

## Fawaz A. Alhokair & Co Releases Results for the Year Ended 31 March 2020

(Riyadh, 30 June 2020) Fawaz Abdulaziz Alhokair Co. ("Alhokair" or the "Company", 4240 on the Tadawul), the largest franchise retailer in Saudi Arabia, the Middle East and North Africa, Central Asia and the Caucasus, announced today its results for the financial year ended 31 March 2020, reporting revenues of SAR 5,341.8 million.

### Summary Income Statement

SAR Million	FY2019	FY2020 Pre-IFRS 16	Change	FY2020 Post IFRS 16	Change
<b>Net Revenue</b>	<b>5,425.8</b>	<b>5,341.8</b>	<b>-1.5%</b>	<b>5,341.8</b>	<b>-1.6%</b>
Cost of Revenue	(4,341.3)	(5,004.5)	15.3%	(4,933.9)	13.7%
<b>Gross Profit</b>	<b>1,084.5</b>	<b>337.3</b>	<b>-68.9%</b>	<b>407.8</b>	<b>-62.4%</b>
Gross Profit Margin	20.0%	7.2%	-13.7 pts	7.6%	-12.4 pts
SG&A	(458.8)	(442.1)	-3.6%	(442.1)	-3.6%
Impairments	(2.6)	(66.3)	-	(66.3)	-
<b>EBITDA</b>	<b>623.1</b>	<b>(85.4)</b>	<b>-</b>	<b>(14.8)</b>	<b>-</b>
EBITDA Margin	11.5%	-1.6%	-	-0.3%	-
Other Income (loss), net	79.1	93.6	18.4%	159.9	102.1%
Depreciation & amortization	(289.9)	(295.5)	1.9%	(295.5)	1.9%
Interest Expense	(200.9)	(211.0)	5.0%	(451.5)	124.7%
<b>Profit before Zakat and Tax</b>	<b>193.4</b>	<b>(529.8)</b>	<b>-</b>	<b>(633.5)</b>	<b>-</b>
Zakat and Income Tax	(55.3)	(47.6)	-13.9%	(47.6)	-13.9%
<b>Net Profit</b>	<b>138.1</b>	<b>(577.5)</b>	<b>-</b>	<b>(681.2)</b>	<b>-</b>
Net Profit Margin	2.5%	-10.8%	-	-12.8%	-
<b>One-off Adjustments</b>					
Inventory Provisions	-	596.7	-	596.7	-
Asset Impairments	-	176.2	-	176.2	-
Debt Restructuring Costs	-	8.8	-	8.8	-
Total One-off Adjustments	-	781.7	-	781.7	-
<b>Adjusted EBITDA</b>	<b>623.1</b>	<b>696.3</b>	<b>11.8%</b>	<b>758.1</b>	<b>21.7%</b>
Adjusted EBITDA Margin	11.5%	13.0%	1.5 pts	14.2%	2.7 pts
<b>Cash Balances</b>	<b>516.3</b>	<b>686.5</b>	<b>33.0%</b>	<b>686.5</b>	<b>33.0%</b>

### Financial & Operational Highlights

- Total revenues** recorded SAR 5,341.8 million for FY2020, down 1.6% y-o-y reflecting the Company's store closures as part of its portfolio optimization strategy. **On a like-for-like (LFL) basis**, net revenue was down 1.2% y-o-y in FY2020 as the Company shut down all its stores in the final two weeks of March 2020 due to the outbreak of Covid-19. It is worth noting that **between 1 January 2020 to 15 March 2020 LFL growth had reached an impressive 17%**, representing the most rapid rate achieved since the Company began implementing its comprehensive portfolio optimization strategy.
- Gross profit** was SAR 407.8 million in FY2020, down 62.4% y-o-y. This reflects the adoption of IFRS 16 and includes **SAR 596.7 million in inventory provisions** as the Company took the strategic decision to reduce inventory ageing and passed precautionary provisions, in line with international best-practice when faced with an expected reduction in customer demand, and representing a continuation of Alhokair's optimization and restructuring strategy. Adjusting for IFRS 16 and excluding these one-off charges, gross profit would record SAR

934.5 million, down 13.8% y-o-y, reflecting lower net revenues due to store closures and the impact of Covid-19 and the attendant nationwide closure of retail units for a period of two weeks.

- **Selling, general and administrative expenses (SG&A)** recorded SAR 442.1 million for FY2020, down 3.6% y-o-y thanks to increased operational efficiencies and the Company's cost-rationalization measures.
- **EBITDA** recorded a loss of SAR 14.8 million in FY2020 against an EBITDA-level profit of SAR 623.1 million for FY2019. It should be noted that the EBITDA figure recorded for FY2019 is inclusive of pre-IFRS rent expense. EBITDA performance for FY2020 thus reflects the adoption of IFRS16 and one-off inventory provisions of SAR 596.7 million, with a further impact from one-off **asset impairments of** SAR 176.2 million in FY2020 as management insists on accurately reflecting the value of investments and assets on the Company's balance sheet, particularly certain investments in foreign markets and fixed assets, and has adopted a solid asset impairment to this end. One-off expenses for the period also included SAR 8.8 million in transactions costs arising from the refinancing concluded in Q4-FY20.
- **Adjusted EBITDA**, which adjusts for the cost impact of IFRS 16 and excludes total one-off charges of SAR 781.7 million for FY2020, recorded SAR 758.1 million in FY2020. This represents an increase of 21.7% y-o-y, yielding an enhanced margin of 14.2% against the 11.5% booked one year previously.
- **Alhokair recorded a net loss** of SAR 681.2 million in FY2020 versus a net profit of SAR 138.1 million in the previous year. Bottom-line profitability was affected by the one-off charges totaling SAR 781.7 million as well as the impact of IFRS 16 on the company's financial charges related to lease liabilities.
- **Total cash and cash equivalents** were SAR 686.5 million as at 31 March 2020, up by 33% y-o-y and reflecting the company's strong liquidity position.
- As at 31 March 2020, Alhokair's **global network encompassed 1,580 stores** versus 1,689 stores one year previously.
- **Alhokair concluded the acquisition of a 10-brand F&B franchise portfolio** during the final quarter of FY2020, deepening the Company's exposure to Saudi Arabia's lucrative and fast-growing F&B sector. Including such global brands as Cinnabon and Seattle's Best Coffee, the acquisition brings an additional 200 locations to Alhokair's F&B portfolio and leverages the Company's existing relationships with its landlords and shared central services. Revenues from Alhokair's F&B segment were up by 20% y-o-y in FY2020, recording SAR 419.8 million, with segmental EBITDA climbing 55% to book SAR 70.1 million and an enhanced margin of 16.7% for the year.
- **Online sales** registered SAR 37.7 million between the launch of Alhokair's e-commerce business in May 2019 and year-end FY2020, contributing 1% to total sales for the year.

## Covid-19 Developments

Fawaz Abdulaziz Alhokair Co.'s results were materially impacted by the outbreak of the coronavirus (Covid-19) pandemic during the period. Retail stores host a high concentration of public-facing activity and are frequently required to cease operations when authorities assess an ongoing risk to public health. As a result, the Covid-19 pandemic has had a profound impact on the global retail industry. A further challenge was posed by the pandemic's coinciding with the holy month of Ramadan, a major regional shopping season. While extended pandemic-related closures have thus represented an existential threat to many players in the retail industry, management is confident that Alhokair is in a robust position to weather the effects of the pandemic through the adoption of additional strong measures should recovery take longer than expected.

On 16 March 2020, Alhokair temporarily closed most of its retail units in the Kingdom of Saudi Arabia, where the Group does the majority of its business, in compliance with a government directive. A nationwide curfew during the peak of the pandemic in Saudi Arabia, with significant restrictions on movement and commercial activity. Some of the

Company's food and beverage outlets remained physically operational to provide takeout, pickup and delivery services, while several fashion brands remained available online.

Alhokair's retail units outside of the Makkah Region began to reopen on a partial basis beginning 26 April, as per the government's easing of the nationwide curfew measures for the holy month of Ramadan and permitting the resumption of certain commercial activities from 09:00 to 17:00. The Eid al Fitr holiday immediately following Ramadan saw the government reimpose a nationwide 24-hour curfew from 23 to 27 May. The Company partially reopened most of its retail units on 28 May 2020, with premises operating from 06:00 to 15:00 to 30 May. From 31 May to 20 June, operating hours were extended to 06:00 to 20:00 and food and beverage outlets were permitted to receive dine-in orders while following precautionary guidelines. Makkah continued to face stricter controls during the period, while Jeddah saw a reinstatement of containment measures and the suspension of dine-in orders from 6 to 20 June following an uptick of cases in the region. From 06:00 on 21 June 2020, all curfew measures and restrictions on mobility were fully lifted by the government across all cities and regions of the Kingdom. All commercial activity has been allowed to resume on a normalized basis. From this date, all Alhokair retail units began to operate regularly and observe normal, pre-Covid working hours while maintaining comprehensive health and safety measures at all premises.

### Health and Safety Measures

Reopened stores operated in accordance with Ministry of Health guidelines regarding practice in the areas of public health and safety, with the priority of safeguarding the company's employees and customers. Key measures included

- **establishment of spatial limits on the number of customers** allowed into a store during a given time;
- **mandatory use of personal protective equipment (PPE)** by store personnel around the clock;
- the provision of **hand sanitizing stations** across all stores;
- **increased frequency of disinfection and sanitization** as well as the **closure of changing rooms**;
- **encouragement of contactless payment** by credit or debit card at cashiers;
- **adopting lenient sick-leave and work from home policies** (where possible) to support and protect our people and limit the risk of infection.

### Business Continuity and Resilience

Alhokair enjoys a strong financial position thanks to the Company's portfolio optimization, operational efficiency and debt restructuring strategies which began in the years prior to FY2020. With the onset of Covid-19, Alhokair faced the global crisis as an increasingly efficient and resilient retailer thanks to:

- **An optimized and resilient store portfolio** following a period of **shuttering nonperforming stores**;
- **Growing e-commerce presence** which has been solid results with **year-to-date LFL growth of 218%**, enabling the Company to leverage increased online demand;
- Proactive efforts to **optimize the company's supply chain processes**, resulting in the reduction of unnecessary handling and storage costs and improved anticipation of customer demand;
- **Strengthened supplier relationships** to help mitigate supply chain risks and promote collaboration;
- **Strong liquidity position** following the conclusion of **a debt refinancing transaction** at the start of the fourth quarter, **yielding USD 800 million** in an Islamic term Murabaha and a revolving credit facility with a one-year grace period. Said facilities have significantly enhanced the Company's liquidity position, providing a wider margin for financial flexibility and the **resources necessary to see the Company through the current challenges**;
- **Rapid and efficient adoption of cost rationalization measures**. Given its preeminent role in Saudi and international retail markets, Alhokair has secured accommodative **rent relief** agreements with its primary landlords, securing waivers on contractual base rent and service charges for a set period. Alhokair remains in

continuous discussions with its landlords with an eye to further ameliorating the Company's rent expense. The Company has also received **support from the government of Saudi Arabia under the SANED program**, an unemployment insurance program mandatorily applied to all Saudi workers in the private sector. The program covers up to 60% of salaries for 70% of the Company's staff, affording Alhokair a margin of flexibility as it seeks to initiate a rapid operational recovery. Meanwhile, Alhokair has temporarily implemented **additional companywide salary reductions**. **Additional measures** are being considered that may have an impact on the Company's existing store network and headcount should Covid-related challenges continue.

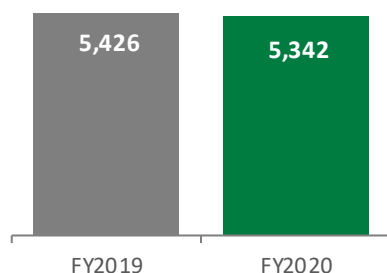
**Commenting of the year's results and the Company's outlook, Chief Executive Officer Marwan Moukarzel said:** "Alhokair faces the Covid-19 crisis as a stronger and leaner organization than it has been for many years. Despite the closure of circa 6.5% of our store network as part of the Company's optimization strategy, and the Covid-related disruption to our operations at the tail end of the fiscal year, the Company's top-line declined by a modest 1.6% y-o-y. The success of our strategy is most evident in Alhokair's like-for-like growth up to the onset of Covid-19, where between 1 January to 15 March 2020 our portfolio delivered impressive LFL growth of 17%, the highest rate since the rollout of our strategy. Our success is driven by Alhokair's focus on providing consumers with the highest quality shopping experience on offer in the region, as reflected by the Company's upward trend in average units per transaction, yield per square meter and revenue per store hour.

Parallel to achieving in-store retail excellence, Alhokair has also turned inward to build a leaner organization capable of generating long-term value even if it means sacrificing short-term returns as was the case during the period of shuttering nonperforming stores. We have significantly cut operating expenses and are continuously streamlining our supply chain process by strengthening of our supplier relationships and with investments in technology. As we come to grips with the impact of Covid-19, we will not shrink from maintaining or even accelerating this pace of change and widening its scope to encompass new aspects of the business model. Current market circumstances have spurred us to expedite the rollout of several new online platforms, better positioning us for any situation in which e-commerce gains in importance. We saw a significant increase in online orders during the period and have taken the opportunity to enhance our last-mile delivery capabilities. Internally, we have moved to further optimize operational procedures, adopting best-in-class ERP solutions and implementing a transition to Oracle across all touch points.

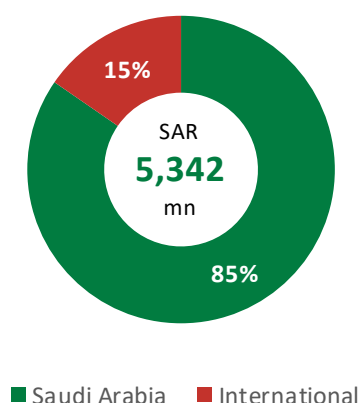
Alhokair remains fully committed to its strategic objective of allocating a growing share of its portfolio to experiential and lifestyle brands. The Company is positioned today as an increasingly diversified retailer with a portfolio of brands spanning a wide "lifestyle" spectrum, including fashion, food & beverage, and electronics. Following the acquisition of our F&B business in May 2019, the Company has enhanced its ability to leverage the changing market circumstances brought about by Covid-19 to further accelerate its transition into a lifestyle company. In short, while Covid-19 is taking a toll on the company's financial performance in the short-term, management is confident in Alhokair's ability to weather the challenges. Our main priority at this time is to safeguard the health and safety of all Alhokair employees and to provide customers with the safest of shopping experiences. Alhokair wholeheartedly supports the government of Saudi Arabia's rapid and decisive efforts to stem the spread of Covid-19 and stands ready to fulfill any obligation required of it in this regard.

At this time management will refrain from providing guidance on Alhokair's headline figures as we work to fully ascertain the financial and operational impact of Covid-19 on the final quarter of FY2020 and the first quarter of the new fiscal year. Nevertheless, it is worth noting that the Company's resilience in the face of the closures and the attendant disruption to operations, and its ability to rapidly leverage the increase in online demand as well as the new capabilities offered by our enhanced F&B portfolio only instill us with confidence in Alhokair's ability to successfully and profitably complete the transition towards a lifestyle-oriented business model. Alhokair's preeminent market position, increasingly optimized supply chain processes and its leading portfolio of brands leave the Company fully capable of providing its stakeholders with ever enhanced value over the long run."

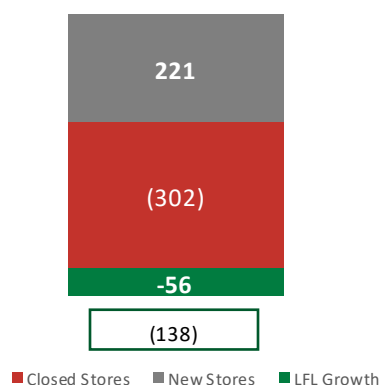
### Revenue (SAR mn)



### Revenue by Geography



### FY2020 Revenue Change

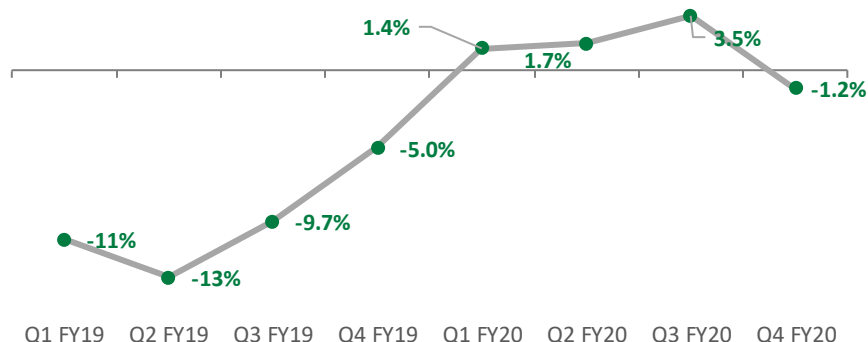


## Financial & Operational Performance

**On a statutory basis**, Alhokair's total revenues declined by 1.6% y-o-y to book SAR 5,341.8 million for FY2020. Lower revenues reflect the closure of nonperforming stores as the Company implemented a portfolio optimization strategy, with the top line further impacted by the complete shutdown during the final two weeks of the fiscal year with the onset of Covid-19. Alhokair's stores have since reopened in line with the gradual easing of containment measures, and management expects store closures to normalize to between 30 and 40 units per annum as its optimization strategy comes to a close.

**On a like-for-like (LFL) basis**, net revenue decreased by 1.2% y-o-y during FY2020, reflecting the impact of Covid-19. This follows consecutive quarters of higher quarterly rates of organic revenue growth up to the final weeks of 4Q-FY20 and Covid-19 related disruptions. Alhokair had recorded three consecutive quarters of positive LFL growth after a 24-month period of LFL decline. **LFL growth for the period between 1 January to 15 March 2020 reached 17% y-o-y**, up from 3.5% in 9M-FY20, representing the most rapid rate achieved since the Company began implementing its comprehensive portfolio optimization strategy.

### Like-for-Like Net Revenue Growth

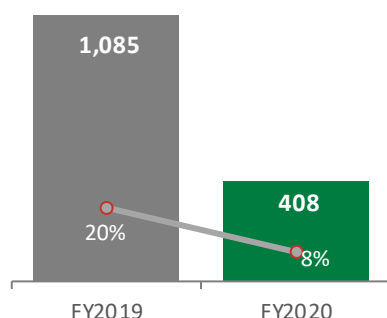


Alhokair's **global network encompassed 1,580 stores** as at 31 March 2020 against 1,689 stores one year previously. This reflects the closure of 234 stores during the year as part of the portfolio optimization drive, and the addition of 125 new stores driven primarily by Alhokair's acquisition during 4QFY20 of 10 international restaurant brands, including Cinnabon and Seattle's Best Coffee. The Company generated approximately 85% of its revenues in FY2020 from its core Saudi operations. **Units per transaction (UPT)** came in at 1.77 in FY2020, up from 1.76 one year previously, reflecting Alhokair's focus on achieving in-store retail excellence.



### Gross Profit

(SAR mn / margin)

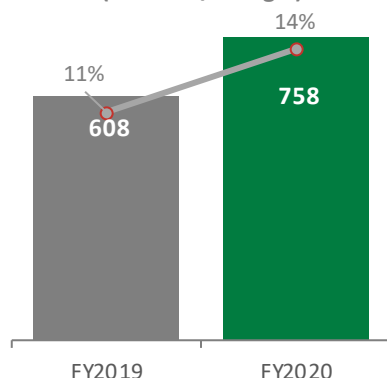


On a statutory basis, **gross profit** recorded SAR 407.8 million in FY2020, down by 62.4% y-o-y. The Company's gross profit margin decreased by 12.4 percentage points to book 7.6% for FY2020.

The Company's gross profit reflected the inflation of cost of revenue by SAR 596.7 million following the implementation of **one-time provisions for ageing inventory** during FY2020. This comes in line with management's restructuring efforts and its strategy for reappraising inventory value in the face of an expected reduction in customer demand.

### Adjusted EBITDA

(SAR mn / margin)



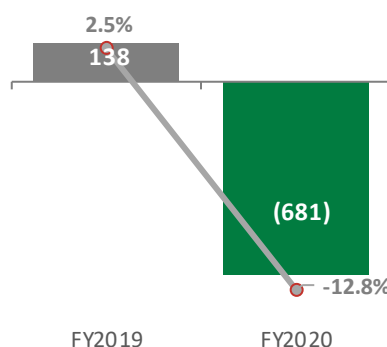
**Adjusted gross profit**, which excludes the one-off inventory provisions and is normalized for the effect of adopting IFRS 16 recorded SAR 934.5 million in FY2020, down by 13.8% y-o-y. The adjusted gross profit margin was 17.5% in FY2020 compared to 20% in FY2019, with the reduction reflecting residual effects of store closures completed during the year as well as the impact of Covid-19.

**Selling, general and administrative expenses (SG&A)** booked a total of SAR 442.1 million for FY2020, representing a decrease of 3.6% y-o-y against the SAR 458.8 million booked in FY2019. The decline comes despite the company booking **total one-off impairments** of SAR 176.2 million in FY2020, part of the Company's efforts to shed nonperforming investments and fairly appraise its asset base.

Reduced SG&A expenses thus reflect management's efforts to streamline supply chain processes, which have subdued growth in warehousing, freight and distribution costs. Alhokair has also successfully implemented initiatives to control operating costs associated with local and global staffing.

### Net Profit

(SAR mn / margin)



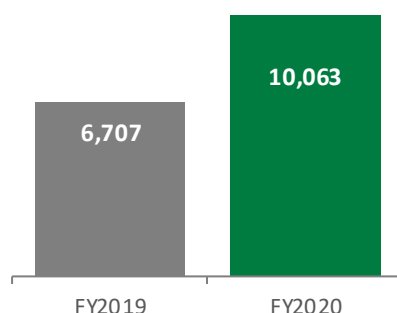
Alhokair booked an **EBITDA** loss of SAR 14.8 million for the year ended 31 March 2020 against a positive figure of SAR 623.1 million in FY2019. This reflects the adoption of IFRS 16 and includes one-time charges of SAR 781.7 million, including inventory provisions of SAR 596.7; asset impairments of SAR 176.2; and one-time debt restructuring costs of SAR 8.8 million related to the company's refinancing transaction concluded in Q4-FY20. It should be noted that the EBITDA figure recorded for FY2019 is inclusive of pre-IFRS rent expense.

Excluding one-off charges and normalized for IFRS 16, **Adjusted EBITDA** recorded SAR 758.1 million for the year, up 21.7% and yielding an enhanced EBITDA margin of 14.2% versus 11.5% in FY2019. **Adjusted EBITDA per square meter** climbed to SAR 1.6 in FY2020 from SAR 1.2 one year previously, despite the revenue lost during the two-week closure in March 2020.

**Financial charges** recorded a total of SAR 451.5 million in FY2020, up by

## Total Assets

(SAR mn)



124.7% y-o-y. This reflects the adoption of IFRS 16 and related SAR 240.5 million in interest on right-of-use liabilities. Additionally, finance charges include SAR 8.8 million in one-time expenses related to the unamortized transaction costs for the company's refinanced debt in 4Q-FY20.

**Other income** increased by 102.1% y-o-y during FY2020 to record SAR 159.9 million, reflecting a change to the Company's accounting treatment of its interest in Riyadh Gallery Mall adopted during the third quarter. Alhokair had previously owned a 17% stake in Riyadh Gallery, which it later sold to a fund newly established by Fawaz Abdulaziz Alhokair & Co. The net book value of Alhokair's stake in Riyadh Gallery had been assessed at SAR 55 million, while the units allocated to the fund following the transaction were nominally valued at SAR 200 million. This led to a gain of SAR 145 million, of which SAR 101 million were allocated by the Company as provisions to prepare write-offs on some non-performing investments and or an exit from certain territories.

On a statutory basis, the Company booked a net loss after minority interest of SAR 656.3 million in FY2020 against a net profit of SAR 144.7 million one year previously. Pressure to the bottom line was exerted mainly by the one-off charges totaling SAR 781.7 million in FY2020, as well as the impact of adopting IFRS 16.

On the balance sheet, **Alhokair's total assets booked** 10,063 million as at 31 March 2020, up from SAR 6,707 million at year-end FY2019. The increase reflects the addition of right-of-use assets totaling SAR 4,058 million in FY2020 following the adoption of IFRS 16.

**Total inventory stood** at SAR 1,656 million as at 31 March 2020, down 14% y-o-y as the Company wrote off SAR 596.7 million in ageing stocks.

**Cash and cash equivalents** recorded SAR 686.5 million at year-end FY2020, up 33% versus the SAR 516.3 million held at 31 March 2019 and SAR 446.4 million as at 31 December 2019, reflecting the Company's strengthening liquidity position.

**Total interest-bearing debt** was SAR 3,183.5 million as at 31 March 2020, up from SAR 2,862.2 million at the close of FY2019. Net debt was SAR 2,497.0 million at year-end FY2020 versus SAR 2,345.9 million as at 31 March 2019. Net debt to adjusted EBITDA was 4.4x in FY2020 compared to 3.3x in FY2019.

—Ends—

## 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 largest franchise retailer in the KSA, MENA, Central Asia and Caucasus regions, 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 more than 1,600 stores across 100 shopping malls in 13 countries, with a retail platform operating on a total GLA of over 500,000m<sup>2</sup>. All of this is managed by a workforce numbering more than 12,000. Alhokair currently represents over 80 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)

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## 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.