with Omran to develop a 3.5 mn sqm site part of the hilltop site of Yitti & Yenkit, Muscat with a total development value of SAR 6 bn.
- The project will comprise 750,000 sqm of mixed use GFA.
- Residential assets form the bulk of the program at 92% with high end hospitality at 6% and a supporting segment of retail.
- The project will be phased over 10 years with a plan to launch one phase per year.
- Discussion on design for the project is currently underway.

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.
- Mostly catered to MOH beneficiaries. The booking and handing over of apartments is steadily progressing

Naeem Al Jiwar



- 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.
- Project is now fully completed and the units available for sale are fully sold out.

Buraidah Hills



- Located in Buraidah city of Al-Qassim province, Buraidah Hills is a residential community comprised of high end villas, residential units and designer plots.
- Authentic community engulfed by premium amenities
- Series of different plot sizes, all of which equipped with the highest quality infrastructure
- Also provides recreational activities, such as, commercial spaces, schools, markets, mosques, green spaces, gardens, walk ways & bike paths.
- 405 units have been released and 387 units have already been booked amounting to SAR 119 mn.

Dar Al Mashaer



- Located in holy city of Mecca on the Al Aziziyah Road and spread across 6,300 sqm land area, a mere 8 minutes drive from Al Haram.
- Comprised of 7 towers housing 314 elegant apartments and 6 penthouses with state of art amenities.
- The project offers 24 hours security, a children's play area and separate gym for men and women.
- Provides array of shopping experiences, from supermarkets to exclusive stores to cafes.
- Refurbishment is ongoing and is expected to be complete by Q4-2022.
- 174 Apartments have been released for bookings and 116 apartments have been booked so far amounting to SAR 204 mn.

Al-Qasr Mall, Riyadh

Land Area	61,949 m²
Built up Area	220,202m²
Gross Leasable Area	75,714 m²
No. of floors	3 Leasable Floors plus two parking
Parking	1,579 Parking Spaces

Latest Activity:

- 89% occupancy achieved.
- Ice-Skating Rink and Ninja Obstacle Course along with surrounding F&B units of approximately 10,000 m² being developed to offer unmatched experience and adventure for kids of all ages.
- Sala Entertainment Co. has signed up for largest Billy Beez venue in Qasr Mall covering an area of 3,188 m².



Al-Qasr Apartments, Riyadh

GLA	126,833 m²
Apartments	800

Latest Activity:

- 91% leased.



5 |

APPENDIX

Appendix I – Statement of Financial Position

SAR in 000s	FY 2019	FY 2020	FY 2021	Q2 2021	Q2 2022
Investment properties, net	1,651,357	1,519,116	1,110,414	1,131,123	1,091,780
Long-term development properties	16,895,604	18,246,583	19,285,287	18,787,130	18,299,050
Property and equipment, net	79,765	72,180	77,653	78,204	75,953
Investment in associates and joint ventures	1,154,506	1,173,547	1,195,144	1,182,164	1,016,826
Investment in financial assets	0	0	0	0	210,000
Other assets	1,501	492	0	0	0
Total non-current assets	19,782,733	21,011,918	21,668,498	21,178,621	20,693,609
Short-term development properties	334,950	341,860	369,682	354,183	170,874
Trade receivables and others	3,981,526	4,649,178	5,770,074	5,260,840	5,141,636
Cash and cash equivalents	3,950,020	4,931,660	4,153,426	4,298,748	4,636,217
Total current assets	8,266,496	9,922,698	10,293,182	9,913,771	9,948,727
TOTAL ASSETS	28,049,229	30,934,616	31,961,680	31,092,392	30,642,336
Borrowing-long-term maturity portion	7,326,740	9,781,391	7,039,241	7,305,346	5,433,145
End of service indemnities	21,614	21,323	22,550	21,560	24,186
Total non-current liabilities	7,348,354	9,802,714	7,061,791	7,326,906	5,457,331
Borrowing-Short-term maturity portion	405,943	436,062	2,374,182	2,685,243	2,347,081
Trade payables and others	798,779	1,232,466	3,029,444	1,668,086	2,979,599
Zakat provision	486,665	437,194	336,633	335,018	385,099
Total current liabilities	1,691,387	2,105,722	5,740,259	4,688,347	5,711,779
Total liabilities	9,039,741	11,908,436	12,802,050	12,015,253	11,169,110
Share capital	10,800,000	10,800,000	10,800,000	10,800,000	10,800,000
Statutory reserve	1,140,016	1,141,895	1,155,147	1,141,895	1,155,147
Retained earnings	7,069,472	7,084,285	7,204,483	7,135,244	7,518,079
Total shareholders' equity	19,009,488	19,026,180	19,159,630	19,077,140	19,473,226
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	28,049,229	30,934,616	31,961,680	31,092,392	30,642,336

Appendix II – Statement of Profit or Loss

SAR in 000s	FY 2020	FY 2021	H1 2021	H1 2022	Q2 2021	Q2 2022
Revenue	1,944,854	2,493,078	1,122,600	2,297,287	567,764	677,948
Cost of revenue	(1,270,204)	(1,596,350)	(710,332)	(1,489,014)	(360,035)	(432,454)
Gross profit	674,650	896,728	412,268	808,273	207,729	245,494
%	34.7%	36.0%	36.7%	35.2%	36.6%	36.2%
Operating expenses	(161,109)	(200,559)	(77,376)	(145,892)	(42,716)	(84,969)
Operating profit	513,541	696,169	334,892	662,381	165,013	160,525
%	26.4%	27.9%	29.8%	28.8%	29.1%	23.7%
Income from Associates	18,583	19,748	7,434	4,567	3,908	2,953
Depreciation & amortization	(10,223)	(11,386)	(4,865)	(5,752)	(2,157)	(2,982)
EBIT	521,901	704,531	337,461	661,196	166,764	160,496
%	26.8%	28.3%	30.1%	28.8%	29.4%	23.7%
Other income	143,361	93,888	49,574	79,542	24,890	63,434
Finance cost	(645,883)	(662,977)	(334,769)	(281,831)	(168,636)	(128,980)
PBT	19,379	135,442	52,267	458,907	23,018	94,950
%	1.0%	5.4%	4.7%	20.0%	4.1%	14.0%
Zakat	(585)	(2,922)	(1,307)	(145,311)	(576)	(2,372)
Net Income	18,794	132,520	50,959	313,596	22,442	92,578
%	1.0%	5.3%	4.5%	13.7%	4.0%	19.7%
EBITDA	720,490	846,832	411,726	763,604	202,423	235,459
%	37.0%	34.0%	36.7%	33.2%	35.7%	34.7%

Appendix III – Statement of Cash Flows

SAR in 000s	FY 2019	FY 2020	FY 2021	H1 2021	H1 2022
Profit before Zakat	312,389	19,379	135,442	52,266	458,907
Adjustments for:					
Depreciation & Amortization	55,653	56,237	48,905	25,183	22,866
Provision for expected credit losses	2,000	2,516	4,453	1,939	0
End of service indemnities	4,313	3,884	4,557	2,095	3,975
Gain on disposal of investment in associates	0	0	0	0	(40,378)
Finance costs	478,418	645,883	662,977	334,769	281,831
Share of net profit from associates and joint ventures	(7,885)	(18,583)	(19,748)	(7,434)	(4,567)
Operating cash flow before WC movements	844,888	709,316	836,586	408,818	722,634
Development properties – net	(2,732,963)	(1,269,370)	(694,309)	(184,240)	1,188,596
Trade receivables and others	757,351	(670,168)	(1,125,349)	(613,601)	628,438
Trade payables and others	(86,576)	433,687	1,786,706	425,348	(51,313)
Cash from operations	(1,217,300)	(796,535)	803,634	36,325	2,488,355
Finance costs	(445,309)	(608,809)	(630,945)	(318,752)	(269,074)
Zakat paid	(77,962)	(50,056)	(103,483)	(103,483)	(96,845)
End of service indemnities paid	(2,145)	(6,277)	(2,400)	(1,858)	(2,339)
Cash flow from operating activities	(1,742,716)	(1,461,677)	66,806	(387,768)	2,120,097
Investment in associates	(320,000)	(458)	(1,849)	(1,183)	(73,854)
Proceeds from disposal of investment in associates	0	0	0	0	87,117
Investment properties	(3,246)	(1,282)	(542)	(463)	(2,031)
Purchase of property and equipment (net)	(6,293)	(2,639)	(6,587)	(617)	(2,584)
Net cash flow from investing activities	(329,539)	(4,379)	(8,978)	(2,263)	8,648
Long term borrowings	1,118,784	2,447,696	(836,062)	(242,882)	(1,645,954)
Net cash flow from financing activities	1,118,784	2,447,696	(836,062)	(242,882)	(1,645,954)
Increase / (decrease) in cash and cash equivalents	(953,471)	981,640	(778,234)	(632,913)	482,791
Cash and cash equivalents, beginning of the period	4,903,491	3,950,020	4,931,660	4,931,660	4,153,426
Cash and cash equivalents, end of the period	3,950,020	4,931,660	4,153,426	4,298,747	4,636,217

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