

Earnings Presentation | 9M-FY22

As at 31 December 2021

Fawaz Abdulaziz Alhokair Co. | Saudi Exchange: 4240



Management review

9M-FY22



Alhokair at a Glance – Q3 FY22



Third sequential profitable quarter with net profit of SAR 16.0 mn underpinned by consistent revenue growth; 9M-FY22 top line at SAR 4.5 bn exceeding pre-pandemic levels

Key Differentiators

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

1,684

Total Number of Stores

471k

Gross Floor Area, sqm

11

Countries 

10,645

Employees

72%

Saudization

Leading Franchise Retailer in KSA

by market share with a true omnichannel experience



1,047

Total Retail Stores



315

Total F&B Stores



344k

Gross Floor Area, sqm



9.4%

Market Share*

Strong International Presence

with recovering performance & pickup in momentum



315

Total Retail Stores



10

Int'l Countries



23%

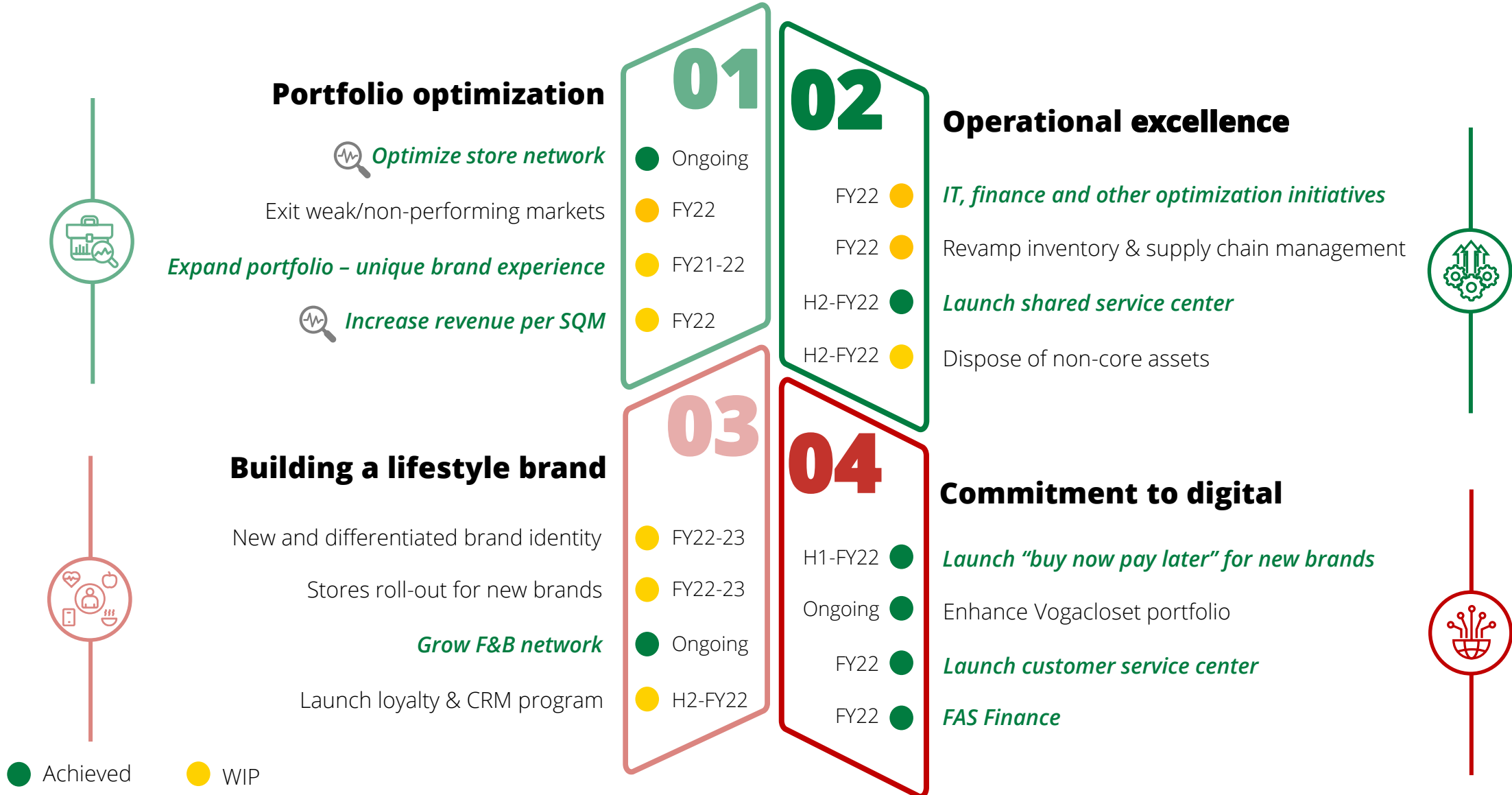
of 9M-FY22 Revenue

V 8

New markets via Vogacloset

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

Our operational upgrade strategy



Differentiated brand portfolio; diverse revenues



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

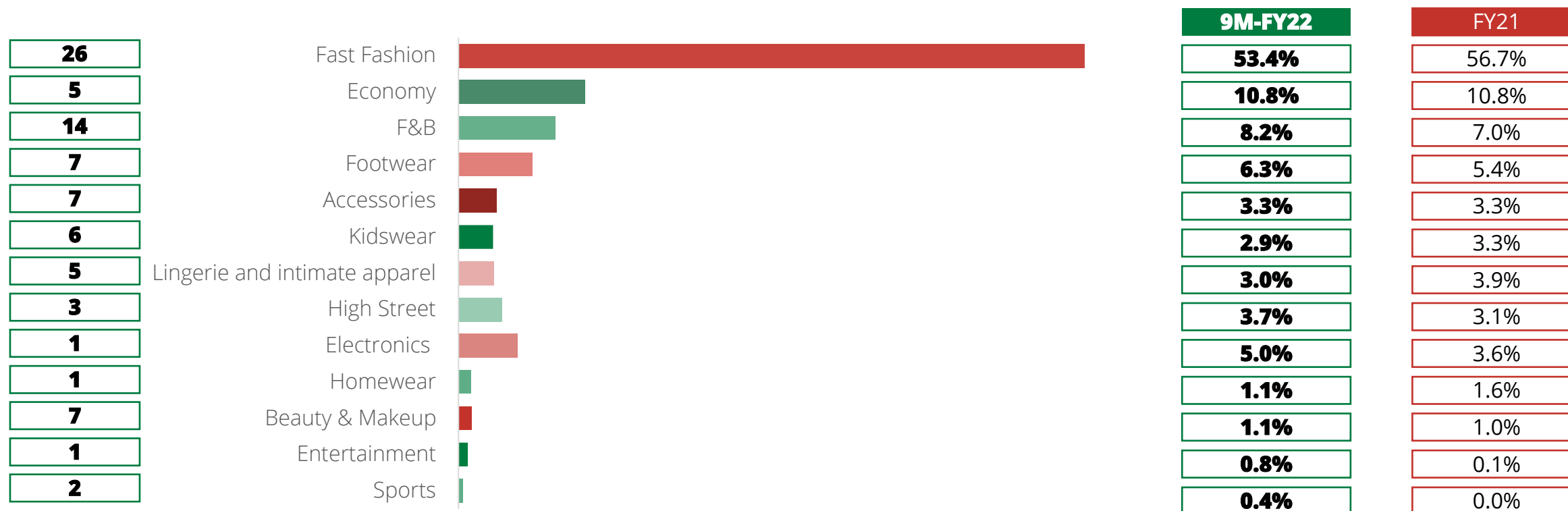
85 brands*

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**



* Brand count as of December 2021. Count excludes newly signed agreements (Fnac Darty, Flying Tiger, Subway & Secrets)

Retail: Key brand & store openings



9M-FY22 new brand store openings

- 88% of 9M-FY22 total gross capex on 11 STAR existing brands Aleph, Lefties, Zara, Pull & Bear, LC Waikiki and new brands like Decathlon

Q3-FY22 Retail

- **22** stores opened
- 30 stores closed
- Net 8 closures

H2-FY22 openings



9M-FY22 Retail

- **63** stores opened
- 139 stores closed
- Net 76 closures

FY23 openings



Q4-FY22 Retail

- **c. 9** stores to be opened bringing FY 22 Net Capex to ~ SAR 85mn

F&B: At the core of our upgrade strategy



The F&B segment turnaround is gaining momentum with major expansions in FY22 and FY23 based on 3 strategic revenue growth pillars

01 Expand store network of existing brands

- Q3-FY22: Opened 19 stores, closed 9 for a net of 10 new stores
- 9M-FY22: Opened 39, closed 18, for a **net of 21 new stores**
- Q4-FY22: **Final stages** to Cross Sell **Cinnabon** at a leading QSR in KSA
- **Migrated Cinnabon to Morocco**
- Q4-FY22: c. 15 new outlets to be opened with FY 22 Net Capex ~ SAR 50mn

02 Onboard new brands

- Q3-FY22: **2 New franchise rights** Subway & Secrets
- 20 company owned Subway branches planed in the coming 24 months
- 2 Secrets stores planed in FY23, plus vertically integrating it within our own brands



03 Grow our digital sales footprint

- Aggressively grow our current **food delivery sales**
- **Cinnabon delivery sales up**

Omnichannel transition

Ongoing integration of our brands on Vogacloset & new Monobrand platforms rollout in KSA and abroad



Vogacloset

V

- **51** Alhokair fashion brands are now live
- **Total stock** on hand of **126.7K** units
- Introduced “Buy now Pay later” option

Monobrand Platforms

KSA

14

International

5

Q3 - FY22

- **Decathlon KSA** – KSA
- Launched Buy Now Pay Later on Aleph and Aldo
- Signed development contract for Aldo KSA application and 3 International sites.
- Signed development contract for 8 KSA mono brand sites launching in Q1 FY23

New Features

- Signed 3PL contracts bringing improved cost efficiency and ability to scale.
- Introducing iPod sales within the rest of the Inditex portfolio, enabling omni-channel

Financial review

Q3/9M-FY22



At-a-glance



Q3-FY22

SAR 1,466 mn

Revenue

▲ 8.6% vs Q3-FY21

SAR 245 mn

Gross Profit

▲ 55.3% vs Q3-FY21

SAR 102 mn

EBITDA*

▲ 936.4% vs Q3-FY21

SAR 16 mn

Net Profit

▲ Q3-FY21 SAR -128.1 mn

9M-FY22

SAR 4,528 mn

Revenue

▲ 46.1% vs 9M-FY21

SAR 809 mn

Gross Profit

▲ 9M-FY21 SAR -33 mn

SAR 369 mn

EBITDA*

▲ 9M-FY21 SAR -372 mn

SAR 83 mn

Net Profit

▲ 9M-FY21 SAR -762 mn

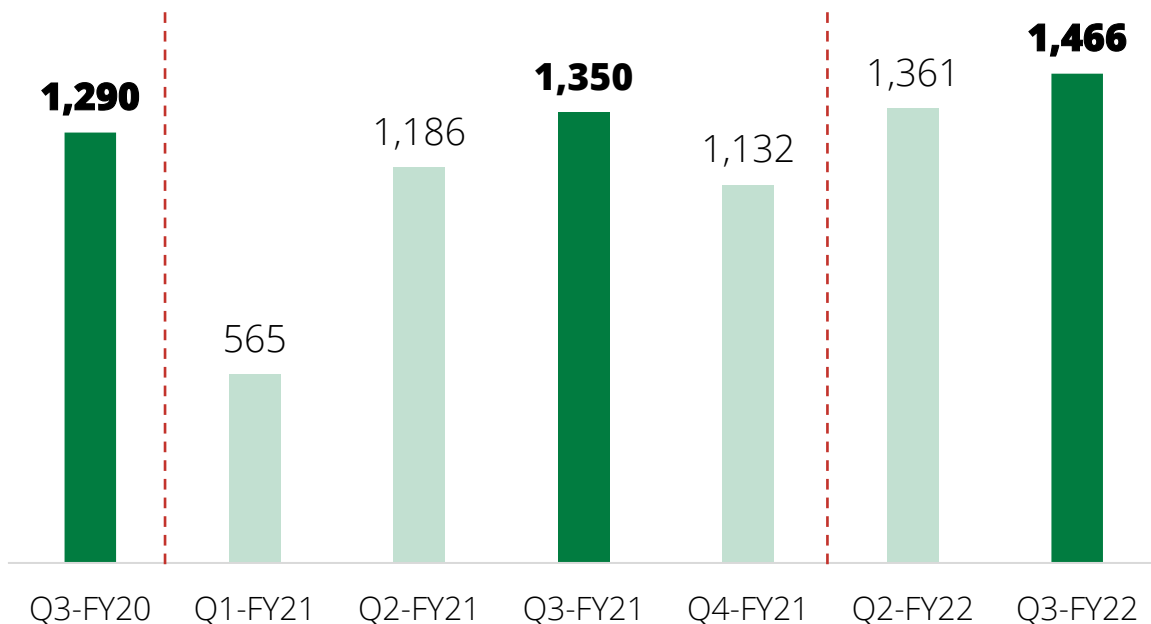
*EBITDA represents pre-IFRS 16 EBITDA; EBITDA after excluding financial costs on lease liabilities

Top line surpass pre-pandemic levels



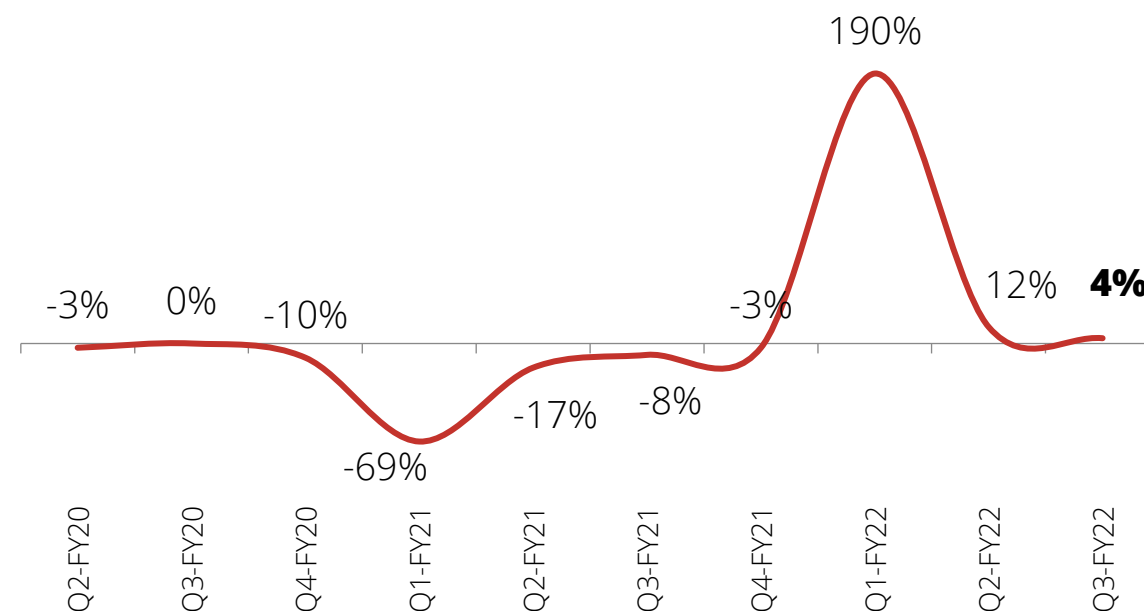
Revenues, SAR million

Sales +9% Y-o-Y and exceed pre-pandemic levels despite softened demand in December on renewed Covid worries.



LFL consolidated sales growth, %

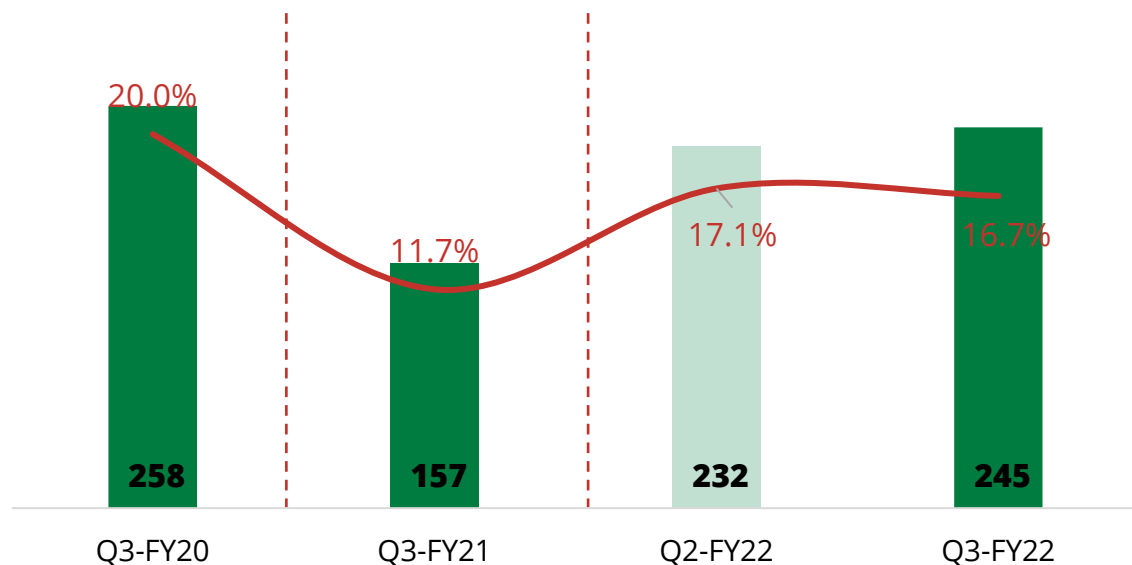
Improving LFL growth performance. Q3 partially clouded by Omicron. Up until end-November, LFL growth recorded a solid 7.8%.




Strategic delivery drives sustainable profitability

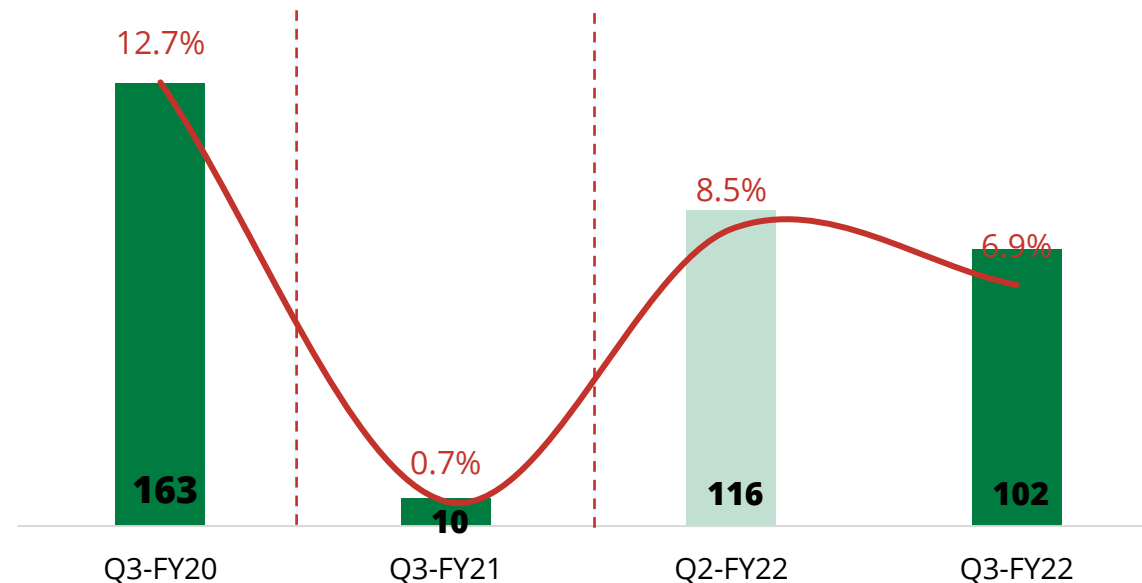



Gross Profit (SAR million) – GPM (%)



- Gross profit and GPM exceed pre-pandemic levels based on clean numbers 
- Trading Margin (Revenue less COGS less royalties less normalized inventory provisions) stood at 42.0% in Q3-FY22 versus 43.8% for Q2-FY22.**

EBITDA (SAR million) – EBITDA Margin (%)



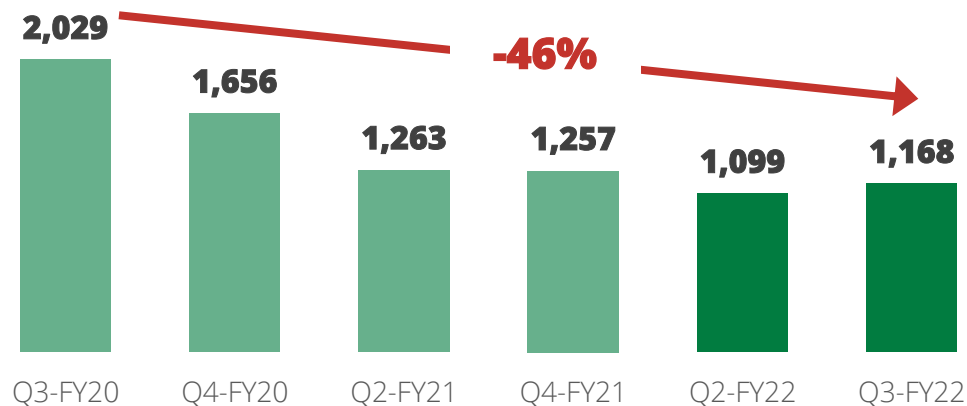
- Q3- FY22 EBITDA margin impacted by higher landed cost and non-recurring VAT provision.
- 9M-FY22 EBITDA margin based on clean numbers on track to meet guidance of 8.0% for FY-22 with normalized target standing at 12-14% 
- EBITDA represents pre-IFRS 16 EBITDA; EBITDA after deducting financial costs on lease liabilities

Balance sheet optimization

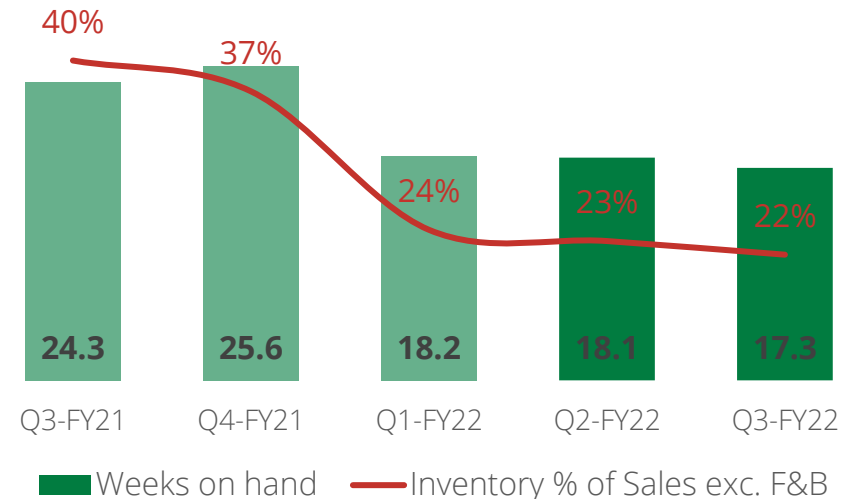


Aggressive inventory management and working capital optimization to improve liquidity and increase efficiency

Inventory balance (SAR million)



Inventory efficiency ratios

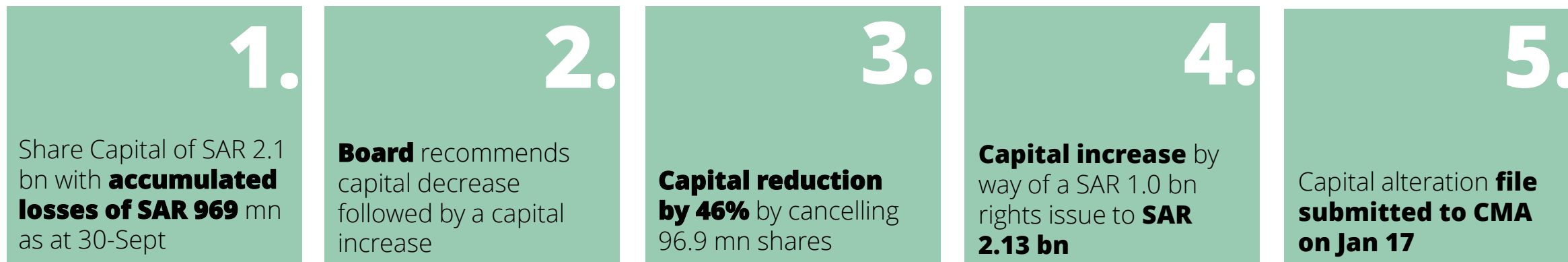


- **Optimizing inventory levels through:** Systems, policies and procedures, logistics, digitalization / technology
- **Terminal and ageing provisions at 1.7%,** inline with guidance of 1-2% of sales

Balance Sheet Actions



Capital alternation to restructure capital and further strengthen financial position



Strengthening our financial position to enable long term sustainable growth



Debt management in focus



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

Summarized credit metrics

SAR 186 million of debt paid down YTD

| SAR million | Mar'21 | Dec'21 | YTD % change |
|-----------------------------|--------|--------|--------------|
| Total Interest-Bearing Debt | 3,124 | 2,938 | -6% |
| Cash Position | 468 | 219 | -53% |
| Net Debt | 2,656 | 2,719 | 2% |

9M-FY22 financial charges down 27% y-o-y

The successful capital alteration will allow Alhokair to renegotiate the financial covenants and ultimately regain full compliance with covenants by FY 2023

Key takeaways



1.

Sustained profitability despite renewed Covid worries and non-recurring expenses

2.

Significant top-line recovery, sales surpass pre-pandemic levels

3.

Ongoing Inventory optimization with 17 weeks on hand

4.

Operational Upgrade Strategy on track; Ramping up our Digitization and Transformation

5.

On track to deliver a profitable FY22 with SAR 6bn topline

Thank you



Investor Relations

investors.relations@fahretail.com

Financial Statements



Income Statement Q3-FY22 and 9M-FY22



| SAR Million | Q3-FY21 | Q3-FY22 | Change y-o-y | 9M-FY21 | 9M-FY22 | Change y-o-y |
|---|---------------|--------------|----------------|---------------|--------------|--------------|
| Revenue | 1,350 | 1,466 | 8.6% | 3,100 | 4,528 | 46.1% |
| Cost of Revenue | (1,192) | (1,222) | 2.5% | (3,134) | (3,719) | 18.7% |
| Gross Profit | 157 | 245 | 55.3% | (33.4) | 809.5 | - |
| <i>Gross Profit Margin</i> | 11.7% | 16.7% | 5.0 | -1.1% | 17.9% | 19.0 |
| Selling and Distribution Expenses | (28) | (52) | 84.1% | (109) | (142) | 30.5% |
| General and Administrative Expenses | (88) | (94) | 7% | (207) | (264) | 27.7% |
| Impairments | 10 | - | -100% | (19) | - | -100% |
| Other operating expense | (30) | (11) | -61.4% | (71) | (32) | -55% |
| Depreciation and Amortization | (74) | (37.8) | -48.7% | (228) | (141) | -37.9% |
| Other Income (loss), net | 34 | 47 | 38.1% | 232 | 110 | -52.5% |
| Operating Income | (18) | 96 | - | (434) | 340 | - |
| <i>Operating Income Margin</i> | -1.3% | 6.5% | 7.9 | -14.0% | 7.5% | 21.5 |
| Financial Charges | (83) | (57) | -30.8% | (275) | (200) | -27.2% |
| Share of loss of associates | (1) | (4) | 252.1% | (1) | (4) | 252.1% |
| Profit before Zakat and Tax | (102) | 34 | -133.7% | (710) | 136 | - |
| Zakat and Income Tax | (26) | (18.4) | -29.5% | (52) | (53) | 3.5% |
| Net Profit for the Period | (128) | 16 | - | (762) | 83 | - |
| <i>Net Profit Margin</i> | -9.5% | 1.1% | 10.6 | -24.6% | 1.8% | 26.4 |
| Attributable to: | | | | | | |
| Shareholders of the Company | (129) | 17 | - | (753) | 85 | - |
| Non-Controlling Interest | 1 | (0.8) | - | (9) | (3) | -68.6% |
| Earnings per Share Basic and Diluted | (0.61) | 0.08 | - | (3.59) | 0.41 | - |
| Pre-IFRS 16 EBITDA | 10 | 102 | 936.4% | (372) | 369 | - |
| <i>EBITDA Margin</i> | 0.7% | 6.9% | 6.2 | -12.0% | 8.2% | 20.1 |

Balance Sheet Q3-FY22



| SAR Million | 31 December 2021 | 31 March 2021 | Change |
|--|------------------|---------------|-------------|
| Assets | | | |
| Property, Plant and Equipment | 1,338 | 1,327 | 1% |
| Right-of-Use Assets | 3,182 | 3,402 | -6% |
| Goodwill and Intangible Assets | 1,140 | 1,111 | 3% |
| Investment Property | 2 | 2 | 0% |
| Equity-accounted investees | 3 | 3 | -3% |
| Other investments | 372 | 300 | 24% |
| Receivables from Disposal of Subsidiaries / Brands | - | - | |
| Total Fixed Assets | 6,036 | 6,145 | -2% |
| Inventories | 1,168 | 1,152 | 1% |
| Advances, Deposits and Other Receivables | 803 | 471 | 71% |
| Prepayments, Rentals and Insurance | 35 | 48 | -27% |
| Receivables from Disposal of Subsidiaries / Brands | - | 75 | -100% |
| Cash & Cash Equivalents | 219 | 468 | -53% |
| Total Current Assets | 2,225 | 2,213 | 1% |
| Total Assets | 8,261 | 8,359 | -1% |
| Equity & Liabilities | | | |
| Share Capital | 2,100 | 2,100 | 0% |
| Reserves (Statutory, Foreign Currency and Fair Value) | (495) | (511) | -3% |
| Accumulated Losses | (952) | (1,038) | -8% |
| Equity Attributable to the Shareholders of the Company | 653 | 552 | 18% |
| Non-Controlling Interest | (103) | (100) | 3% |
| Total Equity | 550 | 452 | 22% |
| LT Loans and Borrowing | - | 2,304 | -100% |
| Lease Liabilities | 2,819 | 2,838 | -1% |
| Post-Employment Benefits | 115 | 110 | 5% |
| Total Non-Current Liabilities | 2,935 | 5,253 | -44% |
| Trade Payables | 1,230 | 1,016 | 21% |
| Zakat & Tax Liabilities | 29 | 16 | 81% |
| Lease Liability – current portion | 580 | 803 | -28% |
| ST Loans and Borrowings | 2,938 | 820 | 258% |
| Total Current Liabilities | 4,776 | 2,655 | 80% |
| Total Liabilities | 7,711 | 7,907 | -2% |
| Total Equity & Liabilities | 8,261 | 8,359 | -1% |

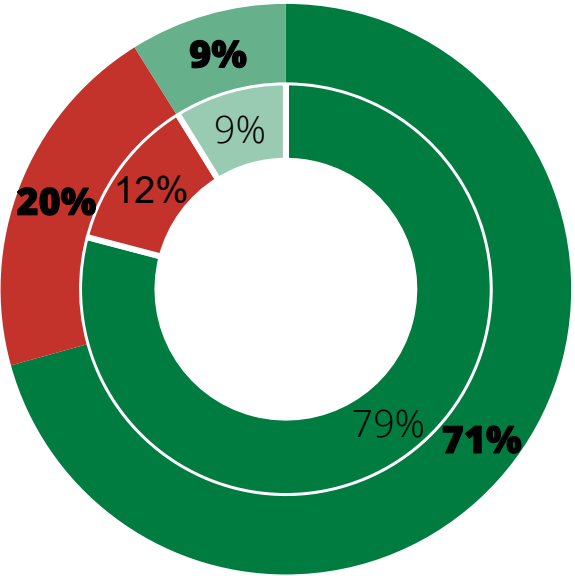
Segmental Information



Revenue breakdown



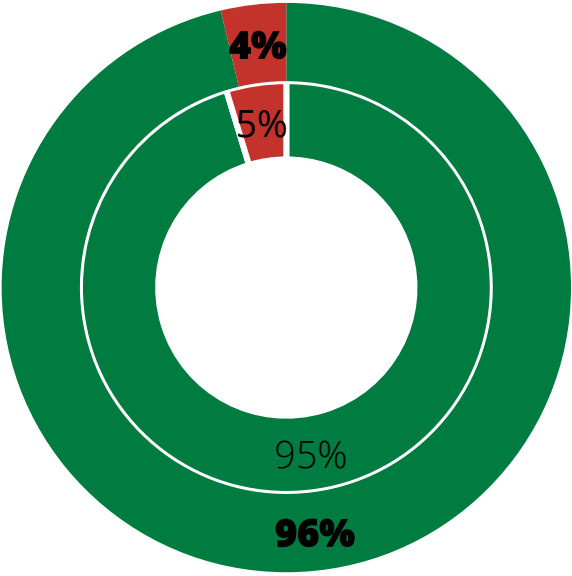
Revenue by division



Q3-FY22 - Outer circle
Q3-FY21 - Inner circle

■ KSA Retail ■ Int'l Retail ■ F&B

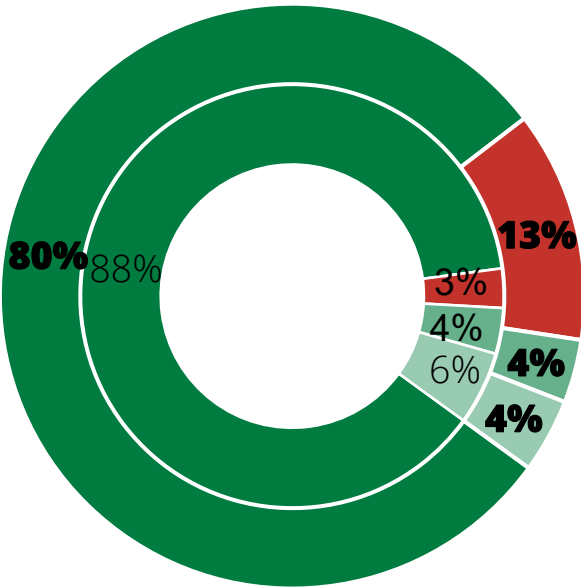
Revenue by channel



Q3-FY22 - Outer circle
Q3-FY21 - Inner circle

■ Stores ■ Online

Revenue by geography



Q3-FY22 - Outer circle
Q3-FY21 - Inner circle

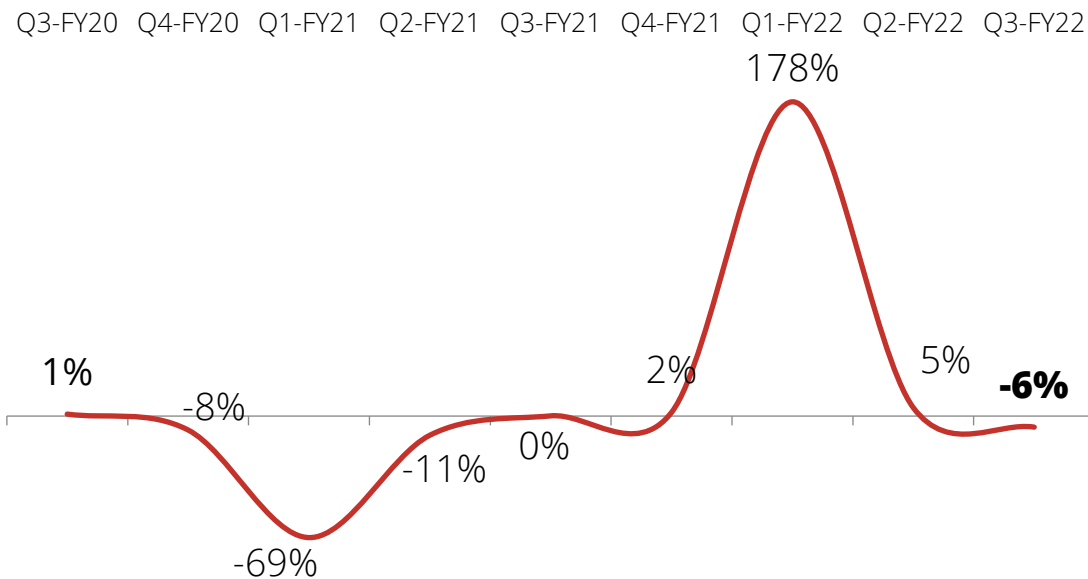
■ KSA ■ CIS ■ Egypt ■ Others

LFL Revenue Growth



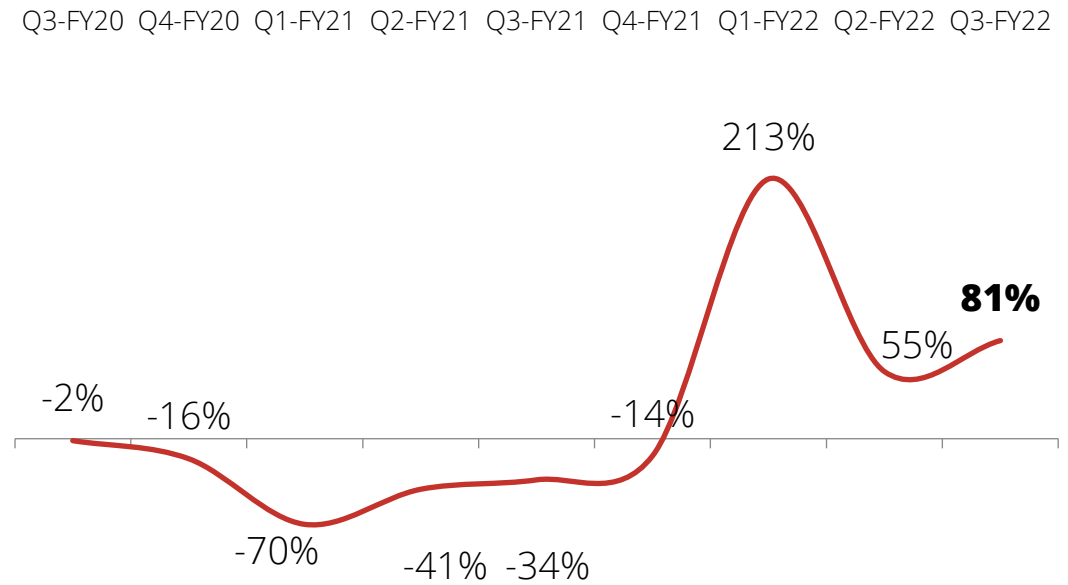
Saudi retail

Saudi LFL revenues down 8.6% vs. pre pandemic levels due to Covid-19 restrictions during the quarter. Target low single digit LFL growth.



International retail

LFL improvement due to gradual removal of Covid-19 restrictions.



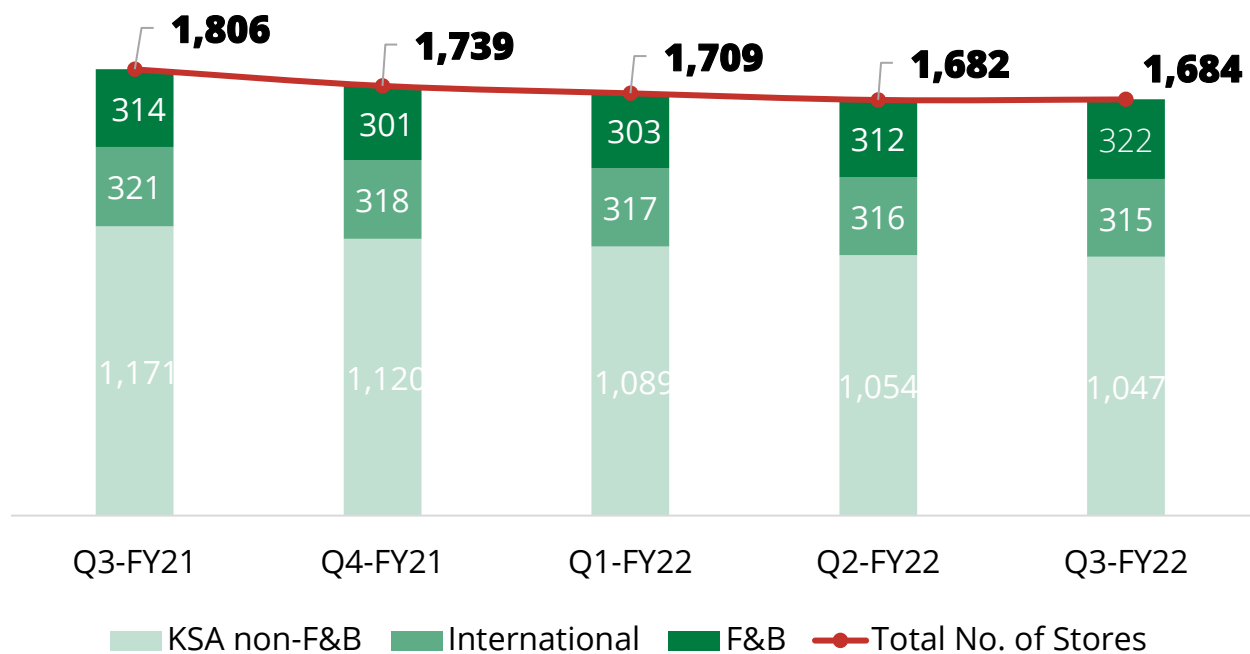
Store base rationalization slowing down

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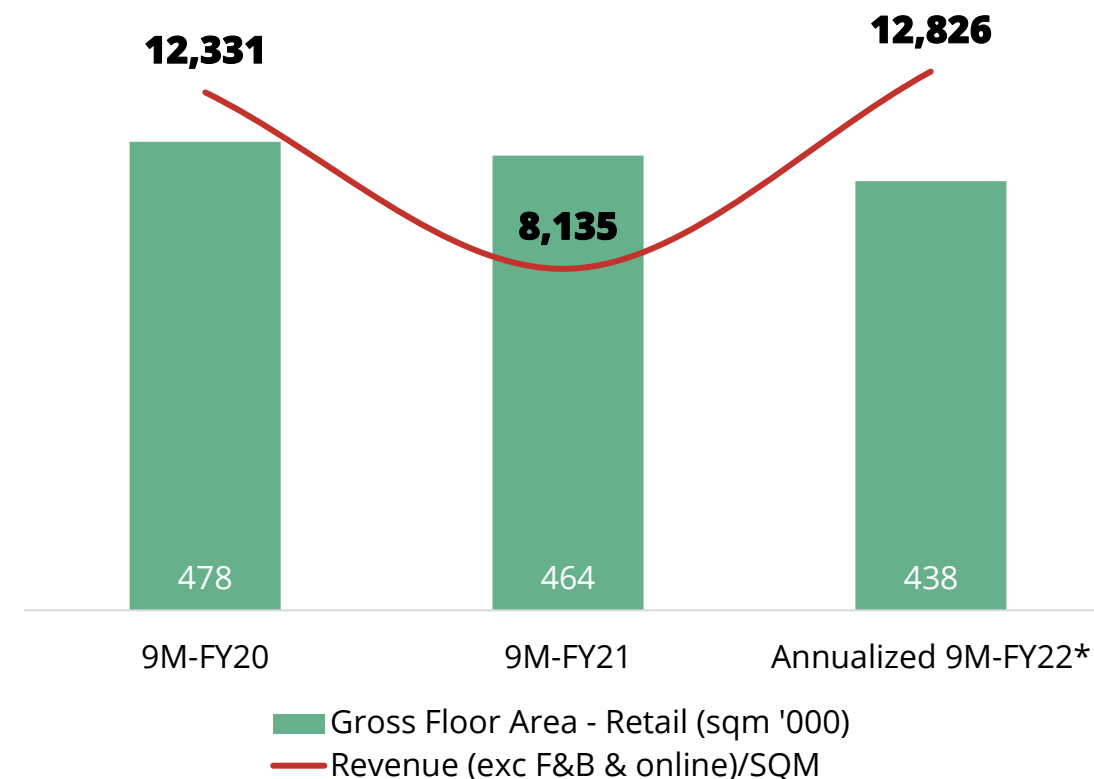
Store network evolution

Net store openings of 2 stores in Q3-FY22, mainly driven by F&B store openings.



Gross Floor Area, SQM vs Sales Density, SAR

Annualized 9M-FY22 revenue per sqm (+58% yoy) on an upward trajectory as we continue to generate more with less. 9M-FY22 annualized sales density exceeds pre-pandemic levels

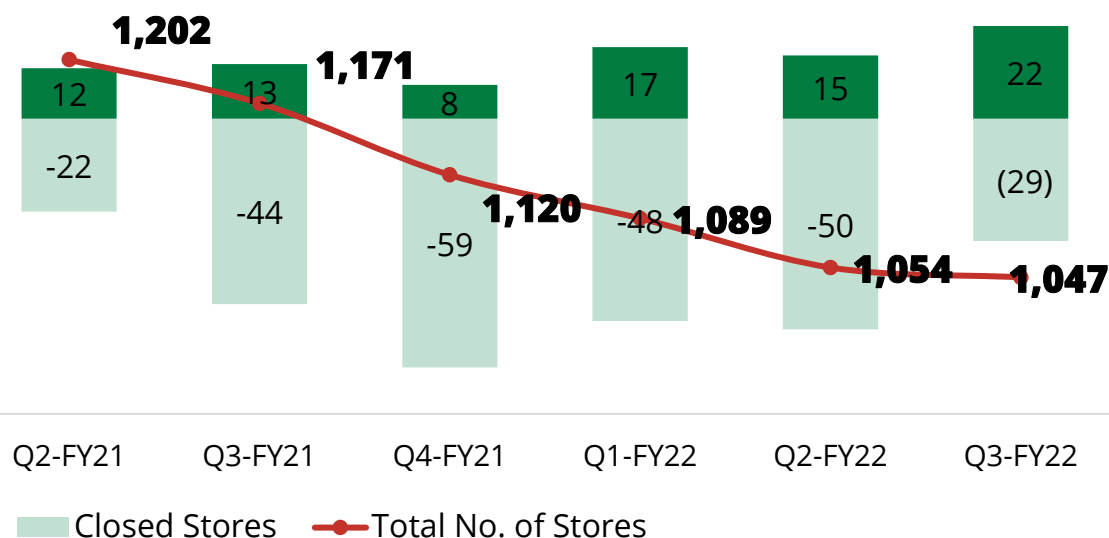


*Annualized figures are based on the period run rates

Saudi Arabia remains core market, key focus

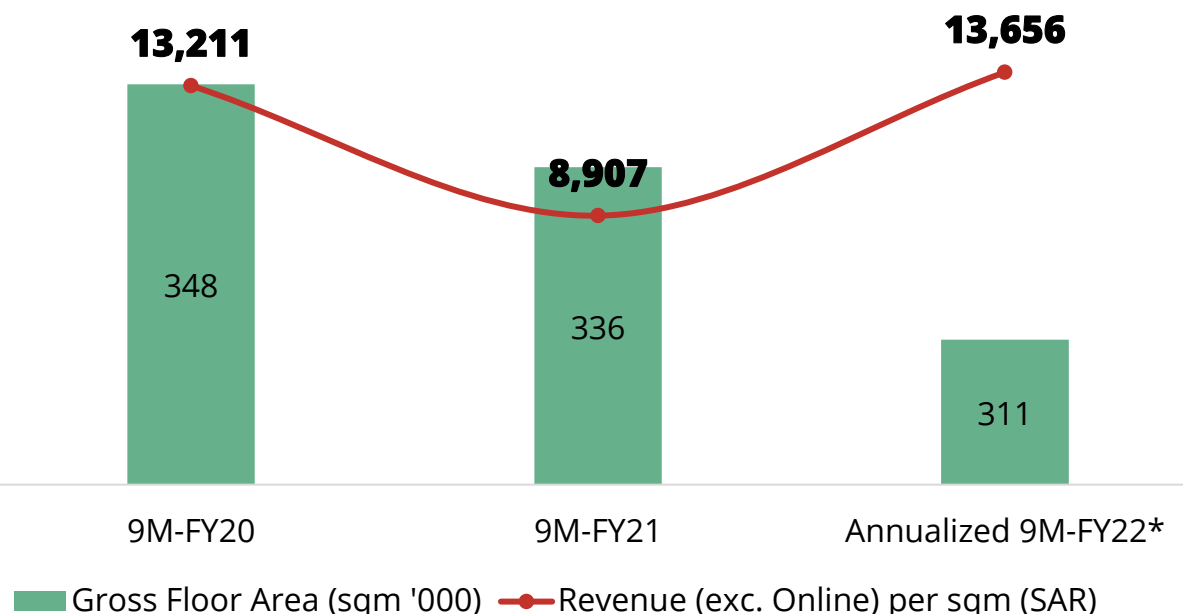


Saudi retail store network evolution



Gross Floor Area, SQM vs Sales Density, SAR

Annualized 9M-FY22 KSA revenue per sqm up +53% yoy and +3.4 % compared to 9M-FY20

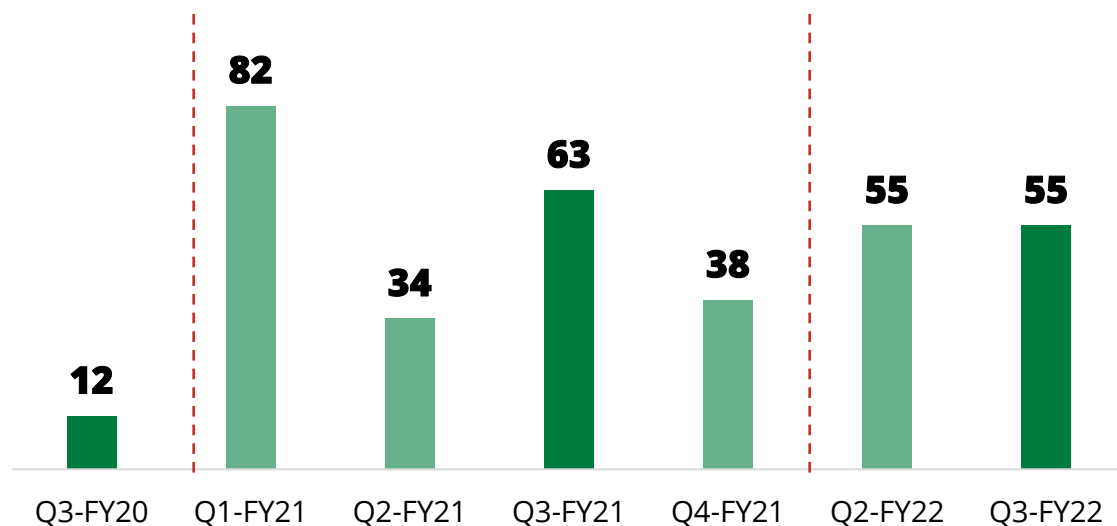


*Annualized figures are based on the period run rates

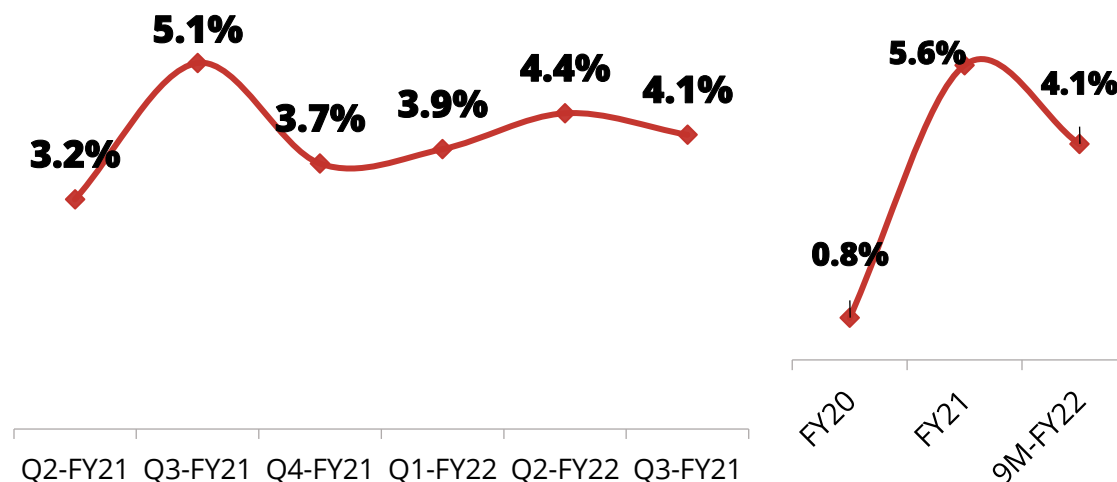
Rapid growth in online sales



Online revenues, SAR million



E-commerce, % of total retail sales



Ecommerce normalizes:

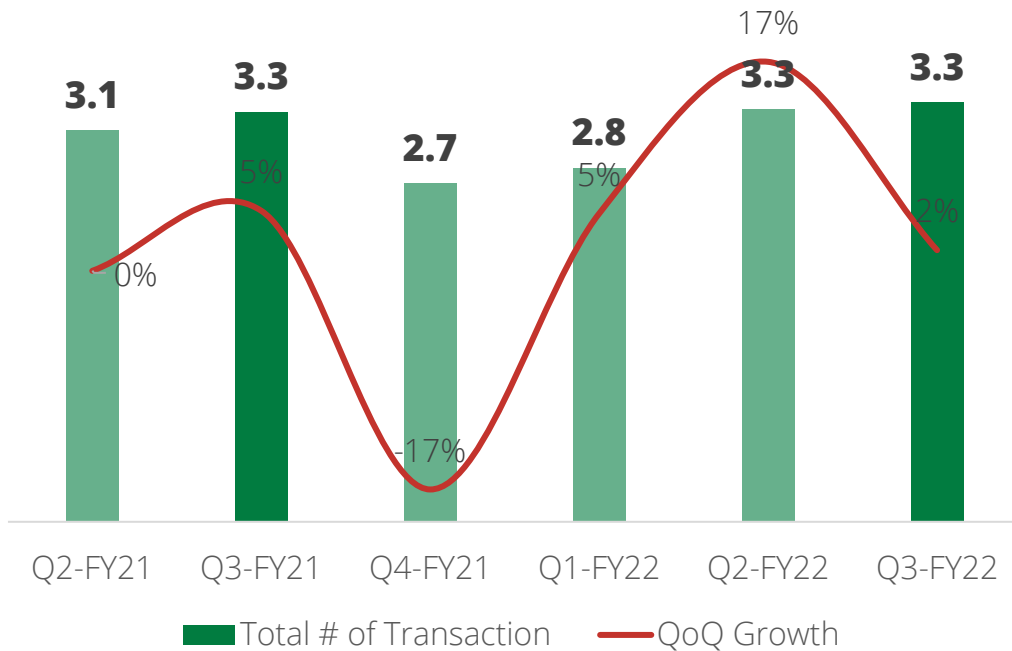
- Online sales 13% lower y-o-y compared to Q3-FY21 which benefited from higher demand due to stricter pandemic restrictions
- Contribution to retail revenue reaches 4.1% (excluding F&B)

LFL online revenue growth decreased by 15.5% on higher in-store traffic

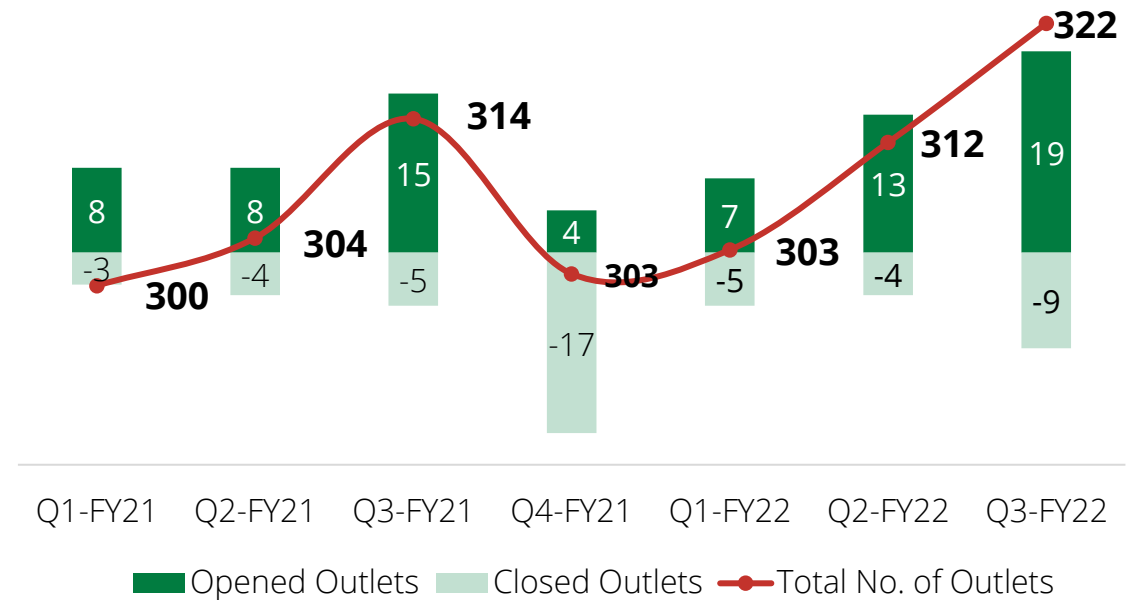
F&B segment poised for recovery and growth



Total number of transactions (million)



F&B store network evolution

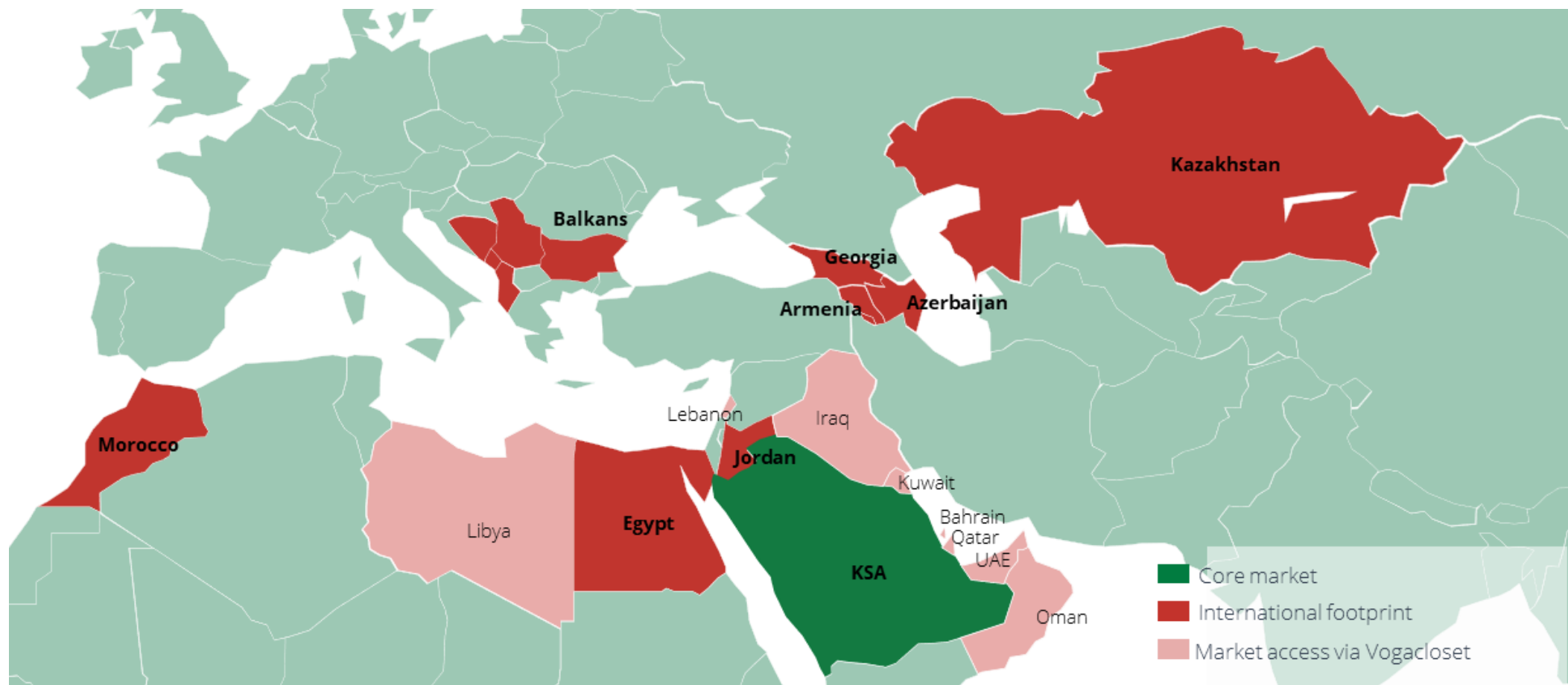


Supplementary Information



Alhokair Footprint

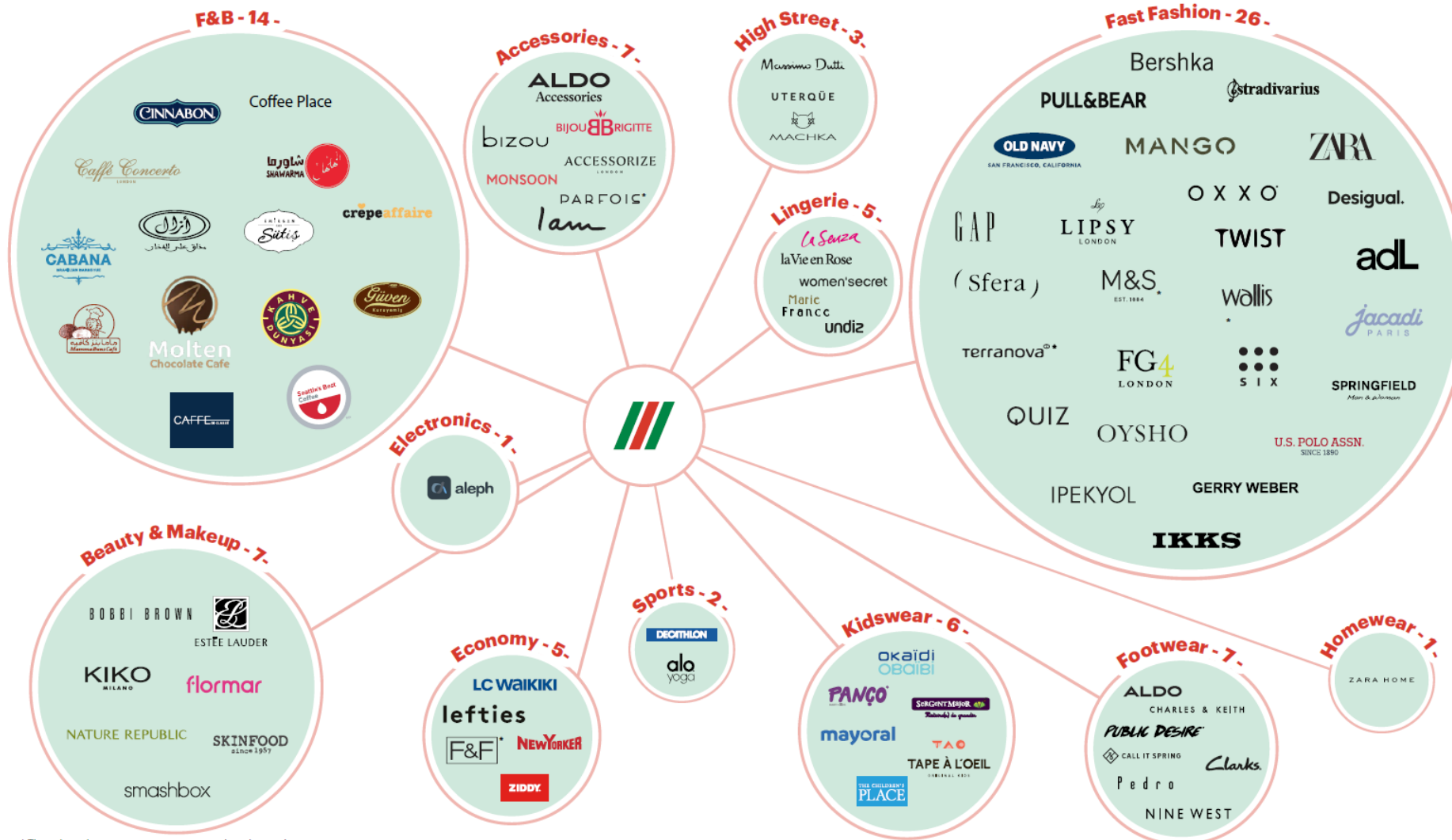
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US operations not represented in the graph

Alhokair Brand Portfolio – 85 Brands*

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* These brands are present in international markets only

** * Brand count as of December 2021. Count excludes newly signed agreements (Fnac Darty, Flying Tiger, Subway & Secrets)

Intensive balance sheet restructuring

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Alhokair continues to rationalize inventory balances. Shrinkage and ageing provisions to be in line with guidance of c.1-2% of sales.

| Phase | Target | Income statement impact |
|------------------------|---|-------------------------|
| Q4-FY2020 Q1-FY2021 | Asset impairments | SAR 239.4 million |
| Q4-FY2020 Q1-FY2021 | Mark to market - Legacy ageing stock provisions | SAR 702.7 million |
| Q2-FY2021 | Accumulated shrinkage – 35% of no. of stores | SAR 124 million |
| Q3-FY2021 | Accumulated shrinkage – 75% of no. of stores | SAR 91.5 million |
| Q4-FY2021 | Accumulated shrinkage – 95% no. of stores | SAR 56,9 million |
| Q1-FY2022 | Accumulated shrinkage – 100% of no. of stores | SAR 20.0 million |
| Q2-FY2022 | Accumulated shrinkage & Ageing | SAR 19.1 million |
| Q3-FY2022 | Accumulated shrinkage & Ageing | SAR 24.7 million |

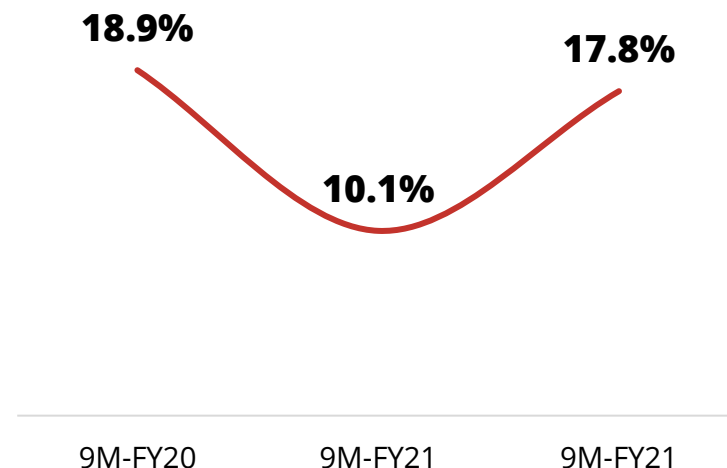
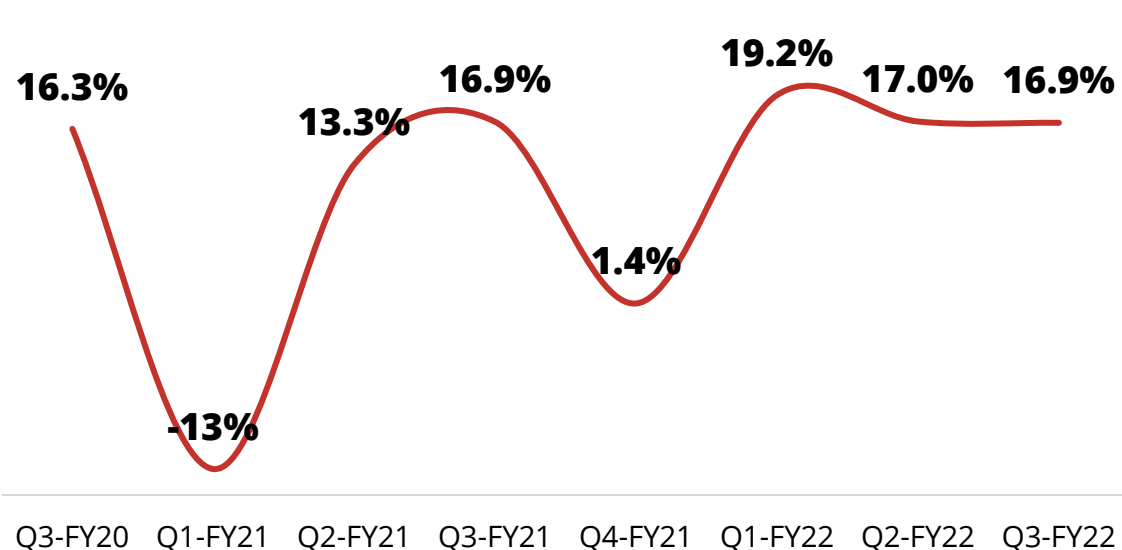
Adjusted key profitability measures

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Comparable periods are clouded with excessive or insufficient inventory provisions & write-offs, one-off credits, VAT & Zakat provisions. Adjusting for these while accounting for normalized inventory provision at 1.5%, profitability metrics are better indicators of true operating performance

Adjusted Gross Profit Margin (%)



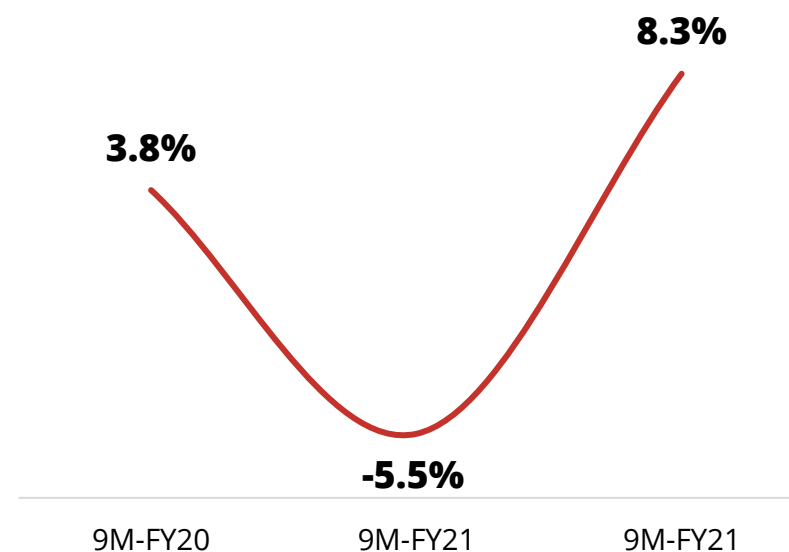
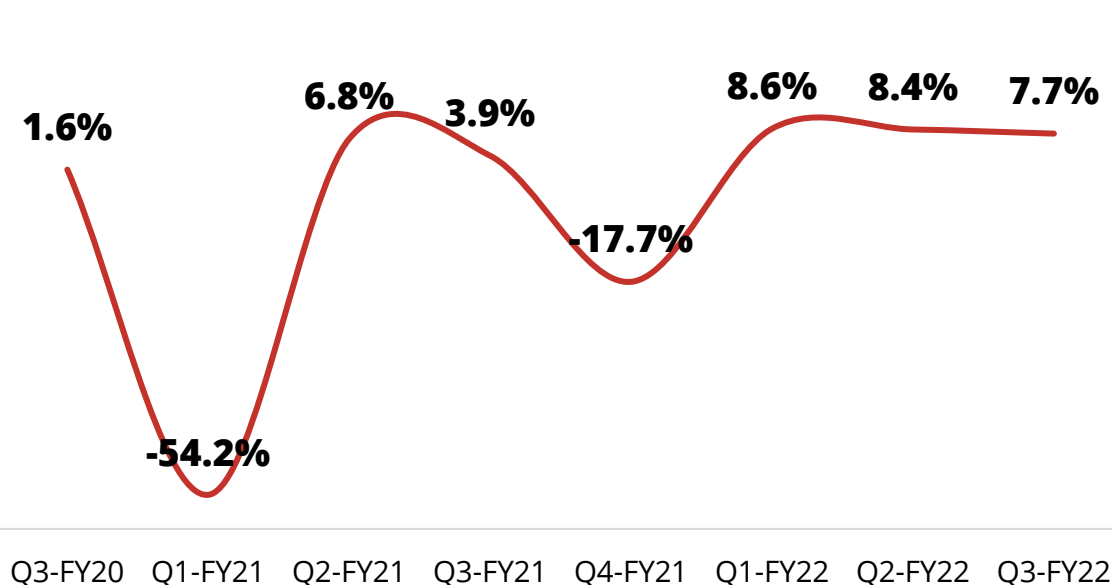
Adjusted key profitability measures

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Comparable periods are clouded with excessive or insufficient inventory provisions & write-offs, one-off credits, VAT & Zakat provisions. Adjusting for these while accounting for normalized inventory provision at 1.5%, profitability metrics are better indicators of true operating performance.

Adjusted EBITDA Margin (%)



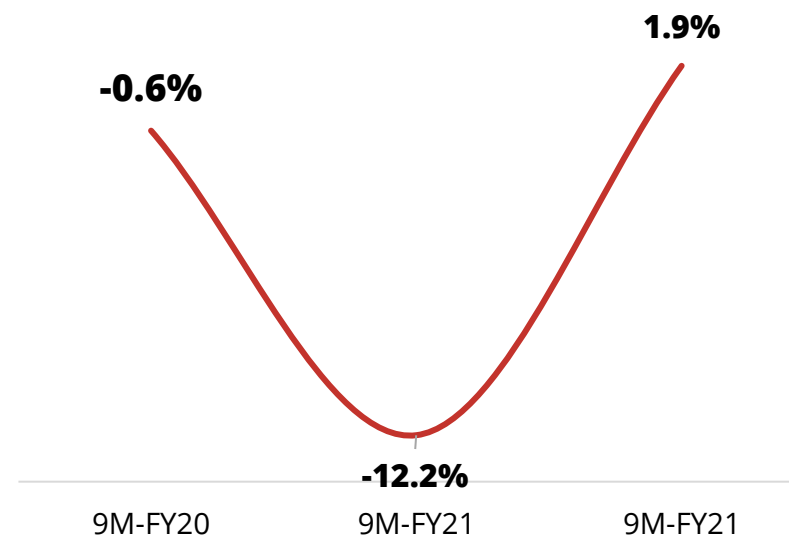
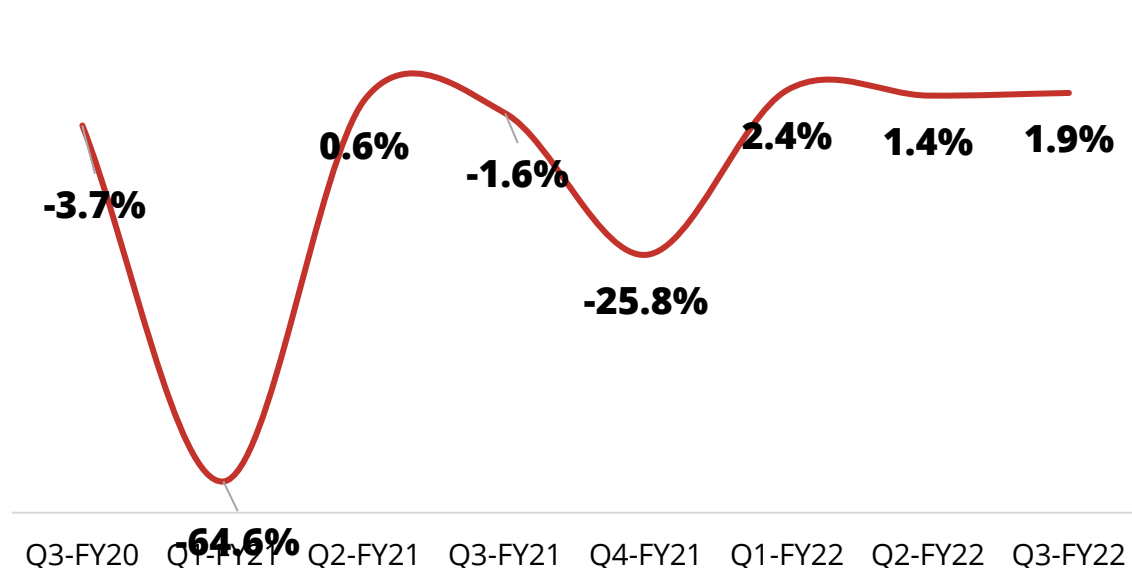
Adjusted key profitability measures

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Comparable periods are clouded with excessive or insufficient inventory provisions & write-offs, one-off credits, VAT & Zakat provisions. Adjusting for these while accounting for normalized inventory provision at 1.5%, profitability metrics are better indicators of true operating performance.

Adjusted Net Profit Margin (%)



Strengthening our corporate governance



An ongoing governance and leadership journey

Board of Directors

- Refreshed board with a healthy balance of skills & experience
- Four independent NEDs appointed in August 2020

| Name | Classification | Appointed |
|---------------------------------|------------------------------------|-----------|
| Fawaz Abdulaziz Alhokair | Chairman (non-executive) | Aug 2020 |
| Omar Abdulaziz Almohammady* | Deputy Chairman (non-executive) | July 2017 |
| Abdulmajeed Abdulaziz Alhokair* | Non-executive | 2006 |
| Eid Faleh Alshamri | Independent | Oct 2019 |
| Khalid Waleed Alshakhsheer | Independent | Aug 2020 |
| Abdulmajeed Abdullah Albasri* | Non-executive | Aug 2020 |
| Mohamad Rafic Mourad | Non-executive | Jan 2022 |
| Basem Abdullah Alsallom | Independent | Aug 2020 |
| Ahmad Saleh Alsultan | Independent | Aug 2020 |

*Executive Committee members

Executive management

- Strong executive team delivering on a clear strategy
- Recent appointments strengthen competitive advantage

| Name | Position | Appointed |
|---------------------|-------------------|-----------|
| Marwan Moukarzel* | CEO | 2019 |
| Ahmed Belbesy | CFO | 2020 |
| Salim Fakhoury | CCO | 2021 |
| Faisal Younes | GM F&B | 2021 |
| Mohamed Al-Shammari | COO | 2020 |
| Hassan Al Redha | Head of Marketing | 2021 |

Executive Committee

Established to promote sound Corporate Governance

- Oversight on management execution of Board initiatives
- Alignment of strategy implementation
- Ensuring timely decision making

Issued our first Corporate Governance Regulation

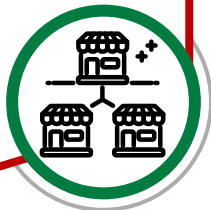
Our vision



Our vision is to be the leading lifestyle retailer of choice in Saudi Arabia and our selected strategic markets

01

Expand scale and **reach** to become **franchisor of choice** by maintaining growth and cementing relationships.



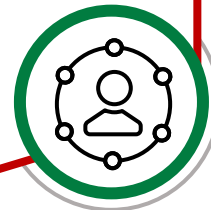
02

Expand portfolio, **modernize** network and **improve** customer experience.



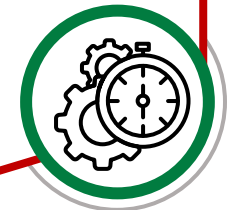
03

Improve **omnichannel** capabilities by growing and enhancing sales channels.



04

Develop **effective and efficient** operating model to drive the retail sector in the markets we operate.



Enabled by our operational upgrade strategy to support our growth ambitions

Our market



The Saudi retail and F&B sectors enjoy strong fundamentals underpinned by favourable demographics, evolving lifestyles and low e-commerce penetration

Supportive demographics



62% of Saudis between **15-49** years old



64.7% internet penetration



GDP per capita of **USD 23,300**



53.2% monthly income spent on discretionary items

Growing F&B sector



6% p.a. growth in food services, next 5 years



SAR 221 bn expected F&B consumption in 2021



Growing tourism sector



Household spending on **entertainment** to reach **6% by 2030**

Retail growth driven by e-commerce



USD 8.3 billion MENA e-commerce market



GCC and Egypt represent 80% of market



60%+ shoppers in UAE & KSA



Beauty and fashion are fastest growing

Supportive infrastructure



Saudi 2030 Vision focus on development, logistics, infrastructure



Investment in **logistics** and enhanced delivery services and **warehousing**



Shifting labor rules require Saudi participation in **retail sector**

Vogacloset: value accretive for Alhokair



Strengthening our omnichannel experience to extend our leadership position



Transition to lifestyle retailer

- Omnichannel offering
- Mitigate risk, gain market share
- High-growth segment
- Unique value proposition for partners
- Platform for future loyalty and financing products



E-commerce arm

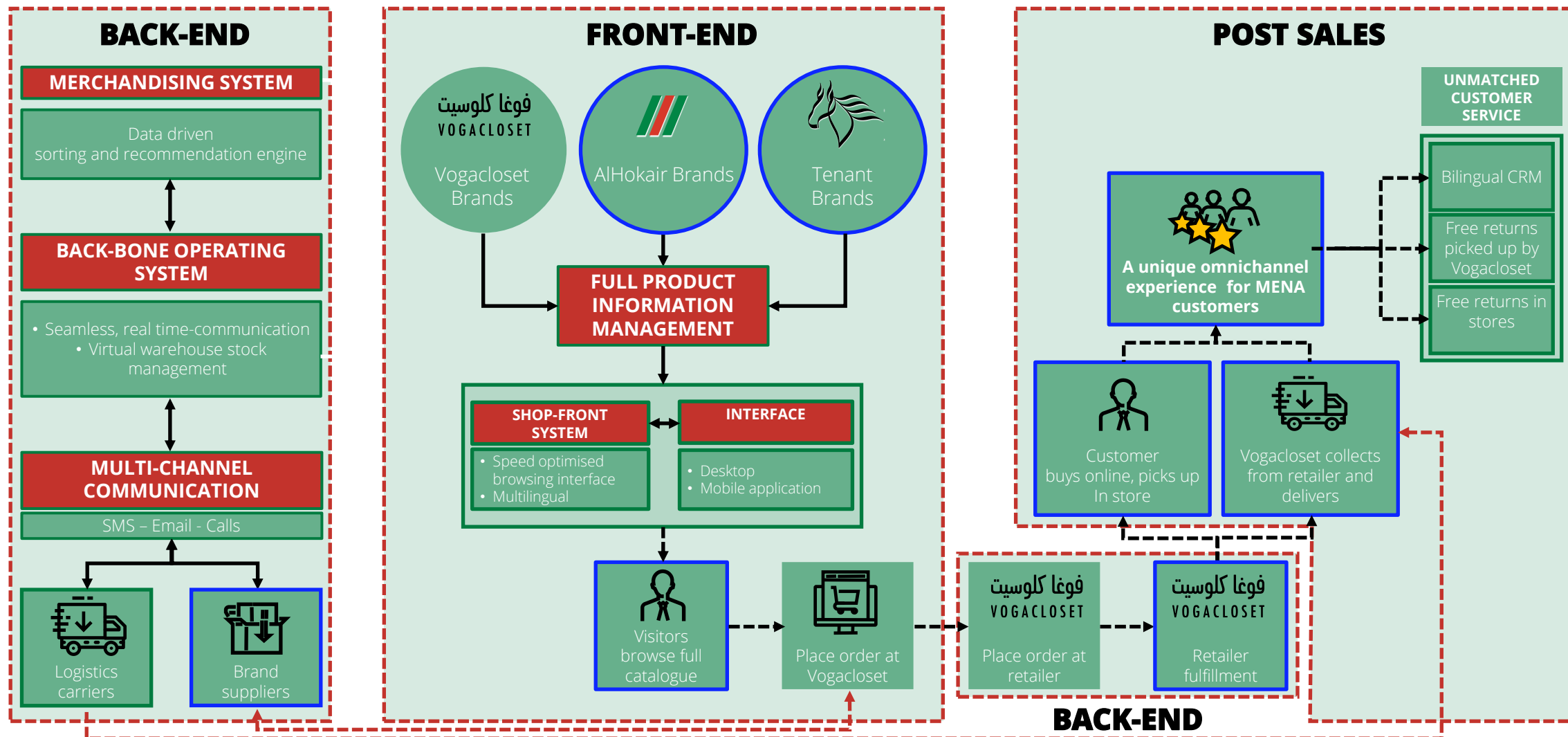
- Proven leadership
- Additional brands
- Integration of brand portfolios
- Economies of scale
- Capturing opportunity



Positive financial impact

- Profitable player
- Top-line growth
- Potentially high-growth investment
- Market upside potential
- Efficiency and synergy
- Low operational risk, inventory risk-free

Vogacloset: an enriched, integrated ecosystem



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investors.relations@fahretail.com