

DAR AL ARKAN

دار الأركان

Investor Presentation

Q3 2022



DAR AL ARKAN

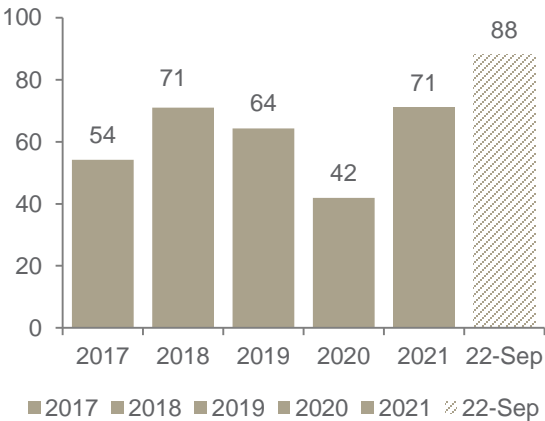
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1 | MACRO ECONOMIC OVERVIEW & KSA REAL ESTATE MARKET

2021 saw a return to growth that has accelerated in 2022

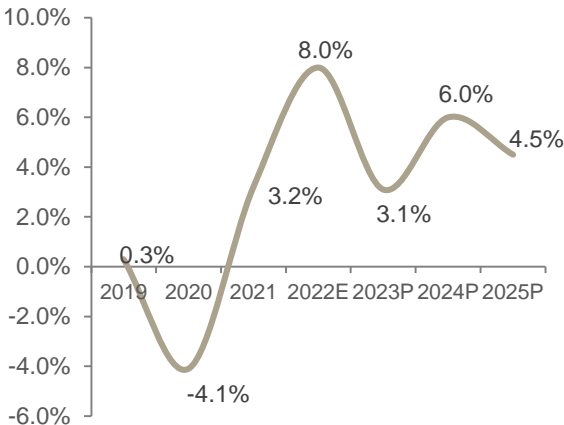
Average Brent Oil Prices



Source: Statista

- Brent oil price stood at \$88.90 as of 30 Sep 2022.
- Brent oil price averages \$88.22 for the month of Sep 2022 down from \$95.97 in previous month and increase from \$72.80 in Sep 2021.
- 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.

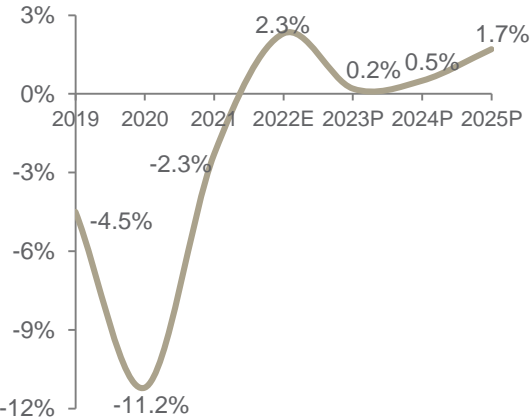
GDP Growth to Accelerate in 2022



Source: Ministry of Finance

- 2022 GDP growth is expected to grow to 8.0% before moderating to 3.1% in 2023 and increasing to 6.0% in 2024 according to pre budget statement released by Ministry of Finance.
- The Saudi real GDP jumped by 8.6% year-on-year (YoY) in the third quarter of 2022, while compared to the same quarter of 2021. Whereas, the real GDP increased by 2.6% in Q3-2022 compared to Q2-2022.
- This economic growth was mainly driven by a significant increase in oil activities of 14.5% YoY and 5.8% QoQ. Whereas, non-oil activities raised 5.6% YoY and 0.2% QoQ.
- Saudi Arabia will maintain its position as the fastest growing economy among the G-20 countries despite the turmoil caused by rising inflation and soaring interest rates across the globe, according to the IMF.

Deficit Turns to Surplus in 2022

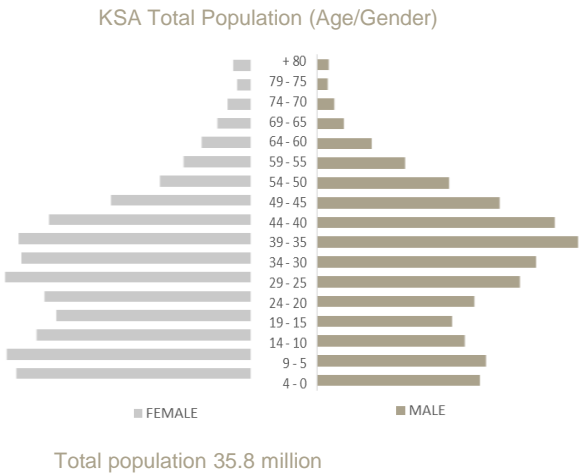


Source: Ministry of Finance

- 2021 ended with a fiscal deficit of SAR 73 billion or -2.3% of GDP, a notable recovery from the abnormal -11.2% levels of 2020.
- As per Ministry of Finance, Saudi Arabian economy posted a budget surplus of SAR 149.5 billion in 9M2022, that is 167% 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



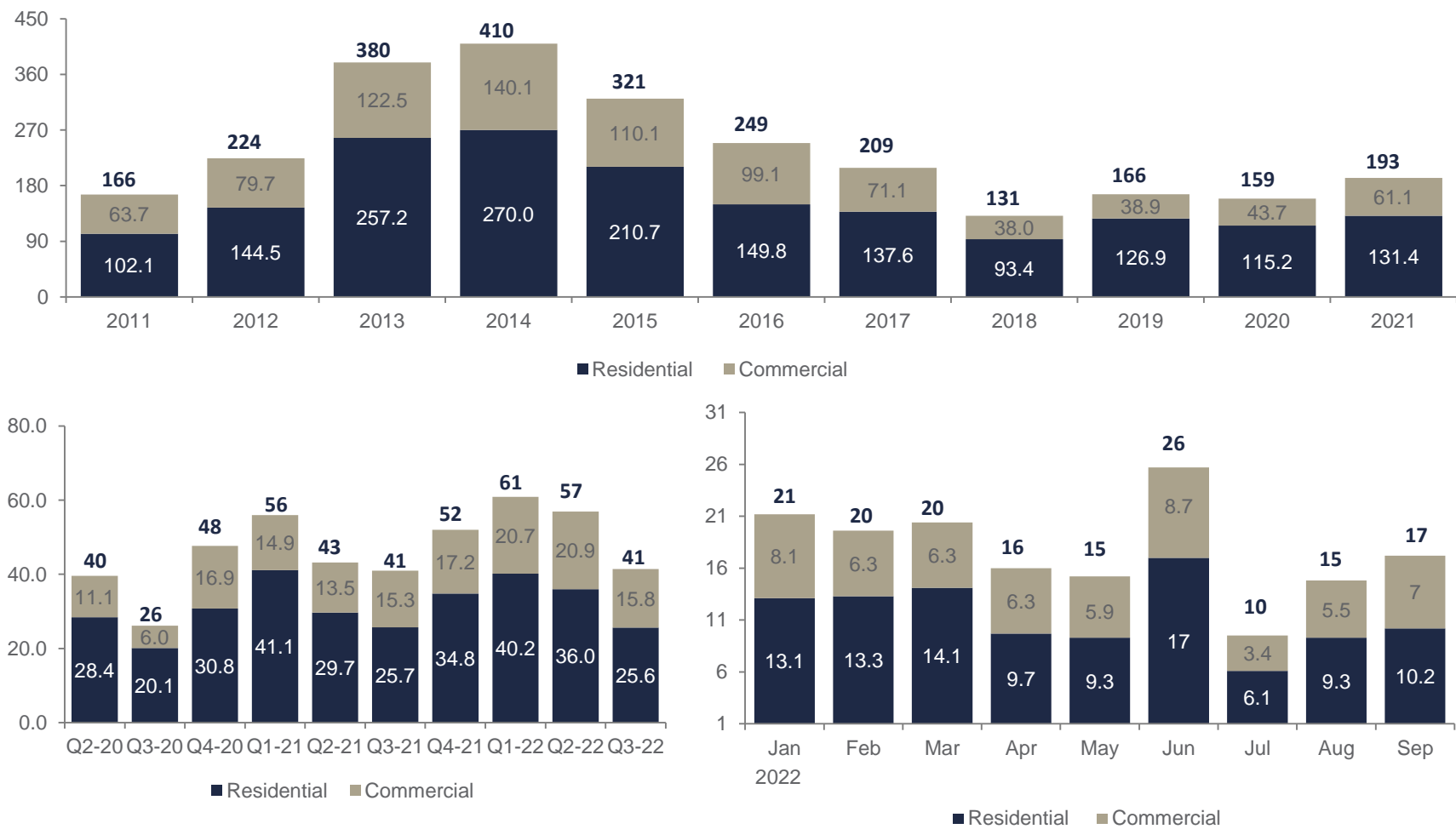
- Chronic under supply of residential housing.
- MoMRAH estimates suggest that the Kingdom has the requirement for an additional 1.2 million homes by 2030.
- Low home ownership penetration among Saudis, was reported at 60% in 2020 and is expected to reach 62% by 2025.
- 70% target as part of Vision 2030 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 in Saudi Arabia fell by 17% YoY to SAR 9.93 billion in September.

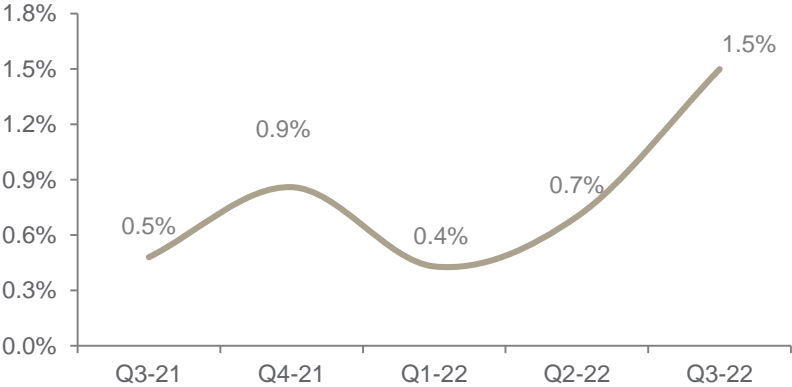
Residential & Commercial deals rose 14% (YTD) an increase of SAR 19 billion



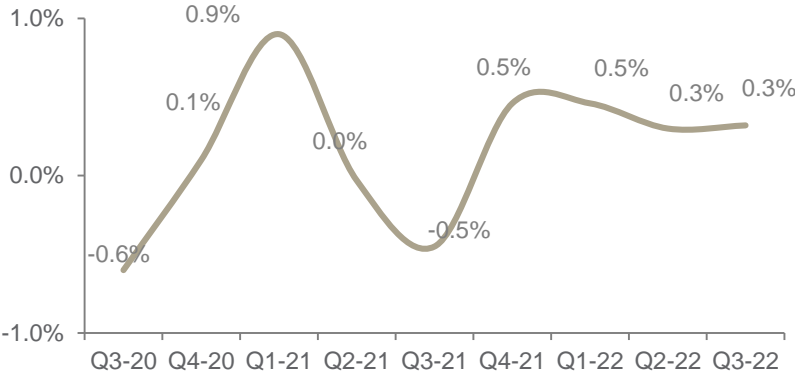
Value of Real Estate Transactions in KSA (SAR bn)

The Real Estate Price Index continues its positive momentum YoY in Q3 2022

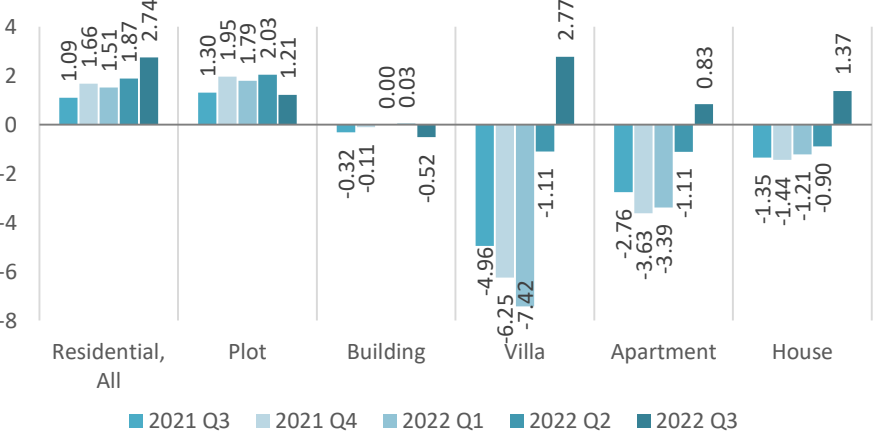
KSA Real Estate Price Index (YoY)



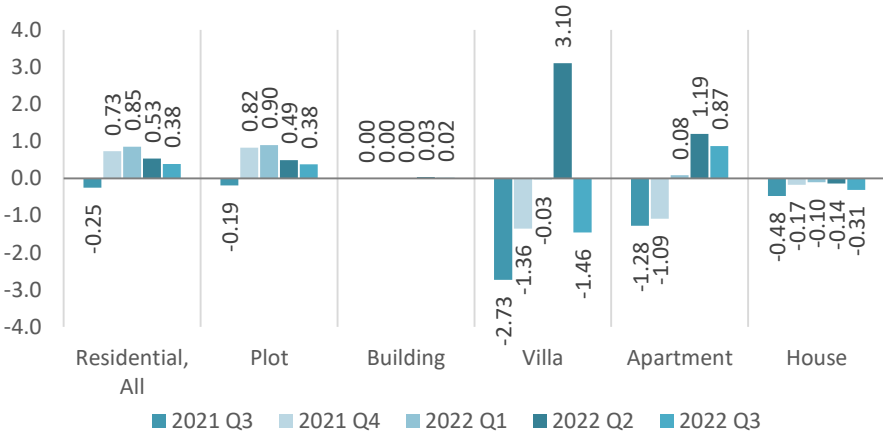
KSA Real Estate Price Index (QoQ)



Residential Real Estate Price Index by Type (YoY%)



Residential Real Estate Price Index by Type (QoQ%)



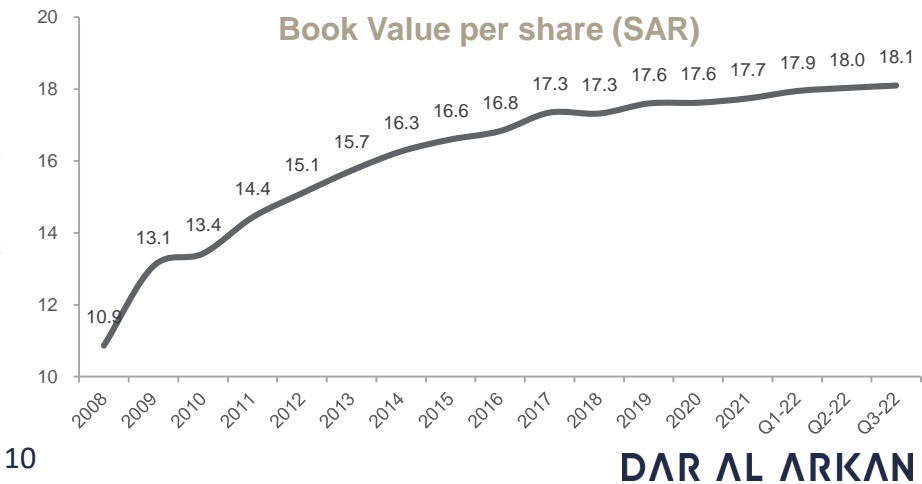
2 | KEY BUSINESS INDICATORS OVERVIEW

Revenues (LTM) 72.3%	EBITDA (LTM) 56.3%	Investment In Development Properties (LTM) 8%
SAR 3,815 mn	SAR 1,264 mn	SAR 2,967 mn
(Q3 2021 : SAR 2,214 mn)	(Q3 2021 : SAR 809 mn)	(Q3 2021 : SAR 2,747 mn)
Cash And Bank	Gross Debt/ Capitalization	Book Value Per Share
SAR 6,608 mn	35%	SAR 18.1
(Q3 2021 : SAR 4,393 mn)	(Q3 2021 : 34%)	(Q3 2021 : SAR 17.7)

Strong Financial Position

DAAR maintains a strong balance sheet with SAR 9.9 billion in cash and trade receivables against gross debt of SAR 10.7bn. Cash balance is sufficient to meet all operating expenses and debt maturities for the next three years.

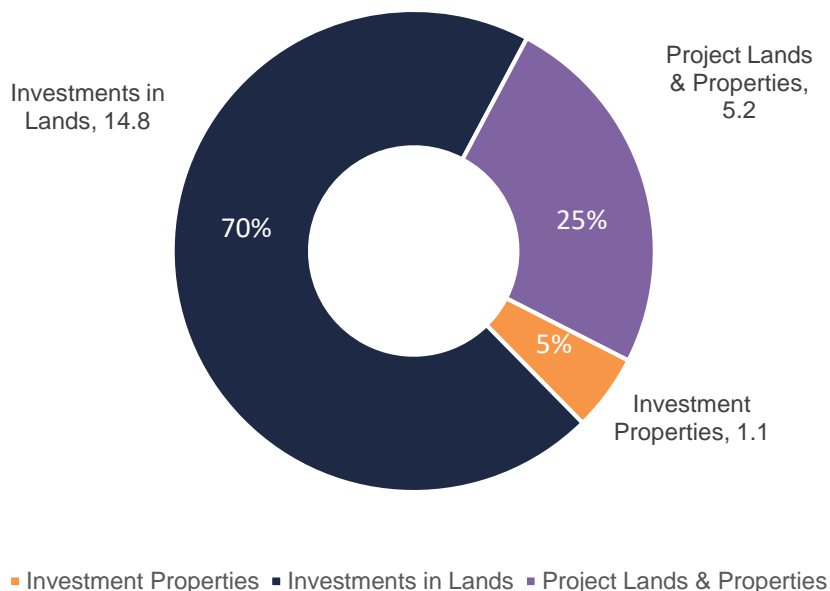
Despite carrying assets at cost, the 66% rise in book value of shares over last 14 years is reflective of the company's rising financial strength.



Dar Al Arkan Real Estate Assets

- DAAR's Real Estate assets portfolio at cost is SAR 21.1 bn.

Real Estate Properties Break up - SAR bn

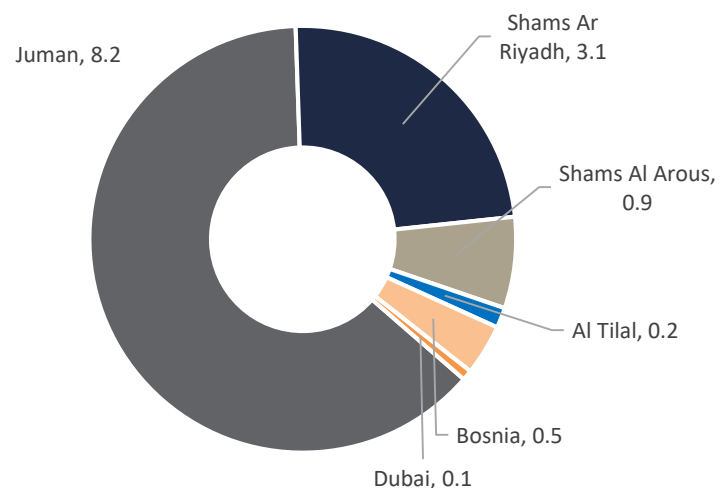


**Project Lands & Properties along with Investments in Lands are clubbed together as "Development Properties" in financial statements.*

- 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

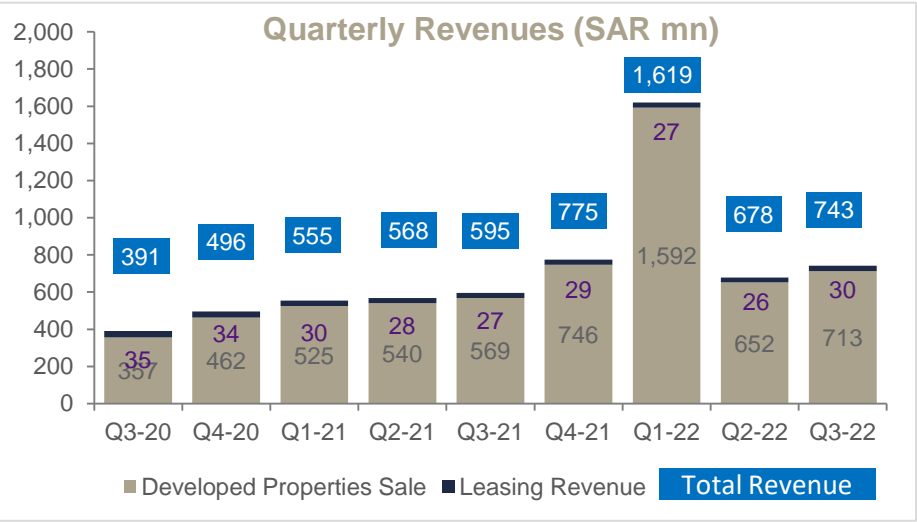


**DAAR holds 18% share in Juman*

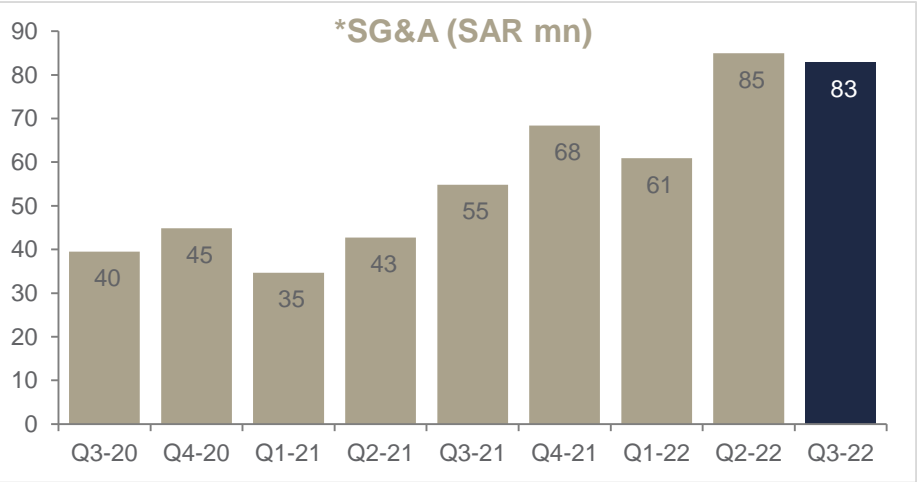
- DAAR's strategy is to increase retail sales with the objective of generating superior margins.
- DAAR is developing residential plots, villas, apartments and commercial mix-use properties and offered for sale.
- Shams Ar Riyadh, Urban Oasis and W Residence in Dubai are offered under off-plan sales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

3 | FINANCIAL PERFORMANCE OVERVIEW

Financial Performance – Q3 2022 Profitability

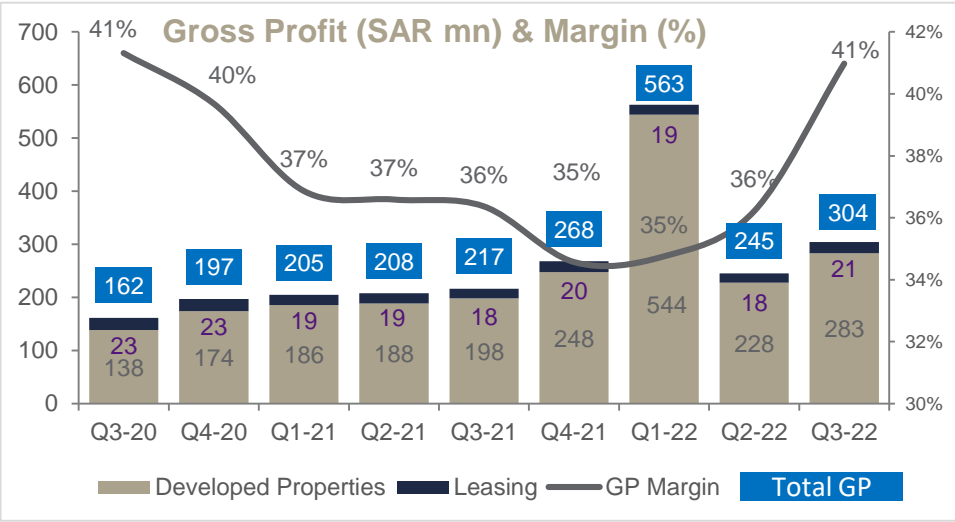


- Q3 2022 revenues increased by 25% YoY and by 10% QoQ mainly due to higher revenue recognition from off-plan sales project (Urban Oasis Dubai) and increase in leasing revenue.

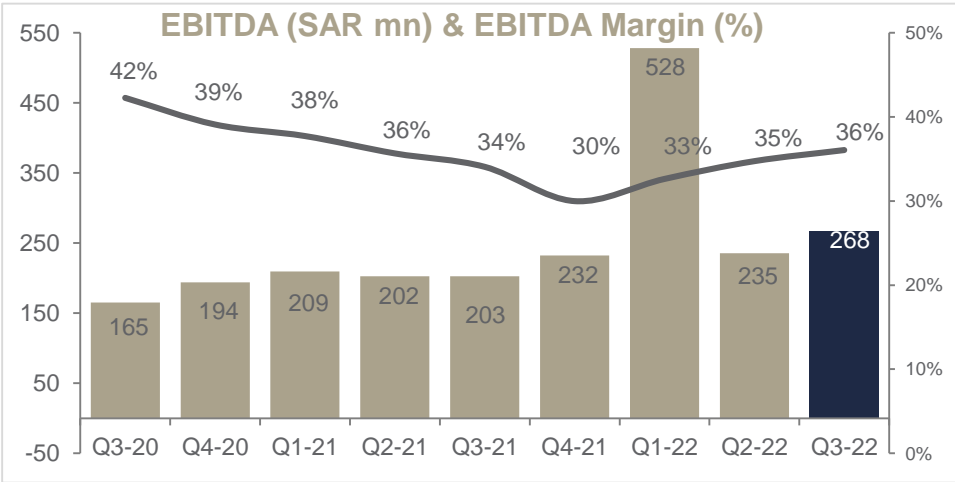


- Q3 2022 SG&A remained more or less constant QoQ but increased significantly YoY by 51%. This increase is attributable to increase in marketing and selling expenses, staff costs, professional fees and maintenance expenses.

Source: Audited or Reviewed Financial Statements



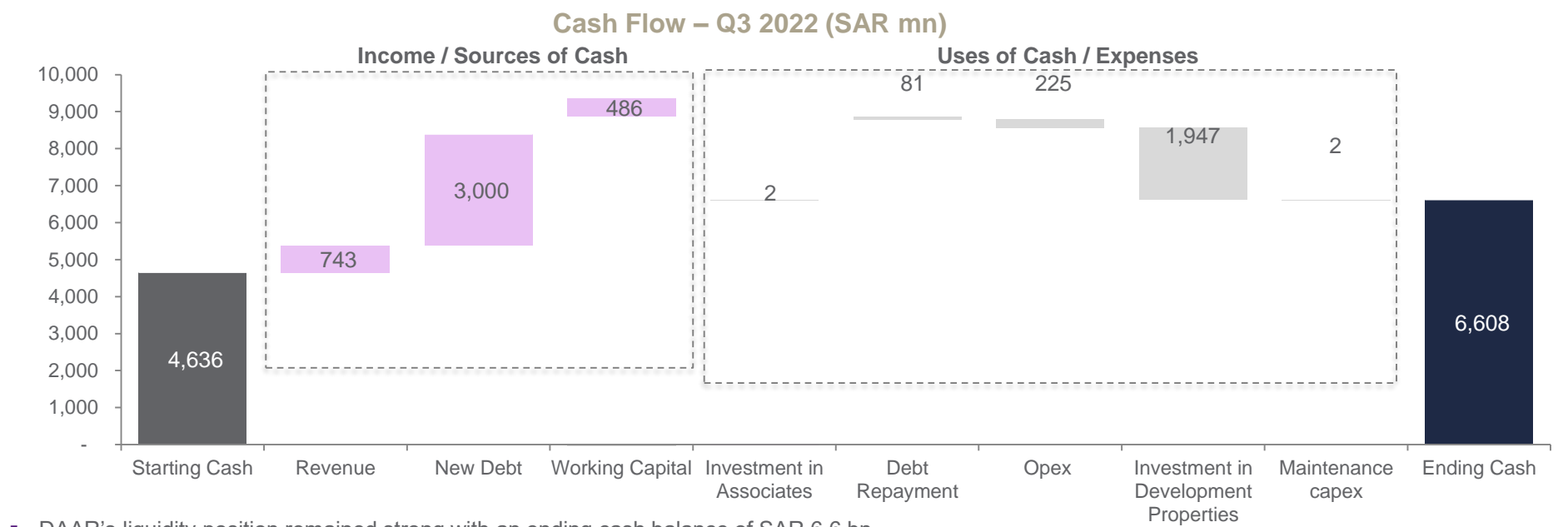
- Q3 2022 gross profit increased by 41% YoY and by 24% QoQ in absolute terms due to higher revenues. GP margins improved significantly as well due to better margin on sales of residential properties.



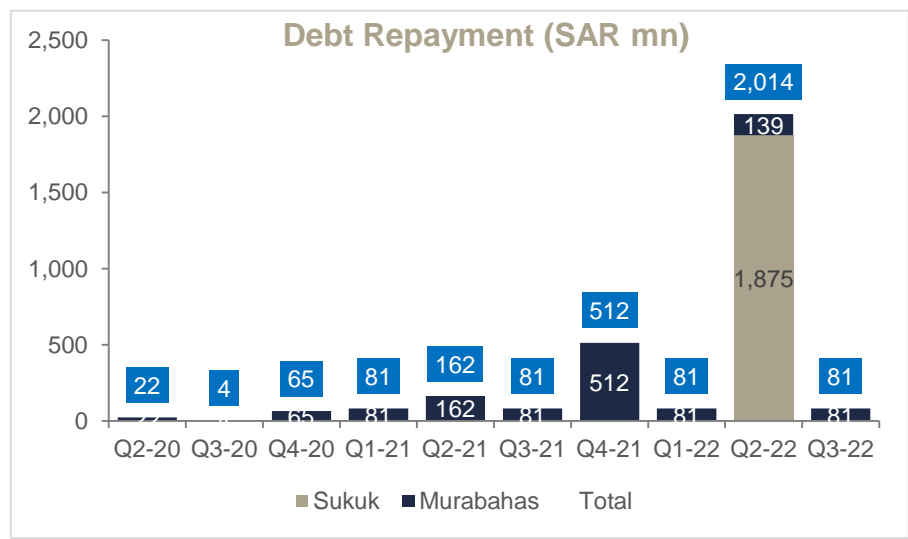
- Q3 2022 EBITDA increased by 32% YoY and by 14% QoQ in absolute terms mainly due to higher sales.
- EBITDA margin improved by 1% QoQ by 2% YoY despite of increase in SG&A costs.

*Excluding depreciation

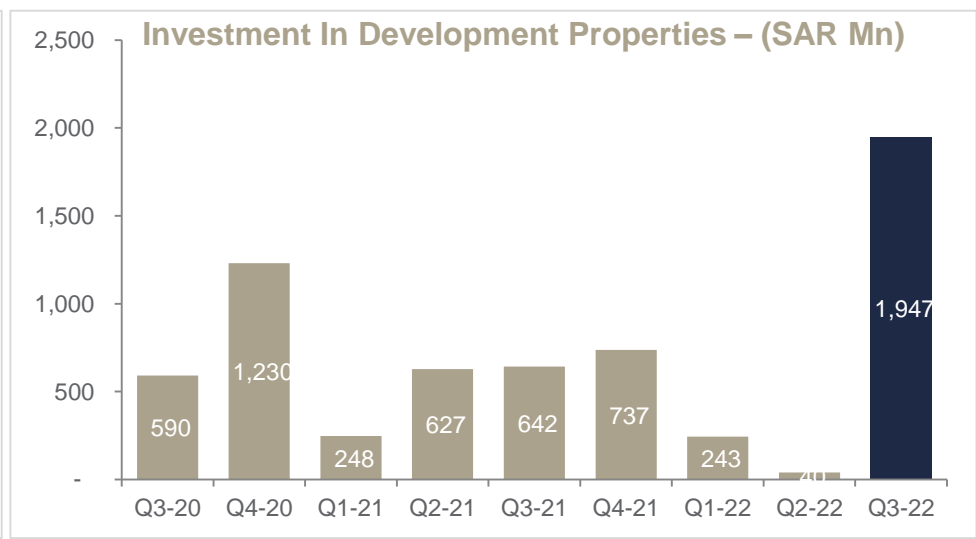
Financial Performance – Q3 2022 Cash Flow



- DAAR’s liquidity position remained strong with an ending cash balance of SAR 6.6 bn.
- Strong cash position and revenue allows DAAR to continue opportunistic and discretionary investment in development properties.

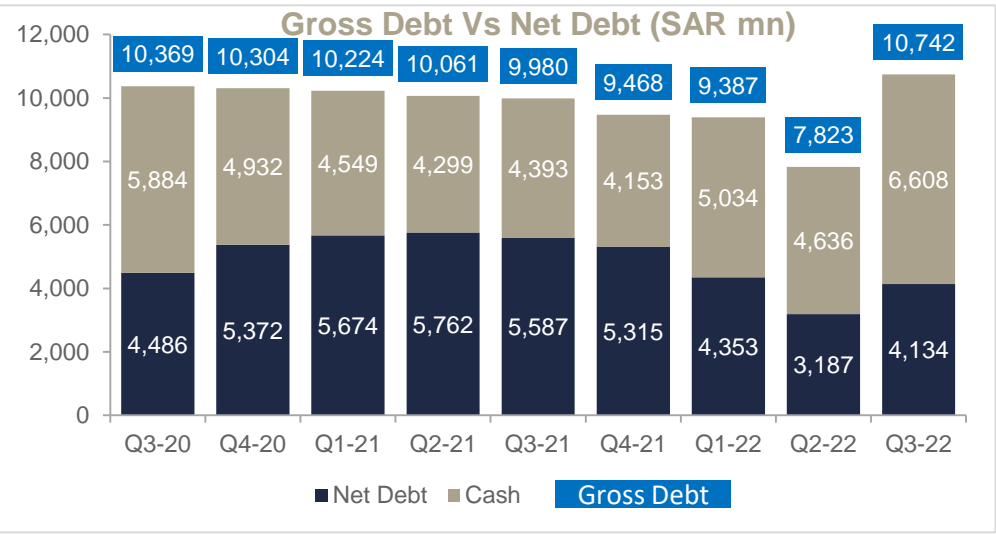


- Scheduled repayment of Murabaha loans.

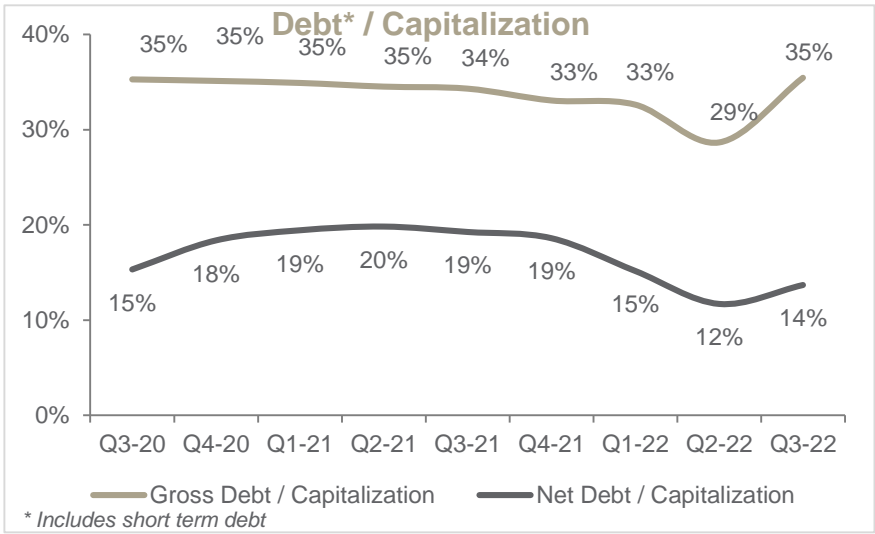


- Invested SAR 2.9 bn over last 12 months to replenish the Development Properties.

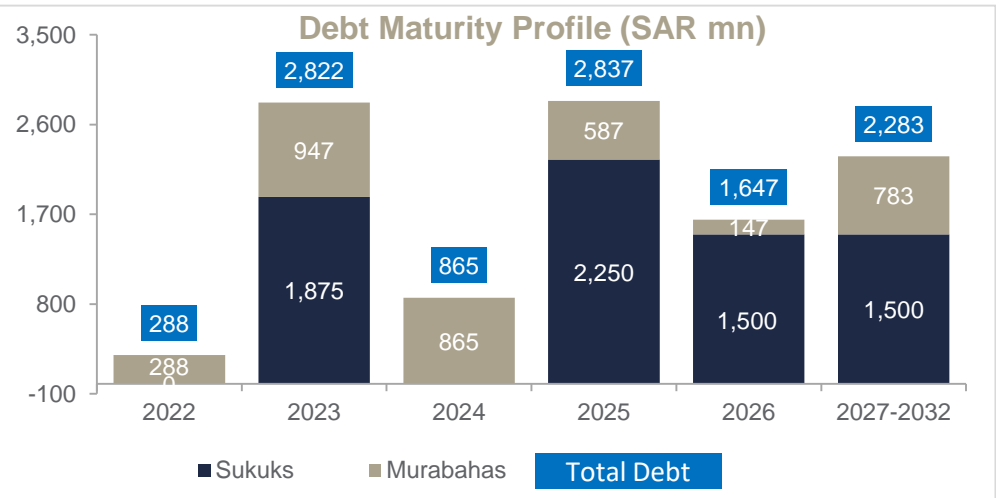
Financial Performance – Q3 2022 Debt



■ Increase in gross debt due to SAR 1.5 bn International Sukuk issued in July 2022. New Murabaha facility of SAR 1.5 bn was also secured during the quarter.

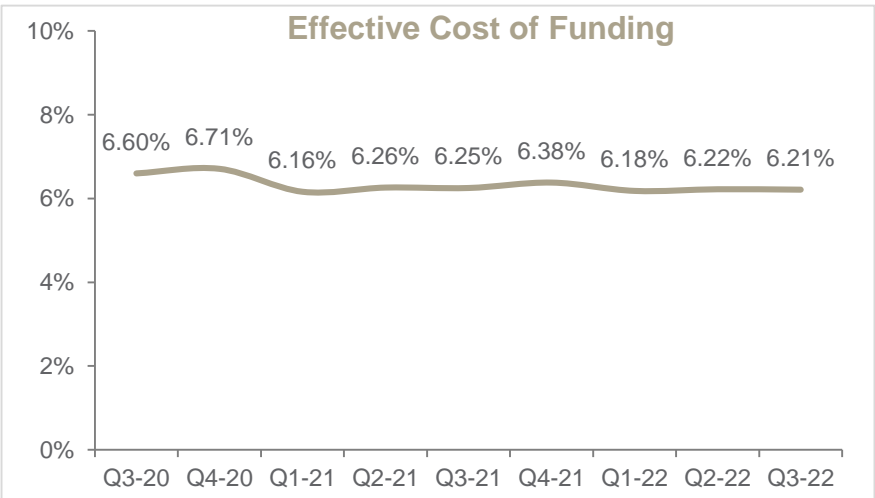


■ Net debt ratio increased in Q3 2022 due to new financing but still remained significantly below 20%.



■ Maturities are well spread over the next ten years and will allow for prudent investment & cash management.

■ Issuance of new Sukuk and Murabaha facility of SAR 1.5 bn each in Q3 2022 results into a cash balance in excess of SAR 6 bn that can almost fully cover repayments till end of 2025.



■ Overall cost of funding 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	2,065
Booked/Sales Agreement in Process	SAR mn	484	346	958	217	1,502	3,507
Executed Contract Sales	SAR mn	1,239	522	778	411	233	3,182
Revenue Recognized	SAR mn	NIL	NIL	421	261	NIL	682

Residential & Commercial Development Projects - KSA

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

Key Facts:

Units available for sale	973
Units Sold/Booked	903
Units remaining	70

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	876
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

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.
- 181 Apartments have been released for bookings and 124 apartments have been booked so far amounting to SAR 219 mn.

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 394 units have already been booked amounting to SAR 122 mn.

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.
- 98% of the units have been launched, 90% 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	447
Units Booked/Sold	403
Booked Sales	SAR 680 mn

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 Sales Status:

Saleable (GFA)	21,000 sqm
Total Units	88
Units Released for Sale	46
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

Bosnia Projects

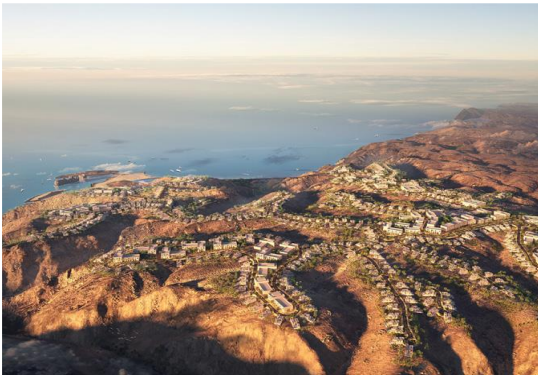


- The site is situated in Ravne, Vareš, 38 km outside Sarajevo, Capital of Bosnia & Herzegovina.
- The largest single real estate development project in the country.
- The project aims to provide low-Rise residential holiday villas, commercial area, hotel and recreational facilities.
- Total project land area is around 500k sqm.
- Municipal and federal approval for the development have been obtained.
- Almost 83% 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	394
Plots Sold/Booked	92
Booked Sales	SAR 10 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.

Les Vagues by Elie Saab, Qatar



- Les Vagues by Elie Saab valued at SAR 1 bn, sets new standards of luxury living in Qatar with an architectural design that enhances the appeal of seafront living .
- Situated in Qetaifan Island North, a place of unimaginable beauty is paradise on earth for Haute Couture living.
- Launched in partnership with Qetaifan Projects, a leading Qatari real estate development company fully owned by Katara Hospitality.
- Les Vagues features opulent one, two and three-bedroom sea-front residencies with a variety of majestic balconies and terraces and floor-to ceiling windows for residents to enjoy uninterrupted panoramic views of the sea
- Sales of the first lot of Les Vagues residences have officially been launched in October 2022.

Al-Qasr Mall, Riyadh

Land Area	61,949 m²
Built up Area	220,202m²
Gross Leasable Area	75,823 m²
No. of floors	3 Leasable Floors plus two parking
Parking	1,579 Parking Spaces

Latest Activity:

- 88% occupancy achieved.
- Ice-Skating Rink and Ninja Obstacle Course offering unmatched experience and adventure for kids of all ages have been launched for public recently.



Al-Qasr Apartments, Riyadh

GLA	125,423 m²
Apartments	790

Latest Activity:

- 91% leased.



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APPENDIX

Appendix I – Statement of Financial Position

SAR in 000s	FY 2019	FY 2020	FY 2021	Q3 2021	Q3 2022
Investment properties, net	1,651,357	1,519,116	1,110,414	1,122,260	1,083,701
Long-term development properties	16,895,604	18,246,583	19,285,287	19,047,795	19,834,299
Property and equipment, net	79,765	72,180	77,653	78,447	74,322
Investment in associates and joint ventures	1,154,506	1,173,547	1,195,144	1,189,682	1,032,472
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	21,438,184	22,234,794
Short-term development properties	334,950	341,860	369,682	365,639	153,484
Trade receivables and others	3,981,526	4,649,178	5,770,074	5,336,067	4,237,227
Cash and cash equivalents	3,950,020	4,931,660	4,153,426	4,392,967	6,607,773
Total current assets	8,266,496	9,922,698	10,293,182	10,094,673	10,998,484
TOTAL ASSETS	28,049,229	30,934,616	31,961,680	31,532,856	33,233,278
Borrowing-long-term maturity portion	7,326,740	9,781,391	7,039,241	7,233,645	7,829,011
End of service indemnities	21,614	21,323	22,550	21,844	24,962
Total non-current liabilities	7,348,354	9,802,714	7,061,791	7,255,489	7,853,973
Borrowing-Short-term maturity portion	405,943	436,062	2,374,182	2,684,111	2,842,436
Trade payables and others	798,779	1,232,466	3,029,444	2,155,288	2,597,091
Zakat provision	486,665	437,194	336,633	335,663	387,135
Total current liabilities	1,691,387	2,105,722	5,740,259	5,175,062	5,826,662
Total liabilities	9,039,741	11,908,436	12,802,050	12,430,551	13,680,635
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	7,160,410	7,597,496
Total shareholders' equity	19,009,488	19,026,180	19,159,630	19,102,305	19,552,643
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	28,049,229	30,934,616	31,961,680	31,532,856	33,233,278

Appendix II – Statement of Profit or Loss

SAR in 000s	FY 2020	FY 2021	YTD Sep 2021	YTD Sep 2022	Q3 2021	Q3 2022
Revenue	1,944,854	2,493,078	1,718,014	3,039,831	595,413	742,544
Cost of revenue	(1,270,204)	(1,596,350)	(1,089,222)	(1,927,300)	(378,890)	(438,286)
Gross profit	674,650	896,728	628,791	1,112,531	216,523	304,258
%	34.7%	36.0%	36.6%	36.6%	36.4%	41.0%
Operating expenses	(161,109)	(200,559)	(132,187)	(228,766)	(54,811)	(82,874)
Operating profit	513,541	696,169	496,604	883,765	161,712	221,384
%	26.4%	27.9%	28.9%	29.1%	27.2%	29.8%
Income from Associates	18,583	19,748	15,649	18,747	8,215	14,180
Depreciation & amortization	(10,223)	(11,386)	(8,375)	(8,617)	(3,510)	(2,865)
EBIT	521,901	704,531	503,878	893,895	166,417	232,699
%	26.8%	28.3%	29.3%	29.4%	27.9%	31.3%
Other income	143,361	93,888	73,819	103,115	24,245	23,573
Finance cost	(645,883)	(662,977)	(499,620)	(456,648)	(164,851)	(174,817)
PBT	19,379	135,442	78,077	540,362	25,811	81,455
%	1.0%	5.4%	4.5%	17.8%	4.3%	11.0%
Zakat	(585)	(2,922)	(1,952)	(147,349)	(645)	(2,038)
Net Income	18,794	132,520	76,125	393,013	25,166	79,417
%	1.0%	5.3%	4.4%	12.9%	4.2%	10.7%
EBITDA	720,490	846,832	614,505	1,031,303	202,778	267,698
%	37.0%	34.0%	35.8%	33.9%	34.1%	36.1%

Appendix III – Statement of Cash Flows

SAR in 000s	FY 2019	FY 2020	FY 2021	YTD Sep 2021	YTD Sep 2022
Profit before Zakat	312,389	19,379	135,442	78,077	540,362
Adjustments for:					
Depreciation & Amortization	55,653	56,237	48,905	37,299	34,292
Provision for expected credit losses	2,000	2,516	4,453	4,132	0
End of service indemnities	4,313	3,884	4,557	2,868	5,526
Gain on disposal of investment in associates	0	0	0	0	(40,378)
Finance costs	478,418	645,883	662,977	499,620	456,648
Share of net profit from associates and joint ventures	(7,885)	(18,583)	(19,748)	(15,649)	(18,747)
Operating cash flow before WC movements	844,888	709,316	836,586	606,347	977,703
	(2,732,963)	(1,269,370)	(694,309)	(456,025)	(328,938)
Trade receivables and others	757,351	(670,168)	(1,125,349)	(691,021)	1,532,865
Trade payables and others	(86,576)	433,687	1,786,706	912,550	(433,821)
Cash from operations	(1,217,300)	(796,535)	803,634	371,851	1,747,809
Finance costs	(445,309)	(608,809)	(630,945)	(475,596)	(436,043)
Zakat paid	(77,962)	(50,056)	(103,483)	(103,483)	(96,847)
End of service indemnities paid	(2,145)	(6,277)	(2,400)	(2,347)	(3,114)
Cash flow from operating activities	(1,742,716)	(1,461,677)	66,806	(209,575)	1,211,805
Investment in associates	(320,000)	(458)	(1,849)	(486)	(75,338)
Proceeds from disposal of investment in associates	0	0	0		87,117
Investment properties	(3,246)	(1,282)	(542)	(542)	(2,838)
Purchase of property and equipment (net)	(6,293)	(2,639)	(6,587)	(4,370)	(3,818)
Net cash flow from investing activities	(329,539)	(4,379)	(8,978)	(5,398)	5,123
Long term borrowings	1,118,784	2,447,696	(836,062)	(323,721)	1,237,419
Net cash flow from financing activities	1,118,784	2,447,696	(836,062)	(323,721)	1,237,419
Increase / (decrease) in cash and cash equivalents	(953,471)	981,640	(778,234)	(538,694)	2,454,347
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	4,392,966	6,607,773

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