

Earnings Release

Q2-FY23

Riyadh | 02 November 2022

Fawaz Abdulaziz Alhokair Co. delivers stable revenue with continued strong momentum by F&B and international operations

- Topline performance maintained in Q2-FY23 amidst adverse seasonality impact and inflationary pressures on Saudi consumers
- Tactical optimization of inventories continues with further reduction of 15% YTD
- Sustained positive momentum from F&B and international portfolio with 5% and 9% growth respectively

(Riyadh, 02 November 2022) Fawaz Abdulaziz Alhokair Co. ("Alhokair" or the "Company", 4240 on the Saudi Exchange), the leading lifestyle retailer in Saudi Arabia (KSA), today announced its results for the second quarter and first half of the year ending 30 September 2022 (Q2-FY23 and H1-FY23). The company reported steady revenues of SAR 1,373 million, and SAR 3,079 million respectively, following an improved performance in international retail and the food and beverage (F&B) segment, which counterbalanced the softer seasonal domestic operating environment.

Ahmed Belbesy, Chief Financial Officer, Alhokair said: "We have established a firm base and are confident in Alhokair's ability to drive forward in the face of market challenges. In KSA, the secular change in consumer spending habits has been further impacted by a return of summer travel following a COVID-impacted two-year period, and the return and rise of pre-pandemic activities.

We have successfully maintained a positive revenue trend, supported by our F&B and international segments, which continued to deliver solid results during this period. By persistently optimizing our operations, we will focus on delivering improvements in profitability and added value for our shareholders."

Strong segment performance

Alhokair recorded revenues of SAR 1,373 million in Q2-FY23 compared to SAR 1,361 million in Q2-FY22. This was largely due to the growth of both F&B and international retail sales, which saw YoY increases of 5% and 9%, respectively. Revenue for H1-FY23 was broadly flat at SAR 3,079 million, as a result of the decline in KSA retail sales, which has largely offset the positive impact from the international portfolio and F&B segment. In addition, online sales remained an area of focus for the company, witnessing a 14% YoY growth in H1-FY23, to SAR 132 million. The ecommerce business in KSA has been gaining traction, with market reports indicating that the segment is expected to grow at a compound annual growth rate (CAGR) of more than 15% by 2026. Alhokair is committed to digital as a key pillar of its operational upgrade strategy to maintain its position as the partner of choice for leading brands and to provide a distinctive omnichannel experience to its broad base of customers.

International retail operations continued to thrive during the period, with revenues of SAR 285 million, up 9% YoY in Q2-FY23, and SAR 552 million in H1-FY23, up 15% YoY, despite currency fluctuations, driven by

the sustained positive momentum from CIS countries and Jordan. Alhokair continues to focus on expanding its presence in select strategic growth markets. In addition, international retail sales increased by 8% YoY in LFL terms for Q2-FY23, largely due to the steady improvement in performance of the CIS countries and Jordan, which is expected to continue, despite the weaker performance from Egypt.

The F&B segment recorded an improvement in revenues, increasing 5% YoY to SAR 137 million in Q2-FY23 from SAR 130 million in Q2-FY22, with a net opening of seven stores during the quarter. This follows success in the first quarter of the year, with the first streams of income from the Subway brand in the form of sub-franchise royalty fees. Alhokair is advancing on its plan to acquire 45 stores of the existing sub franchises, with the acquisition of 30 of these stores anticipated to be finalized in H2-FY23. For H1-FY23, F&B segment revenues amounted to SAR 253 million, increasing 7% YoY.

Selling, general and administrative expenses (SG&A) decreased 2.7% YoY in Q2-FY23 to SAR 113.8 million and 6.3% YoY to SAR 243.3 million in H1-FY23, as a result of Alhokair's continued focus on cost rationalization and operational efficiencies. Overall, SG&A-to-revenue therefore decreased to 8.3% in Q2-FY23 from 8.6% in Q2-FY22, and from 8.5% to 7.9% in 1H-FY23.

The company remains steadfast in expanding its growth segments both locally and internationally, through on-boarding new brands and increasing its digital footprint, while continuing to explore new and unique concepts that address the rapidly changing demands of today's consumers.

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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. Since the opening of its first store in 1991, Alhokair has grown considerably and now trades in circa 1,659 stores across 11 countries, with a retail platform operating on a total GLA of nearly 480,000m². All of this is managed by a workforce numbering more than 10,500. Alhokair currently represents around 82 brands, spanning from 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.fahretail.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.