

CENOMI RETAIL DELIVERS PROFITABLE SECOND QUARTER, CAPITALIZING ON ITS STRONG MARKET PRESENCE IN KINGDOM OF SAUDI ARABIA AND INTERNATIONAL MARKETS

- Solid international performance, driven primarily by the CIS
- Ongoing progress on portfolio optimization with 19 brands sold in H1-24
- Focus on strategic store openings for Tier 1 Champion brands across 9 countries, supporting sustainable profitability
- Net Profit for Q2-24 at SAR 84 million, and net loss for H1-24 at SAR 68 million
- Continued deleveraging of the balance sheet with Net debt decline of 20% YTD

Riyadh, Saudi Arabia, 11 August 2024: Cenomi Retail, Saudi Arabia's pioneering retail brand partner, today announced its financial results for the second quarter and first half of the year ending 30 June 2024 (Q2-24 and H1-24), marked by the continuation of achieving progress on Phase 1 of its strategy ("Fix the House") and is on plan to begin Phase 2 ("Embark on Growth") from 2026.

The Company reported a 12% Year-on-Year (YoY) decline in revenues in Q2-24 to SAR 1.3 billion, and 6% in H1, to SAR 2.6 billion, due to the impact of the strategic brands divestment program announced last quarter, to optimize the portfolio and focus on the growth of Tier 1 Champion brands.

The operational optimization program resulted in Cost of Sales savings of SAR 74 million, and SG&A savings of SAR 11 million during the quarter, driving net profit to SAR 84 million for Q2-24.

During the quarter, non-core brands, including Aldo, Aldo Accessories and La Vie en Rose were exited, resulting in a capital gain of SAR 131 million. New Inditex stores were opened, including Zara, Bershka, Pull & Bear and Stradivarius in Jeddah (U Walk) and Pull and Bear, Stradivarius in AlMadina (Al Noor Mall), which are new malls expected to have increased footfall. Brand sales completed in H1 resulted in a capital gain of SAR 165 million, which is being redeployed to strengthen the balance sheet.

Salim Fakhouri, Acting Chief Executive Officer, commented: "Cenomi Retail continued to reinforce its market positioning during the period, and advance on its turnaround strategy, with the sale of 19 brands, while mitigating the impact of geopolitical conditions, that affected revenues in the previous quarter.

Strategic pricing measures were put in place, including a mix of discounts and fully priced sales strategy to achieve optimum profit margin and satisfy our local and international consumers. We were also successful in achieving a strong gross profit margin of 16% in Q2-24, while focusing on optimizing the company's cost of sales, leading to savings of SAR 74 million. Additionally, optimizing the company's SG&A led to savings of SAR 11 million in Q2-24 YoY and net profit of SAR 84 million. This was accomplished despite the shift in the Ramadan sales period compared to last year, and the late start of summer sales in Saudi Arabia.

Our international operations delivered good revenues from an optimized footprint. The CIS was particularly strong, with Uzbekistan outperforming its target by 217% since launch in February 2024, and in the MENA region, Egypt reported a 113% growth on a like-for-like basis, thus proving the success of our store rationalization strategy.

We remain focused on finalizing the necessary foundation to initiate the “Embark on Growth” phase of our strategic transformation, with agreements signed to exit 5 further brands and new growth avenues actively explored to reach a wider segment of customers in the Kingdom and abroad.”

Financial highlights

SAR million	Q2-23	Q2-24	Change	H1-23	H1-24	Change
Revenues	1,427	1,261	-12%	2,758	2,590	-6%
EBITDA	294	212	-28%	363	220	-39%
<i>EBITDA Margin</i>	<i>21%</i>	<i>17%</i>	<i>-0.4pp</i>	<i>13%</i>	<i>9%</i>	<i>-0.4pp</i>
Net profit	170	84	-50%	114	-68	-159%
Net debt				2,272	1,810	-20%
Net debt/EBITDA				6.3x	8.2x	1.96x

Business Highlights

Demand in the Kingdom boosted by the Holy month of Ramadan, Eid Al Fitr and Eid Al-Adha

Revenue in Saudi Arabia was impacted by the usual shift of the Holy month of Ramadan by ten days. In April and May, promotional discounts were put in place where footfall was increasing, and in June promotional discounts were removed where footfall remained stable.

Revenue Analysis

Cenomi Retail reported consolidated revenues of SAR 1.3 billion in Q2-24, declining 12% YoY, and SAR 2.6 billion in H1-24, declining 6% YoY, primarily due to the impact of the brands divestment program announced last quarter, and the shift of the Holy month of Ramadan and Eid. Despite this, the company achieved strong profit margins in Q2-24. Top line performance in Q2 was also impacted by current geopolitical events, which have particularly affected some of the global brands within our portfolio. Nonetheless, this is not expected to have a material impact on our sales activities in the longer term.

Saudi retail revenues reached SAR 847 million in Q2-24, decreasing 19% YoY and for H1-24, revenues amounted to SAR 1.8 billion, decreasing 11% YoY. This was essentially the result of the shift in the Holy month of Ramadan this year and Eid, and our portfolio optimization program, which saw the sale of 19 brands within the Kingdom in H1.

International retail operations generated revenues of SAR 330 million in Q2-24, up 15% YoY, and SAR 599 million in H1-24, up 15% YoY. This was essentially driven by a strong positive momentum from Azerbaijan (+19% YoY in Q2 and +22% YoY in H1) and Georgia (+18% YoY in Q2 and +16% YoY in H1). It is worth highlighting that Uzbekistan has outperformed its targeted plans by 217%, with 7 new store openings for

Inditex, including Zara, and 1 store for Cinnabon. Egypt outperformed on a like-for-like basis by 113%, supported by our store optimization program and high demand.

F&B segment reported revenues of SAR 84 million in Q2-24, down 13% YoY, and SAR 170 million in H1-24, down 10% YoY, with a net closure of 4 stores in Q2 and 1 store in H1. The segment achieved robust margins during the period, with gross margin of 21% in Q2 and 20% in H1. EBITDA margin was 6% in Q2 and 6% in H1. Cenomi Retail remains committed to enhancing the F&B segment by focusing on Tier 1 and popular Champion brands such as Cinnabon and Subway, to further improve the segment's performance in 2024 and beyond.

Online sales came in at SAR 83 million in Q2-24, decreasing 8% YoY, and at SAR 167 million in H1-24, decreasing 6% YoY. The company continues to reinforce its digital offering to deliver a genuine omnichannel experience to customers across a range of mono brand and multi-brand platforms.

The contribution of online revenue (including F&B) to total retail revenue has expanded to 7.1% in Q2-24, from 6.8% in Q2-23, but remained relatively unchanged in H1. Excluding the impact of the brands divestment program, the performance of Tier1 Champion brands in Fashion and F&B continued to deliver high performance.

Bottom Line Analysis

Gross Profit totaled SAR 207 million in Q2-24, a decline of 31% YoY, and SAR 324 million in H1-24, a decline of 29% YoY. This translated to a gross profit margin of 16% in Q2-24 (vs. 21% in Q2-23) and 13% in H1-24 (vs. 17% in H1-23). This was in line with the trend in the top line performance, as the typically busy sales period during the Holy month of Ramadan shifted.

Selling, General and Administrative expenses (SG&A) amounted to SAR 109 million in Q2-24, a 9% YoY decline, and SAR 250 million in H1-24, a 3% YoY decline. This performance is supported by Cenomi Retail's focus on cost rationalization and operational efficiencies, in addition to a number of store closures, which is aligned to the company's portfolio optimization strategy.

EBITDA declined 28% YoY in Q2-24 and 39% YoY in H1-24 to reach SAR 212 million and SAR 220 million, respectively. EBITDA margin declined from 21% to 17% in Q2 and from 13% to 9% in H1. This was essentially the result of the decline in revenue, in addition to non-recurring restructuring costs of SAR 120 million relating to net assets disposed off due to the sale of brands.

Net profit of SAR 84 million in Q2-24 decreased 50% YoY. In Q2-23 net profit was SAR 170 million, supported by non-recurring landlord support that impacted other income, which amounted to SAR 163 million. H1-24 saw a net loss of SAR 68 million, compared to a net profit of SAR 114 million in H1-23, as the company incurred SAR 18 million in losses from discontinued operations and an 8% rise in finance charges.

Net Debt declined 20% YTD, amounting to SAR 1.8 billion, as the company continued to fulfill debt obligations, to achieve a solid balance sheet position through deleveraging. Meanwhile, **finance charges** increased 8% YoY in H1-24, to reach SAR 170 million.

Operational highlights

Cenomi Retail closed 122 retail stores in Q2-24, bringing the total to 422 store closures for H1-24, with KSA accounting for 120 of the store closures in Q2 and 386 in H1. As a result of the brand divestitures, the number

of stores in the Kingdom at the end of the period stood at 449. In F&B, 4 outlets were opened in Q2-24, and none were closed. For H1-24, 9 outlets were opened and 8 were closed.

In total, Cenomi Retail opened 19 stores in Q2-24 and closed 122, for a net closure of 103. For H1-24, store openings amounted to 36, with 422 closures, for a net closure of 386 stores.

Brand sales completed in H1-24 resulted in a capital gain of SAR 165 million.

Operating metrics

Retail store count	Q2-23	Q2-24
Beginning of period		
Retail - Saudi Arabia	908	562
Retail - International	303	249
	1,211	811
Opened		
Retail - Saudi Arabia	3	7
Retail - International	3	8
Closed		
Retail - Saudi Arabia	76	120
Retail - International	9	2
End of period		
Retail - Saudi Arabia	835	449
Retail - International	297	255
	1,132	704

F&B store count	Q2-23	Q2-24
Beginning of period	254	251
Opened	8	4
Closed	5	0
End of period	257	255

Medium-Term Outlook

The execution of the strategy will see Cenomi Retail transition from Phase 1, which was focused on the portfolio optimization program ("Fix the House") towards Phase 2 ("Embark on Growth") from 2026. Phase 2 will see investments to scale existing brands across a number of markets, identify white space opportunities and secure new franchises in key markets.

The brands franchise sales as part of Phase 1 in the strategy have seen progress, as the first wave of 16 brands is finalized, the second wave of 3 brands is in the finalization process, and the third wave is about to start, with the upcoming sale of 5 further brands (Charles & Keith, Pedro, Call it Spring, Estee Lauder and Nine West) to

Apparel Group and Al Othaim Fashion Company, which is expected to result in a further estimated sales proceeds of SAR 77 million plus inventory and a decrease of 70 stores in Saudi Arabia.

All proceeds from the brands divestment will continue to be deployed to repay debt and deleverage the balance sheet. Approximately SAR 300 million of debt is expected to be repaid by the end of FY24, which should reduce net debt to SAR 1,510 million.

The successful OPEX optimization program and other restructuring plans are now expected to result in more than SAR 70 million in annualized savings.

Strong steps continue to be taken towards the portfolio optimization strategy

During Q1-24:

- Cenomi Retail finalized the sale of 16 brands (franchise rights) to Al Othaim Fashion Company, with a capital gain of SAR 35 million.
- Signed a variation agreement to the share purchase agreement previously signed with Al Othaim Fashion Company to add five additional brands to the sale.

During Q2-24:

- Sales proceeds from Aldo, Aldo Accessories and La Vie en Rose (franchise rights) were received, with a capital gain of SAR 131 million.

During H2-24:

- Charles & Keith and Pedro, previously announced to be included in the signed variation agreement to the share purchase agreement with Al Othaim Fashion Company, were agreed to be transferred to Apparel Group.
- An Asset Purchase Agreement was signed with Apparel Group for the sale of 4 brands (Charles & Keith, Pedro, Estee Lauder and Nine West), and an Asset Purchase Agreement was signed with Al Othaim Fashion Company for the sale of Call it Spring. The two agreements result in estimated sales proceeds of SAR 77 million plus inventory, covering 70 stores in Saudi Arabia.

Income Statement

SAR million	Q2-23	Q2-24	Change	H1-23	H1-24	Change
Revenue	1,427	1,261	-12%	2,758	2,590	-6%
Cost of revenue	-1,128	-1,054	-7%	-2,303	-2,267	-2%
Gross profit/(loss)	299	207	-31%	455	324	-29%
<i>margin</i>	21.0%	16.4%	(4.6pp)	16.5%	12.5%	(4.0pp)
Selling and distribution expenses	-42	-30	-28%	-91	-79	-13%
General and administrative expenses	-78	-79	1%	-165	-170	3%
Other operating income	113	138	22%	172	188	9%
Other operating expense	1	-24	-1802%	-7	-42	476%
EBITDA	294	212	-28%	363	220	-39%
<i>margin</i>	20.6%	16.8%	(3.8pp)	13.2%	8.5%	(4.7pp)
Depreciation, amortization	-39	-36	-8%	-79	-73	-8%
Operating profit / (loss)	255	176	-31%	284	147	-48%
Net finance costs	-83	-76	-9%	-157	-170	8%
Share of loss of equity-accounted investees	-4	-2	-46%	-6	-3	-57%
Profit / (loss) before zakat and income tax	167	98	-41%	121	-25	-121%
Zakat and Income tax expense	-12	-13	3%	-17	-24	46%
Loss for the year from continuing operations	155	85	-45%	104	-49	-147%
Loss for the year from discontinued operations	15	-1	-107%	10	-18	-291%
Profit / (loss) for the year	170	84	-50%	114	-68	-159%
Non-controlling interests	4	3	-21%	2	3	117%
Net profit group share	166	81	-51%	112	-71	-163%

*In 2023, Cenomi Retail changed its fiscal year-end from 31 March to 31 December

Balance Sheet

SAR million	31 Dec 23	30 June 24	Change
Assets			
Property, Plant and Equipment	1,150	1,125	-2%
Right-of-Use Assets	2,045	1,698	-17%
Goodwill and Intangible Assets	756	752	0%
Investment Property	1	1	-5%
Investment in associates and joint venture	65	66	1%
Other investments	74	37	-50%
Total Fixed Assets	4,091	3,679	-10%
Inventories	794	692	-13%
Advances, Deposits and Other Receivables	302	288	-5%
Prepayments, Rentals and Insurance	26	41	59%
Cash & Cash Equivalents	235	276	17%
Assets included in disposal group classified as held for sale	310	-	-100%
Total Current Assets	1,667	1,297	-22%
Total Assets	5,758	4,976	-14%
Equity & Liabilities			
Share Capital	1,148	1,148	0%
Reserves (Statutory, Foreign Currency and Fair Value)	(565)	(609)	8%
Fair value reserve	42	31	-26%
Accumulated Losses	(1,404)	(1,475)	5%
Equity Attributable to the Shareholders of the Company	(779)	(905)	16%
Non-Controlling Interest	(28)	(25)	-9%
Total Equity	(806)	(930)	15%
LT Loans and Borrowing	209	164	-21%
Lease Liabilities	1,556	1,404	-10%
Derivative liability	32	43	36%
Post-Employment Benefits	89	92	3%
Total Non-Current Liabilities	1,885	1,703	-10%
Trade and other payables	1,400	1,765	26%
Bank Overdraft	47	11	-77%
Zakat & Tax Liabilities	87	83	-4%
Lease Liability – current portion	579	423	-27%
ST Loans and Borrowings	2,298	1,922	-16%
Liabilities included in disposal group classified as held for sale	268	-	-100%
Total Current Liabilities	4,679	4,204	-10%
Total Liabilities	6,564	5,906	-10%
Total Equity & Liabilities	5,758	4,976	-14%

About Cenomi Retail:

Cenomi Retail, formed as Fawaz A. Alhokair & Co 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, Cenomi Retail has grown considerably and now trades in over 900 stores across 326 shopping malls in 9 countries, with a retail platform operating on a total GLA of more than 326 thousand square meters. All of this is managed by a workforce numbering more than 7,000. Cenomi Retail currently represents over 55 brands, spanning 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.cenomiretail.com

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