

Earnings Presentation

FY 2021

As at 31 March 2021

Fawaz Abdulaziz Alhokair Co. | Tadawul: 4240



Management review

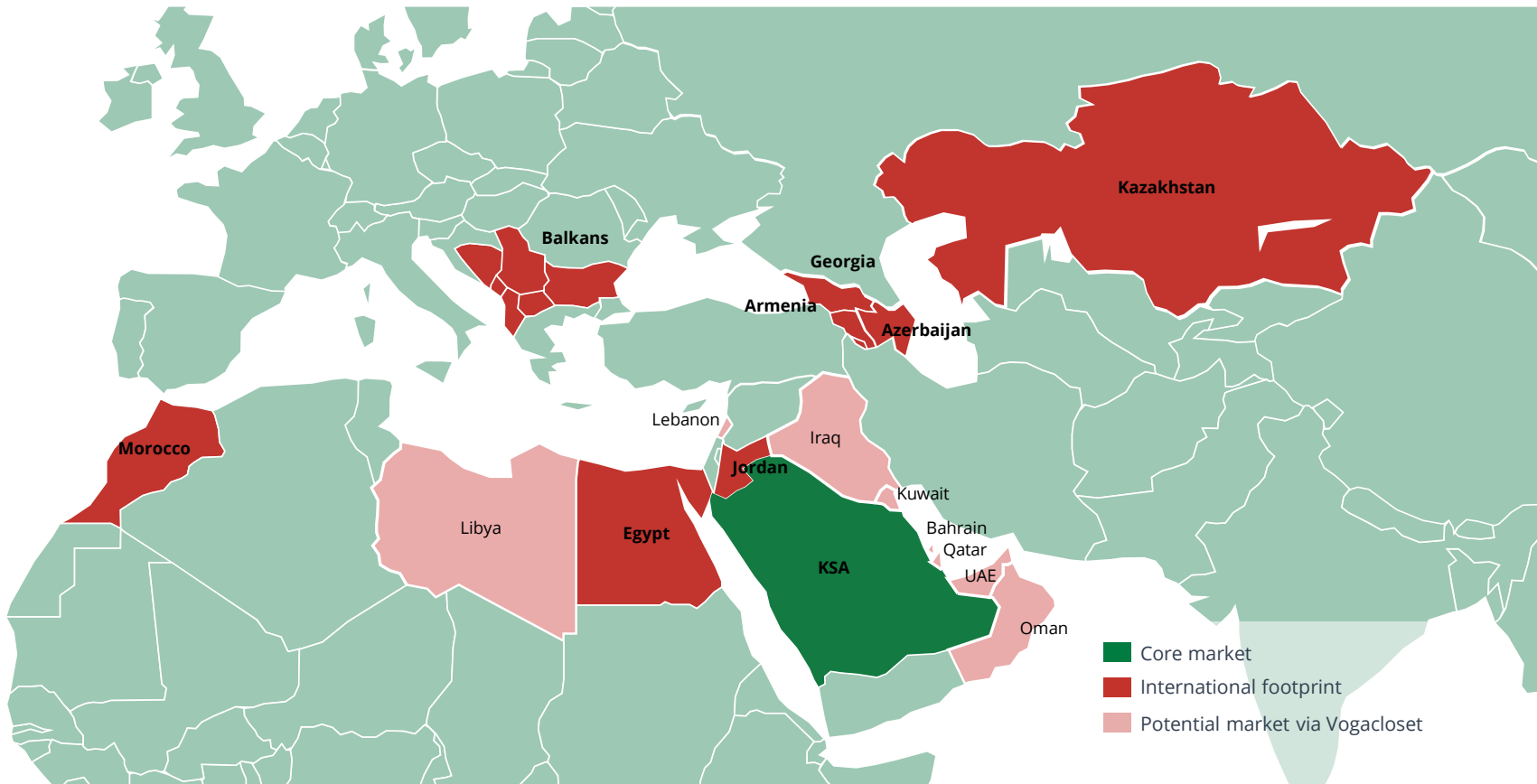
FY21



The leading retail franchiser



The leading franchise retailer in Saudi Arabia, and the first choice for brand partners seeking exposure to strategic markets



*US operations is not represented in the graph
** Store count as of March 2021



1,700+ stores



c.450k sqm



12 countries



Leaders in **KSA**



1,120 Saudi stores



301 F&B outlets



318 intl. stores



Access to new markets
via **Vogacloset**

Differentiated brand portfolio; diverse revenues



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

89 brands*

Targeting most **consumer segments** through economy and fast fashion brands

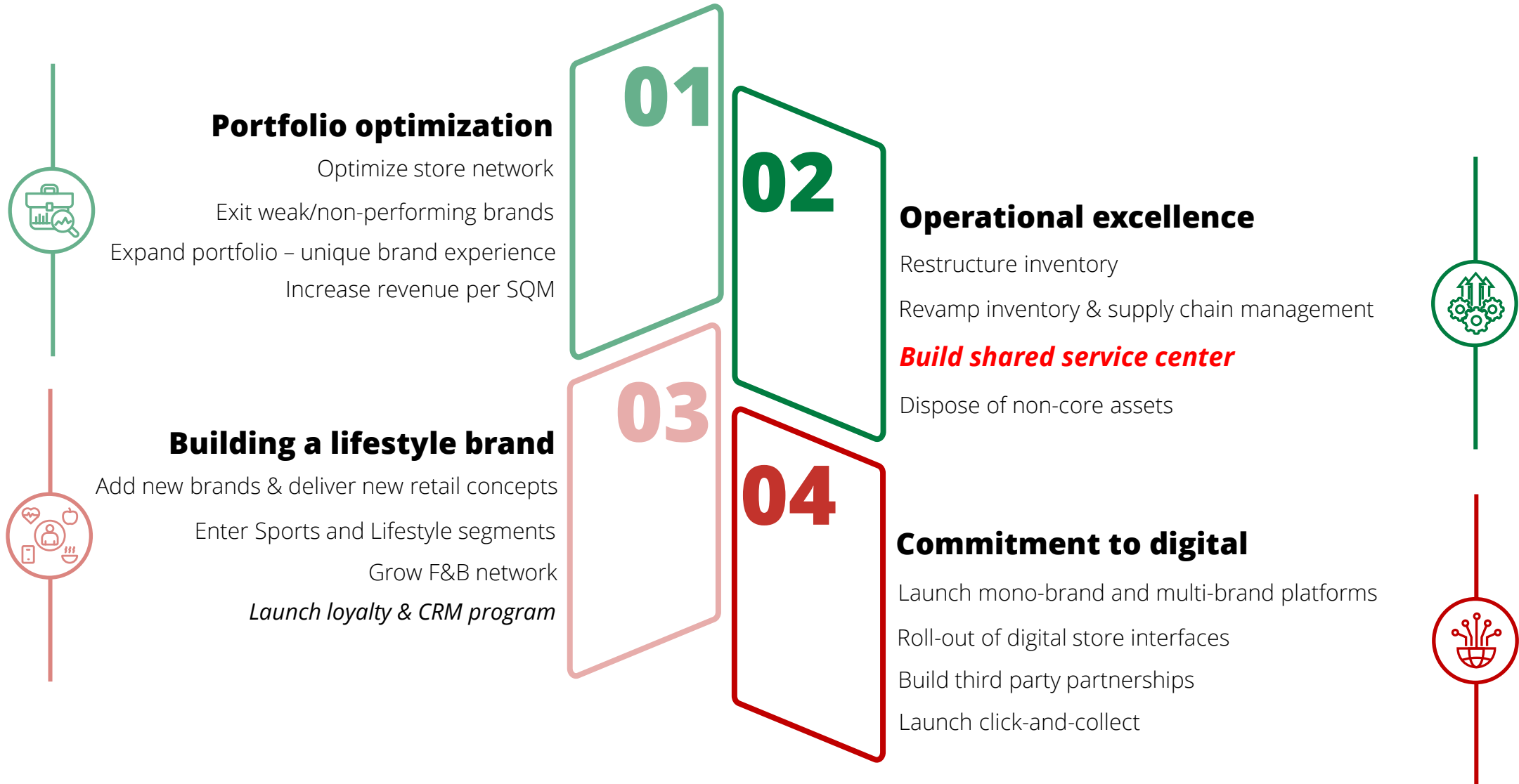
Successful relationship with **partners** and alignment on **strategy**

Evolving brand mix focused on **high margin segments**



* Brand count as of March 2021

Our operational upgrade strategy



Key brand acquisitions



FY21 key brand acquisitions



FY22 Retail

c. 60 new stores to open
c. 40 stores to close
CAPEX ~ SAR 85mn

Store network expansion



FY22 F&B

c. 50 new stores to open (*lion's share Cinnabon & Mamma Bunz*)
c. 6 stores to close
CAPEX ~ SAR 50mn

FY22 key brand acquisitions



Financial review

FY21



FY21 at-a-glance



Reported

SAR 4,233 mn Revenue ▼ 20.8%	SAR 89 mn Gross Loss FY2020: SAR 408 mn	SAR 390 mn EBITDA Loss FY2020: SAR 163 mn	SAR 1,110 mn Net Loss ▼ 63 %
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Adjusted*

SAR 4,233 mn Revenue	SAR 393 mn Gross Profit FY2020: SAR 873 mn	SAR 110 mn EBITDA FY2020: SAR 873 mn	SAR 608 mn Net Loss FY2020: SAR 331 mn
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* Adjusted for inventory provisions, cost credits, and additional VAT / Zakat provisions

Q4 FY21 at-a-glance



Reported

SAR 1,132 mn Revenue ▲ 4.4%	SAR 55 mn Gross Loss Q4FY20: SAR 541 mn	SAR 184 mn EBITDA Loss Q4FY20: SAR 1,107 mn	SAR 348 mn Net Loss Q4FY20: SAR 915 mn
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Adjusted*

SAR 4,233 mn Revenue	SAR 33 mn Gross Profit Q4 FY20: SAR 3 mn	SAR 96 mn EBITDA Loss FY2020: SAR 50 mn	SAR 276 mn Net Loss FY2020: SAR 371 mn
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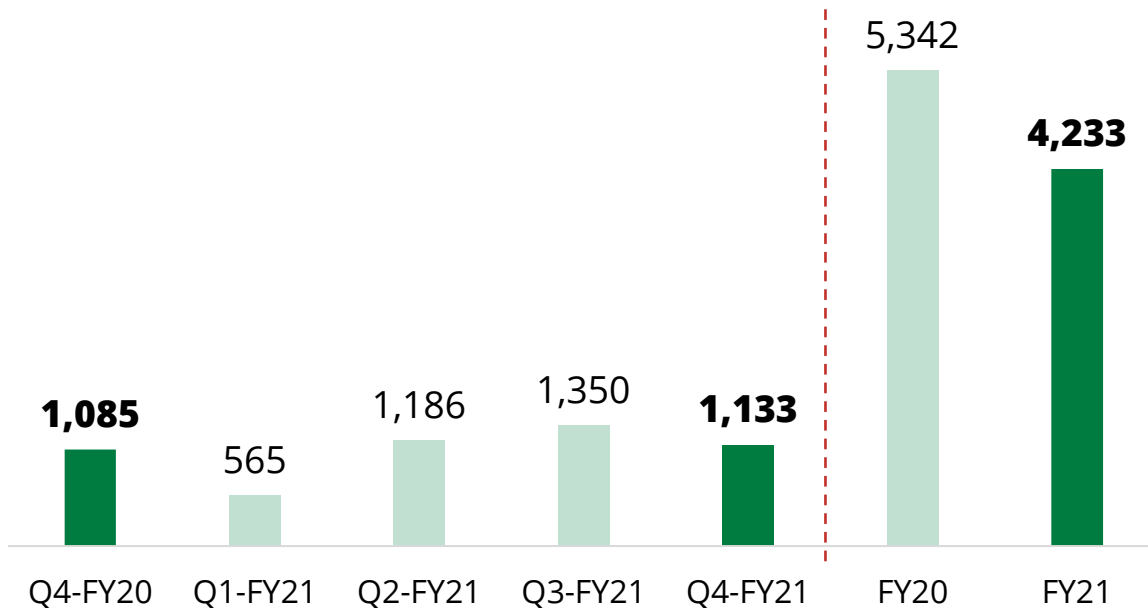
* Adjusted for inventory provisions, cost credits, and additional VAT / Zakat provisions

Top line shows gradual normalization



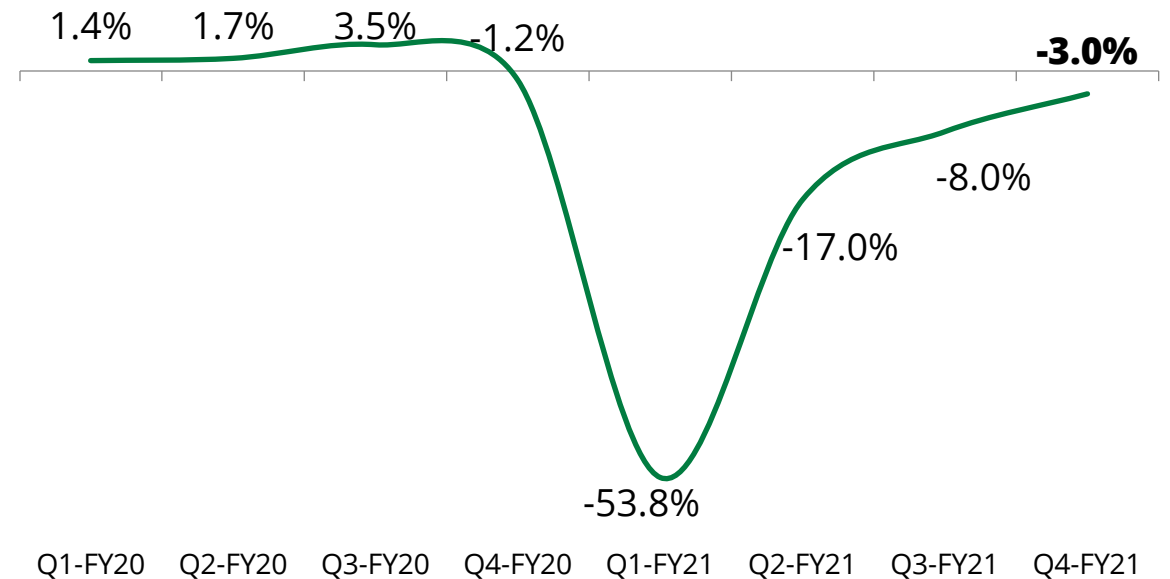
Revenues (SAR million)

Y-o-Y growth on F&B consolidation, online sales & gradual recovery in KSA. Q-o-Q drop results from seasonality in retail.



LFL growth (consolidated)

Improving LFL growth performance but still pressured by weak International LFL growth & restricted religious tourism

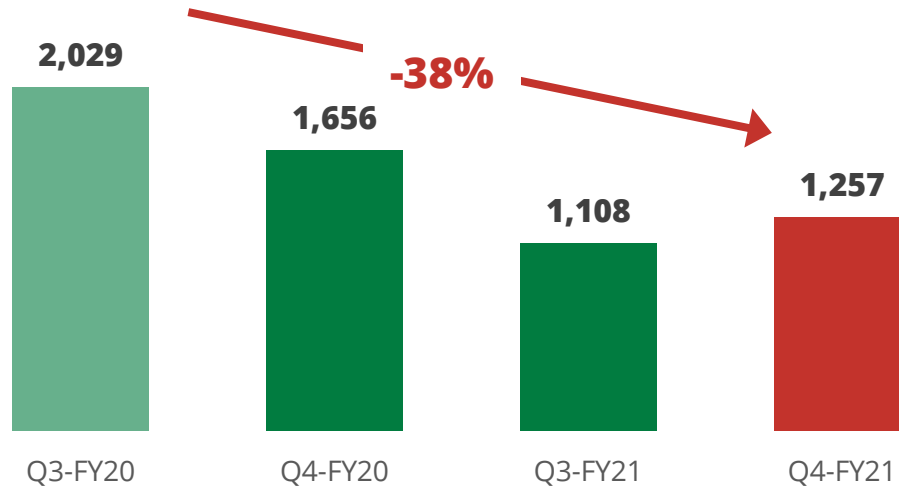


Balance sheet optimization



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

Inventory balance (SAR million)

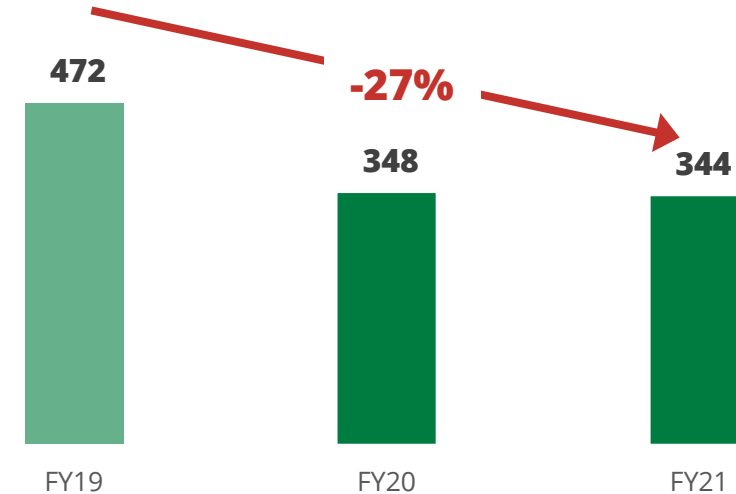


Optimizing inventory levels through:

- Systems
- Policies and procedures
- Logistics
- Digitalization / technology

Inventory turnover target 16 weeks average (currently 19.5)

Receivables from related parties* (SAR million)



Actively reducing receivables:

- SAR 80m receivables from **ECRED** resolved
- Active discussions with related parties to resolve remaining balances
- FCTR reassessment will have positive balance sheet impact

* FAS, Egyptian Centre, ACCL

Balance Sheet Actions



Important **decisive actions** to restructure the company's capital

1.

SAR 205 mn of **statutory reserves** utilised to offset accumulated losses.

2.

Executive management **mandated by the board** to review ways to **recapitalise** the company.

3.

Capital reduction and **capital increase** mechanisms being assessed as options

4.

Authorized to appoint advisors, further details to be communicated to the market in **due course**.

Strengthening our financial position to enable long term sustainable growth

Segmental review

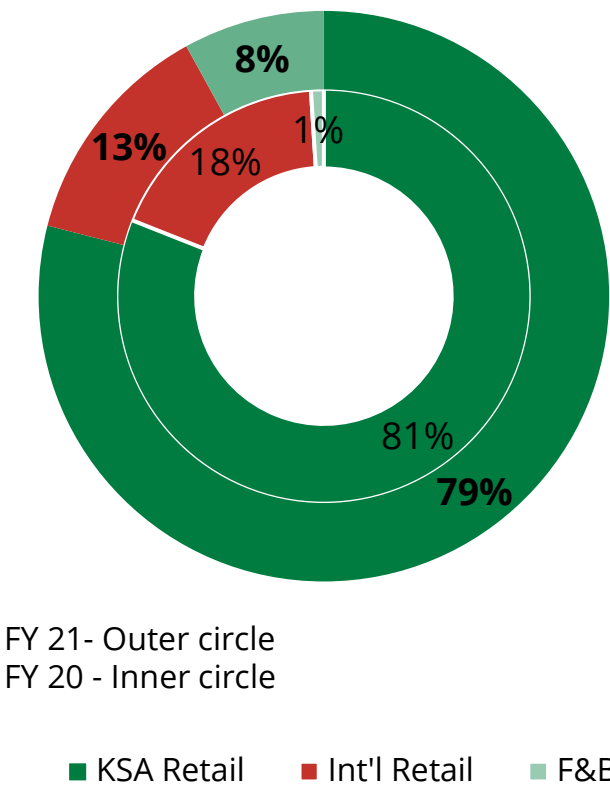
FY21



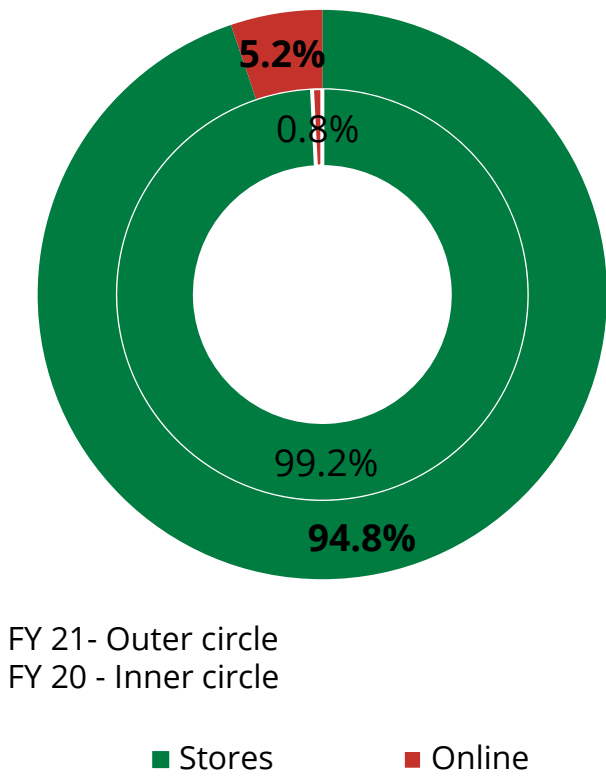
Revenue breakdown



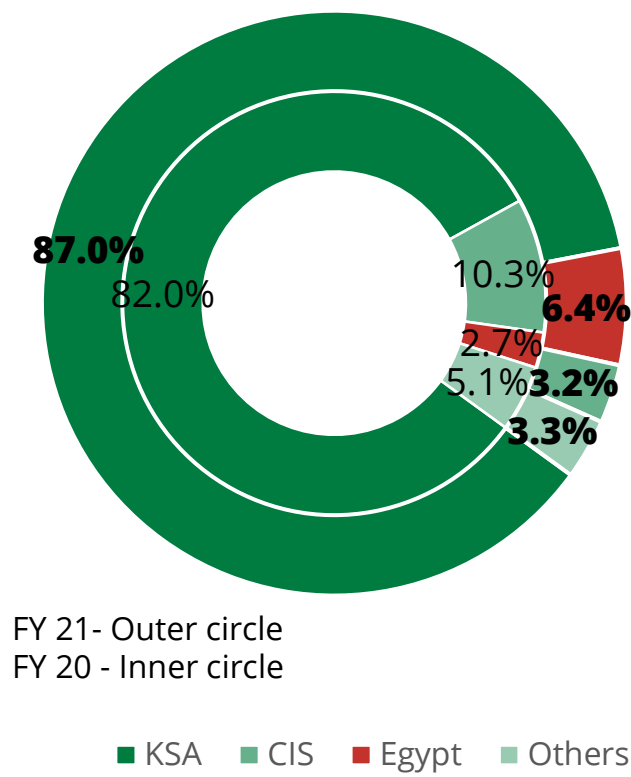
Revenue by division



Revenue by channel



Revenue by geography

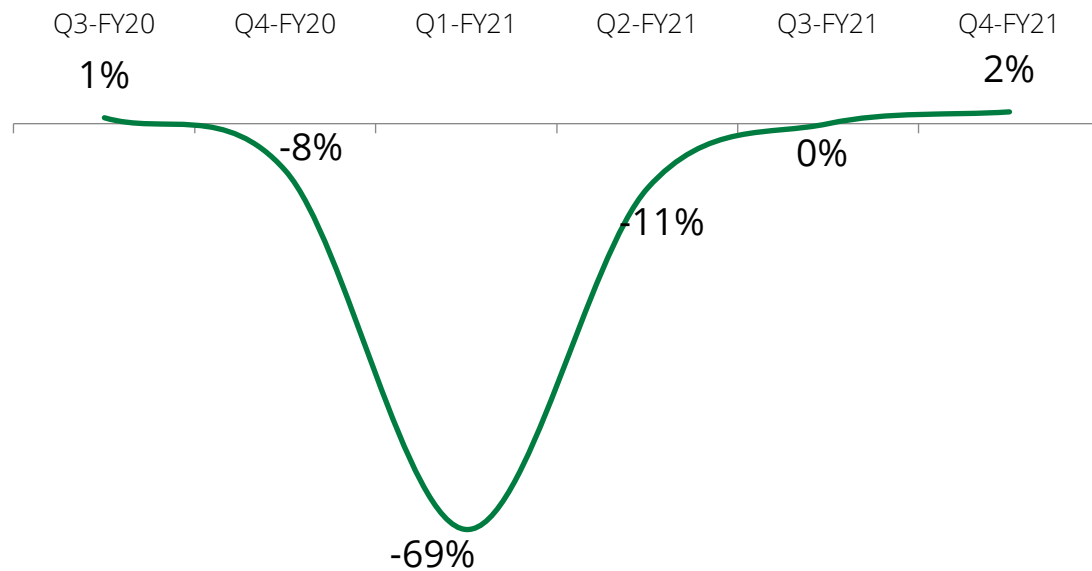


LFL Revenue Growth



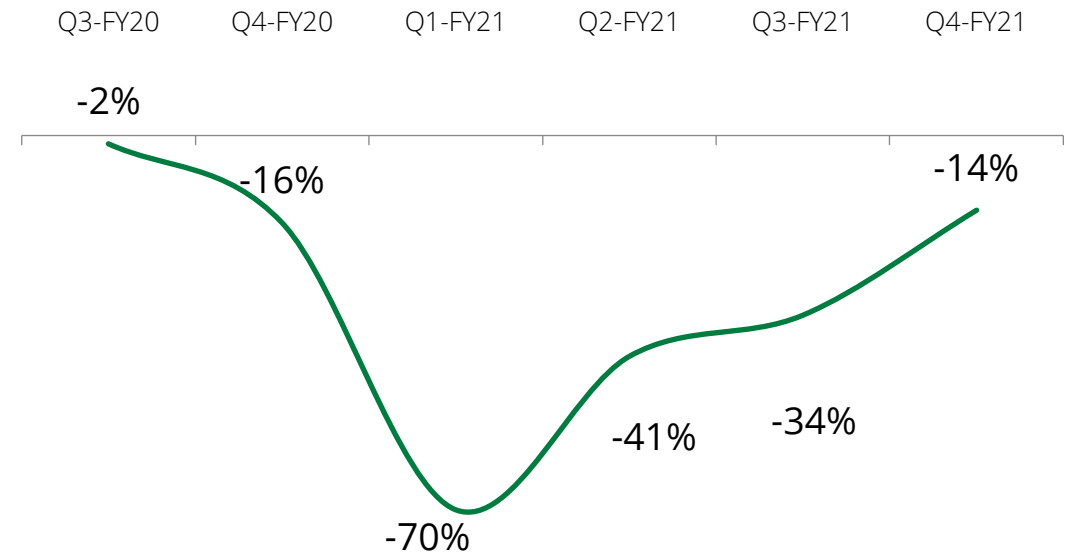
Saudi retail

LFL improving sequentially yet remain pressured by restricted religious tourism. Exc. Makkah and Madinah, LFL would be 4%



International retail

LFL remains subdued as CIS markets only returned to pre-pandemic operating hours starting April

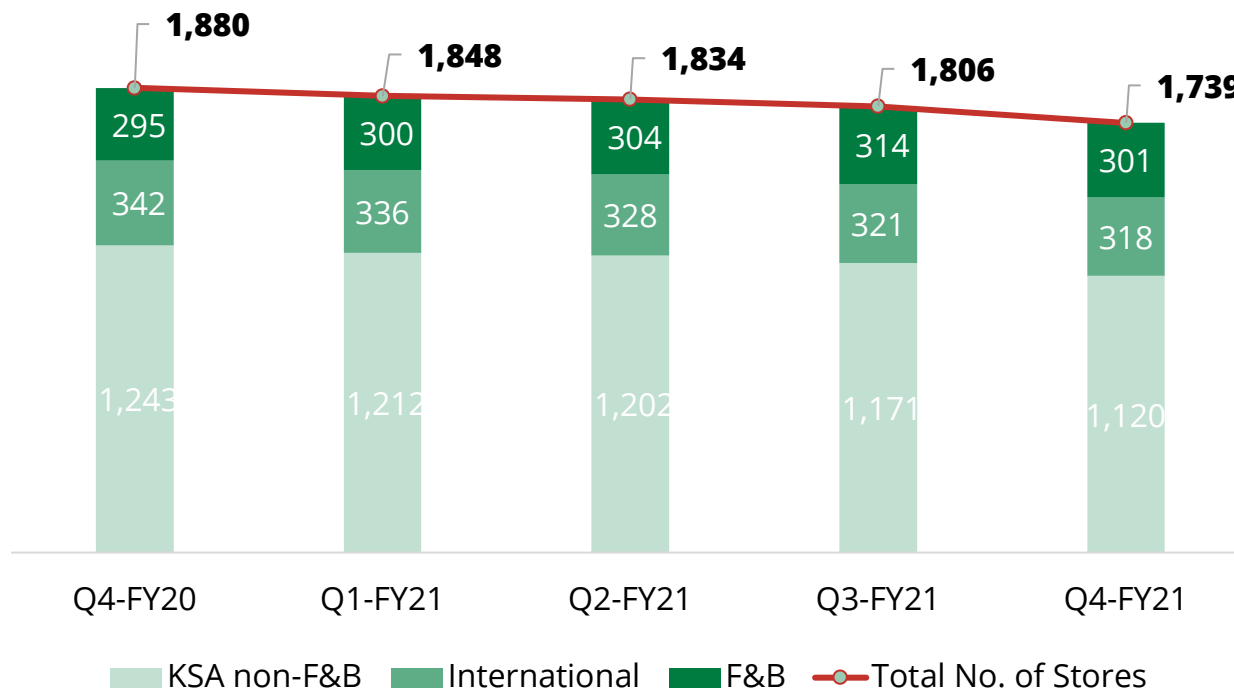


Ongoing store fleet rationalization

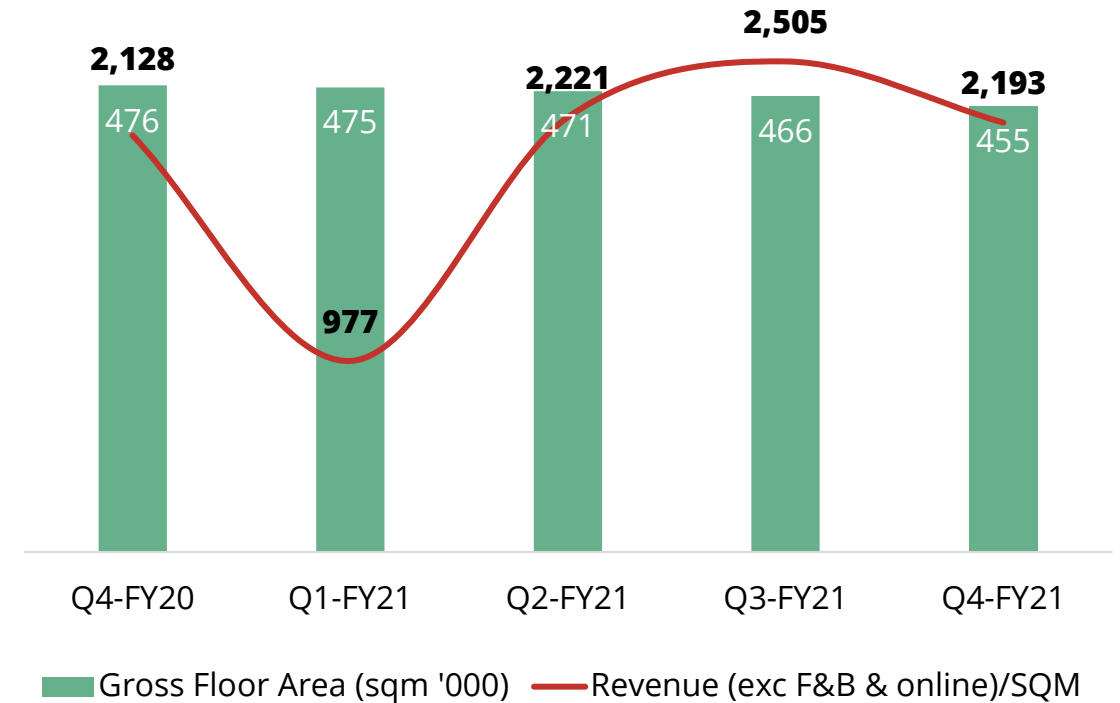


Store network evolution

Net store contraction of 141 stores in FY21. Plans to close a 46 stores in FY22 whilst focusing on expansion in chosen segments. Estimated EBITDA savings of SAR 18 mn in FY21-22.



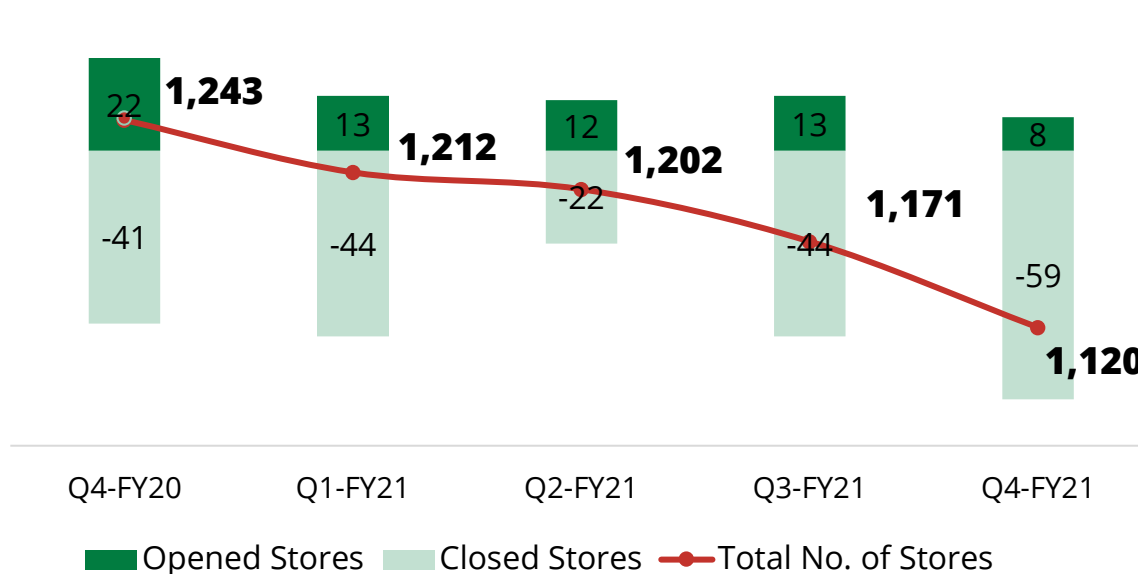
Gross Floor Area (SQM) vs Revenue Per SQM



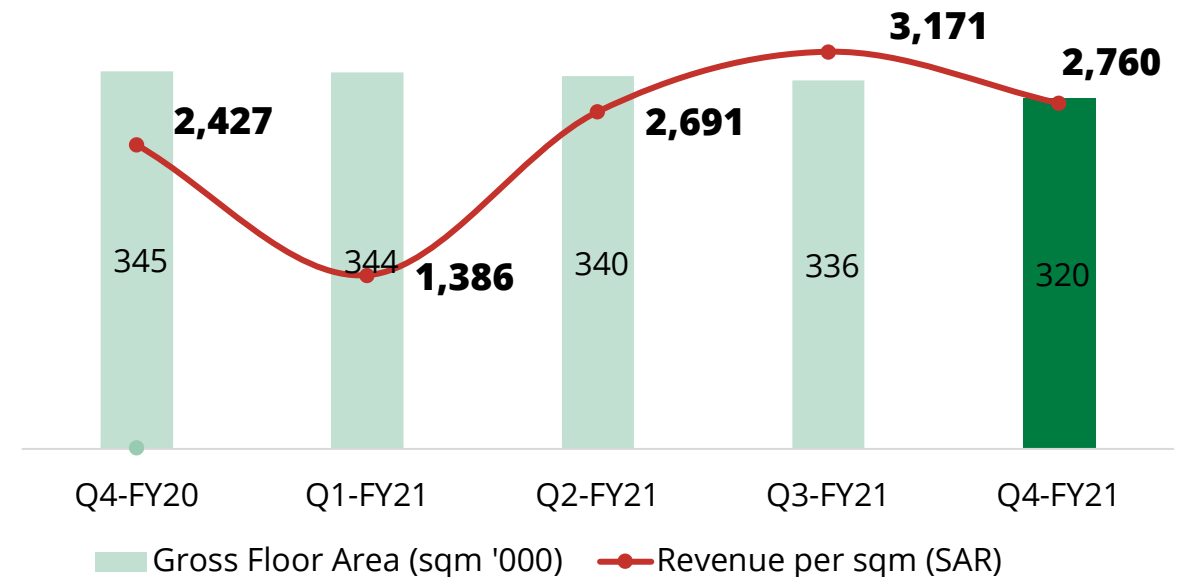


Saudi Arabia remains core market, key focus

Saudi retail store network evolution



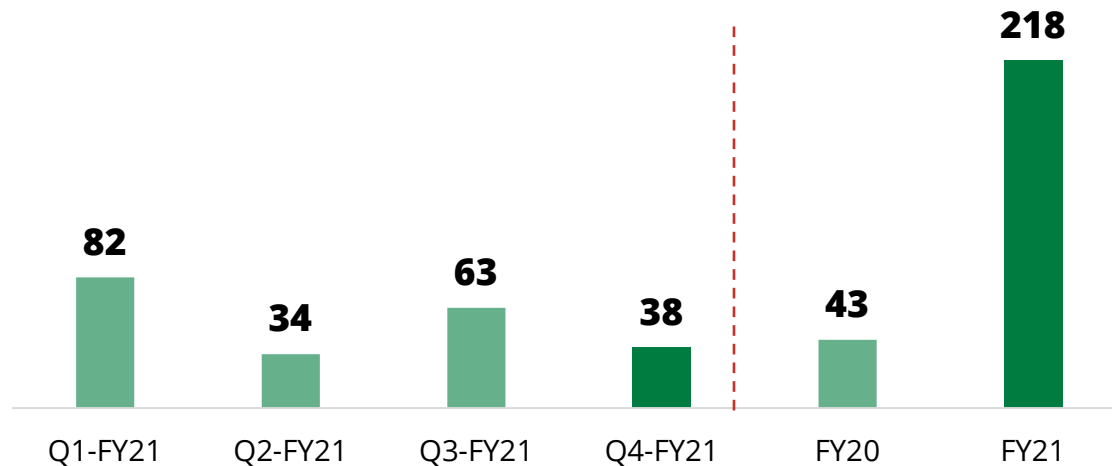
Store yields improving, upward trend



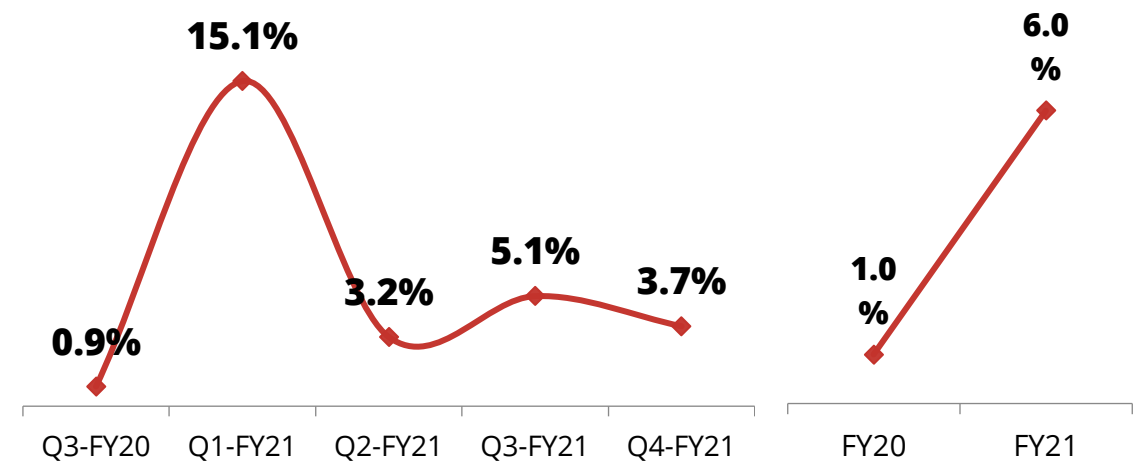
Rapid growth in online sales



Online revenues (SAR million)



E-commerce, % of total retail sales

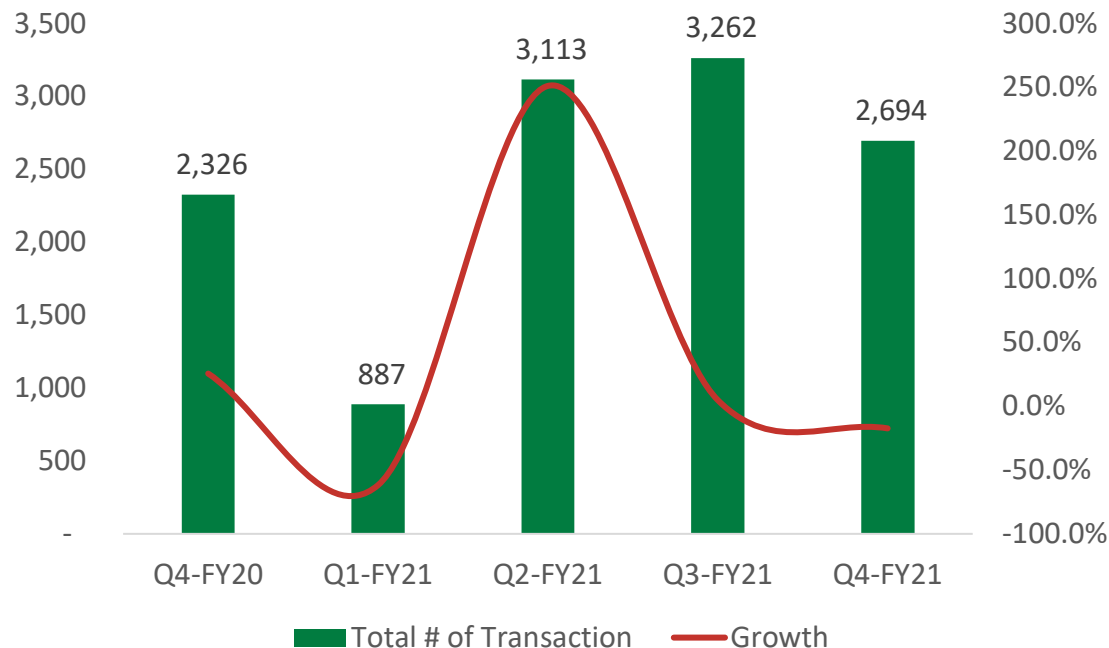


- LFL, online growth was a remarkable 408% y-o-y, reflecting progress on core strategy of maximizing returns from e-commerce platforms
- Whilst Q4-FY21 was affected by a number of sales and promotions, Q1-FY22 showed good momentum

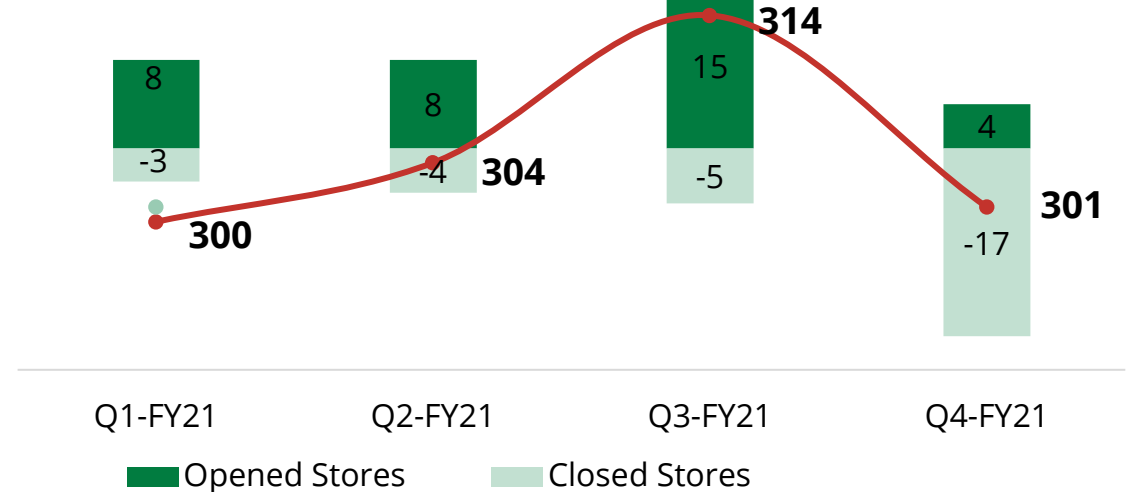
F&B segment poised for recovery and growth



Total number of transactions ('000)



F&B store network evolution



Outlook

FY22



Key messages for FY22



We have confidence in the resilience, flexibility and strength of our team and our organisation

Well-established player with an exceptional portfolio of brands establishing a genuine lifestyle retail proposition and brand

Continual improvements to governance and processes addressing historical issues

Aggressive operational upgrade plan and decisive approach to ensure financial strength

Ambitious approach to omnichannel vision, supported by the integration of Vogacloset

Entrenching diversity in our business model by maximising opportunities in F&B and e-commerce

Strong and sustainable relationships with the world's leading fashion groups. The partner of choice in Saudi Arabia

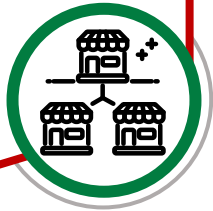
Our vision



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.



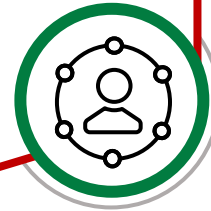
02

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



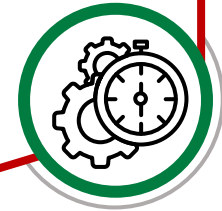
03

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

Thank you



Investor Relations

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Supplementary information



Income Statement FY21



SAR Million	Q4-FY20	Q4-FY21	Change y-o-y	FY20	FY21	Change
Revenue	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%
Gross Profit	(998)	(55)	-94.5%	408	(89)	-121.7%
<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%
Operating Income	(740)	(255)	-65.6%	(133)	(689)	419.9%
<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%
Profit before Zakat and Tax	(903)	(354)	-60.8%	(634)	(1,064)	68.0%
Zakat and Income Tax	(13)	6	-143%	(48)	(46)	-3%
Net Profit for the Period	(915)	(348)	-61.9%	(681)	(1,110)	63.0%
<i>Net Profit Margin</i>	-84.4%	-30.8%	53.6	-12.8%	-26.2%	(13.5)
Attributable to:						
Shareholders of the Company	(888)	(340)	-61.74%	(656)	(1,092)	66.46%
Non-Controlling Interest	(28)	(9)	-69%	(25)	(18)	-28.2%
Earnings per Share Basic and Diluted	(4.23)	(1.62)	-62%	(3.13)	(5.20)	66.5%
EBITDA	(1,107)	(184)	-83%	163	(390)	-339%
<i>EBITDA Margin</i>	-102.0%	-16.2%	85.8	3.1%	-9.2%	(12.3)

Balance Sheet FY21

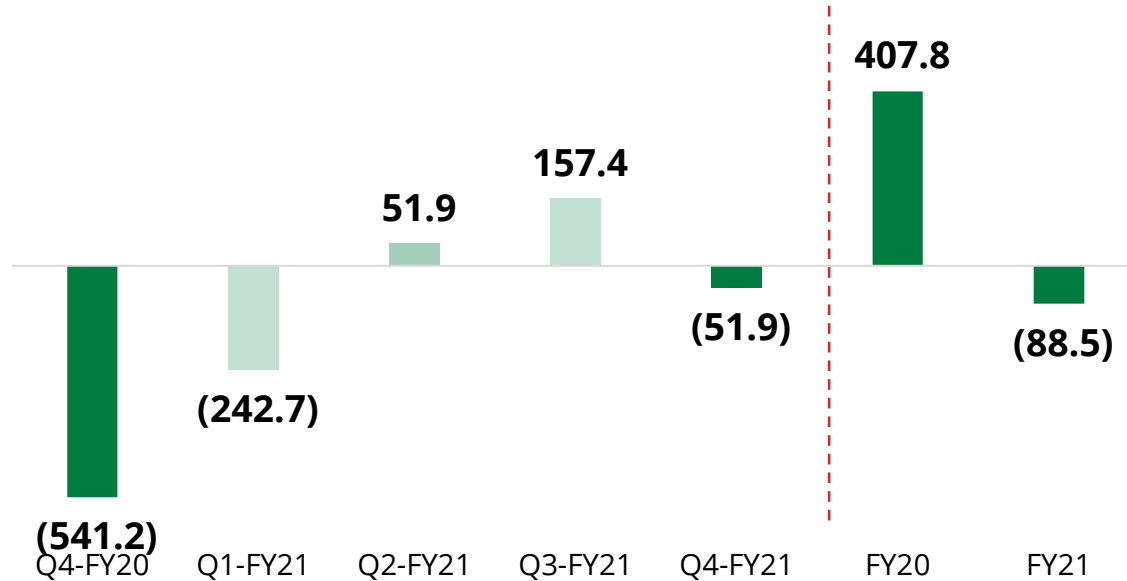


SAR Million	31 March 2020	31 March 2021	Change
Assets			
Property, Plant and Equipment	1,514	1,327	-12%
Right-of-Use Assets	4,058	3,402	-16%
Goodwill and Intangible Assets	1,080	1,111	3%
Investment Property	4	2	-54%
Investment in Associates & Others	232	303	31%
Receivables from Disposal of Subsidiaries / Brands	75	-	-100%
Total Fixed Assets	6,962	6,145	-12%
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%
Total Current Assets	3,056	2,318	-24%
Total Assets	10,018	8,464	-16%
Equity & Liabilities			
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%
Total Equity	1,530	452	-70%
LT Loans and Borrowing	2,424	2,304	-5%
Lease Liabilities	3,611	3,640	1%
Post-Employment Benefits	102	112	10%
Total Non-Current Liabilities	6,137	6,057	-1%
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%
Total Current Liabilities	2,352	1,955	-17%
Total Liabilities	8,488	8,012	-6%
Total Equity & Liabilities	10,018	8,464	-16%

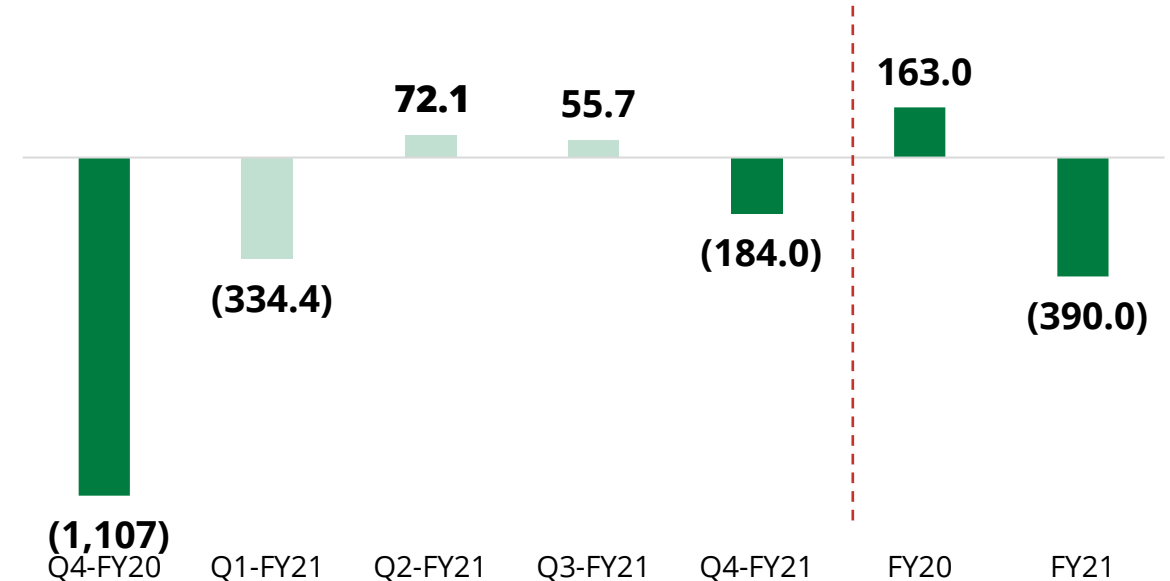
Bottom line analysis



Gross Profit (SAR million)



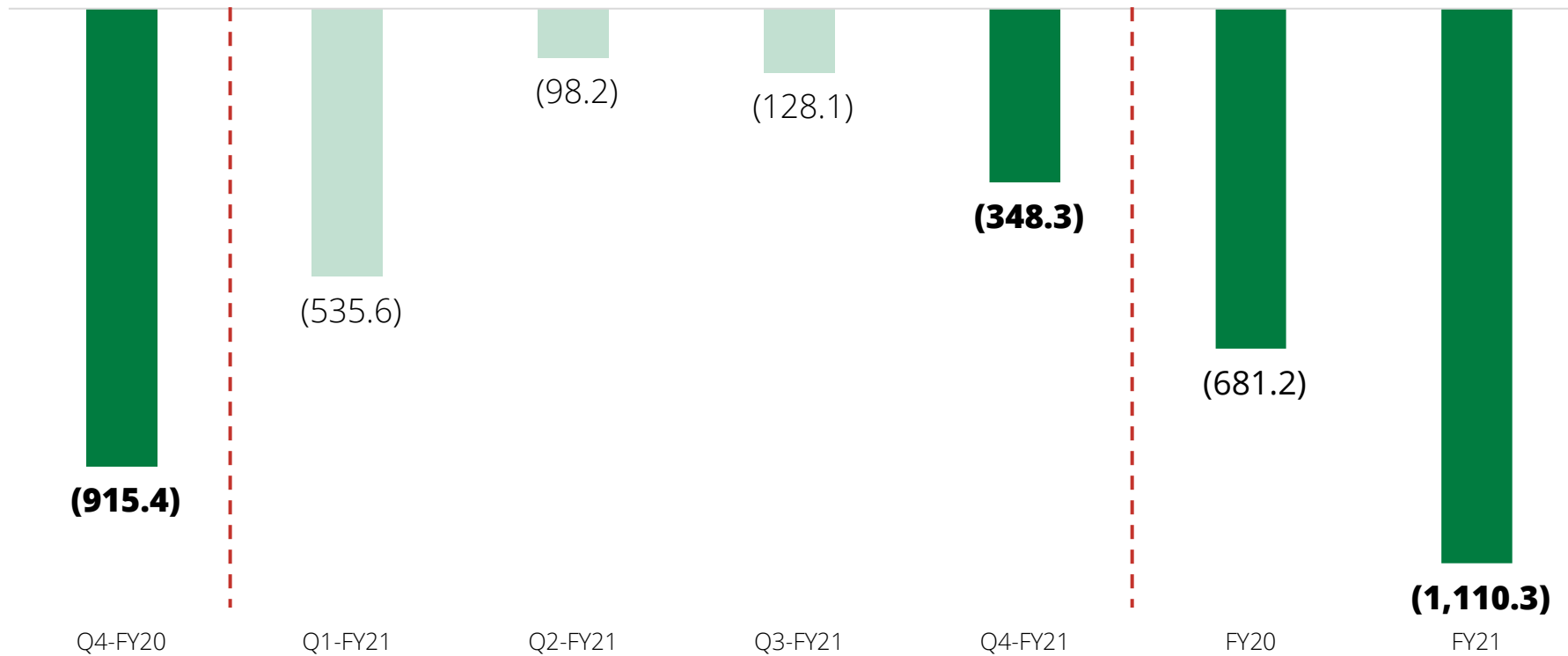
EBITDA (SAR million)



Bottom line analysis



Net Profit (SAR million)

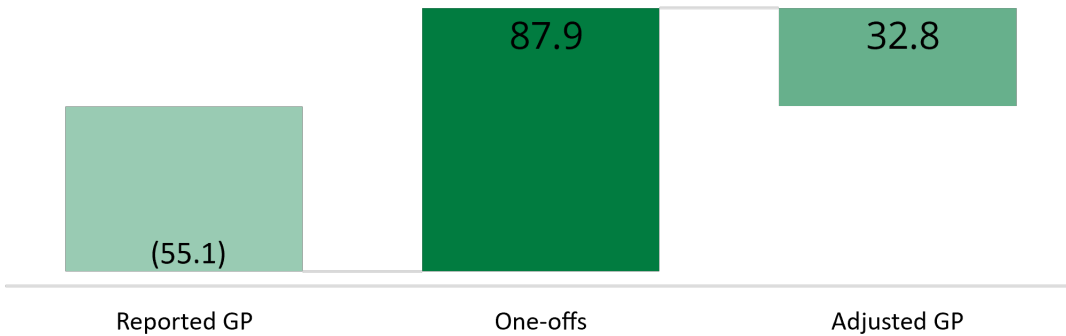


Adjusted Bottom Line

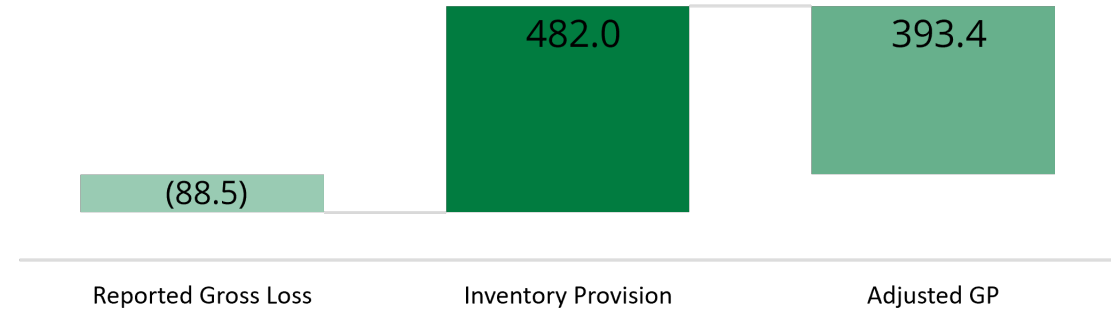


Adjusted Gross Profit (SARmn)

Q4 FY21



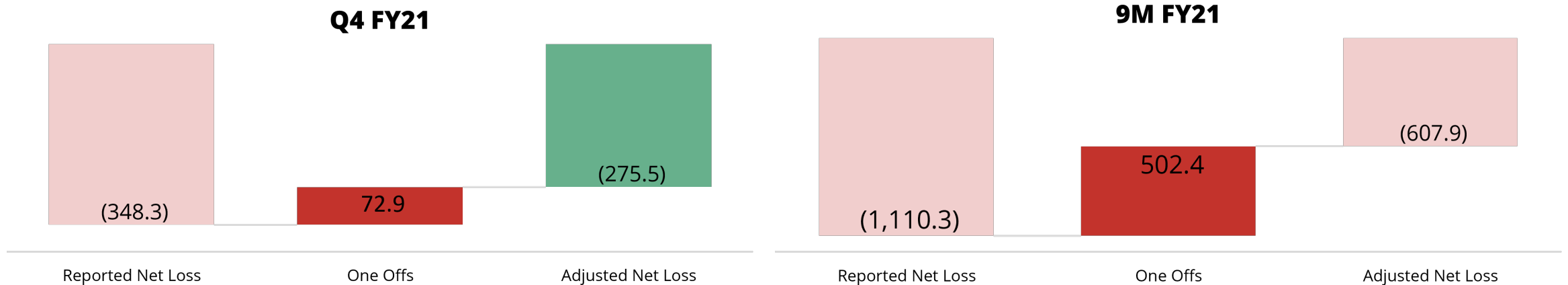
FY21



Adjusted Bottom Line



Adjusted Net Profit (SARmn)



Intensive balance sheet restructuring



Alhokair continues to rationalize inventory balances. Progress towards optimal inventory levels is nearing completion.

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

Debt management in focus



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

Summarized credit metrics

SAR million	Mar'20	Mar'21	% change
Total Interest-Bearing Debt	3,183	3124	-2%
Cash Position	686	468	-32%
Net Debt	2,497	2656	6%

Debt re-profiling
completed

Improved terms and pricing, yielding:

Significant enhancement of
liquidity position

Optimization of working capital

Continuing support
from our main
lenders

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



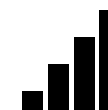
Transition to lifestyle retailer

- 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

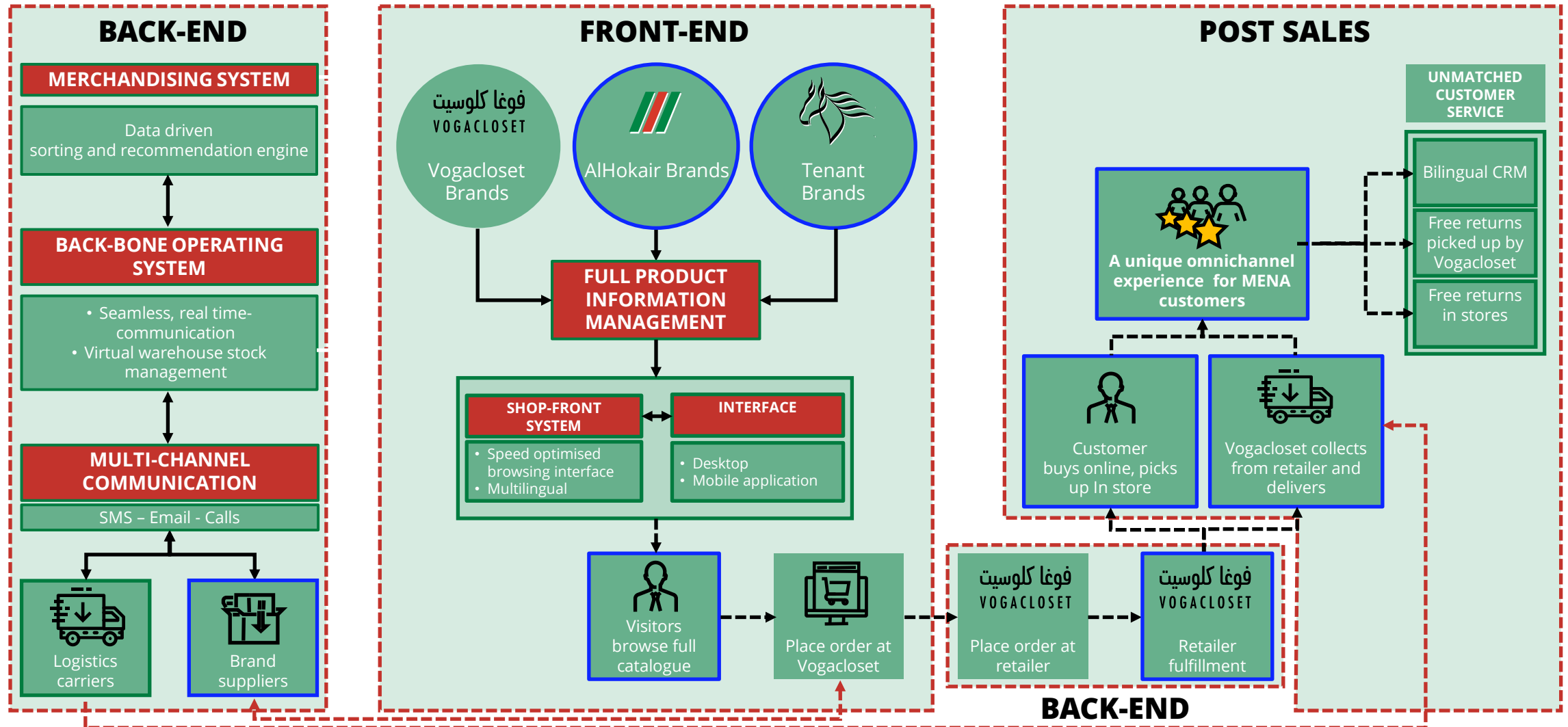
- Proven leadership
- Additional brands
- Integration of brand portfolios
- Economies of scale
- Capturing opportunity



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



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
Mansour Abdulwahab Alqadi	Independent	Aug 2020
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
Faisal Younes	CEO F&B	2021
Mohamed Al-Shammari	CHRO	2020

Executive Committee

Established to promote sound Corporate Governance

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

Thank you



Investor Relations

investors.relations@fahretail.com