ALHOKAIR Fashion Retail

الحكير أزياء التجزئة

Earnings Presentation | FY22

As at 31 March 2022

Fawaz Abdulaziz Alhokair Co. | Saudi Exchange: 4240

Management Review FY22

Alhokair at a Glance – FY22

FY22 top line at SAR 5.9 bn exceeding pre-pandemic levels on enhanced macro-economic conditions & successful delivery on strategy; Double digit top-line growth in Q4-FY22

83
Brands

1,668
Total Number of Stores

479k
Gross Floor Area, sqm

+10,500
Employees

69%
Saudization

Key Differentiators

- Strong Brand Portfolio
- Best-in-market Experiential Shopping Environment
- Omnichannel Capabilities
- Partner of Choice

Leading Franchise Retailer in KSA

by market share with a true omnichannel experience

1,042
Total Retail Stores

318
Total F&B Stores

353k
Gross Floor Area, sqm

9.4%
Market Share*

Strong International Presence

with recovering performance & pickup in momentum

308
Total Retail Stores

10
Int'l Countries

17%
of FY22 Revenue

8
New markets via Vogacloset

*Apparel and Footwear Specialist Retail market share for 2020 as provided by Euromonitor

Our operational upgrade strategy

01 Portfolio optimization

Optimize store network

Exit weak/non-performing markets

Expand portfolio – unique brand experience

Increase revenue per SQM

02 Operational excellence

IT, finance and other optimization initiatives

Revamp inventory & supply chain management

1st phase of shared service center live

Dispose of non-core assets

03 Building a lifestyle brand

New and differentiated brand identity

Stores roll-out for new brands

Grow F&B network

Launch loyalty & CRM program

04 Commitment to digital

Launch “buy now pay later” for new brands

Enhance Vogacloset portfolio

Launch customer service center

FAS Finance

Differentiated brand portfolio; diverse revenues

Our Brand Portfolio Is Our Competitive Advantage & Transformation Driver to a Lifestyle Destination

83
brands*

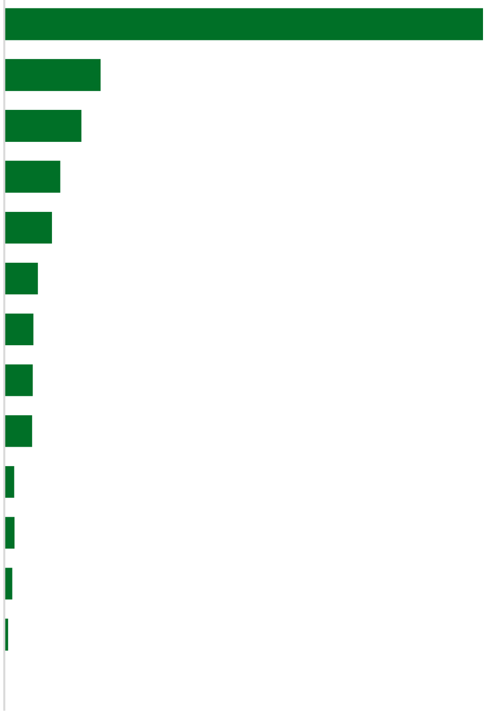
Targeting most consumer segments through economy and fast fashion brands

Diversifying F&B offering

Successful relationship with partners and alignment on strategy

Evolving brand mix focused on high margin segments

Brands	Segment	FY22	FY21
24	Fast Fashion	**52.8%**	56.7%
5	Economy	**10.6%**	10.8%
13	F&B	**8.5%**	7.0%
7	Footwear	**6.2%**	5.4%
1	Electronics	**5.3%**	3.6%
3	High Street	**3.7%**	3.1%
7	Kidswear	**3.2%**	3.3%
7	Accessories	**3.1%**	3.3%
5	Lingerie and intimate apparel	**3.1%**	3.9%
1	Homewear	**1.1%**	1.6%
6	Beauty & Makeup	**1.1%**	1.0%
1	Entertainment	**0.9%**	0.1%
2	Sports	**0.4%**	0.0%
1	Lifestyle	**0.03%**	0.0%



* Brand count as of March-end 2022. Count excludes newly signed agreements (Fnac Darty,, Subway & Secrets)

Retail: Key brand & store openings

FY22 openings

alo yoga

flying tiger copenhagen

FY23 openings

fnac DARTY

Q4-FY22 Retail

- **23** stores opened
- **35** stores closed
- Net **12** closures

FY22 Retail

- **86** stores opened
- **174** stores closed
- Net **88** closures

FY23 Retail

- **c. 80** stores to be opened with Capex of ~ SAR 220mn

F&B: At the core of our upgrade strategy

F&B segment delivers solid performance, with 2 new key master franchise agreements set to drive future profitability. Focus remains on 3 strategic revenue growth pillars

01 Expand store network of existing brands

- Q4-FY22: Opened 8 stores, closed 12 for a net of 4 closures
- FY22: Opened 47, closed 30, for a net of 17 new stores
- **FY23: c. 120 new outlets** (inc. acquisition of sub-franchises) to be added with FY23 Capex of ~ SAR 120mn
- 130 **new Cinnabon outlets** to be rolled out in the Kingdom within the next 5 years

02 Onboard new brands

- FY22: **2 New franchise rights** Subway & Secrets
- FY23: 20 new Subway stores planned to open plus acquisition of c. 30 existing sub franchises
- Discussions underway to acquire **franchise rights for home-grown QSR** chain

03 Grow our digital sales footprint

- Aggressively grow our current **food delivery sales**
- Enhancement of **digital platforms**

Omnichannel transition

Ongoing channel optimization on Vogacloset & via our Monobrand platforms

Vogacloset

V

- **47** Alhokair fashion brands are now live
- Total stock on hand of **c.150K units**
- Introduced "Buy now Pay later" option

Monobrand Platforms

KSA	International
14	**5**

Q4-FY22

- Enhanced 3PL and last mile offering with new providers bringing enhanced service execution and unitary economics
- Scaled last mile operations in advance of Ramadan sales volume inclusive of signing new providers
- Signed development contract expediting development of 18 new mono sites
- Continued talent acquisition enhancing the capability of our teams

New Features

- Enabled pick from store services on selected Inditex brands as part of global roll out in 18 months
- Introduced cross selling and outfit building on site, in anticipation of Ramadan shopping needs
- Introducing cross channel selling across entire portfolio

Financial Review
Q4-FY22 and FY22

At-a-glance

Q4-FY22

SAR 1,387 mn
Revenue

▲ 22% vs Q4-FY21

SAR 181 mn
Gross Profit

▲ Q4-FY21 **SAR -55 mn**

SAR 93 mn
EBITDA*

▲ Q4-FY21 **SAR -226 mn**

SAR 45 mn
Net Loss

▲ Q4-FY21 **SAR -347 mn**

FY22

SAR 5,915 mn
Revenue

▲ 40% vs FY21

SAR 991 mn
Gross Profit

▲ FY21 **SAR -88 mn**

SAR 462 mn
EBITDA*

▲ FY21 **SAR -598 mn**

SAR 38 mn
Net Profit

▲ FY21 **SAR -1,109 mn**

Exc. SAR 71mn impairment loss

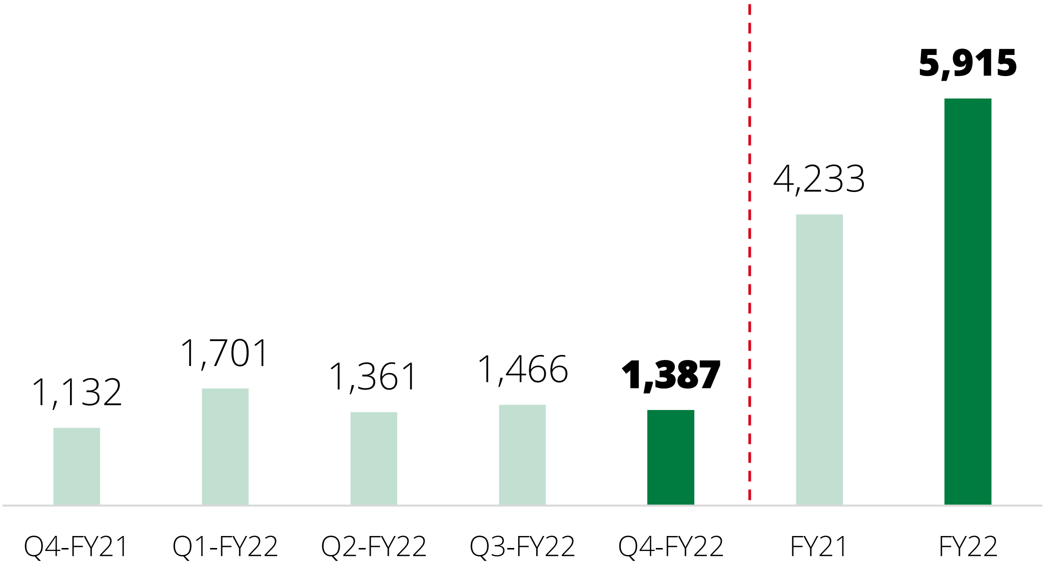
SAR 109 mn
Net Profit

*EBITDA represents pre-IFRS 16 EBITDA, i.e. EBITDA after deducting depreciation on right-of-use assets and finance cost on lease liability

Top line surpass pre-pandemic levels

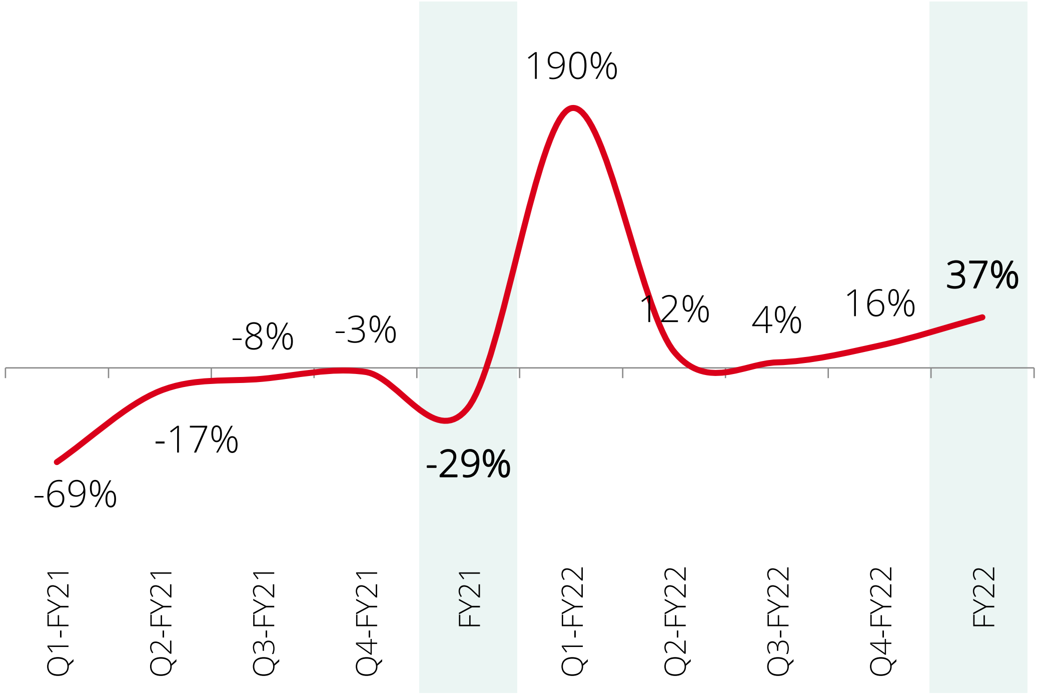
Revenue, SAR million

FY22 revenue +40% Y-o-Y and exceed pre-pandemic levels, as pandemic-related restrictions continued to be lifted across the globe



LFL consolidated sales growth, %

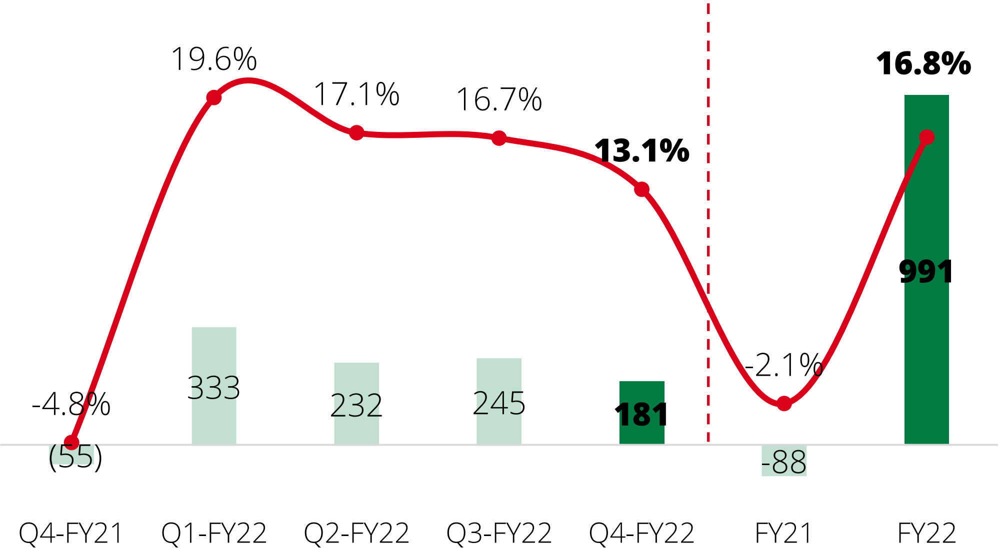
LFL revenue performance on upward trajectory for the fourth consecutive quarter



Robust turnaround in profitability

Gross Profit, SAR million – **GPM,** %

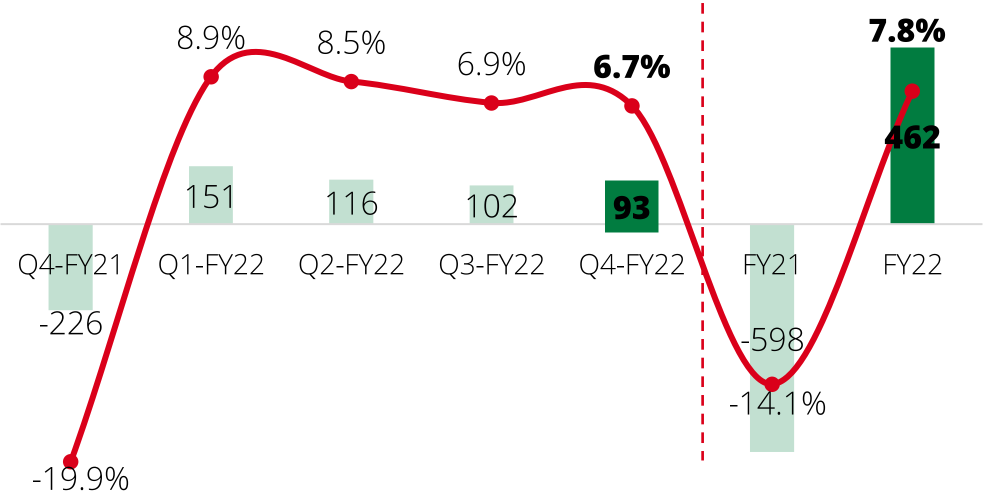
Gross profit touched SAR 1bn for FY 22 with a GPM of 16.7% driven by improvement in revenues and trading activity



- Trading Margin (Revenue less COGS less royalties less normalized inventory provisions) stood at 40.6% in Q4-FY22 versus 41.9% for Q3-FY22. Overall Trading Margin for year came in at 42.1% compared to 38.3% last year.

EBITDA, SAR million – **EBITDA Margin,** %

FY22 EBITDA margin of 7.8% broadly in line with management guidance

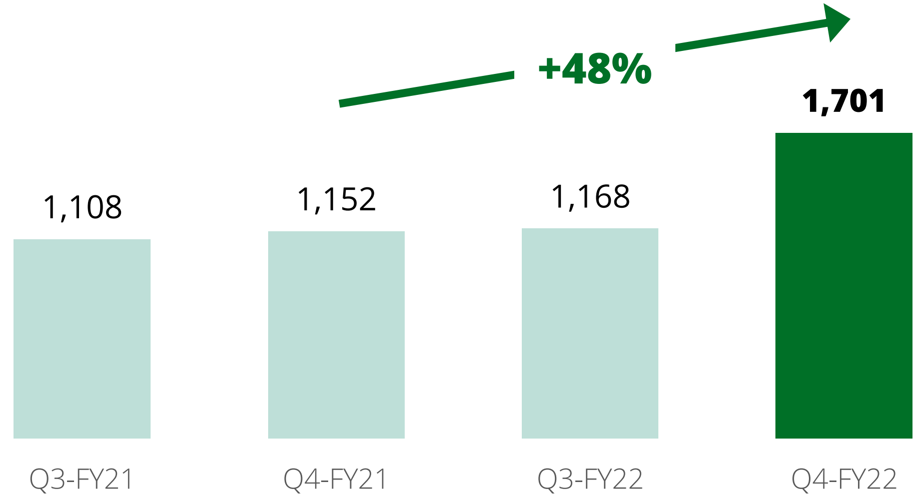


- EBITDA represents pre-IFRS 16 EBITDA, i.e., after deducting depreciation on right-of-use assets and finance cost on lease liability

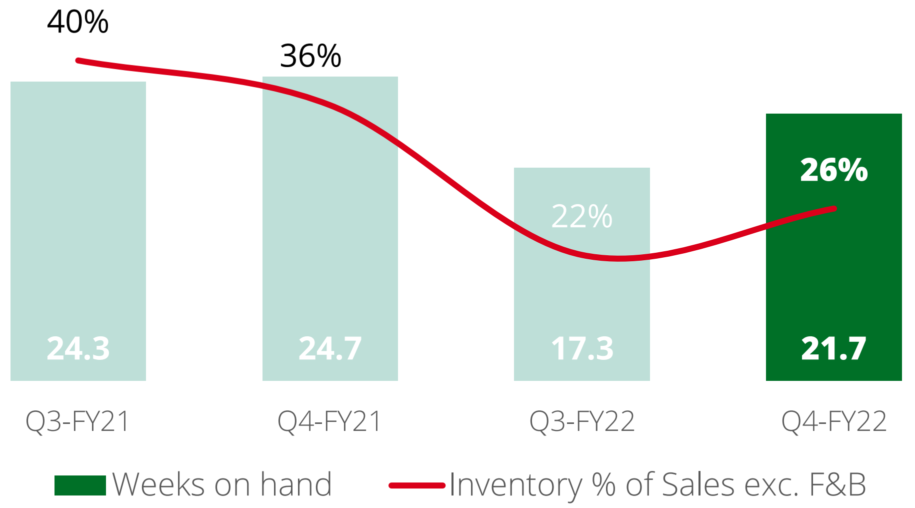
Balance sheet optimization

Aggressive inventory management and working capital optimization to improve liquidity and increase efficiency

Inventory balance (SAR million)



Inventory efficiency ratios



- **Buildup of inventory ahead of the Ramadan, Eid Al Fitr and Eid Al Adha seasons, and prompted by supply chain disruptions**

Balance Sheet Actions

Capital alternation on track with approval of capital reduction. Rights Issue of SAR 1 billion is pending CMA approval

1.
Share Capital of SAR 2.1 bn with **accumulated losses of SAR 982** mn as at 31-Mar-2022

2.
Board recommends capital decrease followed by a capital increase

3.
Capital reduction by 45.3% completed by cancelling 95.2 mn shares following EGM held on 29 June 2022

4.
Capital increase by way of a SAR 1.0 bn rights issue to SAR 2.13 bn

Strengthening our financial position to enable long term sustainable growth

1 Lower leverage with proceeds used to lower Net Debt/EBITDA to 3.8-4.3x

2 Additional funding to support executing growth plan and exploring new initiatives

3 Greater cashflow headroom accelerating ability to distribute dividends

Debt management in focus

Actively addressing our capital structure to boost liquidity position and operational / strategic flexibility

The successful capital alteration will allow Alhokair to renegotiate the financial terms and ultimately regain full compliance with covenants by FY23

SAR million	Mar'22	Mar'21	YTD % change
Total Interest-Bearing Debt	2,878	3,124	-8%
Cash Position	198	468	-58%
Net Debt	2,680	2,656	1%

- **SAR 246 million of debt paid down during FY22**
- **FY22 financial charges down 29% y-o-y**

Key takeaways – FY22

1.

Robust rebound in profitability on the back of market return to normalcy and sustained delivery on strategic goals

2.

Double digit growth in the top-line of 40% y-o-y

3.

Significant improvement in margins, resulting from enhanced trading activity

4.

Successfully delivered Operational Upgrade Strategy for FY22; Ramping up our Digitization and Transformation

5.

Recapitalization on track, to provide solid financial position supporting growth agenda

Thank you

Financial Statements

Income Statement Q4-FY22 and FY22

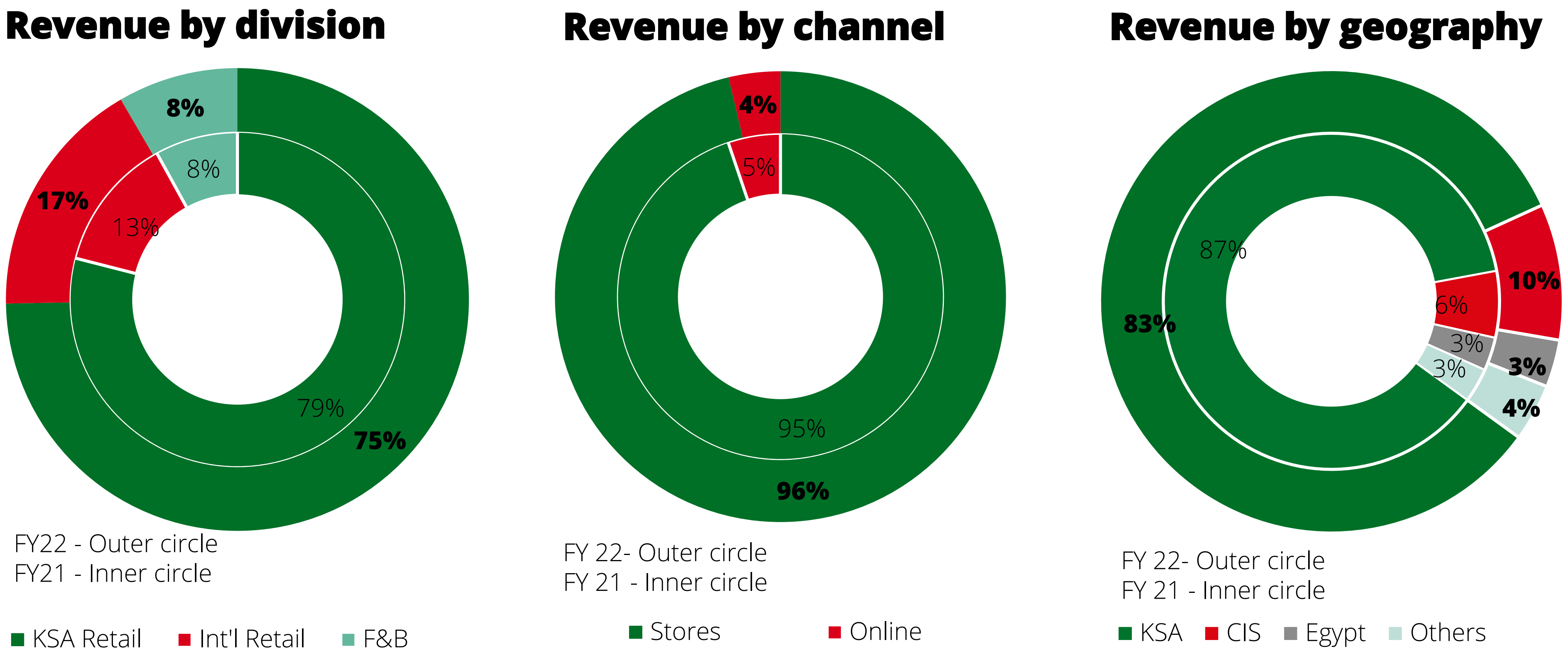
SAR Million	Q4-FY21	Q4-FY22	% Change y-o-y	FY21	FY22	% Change y-o-y
Revenue	**1,132**	**1,387**	**22.5%**	**4,233**	**5,915**	**39.8%**
Cost of Revenue	(1,187)	(1,205)	1.5%	(4,321)	(4,924)	14.0%
Gross Profit	**(55)**	**181**	**NM**	**(88.3)**	**990.8**	**NM**
Gross Profit Margin	-4.8%	13.1%	17.9	-2.1%	16.8%	18.8
Selling and Distribution Expenses	(37)	(27)	-26.6%	(146)	(170)	16.0%
General and Administrative Expenses	(88)	(57)	-35%	(295)	(321)	8.8%
Impairments	17	-	-100%	(2)	-	-100.0%
Other operating expense	(58)	(6)	-90.4%	(129)	(37)	-70.9%
Depreciation and Amortization	(71)	(38)	-46.5%	(299)	(179)	-40.0%
Other Income (loss), net	39	48	23.8%	271	158	-41.6%
Operating Income	**(253)**	**102**	**NM**	**(687)**	**442.0**	**NM**
Operating Income Margin	-22.4%	7.3%	29.7	-16.2%	7.5%	23.7
Financial Charges	(80)	(51)	-36.7%	(355)	(251)	-29.3%
Impairment loss on goodwill	-	(71)		-	(71)	
Share of loss of associates	(19)	(12)	-38.6%	(20)	(16)	-21.9%
Profit before Zakat and Tax	**(352)**	**(31)**	**-91.1%**	**(1,063)**	**105**	**NM**
Zakat and Income Tax	6	(13)	-342.4%	(46)	(67)	44.8%
Net Profit for the Period	**(347)**	**(45)**	**-87.1%**	**(1,109)**	**38**	**NM**
Net Profit Margin	-30.6%	-3.2%	27.4	-26.2%	0.6%	26.8
Attributable to:						
Shareholders of the Company	(338)	(41)	-87.93%	(1,091)	45	NM
Non-Controlling Interest	(9)	(4)	-57%	(18)	(7)	-62.7%
Earnings per Share Basic and Diluted	(1.61)	(0.19)	-87.9%	(5.19)	0.21	NM
Pre-IFRS 16 EBITDA	(226)	93.2	NM	(597.6)	462.4	NM
EBITDA Margin	**-19.9%**	**6.7%**	**26.7**	**-14.1%**	**7.8%**	**21.9**

Balance Sheet FY22

SAR Million	31 March 2021	31 March 2022	Change
Assets			
Property, Plant and Equipment	1,327	1,358	2%
Right-of-Use Assets	3,402	3,276	-4%
Goodwill and Intangible Assets	1,111	1,083	-3%
Investment Property	2	2	-8%
Equity-accounted investees	3	62	2198%
Other investments	300	300	0%
Derivative Asset	-	30	
Total Fixed Assets	**6,145**	**6,110**	**-1%**
Inventories	1,152.4	1,700.5	47.6%
Advances, Deposits and Other Receivables	471	475	1%
Prepayments, Rentals and Insurance	48	64	33%
Receivables from Disposal of Subsidiaries / Brands	75	-	-100%
Cash & Cash Equivalents	468	198	-58%
Total Current Assets	**2,213**	**2,437**	**10%**
Total Assets	**8,359**	**8,547**	**2%**
Equity & Liabilities			
Share Capital	2,100	2,100	0%
Reserves (Statutory, Foreign Currency and Fair Value)	(511)	(520)	2%
Fair value reserve	-	13	
Accumulated Losses	(1,038)	(982.3)	-5%
Equity Attributable to the Shareholders of the Company	552	611	11%
Non-Controlling Interest	(100)	(107)	7%
Total Equity	**452**	**504**	**12%**
LT Loans and Borrowing	2,304	-	-100%
Lease Liabilities	2,838	2,846	0%
Post-Employment Benefits	110	103	-7%
Total Non-Current Liabilities	**5,253**	**2,949**	**-44%**
Trade and other Payables	1,016	1,496	47%
Bank Overdraft	-	50	
Zakat & Tax Liabilities	16	37	134%
Lease Liability – current portion	803	632	-21%
ST Loans and Borrowings	820	2,878	251%
Total Current Liabilities	**2,655**	**5,094**	**92%**
Total Liabilities	**7,907**	**8,043**	**2%**
Total Equity & Liabilities	**8,359**	**8,547**	**2%**

Segmental Information

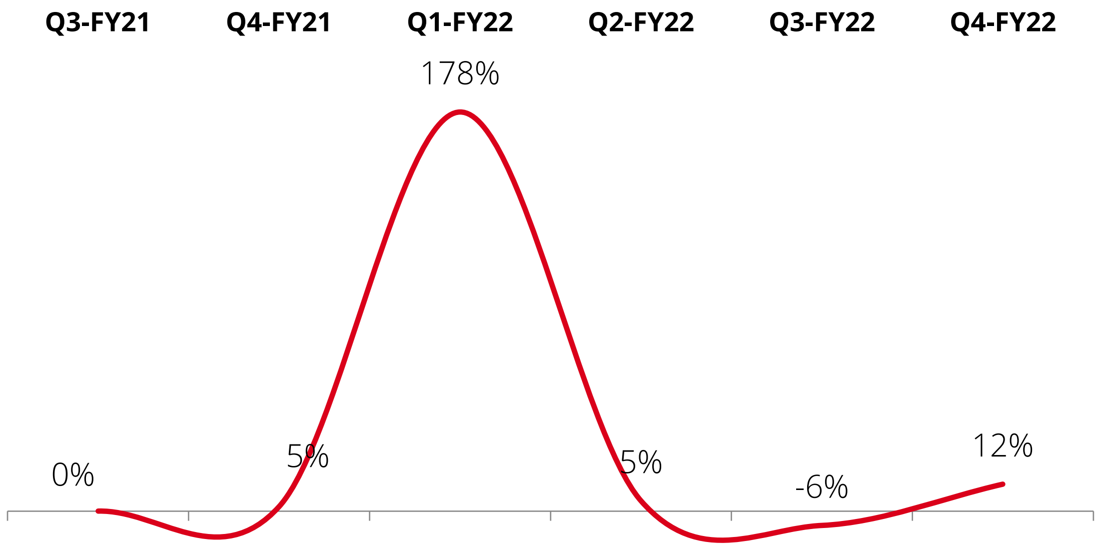
Revenue breakdown



Saudi retail

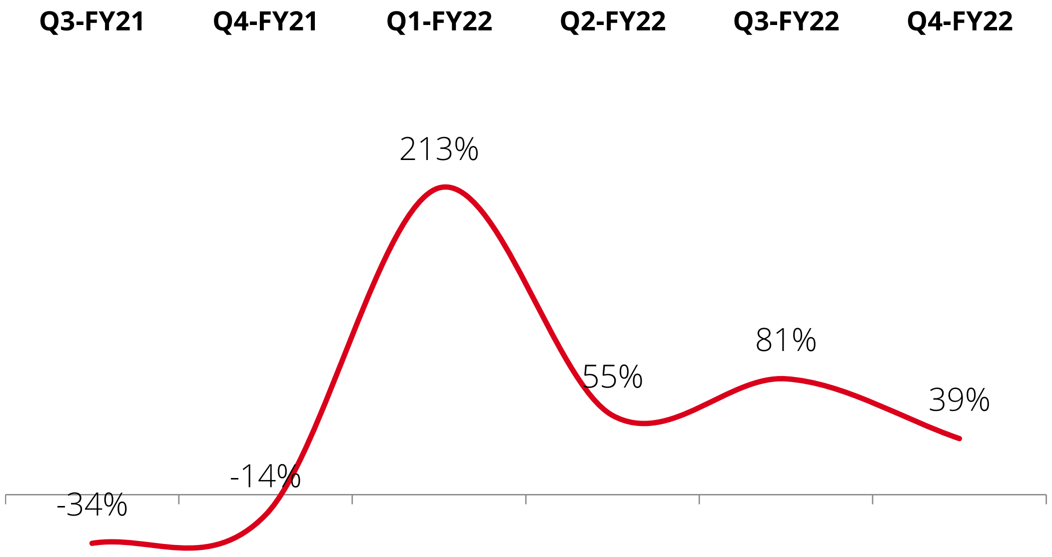
LFL Revenue Growth

Saudi LFL revenues up 12.2% in Q4-FY22, despite partial Covid-related restrictions in February



International retail

Significant yearly LFL increase due to the positive momentum from CIS counties, Egypt, and Jordan



Store base rationalization slowing down

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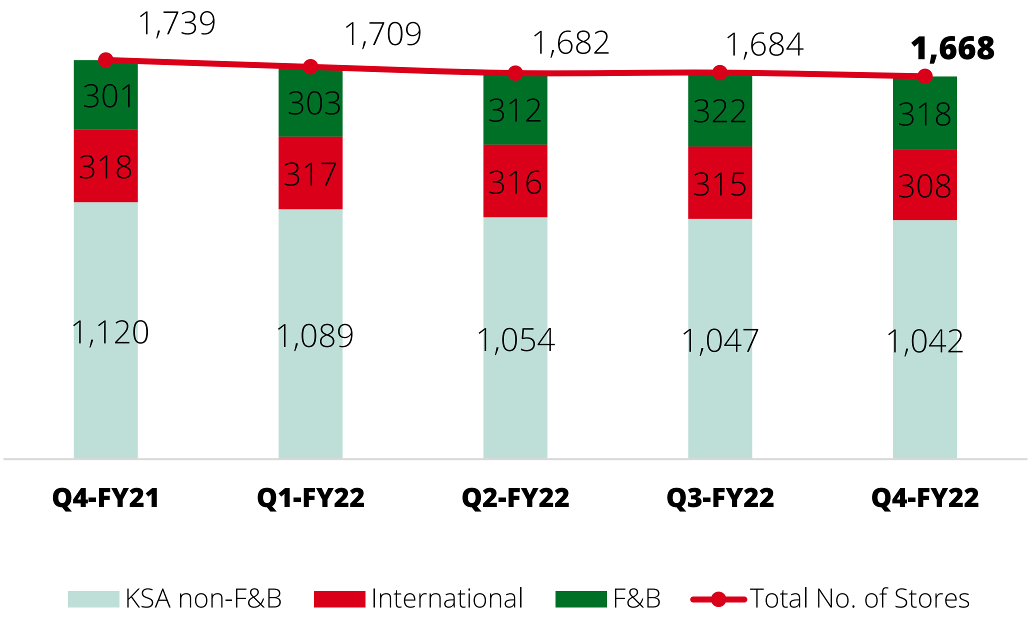
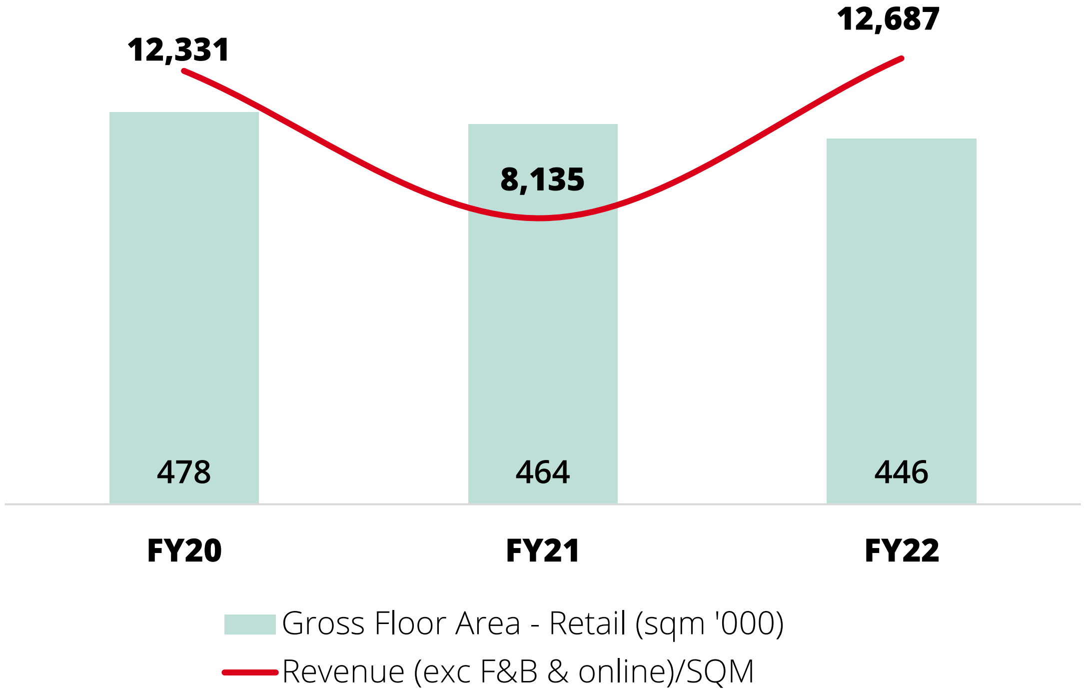
Store network evolution

Net store contraction of 71 stores in FY22 due to store rationalization



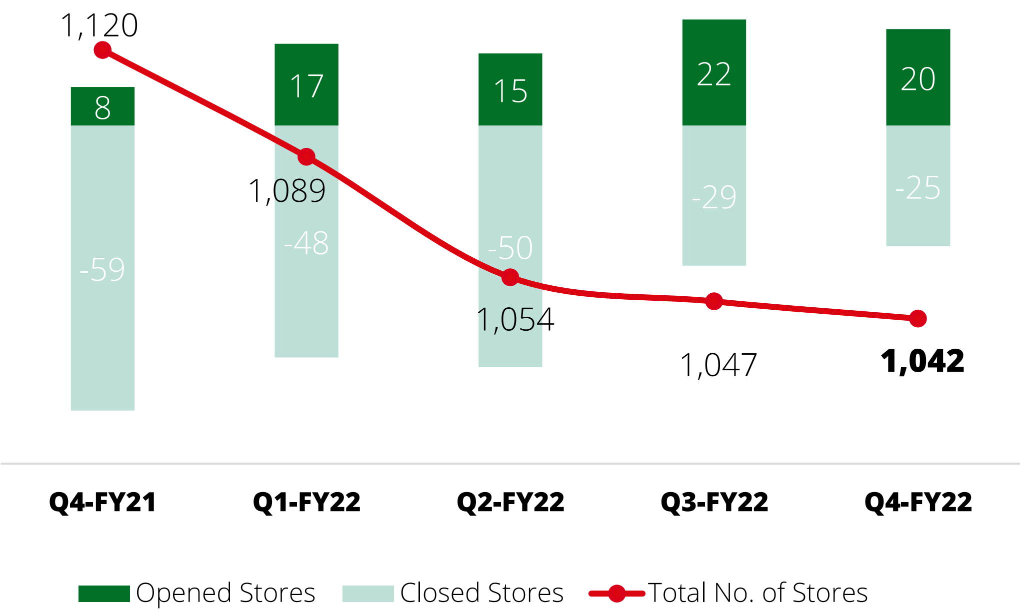
Gross Floor Area, SQM vs Sales Density, SAR

FY22 revenue per sqm of SAR 12.7K, recording a +56% growth YoY as we continue to make more with less.



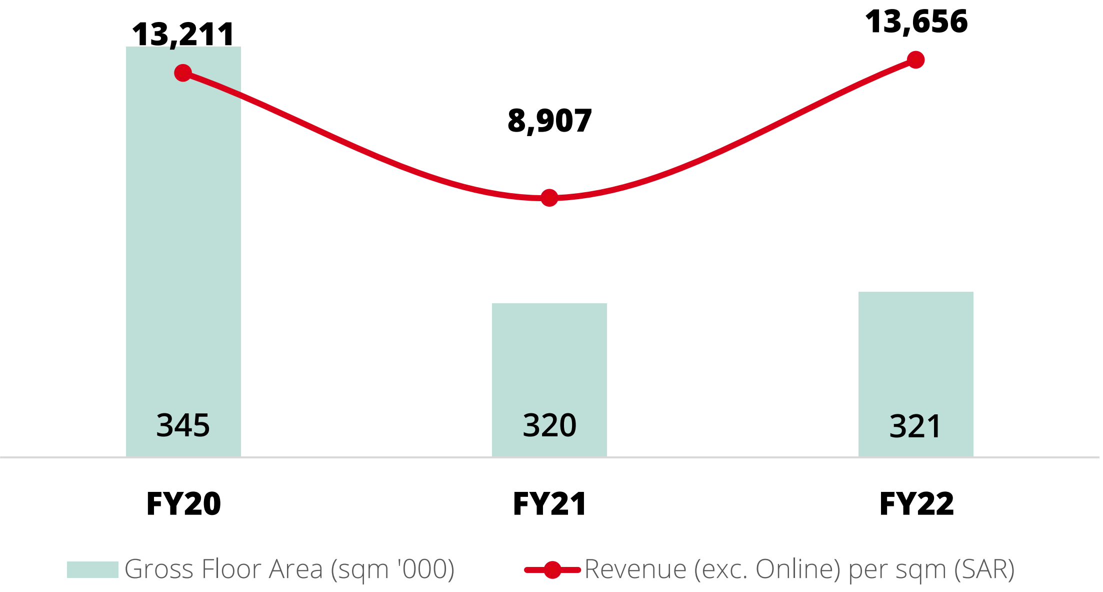
Saudi Arabia remains core market, key focus

Saudi retail store network evolution



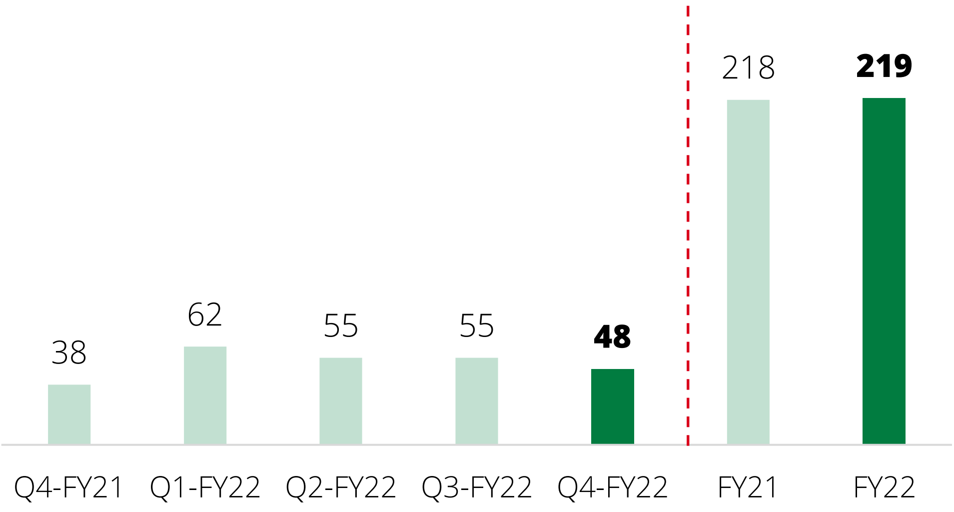
Gross Floor Area, SQM vs Sales Density, SAR

FY22 KSA revenue per sqm up 53% yoy and +3% compared to FY20

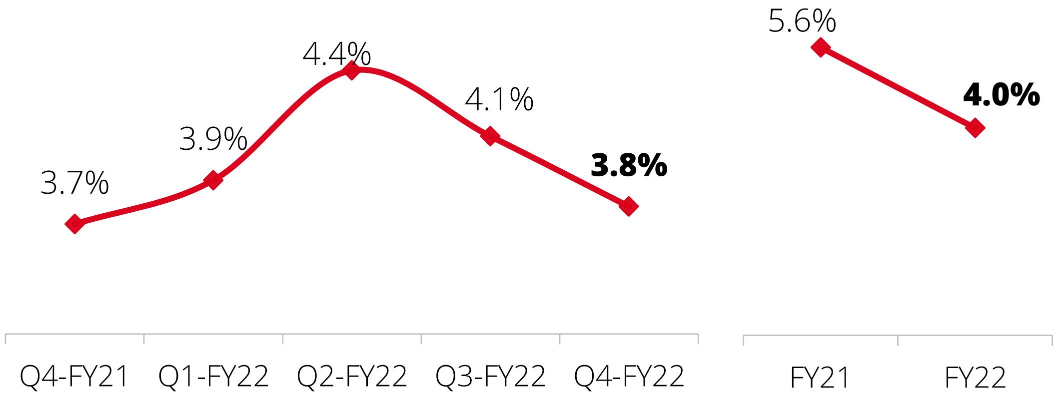


Rapid growth in online sales

Online revenues, SAR million



E-commerce, % of total retail sales

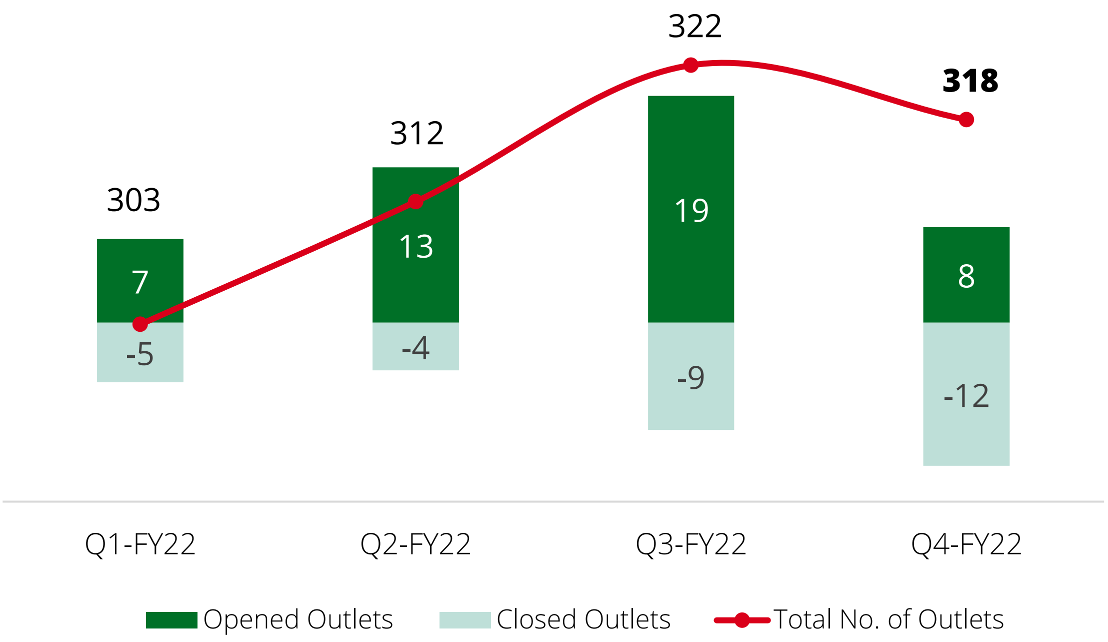


Ecommerce normalizes:

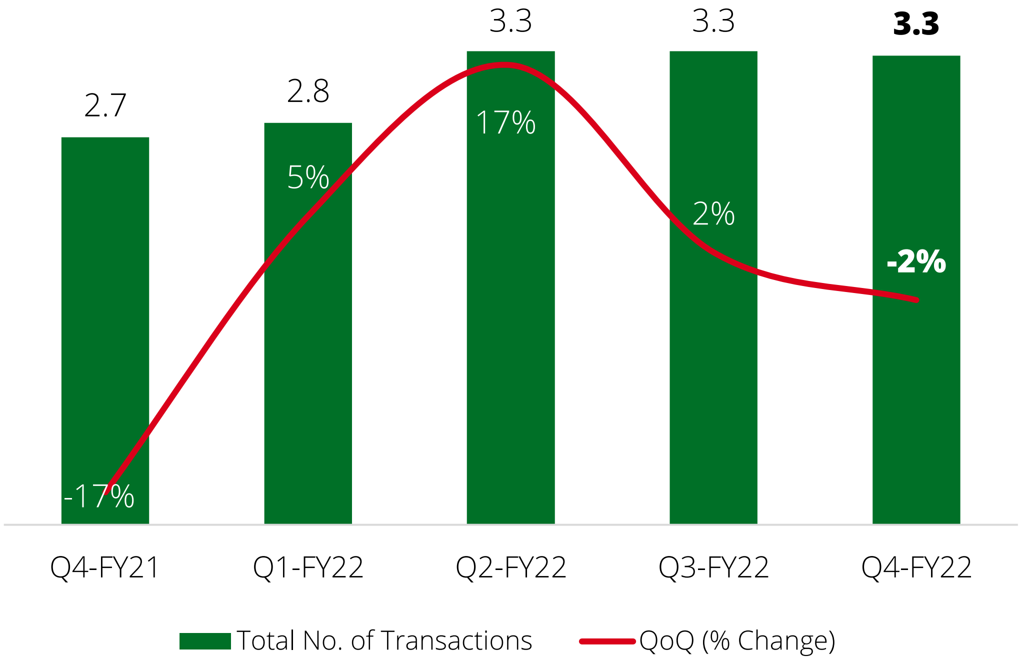
- Online sales declined as the e-commerce market has normalized, following temporary hikes resulting from the pandemic last year
- Contribution to retail revenue reaches 4% (excluding F&B)

F&B segment poised for recovery and growth

F&B store network evolution



Total number of transactions (million)



Supplementary Information

Alhokair Footprint

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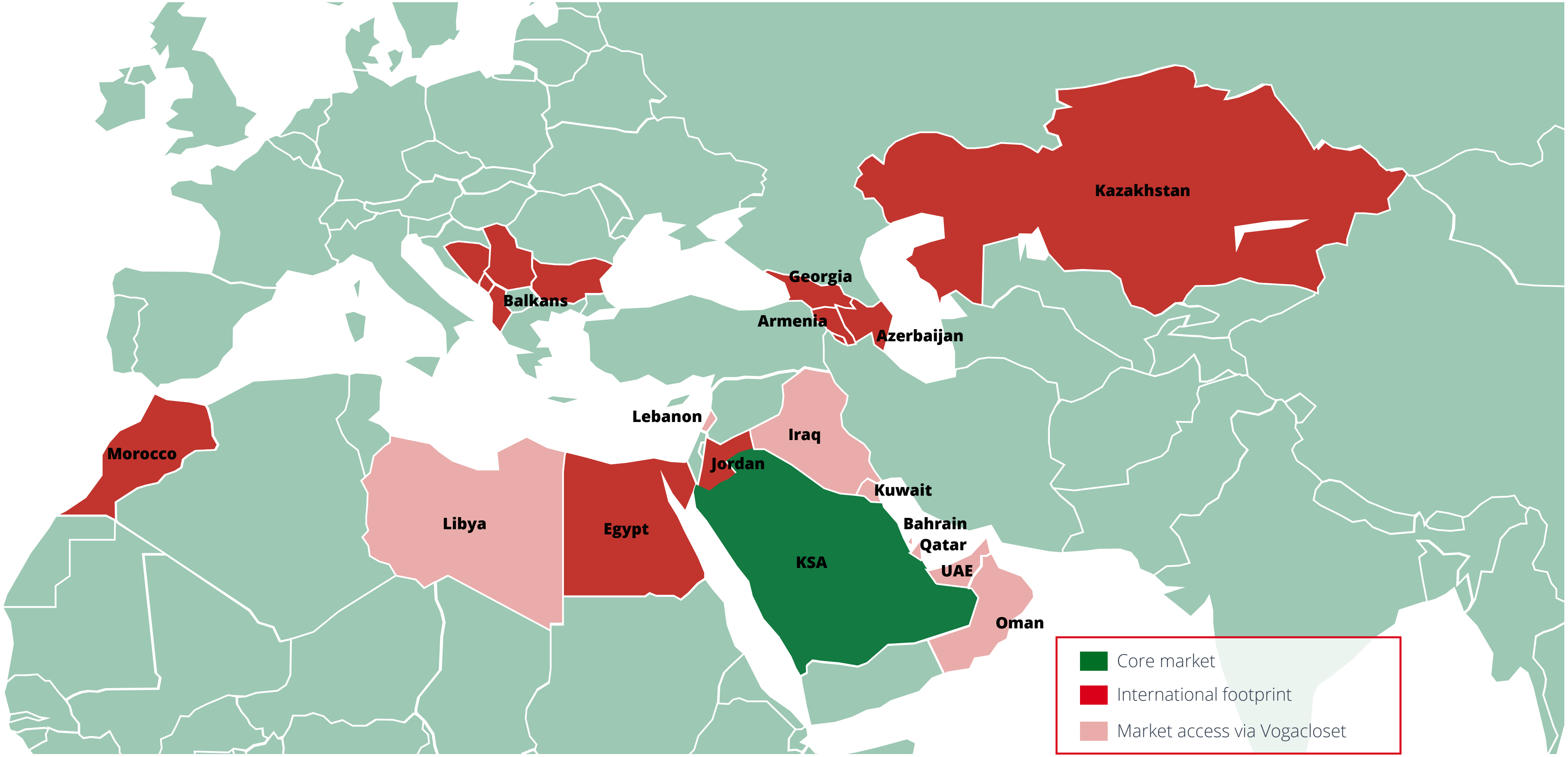

* US operations is not represented in the graph

Alhokair Brand Portfolio – 83 Brands*

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F&B - 13 -
- CINNABON
- شاورما SHAWARMA
- Caffè Concerto
- Sütiş
- crepeaffaire
- CABANA
- أزال
- Güven
- Molten Chocolate Cafe
- Kahve Dünyası
- CAFFE
- Seattle's Best Coffee

Accessories - 7 -
- ALDO Accessories
- bizou
- BIJOU BRIGITTE
- ACCESSORIZE
- MONSOON
- PARFOIS*
- Iam

High Street - 3 -
- Massimo Dutti
- UTERQÜE
- MACHKA

Lingerie - 5 -
- La Senza
- laVie en Rose
- women'secret
- Marie France
- undiz

Fast Fashion - 24 -
- Bershka
- PULL&BEAR
- Stradivarius
- OLD NAVY
- MANGO
- ZARA
- GAP
- LIPSY LONDON
- OXXO
- Desigual.
- Sfera
- M&S*
- TWIST
- adL
- Terranova*
- FG4 LONDON
- SIX
- SPRINGFIELD
- QUIZ
- U.S. POLO ASSN.
- OYSHO
- IPEKYOL
- GERRY WEBER
- IKKS

Electronics - 1 -
- aleph

Lifestyle - 1 -
- flying tiger copenhagen

Beauty & Makeup - 6 -
- BOBBI BROWN
- KIKO MILANO
- ESTĒE LAUDER
- NATURE REPUBLIC
- flormar
- smashbox

Economy - 5 -
- LC WAIKIKI
- lefties
- F&F*
- NEWYORKER
- ZIDDY

Sports - 2 -
- DECATHLON
- alo yoga

Kidswear - 7 -
- OKAÏDI OBAÏBI
- PANÇO
- Jacadi PARIS
- mayoral
- SERGENT MAJOR
- THE CHILDREN'S PLACE
- TAO
- TAPE À L'OEIL

Footwear - 7 -
- ALDO
- CHARLES & KEITH
- PUBLIC DESIRE
- CALL IT SPRING
- Clarks
- Pedro
- NINE WEST

Homewear - 1 -
- ZARA HOME

* These brands are present in international markets only

Brand count as of March 2022. Count excludes newly signed agreements (Fnac Darty, Subway & Secrets)

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