

AL HOKAIR

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**Fawaz Abdulaziz Al Hokair & Co.**

Earnings Release Presentation

Q 3 - F Y 2 0 2 1

# At a Glance: Q3-FY2021



**SAR 1,349.7 mn**

**Revenues**

▲ 13.8% q-o-q; ▲ 4.6% y-o-y  
LFL: ▼ 8.4% y-o-y

**SAR 157.4 mn**

**Gross Profit**

▲ 203.6% q-o-q; ▼ 39.0% y-o-y  
11.7% Margin

**SAR 55.7 mn**

**EBITDA**

▼ 22.6% q-o-q; ▼ 75.0% y-o-y  
4.1% Margin

**SAR 128.1 mn**

**Net Loss**

Q2-FY21: -SAR 98.2 mn;  
Q3-FY20: + SAR 36.1 mn

**SAR 1,108.4 mn**

**Inventory**

▼ 12.2% q-o-q; ▼ 45.4% y-o-y

**1,492**

**Stores (exc. F&B)**

▼ 2.5% q-o-q; ▼ 7.3% y-o-y  
**1,806 stores (incl. F&B)**

**90**

**Brands**

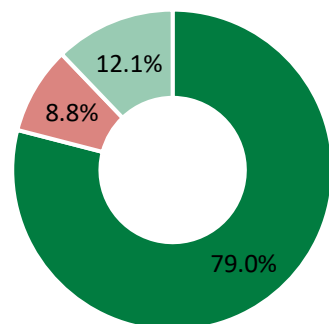
Q3-FY20: 85

**464,176 SQM**

**Gross Floor Area (exc. F&B)**

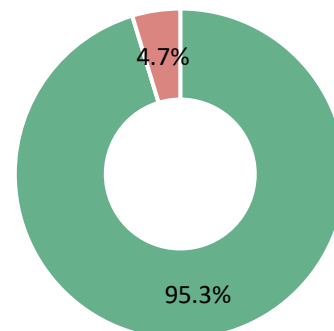
▼ 0.7% q-o-q; ▼ 2.8% y-o-y

Revenue by Division



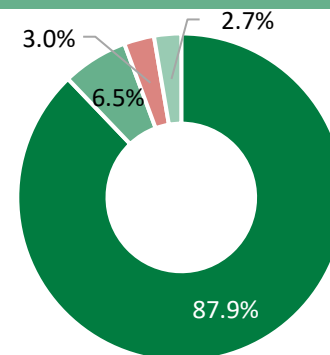
■ KSA Retail ■ F&B ■ Int'l Retail

Revenue by Channel



■ Store ■ Online

Revenue by Geography



■ KSA ■ CIS ■ Egypt ■ Others

**SAR 2,650**

**Revenue per sqm (excl. F&B)**

▲ 14.8% q-o-q; ▼ 1.9% y-o-y

**SAR 63.3 mn**

**Online Sales**

▲ 84% q-o-q; ▲ 438% y-o-y  
LFL: ▲ 256% y-o-y

# At a Glance: 9M-FY2021



**SAR 3,100.3 mn**  
**Revenues**

▼ 27.2% y-o-y

**SAR 33.4 mn**  
**Gross Loss**

9M-FY20: + SAR 949.0 mn

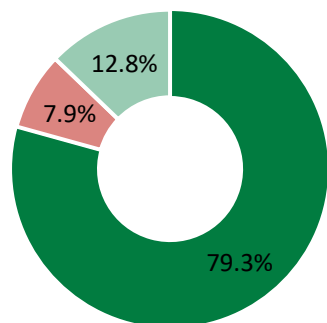
**SAR 206.6 mn**  
**EBITDA Loss**

9M-FY20: + SAR 812.7 mn

**SAR 761.9 mn**  
**Net Loss**

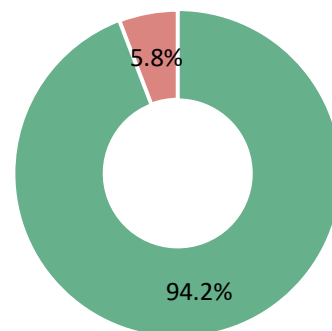
9M-FY20: + SAR 234.3 mn

Revenue by Division



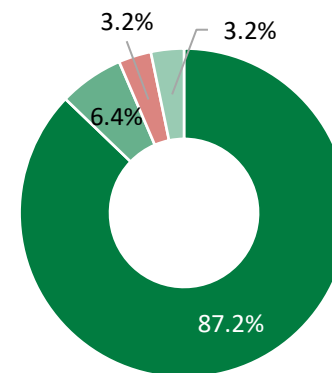
■ KSA Retail ■ F&B ■ Int'l Retail

Revenue by Channel



■ Store ■ Online

Revenue by Geography



■ KSA ■ CIS ■ Egypt ■ Others

**SAR 180 mn**  
**Online Sales**

▲ 641% y-o-y

# Adjusted Highlights\*: Q3-FY2021 & 9M-FY2021



## Q3-FY2021

**SAR 248.9 mn**

Gross Profit

▲ 41.9% q-o-q; ▲ 8.2% y-o-y

**18.4%**

Gross Profit Margin

Q2-FY21: 14.8%; Q3-FY20: 17.8%

**SAR 165.2 mn**

EBITDA

▼ 15.5% q-o-q; ▲ 3.8% y-o-y

**12.2%**

EBITDA Margin

Q2-FY21: 16.5%; Q3-FY20: 12.3%

**SAR 1.1 mn**

Net Loss

Q2-FY21: SAR 25.3mn;  
Q3-FY20: - SAR 28.1mn

**NM**

Net Profit Margin

Q2-FY21: 2.1%; Q3-FY20: NM

## 9M-FY2021

**SAR 360.6 mn**

Gross Profit

▼ 58.5% y-o-y

**11.6%**

Gross Profit Margin

9M-FY20: 20.4%

**SAR 205.4 mn**

EBITDA

9M-FY20: SAR 618.8mn

**6.6%**

EBITDA Margin

9M-FY20: 14.5%

**SAR 332.4 mn**

Net Loss

9M-FY20: 40.4 mn

**NM**

Net Profit Margin

9M-FY20: 0.9%

\* Adjusted for inventory provisions, cost credits, and additional VAT/zakat provisions (see Slide 17)



A man and a woman are shown from the chest up, standing side-by-side with their arms crossed. The man on the left is wearing a black quilted leather jacket over a dark scarf and a watch on his left wrist. The woman on the right is wearing a black quilted leather jacket over a patterned cardigan. They are both smiling. A large, semi-transparent green rectangle is overlaid on the image, containing the text 'Key Updates' and 'Q3-FY21'. The rectangle has white L-shaped corner brackets at the top-left and bottom-right corners.





# Key Updates

Q3-FY21

# On the Road to Sustainable and Profitable Growth



## Key Strategy Pillars

	Portfolio Optimization		Operational Excellence		Building a Lifestyle Brand		Commitment to Digital
	<p>Management is continuously revisiting its brands and stores portfolio performance targeting to increase store yields and lower costs.</p>		<p>Management is enhancing the business' financial and operational agility and efficiency through continued balance sheet and functional integration. The initiatives pave the path for sustainable growth.</p>		<p>Building a model that transcends traditional fashion retail by continuously expanding and diversifying its offering with the addition of exciting new brands across multiple segments.</p>		<p>Fully participate in the e-commerce space and develop an omnichannel model to merge digital with brick-and-mortar activity through unique services and functions.</p>
	Store network optimization		Inventory restructuring		New brand additions		Mono-brand platforms
	Exiting weak/nonperforming brands		Revamped inventory and supply chain management processes		New retail concepts		Multi-brand platforms
	Adding new brands that offer unique experience		Shared Service Center		Growing our F&B network		Third-party partnerships
	Increase Revenue per SQM		Disposal of noncore assets		Taping into the Sports and Lifestyle segments		Click-and-collect
					Loyalty and CRM program		Digital in-store interfaces



### Vision

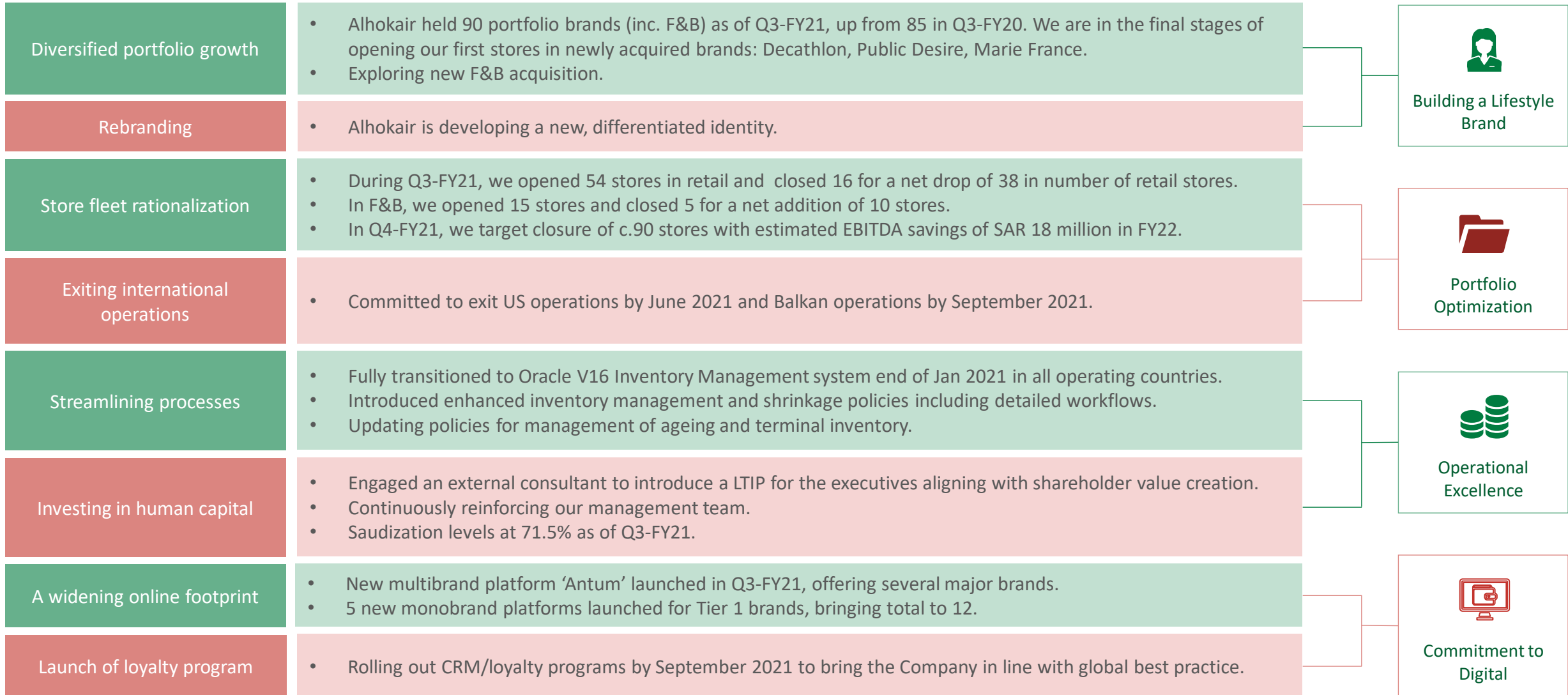
To lead the retail ecosystem and customer journey in KSA & key growth international markets



### Mission

To create a customer-focused organization that provides shoppers with the finest brands across a variety of segments

# Q3-FY21: Key Developments





A man and a woman are shown from the chest up, both wearing quilted leather jackets. The man on the left is also wearing a dark scarf and has his arms crossed. The woman on the right is smiling and also has her arms crossed. A semi-transparent dark rectangle is centered over the image, containing the text 'Financial & Operational Performance' and 'Q3-FY21'.

# Financial & Operational Performance

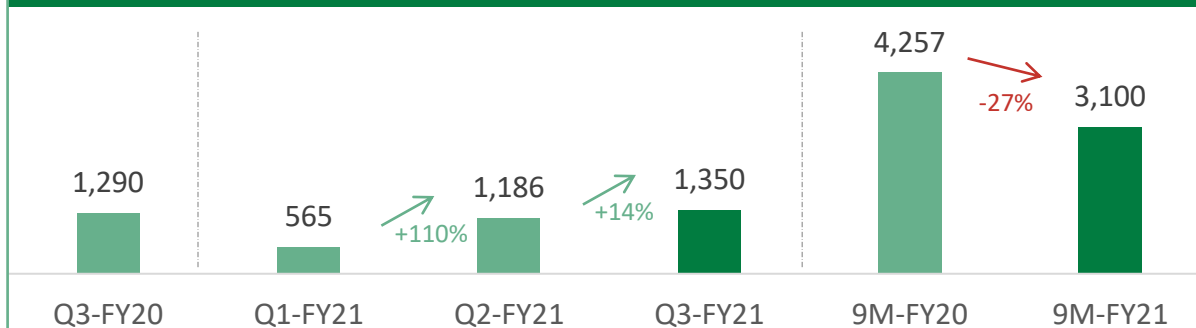
Q3-FY21



# Top Line Shows Sequential Growth On Gradual Footfall Recovery...

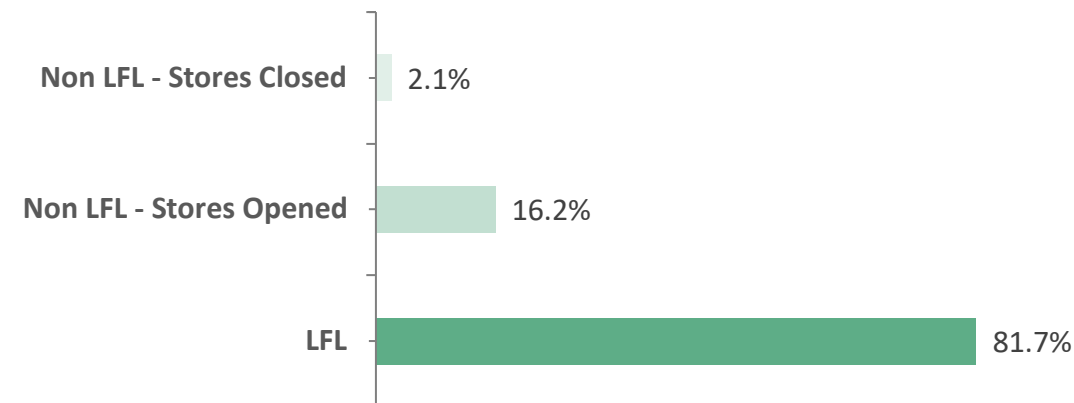


## Revenues (SAR mn)

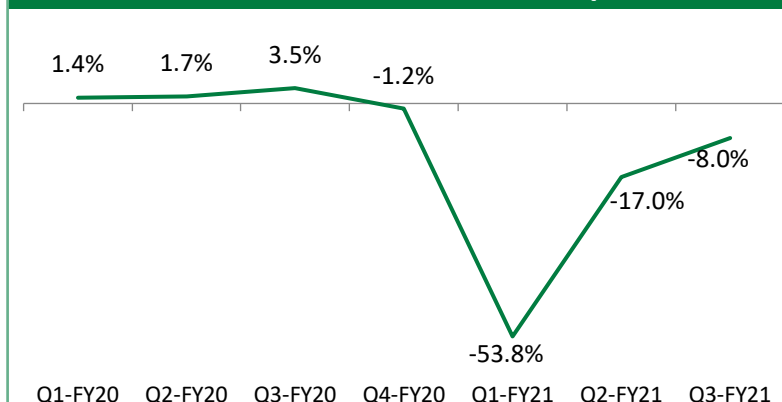


Revenues climbed by 13.8% q-o-q as the operating environment continued to normalize, with a steady recovery in footfall in KSA. Year-on-year, revenues were up by 4.6%, reflecting the consolidation of Alhokair's F&B business and growth in online sales during the period; despite a negative y-o-y growth in international operations.

## Q3 Revenue Breakdown



## LFL Growth (Consolidated)



Consolidated LFL growth was negative 8.4% y-o-y in Q3-FY21, a substantial improvement from Q2-FY21. Despite improved performance in KSA, LFL growth during the quarter was pressured by a weaker International contribution on the back of temporary lockdowns in light of a second wave of COVID-19.

## Latest Brand Additions to Offer Top Line Boost

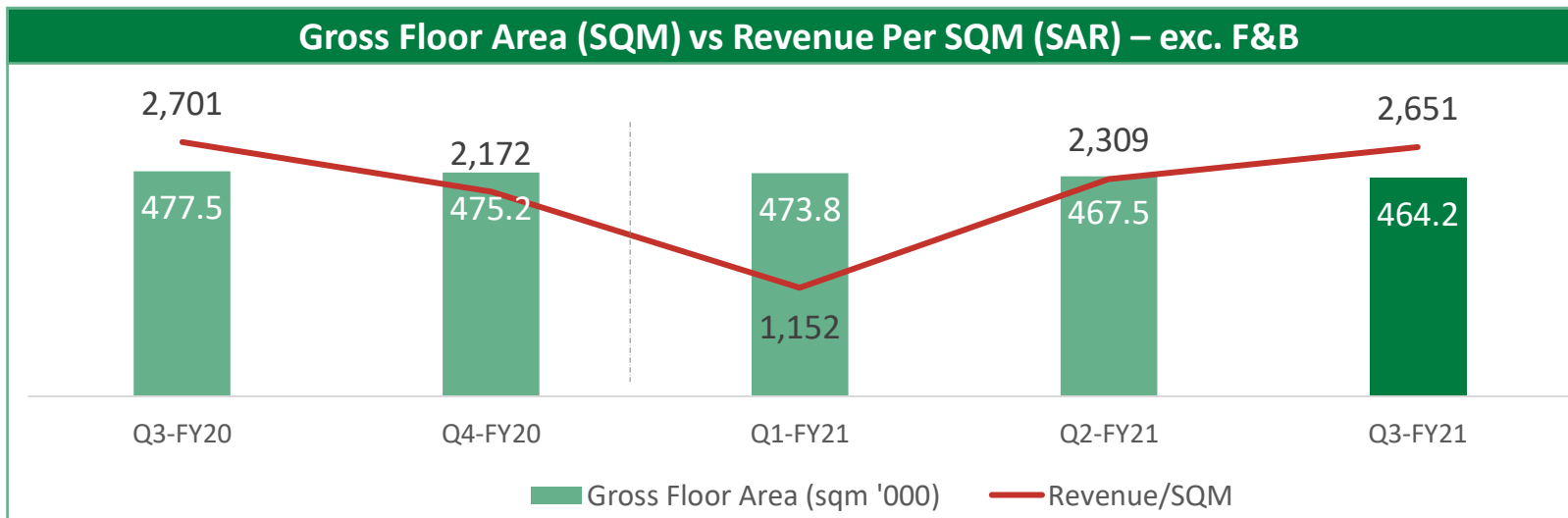
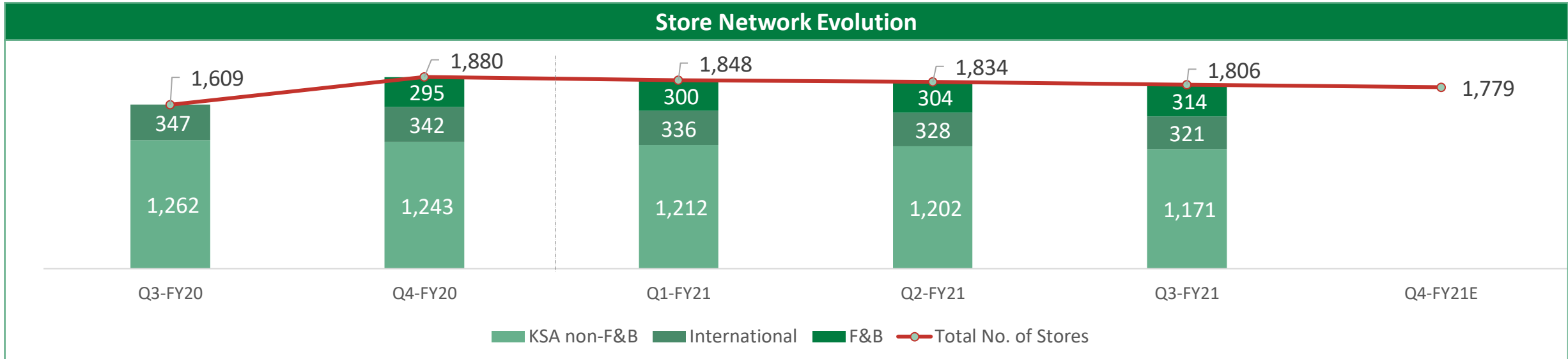
**DECATHLON**

*PUBLIC DESIRE*

bizou  
Marie  
France

Alhokair remains committed to transforming the Company from a pure fashion retailer into a lifestyle destination. The Company signed new brands in Q3-FY21 and is slated to open its first Decathlon store end of March 2021. Alhokair continues to pursue new growth avenues in the beauty and electronics segments.

# ...Despite Ongoing Store Fleet Rationalization



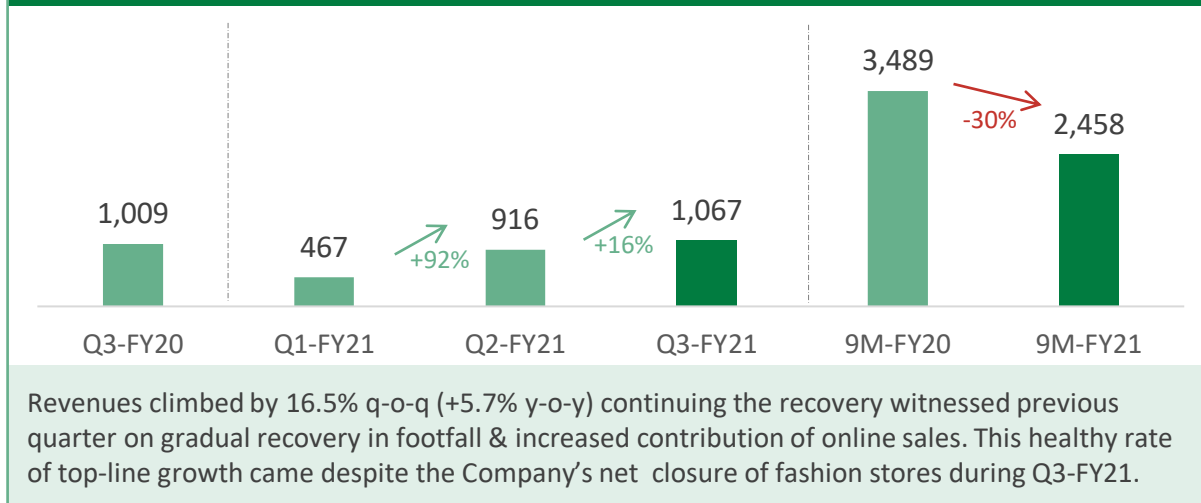
In line with Alhokair's portfolio optimization strategy, the Company continues to rationalize its store fleet in the fashion segment. During Q3-FY21, the store network contracted by a net of 38 stores (31 in KSA and 7 in international markets). However, Alhokair's gross selling area showed slower growth as the plan for Alhokair is to continue opening larger stores while closing the smaller ones.

To develop a sustainable retail platform, Alhokair will continue to optimize its store portfolio on an ongoing basis, following international best practice. Alhokair expects to close c.90 stores during Q4-FY21, with resulting EBITDA savings estimated at SAR 18 million in FY21-22. The Company continuously assesses store performance with an eye to determining the scope for further efficiencies.

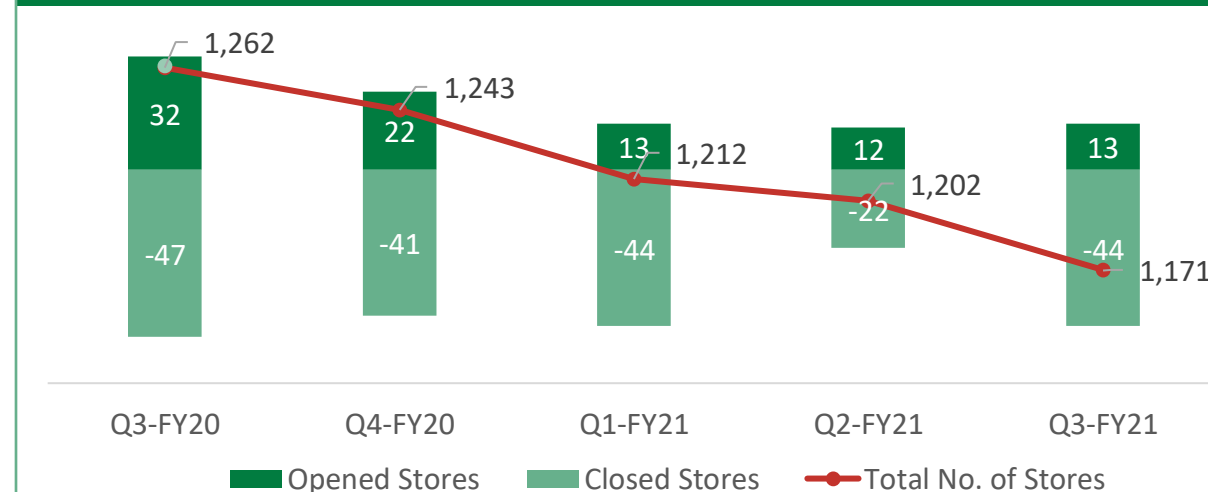
# KSA Remains Our Core Market and Key Focus



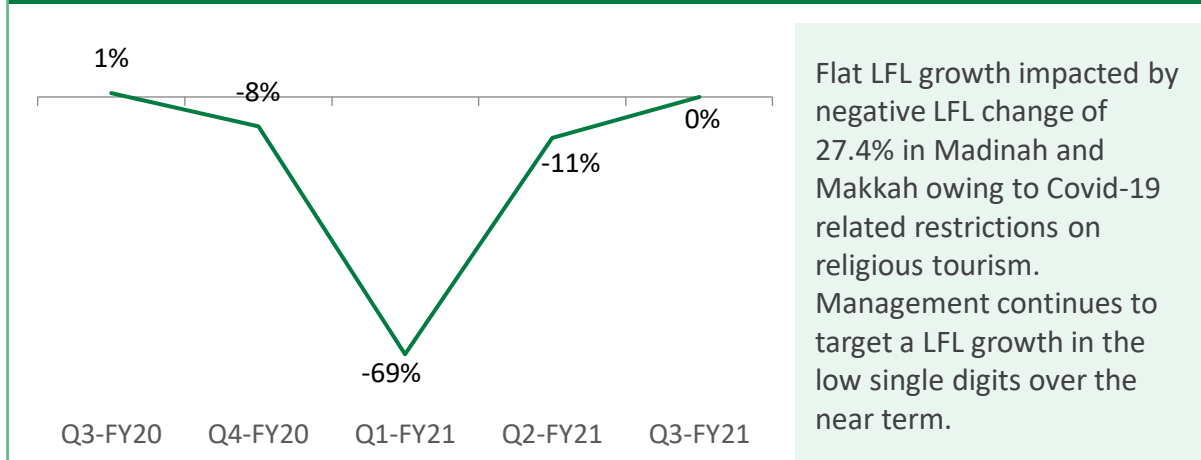
## KSA Retail Revenues (SAR mn)



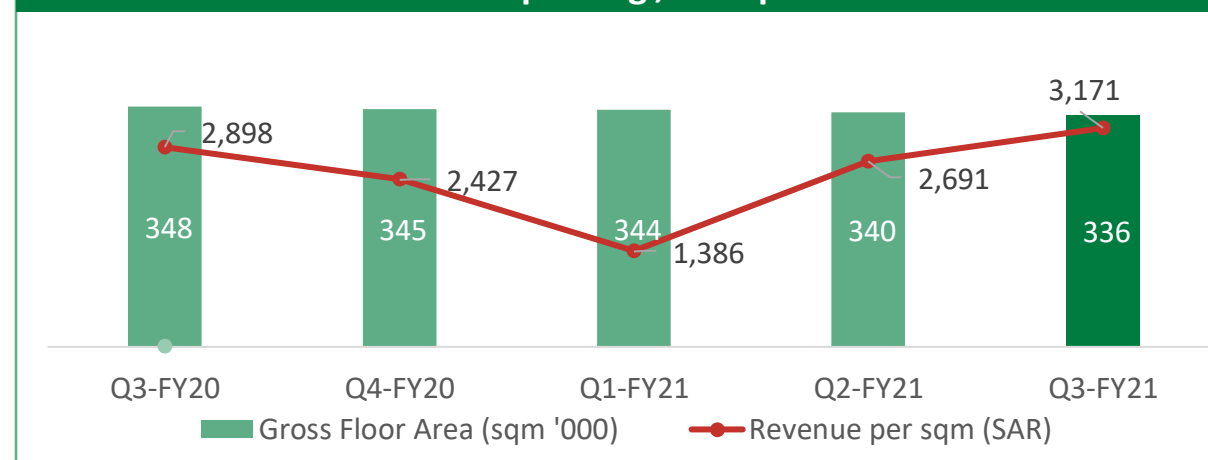
## KSA Retail Store Network Evolution



## KSA Retail LFL Growth



## Store Yields Improving , On Upward Trend

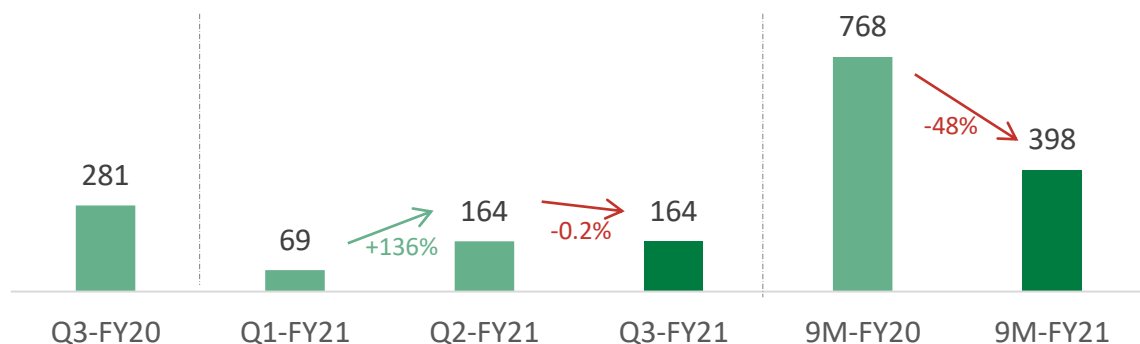




# Eyeing Continued Growth in CIS, Egypt; Exit From Other International Operations

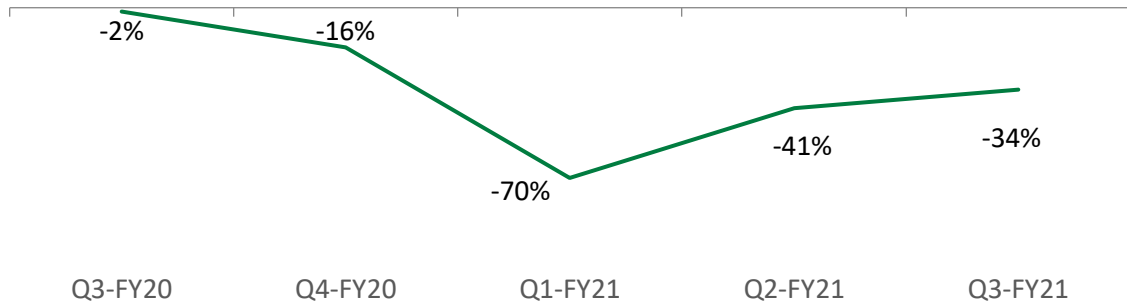


## International Revenues (SAR mn)



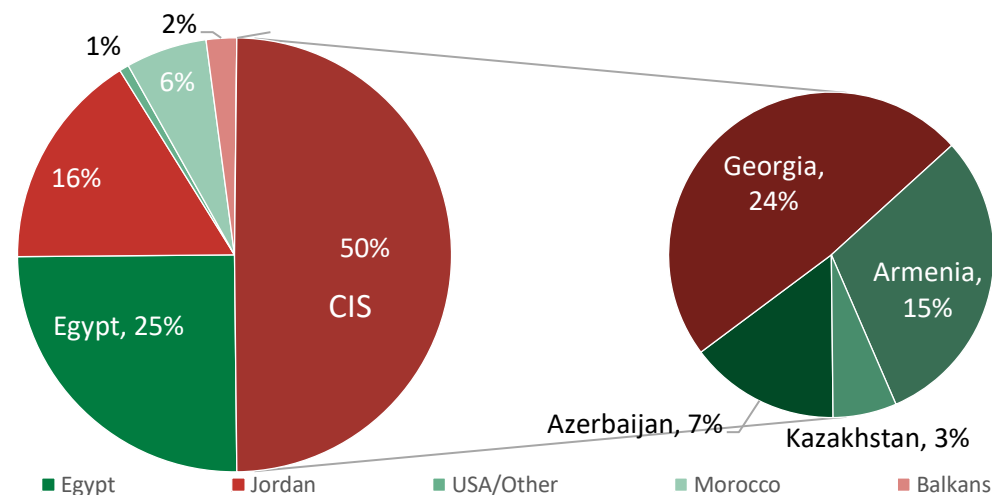
Alhokair's international revenues were stable q-o-q and down by 41.7% y-o-y, reflecting the reimposition of lockdowns in light of a second wave of COVID-19.

## International LFL Growth



LFL revenues dropped 34% y-o-y on the back of continued store closures. The Company's major international contributors were closed for an average of 28 days during Q3-FY21, while Armenian operations were negatively affected by political tensions.

## Net International Revenue by Market – 9MFY21



The Company continues to generate the bulk of its international revenues in the Commonwealth of Independent States (CIS) and in Egypt.

Committed to exiting efficiently from noncore international operations in the near term

Exit US operations by June 2021

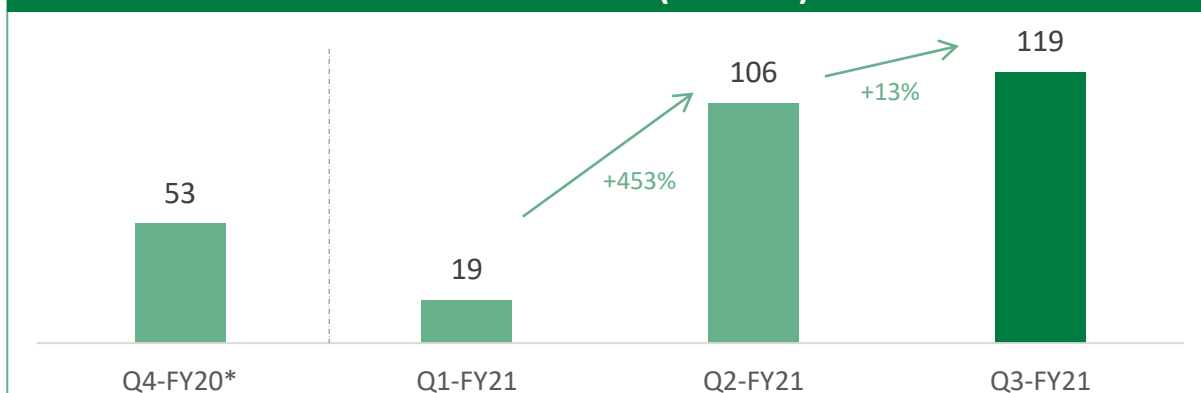
Exit Balkan operations (Montenegro, Macedonia, and Serbia) by September 2021

**Sustainable growth with increased financial flexibility and efficiencies**

# F&B Segment Posting Healthy Growth

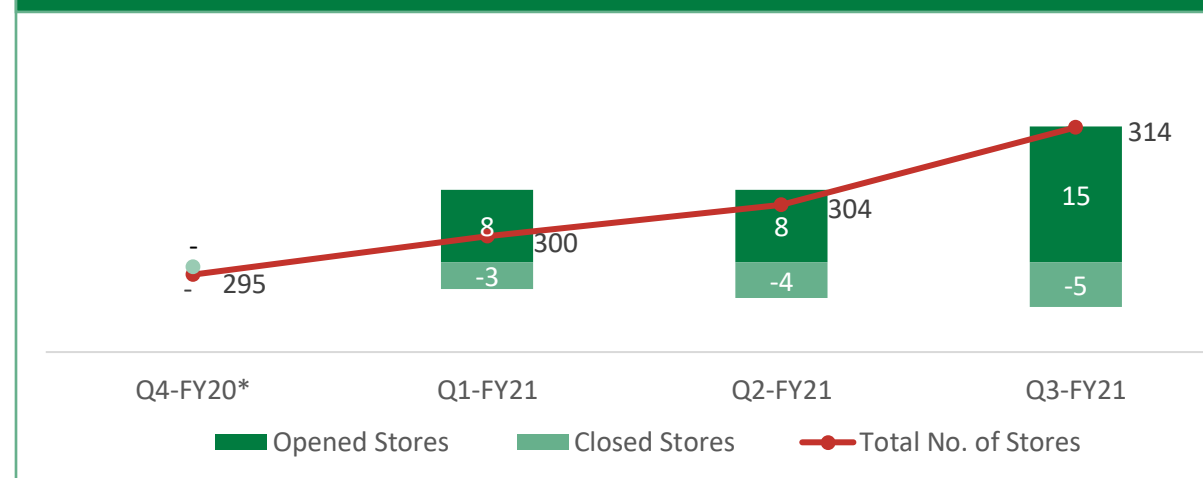


## F&B Revenues (SAR mn)

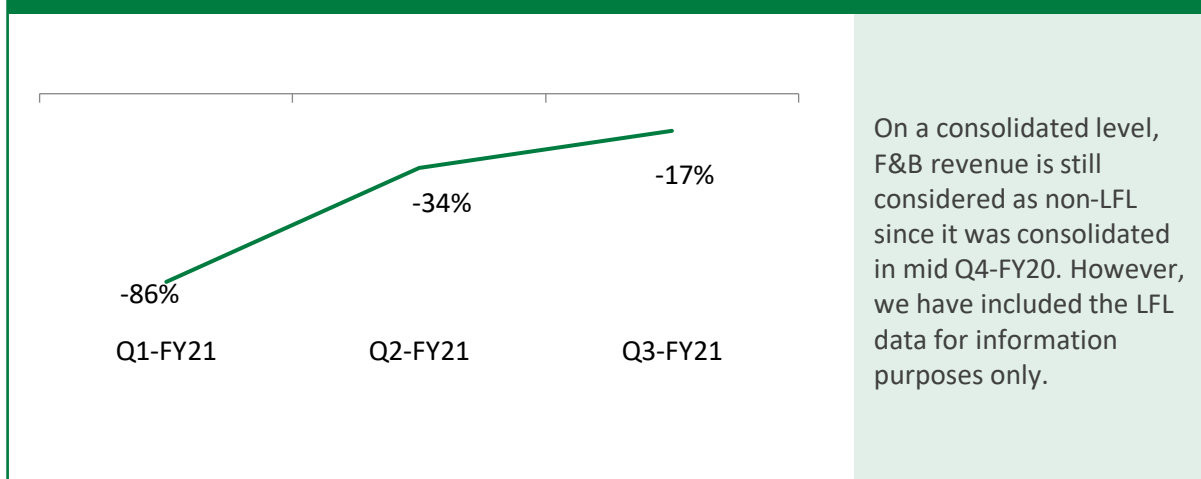


Alhokair's F&B segment saw revenues climb by 12.7% q-o-q during Q3-FY21 despite operating at 60% seating capacity in our dine-in locations.

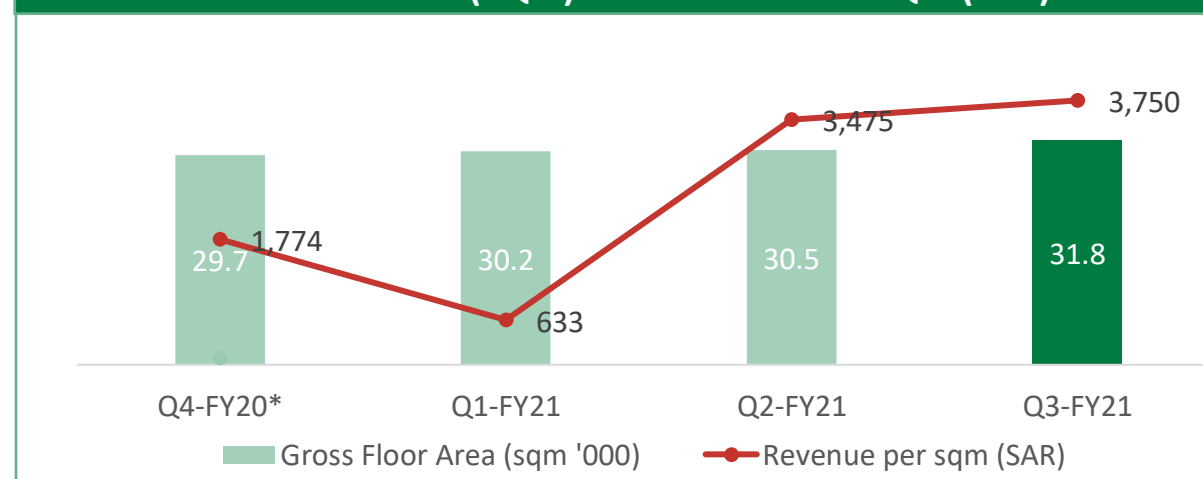
## F&B Store Network Evolution



## F&B LFL Growth



## Gross Floor Area (SQM) and Revenue Per SQM (SAR)

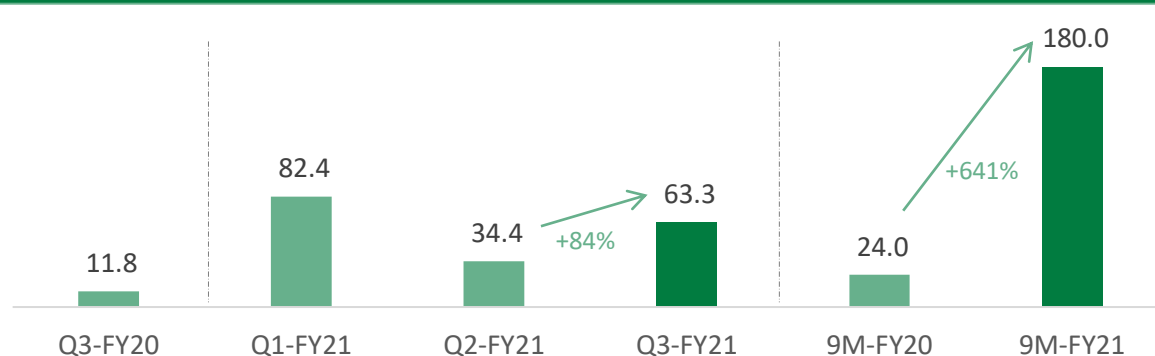


\* Alhokair consolidated operations at IUC in Q4-FY20. Displayed Q4-FY20 revenue & revenue per sqm relate to the period post the consolidation date and do not reflect a full quarter

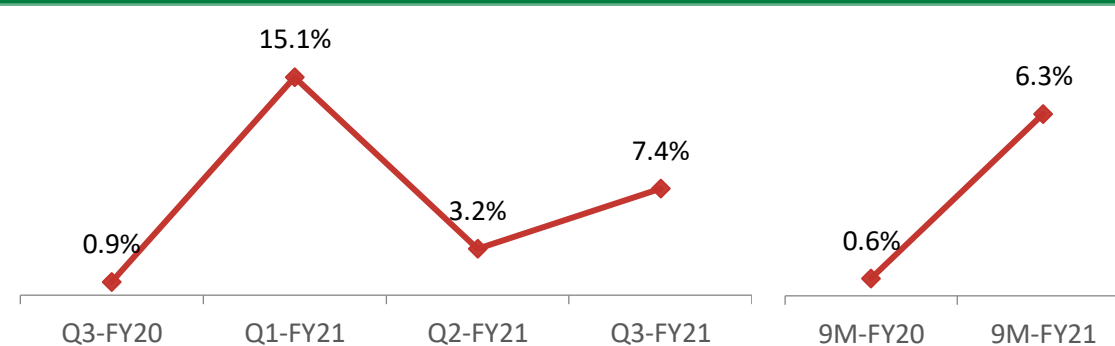
# Online Sales Expanding Rapidly...



## Online Revenues (SAR mn)



## E-Commerce, % of Total Retail Sales



Alhokair booked SAR 63.3 million in online revenues for Q3-FY21, up by 84% q-o-q and 438% y-o-y. LFL, online growth booked a remarkable 256% y-o-y, reflecting progress on management's core strategy of maximizing returns from Alhokair's e-commerce platforms.

## Online Revenues (SAR mn)



**SAR 199 million**  
12M Trailing

**SAR 375 million**  
FY2022 Target

## Share of Total Revenues (exc. F&B)



**5.1%**  
12M Trailing

**6.3%**  
FY2022 Target



# ...Deepening Digital Transformation and Driving Omnichannel Experience



## Creating an unmatched shopping experience for Alhokair's customers

- Added 5 monobrand platforms in Q3-FY21: Stradivarius, Pull & Bear, Bershka, Oxxo, and Okaidi.
- Multibrand platform 'Antum' launched
- Enhanced offering on marketplace partners: Noon, Namshi, and Mumzworld.
- Exploring acquisition of pure-play online verticals.



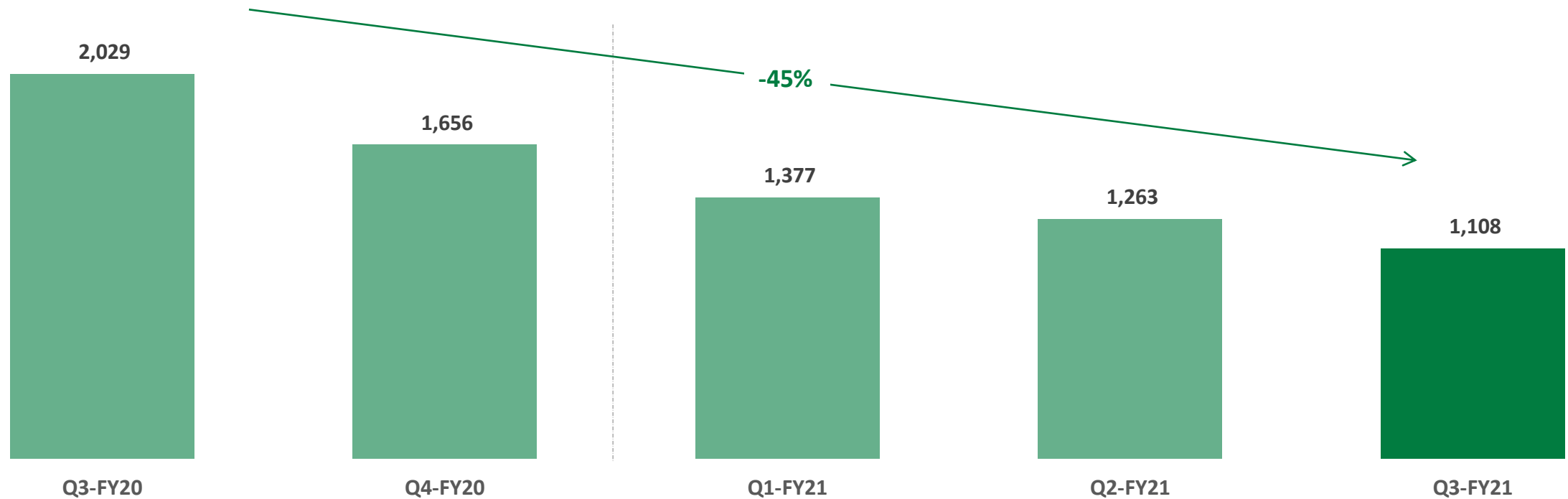
- Continued **renovation and upscaling** of Tier 1 Brand stores.
- Investment in training and technology to enhance in-store experience.
- Supply chain management boosts speed-to-market.

- Loyalty program under development to be launched by September 2021.
- Generate behavioral insights into existing and prospective consumers
- Increase understanding and retention of existing customers.
- Boost advantages over competing brands.
- Increase customer lifetime value.
- Enhance effective cross-selling of products.

# Intensive Balance Sheet Restructuring...



## Quarterly Inventory Balance (SAR mn)



Inventory balances booked SAR 1,108.4 million for Q3-FY21, marking a reduction of SAR 98.2 million in 9M-FY21. This decrease follows a physical count of actual inventory that had covered c.75% of stores at the close of Q3-FY21 and consequent recognition of accumulated shrinkage in line with Alhokair's restructuring efforts and active supply chain management. Management is satisfied with the high quality of the closing inventory balance. Inventory turnover stood at 19.5 weeks and continue to target an average of 16 weeks.

# ...Accompanied By An Aggressive Action Plan



Al-Hokair continues to rationalize its inventory balances and progress toward reaching optimal inventory levels is nearing completion.

## Restructuring

Phase	Target	Income Statement Impact
Q4-FY2020 Q1-FY2021	Asset Impairments	SAR <b>239.4</b> million
Q4-FY2020 Q1-FY2021	Mark to Market - Legacy and Ageing Stock Provisions	SAR <b>702.7</b> million
Q2-FY2021	Accumulated Shrinkage – 35% of No. of Stores	SAR <b>124</b> million
Q3-FY2021	Accumulated Shrinkage – 75% of No. of Stores	SAR <b>91.5</b> million
Q4-FY2021 E	Accumulated Shrinkage – 100% No. of Stores	SAR <b>50</b> million

## Action Plan

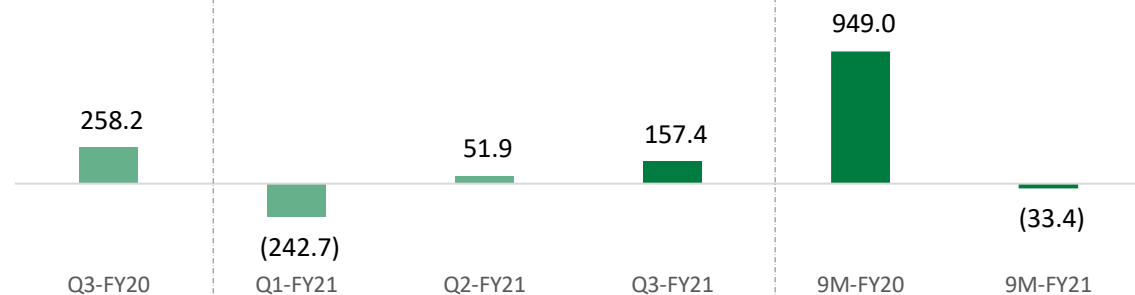
Systems	Policies & Procedures	Logistics	Digitalization/Technology
<p>Streamlined three different ERPs into one comprehensive ERP (Oracle V16) for all operating countries.</p> <ul style="list-style-type: none"> <li>Enables timely visibility on inventory levels for all countries</li> <li>Facilitates decision making process</li> <li>Provides detailed analysis on terminal stock</li> <li>Allows timely update of physical count</li> </ul> <p>Implemented CCTV surveillance across all stores.</p>	<ul style="list-style-type: none"> <li>Developed and drafted with PwC updated policies and procedures including workflows to all touchpoints.</li> <li>Drafted and implemented shrinkage policy defining accountability of stock shortage allowing maximum exposure of 1% of sales</li> <li>FY21-22 target to perform bi-annual physical count</li> <li>Revisited ageing policy and procedure with target implementation by Q2 FY22</li> </ul>	<ul style="list-style-type: none"> <li>Consolidated three different warehouses into one single location</li> <li>Currently implementing WMS in the new location</li> <li>On target to close the Dubai warehouse by end of March.</li> </ul>	<p>Post ERP stabilization, the Company will explore further enhancements by implementing latest technology:</p> <ul style="list-style-type: none"> <li>RFID</li> <li>Auto replenishment</li> <li>Efficient stock-taking using dedicated applications</li> <li>OTB enhancement</li> <li>Revisiting agent policies</li> </ul>



# Gross Profitability Recovers Despite Nonrecurring Outlays...

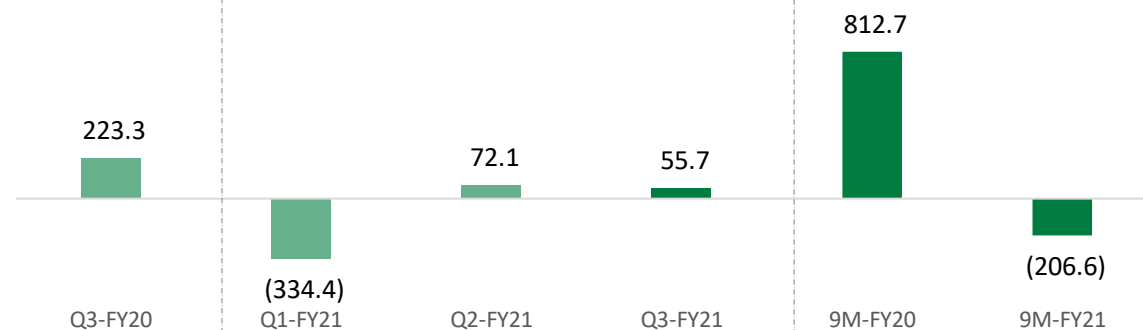


## Gross Profit (SAR mn)



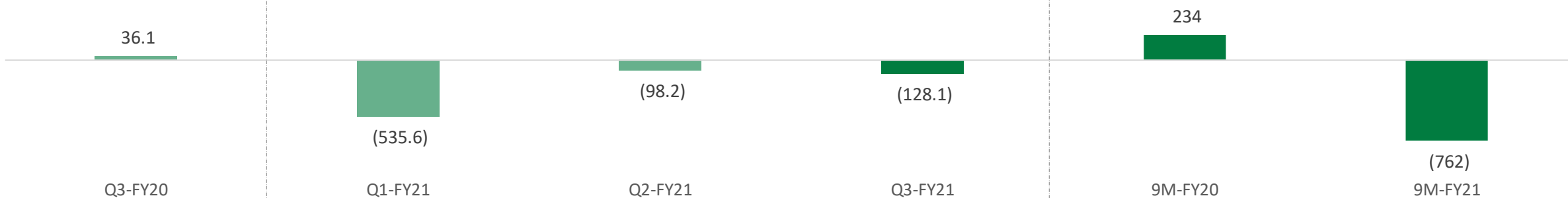
Gross profit + 204 q-o-q, despite the recognition of certain nonrecurring expenses under the cost of revenue, including SAR 91.5 million from accumulated inventory shrinkage. The GPM stood at 11.7%.

## EBITDA (SAR mn)



EBITDA recorded a profit of SAR 55.7 million for Q3-FY21, a drop of 22.6% q-o-q and 75.0% y-o-y. Alhokair's EBITDA margin narrowed to 4.1% from 6.1% one quarter previously.

## Net Profit (SAR mn)



Alhokair booked a net loss of SAR 128.1 million for Q3-FY21 against a net loss of SAR 98.2 million for Q2-FY21.

# ...With Adjusted Figures Suggesting Stronger Operational Recovery



# Debt Management In Focus



Re-financing furthers capital structure optimization with an eye to boosting liquidity position and flexibility to invest in the business.

## Summary Credit Metrics

SAR mn	Mar'20	Sep '20	Dec '20
Total Interest-Bearing Debt	3,183	3,117	3,120
Cash Position	686	665	585
Net Debt	2,497	2,452	2,535

## Debt Management Strategy

Balanced debt position with matched maturity profile

Deleveraging with potential accelerated repayment supported by strengthening EBITDA (Kingdom deal is a proof of concept)

Targeting Healthy debt levels

Debt re-profiling  
completed

## Improved terms and pricing yielding

Significant Enhancement of Liquidity  
Position

Optimization of Working Capital

Continuing support  
from our main lenders



# APPENDIX



# Income Statement



SAR Million	Q3-FY20	Q3-FY21	Change y-o-y	9M-FY20	9M-FY21	Change
<b>Revenue</b>	1,290	1,350	4.6%	4,257	3,100	-27.2%
Cost of Revenue	(1,032)	(1,192)	15.6%	(3,308)	(3,134)	-5.3%
<b>Gross Profit</b>	<b>258</b>	<b>157</b>	<b>-39.0%</b>	<b>949</b>	<b>(33)</b>	<b>-</b>
<i>Gross Profit Margin</i>	20.0%	11.7%	(8.4)	22.3%	-1.1%	-
Selling and Distribution Expenses	(51)	(28)	-44.6%	(118)	(109)	-7.7%
General and Administrative Expenses	(34)	(88)	159%	(118)	(207)	74.9%
Impairments	(32)	10	-131%	(32)	(19)	-42.2%
Other operating expense	(6)	(19)	251.9%	(51)	(71)	38.0%
Depreciation and Amortization	(71)	(74)	3.7%	(205)	(228)	10.8%
Other Income (loss), net	88	24	-73%	184	232	26.5%
<b>Operating Income</b>	<b>152</b>	<b>(18)</b>	<b>-</b>	<b>607</b>	<b>(434)</b>	<b>-</b>
<i>Operating Income Margin</i>	11.8%	-1.3%	(13.1)	14.3%	-14.0%	-
Financial Charges	(104)	(83)	-20.2%	(338)	(275)	-18.7%
Share of loss of associates	-	(1)	-	-	(1)	-
<b>Profit before Zakat and Tax</b>	<b>48</b>	<b>(102)</b>	<b>-</b>	<b>269</b>	<b>(710)</b>	<b>-</b>
Zakat and Income Tax	(12)	(26)	114%	(35)	(52)	48%
<b>Net Profit for the Period</b>	<b>36</b>	<b>(128)</b>	<b>-</b>	<b>234</b>	<b>(762)</b>	<b>-</b>
<i>Net Profit Margin</i>	2.8%	-9.5%	-	5.5%	-24.6%	-
<b>Attributable to:</b>						
<b>Shareholders of the Company</b>	<b>34</b>	<b>(129)</b>	<b>-</b>	<b>231</b>	<b>(753)</b>	<b>-</b>
Non-Controlling Interest	2	0	-	3	(9)	-
<b>Earnings per Share Basic and Diluted</b>	<b>0.16</b>	<b>(0.6)</b>		<b>1.10</b>	<b>(3.59)</b>	<b>-</b>
<b>EBITDA</b>	<b>223</b>	<b>56</b>	<b>-75%</b>	<b>813</b>	<b>(207)</b>	<b>-</b>
<i>EBITDA Margin</i>	17.3%	4.1%	(13.2)	19.1%	-6.7%	-

# Balance Sheet

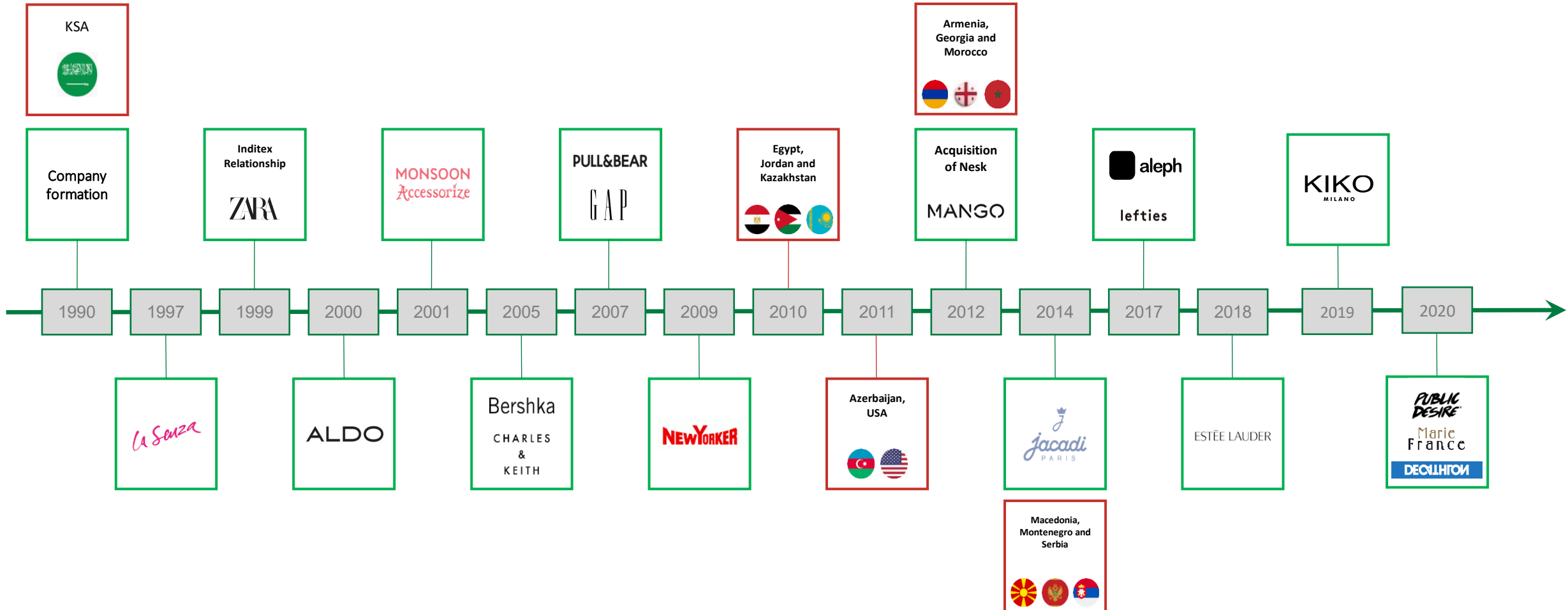


SAR Million	31 March 2020	31 December 2020	Change
<b>Assets</b>			
Property, Plant and Equipment	1,514	1,380	-9%
Right-of-Use Assets	4,058	3,618	100%
Goodwill and Intangible Assets	1,080	1,065	-1%
Investment Property	4	4	0%
Investment in Associates & Others	232	218	-6%
Receivables from Disposal of Subsidiaries / Brands	75	-	-100%
<b>Total Fixed Assets</b>	<b>6,962</b>	<b>6,285</b>	<b>-10%</b>
Inventories	1,656	1,108	-33%
Advances, Deposits and Other Receivables	570	579	2%
Prepayments, Rentals and Insurance	68	26	-63%
Receivables from Disposal of Subsidiaries / Brands	75	75	0%
Cash & Cash Equivalents	686	585	0%
Assets held for sale	-	-	0%
<b>Total Current Assets</b>	<b>3,056</b>	<b>2,374</b>	<b>-22%</b>
<b>Total Assets</b>	<b>10,018</b>	<b>8,659</b>	<b>-14%</b>
<b>Equity &amp; Liabilities</b>			
Share Capital	2,100	2,100	0%
Reserves ( Statutory, Foreign Currency and Fair Value)	(373)	(360)	-4%
Accumulated Losses	(112)	(865)	671%
Equity Attributable to the Shareholders of the Company	1,615	875	-46%
Non-Controlling Interest	(85)	(95)	11%
<b>Total Equity</b>	<b>1,530</b>	<b>781</b>	<b>-49%</b>
LT Loans and Borrowing	2,424	2,365	-2%
Lease Liabilities	3,611	2,959	100%
Post-Employment Benefits	102	97	-5%
<b>Total Non-Current Liabilities</b>	<b>6,137</b>	<b>5,420</b>	<b>-12%</b>
Trade Payables	473	318	-33%
Accruals and Other Liabilities	462	433	-6%
Zakat & Tax Liabilities	11	46	327%
Lease Liability – current portion	647	905	100%
ST Loans and Borrowings	760	755	-1%
<b>Total Current Liabilities</b>	<b>2,352</b>	<b>2,457</b>	<b>4%</b>
<b>Total Liabilities</b>	<b>8,488</b>	<b>7,878</b>	<b>-7%</b>
<b>Total Equity &amp; Liabilities</b>	<b>10,018</b>	<b>8,659</b>	<b>-14%</b>

# Group History



Established in 1990 with two operational stores, the Group has since built a track record of introducing global Brands to KSA and entering new markets



# Our Brand Portfolio



AlHokair Fashion Retail holds a portfolio of over 102 brand representations and ownership covering all market segments

## Department Stores



## Fashion Boutique



## Lingerie



## Electronics



## Kids Fashion



## Shoes & Accessories



# Our Brand Portfolio



## Women's & Men's Fashion



## Youth Fashion



## Cosmetics



## Home



## Entertainment and Food & Beverage







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Thank you