



AL HOKAIR

ALHOKAIR  الحكير
Fashion Retail أزياء التجزئة

Results Presentation

1 Q - F Y 2 0 2 0

1Q-FY2020 Results Snapshot



SAR 1,732 mn

Revenues

▲ LFL +1%

SAR 656 mn

Gross Profit

▲ 25.4% y-o-y / 37.8% margin

SAR 562 mn

EBITDA

▲ 43% y-o-y / 32.4% margin

SAR 249 mn

(SAR 225 mn after IFRS 16 impact)

Net Profit

▲ 2.0% y-o-y / 14.4% margin

1.8

Units / Transaction

▲ 6% y-o-y

1,658

Total Stores

▼ 8% y-o-y / 1,807 stores

500K sqm

Total Store Space

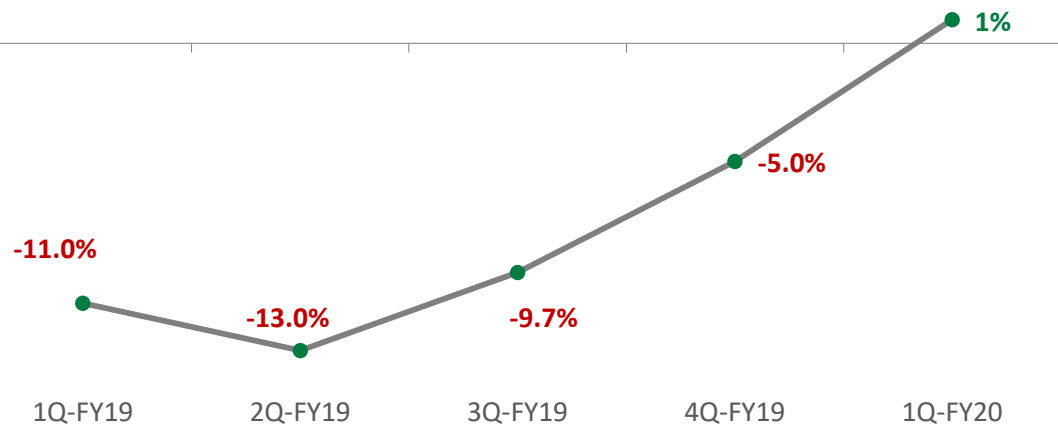
▼ 12% y-o-y

86

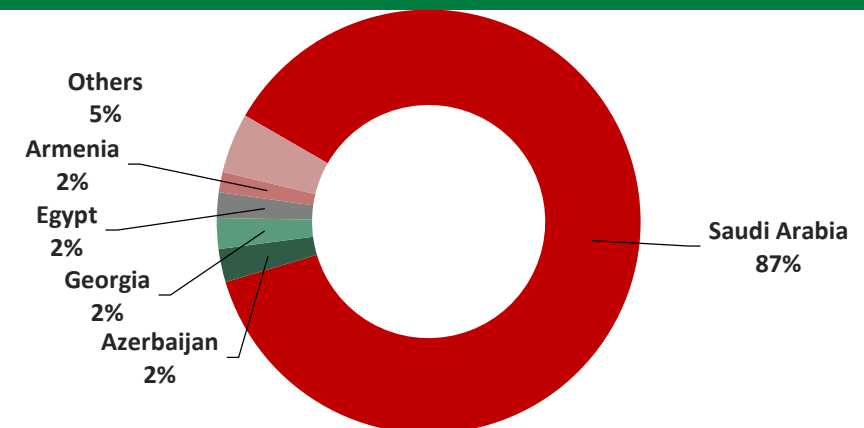
Total Brands

▲ 84 brands

Return to Like-for-Like Growth in Q1-FY2020



Revenue Breakup by Geography



Focused Strategy Leading to Strengthening Performance



The Group's forward-looking strategy is built on four primary pillars to accelerate its growth trajectory



Active Portfolio Management

An empirically-driven approach to portfolio optimization

Focus on KSA + Growth Markets

- ✓ KSA is largest contributor to Revenue
- ✓ Economic tailwinds and retail turnaround
- ✓ Expansion in profitable and high-growth markets, including Egypt, Georgia, Armenia and Azerbaijan
- ✓ Explore exits or alternatives for other geographies

Dynamic Portfolio Optimization

- ✓ Closure of non-performing stores
- ✓ Disposal of weak / losing brands
- ✓ Add new brands that offer unique customer experience
- ✓ Extract maximum value from lower-quantity but higher-quality store portfolio
- ✓ Increase EBITDA / sqm



In-Store Retail Excellence

Invest in winning concepts and targeting increased alignment with market trends

Improve Standards in Existing Stores

- ✓ The Group will revert back to normalized rate of store openings upon completion of portfolio cleanup efforts
- ✓ Invest in refurbishment and renovation of existing stores and enlarge proven winners
- ✓ Invest in people and cultural alignment for better customer experience
- ✓ Streamline merchandising and supply chain and investing to technology to ensure availability of stock and improve "speed-to-market"
- ✓ Improve customer satisfaction and provide an overall entertaining experience

Focused Strategy Leading to Strengthening Performance



The Group's forward-looking strategy is built on four primary pillars to accelerate its growth trajectory



Building a Lifestyle Company

A key driver for future growth is transforming from a fashion retailer into a lifestyle company

Expansion into New Categories

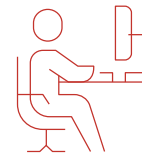
✓ Beauty & Cosmetics



✓ Electronics



✓ Food & Beverage (Innovative Union Company) 2Q-FY2020



Growing E-Commerce Activities

The Group is actively expanding in the e-commerce space to capture a larger share of this fast-growing market

Online Retail to Deliver Bulk of Growth

- ✓ Acquiring online rights from partner brands
- ✓ Already launched Zara online which is delivering strong results and with no cannibalization of store sales and with strong month-on-month LFL growth
- ✓ Remaining Inditex brands in the pipeline by September 2019
- ✓ Extract synergies between store-based and online toward building omni-channel experience to our customers

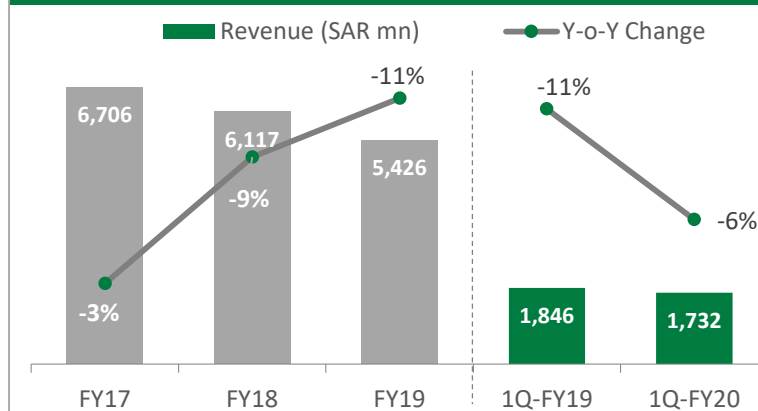
A man and a woman are shown from the chest up, both wearing quilted leather jackets. The man on the left is wearing a dark jacket and a thick scarf, with his arms crossed. The woman on the right is wearing a red and black patterned jacket over a black top, also with her arms crossed. They are both smiling. A semi-transparent dark rectangle is centered over the image, containing the text. The entire image has a reddish-pink tint.

FINANCIAL & OPERATIONAL REVIEW 1Q-FY2020

The Group's Strategy of Extracting More from Less is Delivering Results

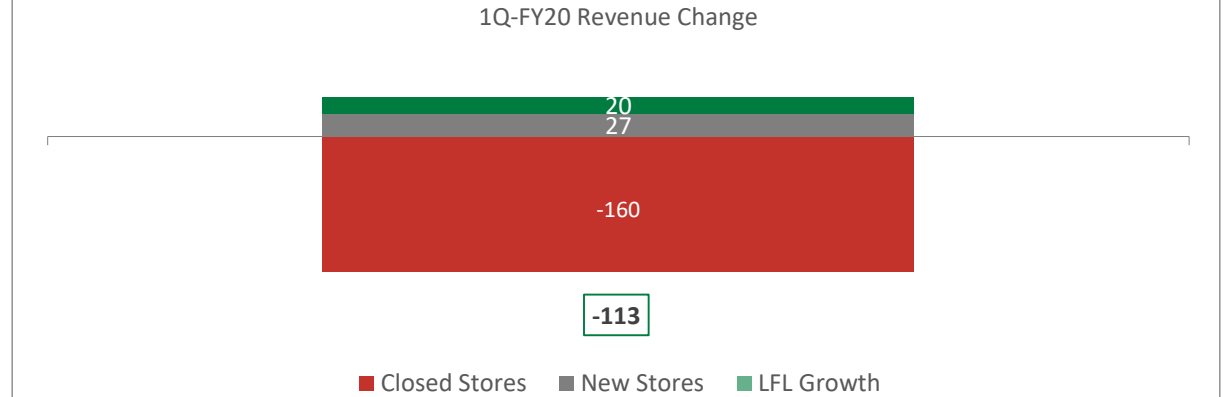


Slower y-o-y decline in 1Q-FY20 as store closures reach completion

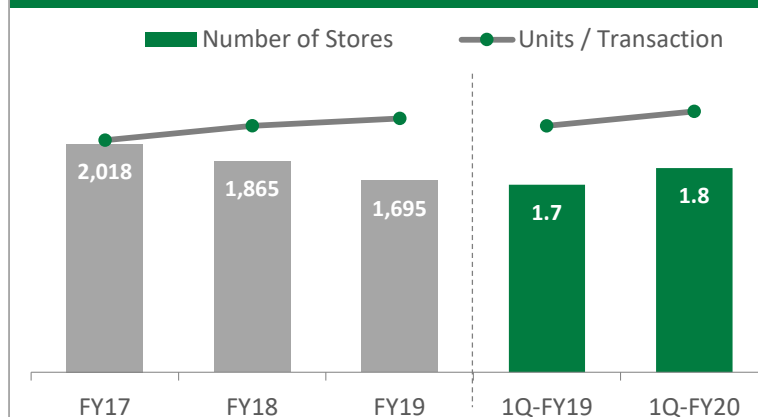


Revenue declined by 6% y-o-y as the Group implements its portfolio optimization strategy, **including closure of non-performing stores and disposal of weak brands.**

Breakdown of SAR 113 mn revenue decline Y-O-Y

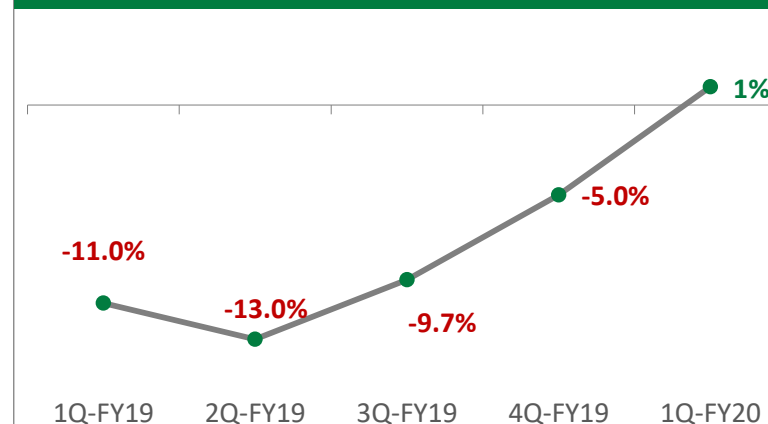


Smaller portfolio of higher quality stores to extract maximum value



While the Group has been decreasing its number of stores, efforts to improve quality and customer experience is leading to **higher value extracted from each store as indicated by rising units per transaction.**

Return to Like-for-Like Growth in Q1-FY2020

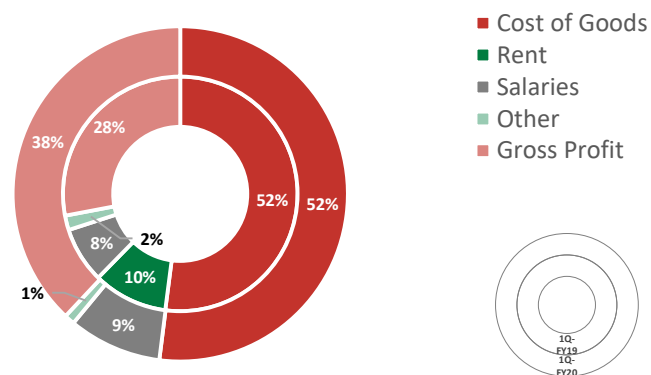


Alhokair Fashion Retail's net revenue was up 1% in for the three months ended 30 June 2019, the first LFL growth since 2016 owing to management's **optimization efforts as well as a recovering retail segment** in Group's primary market of Saudi Arabia.

Cost-Cutting and Operational Efficiencies Leading to Expanding Margins

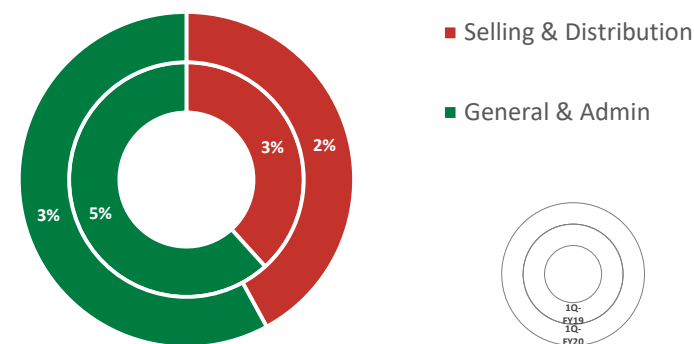


Cost of Revenue as a Percentage of Sales



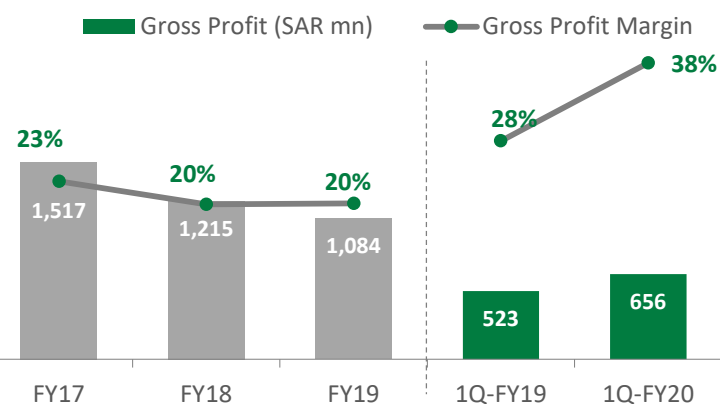
Gross Profit Margin is stable at 28% before IFRS 16 impact. Thanks to a well controlled commercial strategy as well as cost control. IFRS 16 is adding 10 points improvement to the Gross Profit Margin due to rent reclassification.

SG&A as a Percentage of Sales



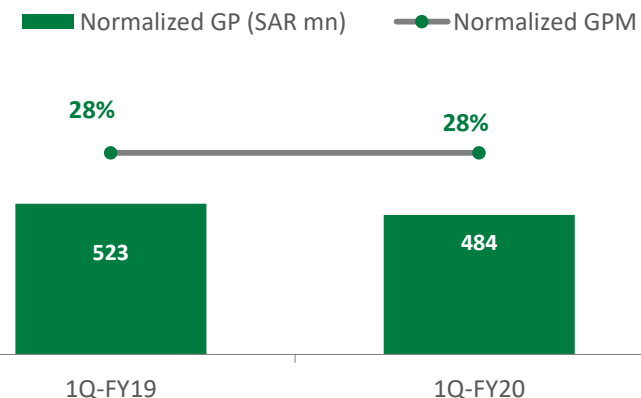
Consistent effort into driving efficiency and implementing strategies leading to a cost reduction without jeopardizing the business needs. **Closure of Dubai Office is paying off going forward as an example.**

Expanding Gross Profitability



10% additional points are added to our Gross Profit Margin from IFRS 16 implementation.

Normalized Gross Profitability for IFRS 16 Effect

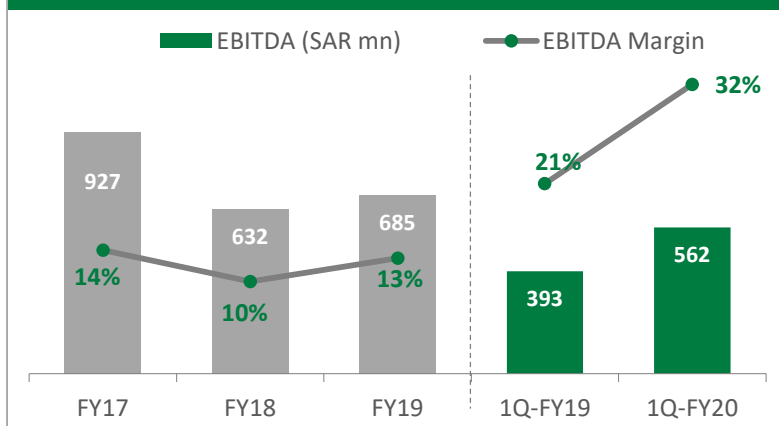


28% Gross Profit Margin achieved last year was maintained thanks to the improved buying, pricing and markdown strategies.

An EBITDA Positive Strategy

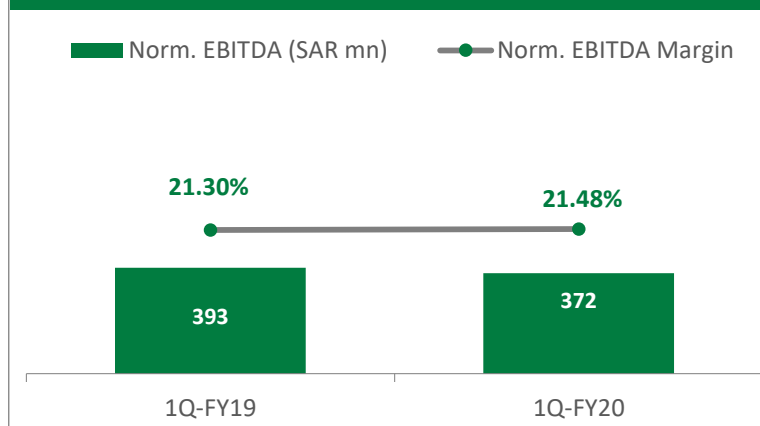


Portfolio optimization + cost efficiency = an EBITDA Positive Strategy



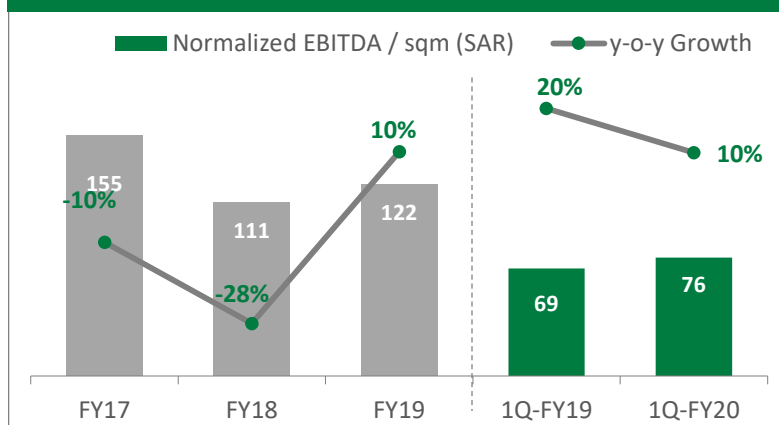
IFRS 16 implementation added 11% improvement to our EBITDA.

Even after normalizing for IFRS 16 effect



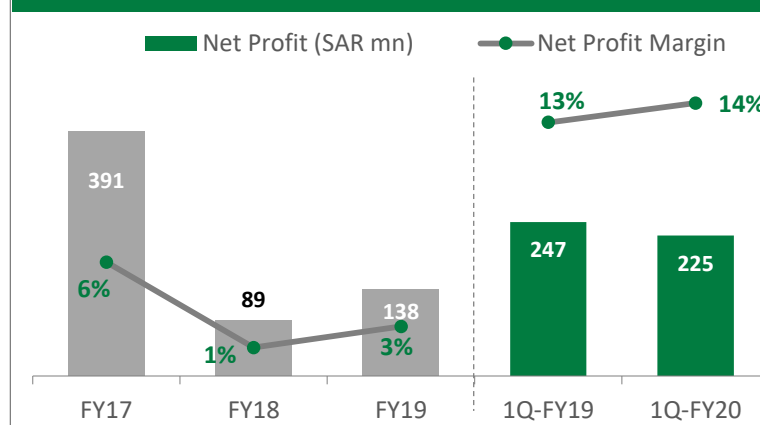
Normalizing for the effect of IFRS 16, **EBITDA is maintained above 21%. A healthy level resulting from the improved operating model.**

Rising EBITDA per sqm



Normalized EBITDA per square meter is steadily rising, testament to the success of management optimization strategies.

Net profit expansion despite higher finance costs



IFRS 16 had SAR 26mn negative impact on our Net Profit. A normalized Net Profit before IFRS 16 would be SAR 250 mn or 0.1% up versus last year same quarter and with a 14.5% net profit margin

Focus on International Performance



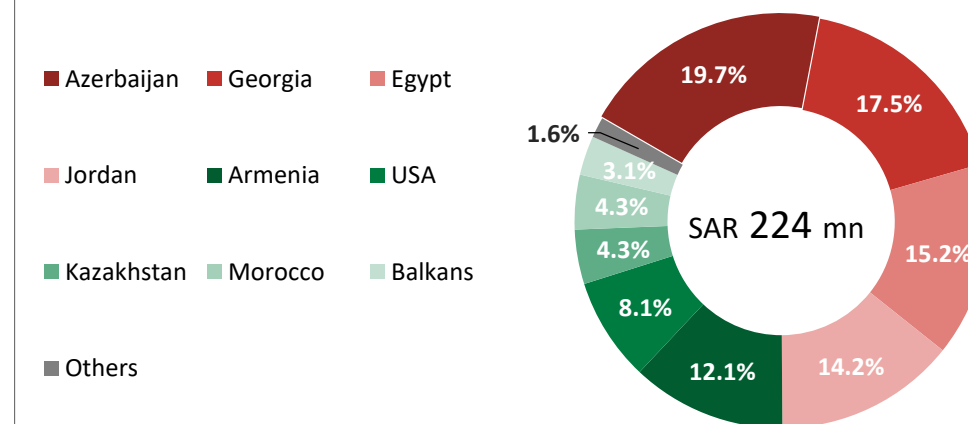
International Segment Key Performance Indicators

SAR mn	1Q-FY19	1Q-FY20	Change
Net Revenue	237	224.3	-6%
Gross Profit	42	73.0	74%
Operating Income	-4	18.5	-563%
EBITDA	16	57.4	259%
Net Income	-8	1.0	110%

International Markets Profitability

SAR mn	Net Revenues			Net Income		
	1Q-FY19	1Q-FY20	Change	1Q-FY19	1Q-FY20	Change
Azerbaijan	42	44	▲3%	1	4	▲248%
Georgia	41	40	▼5%	2	4	▲125%
Egypt	31	34	▲9%	2	3	▲99%
Armenia	27	27	▲1%	1	2	▲172%
Jordan	35	32	▼10%	2	2	▼10%
USA	20	18	▼8%	-8	-5	▲30%
Kazakhstan	12	9	▼19%	-1	-1	▼5%
Morocco	10	10	▼3%	-	-3	-
Balkans	9	7	▼23%	1	0.5	▼56%
Others	11	3.5	▼68%	-7	-5	▲29%
Total	237	224	▼6%	-8	1	▲125%

International Revenue Breakup by Country



Key Considerations for International Segment

- ✓ Four countries, namely Azerbaijan, Georgia, Egypt and Armenia, are contributing c.65% of international revenue. The Group aims to focus on these markets and sustain its position while grabbing growth opportunities.
- ✓ Profitability across international markets continues to improve as the Group works to extract operational efficiencies
- ✓ International operations are now conducted through KSA and specific functions through on-the-ground-operations in some countries following the closure of the warehouse in Dubai.
- ✓ Management is open to exit scenarios from smaller markets

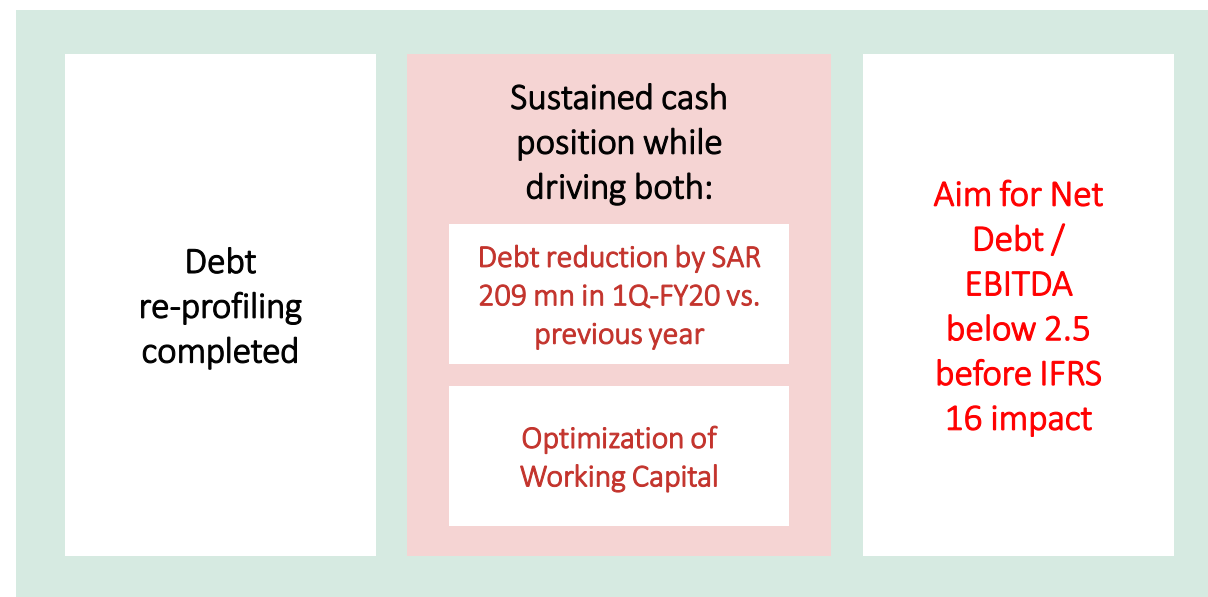
DEBT MANAGEMENT IN FOCUS



Deleveraging effort underway to strengthen capital structure and support implementation of strategy initiatives

Summary Credit Metrics

SAR mn	March'19	June'19
Total Interest-Bearing Debt	2,862.2	2,653.6
Cash Position	516.4	459.7
Net Debt	2,345.8	2,193.9
Three-Month EBITDA	393	562
Full-Year / Annualized EBITDA (12 months rolling-back)	685	775
Net Debt / EBITDA	3.4	2.8



Debt Management Strategy

Balanced debt position with matched maturity profile

Deleveraging with potential accelerated repayment supported by strengthening EBITDA

Targeting debt level of SAR 2.5-2.0 billion from current SAR 2.65 billion and at reduced cost

INCOME STATEMENT 1Q-FY2020



SAR Million	1Q-FY19	1Q-FY20 Before IFRS 16	Change without IFRS 16	1Q-FY20 After IFRS 16	Change
Revenue	1,845.7	1,732.4	(6%)	1,732.4	(6%)
Cost of Revenue	(1,322.4)	(1,248.3)	(6%)	(1,076.5)	(19%)
Gross Profit	523.3	484.1	(7%)	655.9	25%
<i>Gross Profit Margin</i>	28%	28%	Stable	38%	10 pts
Selling and Distribution Expenses	(53.6)	(45.2)	(16%)	(39.0)	(27%)
General and Administrative Expenses	(86.7)	(65.4)	(25%)	(53.7)	(38%)
Depreciation and Amortization	(78.2)	(63.8)	(18%)	(212.1)	171%
Other Income (loss), net	9.8	(1.4)	n/a	(1.4)	n/a
Operating Income	314.6	308.3	(2%)	349.7	11%
Operating Income Margin	17%	18%	1 pts	20%	3 pts
Financial Charges	(56.6)	(45.7)	(19%)	(112.6)	99%
Profit before Zakat and Tax	258.0	262.6	2%	237.1	(8%)
Zakat and Income Tax	(11.6)	(12.2)	5%	(12.2)	5%
Net Profit for the Period	246.4	250.4	2%	224.9	(9%)
<i>Net Profit Margin</i>	13%	14%	1.5 pts	14%	1 pts
Attributable to:					
Shareholders of the Company	249.2	249.5	0.1%	224.0	(10%)
Non-Controlling Interest	(2.7)	0.9		0.9	
Earnings per Share Basic and Diluted					
	1.19	1.19		1.07	

BALANCE SHEET AS AT JUNE 2019



SAR Million	Mar '19	June '19	Change
Assets			
Property, Plant and Equipment	1,752.4	1,717.4	-2%
Right-of-Use Assets	-	4,653.4	-
Goodwill and Intangible Assets	873.8	870.8	-0.3%
Investment Property	62.8	61.5	-2%
Investment in Associates & Others	389.3	389.3	-
Receivables from Disposal of Subsidiaries / Brands	75.0	75.0	-
Total Fixed Assets	3,153.2	7,767.4	146%
Inventories	1,927.5	2,002.3	4%
Advances, Deposits and Other Receivables	698.4	662.3	-5%
Prepayments, Rentals and Insurance	207.3	50.4	-76%
Receivables from Disposal of Subsidiaries / Brands	204.5	204.5	-
Cash & Cash Equivalents	516.4	459.7	-11%
Total Current Assets	3,554.0	3,379.2	5%
Total Assets	6,707.2	11,146.6	66%
Equity & Liabilities			
Share Capital	2,100.0	2,100	-
Reserves (Statutory, Foreign Currency and Fair Value)	(246.5)	(249)	-1%
Retained Earnings	623.9	847.9	36%
Equity Attributable to the Shareholders of the Company	2,477.5	2,698.9	9%
Non-Controlling Interest	(66.6)	(65.6)	2%
Total Equity	2,410.9	2,633.3	9%
LT Loans and Borrowing	2,100.5	1,943.1	-7%
Lease Liabilities	-	4,172.4	-
Post-Employment Benefits	83.7	89.8	7%
Total Non-Current Liabilities	2,184.2	6,205.3	184%
Trade Payables	681.7	567.1	-17%
Accruals and Other Liabilities	640.6	656.3	2%
Zakat & Tax Liabilities	28.1	16.2	-42%
Lease Liability – current portion		357.9	-
ST Loans and Borrowings	761.7	710.5	-7%
Total Current Liabilities	2,112.1	2,308	9%
Total Liabilities	4,296.3	8,513.3	98%
Total Equity & Liabilities	6,707.2	11,146.6	66%

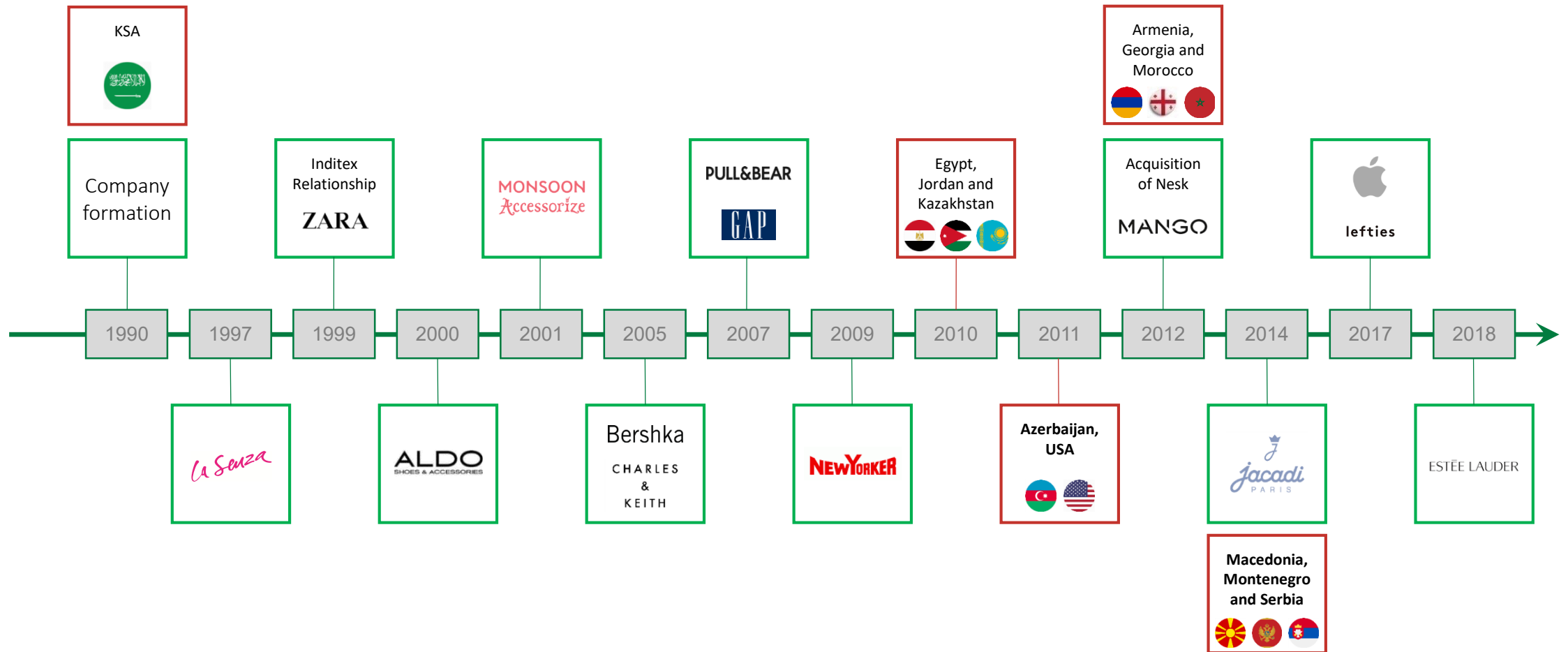


APPENDIX

Group History



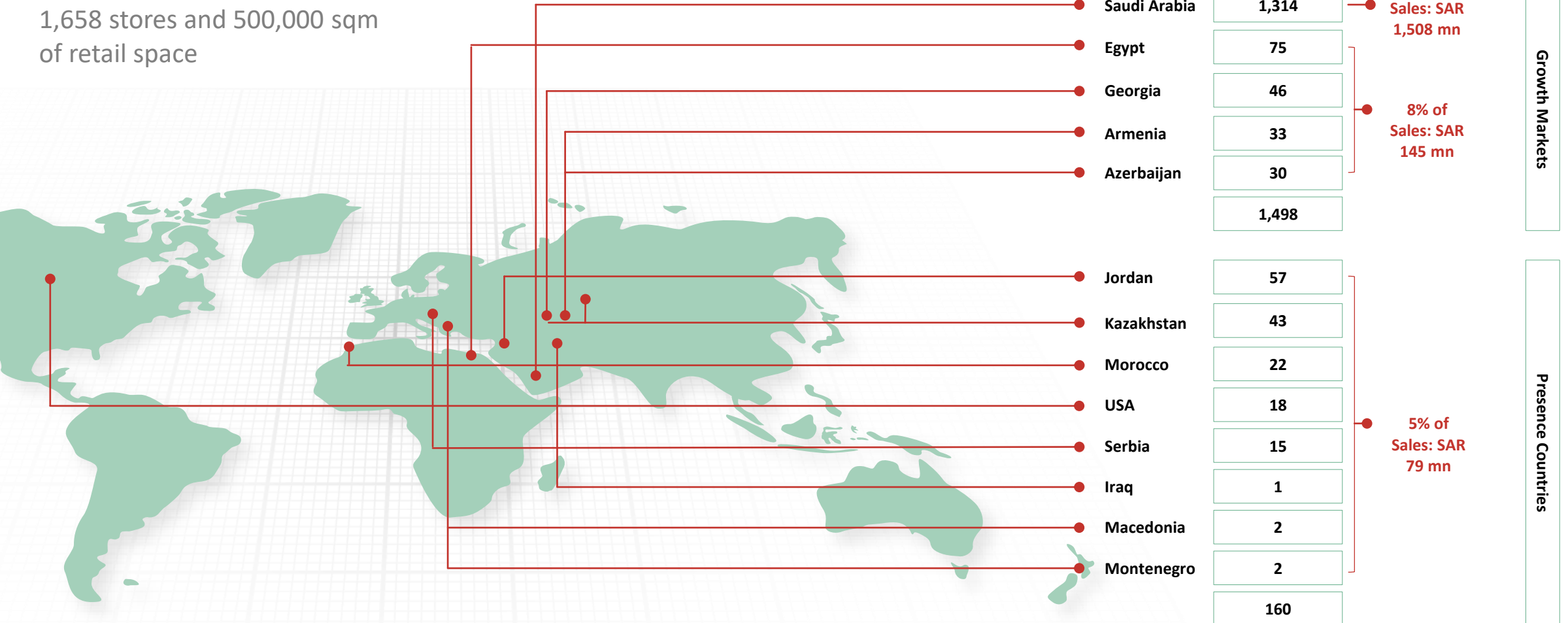
Established in 1990 with two operational stores, the Group has since built a track record of introducing global Brands to KSA and entering new markets



Our Footprint



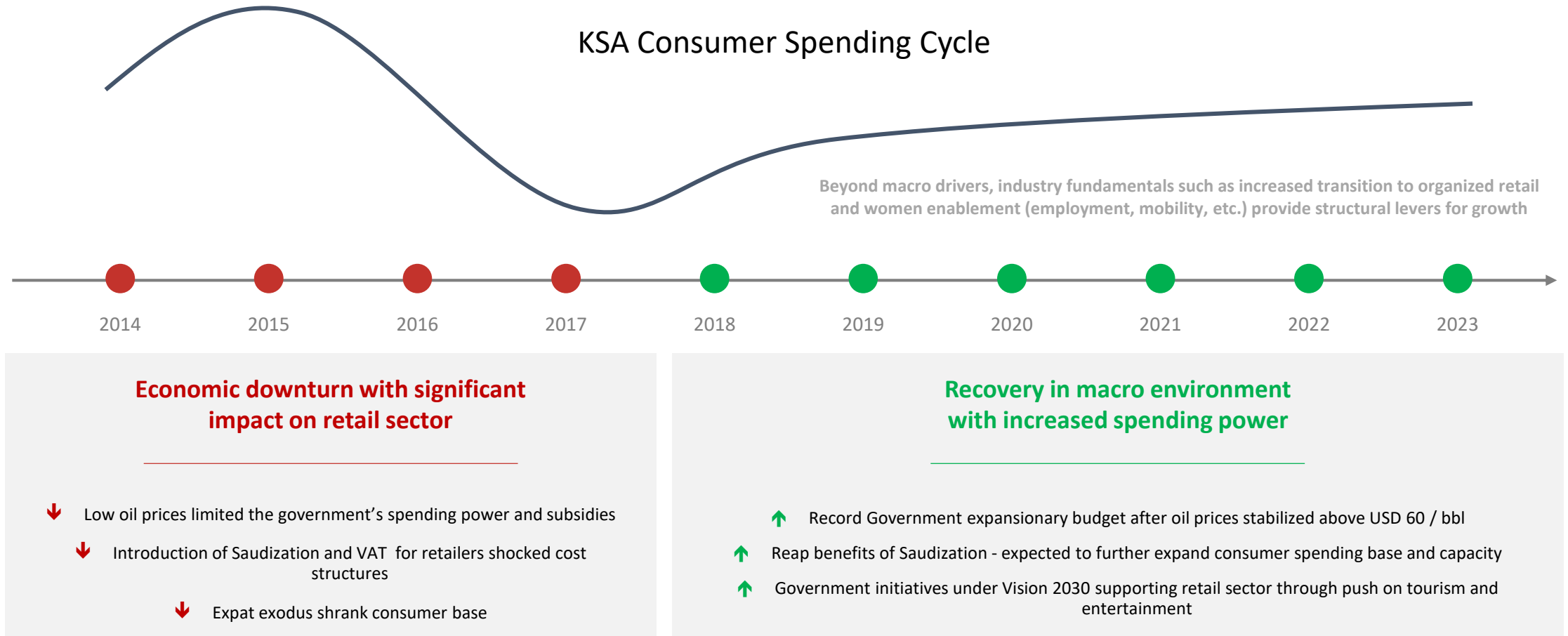
Our Group maintains a presence across 13 global markets with over 1,658 stores and 500,000 sqm of retail space



Our Primary Market



Looking beyond macro headwinds in the KSA – recovering consumer environment conducive to growth in the retail sector



Source: Euromonitor

Note: Consumer Expenditure includes the items such as (Food and Non-Alcoholic Beverage, Beer (Malt Beverages), Tobacco, Clothing and Footwear, Housing, Household Goods and Services, Health Goods and Medical Services, Transport, Communications, Education, Hotels and Catering, Miscellaneous Goods and Services).

OUR BRAND PORTFOLIO



AlHokair Fashion Retail holds a portfolio of over 75 brand representations and ownership covering all market segments

Department Stores



Kids Fashion



Fashion Boutique



Shoes & Accessories



OUR BRAND PORTFOLIO



Women's & Men's Fashion

CAMAÏEU

DYNAMITE

eclipse

IPEKYOL

LIPSY
LONDON

MONSOON

O X X O

gelco

celio*

wallis

QUIZ

ANOTAH

FG4
LONDON
DESIGNED BY GEORGE JAMES

adL

Youth Fashion

Bershka

PULL&BEAR

COMPANYS

GARAGE

.....
GIRLS ON FILM
.....

Jennyfer

Miss Selfridge

POLO GARAGE®

Stradivarius

Salsa

terranova®

Lingerie

la Senza

la Vie en Rose

MARKS & SPENCER
Lingerie & Beauty

undiz

women's secret

OYSHO

Cosmetics

flormar
Professional Make-Up

models
OWN

Home

KARACA

ZARA HOME

Entertainment and Food & Beverage

COSTA COFFEE

Morocco & Spain



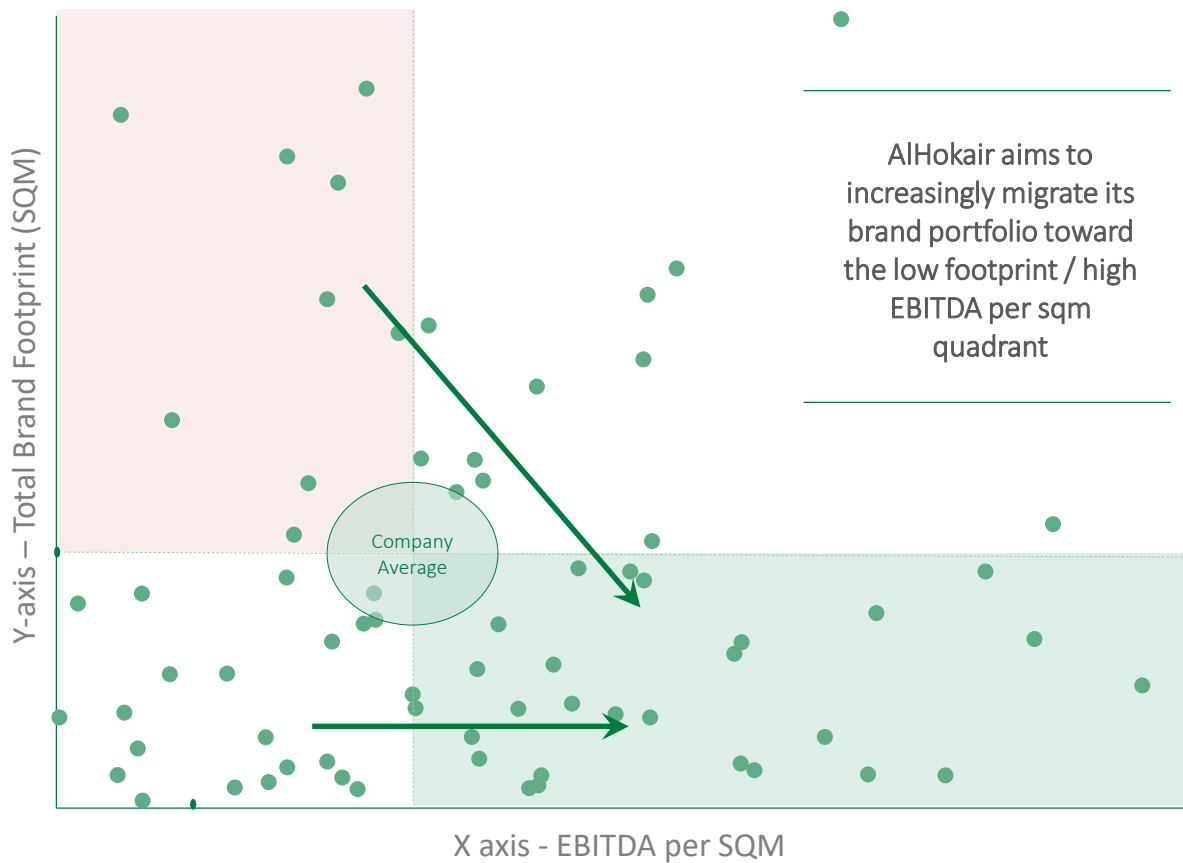
USA

ACTIVE PORTFOLIO MANAGEMENT

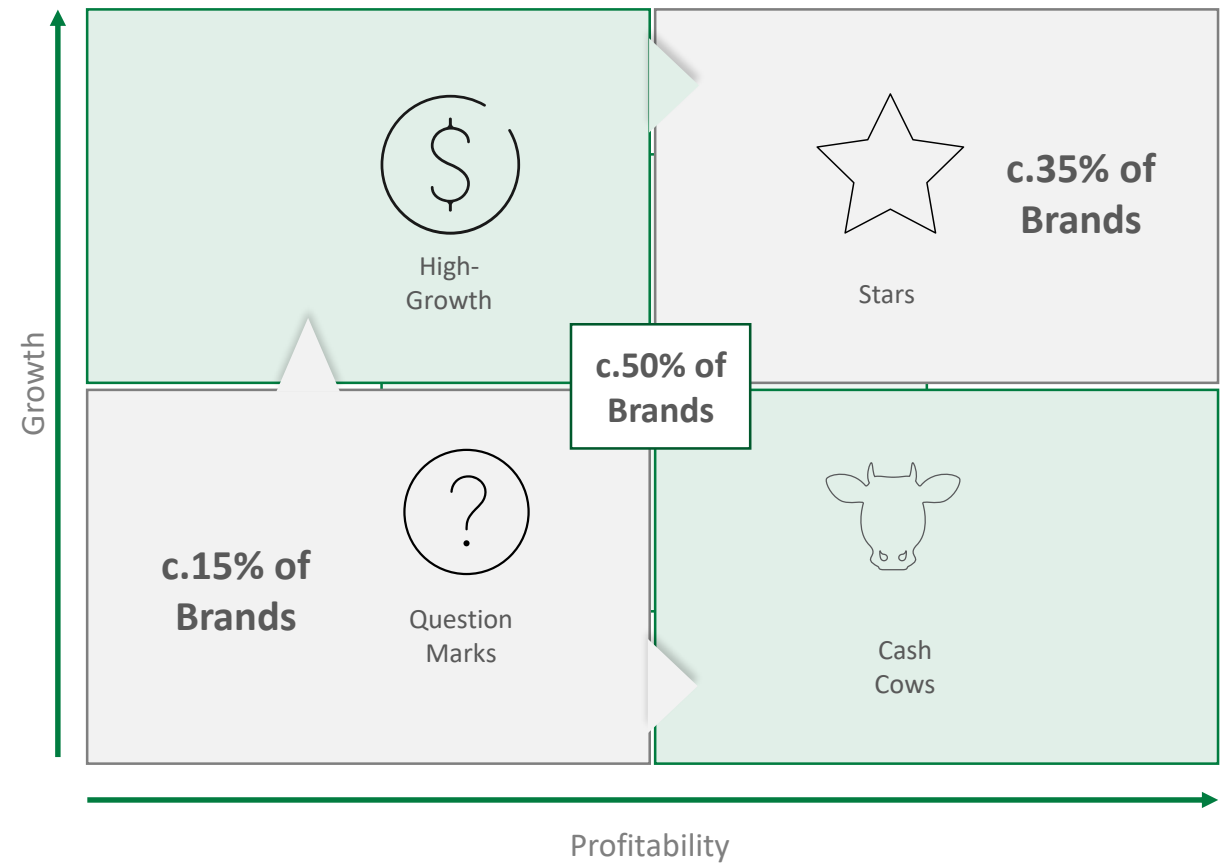


Empirically-driven approach to brand portfolio optimization

AlHokair Brand Footprint vs. EBITDA per SQM



Migrating Brands to Create a Majority of Stars & Cash Cows



IN-STORE RETAIL EXCELLENCE

Leverage an integrated operating model to achieve retail excellence



PEOPLE

Culture evolution

Talent acquisition

Talent management

Incentive schemes

PROCESS

Disciplined decision-making process on strategy, investment, and financing

Further enhancement of supply chain management and “speed to market”

TECHNOLOGY

Implementation of Oracle ERP system to streamline reporting and information flow

Data collection to provide further insight into consumer trends and enable better informed product positioning and efficient pricing

Strengthened digital presence

MERCHANDISING

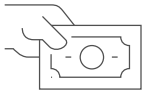


The merchandising function is the core of our commercial operations, with the Group deploying four different buying models in merchandising operations

Planning



Buying



Merchandising (Trade)



All merchandising functions operate with the same objective which is maximize the return on our annual Open-To-Buy (OTB) investment, whilst minimizing terminal stock at season end

Profitability ↑

40%

Push

Incentives received for push marketing efforts

30%

Pull

Built on creating brand loyalty and fostering demand through marketing and brand positioning

5%

Guaranteed Margin

A minimum margin guaranteed by vendors through a rebate mechanism

25%

Consignment

Goods are placed in our stores with no transfer of ownership. AlHokair receives a share once the item sells

Exposure is maximized when the Groups owns the stock

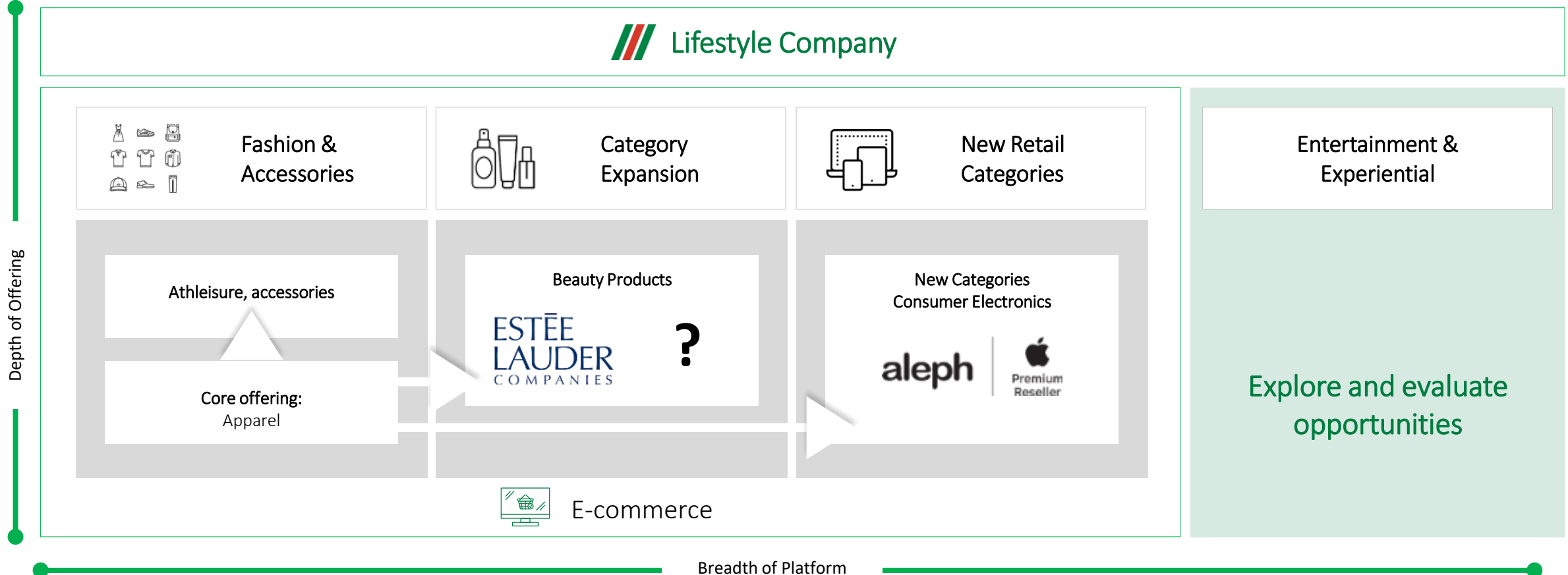
Margins achieved increase in line with the assumed risk and skill required to sell

Degree of control is varied within each model

EXPANSION TO NEW CATEGORIES



A consumer-centric strategy to offer a complete lifestyle experience



Our expansion drive aims to add exposure in existing categories and venture into new categories to build a lifestyle company

DEVELOP E-COMMERCE CAPABILITIES



AlHokair is implementing a dual-pronged strategy to effectively capitalize on varying traffic levels across its brand portfolio

Selected Best Performing Brands

TIER 1

High traffic and high brand awareness
(10-15 brands)

Mono-Brand Platforms

Standalone e-commerce platform for licensed brands

TIER 2

Other selected brands in the portfolio

Multi-Brand Platform

Marketplace for selected categories for mid-sized brands

Implementation Status

Secured exclusive legal rights with multiple brands; launch in September 2019

In-house platform solutions has been developed and tested



T h a n k y o u