

The background of the entire image is a photograph of a family walking through a shopping mall. A woman in a black hijab and abaya is on the left, followed by a young boy in a blue t-shirt, a young girl in a pink top, and a man in a white thobe and ghutra on the right. They are all smiling and appear to be shopping. The mall has glass storefronts and clothing racks are visible in the background.

Cenomi Retail

HSBC GCC Exchanges Conference

June 10-13, 2024

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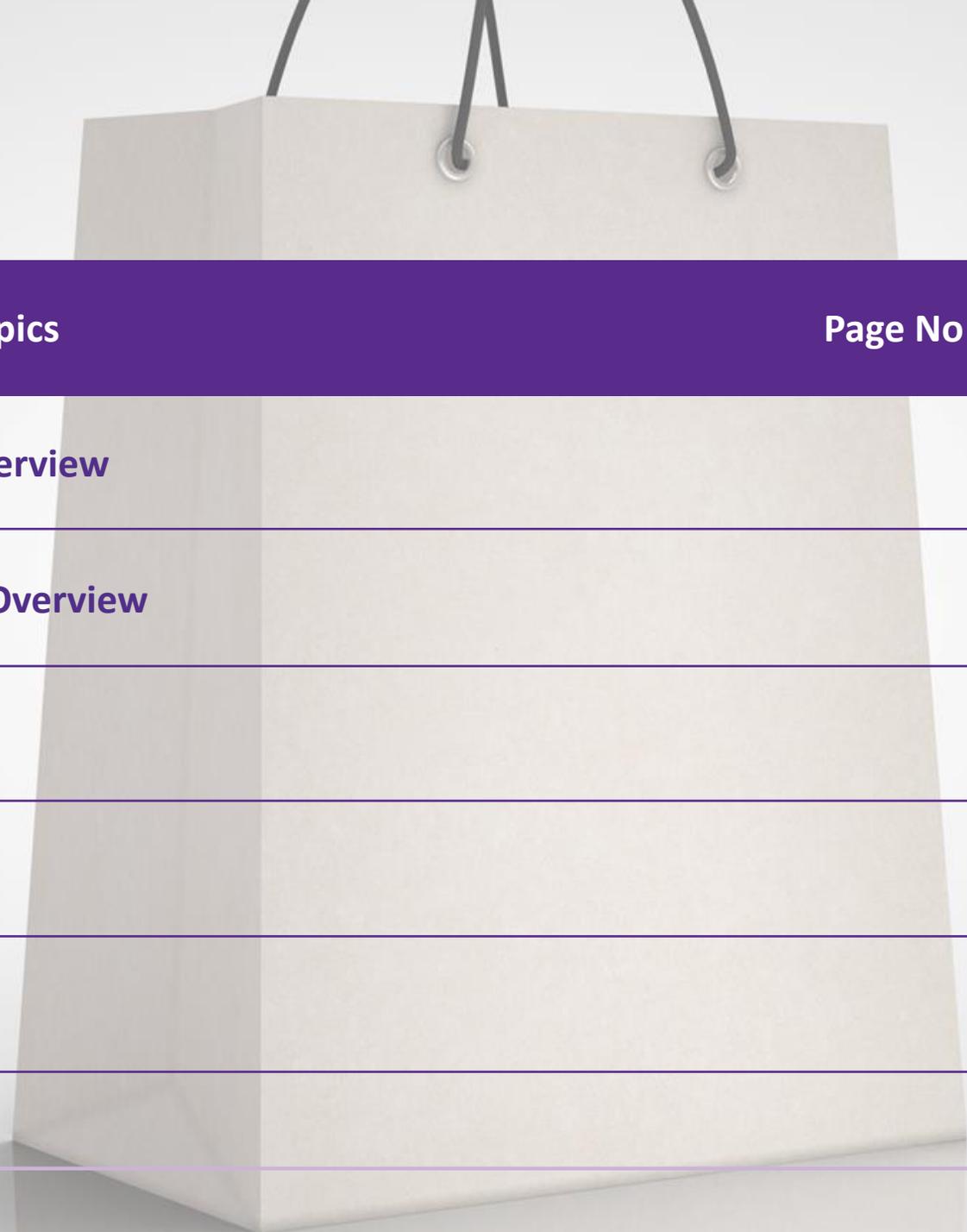


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About Cenomi Retail

Company Overview

Founded in 1990 by Fawaz, Salman, and Abdulmajeed Alhokair, Cenomi Retail is the leading franchise retailer in the KSA and the sole listed business of its kind in the Middle East. Cenomi Retail operates nearly 1,062 outlets in 9 countries, across 326 shopping malls. The company manages a vast retail platform of over 326,000 square meters, supported by a workforce exceeding 7,000. Representing over 55 renowned brands, the company offers a wide range of products, including apparel, department stores, accessories, cosmetics, and operates various restaurants and coffee shops.

Our retail footprint

- Core Market
- International Footprint
- Market access via Vogacloset



Admired omnichannel retailer in MENA

- | | | | |
|---|-----------|--|---|
| 1 | Geography | | Cement position in the KSA market |
| 2 | Brands | | Lead with winning brands |
| 3 | Category | | Evolve from apparel champion to focus on tier 1 champion brands |
| 4 | Channel | | Rise to meet the online opportunity |

ZARA

01

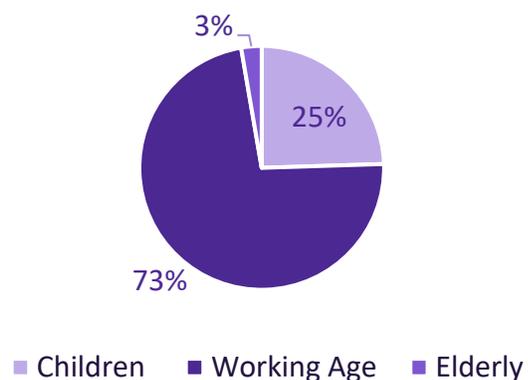


Cenomi Retail Macro Overview

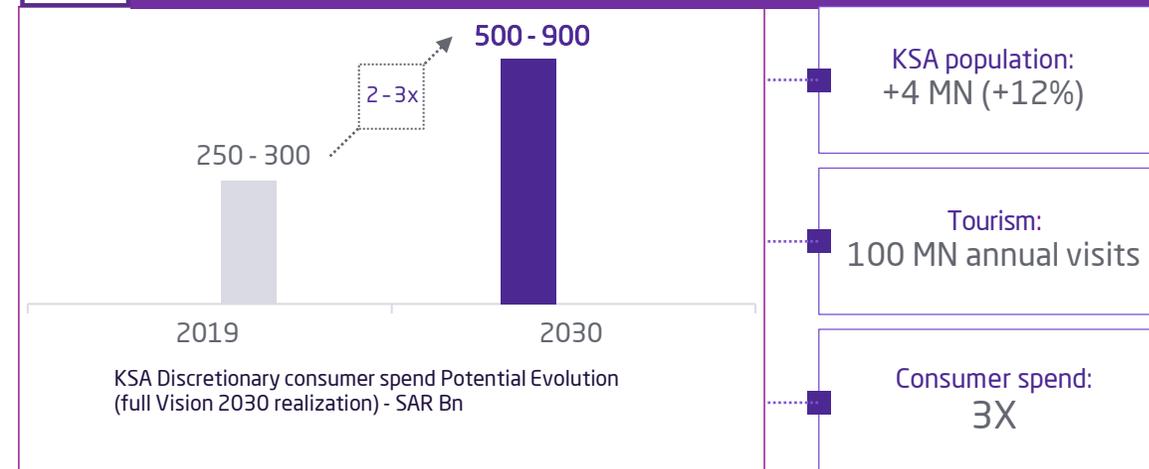


The Saudi market represents a secular growth opportunity

01 Youthful demographics with 73% of population are working age



02 A booming consumer outlook



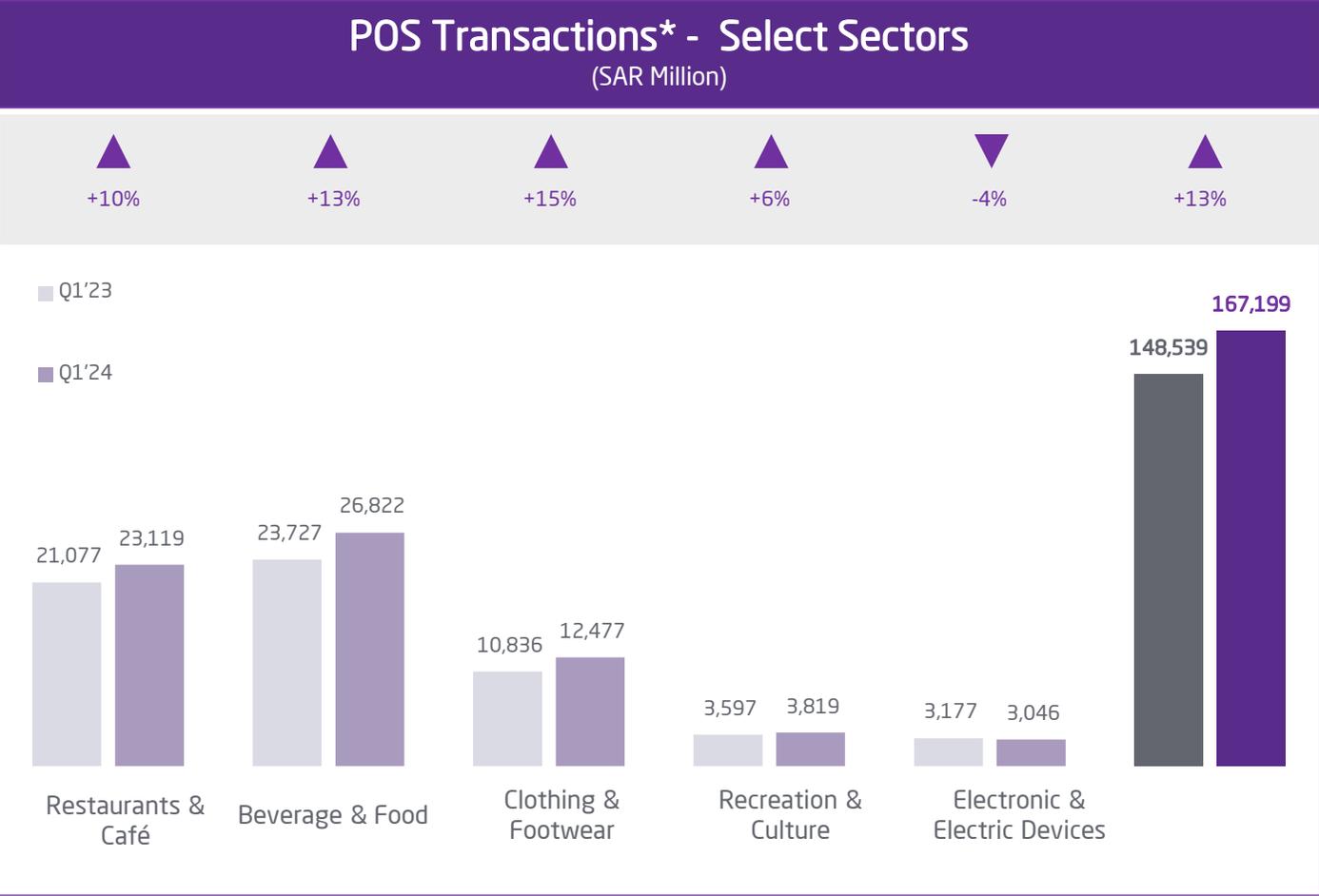
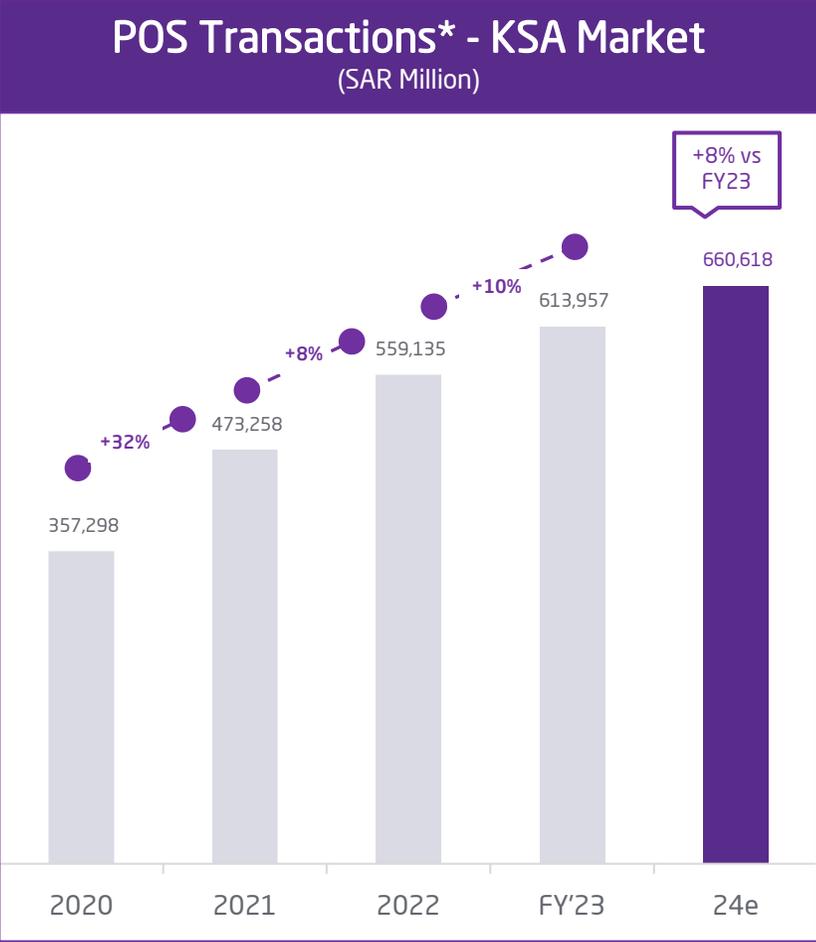
03 Strong GDP Per Capita PPP in comparison to world and MENA average*



04 Unprecedented Vision 2030 and strong growth



KSA consumer spending trends continue to go strong



Saudi Arabia presents an unparalleled opportunity

Shifting consumer behaviour



Shift to lifestyle categories:
More demand for F&B,
Leisure and Entertainment

Increasing e-commerce adoption
and digital savviness

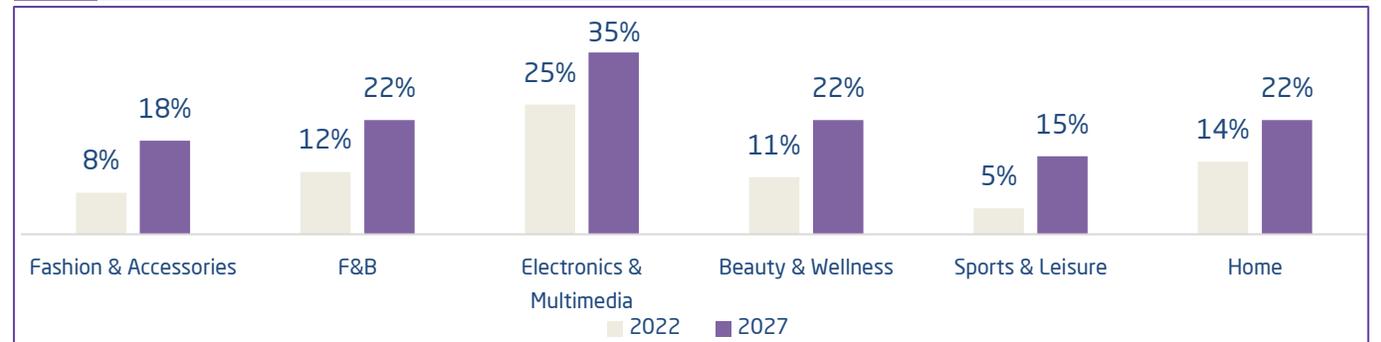
The birth of The New Saudi consumer presents unique growth prospects

KSA Retail Spend Overview (2022-2027, in SAR MN)

Category	Market Size 2022	Market Size 2027	CAGR 2022-2027
Groceries	179,216	226,429	4.8%
F&B	99,769	137,861	6.7%
Fashion & Accessories	74,460	106,324	4.7%
Electronics & Multimedia	38,179	46,223	3.9%
Entertainment	30,810	37,543	5.3%
Beauty & Wellness	20,273	28,050	5.1%
Home	15,169	20,246	4.9%
Sports & Leisure	6,000	7,600	5.3%



KSA Online Market Share by category (2022-2027, in %)



ZARA

01



Cenomi Retail Strategic Overview



Transforming portfolio, expanding brand champions and enhancing operational efficiency



Geography



'Saudi First' Strategy

- Exited the Balkans, exiting Morocco and the US is in process and rationalized Egypt operations
- Double down on Saudi market and wider MENA region



Category



Evolve from apparel champion to multi category lifestyle retailer.

- Defend & maintain Fashion & Accessories market leadership
- Replicate Fashion & Accessories leadership in the F&B segment



Brands



Lead with winning brands

- BOD approval for exiting 24 brands
- Scale current leading brands to their full potential
- Spearhead growth with Brand Champions (BC) and Tier 1 (T1)



Channel



Rise to meet the online opportunity

- Double down on mono-brand sites to achieve record market online penetration rates

Continuing our path to enhanced potential and profitability

Focus	Phase 1: Fix The House (2023-2024)	Phase 2: Embark on Growth (2024-2026)	Phase 3: Achieving Optimal Potential (2026+)
Turnaround	● ● ○	● ○ ○	○ ○ ○
Growth	● ○ ○	● ● ○	● ● ●
	<ul style="list-style-type: none"> Rationalize brand and store portfolio Exit/stabilize non-strategic markets Revamp processes and systems to ensure efficiency Onboard new Brand Champions in core markets Deleverage company and secure cash for growth 	<ul style="list-style-type: none"> Invest to scale existing brands across markets Identify white space opportunities and secure new franchise in key markets 	<ul style="list-style-type: none"> Scale existing brands to maximum potential ensuring comprehensive coverage of key cities in target markets Invest in scaling new brands

Our turnaround strategy is steadily advancing across all fronts



Market Rationalization

- Exited the Balkans
- Optimized retail footprint in Egypt and Morocco
- Exiting US operations



Brand Rationalization

- Finalized the sale of 16 brands with capital gain SAR 34 M
- Signed a variation agreement to SPA with Al Othaim on March 28; handover



Store Rationalization

- Closure of 300 stores on a group level in Q1 2024:
 - 292 retail stores
 - 8 F&B outlets



Operational Enhancement

- Average revenues per store:
 - Group level +37.8%
- Store closure expenses -88 % y-o-y
- Rent expenses - 26.8% y-o-y



Governance

- 40+ Operational Policies & Procedures developed to align with best practice governance
- Launched an OPEX optimization and control committee to review & take corrective actions

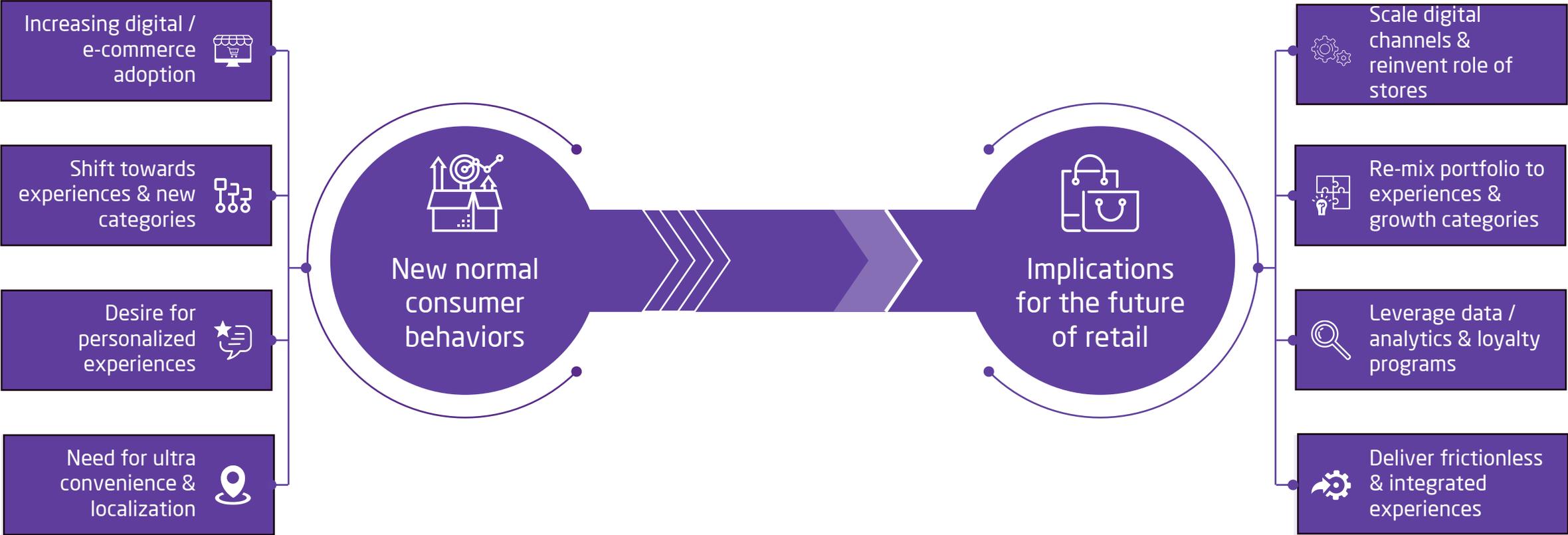


Rolled out a full-fledged program to deliver best in class governance and controls

Topic	Achieved so far	Currently progressing in
People	<ul style="list-style-type: none"> Developed new simplified plug & play model to establish consistent Cenomi Retail Way of Operating Define clear roles and responsibilities across 10+ functions within Core operations and Head office 	<ul style="list-style-type: none"> Operationalize the design by introducing the new organizational model Implement the changes starting with key senior roles and building up critical capabilities
Processes	<ul style="list-style-type: none"> 140 business processes designed to harmonize ways of working across all business units and countries Single accountabilities secured along end-to-end processes to boost cross functional collaboration 	<ul style="list-style-type: none"> Train personnel to execute the new standard ways of working in line with best practices Further integrate process automation priorities within System & Technology Roadmap
Governance	<ul style="list-style-type: none"> Defined areas requiring build up of critical controls in line with best practices for Corporate Governance Developing a set of 40+ Policies within a Corporate Governance Framework for Cenomi Retail 	<ul style="list-style-type: none"> Finalize design of key GRC Policies and procedures to institutionalize compliance with regulatory requirements
Change	<ul style="list-style-type: none"> 50+ functional leads and SMEs engaged in workshops and contributing to co-creation of the future operating model and execution of Quick Wins 	<ul style="list-style-type: none"> Mobilize core team for implementation and communicate change across the organization

Consumer trends

Moving forward, Cenomi Retail will need to cater to new consumer trends with significant implications for the future of the industry.



Cenomi Retail brand portfolio - vision

Approval granted for Strategic Sale of 24 Non-Essential Brands to Generate 650 Million SAR in Revenue, Focusing on Tier 1 Brands

Operational and Turnaround Strategy

Brand rationalization strategy so far...

- 01 SPA signed with Al-Othaim Fashion Company (1/3):** Sold the franchise rights for 16 brands which include Flormar , La Senza , Quiz , Gerry Weber & Springfield with Capital gain SAR 34 M in Q1 24.
- 02 Variation agreement to SPA signed with Al-Othaim Fashion Company (2/3):** to sell the franchise rights for 5 additional brands which include; Aldo & Aldo Accessories, Charles and Keith, Pedro and La Vie En Rose
- 03 Additional 18 brands to be sold with 2024 (3/3):** Including Aleph , Fly Tiger , KIKI & Decathlon

Impact

Reduce
Accumulated Losses
&
Ability to double
down on the Tier 1
brands

02

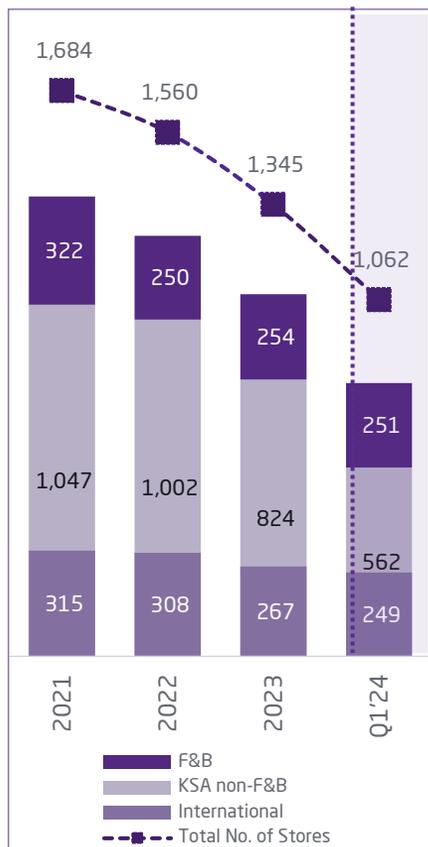


Operational Overview

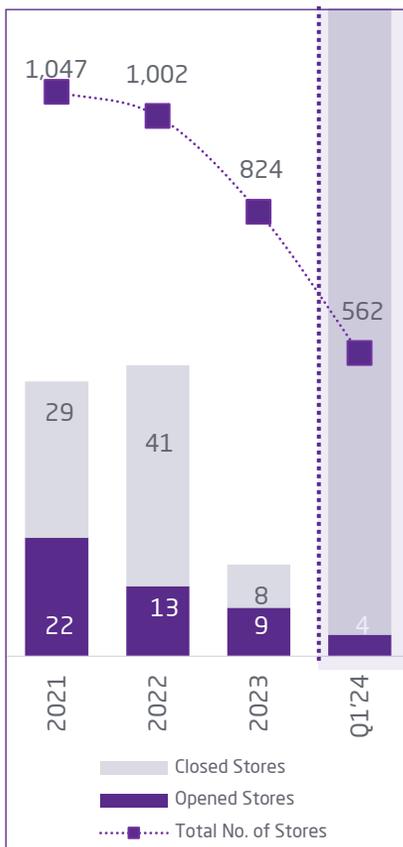


Network evolution displays clear progress in store optimization

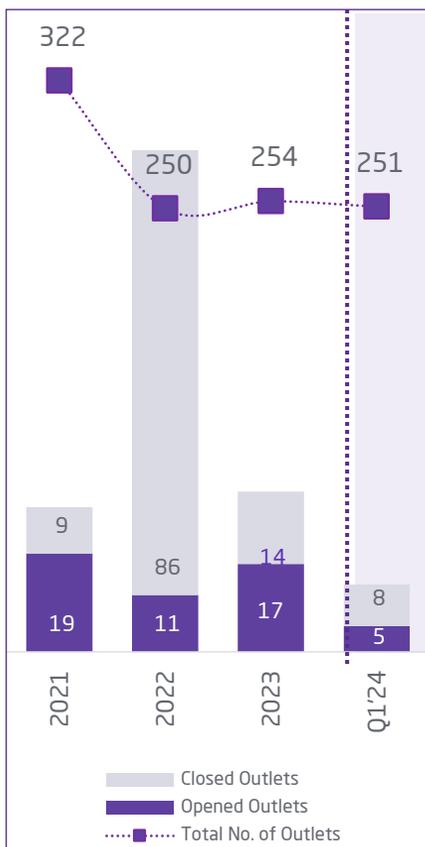
Store network evolution



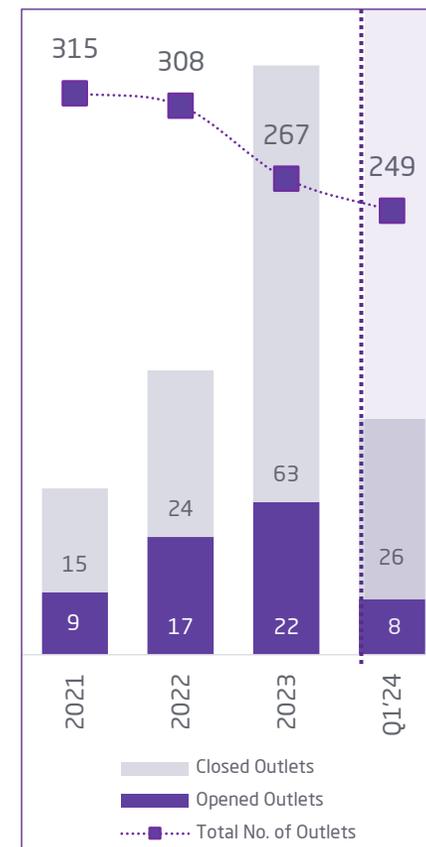
Saudi retail store network evolution



F&B store network evolution



International store network evolution



Commentary

Brand and store rationalization :

Q1 24 , we continued the portfolio rationalization

- Closed 266 stores and divested 23 brands in the Kingdom; opened 4 new Champion brand stores.
- Closed 26 international stores and divested 4 brands; opened 8 new Champion brand stores.
- Closed 8 F&B outlets and increased brands by 1 in the Kingdom; opened 5 new stores.

Market rationalization:

- Closed 26 stores across international markets and divested four brands.
- Opened eight new stores concentrating on key Champion brands
- This has led to an increase in the underlying sales efficiency (i.e, higher sales/store and sales/sqm)

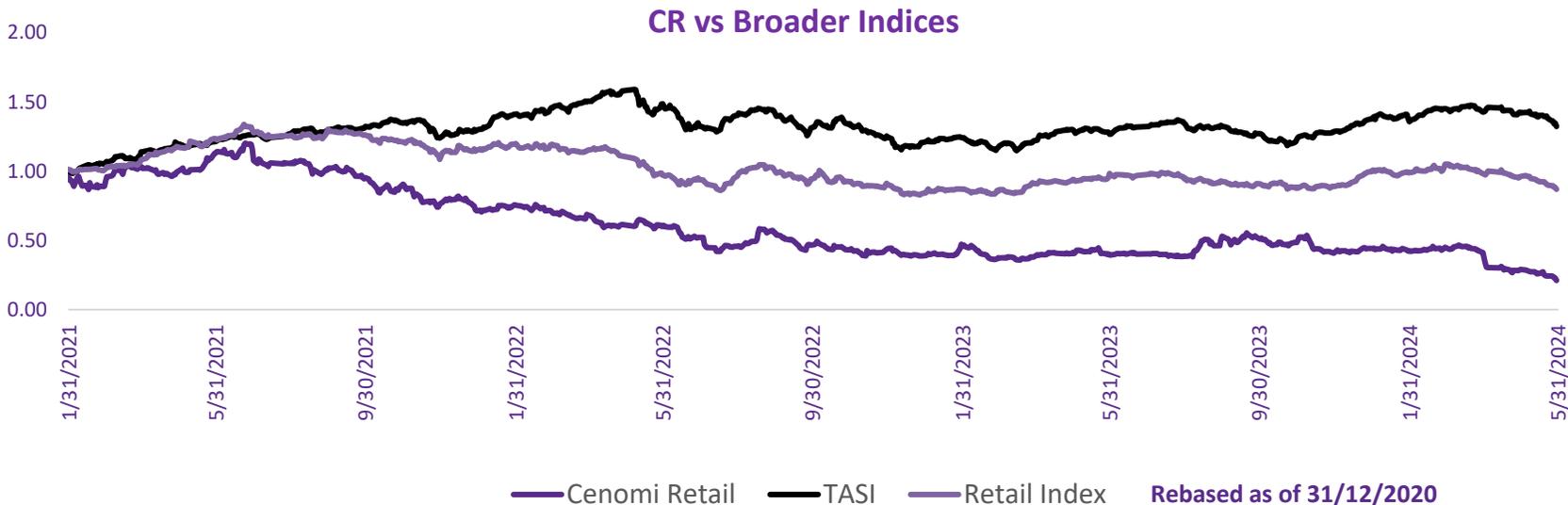
03



Financial Overview



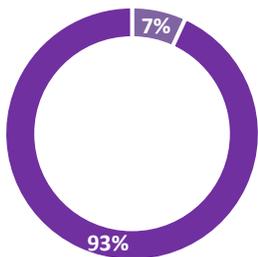
CR stock performance and diversified shareholder mix



Commentary

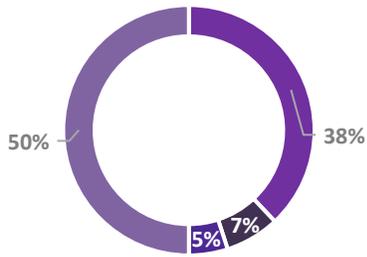
- **ISIN Code:** SA000A0LB2R6
- **Average 3-year daily volume traded:**
 - 833k
- **Average 3-year daily value traded:**
 - SAR 20.3m
- **52-week average:**
 - 52 week high: SAR 22.46
 - 52 week low: SAR 8.46

Foreign vs Local Ownership



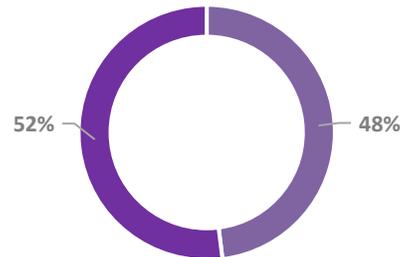
■ Foreign ■ Local

Shareholder Structure



■ FAS Holding ■ Salman Alhokair
■ Abdulmajid Alhokair ■ Free Float

Institutional vs Retail



■ Institutional ■ Retail

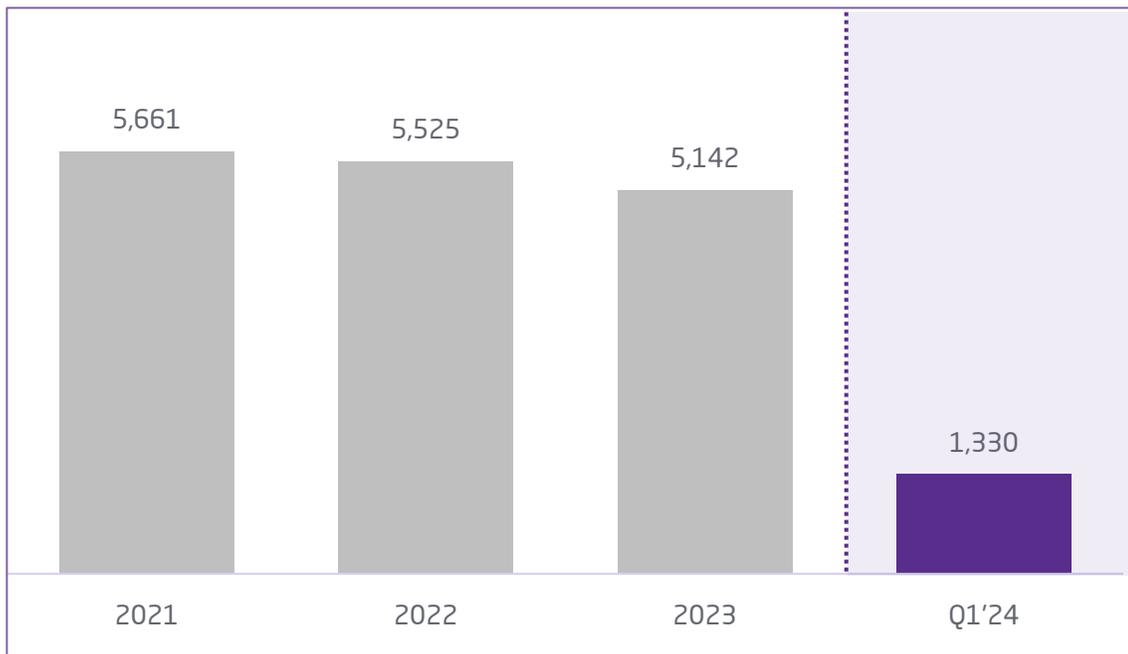


Stable revenue amidst store closures signalling turnaround strategy



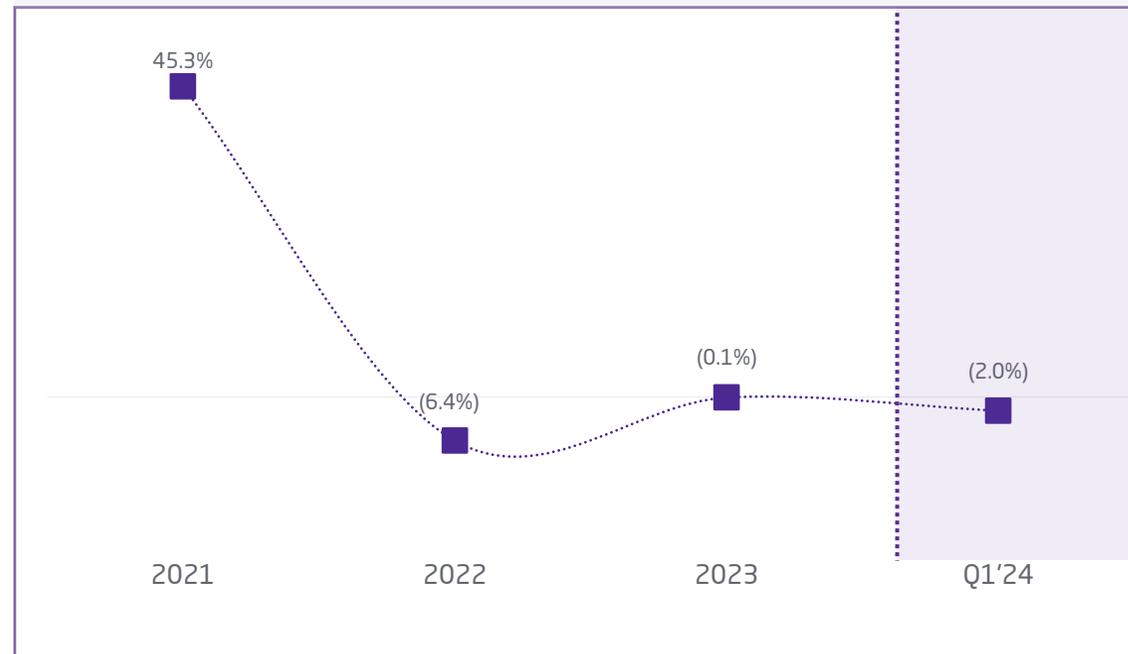
Revenue, SAR MN

- Recorded a relatively flat revenue performance as a result of the decline in F&B and KSA retail sales, largely offsetting the positive impact from the international portfolio.



LFL consolidated sales growth, %

- Weak LFL growth due to implementation of the turnaround strategy and seasonality trends in core markets.
- Partially offset by strong growth across tier 1 champion brands.

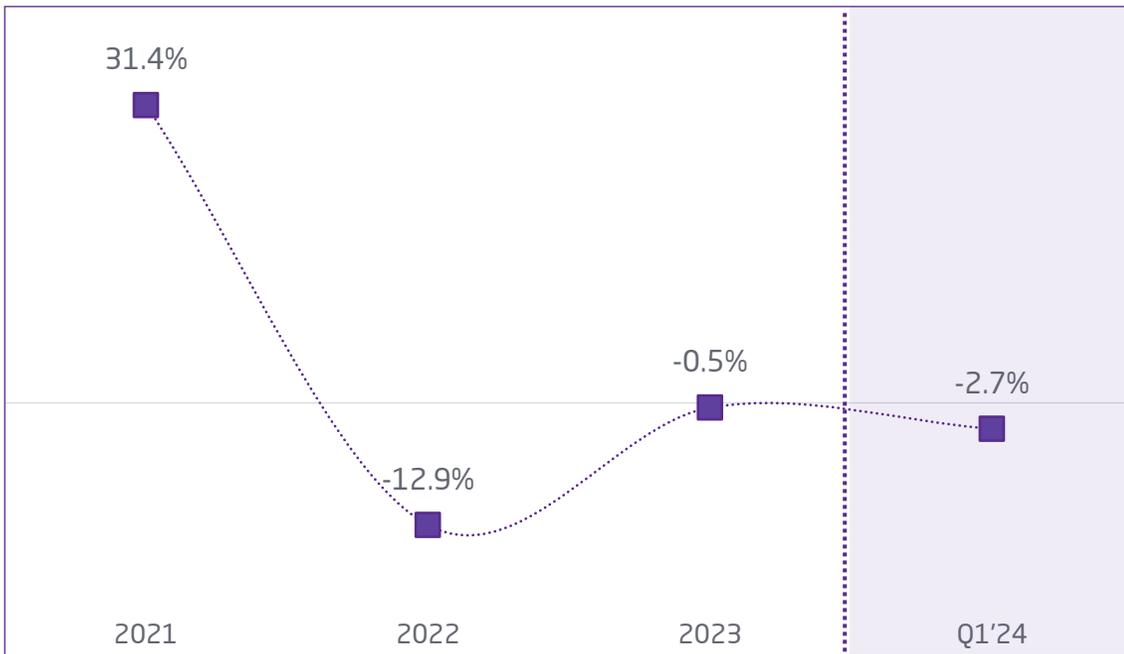


Champion Brands show sustained international growth momentum



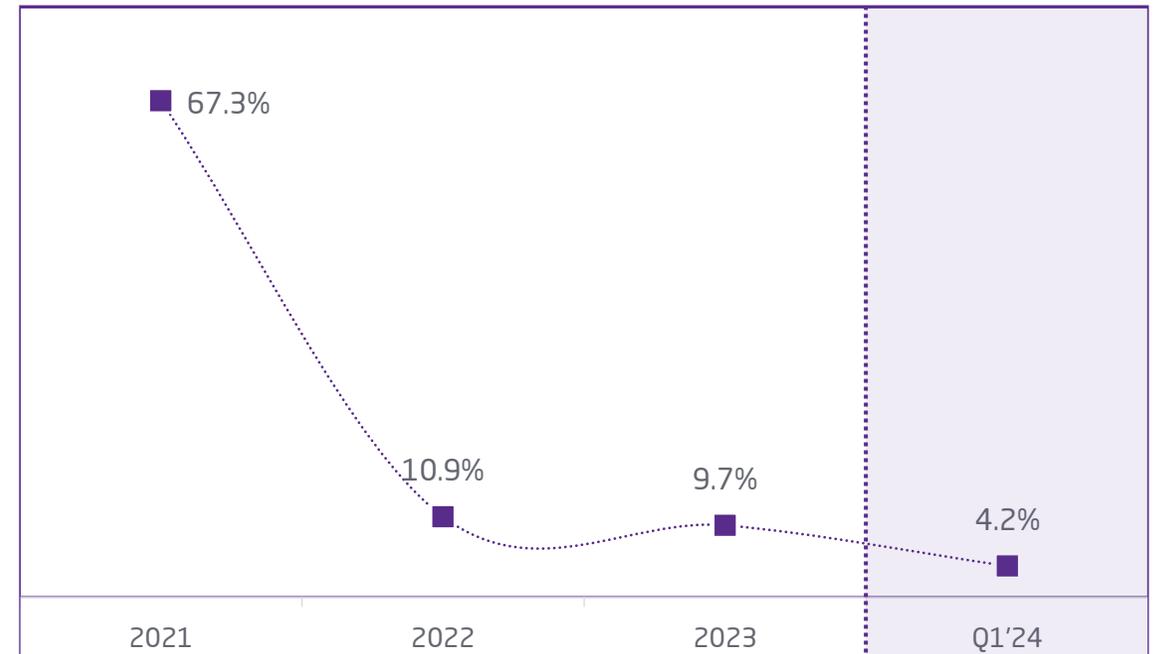
LFL Saudi retail sales growth %

- Strong post-covid recovery seen in 2021.
- However, like-for-like growth weakened post 2021 primarily due to seasonal trends and the turnaround strategy .



LFL International Retail growth %

- Strong post-covid recovery seen in 2021 and continued positive momentum due to double-digit growth in Zara and Inditex sales.

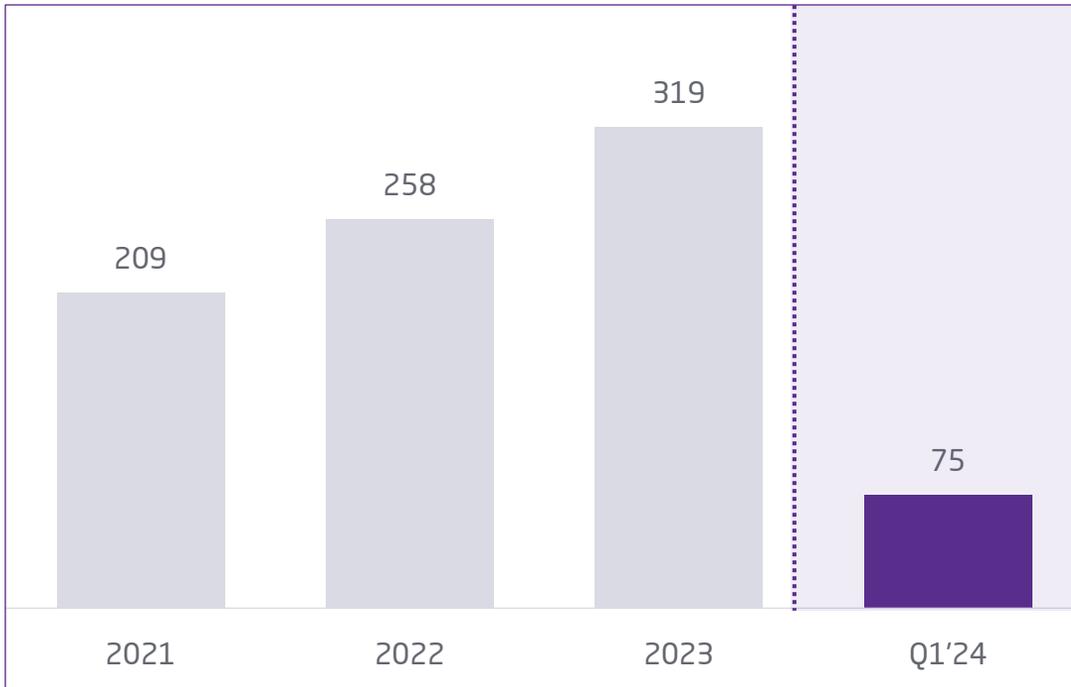


Online channel continues to maintain a consistent presence in the revenue mix



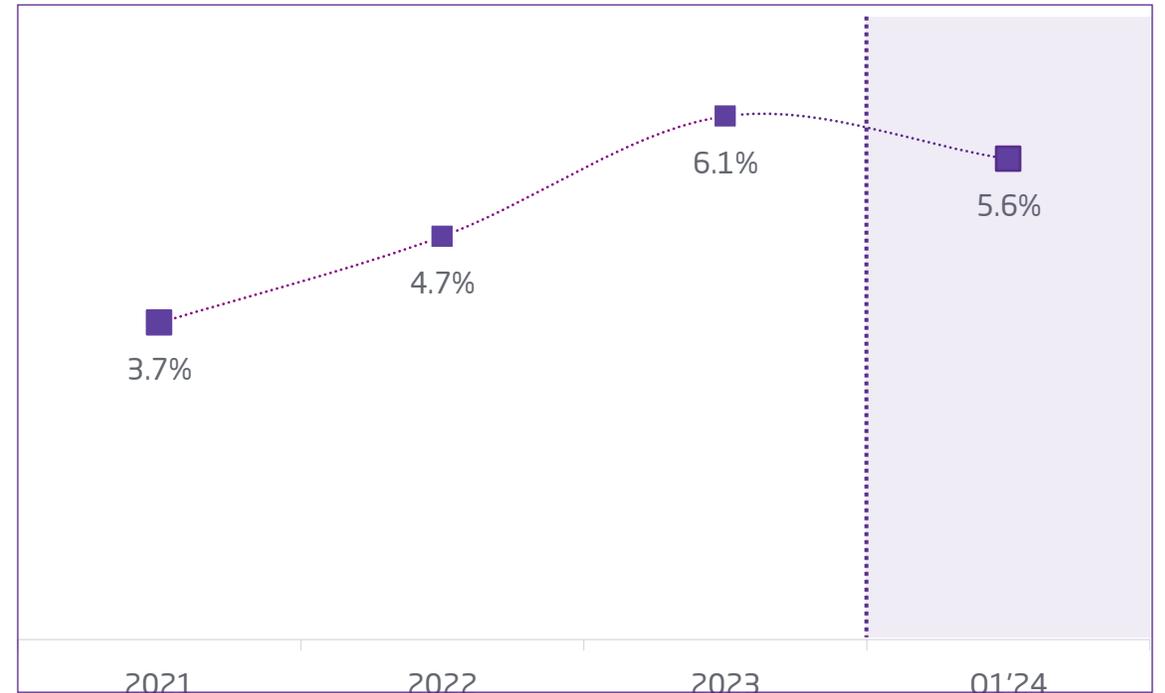
Online revenues, SAR MN

- E-commerce sales has been a success with sustained growth across 2021-23 and Q1'24.



E-commerce, % of total retail sales

- Diversification of revenue streams into digitisation and e-commerce post-covid has been a key strategic play.

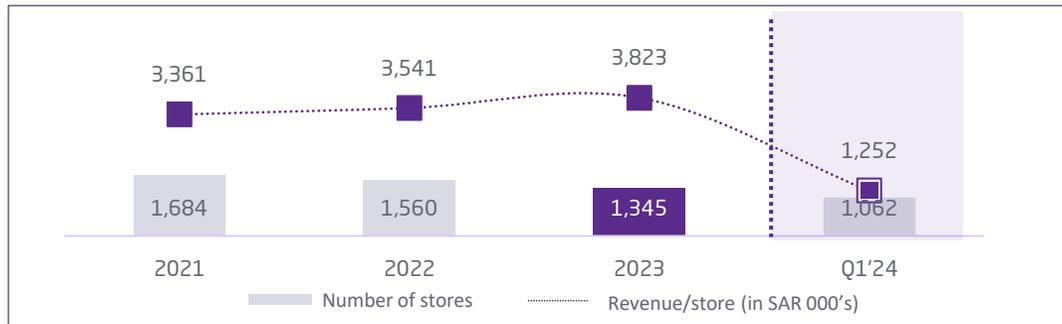


Underlying sales efficiency showing progress as the turnaround strategy is implemented



Revenue Per Store (Group)

- Revenue per store is enhanced across group level due to brand divesting and strategy implementation

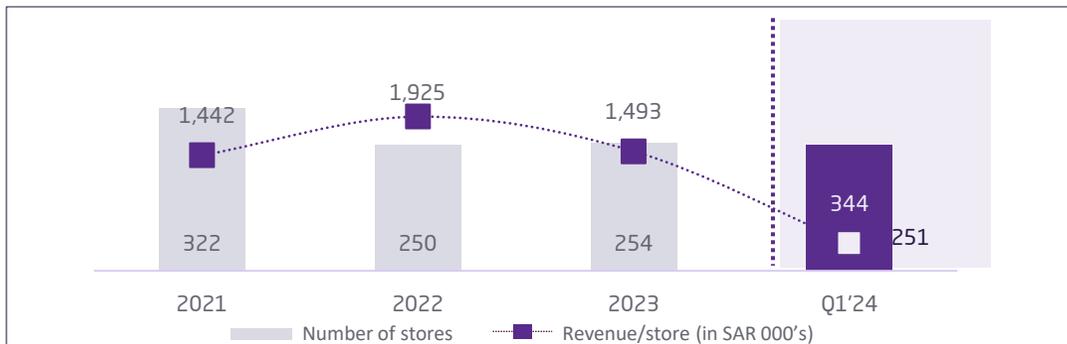


Revenue per Store (KSA)

- KSA and International performance continues to deliver proving the strategy focus on KSA and Tier 1 brands pay off.



Revenue Per Store (F&B)



Revenue per Store (International)



Revenue mix

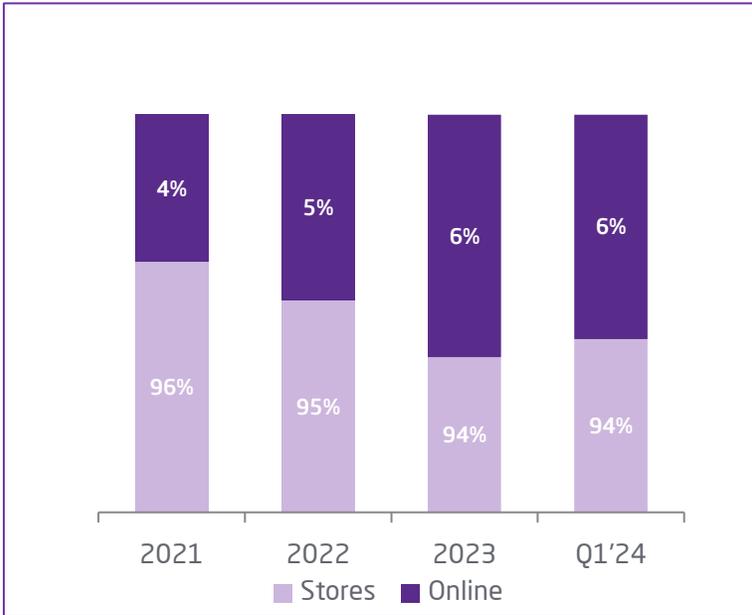
Revenue by division

- Enhanced revenue mix through diversification into F&B segments.



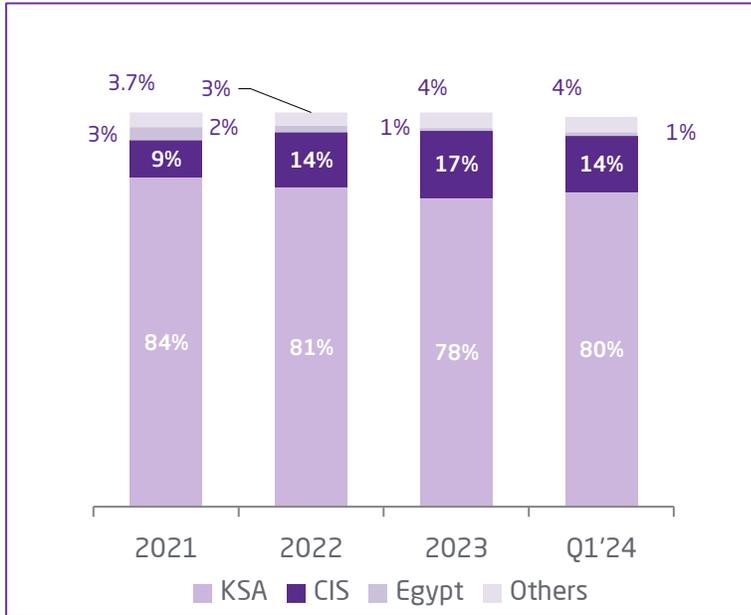
Revenue by channel

- Diversified into enabling e-commerce sales given the shift in consumer behaviour.



Revenue by geography

- Expansion of international portfolio along with targeting KSA as a core market



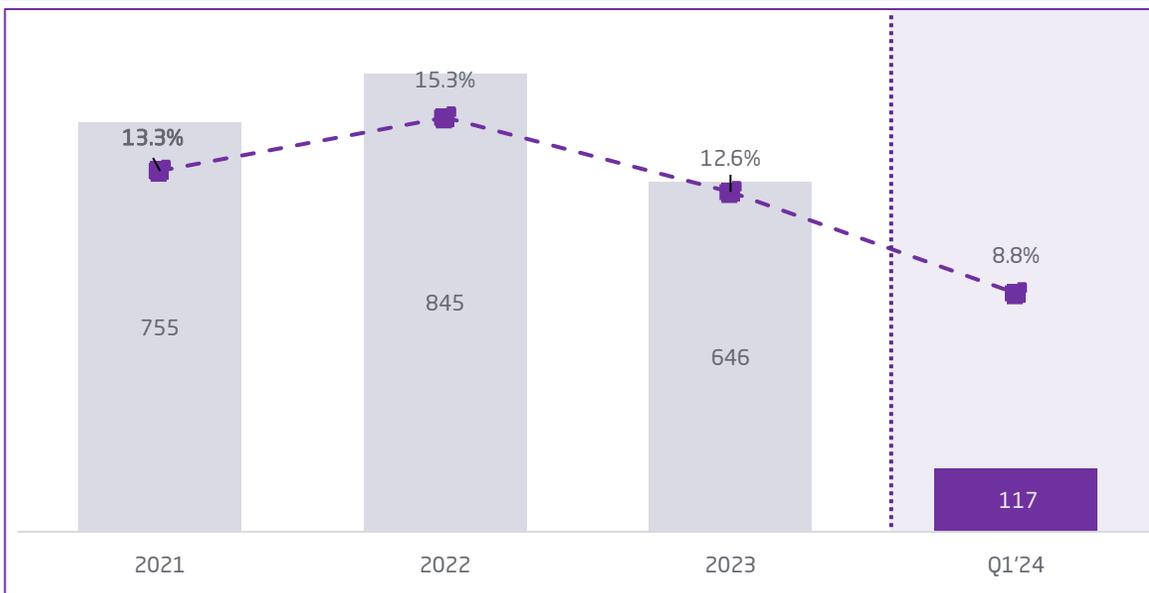


Business transformation is evident in the YoY decline of gross profit and EBITDA



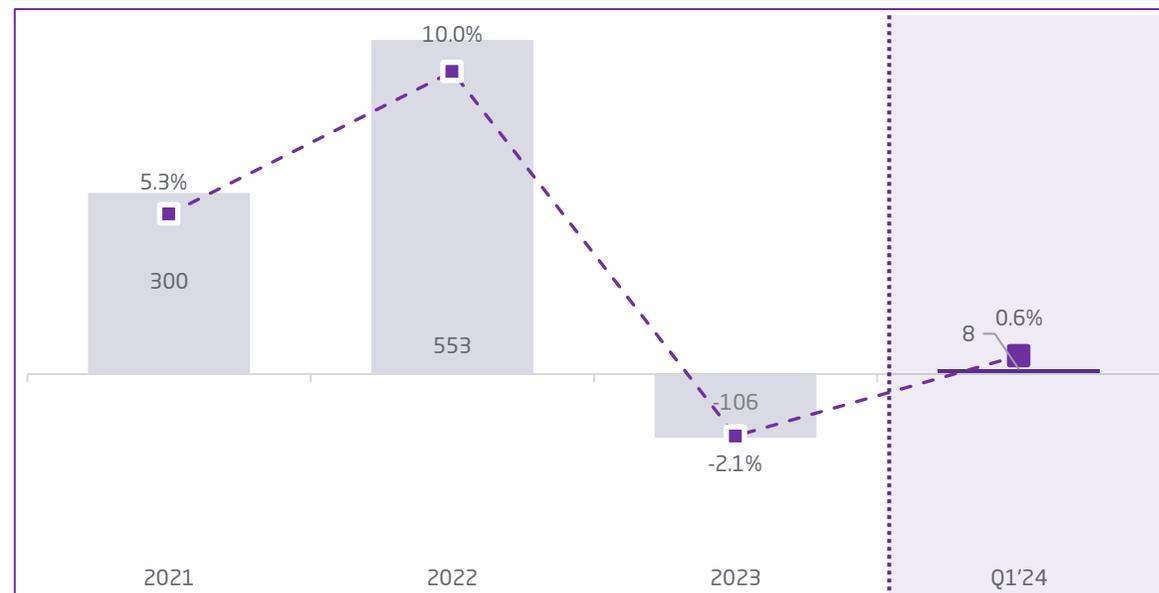
Gross Profit, SAR MN - GPM, %

- Margin compression seen due to a higher cost base and a relatively flat top line.



EBITDA, SAR MN - EBITDA Margin, %

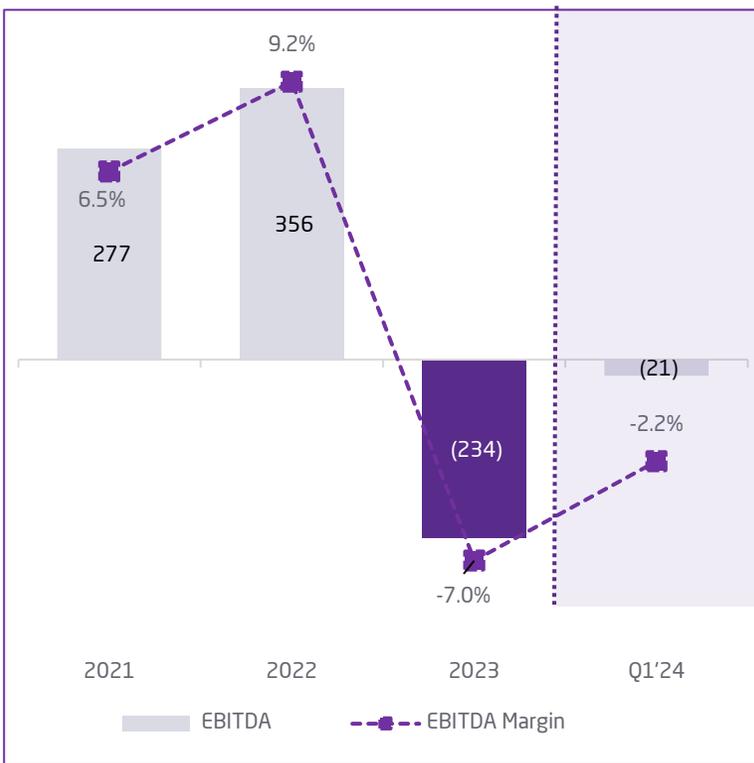
- Strong post-covid recovery.
- Recent EBITDA decline driven by non-recurring charges brought upon by the retail portfolio transformation.



EBITDA Performance across segments

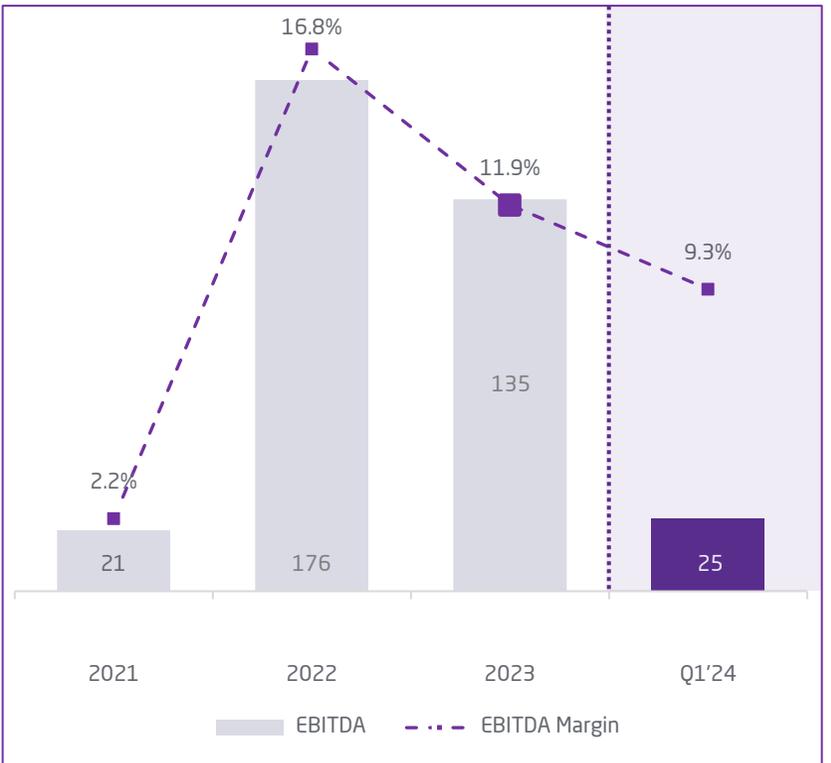
EBITDA KSA, SAR MN - EBITDA Margin, %

- Recovery in 2021-22 due to lower cost base and pent-up demand, however, 2023 EBITDA impacted by turnaround strategy related one-off costs.



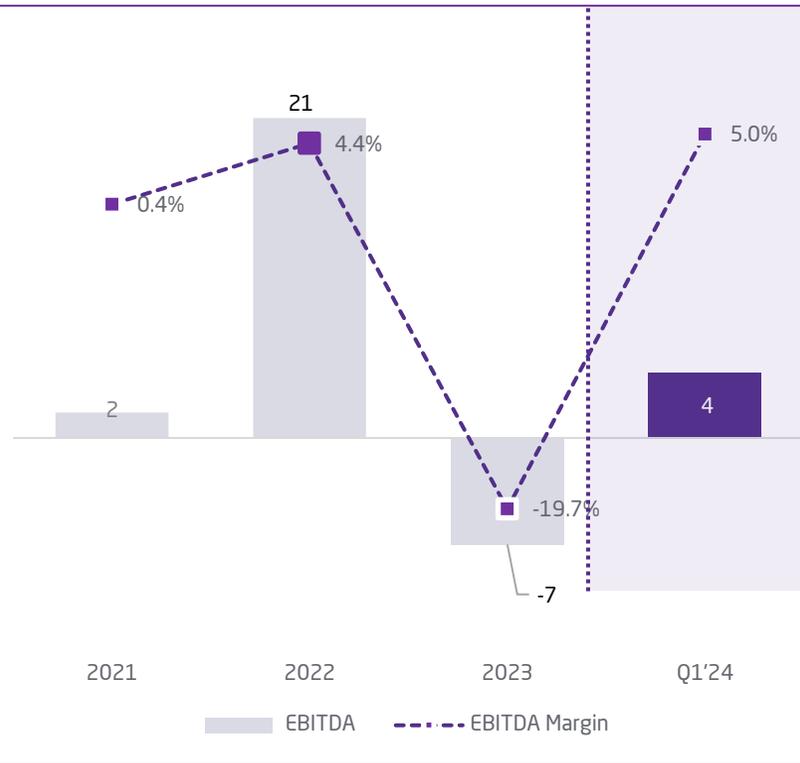
EBITDA Intl, SAR MN - EBITDA Margin, %

- Healthy EBITDA margin for international operations in the fashion and F&B segments



EBITDA F&B, SAR MN - EBITDA Margin, %

- Expansion into F&B yielded results in 2021-22, but margins were affected by a decline in top-line growth in 2022-23. However, signs of recovery are evident in 2024.

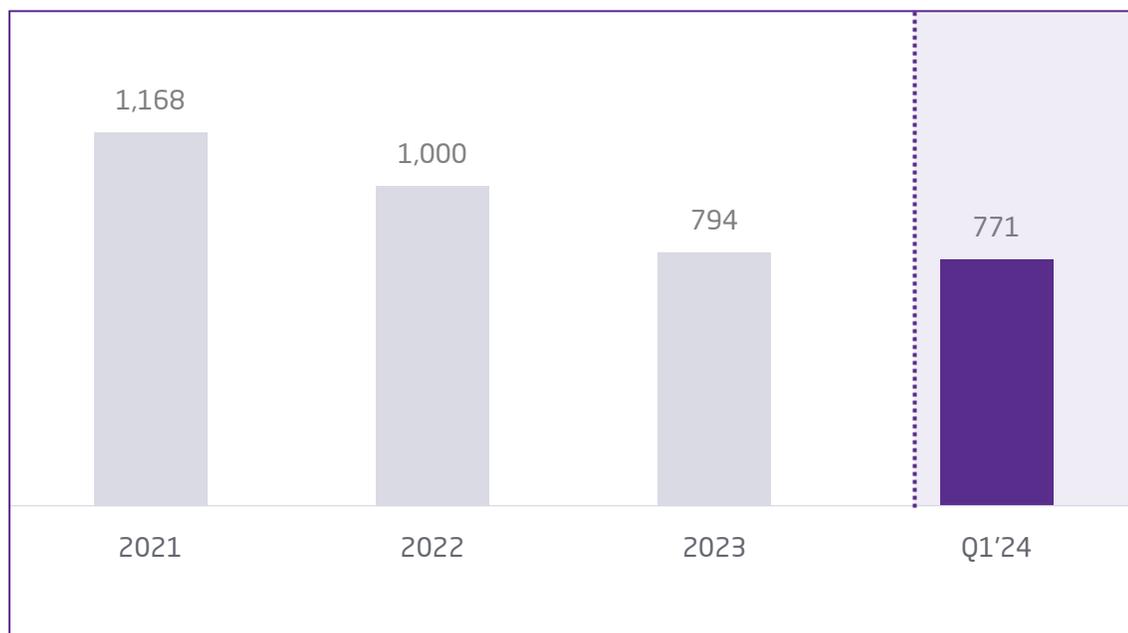


Ongoing inventory enhancements drive turnover improvement



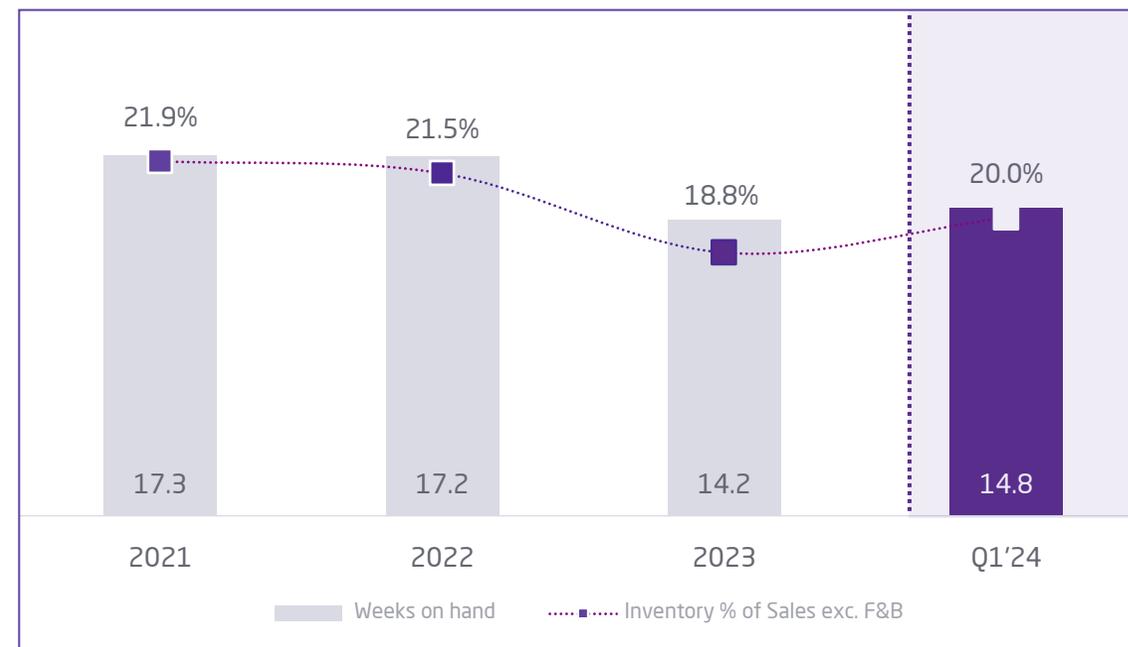
Inventory balance (SAR MN)

- Inventory continues to shrink as a part of optimization efforts to enhance liquidity and efficiency

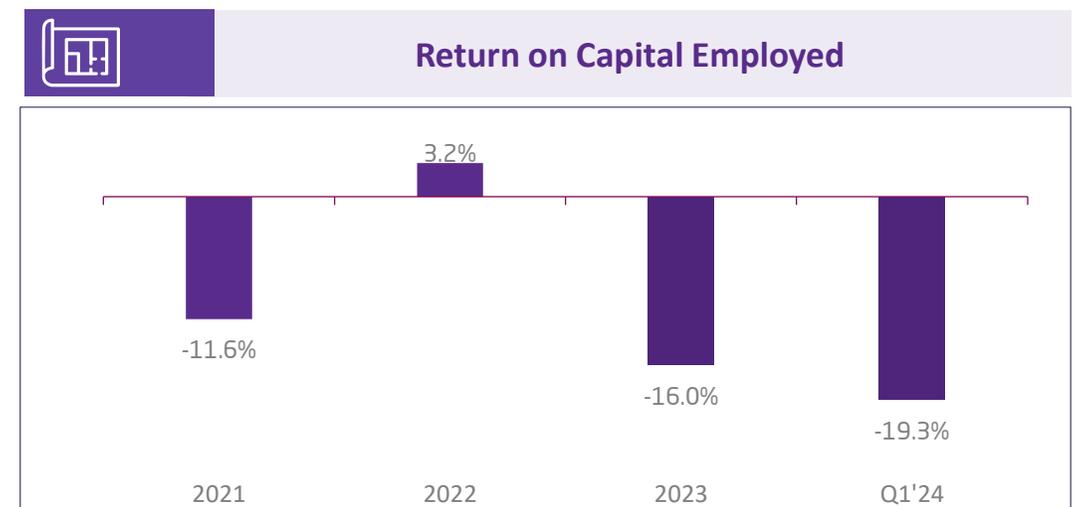
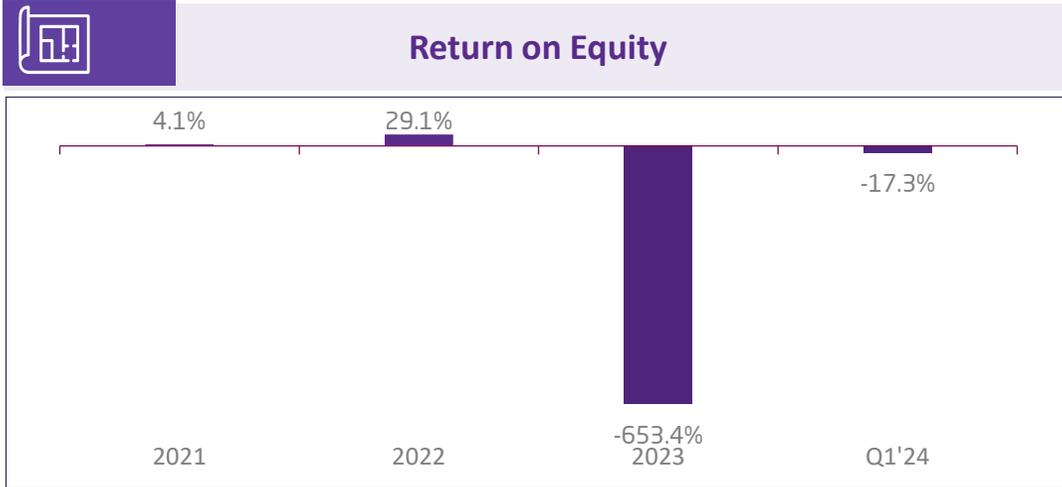


Inventory efficiency ratios

- Inventory on hand improved to 15 weeks thanks to ongoing enhancements in purchasing decision and supply chain optimization



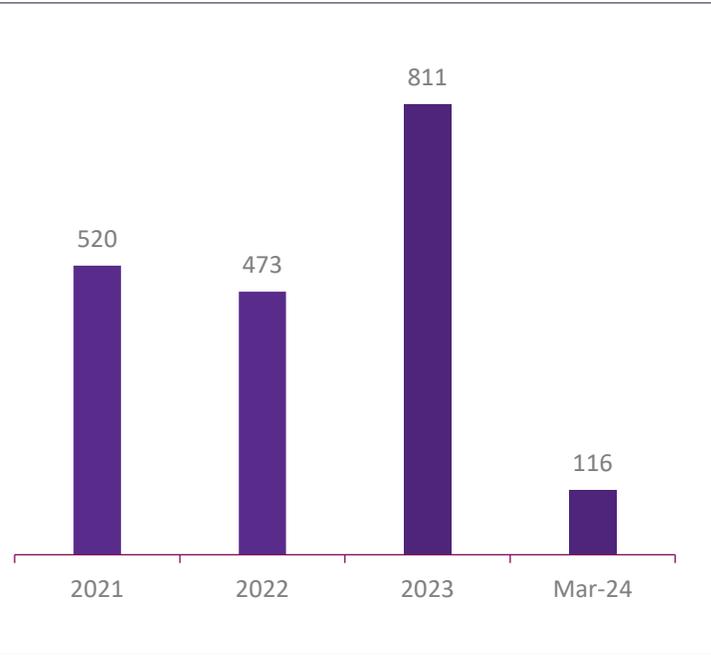
Profitability analysis



Liquidity & leverage

FCF (SARmn)

- Free Cash Flow increased by 71% in the Full Year 2023 versus 2022. Operational cash flow remains strong.



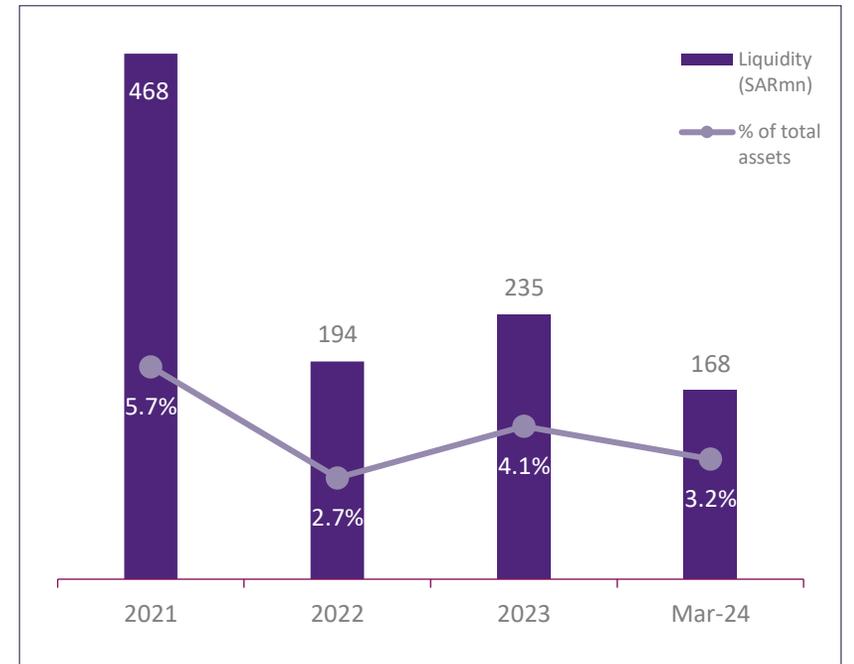
Net debt to EBITDA

- Net debt decreased by 17% in the Full Year 2023 versus 2022. However, EBITDA was impacted by exceptional items



Liquidity levels

- Cash and cash equivalents increased by 21% in the Full Year 2023 versus 2022 and increased also as a percentage of total assets.



05



Appendix



Cenomi Retail brand portfolio - Current

Sports	F&B	F&B
 	 	    
Multimedia	   	    
 	 	   
Lifestyle	Inditex & Zara	   
	  	   
Beauty	  	  
  	 	   
  		

Moving towards best-in-class governance to foster greater transparency and management control



- Closer collaboration with Audit Committee and the Board of Directors to revamp policies and processes to support addressing previously recognized gaps
- **Committee Members:**
 - Abdulrahman Bin Mohammed Alanqari - Chairman (Independent)
 - Ahmed Bin Saleh Alsultan (Non-Executive)
 - Zaki Bin Abdullah Alawami (From outside the Board)



- Cenomi Retail's Board collaborates with the Nomination and Remuneration Committee to ensure transparent and strategic processes, fostering top-tier corporate governance.
- **Committee Members:**
 - Mansour Bin Saad Alajlan (Independent)
 - Bander Bin Sulaiman Alghofais (Independent)
 - Abdulmajid Bin Abdullah Albasri (Non-Executive)

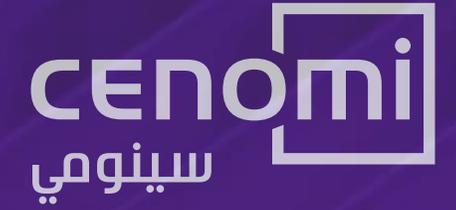


- The Executive Committee advises the Board on organizational direction, strategic planning, and key business matters, while the Board and Executive Committee together monitor and evaluate progress towards the company's strategic goals.
- **Committee Members:**
 - Dr. Abdul Majeed Abdul Aziz Al Hokair (Non-Executive)
 - Abdul Majeed Abdullah Al-Basri (Non-Executive)
 - Mohamad Rafic Mourad (From outside the Board)
 - Wassim Kabbara (From outside the Board)

- Board of Directors**

 - **Chairman (Non-Executive):** Fawaz Bin Abdulaziz Alhokair
 - **Vice Chairman (Non-Executive):** Abdulmajid Bin Abdulaziz Alhokair
 - **Independent:** Ahmed Bin Mohammed AlAlsheikh
 - **Independent:** Abdulrahman Bin Mohammed Alanqari
 - **Independent:** Mansour Bin Saad Alajlan
 - **Non-Executive:** Abdulmajid Bin Abdullah Albasri
 - **Independent:** Bander Bin Sulaiman Alghofais
 - **Independent:** Ahmed badawi Naif Shaheen
 - **Non-Executive:** Ahmed Bin Saleh Alsultan

Cenomi Retail



THANK YOU

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