

## CENOMI RETAIL CONTINUES TO DELIVER PROFITABILITY IN THE 3<sup>RD</sup> QUARTER, WITH A FOCUS ON REVENUE GROWTH AND COST OPTIMIZATION

- Kingdom of Saudi Arabia retail revenues increased by 3.6% YoY in Q3-24, supported by improving performance by Zara and Inditex brands
- International portfolio continues to deliver robust results, with an increase of 30.9% YoY in Q3-24, driven by Azerbaijan and Georgia
- Brand rationalization program on track, with capital gains of SAR 212 million in 9M-24, and a total of 24 brands sold, equating to 31.6% of total store network
- Continued deleveraging of the balance sheet, with net debt reduction of 23.7% YTD
- Net Profit of SAR 19 million in Q3-24, versus net loss of SAR 203 million
- World record achieved by opening 12 subway stores on the same day in the kingdom of Saudi Arabia

**Riyadh, Saudi Arabia, 10 November 2024:** Cenomi Retail, Saudi Arabia's pioneering retail brand partner, today announced its financial results for the third quarter and nine-month period ending 30 September 2024 (Q3-24 and 9M-24), with a solid performance in the 3<sup>rd</sup> quarter, achieving net profit of SAR 19 million and solid margins, with gross margin improving to 10.6% from 7.5% in Q3-23. This was supported by wide-ranging cost rationalization initiatives and continued progress on the brands divestment program announced earlier this year, in addition to the growth of Tier 1 Champion brands in the portfolio.

During the quarter, an additional 5 non-core brands: Charles & Keith, Estee Lauder, Nine West, Pedro and Call it Spring were sold, resulting in a capital gain of SAR 47 million. Brand sales completed in 9M resulted in a capital gain of SAR 212 million, which is being redeployed to strengthen the balance sheet.

**Salim Fakhouri, Chief Executive Officer, commented:** "Cenomi Retail has achieved an important milestone this quarter by reporting a solid improvement in net profit to reach SAR 19 million. We have continued to enhance customer experience through store renovations, store openings and strategic retail price positioning, constituting a mix of discounts to sell the highest amount at the lowest selling price possible for the end of season collection while maintaining full selling price for new season collection, which enabled us to achieve a higher gross profit margin of 10.6 % in Q3-24 versus 7.5 % in Q3-23, despite a low demand season.

In the Kingdom of Saudi Arabia, we continued to cater to the taste of our domestic consumers by providing the latest trends in fashion designs and attracting more footfall. As a result, we successfully achieved an improvement in like-for-like (LFL) sales in the Kingdom of 6.6% YoY for Zara & Inditex, which was supported by our proactive sales strategies as well as effective inventory management.

We are glad to have achieved an inventory shrinkage percentage averaging 0.93% of revenues, compared to the global benchmark that ranges from 1.38% to 1.62%\*. We have indeed demonstrated our ability to innovate and tailor our offerings to match the changing preferences of our customers

and through such key measures, we expect further improvement in our domestic retail operations in the near future.

Internationally, we have continued to witness a strong sales momentum, with key markets in the CIS region contributing to a solid performance during the period. We are strategically expanding our operations in select global markets such as Azerbaijan, Georgia, Armenia and Uzbekistan. We are continuing to target prime locations and navigating the economic environment by repositioning our brands, offering attractive discounts and providing the right products that are exclusively customized for each country.

We are applying a cost optimization strategy across the 9 countries, in which SG&A decreased in Q3-24 by 19.3% versus Q3-23. The total headcount has been reduced by 22.7% in parallel to the brands divestment program, leading to a decrease in the total employment cost by 8.1 % in Q3-24 versus Q3-23.

Looking ahead, we will continue to further reinforce our financial position, with a continued focus on deleveraging the balance sheet and optimizing our operational expenses, and with the steady progress on our brand rationalization program, we are establishing the necessary foundation to enable us to unlock long-term sustainable value for our shareholders.”

*\*Source: Independent third party*

## Financial highlights

SAR million	Q3-23	Q3-24	Change	9M-23	9M-24	Change
Revenues	1,074	1,170	9.0%	3,772	3,716	-1.5%
EBITDA	-17	140	903.9%	339	359	6.1%
EBITDA Margin	-1.6%	12.0%	13.6pp	9.0%	9.7%	0.7pp
Net profit	-203	19	109.5%	-89	-48	-45.8%
Net profit margin	-18.9%	1.7%	20.5pp	-2.4%	-1.3%	1.1pp
Net debt				2,272	1,734	-23.7%
Net debt/EBITDA				6.7x	4.8x	-28.1%

## Revenue Analysis

**Cenomi Retail** reported consolidated revenues of SAR 1.2 billion in Q3-24, increasing 9.0% YoY, and SAR 3.7 billion in 9M-24, marginally declining by 1.5% YoY, due to the continued progress on the brands divestment program. Despite this, the company achieved a turnaround in profitability in Q3 with enhanced profit margins when compared to Q3-23. This is supported by an improvement in performance within the Kingdom, and the sustained growth in the international portfolio, which increased 30.9% YoY in Q3-24.

**Saudi retail** revenues reached SAR 709 million in Q3-24, increasing 3.6% YoY and for 9M-24, revenues amounted to SAR 2.5 billion, decreasing 6.9% YoY. The performance during the quarter was supported by the adoption of strategic sales measures during a low demand season, which resulted in a positive impact, especially on Inditex brands such as Zara (+6.6% on a LFL basis). In line with the

portfolio optimization program, Cenomi Retail concluded the sale of 24 brands within the Kingdom in 9M. Complementing such measures with several current store renovations is expected to further streamline operations and enhance customer experience, thus driving store profitability and the overall performance of the segment going forward.

**International retail operations** generated revenues of SAR 380 million in Q3-24, up 30.9% YoY, and SAR 980 million in 9M-24, up 20.5% YoY. The key driver for this solid performance was the continued strong momentum in Azerbaijan (+22.5% YoY in Q3 and +22.0% YoY in 9M) and Georgia (+48.3% YoY in Q3 and +28.1% YoY in 9M). Leveraging the favorable economic environment in Azerbaijan, supported by the expected growth in sectors such as retail and tourism, and key events such as COP 29, Cenomi Retail is strategically expanding its footprint in the country, with a series of 7 Inditex store openings YTD. It is worth highlighting that Armenia and Georgia are also witnessing a recovery in margins, driven by the adoption of strategic sales measures, and a thriving tourism industry, with a forecast real GDP growth of 6% and 8%, respectively in 2024, according to the IMF.

**F&B** segment reported revenues of SAR 81 million in Q3-24, down 18.5% YoY, and SAR 251 million in 9M-24, down 13.0% YoY, with a net closure of 3 stores in Q3 and 2 stores in 9M. The segment achieved positive margins with EBITDA margin of 7.6% in Q3 and 6.2% in 9M. The company recently set a new world record with the opening of 12 new Subway branches on the same day, in KSA, including a mix of cloud kitchens, traditional and non-traditional restaurants, and will continue to focus on driving the growth of Tier 1 and popular Champion brands.

**Online sales** came in at SAR 84 million in Q3-24, a decrease of 5.0% YoY and at SAR 250 million in 9M-24, a decline of 17.8% YoY. Online sales were temporarily impacted by the brands divestment program and the current geopolitical situation. The contribution of online revenue (including F&B) to total revenue has decreased from 8.2% to 7.1% in Q3-24, and from 8.1% to 6.7% in 9M-24.

## Bottom Line Analysis

**Gross Profit** totaled SAR 124 million in Q3-24, a substantial rise of 54.6% YoY, and SAR 446 million in 9M-24, a decline of 15% YoY. This translated to an improvement in gross profit margin to 10.6% in Q3-24 from 7.5% in Q3-23 and for 9M-24, margin reached 12.0% compared to 13.9% in 9M-23.

**Gross margin** increased from 7.5% in Q3-23 to 10.6% in Q3-24, due to a reduction in employee costs, rent expenses and inventory provision, that were 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.

**Gross margin** declined to 12.0% in 9M-24 from 13.9% in 9M-23 due to a reduction in employee costs and rent expenses that were partially offset by a relative increase in the cost of revenues and ecommerce as a result of increased sales orders for Zara and Inditex.

**Selling, General and Administrative expenses (SG&A)** amounted to SAR 93 million in Q3-24, a 19.3% YoY decline, and SAR 337 million in 9M-24, an 8.4% YoY decline. This performance is supported

by Cenomi Retail's focus on cost rationalization and operational efficiencies, in addition to a number of store closures, which is aligned to the company's portfolio optimization strategy.

**EBITDA** turned positive in Q3-24, amounting to SAR 140 million versus negative EBITDA of SAR 17 million in Q3-23, and increased 6.1% YoY in 9M-24 to reach SAR 359 million. EBITDA margin improved from -1.6% to 12.0% in Q3-24 and increased from 9.0% to 9.7% in 9M, which was driven by the improvement in the operational performance during the period, and the company's continued focus on cost optimization.

**Turnaround in net profit** was achieved, amounting to SAR 19 million in Q3-24, compared to a net loss of SAR 203 million in Q3-23, supported by a 31.5% YoY decline in finance charges and a gain of SAR 0.5 million from discontinued operations (vs a loss of SAR 31 million). 9M-24 saw a net loss of SAR 48 million, compared to a loss of SAR 89 million in 9M-23.

**Net Debt** declined 23.7% YTD, amounting to SAR 1.7 billion, as the company remains committed to fulfilling debt obligations, to reinforce its financial position through deleveraging. Meanwhile, **finance charges** decreased 7.3% YoY in 9M-24, to reach SAR 236 million.

### Key Highlight in the Balance Sheet as of 30 September 2024

**Non-current assets:** Other investments increased by 51.5%. from SAR 74 million as of 31 December 2023 to SAR 112 million.

**Equity attributable to the shareholders of the Company:** Fair value reserves increased by 151.5% from SAR 42 million to SAR 106 million, which has positively impacted the total comprehensive income, leading to an improvement from a net loss of SAR 208 million in Q3-23 to a net gain of SAR 100 million, and an increase of 28.8% from SAR 77 million in Q2-24 to SAR 100 million in Q3-24.

This change is attributable to the revaluation of the company's current investment in Egyptian Centers for Real Estate (ECRED) resulting from the merger of its projects in Egypt, which is recorded under Fair Value Through Other Comprehensive Income in accordance with IFRS 9.

### Operational highlights

Cenomi Retail closed 102 retail stores in Q3-24, bringing the total to 516 store closures for 9M-24, with KSA retail accounting for 95 of the store closures in Q3 and 481 in 9M. In line with the brand rationalization program, the number of retail stores in the Kingdom at the end of the period stood at 357. In F&B, 8 outlets were opened in Q3-24, and 11 were closed. For 9M-24, 17 outlets were opened and 19 were closed.

In total, Cenomi Retail opened 13 stores in Q3-24 and closed 113, for a net closure of 100. Of these closures, 41 stores were the result of natural business attrition, while 72 stores were linked to the sale of brands.

For 9M-24, store openings amounted to 49, with 535 closures, for a net closure of 486 stores. 139 stores were closed as a result of natural business attrition, while 396 stores were linked to the sale of brands.

Brand sales completed in 9M-24 resulted in a capital gain of SAR 212 million.

## Operating metrics

<b>Retail store count</b>	<b>Q3-23</b>	<b>Q3-24</b>
<b>Beginning of period</b>		
Retail - Saudi Arabia	835	449
Retail - International	297	255
<b>Opened</b>		
Retail - Saudi Arabia	9	3
Retail - International	4	2
<b>Closed</b>		
Retail - Saudi Arabia	21	95
Retail - International	35	7
<b>End of period</b>		
Retail - Saudi Arabia	823	357
Retail - International	266	250
	<b>1,089</b>	<b>607</b>
<b>F&amp;B store count</b>		
<b>Beginning of period</b>		
Opened	6	8
Closed	12	11
<b>End of period</b>		
	<b>251</b>	<b>252</b>

## EGM Results

During the recent Extraordinary General Assembly Meeting that was held on the 21<sup>st</sup> of October, Cenomi Retail's shareholders approved the recommendation of the Board of Directors regarding the company's continuation with the portfolio optimization program, for the sale of non-core brands. Furthermore, the company's shareholders have authorized the Board of Directors to take any other necessary actions to address the issue of accumulated losses.

## Medium-Term Outlook

The execution of the strategy will see Cenomi Retail transition from Phase 1, which was focused on the portfolio optimization program ("Fix the House") towards Phase 2 ("Embark on Growth") from 2026. Phase 2 will see investments to scale existing brands across several markets, identify white space opportunities and secure new franchises in key markets.

- **The Kingdom of Saudi Arabia**

The number of stores to be renovated in Q4-24 for Zara & Inditex are 4 stores at an estimated net capex of SAR 25 million mainly by contribution of landlord support. These stores are in

prime locations and high footfall malls, and we are leveraging the upcoming white Friday and salary pay days sales period.

- **Fashion:** Zara at Nakheel Mall will be expanded from 2,960 sqm to 3,450 sqm. Nakheel Mall is one of the key prime locations in Riyadh as it generates around 8% to 10% of total Zara revenues, and it is expected to be opened by the beginning of December 2024, and to produce an estimated increase of 37.7% revenue in 2025.
- **F&B:** 12 Subway stores were opened in October 2024 and additional new stores are expected to be opened in December 2024, amounting to an increase in the total number of owned Subway stores of 50 stores, which are expected to generate an estimated increase of 500% in subway revenues in 2025.
- **Online sales:** new ecommerce channels through Trendyol will be opened in Q4-24 and Q1-25 for Tier 1 Champion brands, which will be contributing to higher online sales in 2025. Trendyol witnesses on average 2.1 million daily active user and an average of 25 thousand orders on a daily basis.
- **International Markets:** In Crescent Mall in Azerbaijan, the total number of Zara and Inditex stores are 7 and the most recent Zara store was opened in October 2024, which is expected to contribute to an increase in revenues by 20% for the country.
- **Total Debt** that has been paid to date in 2024 is SAR 636 million.
- **The successful OPEX optimization program** and other restructuring plans are now expected to result in more than SAR 70 million in annualized savings.

### **Solid steps continue to be taken towards the portfolio optimization strategy**

#### **During Q1-24:**

- Cenomi Retail finalized the sale of 16 brands (franchise rights) to Al Othaim Fashion Company, with a capital gain of SAR 35 million.
- Signed a variation agreement to the share purchase agreement previously signed with Al Othaim Fashion Company to add five additional brands to the sale.

#### **During Q2-24:**

- Sales proceeds from Aldo, Aldo Accessories and La Vie en Rose (franchise rights) were received, with a capital gain of SAR 131 million.

#### **During Q3-24:**

- Charles & Keith, Pedro, Estee Lauder and Nine West were sold to Apparel Group and Call it Spring was sold to Al Othaim Fashion Company, resulting in estimated sales proceeds of SAR 47 million plus inventory, covering 72 stores in Saudi Arabia.

#### **During Q4-24:**

- An additional 5 non-core brands are planned to be sold.
- As per year end audit requirements (IFRS standards), goodwill and other assets will be assessed independently and potentially impaired.

## Income Statement

SAR million	Q3-23	Q3-24	Change	9M-23	9M-24	Change
<b>Revenue</b>	<b>1,074</b>	<b>1,170</b>	<b>9.0%</b>	<b>3,772</b>	<b>3,716</b>	<b>-1.5%</b>
Cost of revenue	-993	-1,046	5.3%	-3,246	-3,270	0.7%
<b>Gross profit/(loss) margin</b>	<b>80</b>	<b>124</b>	<b>54.6%</b>	<b>525</b>	<b>446</b>	<b>-15.2%</b>
	7.5%	10.6%	3.1pp	13.9%	12.0%	(1.9pp)
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%
<b>EBITDA margin</b>	<b>-17</b>	<b>140</b>	<b>-904%</b>	<b>339</b>	<b>359</b>	<b>6%</b>
	-1.6%	12.0%	13.6pp	9.0%	9.7%	0.7pp
Depreciation, amortization	-40	-37	-7.4%	-117	-108	-7.7%
<b>Operating profit / (loss)</b>	<b>-57</b>	<b>103</b>	<b>-281%</b>	<b>221</b>	<b>251</b>	<b>13%</b>
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%
<b>Profit / (loss) before zakat and income tax</b>	<b>-158</b>	<b>33</b>	<b>121%</b>	<b>-40</b>	<b>10</b>	<b>-126%</b>
Zakat and Income tax expense	-14	-14	0.5%	-31	-39	25.0%
<b>Loss for the year from continuing operations</b>	<b>-172</b>	<b>19</b>	<b>111%</b>	<b>-71</b>	<b>-28</b>	<b>-60%</b>
Gain (Loss) for the year from discontinued operations	-31	1	101.7%	-18	-20	12.3%
<b>Profit / (loss) for the year</b>	<b>-203</b>	<b>19</b>	<b>110%</b>	<b>-89</b>	<b>-48</b>	<b>-46%</b>
Non-controlling interests	1	1	18.0%	3	5	74%
<b>Net profit group share</b>	<b>-204</b>	<b>18</b>	<b>108.8%</b>	<b>-92</b>	<b>-53</b>	<b>-42.3%</b>

## Balance Sheet

SAR million	31-Dec-23	30-Sep-24	Change
<b>Assets</b>			
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%
<b>Total Fixed Assets</b>	<b>4,091</b>	<b>3,647</b>	<b>-11%</b>
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%
<b>Total Current Assets</b>	<b>1,667</b>	<b>1,166</b>	<b>-30%</b>
<b>Total Assets</b>	<b>5,758</b>	<b>4,813</b>	<b>-16%</b>
<b>Equity &amp; Liabilities</b>			
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%
<b>Equity Attributable to the Shareholders of the Company</b>	<b>-779</b>	<b>-808</b>	<b>4%</b>
Non-Controlling Interest	-28	-22	-20%
<b>Total Equity</b>	<b>-806</b>	<b>-830</b>	<b>3%</b>
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%
<b>Total Non-Current Liabilities</b>	<b>1,885</b>	<b>1,586</b>	<b>-16%</b>
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%
<b>Total Current Liabilities</b>	<b>4,679</b>	<b>4,057</b>	<b>-13%</b>
<b>Total Liabilities</b>	<b>6,564</b>	<b>5,643</b>	<b>-14%</b>
<b>Total Equity &amp; Liabilities</b>	<b>5,758</b>	<b>4,813</b>	<b>-16%</b>

## **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 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 over 850 stores across 159 shopping malls in 9 countries, with a retail platform operating on a total GLA of more than 360 thousand square meters. All of this is managed by a workforce numbering more than 7,000. Cenomi Retail currently represents nearly 55 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](http://www.cenomiretail.com)

## **Contact**

### **Investor Relations Director**

**Sarah Moussa**

Email: [IR.retail@cenomi.com](mailto:IR.retail@cenomi.com)

## **Disclaimer**

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.