

## Fawaz Abdulaziz Alhokair Co. reports top line growth in final quarter; Operational upgrade strategy is underway

- Q4 FY21 top line grows 4.4% y-o-y to SAR 1.13 billion; FY21 revenue declines 20.8% y-o-y, to SAR 4.23 billion
- Gross loss of SAR 88.5 million for FY21, compared to gross profit of SAR 407.8 in the previous year
- Year-end inventory reduced by 24.1% y-o-y, with cash balances at SAR 468 million

**(Riyadh, 30 June 2021)** Fawaz Abdulaziz Alhokair Co. ("Alhokair" or the "Company", 4240 on the Saudi Exchange), the leading franchise retailer in Saudi Arabia, today announced its results for the fourth quarter and full year ended 31 March 2021, reporting revenues of SAR 1,132.3 million for the final quarter and annual revenues of SAR 4,232.5 million. The net loss for the FY21 period was SAR 1,110.3 million, compared to a net loss of SAR 681.2 million in FY20.

**Marwan Moukarzel, Chief Executive Officer at Alhokair said:**

"This financial year presented extraordinary challenges that no market was prepared for, creating one of the most challenging retail operating environments in living memory. Despite profound disruption, conditions created a catalyst for Alhokair to accelerate its Operational Upgrade Strategy, driving business excellence throughout the Company and optimizing the portfolio to achieve meaningful results that are positioning our organization for a return to profitable growth.

**New brands in FY21**



Although a difficult period, which saw sales decline year-on-year in all segments, Saudi retail began to show signs of recovery as Covid-19 restrictions eased, with an improved trajectory in the third and fourth quarters. Weaker offline sales were partially offset by strong online performance, which grew by 408% as consumers turned to internet shopping as we ramped up our digitization program. The F&B segment's top line recovered gradually during the year but remained subdued as capacity restrictions on dine-in remained in place. Meanwhile, international operations in key markets suffered for the majority of the year as Covid-19 related restrictions and closures persisted, and we only started to see easing in April 2021.

The pandemic has prompted an acceleration of our key strategic aims. We were already looking at optimizing our brand portfolio and store network, and the conditions created have helped us to prioritize which markets and franchises we should focus on for growth, and which would be best suited for disposal. We are doubling down on our efforts to diversify our brand mix, focusing on higher margin segments, and have made great progress as demonstrated by the brand agreements finalized during the year, including in F&B and athleisure. We are pursuing increased digitization and strengthening our ecommerce offer by bringing more brands online. Our strategic acquisition of Vogacloset was a critical step in transitioning the business to an omnichannel footing, building a genuine lifestyle retail proposition.

Meeting consumer demand will be vital to ensuring long-term commercial success, underpinned by our ability to effectively position merchandise across channels and maximize returns. We have opened our first Decathlon store in Jeddah, with three more set to open in Riyadh before year-end. In the early months of FY22, we have announced franchise agreements with Fnac Darty in electronics, Alo Yoga in athleisure, and Flying Tiger in the variety space; and we have strengthened our electronics offering, rolling out new Aleph (Apple's premium reseller) stores during the last twelve months. These are important steps in our diversification journey. Overall,

we remain confident in the Kingdom's exciting growth story, as it continues to achieve milestones on its journey to realising Vision 2030. We are committed to ensuring Alhokair plays a meaningful role."

### Summary Financial Highlights

SAR Million	Q4-FY21	Q4-FY20	Change y-o-y	FY21	FY20	Change y-o-y
Revenue	1,132	1,085	4.4%	4,233	5,342	-20.8%
Gross Profit (Loss)	(55)	(541)	-89.8%	(89)	408	NM
EBITDA	(184)	(1,107)	-83.4%	(390)	163	NM
Net Profit (Loss)	(348)	(915)	-61.9%	(1,110)	(681)	63.0%
Adjusted Gross Profit*	33	3	1067%	393	873	-54.9%
Adjusted EBITDA*	(96)	(50)	94%	110	569	-80.8%
Adjusted Net Profit*	(276)	(371)	-26%	(608)	(331)	83.6%

\* Adjusted for one-off inventory provisions & write-offs, one-off credits, VAT & Zakat provisions

**Ahmed Belbesy, Chief Financial Officer at Alhokair** commented:

"Balance sheet optimization remained a key focus underpinned by aggressive inventory management and working capital optimization to improve liquidity and increase efficiencies. Particular attention was placed on optimizing inventory balances which in turn necessitated substantial one-off inventory related provisions to the tune of SAR 461 million for the year. Progress towards achieving optimal inventory levels is nearing completion, having already achieved an average inventory turnover target of 16 weeks. Inventory levels were also brought down by 24% year-on-year. The Company has announced the use of its statutory reserve of SAR 205 million to offset accumulated losses which reached 49.4% as at year-end. We are currently looking at various options to rectify this position."

### FY2021 Highlights – improved operating performance in H2 2021 despite ongoing challenges presented by the Covid-19 pandemic

#### Revenue analysis

Alhokair recorded revenues of SAR 1,132.3 million in Q4-FY21, up by 4.4% from SAR 1,085.0 million booked in Q4-FY20. This positive performance stemmed from gradual recovery in the Saudi retail segment and the full consolidation of the F&B segment, which partially offset the continuing weak numbers from international markets.

Full-year revenue decreased 20.8% year-on-year (y-o-y) to SAR 4,232.5 million, reflecting the effects of movement restrictions across markets in response to the Covid-19 pandemic. It is worth mentioning that stores were completely shut from 15 March 2020 until 26 April 2020 and thereafter opened gradually yet at a limited store capacity and with additional precautionary measures. The Company's forgone revenue in Q1-FY21 reached around SAR 1.2 billion.

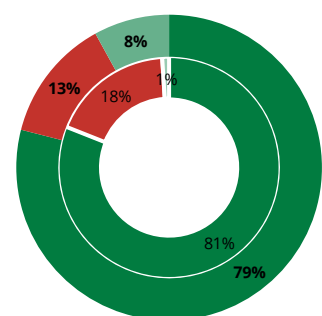
- **Saudi retail** revenues reached SAR 883.0 million in Q4-FY21, up 5.5% y-o-y. This positive performance stemmed from continuing gradual recovery in consumer sentiment despite ongoing weak numbers from the Western Region on the back of limited religious tourism. Top line performance was also supported by higher online sales. FY21 revenue reached SAR 3,341.4 million, down by 22.8% y-o-y.

- **F&B segment** booked revenues of SAR 95.9 million in Q4-FY21 versus SAR 52.8 million in Q4 FY20. Revenue from IUC was partially consolidated in Q4 FY20. During the quarter, restaurants and cafes operations were limited to pick-up and delivery for c.35 days, as such total transactions dropped by 17% quarter-on-quarter. Revenues for the year totaled SAR 340.3 million.
- **International operations** generated revenues of SAR 153.4 million in Q4-FY21, down 21.6% y-o-y as stores in key markets like CIS continued to operate on limited store hours. International revenues were down by 42.8% y-o-y to SAR 550.9 million due to store closures because of the Covid-19 pandemic.
- **Online sales** in Q4-FY21 came in at SAR 38.2 million, up by 104.7% y-o-y whereas FY21 sales stood at SAR 218.2 million, an increase of 408% y-o-y as Alhokair expanded its online monobrand platform and multibrand capabilities.

**Consolidated like-for-like (LFL) revenue growth** continued to improve for the second consecutive quarter despite remaining in the red at -3% compared to -8% reported in the previous quarter.

- **Saudi retail** revenues for Q4-FY21 were up 2% in LFL terms. LFL growth excluding Makkah and Madinah was 4% as these two areas reported -18% LFL growth on ongoing limited religious tourism. Management continues to target a return to LFL growth in the low single digits over the near term.
- **International** sales for Q4-FY21 declined by 14% in LFL terms, due to continuous restrictions on operations related to Covid-19.
- **Online sales** LFL growth booked 34% for Q4-FY21.

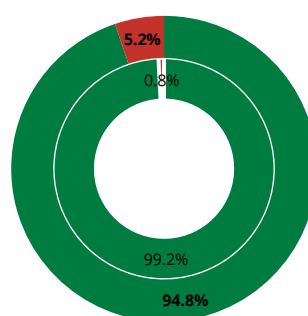
Revenue by division



FY 21- Outer circle  
FY 20 - Inner circle

■ KSA Retail ■ Int'l Retail ■ F&B

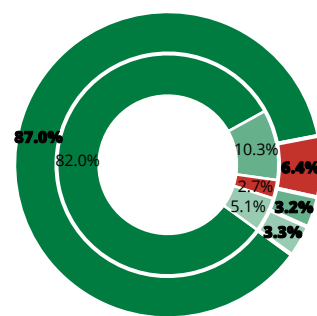
Revenue by channel



FY 21- Outer circle  
FY 20 - Inner circle

■ Stores ■ Online

Revenue by geography



FY 21- Outer circle  
FY 20 - Inner circle

■ KSA ■ CIS ■ Egypt ■ Others

## Bottom line analysis

**Gross loss** was SAR 88.5 million for FY21 versus gross profit of SAR 407.8 million in FY20. Adjusting for the one-off inventory related provisions of SAR 461 million charged during the year, the Company would have recorded a gross profit of SAR 393.4 million versus an adjusted FY20 gross profit of SAR 872.6 million. The adjusted gross profit margin (GPM) of 9.3% decreased from 16.3% in the same period, a result of subdued top-line performance in the first and second quarter, due to store closures (which led to more than SAR 1.2 billion in forgone revenue) and reduced

footfall resulting from Covid-19 containment measures, along with the increase of VAT from 5% to 15%. Alhokair, along with its partners, absorbed part of the VAT increase, increasing the cost of revenue for certain brands.

**Selling, general and administrative expenses (SG&A)** recorded SAR 442.3 million in FY21, increasing by 24.1% y-o-y from SAR 356.3 million. This reflected a low base effect in FY20 due to some expense credits taken in that period., and on an adjusted basis SG&A expenses for FY21 recorded a year-on-year decrease of 4.3%.

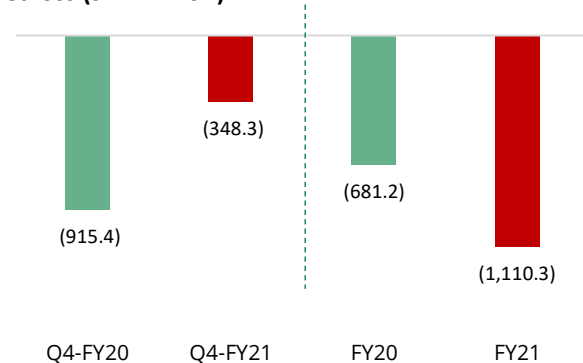
**EBITDA** recorded a loss of SAR 390.3 million, versus an EBITDA profit of SAR 163.0 million in FY20. Based on adjust gross profit and after excluding one-off VAT provisions, adjusted EBITDA was SAR 109.6million. Alhokair's adjusted EBITDA margin was 2.6%, versus 10.7% in the previous year.

Alhokair booked a **net loss** of SAR 1,110.3 million versus a net loss of SAR 681.2 million last year. However, based on adjusted EBITDA and after excluding one-off Zakat provisions, Alhokair's adjusted net loss narrowed to SAR 607.9 million versus an adjusted net loss of SAR 331.1 million for FY20.

**EBITDA (SAR million)**



**Net loss (SAR million)**



### Balance sheet analysis

**Inventory** balances booked SAR 1,257.2 million for Q4-FY21, marking a reduction of 24.1% year on year. In Q4-FY21, the Company continued the physical count of actual inventory which covered c.95% of stores at the close of the quarter. Consequently, SAR 56.9 million of provisions was charged for accumulated shrinkage.

The Company recorded an **operating cash flow** of SAR 707 million for the year, up by 30% y-o-y. **Total cash and cash equivalents** stood at SAR 467.6 million as of 31 March 2021, down 32% year-on-year.

### In focus: transformation strategy

Alhokair rolled out its new strategic roadmap to achieve sustainable and profitable growth. The transformation strategy focuses on four pillars: portfolio optimization, operational excellence, building a lifestyle brand, and commitment to digital. The following outcomes were achieved during FY21:

Portfolio optimization	Operational excellence
<ul style="list-style-type: none"> <li>Between April 2020 and March 2021, a total of 235 retail stores were closed, with 94 opened,</li> </ul>	<ul style="list-style-type: none"> <li>Full transition to Oracle V16 inventory management system in all operating countries; integration and</li> </ul>

<p>resulting in a net decrease for the retail portfolio of 141 stores</p> <ul style="list-style-type: none"> <li>• In F&amp;B, 35 outlets were opened and 29 were closed, resulting in a net increase of 6 outlets</li> <li>• Alhokair had committed to fully exit its US operations by June 2021 and is now in advanced discussions with a serious buyer that will see the exit take place by September 2021. The Company will exit its Balkans operations by September 2021, thereby terminating exposure to non-core, non-performing international assets.</li> </ul>	<p>testing in Q1 FY22 and staged roll out planned over the next 9 to 12 months.</p> <ul style="list-style-type: none"> <li>• Introduction of enhanced inventory management and shrinkage policies, including detailed workflows</li> <li>• Working on updating policies for management of ageing and terminal inventory</li> <li>• Engaged external consultant to introduce Long Term Incentive Plan (LTIP) for executives, aligning performance with shareholder value creation</li> <li>• Continuous reinforcement of management team</li> <li>• Saudization levels at 70% for FY21, equivalent to Platinum Nitaqat status, with reaffirmed commitment to continual professional development and career opportunities</li> </ul>
<b>Building a lifestyle brand</b>	<b>Commitment to digital</b>
<ul style="list-style-type: none"> <li>• Strong progress on increasing the breadth and depth of the brand portfolio, with 89 brands on board in FY21.</li> <li>• Key brand acquisitions included Decathlon, Public Desire, Marie France; and F&amp;B brands including Cabana. Additional brands were announced in May 2021 including Fnac Darty, Alo Yoga, and Flying Tiger.</li> <li>• March 2021 acquisition of Vogacloset significantly increased indirect exposure to top international brands</li> <li>• New categories added to the brand portfolio in FY21 included athleisure, beauty and cosmetics,</li> <li>• Alhokair is in the process of developing a new and differentiated brand identity</li> </ul>	<ul style="list-style-type: none"> <li>• Vogacloset acquisition brings a leading regional online fashion platform to Alhokair omnichannel ecosystem, significantly enhancing brand portfolio, digital capabilities and customer reach.</li> <li>• 9 new monobrand online platforms for Tier 1 brands in FY21 – Stradivarius, Bershka, Pull &amp; Bear, Oysho, Aldo, Mango, Okaidi, Oxxo, and Aleph. This brings the Company's total number of monobrand platforms launched to date to 12 online stores</li> <li>• Alhokair commenced work on the development of a digital CRM and customer loyalty program, to be launched in FY22, bringing the retail offer in line with international best practice.</li> <li>• Other initiatives in the pipeline include a consumer finance offering, which will further enhance customer acquisition and retention.</li> </ul>

### Covid-19 impact and response

The Covid-19 pandemic had a significant and negative impact on retail and F&B markets across the world. Country-wide lockdowns, movement restrictions, and a surge in cases as the second and third waves of the pandemic struck directly affected Alhokair's performance. Despite the challenges, the Company recorded gradual top-line recovery in the last two quarters – supported by improving consumer sentiment, easing of movement restrictions and a focus on growing the omnichannel offer. Alhokair's response has been to protect the safety of employees and customers, to comply with government directives, shore up the supply chain, improve inventory management, reduce operating costs, and adapt to new dynamics to serve customers and bolster sales.

Key initiatives during the year included:

- **Retail**
  - Temporary closures of most of the retail units at the height of the crisis with stores gradually reopened in Saudi Arabia between 26 April and 21 June 2020. The second wave of the pandemic affected operations and recovery in international markets.
  - Discussions with landlords to negotiate rent relief and management of staff costs through government relief programs.
  - Compliance with government regulations including limits on customer numbers, PPE equipment provision, increase of contactless payments and work from home policies where possible.
- **F&B**
  - Complete closure of 213 outlets at the height of the crisis, representing more than 70% of the total number of stores. During the second and third quarter, F&B operations were restricted to takeaway, pick-up and delivery services. This had an estimated 75% impact on annual sales.
  - Off-premises business, in-house and third-party delivery, and drive through capacity increased to protect revenue.
  - Compliance with all necessary health and safety requirements and accelerated capacity for exploring new business models and store ecosystems, such as expanding into ghost kitchens, new store concepts such as drive-thru and street-side locations, and new points of distribution.
- **Online**
  - Online growth and digital capabilities accelerated.
  - Supply chain, inventory and distribution model enhancements to better serve customers online.
  - FY-21 online sales surged, recording a 183% LFL growth.
  - Alhokair also accelerated the rollout of its ecommerce platform, having added 9 monobrand sites to reach 12 sites by end of FY-21, whilst expanding reach through marketplaces such as Namshi and Noon.

## Contact

### Investor Relations Department

Email:

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## Analyst Call and Earnings Presentation

Alhokair will be hosting an analyst call on the Company's full results on July 1 2021 at 16:00 Saudi time. For conference call details, please email [investors.relations@fahretail.com](mailto:investors.relations@fahretail.com).

## Income Statement

SAR Million	Q4-FY20	Q4-FY21	Change y-o-y	FY20	FY21	Change
<b>Revenue</b>	1,085	1,132	4.4%	5,342	4,233	-20.8%
Cost of Revenue	(2,083)	(1,187)	-43.0%	(4,934)	(4,321)	-12.4%
<b>Gross Profit</b>	<b>(998)</b>	<b>(55)</b>	<b>-94.5%</b>	<b>408</b>	<b>(89)</b>	<b>-121.7%</b>
<i>Gross Profit Margin</i>	-92.0%	-4.9%	87.1	7.6%	-2.1%	(9.7)
Selling and Distribution Expenses	(20)	(37)	83.9%	(138)	(146)	5.7%
General and Administrative Expenses	(87)	(89)	3%	(218)	(296)	35.9%
Impairments	(56)	17	-130%	(56)	(2)	-97.3%
Other operating expense	(49)	(48)	-2.3%	(49)	(109)	120.6%
Depreciation and Amortization	367	(71)	-119.3%	(296)	(299)	1.1%
Other Income (loss), net	104	29	-71.9%	217	251	15.6%
<b>Operating Income</b>	<b>(740)</b>	<b>(255)</b>	<b>-65.6%</b>	<b>(133)</b>	<b>(689)</b>	<b>419.9%</b>
<i>Operating Income Margin</i>	-68.2%	-22.5%	45.7	-2.5%	-16.3%	(13.8)
Financial Charges	(113)	(80)	-29.4%	(452)	(355)	-21.4%
Share of loss of associates	(49)	(19)	-61.4%	(49)	(20)	-59.1%
<b>Profit before Zakat and Tax</b>	<b>(903)</b>	<b>(354)</b>	<b>-60.8%</b>	<b>(634)</b>	<b>(1,064)</b>	<b>68.0%</b>
Zakat and Income Tax	(13)	6	-143%	(48)	(46)	-3%
<b>Net Profit for the Period</b>	<b>(915)</b>	<b>(348)</b>	<b>-61.9%</b>	<b>(681)</b>	<b>(1,110)</b>	<b>63.0%</b>
<i>Net Profit Margin</i>	-84.4%	-30.8%	53.6	-12.8%	-26.2%	(13.5)
<b>Attributable to:</b>						
<b>Shareholders of the Company</b>	<b>(888)</b>	<b>(340)</b>	<b>-61.74%</b>	<b>(656)</b>	<b>(1,092)</b>	<b>66.46%</b>
Non-Controlling Interest	(28)	(9)	-69%	(25)	(18)	-28.2%
<b>Earnings per Share Basic and Diluted</b>	<b>(4.23)</b>	<b>(1.62)</b>	-62%	<b>(3.13)</b>	<b>(5.20)</b>	<b>66.5%</b>
<b>EBITDA</b>	<b>(1,107)</b>	<b>(184)</b>	<b>-83%</b>	<b>163</b>	<b>(390)</b>	<b>-339%</b>
<i>EBITDA Margin</i>	-102.0%	-16.2%	85.8	3.1%	-9.2%	(12.3)

## Balance Sheet

SAR Million	31 March 2020	31 March 2021	Change
<b>Assets</b>			
Property, Plant and Equipment	1,514	1,327	-12%
Right-of-Use Assets	4,058	3,402	-16%
Goodwill and Intangible Assets	1,080	1,111	3%
Investment Property	4	2	-54%
Investment in Associates & Others	232	303	31%
Receivables from Disposal of Subsidiaries / Brands	75	-	-100%
<b>Total Fixed Assets</b>	<b>6,962</b>	<b>6,145</b>	<b>-12%</b>
Inventories	1,656	1,257	-24%
Advances, Deposits and Other Receivables	570	471	-17%
Prepayments, Rentals and Insurance	68	48	-30%
Receivables from Disposal of Subsidiaries / Brands	75	75	0%
Cash & Cash Equivalents	686	468	-32%
<b>Total Current Assets</b>	<b>3,056</b>	<b>2,318</b>	<b>-24%</b>
<b>Total Assets</b>	<b>10,018</b>	<b>8,464</b>	<b>-16%</b>
<b>Equity &amp; Liabilities</b>			
Share Capital	2,100	2,100	0%
Reserves (Statutory, Foreign Currency and Fair Value)	(373)	(511)	37%
Accumulated Losses	(112)	(1,038)	825%
Equity Attributable to the Shareholders of the Company	1,615	552	-66%
Non-Controlling Interest	(85)	(100)	18%
<b>Total Equity</b>	<b>1,530</b>	<b>452</b>	<b>-70%</b>
LT Loans and Borrowing	2,424	2,304	-5%
Lease Liabilities	3,611	3,640	1%
Post-Employment Benefits	102	112	10%
<b>Total Non-Current Liabilities</b>	<b>6,137</b>	<b>6,057</b>	<b>-1%</b>
Trade Payables	935	1,120	20%
Zakat & Tax Liabilities	11	16	47%
Lease Liability – current portion	647	-	-100%
ST Loans and Borrowings	760	820	8%
<b>Total Current Liabilities</b>	<b>2,352</b>	<b>1,955</b>	<b>-17%</b>
<b>Total Liabilities</b>	<b>8,488</b>	<b>8,012</b>	<b>-6%</b>
<b>Total Equity &amp; Liabilities</b>	<b>10,018</b>	<b>8,464</b>	<b>-16%</b>

## About Fawaz A. Alhokair & Co



Fawaz A. Alhokair & Co (known as “Alhokair”) was formed 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. Quality, innovation, service and trust are the guiding principles for all Alhokair operations. These values are coupled with an ability to move quickly, to seize new opportunities and to enter emerging markets. Since the opening of its first store in 1991, Alhokair has grown considerably and now trades in circa 1,700 stores across 100 shopping malls in 12 countries, with a retail platform operating on a total GLA of circa 500,000m<sup>2</sup>. All of this is managed by a workforce numbering more than 12,000. Alhokair currently represents over 90 brands, spanning from womenswear, menswear, kids and baby, department stores, shoes and accessories, cosmetics and coffee shops. For more information, please visit [www.fawazalhokairfashion.com](http://www.fawazalhokairfashion.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.