

CENOMI RETAIL REPORTS STABLE REVENUES, WHILE TRANSFORMATION PROGRAM DRIVES GROWTH IN ADJUSTED PROFIT

- *Topline performance maintained, supported by improvement in domestic demand*
- *Adjusted net profit, excluding one-off inventory charge, increased 10% YoY in 9M-FY23*
- *"Cenomi" launched as a full rebrand, marking a new era of growth and prosperity*
- *Brand portfolio rationalization underway, with 26 non-strategic brands earmarked for divestments to focus on Champion Brands and enhance profitability*
- *Staff optimization review at Stores and HQ to yield a minimum of SAR 50 million in savings*

Riyadh, Saudi Arabia, 9 February 2023: Cenomi Retail, Saudi Arabia's pioneering retail brand partner, today announced its results for the third quarter and nine-month (9M) period of FY2023, ending 31 December 2022 (Q3-FY23 and 9M-FY23). The company reported revenues of SAR 1,460 million, and SAR 4,538 million, respectively, with gains in KSA supported by a renewal in consumer sentiment and a solid international retail performance. The positive top line performance was diluted by the accounting adjustment related to the four exited F&B brands.

As the company strategically aligns its business with Champion Brands and operating excellence, several key milestones on its transformation journey were successfully achieved during the period. This includes the strategic brand rationalization program, with the goal of divesting 26 non-strategic brands, four of which have already been exited. This is expected to impact revenues by approximately SAR 288 million, while boosting profits by SAR 25 million once the program is completed. The company also confirmed its ongoing commitment to growing its F&B footprint, by completing the acquisition of 30 directly operated Subway stores in Saudi Arabia to add to its franchisee portfolio. Further store openings will support Champion Brands Subway and Cinnabon in 2023. In addition, a recent staff optimization review, in the head office and stores, led to downsizing of 15% of the HQ headcount, delivering an annualized saving of SAR 50 million. Importantly, the company continues to add to its leadership team, with the appointment of the new Chief Technology and Information Officer to drive system wide digitalization and efficiency.

In line with Cenomi Retail's continued focus on optimizing its operations and effectively managing its inventory levels, the company recorded a one-off inventory charge of SAR 290 million during Q3-FY23, adjusting for which would result in a net profit figure of SAR 91 million, thus representing an increase of 10% YoY. The company adopted a conservative approach to addressing inventory balances that were realigned following the ongoing store closures as well as extra ordering driven by concerns over the global supply chain bottlenecks. Furthermore, in an effort to support the transformation program and brand rationalization initiative, the company accounted for additional provisions to pave the way for its brand exit strategy. With these conditions now largely past, the resulting one-off inventory charge is not expected to have further financial or operational impact.

Mohamad Mourad, Interim Chief Executive Officer at Cenomi Retail said: "Our successful rebranding, the acceleration of our transformation program, and the initiation of our strategic divestment program come together to improve profitability, as we focus on aligning our business with Champion Brands, investing in F&B growth and successful international markets. With these measures, we are now ready to embark on a new phase of growth and development for Cenomi Retail."

"The country's transformative initiatives and progressive vision aligns perfectly with our goal of being the leading retail brand partner in the Kingdom, whilst remaining committed to expanding our international footprint in key strategic growth markets and strengthening our digital capabilities."

Ahmed Belbesy, Chief Financial Officer at Cenomi Retail commented:

"Our Q3 financial results were supported by revival in demand in the domestic market and a strong performance from our international portfolio. This, together with the focus on optimizing our operations and inventories, provides a more stable and assured footing for the business. We have made great progress on settling legacy related party receivables and have already received payments of nearly SAR 270 million, which will be reflected in our financial statements for the upcoming quarter. Furthermore, we have appointed advisors to undertake a comprehensive reassessment of the balance sheet and restructure our debt to provide a solid platform to fuel our growth."

9M-FY23 Highlights – top-line stability aided by online channels and international portfolio

Cenomi Retail recorded a revenue of SAR 1,460 million in Q3-FY23 compared to SAR 1,466 million in Q3-FY22. This result was due to the exit of four brands as part of the brand rationalization program that saw a 25% YoY decline in F&B revenues, as the full impact of discontinued operations was reflected in the third quarter. Revenue for 9M-FY23 was broadly flat at SAR 4,538 million, as a result of the decline in F&B sales, which has largely offset the positive impact from the international portfolio.

- **Saudi retail** revenues were relatively unchanged at SAR 1,035 million in Q3-FY23, supported by early signs of a pickup in consumer sentiment and demand in the Kingdom. For 9M-FY23, revenues amounted to SAR 3,309 million, a YoY decrease of 2%. Taking into account the exited brands, Saudi retail, and in particular fashion and apparel, have returned to growth, which bodes well for the remainder of the year.
- **International retail operations** continued to thrive, with revenues of SAR 326 million in Q3-FY23, up 9% YoY, and SAR 877 million in 9M-FY23, up 13% YoY, with Jordan and the CIS countries maintaining their positive momentum. Cenomi Retail is still focusing on growing its market share in key growth markets across the globe.
- **F&B segment** recorded a decline in revenues of 25% YoY to SAR 99 million in Q3-FY23 from SAR 131 million in Q3-FY22, with a net closure of 75 stores during the quarter, including 58 store closures of the four exited brands. For 9M-FY23, F&B revenues amounted to SAR 352 million, decreasing 5% YoY. This was due to Cenomi Retail's brand rationalization program, which saw the exit of Azal restaurants and Shawarma Almuhalhel, translating to a revenue impact of SAR 46 million in Q3. During the period, the company completed the acquisition of 30 Subway stores (sub franchisor) across the Kingdom, and is looking to add a further 17 stores, in addition to 15 new Cinnabon outlets, which are scheduled for opening in 2023. Cenomi Retail will continue to explore the introduction of novel and distinctive concepts that are intended to meet the rapidly shifting needs of today's consumers.

- **Inventory optimization** measures have continued during the period, with a one-off charge of SAR 290 million. Adjusting net profit for this impact, would result in an amount of SAR 91 million in 9M-FY23, a YoY growth of 10%. Inventory levels have dropped by over 40% from SAR 1.7 billion to SAR 1 billion, thus allowing the business to grow from a more efficient base.

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Income Statement

SAR Million	Q3-FY23	Q3-FY22	% Change	9M-FY23	9M-FY22	% Change
Revenue	1,460	1,466	-0.5%	4,538	4,528	0.2%
Cost of Revenue	(1,229)	(1,222)	0.6%	(3,837)	(3,719)	3.17%
Inventory Charge	(290)			(290)		
Gross Profit (Loss)	(60)	245	-124.5%	411	809	-49.2%
Gross Profit Margin	-4.1%	16.7%	(20.8)	9.1%	17.9%	(8.8)
Selling and Distribution Expenses	(52)	(52)	-0.3%	(143)	(142)	0.2%
General & Administrative Expenses	(34)	(94)	-63%	(187)	(264)	-29.1%
Other Operating Expense	(5)	(11)	-54.3%	(6)	(32)	-80.3%
Depreciation and Amortization	(44)	(38)	16.4%	(122)	(141)	-13.4%
Other Operating Income	(2)	47	-105.2%	71	110	-35.7%
Operating Income (Loss)	(198)	96	-306.5%	23	340	-93.1%
Operating Income Margin	-13.6%	6.5%	(20.1)	0.5%	7.5%	(7.0)
Financial Charges	(100)	(57)	74.0%	(209.2)	(200)	4.5%
Gain on disposal of subsidiary	13	-	-	13	-	-
Share of loss of associates	(9)	(4)	109.2%	(5)	(4)	18.6%
Profit (Loss) before Zakat & Tax	(293)	34	-952.2%	(177)	136	-230.2%
Zakat and Income Tax	13	(18)	-172.7%	(22)	(53)	-59.6%
Net Profit (Loss) for the Period	(280)	16	-1845.8%	(199)	83	-340.5%
Net Profit Margin	-19.2%	1.1%	(20.3)	-4.4%	1.8%	(6.2)
Attributable to:						
Shareholders of the Company	(280)	17	-1758.30%	(200)	85	-334.01%
Non-Controlling Interest	(0)	(1)	-90%	1	(3)	-143.3%
Adjusted Net Profit	10.2	16	-36.3%	91.2	82.6	10.4%
Earnings per Share Basic and Diluted	(2.44)	0.15	-1758.3%	(1.74)	0.74	-334.0%
Pre-IFRS 16 EBITDA	(191.3)	101.7	-288.1%	35.1	369.2	-90%
EBITDA Margin	-13.1%	6.9%	(20.0)	1.3%	24.4%	(23.1)

Balance Sheet

SAR Million	31 Dec 2022	31 Mar 2022	% Change
Assets			
Property, Plant and Equipment	1,328	1,358	-2%
Right-of-Use Assets	3,027	3,276	-8%
Goodwill and Intangible Assets	1,121	1,083	3%
Investment Property	1	2	-8%
Equity-accounted investees	63	62	2%
Other investments	285	300	-5%
Derivative asset	35	30	
Total Fixed Assets	5,861	6,110	-4%
Inventories	1,015	1,700	-40.3%
Advances, Deposits and Other Receivables	727	475	53%
Prepayments, Rentals and Insurance	37	64	-42%
Cash & Cash Equivalents	193	198	-2%
Total Current Assets	1,971	2,437	-19%
Total Assets	7,832	8,547	-8%
Equity & Liabilities			
Share Capital	1,148	2,100	-45%
Reserves (Statutory, Foreign Currency and Fair Value)	(534)	(520)	3%
Fair value reserve	13	13	0%
Accumulated Losses	(227)	(982)	-77%
Equity Attributable to the Shareholders of the Company	400	611	-35%
Non-Controlling Interest	(92)	(107)	-14%
Total Equity	308	504	-39%
LT Loans and Borrowing	115	-	-
Lease Liabilities	2,637	2,846	-7%
Post-Employment Benefits	97	103	-6%
Total Non-Current Liabilities	2,849	2,949	-3%
Trade and other payables	1,139	1,496	-24%
Bank Overdraft	50	50	-1%
Zakat & Tax Liabilities	29	37	-21%
Lease Liability – current portion	641	632	1%
ST Loans and Borrowings	2,817	2,878	-2%
Total Current Liabilities	4,676	5,094	-8%
Total Liabilities	7,524	8,043	-6%
Total Equity & Liabilities	7,832	8,547	-8%

About Cenomi Retail:

Cenomi Retail, formed as Fawaz A. Alhokair & Co in 1990 by Fawaz, Salman and Abdulmajeed Alhokair. The company has since become the leading franchise retailer in the KSA and the only listed business of its type in the Middle East. Since the opening of its first store in 1991, Cenomi Retail has grown considerably and now trades in circa 1,560 stores

across 100 shopping malls in 11 countries, with a retail platform operating on a total GLA of more than 464 thousand square meters. All of this is managed by a workforce numbering more than 10,500. Cenomi Retail currently represents around 76 brands, spanning womenswear, menswear, kids and baby, department stores, shoes and accessories, cosmetics in addition to operating a series of restaurants and coffee shops. For more information, please visit www.cenomiretail.com

Forward-Looking Statements

This communication contains certain forward-looking statements. A forward-looking statement is any statement that does not relate to historical facts and events, and can be identified by the use of such words and phrases as "according to estimates", "anticipates", "assumes", "believes", "could", "estimates", "expects", "intends", "is of the opinion", "may", "plans", "potential", "predicts", "projects", "should", "to the knowledge of", "will", "would" or, in each case their negatives or other similar expressions, which are intended to identify a statement as forward-looking. This applies, in particular, to statements containing information on future financial results, plans, or expectations regarding our business and management, our future growth or profitability and general economic and regulatory conditions and other matters affecting us.

Forward-looking statements reflect our management's ("Management") current views of future events, are based on Management's assumptions and involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. The occurrence or non-occurrence of an assumption could cause our actual financial condition and results of operations to differ materially from, or fail to meet expectations expressed or implied by, such forward-looking statements. Our business is subject to a number of risks and uncertainties that could also cause a forward-looking statement, estimate or prediction to become inaccurate. These risks include fluctuations prices, costs, ability to retain the services of certain key employees, ability to compete successfully, changes in political, social, legal or economic conditions in Saudi Arabia, worldwide economic trends, the impact of war and terrorist activity, inflation, interest rate and exchange rate fluctuations and Management's ability to timely and accurately identify future risks to our business and manage the risks mentioned above.