

Cenomi Retail

Earnings Presentation

For the quarter ended
30 September 2024



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Presenters



Salim Fakhouri

Chief Executive Officer



Ahmed Belbesy

Chief Financial Officer

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CENOMI

At a Glance



Cenomi Retail at a glance

The leading franchise retailer in Saudi Arabia, and the only listed business of its type in the Middle East



Over 850 stores



357 Saudi stores



c. 360K sqm



252 F&B outlets



9 countries



250 international stores

Financial highlights



SAR 1.2 BN
Revenues

▲ 9.0% YOY



SAR 709 MN
Kingdom of Saudi Arabia Retail Revenues

▲ 3.6% YOY



SAR 140 MN
EBITDA

▲ vs loss of SAR 17 MN



SAR 380 MN
International Retail Revenues

▲ 30.9% YOY



SAR 19 MN
Net profit

▲ vs loss of SAR 203 MN



SAR 84 MN
Online Sales

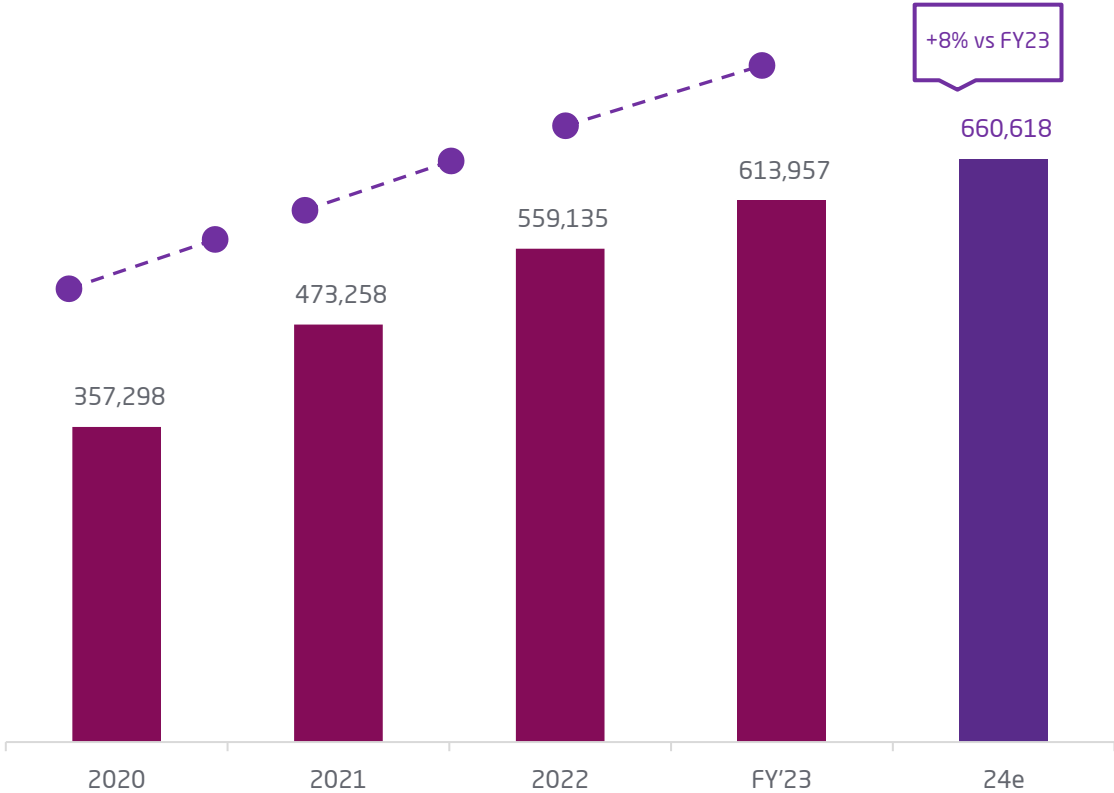
▼ 5.0% YOY



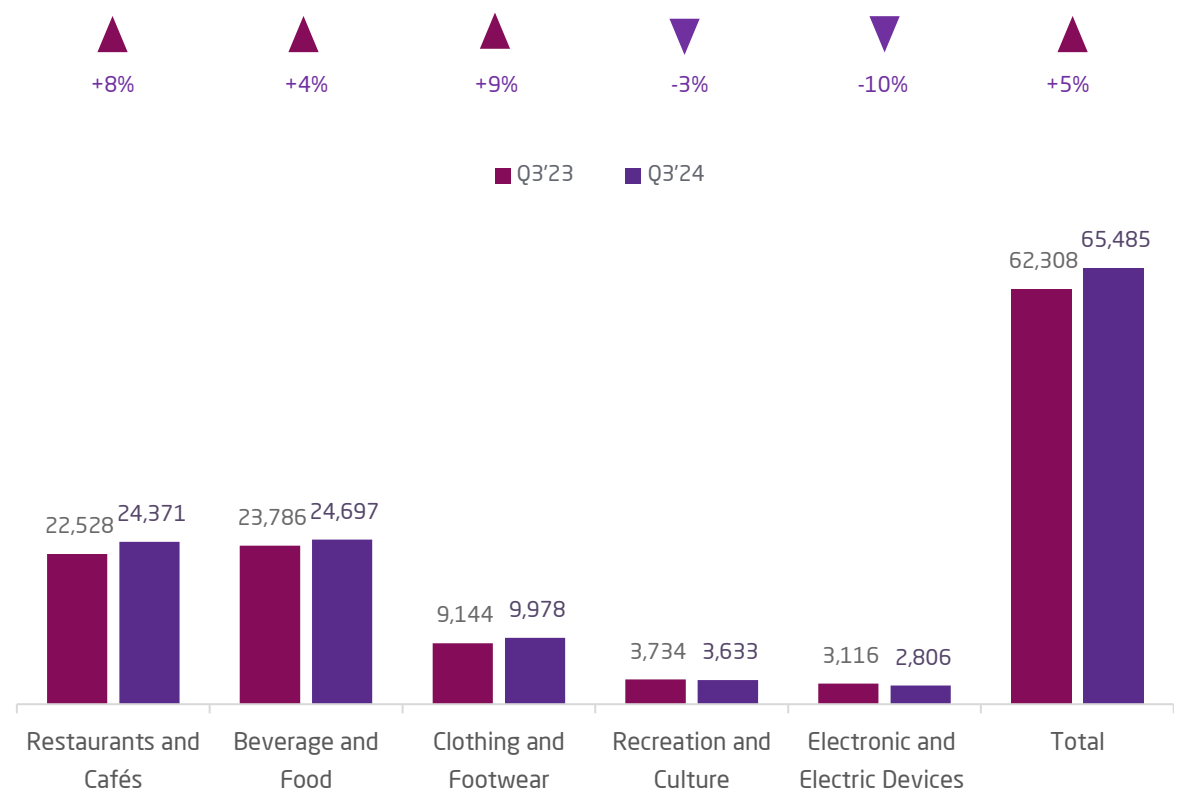


KSA consumer spending on rising trend

 POS Transactions* - KSA Market (SAR Million)



 POS Transactions* - KSA Market (SAR Million)



* Source: SAMA

Strategic and Operational Review



Transforming portfolio, expanding brand champions and enhancing operational efficiency

'Saudi First' Strategy



Geography

- Double down on Saudi market and wider MENA region
- Strategic openings in the Kingdom of Saudi Arabia and store renovations
- Focus on Tier 1 Champion Brands

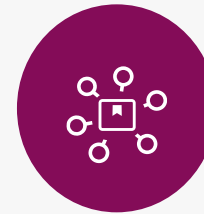
Lead with winning brands



Brands

- BOD approval for exiting 24 brands
- Scale current leading brands to their full potential
- Spearhead growth with Brand Champions (BC) and Tier 1 in potential selective countries such as common wealth countries

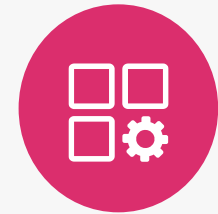
Evolve to Drive Growth of Tier 1 Champion brands



Category

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

Rise to meet the online opportunity



Channel

- Double down on mono-brand sites to achieve record market online penetration rates
- Open new on line market channels

Continuing our path to enhanced potential and profitability

Phase 1: Fix The House

- 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

2023-2024



2024-2026

Phase 2: Embark on Growth

- Invest to scale existing brands across markets
- Identify white space opportunities and secure new franchise in key markets

Phase 3: Achieving Optimal Potential

- Scale existing brands to maximum potential ensuring comprehensive coverage of key cities in target markets
- Invest in scaling new brands

2026+



Our turnaround strategy is steadily advancing across all fronts

Brand Rationaliza



- 24 brands with SAR 212 million capital gain , YTD
- Reducing 30% of total store network in the kingdom of Saudi Arabia

Store Rationalization



- 113 closed stores in Q3'24 and opened 13 stores, for a net closure of 100 stores.
- Q3'24 to Q3'23 reduction in stores by 36%

Operational Enhancement



- Revenue per store increase 70% in Q3'24 YoY
- Gross floor Area Square meter decreased 16% in Q3'24 YoY due to brands divestment program and store closure

Market Rationalization



- Exited Morrocco
- Rationalized Egypt
- Exiting USA

Governance



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

Continued focus on optimizing market, brand & store footprint



Retail

Q3'24

- 5 stores opened
- 102 stores closed
- 97 net closures

9M'24

- 31 stores opened
- 516 stores closed
- 485 net closures



F&B

Q3'24

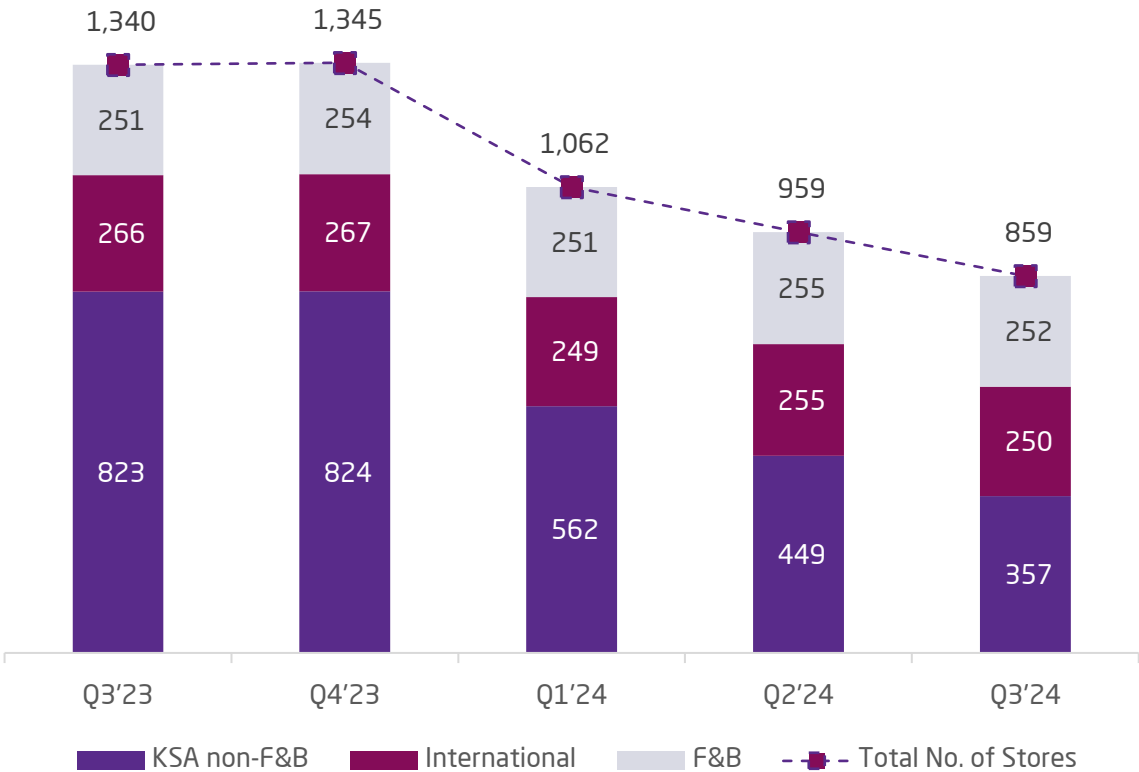
- 8 stores opened
- 11 stores closed
- 3 net closures

9M'24

- 17 stores opened
- 19 stores closed
- 2 net closures







Store network evolution



Financial Overview



Financial performance overview

	3Q'24	9M'24
 Revenues	SAR 1.2 BN <div>▲ 9.0%</div>	SAR 3.7 BN <div>▼ 1.5%</div>
 Gross Profit	SAR 124 MN <div>▲ 54.6%</div>	SAR 446 MN <div>▼ 15.2%</div>
 EBITDA	SAR 140 MN <div>▲ vs loss of SAR 17 MN</div>	SAR 359 MN <div>▲ 6.1%</div>
 Net Profit (Loss)	SAR 19 MN <div>▲ vs loss of SAR 203 MN</div>	SAR (48 MN) <div>▲ vs loss of SAR 89 MN</div>



Highlights

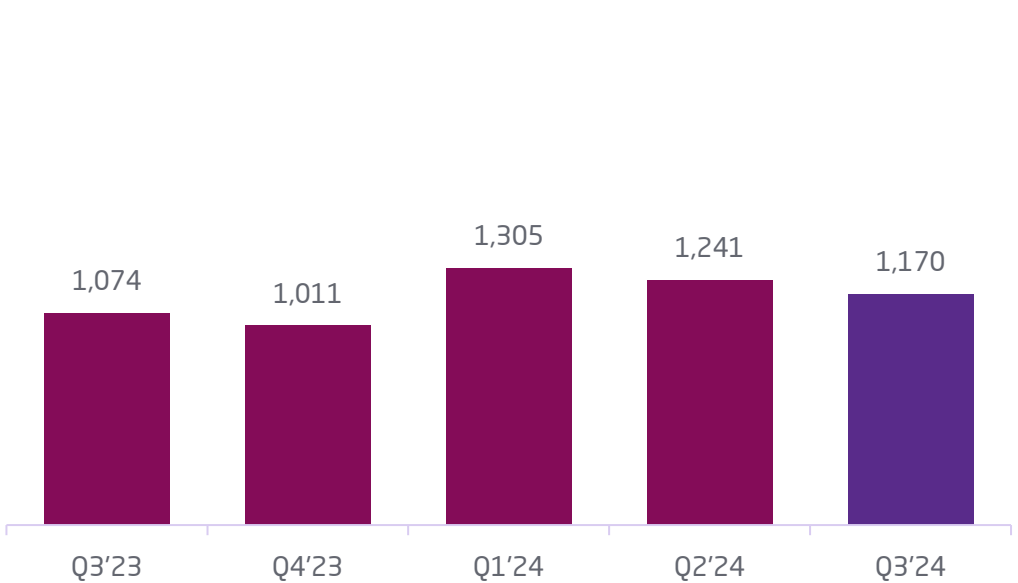
- Retail revenues in the Kingdom of Saudi Arabia were up 3.6% YoY in Q3-24, supported by Zara & Inditex brands, and adoption of strategic sales measures
- International portfolio witnessing strong momentum, with an increase of 30.9% YoY in Q3-24, driven by Azerbaijan and Georgia
- Wide-ranging cost rationalization initiatives boost EBITDA performance during the period
- Brand rationalization program on track, with capital gains of SAR 212 million in 9M-24, and a total of 24 brands sold
- Continued focus on reinforcing financial position through deleveraging, with net debt reduction of 23.7% YTD
- Turnaround in net profit to SAR 19 million in Q3-24

Domestic retail and international portfolio drive revenue growth



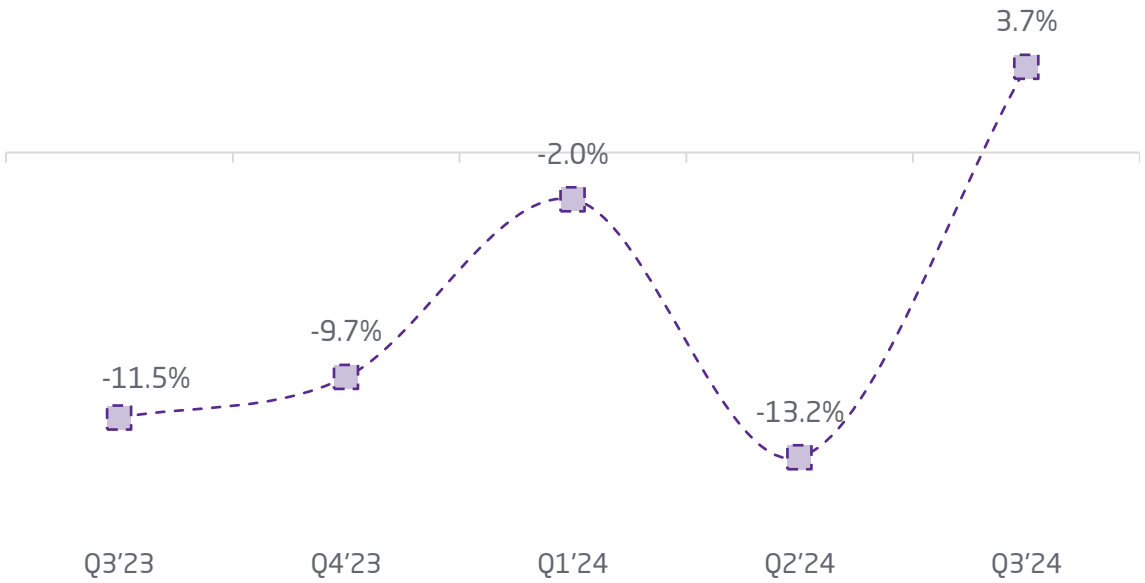
Revenue, SAR MN

- Retail revenues in the Kingdom of Saudi Arabia increased 3.6% while international retail achieved 30.9% growth in Q3-24, outweighing the impact of an 18.5% decline in F&B



LFL consolidated sales growth, %

- LFL growth driven by enhancement of customer experiences through store renovations, store openings and strategic retail price positioning



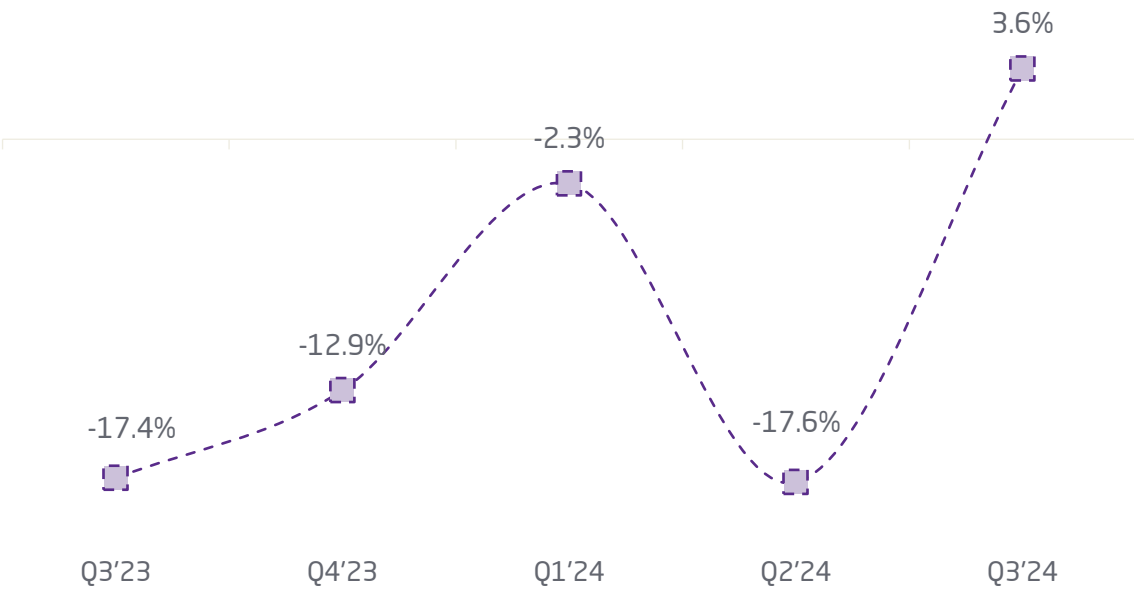
** Financials for 2021 and 2023 were on a fiscal year basis however has been adjusted to reflect calendar year figures. 2023 financials have been recorded on a calendar year basis.*

Strategic sales measures drive revenue growth and profitability



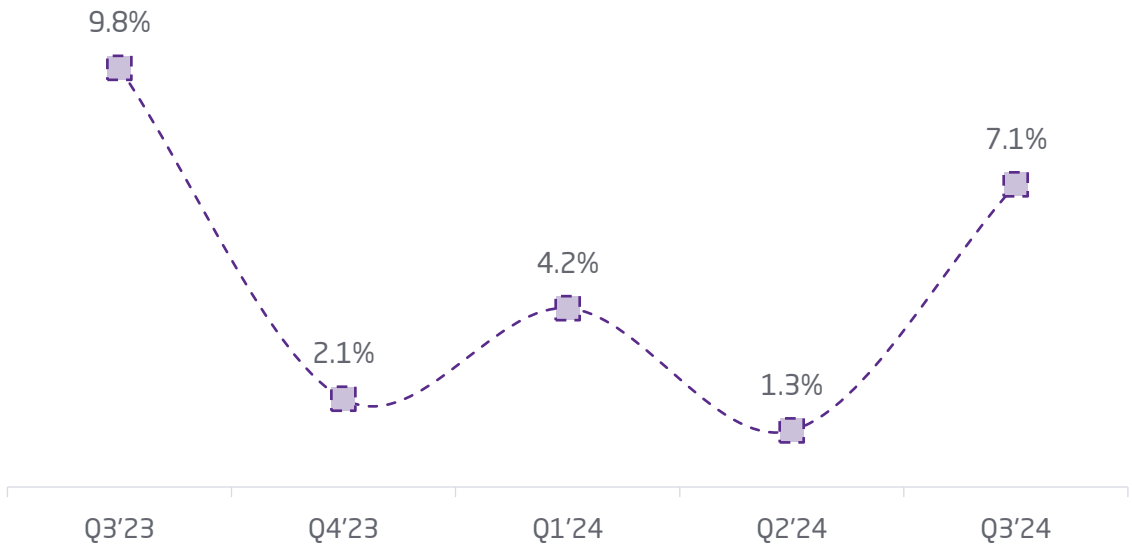
LFL Saudi retail sales growth %

- Domestic LFL sales witnessed a growth of 3.6%, supported by proactive sales strategies as well as effective inventory management



LFL International retail growth %

- International LFL sales continued to improve, as a result of the consistent solid performance of the CIS, particularly Azerbaijan and Georgia

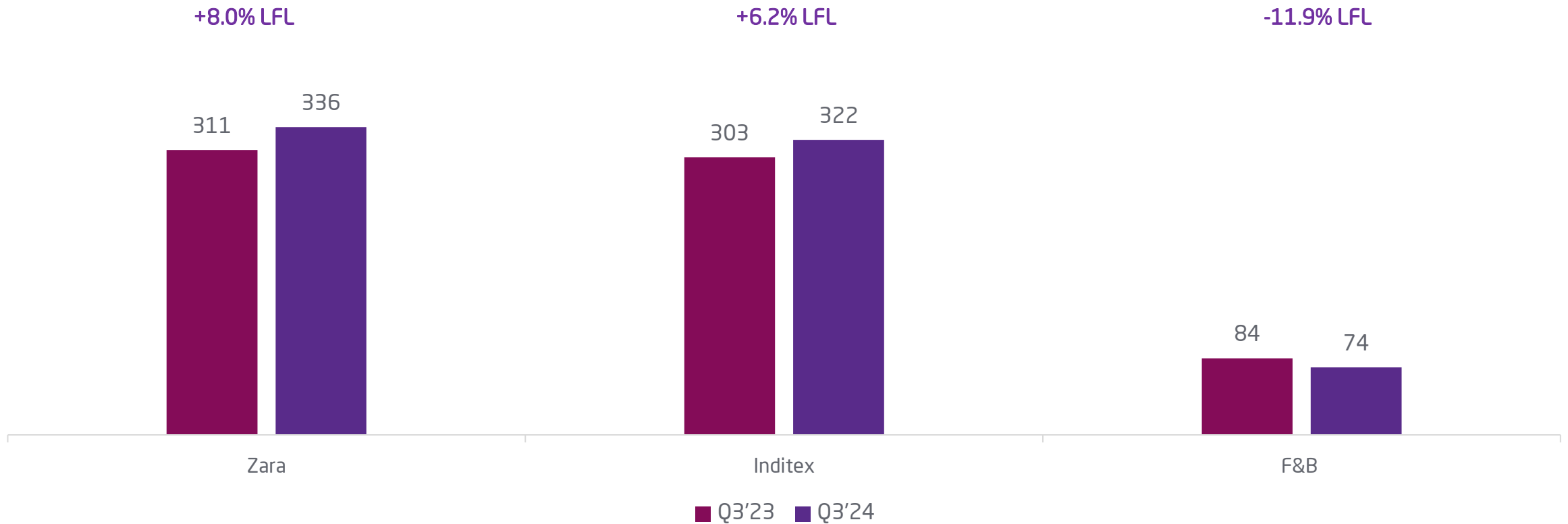


* Financials for 2021 and 2023 were on a fiscal year basis however has been adjusted to reflect calendar year figures. 2023 financials have been recorded on a calendar year basis.

Zara & Inditex witnessing growth during the period

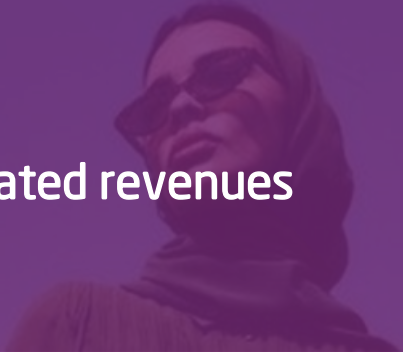


Fashion & F&B Revenues (SAR Million)



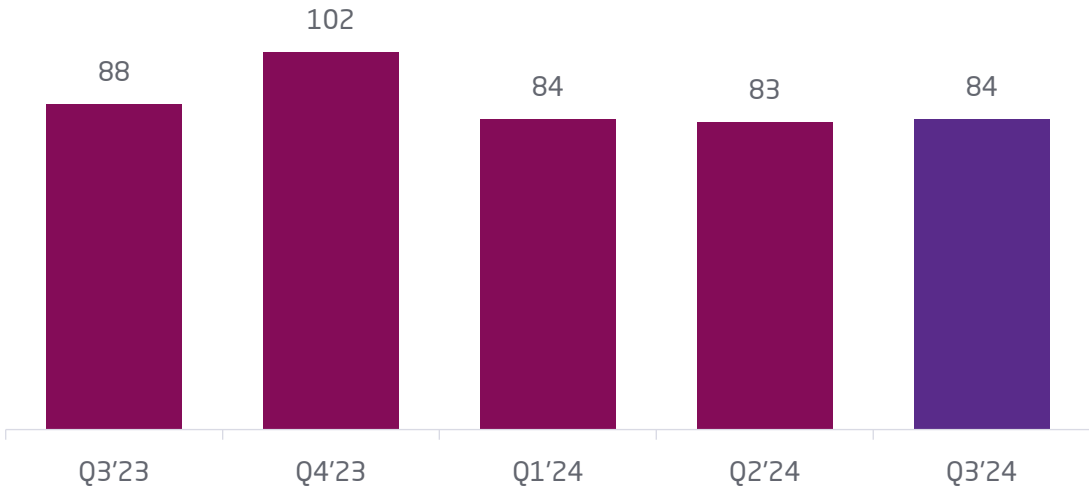


Online sales maintaining strong contribution to consolidated revenues



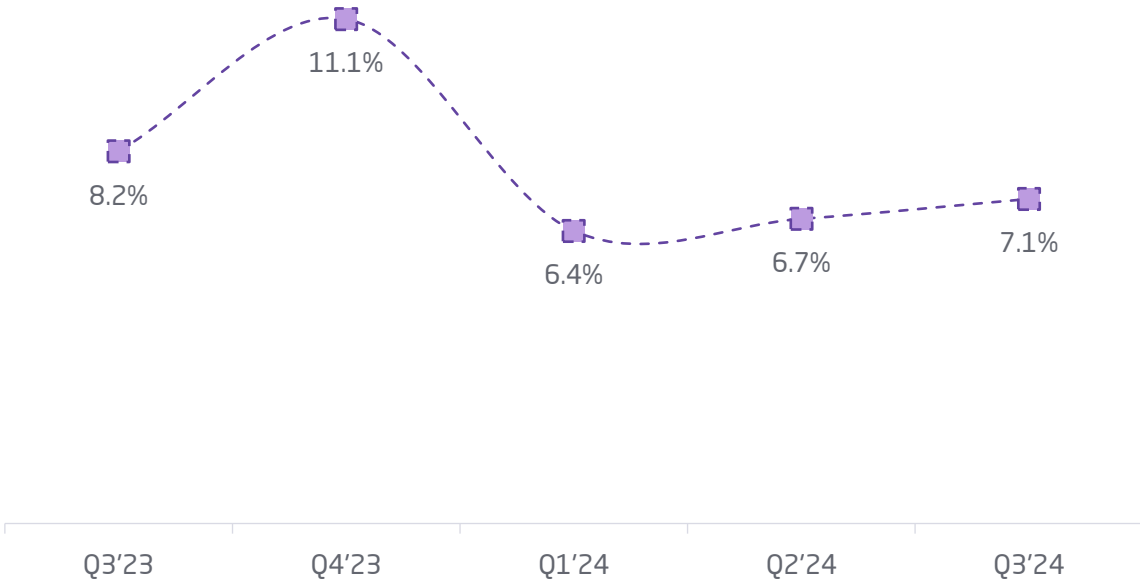
Online revenues, SAR MN

- Online sales decreased 5.0% YoY in Q3-24 and were temporarily impacted by the brands divestment program and the current geopolitical situation.



E-commerce, % of total revenues

- Accessibility, convenience and technology adoption expected to further increase overall revenue share by e-commerce.

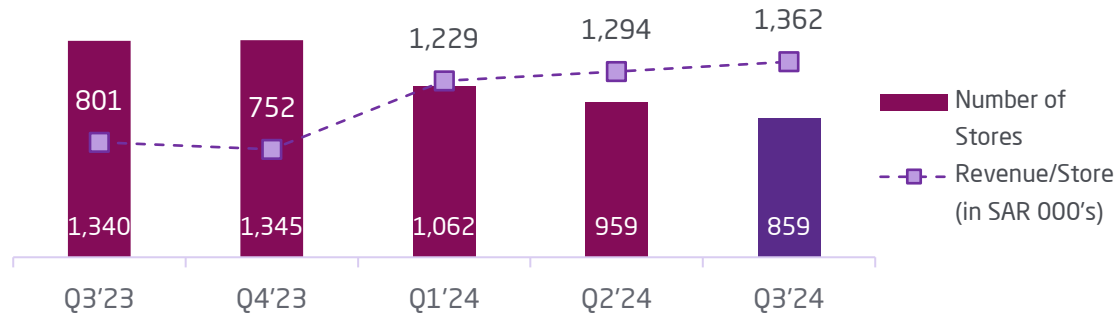


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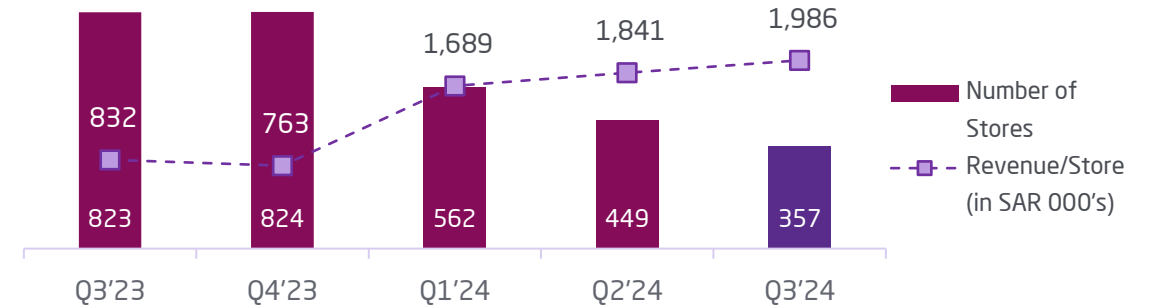
Portfolio optimization enabling solid revenue per store



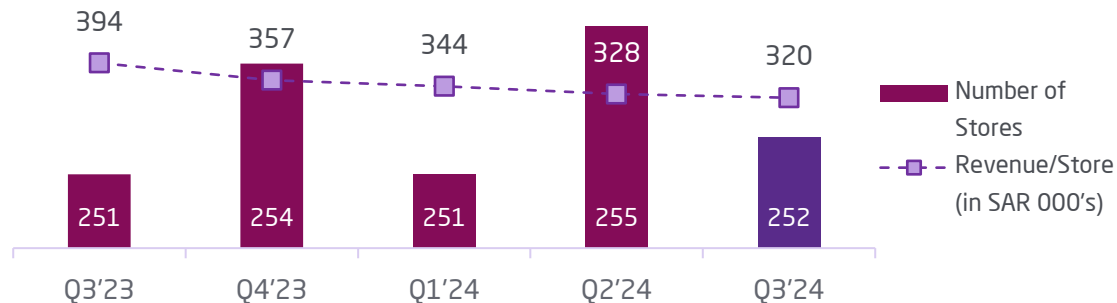
Revenue Per Store (Group)



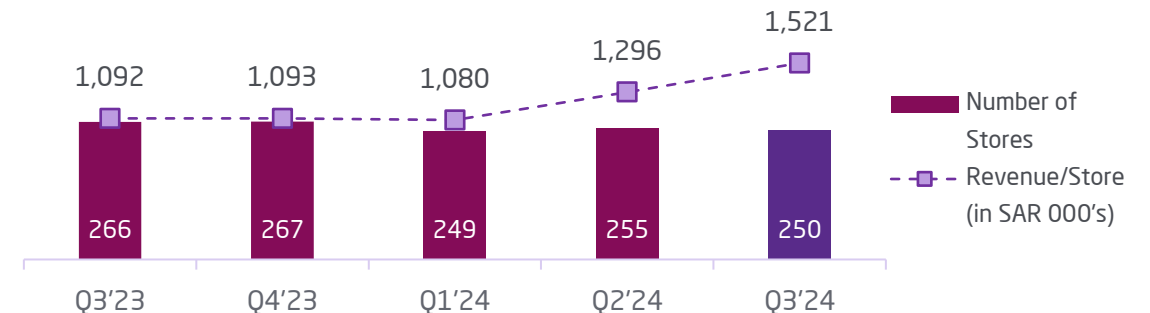
Revenue Per Store (KSA)



Revenue Per Store (F&B)



Revenue Per Store (International)



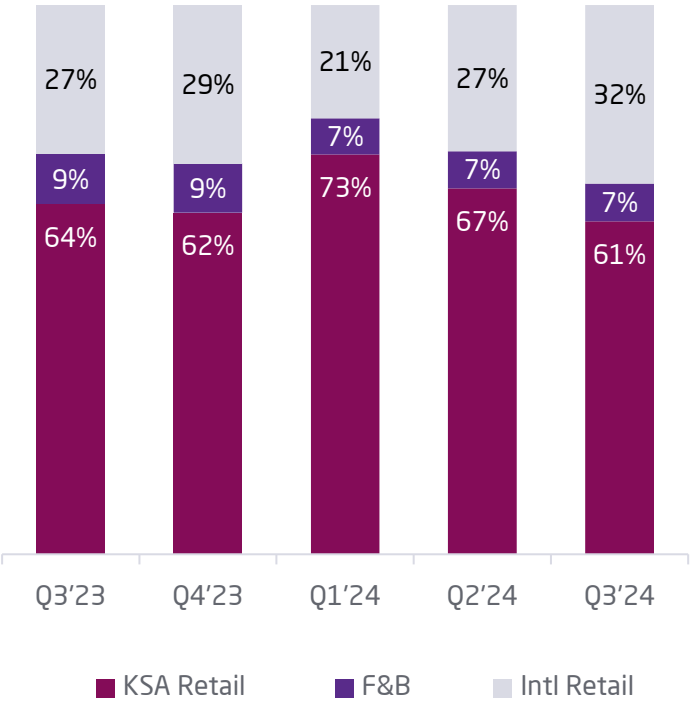
*Annualized figures are based on the period run rates

**Quarterly figures have been re-classified due to prior business assumptions

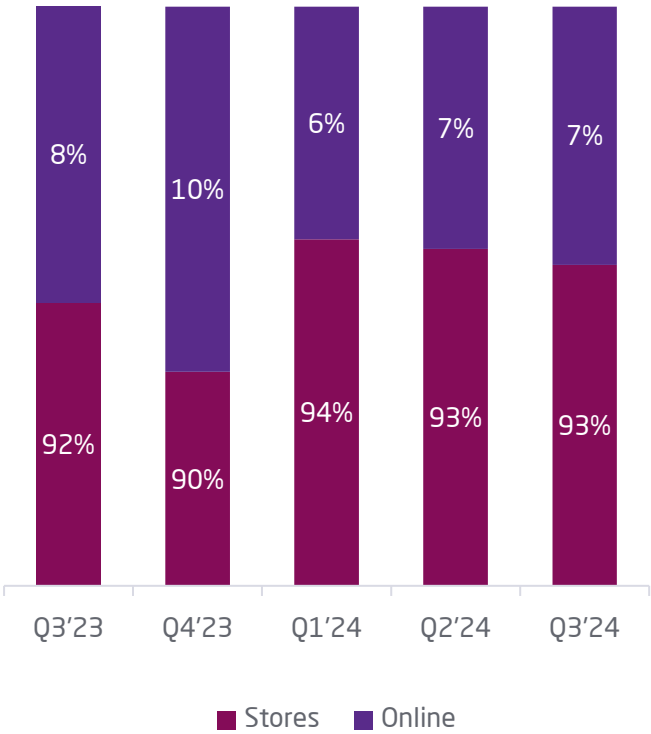
Revenue diversification



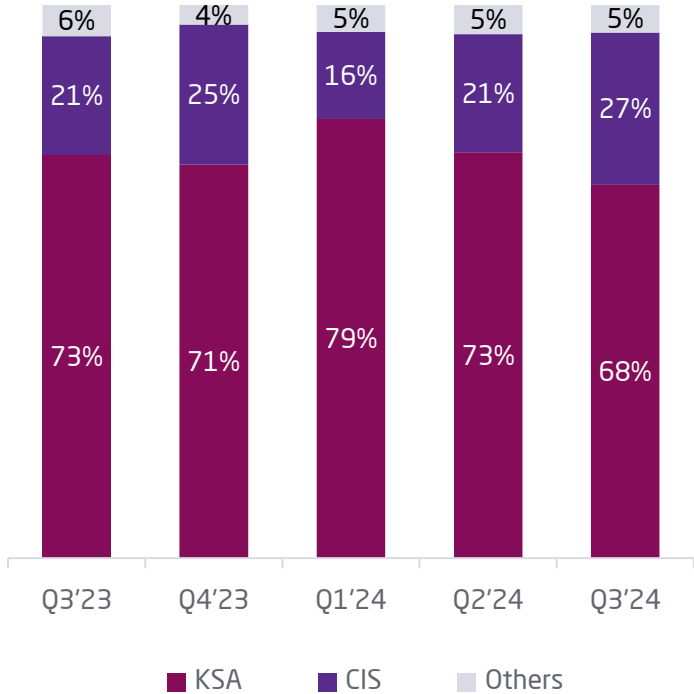
Revenue by division



Revenue by channel



Revenue by geography

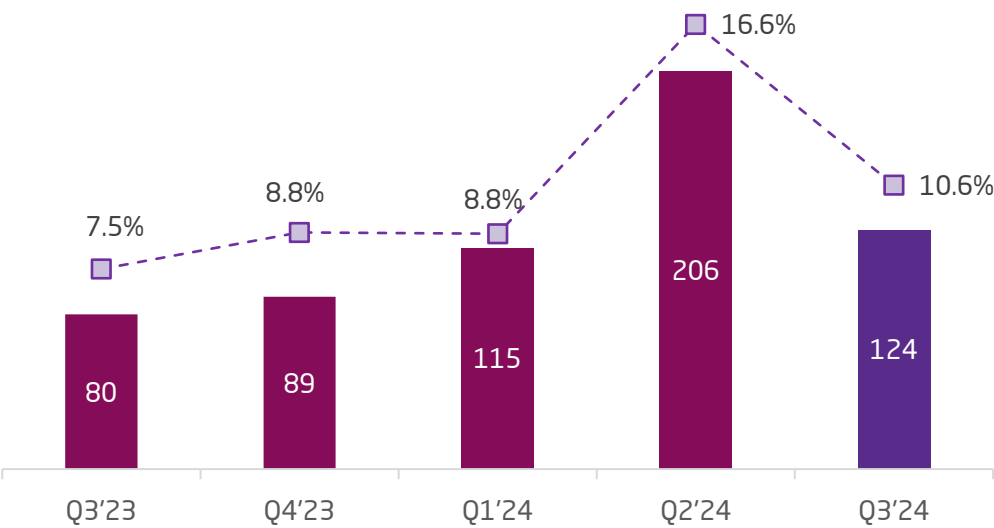


Strategic retail price positioning and cost optimization help sustain margins



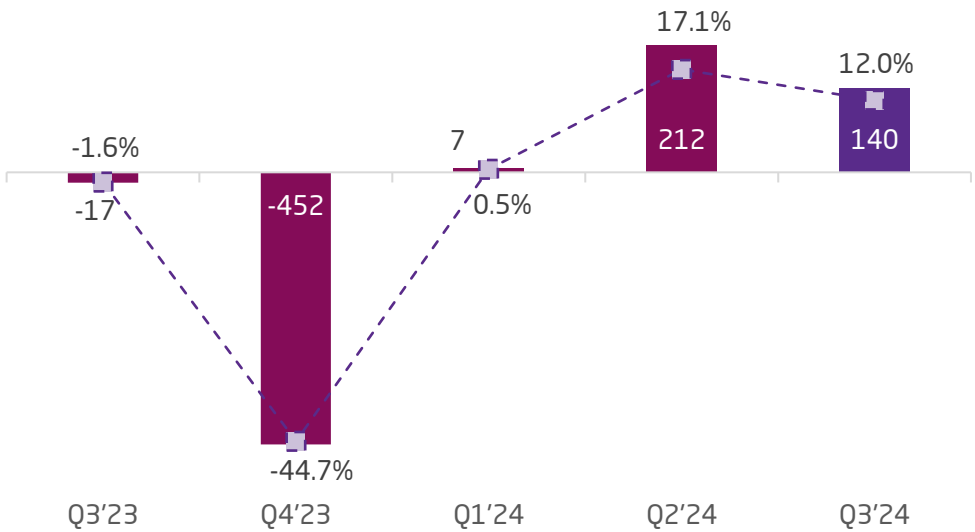
Gross Profit, SAR MN - GPM, %

- Gross margin increased to 10.6% in Q3-24, due to a reduction in employee costs, rent expenses and inventory provision, partially offset by a relative increase in the cost of revenues and ecommerce as a result of increased sales orders for Zara and Inditex brands.



EBITDA, SAR MN - EBITDA Margin, %

- EBITDA margin increased to 12.0% in Q3-24, driven by the improvement in the operational performance during the period, and the company's continued focus on cost optimization.



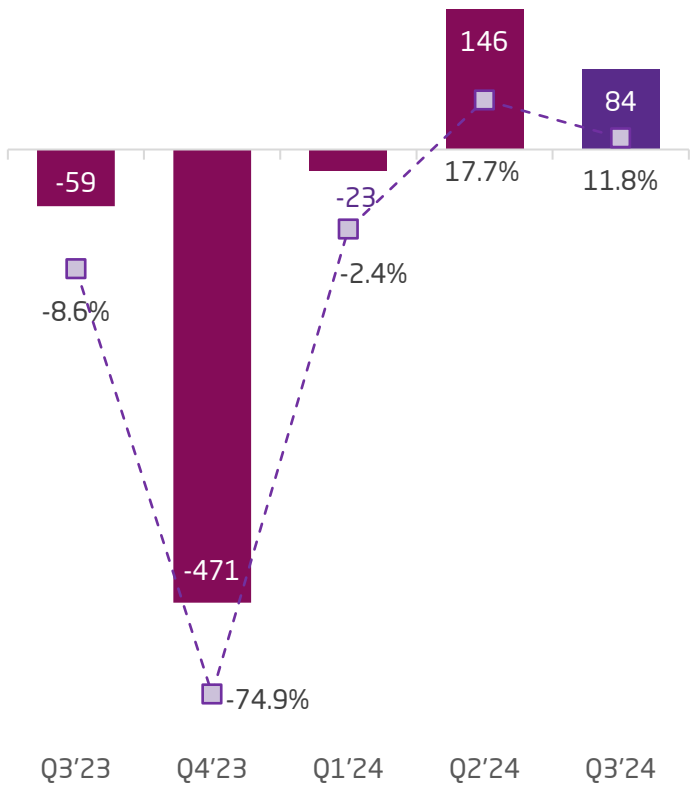
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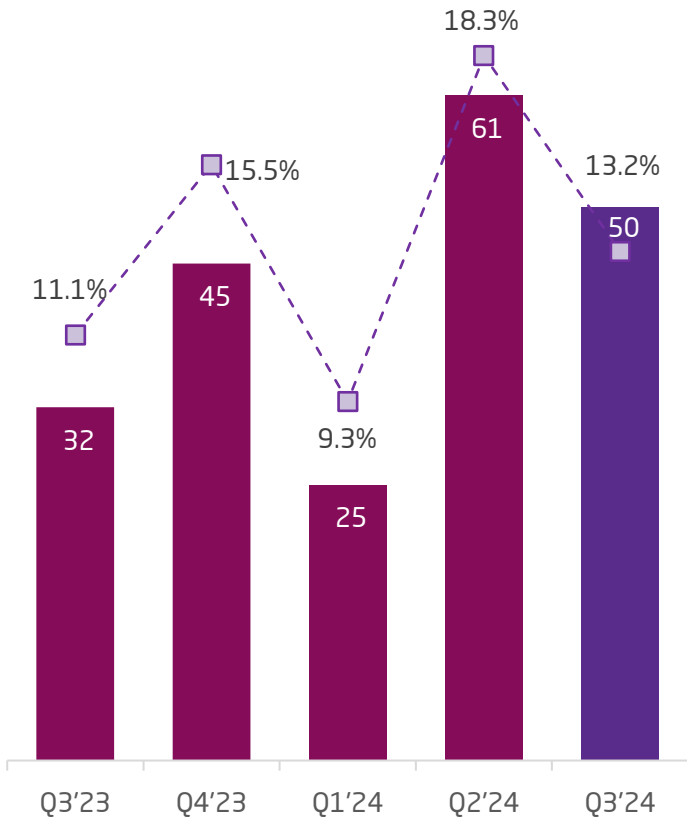
EBITDA performance across segments



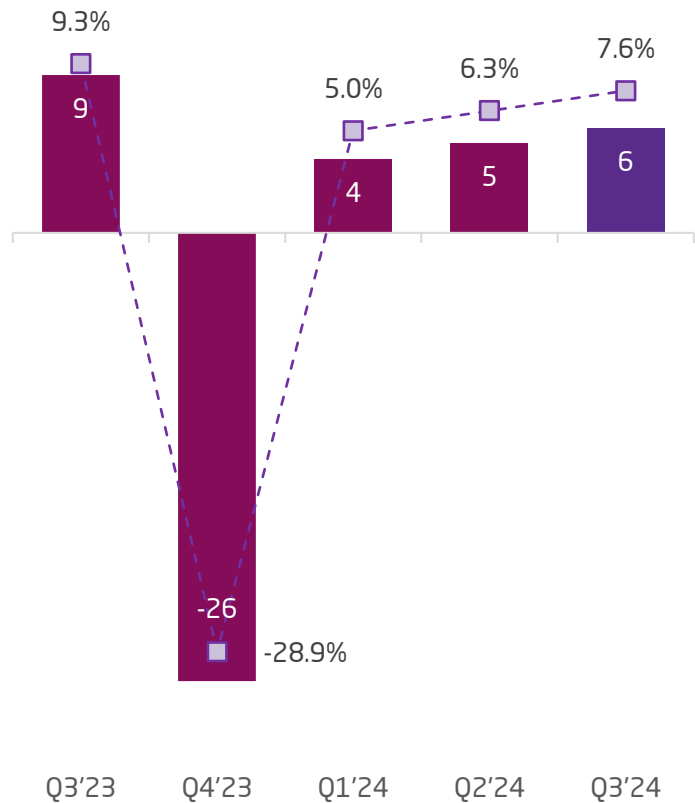
EBITDA KSA Retail, SAR MN - EBITDA Margin, %



EBITDA Intl, SAR MN - EBITDA Margin, %



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



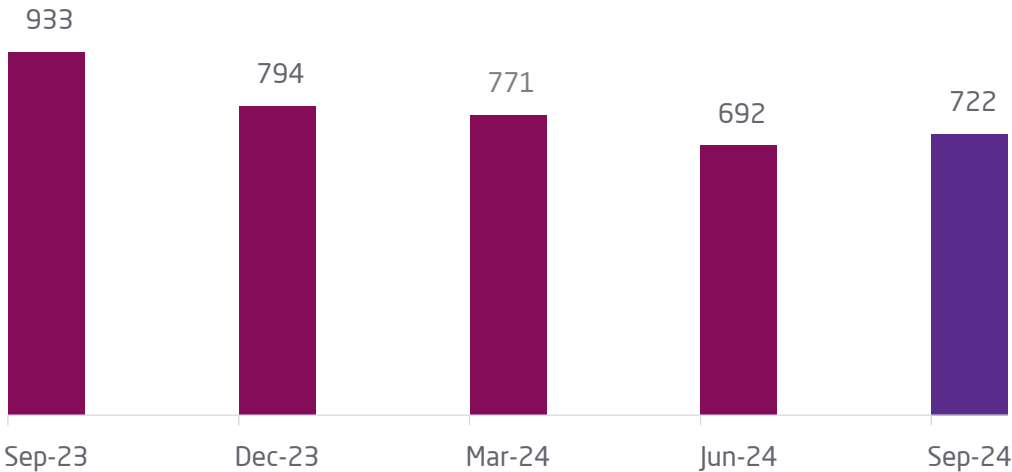


Inventory optimization leading to enhanced efficiency



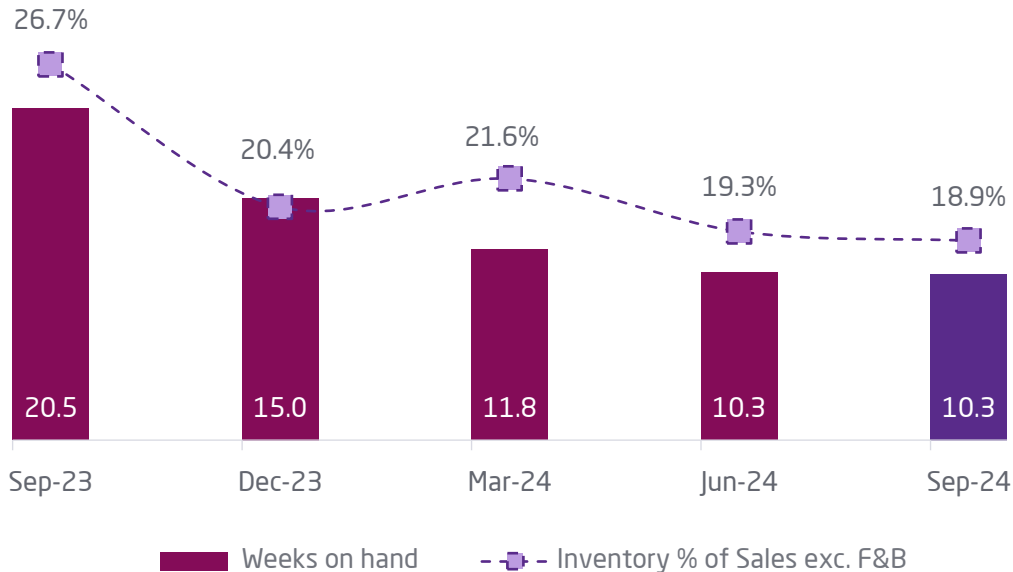
Inventory balance (SAR MN)

- Inventory continues to be within an acceptable range, reaching SAR 722 MN, as focus increases on inventory optimization.



Inventory efficiency ratios

- Effective management of inventory , including streamlined procurement techniques, and supply chain optimization, resulting in enhanced efficiency ratios.



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Concluding Remarks



Q3' 2024 Key takeaways



Topline

International operations leading revenue growth, primarily driven by CIS, with domestic operations also witnessing improvement



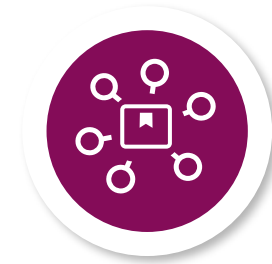
Profitability

Turnaround in profit to SAR 19 in Q3-24, with a continued focus on cost optimization



Financial position

Balance sheet remains key area of focus, with net debt reduction of 23.7% YTD



Brand Rationalization

Continued progress, with capital gains of SAR 212 million in 9M-24, and a total of 24 brands sold

Moving Forward Key Highlights



The Kingdom of Saudi Arabia

- 4 Zara & Inditex stores to be renovated in Q4-24
- Estimated net capex of SAR 25 million mainly by contribution of landlord support
- Stores are in prime locations and high footfall malls, and leveraging the upcoming white Friday and salary pay days sales period



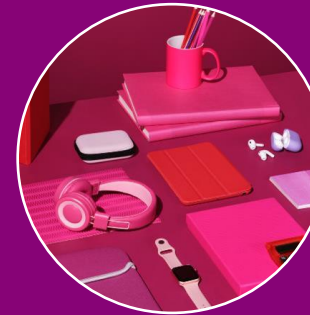
Fashion

- Expansion of Zara at Nakheel Mall from 2,960 sqm to 3,450 sqm
- Nakheel Mall is one of the key prime locations in Riyadh generating 8% to 10% of total Zara revenues
- Expected opening by beginning of December 2024, leading to estimated increase of 37.7% revenue in 2025



F&B

- 12 Subway stores opened in October 2024 and additional new stores expected to be opened in December 2024
- Increase in total number of owned Subway stores of 50 stores, which are expected to result in increase of 500% in Subway revenues in 2025



Online Sales

- New ecommerce channels will be opened in Q4-24 and Q1-25 for Tier 1 Champion brands, leading to higher online sales in 2025.



International Markets

- 7 Zara and Inditex stores currently in Crescent Mall in Azerbaijan, with the most recent Zara store opening in October 2024
- Expected to contribute to an increase in revenues by 20% for the country

Appendix



Income Statement

SAR MN	Q3-23	Q3-24	Change	9M-23	9M-24	Change
Revenue	1,074	1,170	9.0%	3,772	3,716	-1.5%
Cost of revenue	-993	-1,046	5.3%	-3,246	-3,270	0.7%
Gross profit/(loss)	80	124	54.6%	525	446	-15.2%
<i>margin</i>	<i>7.5%</i>	<i>10.6%</i>	<i>3.1pp</i>	<i>13.9%</i>	<i>12.0%</i>	<i>(1.9pp)</i>
Selling and distribution expenses	-38	-28	-26.8%	-126	-106	-15.9%
General and administrative expenses	-77	-65	-15.6%	-242	-231	-4.5%
Other operating expense	-2	38	2030.6%	-9	-8	-12.8%
Other operating income	19	71	269.1%	191	259	35.8%
EBITDA	-17	140	-904%	339	359	6%
<i>margin</i>	<i>-1.6%</i>	<i>12.0%</i>	<i>13.6pp</i>	<i>9.0%</i>	<i>9.7%</i>	<i>0.7pp</i>
Depreciation, amortization	-40	-37	-7.4%	-117	-108	-7.7%
Operating profit / (loss)	-57	103	-281%	221	251	13%
Net finance costs	-100	-68	-31.5%	-254	-236	-7.3%
Share of loss of equity-accounted investees	-1	-2	96.6%	-7	-5	-35.6%
Profit / (loss) before zakat and income tax	-158	33	121%	-40	10	-126%
Zakat and Income tax expense	-14	-14	0.5%	-31	-39	25.0%
Loss for the year from continuing operations	-172	19	111%	-71	-28	-60%
Gain (Loss) for the year from discontinued operations	-31	1	101.7%	-18	-20	12.3%
Profit / (loss) for the year	-203	19	110%	-89	-48	-46%
Non-controlling interests	1	1	18.0%	3	5	74%
Net profit group share	-204	18	108.8%	-92	-53	-42.3%

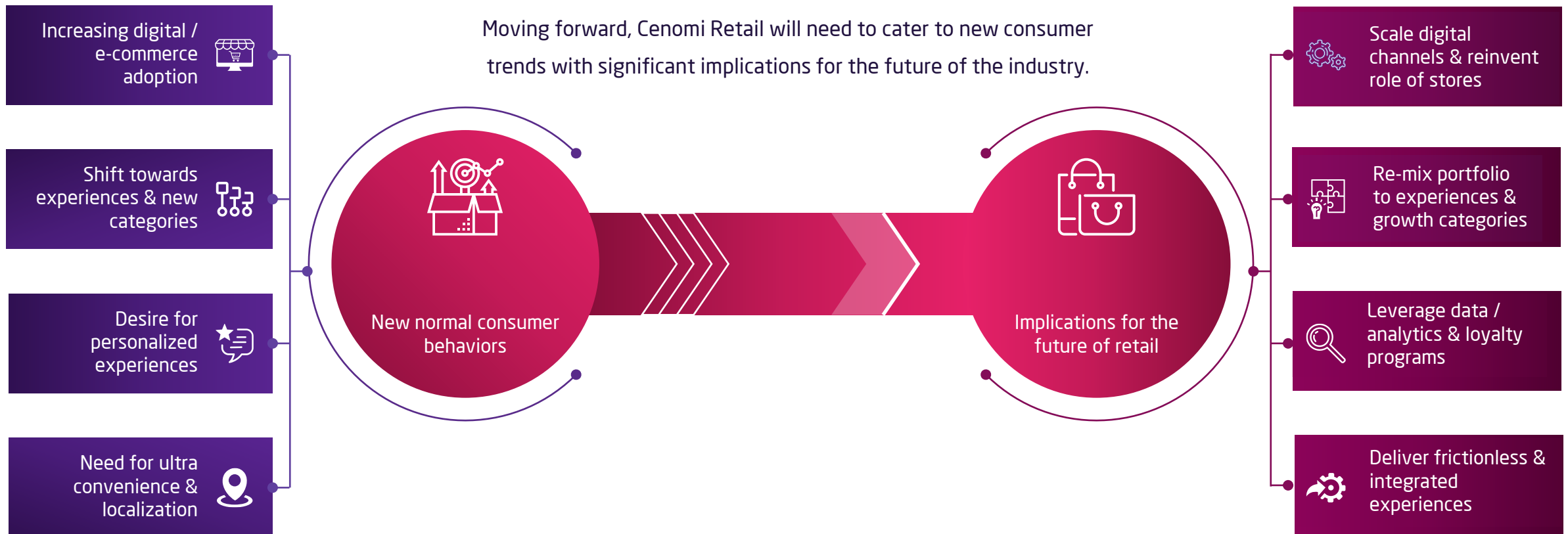
Balance Sheet

SAR MN	31 Dec 23	30 Sept 24	Change
Assets			
Property, Plant and Equipment	1,150	1,134	-1%
Right-of-Use Assets	2,045	1,583	-23%
Goodwill and Intangible Assets	756	753	0%
Investment Property	1	1	-7%
Investment in associates and joint venture	65	64	-2%
Other investments	74	112	52%
Total Fixed Assets	4,091	3,647	-11%
Inventories	794	722	-9%
Advances, Deposits and Other Receivables	302	270	-11%
Prepayments, Rentals and Insurance	26	36	41%
Cash & Cash Equivalents	235	137	-42%
Assets included in disposal group classified as held for sale	310	0	-100%
Total Current Assets	1,667	1,166	-30%
Total Assets	5,758	4,813	-16%

SAR MN	31 Dec 23	30 Sept 24	Change
Equity & Liabilities			
Share Capital	1,148	1,148	0%
Reserves (Statutory, Foreign Currency and Fair Value)	-565	-604	7%
Fair value reserve	42	106	152%
Accumulated Losses	-1,404	-1,457	4%
Equity Attributable to the Shareholders of the Company	-779	-808	4%
Non-Controlling Interest	-28	-22	-20%
Total Equity	-806	-830	3%
LT Loans and Borrowing	209	168	-20%
Lease Liabilities	1,556	1,331	-14%
Derivative liability	32	0	-100%
Post-Employment Benefits	89	87	-2%
Total Non-Current Liabilities	1,885	1,586	-16%
Trade and other payables	1,400	1,865	33%
Bank Overdraft	47	0	-100%
Zakat & Tax Liabilities	87	86	-1%
Lease Liability – current portion	579	403	-30%
ST Loans and Borrowings	2,298	1,703	-26%
Liabilities included in disposal group classified as held for sale	268	0	-100%
Total Current Liabilities	4,679	4,057	-13%
Total Liabilities	6,564	5,643	-14%
Total Equity & Liabilities	5,758	4,813	-16%

Consumer trends

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



Presenters



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THANK YOU

