

Earnings Presentation | Q1-FY23

As at 30 June 2022



Management Review Q1-FY23

/ Alhokair at a Glance – Q1-FY23

Q1-FY23 results supported by resumption of the Holy month of Ramadan; international operations and F&B exhibit robust performance

82

Brands

1,676

Total Number of Stores

484k

Gross Floor Area, sqm

+10,500

Employees

71%

Saudization

Key Differentiators

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

Leading Franchise Retailer in KSA

by market share with a genuine omnichannel experience



1,052

Total Retail Stores



314

Total F&B Stores



363k

Gross Floor Area, sqm



9.4%

Market Share*

Strong International Presence

with recovering performance & pickup in momentum



310

Total Retail Stores



10

Int'l Countries



16%

of Q1-FY23 Revenue



8

New markets via Vogacloset

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

/ Differentiated brand portfolio; diverse revenues

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

82
brands*

Targeting most consumer segments through economy and fast fashion brands

Diversifying F&B offering

Successful relationships with partners and alignment on strategy

Evolving brand mix focused on high margin segments

			Q1-FY23	FY22
24	Fast Fashion		55.3%	52.8%
4	Economy		9.8%	10.6%
14	F&B		6.9%	8.5%
7	Footwear		5.6%	6.2%
1	Electronics		4.5%	5.3%
2	High Street		3.9%	3.7%
7	Kidswear		3.5%	3.2%
7	Accessories		3.5%	3.1%
5	Lingerie and intimate apparel		2.9%	3.1%
1	Beauty & Makeup		1.7%	1.1%
6	Homewear		0.9%	1.1%
1	Entertainment		0.9%	0.9%
2	Sports		0.5%	0.4%
1	Lifestyle		0.3%	0.03%

* Brand count as of 30 June 2022. Count excludes newly signed agreements (Fnac Darty & Secrets)

/ Key brand & store openings

Retail

Q1-FY23 Retail

- **28** stores opened
- **16** stores closed
- Net **12** openings

FY23 Retail

- **c. 80** stores to be opened with Capex of ~ SAR 220mn

FY23 openings



F&B

Q1-FY23 F&B

- **11** stores opened
- **15** stores closed
- Net **4** closures

FY23 F&B

- **c. 120 new outlets** (inc. acquisition of sub-franchises) to be added, with FY23 Capex of ~ SAR 120mn

FY23 openings



/ Omnichannel transition

Ongoing channel optimization on Vogacloset & via our Monobrand platforms

Vogacloset

V

- **48** Alhokair fashion brands are now live
- Total stock on hand of **c.130K units**

Monobrand Platforms

KSA	International
18	7

Q1-FY23

- Launched 4 new monobrand sites in KSA: Charles & Keith, La Vie en Rose, FG4 Kids & Women, and Jacadi. The Company currently operates a total of 18 monosites.
- Launched 2 new monobrand sites in Georgia and Armenia for Bershka, with total number of monobrand sites in international markets reaching 7.



Financial Review Q1-FY23

/ At-a-glance

Q1-FY23

SAR 1,706 mn

Revenue

▲ +0.3% vs Q1-FY22

SAR 278 mn

Gross Profit

▼ -16.4% vs Q1-FY22

SAR 146 mn

EBITDA*

▼ -3.3% vs Q1-FY22

SAR 58 mn

Net Profit

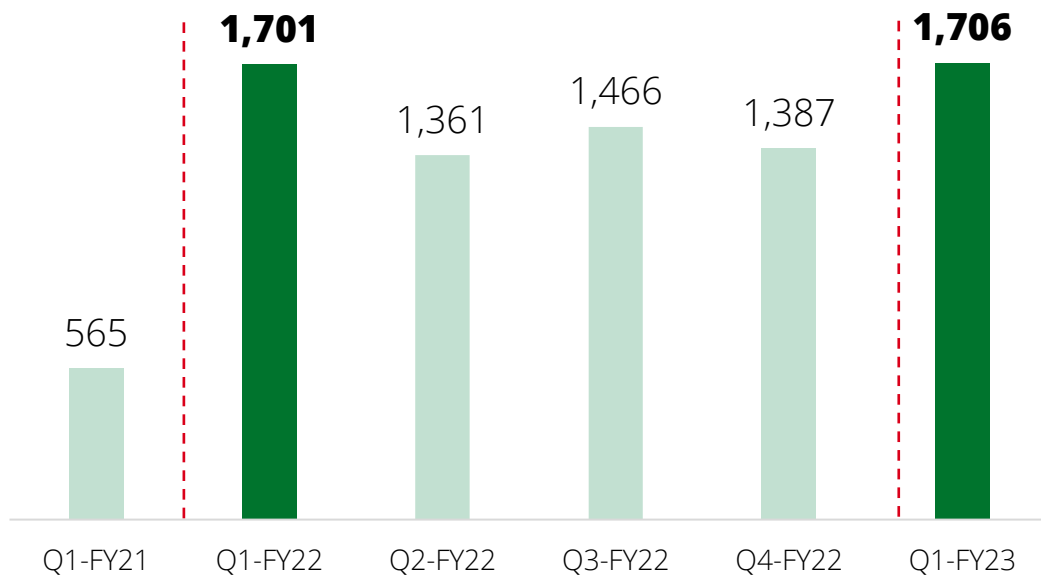
▲ +26.1% vs Q1-FY22

*EBITDA represents pre-IFRS 16 EBITDA, i.e. EBITDA after deducting depreciation on right-of-use assets and finance cost on lease liability

Stable top line performance

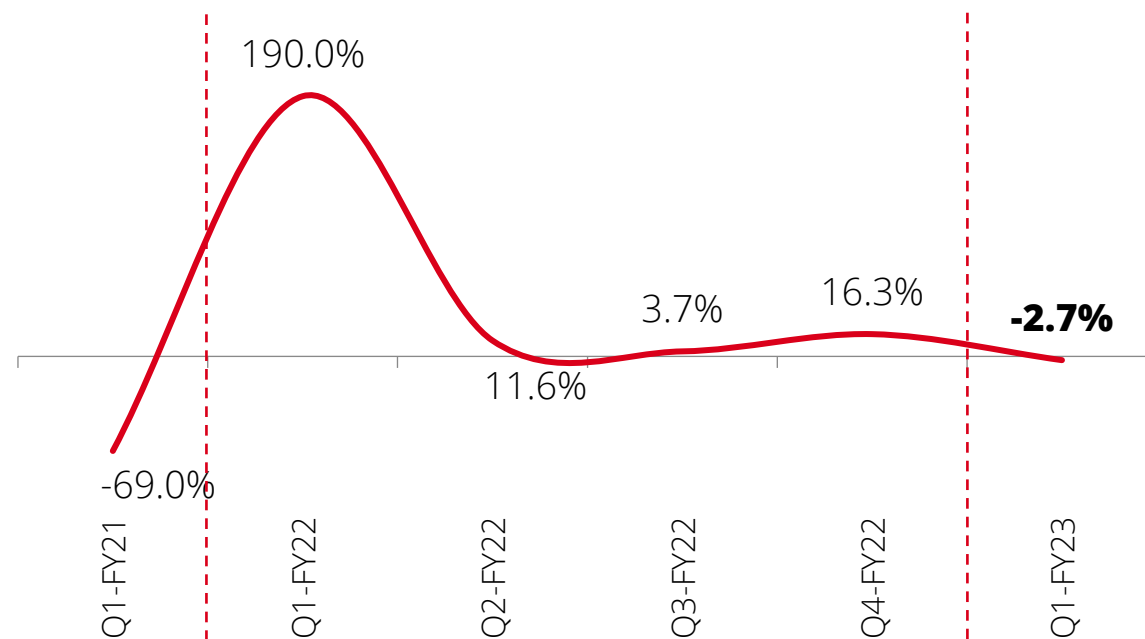
Revenue, SAR million

Stable revenue performance in Q1-FY23, at SAR 1,705 million (+0.30% YoY), supported by international operations and F&B



LFL consolidated sales growth, %

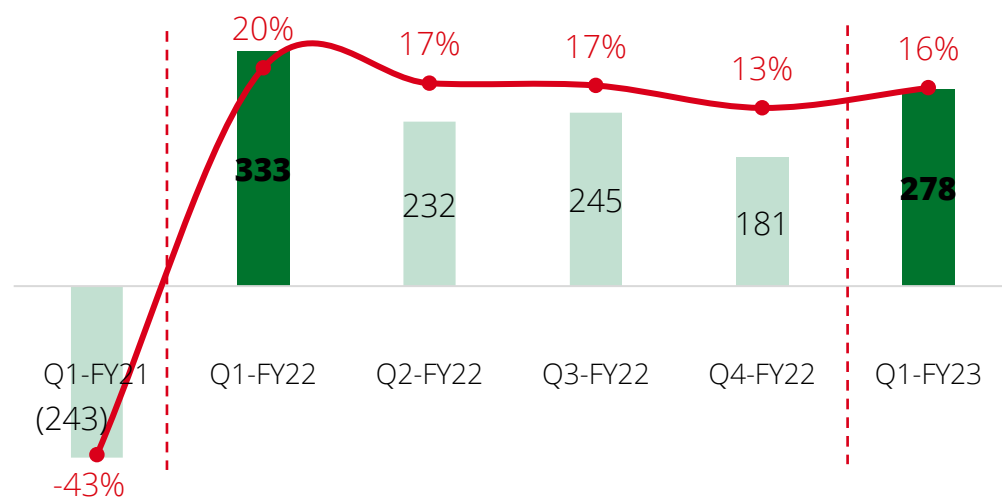
LFL revenue declined 3% YoY, due to Saudi retail, as a result of absence of Ramadan ramp-up period



Margins moderate due to discount period change and absence of Ramadan ramp-up

Gross Profit, SAR million – GPM, %

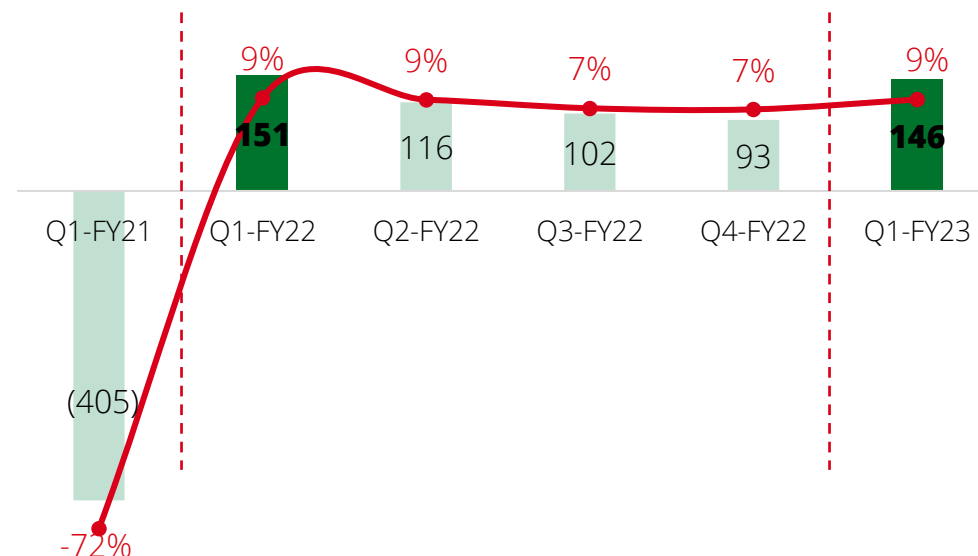
Gross profit reached SAR 278 mn in Q1-FY23, with a GPM of 16.3%, due to absence of Ramadan ramp up period and change in discount period adopted by the Company



- Trading Margin (Revenue less COGS less royalties less normalized inventory provisions) stood at 40.1% in Q1-FY23 versus 42.1% for same quarter last year.

EBITDA, SAR million – EBITDA Margin, %

EBITDA margin of 8.6% surpasses management guidance

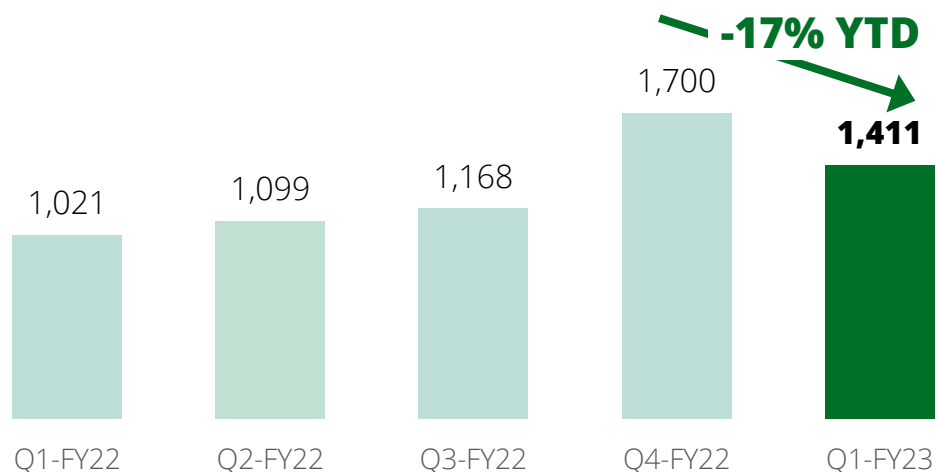


- EBITDA represents pre-IFRS 16 EBITDA, i.e., after deducting depreciation on right-of-use assets and finance cost on lease liability

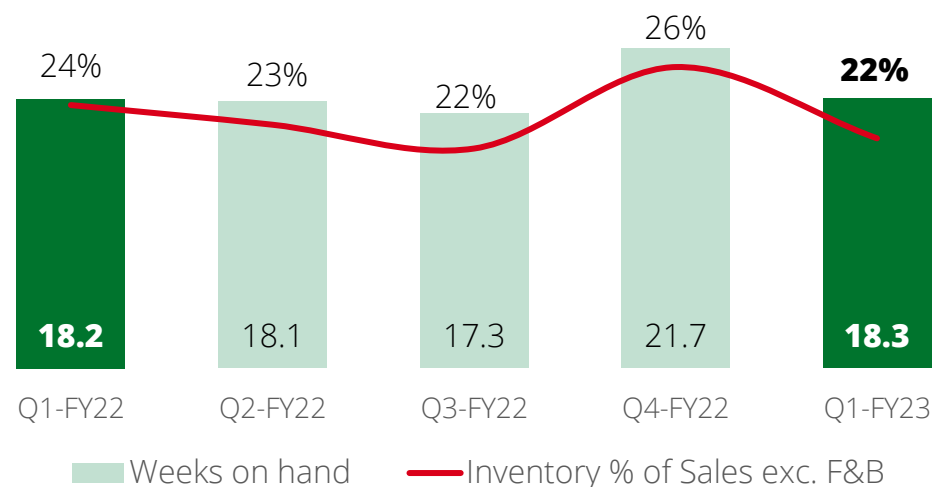
/ Balance sheet optimization

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

Inventory balance (SAR million)



Inventory efficiency ratios



- Lower inventory due to focus on inventory optimization, and with Ramadan and Eid Al Adha stocks reduced significantly

/ Balance Sheet Actions

Capital restructuring on track, with capital reduction already implemented.
Rights Issue of SAR 1 billion is pending CMA approval

1.

Share Capital of SAR 1.1 bn
with **accumulated
losses of SAR 21.6 mn** as
at 30-Jun-2022

2.

**Capital reduction
by 45.3% completed**
by cancelling 95.2 mn
shares following EGM
held on 29 June 2022

3.

**Capital increase by
way of a SAR 1.0 bn
rights issue** to SAR
2.1 bn

Strengthening our financial position to enable long term sustainable growth

1

Lower leverage with proceeds
used to lower
Net Debt/EBITDA to 3.8-4.3x

2

Additional funding to support
executing growth plan and
exploring new initiatives

3

Greater cashflow headroom
accelerating ability to distribute
dividends

/ Key takeaways – Q1-FY23

1.

Steady improvement in the bottom line, supported by trading activity during the Holy month of Ramadan and cost rationalization

2.

International retail operations report robust revenues (+22% YoY), driven by positive momentum from CIS countries and Jordan

3.

F&B segment on sustained growth trajectory, with focus on expanding domestic footprint, whilst migrating existing brands to select international markets

4.

Ongoing successful execution of Operational Upgrade Strategy; Ramping up our Digitization and Transformation

5.

Recapitalization on track, to provide solid financial position supporting growth agenda



Thank you

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Financial Statements

/ Income Statement Q1-FY23

SAR Million	Q1-FY23	Q1-FY22	% Change YoY
Revenue	1,706	1,701	0.3%
Cost of Revenue	(1,428)	(1,368)	4.3%
Gross Profit	278	333	-16.4%
Gross Profit Margin	16.3%	19.6%	(3.3)
Selling and Distribution Expenses	(44)	(44)	-0.4%
General and Administrative Expenses	(85)	(99)	-13.3%
Other operating expense	(8)	(15)	-45.6%
Depreciation and Amortization	(41)	(65)	-37.2%
Other Operating Income	44	18	139.7%
Operating Income	144	128	12.2%
Operating Income Margin	8.4%	7.5%	0.9
Financial Charges	(68)	(72)	-5.7%
Profit before Zakat and Tax	76	56	35.1%
Zakat and Income Tax	(18)	(10)	75.1%
Net Profit for the Period	58	46	26.1%
Net Profit Margin	3.4%	2.7%	0.7
Attributable to:			
Shareholders of the Company	58	47	22.8%
Non-Controlling Interest	0.1	(1)	NM
Earnings per Share Basic and Diluted	0.50	0.41	22.8%
Pre-IFRS 16 EBITDA	148	151	-3.3%
EBITDA Margin	8.6%	8.9%	(0.32)

Balance Sheet Q1-FY23

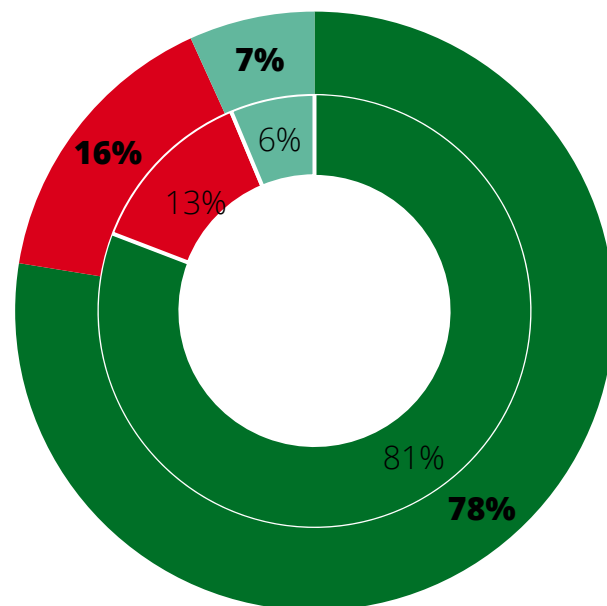
SAR Million	30 June 2022	31 March 2022	% Change
Assets			
Property, Plant and Equipment	1,420	1,358	5%
Right-of-Use Assets	3,306	3,276	1%
Goodwill and Intangible Assets	1,094	1,083	1%
Investment Property	2	2	0%
Equity-accounted investees	63	62	2%
Other investments	297	300	-1%
Derivative asset	30	30	0%
Total Fixed Assets	6,212	6,110	2%
Inventories	1,411	1,700	-17.0%
Advances, Deposits and Other Receivables	548	475	16%
Prepayments, Rentals and Insurance	59	64	-7%
Cash & Cash Equivalents	197	198	0%
Total Current Assets	2,216	2,437	-9%
Total Assets	8,428	8,547	-1%
Equity & Liabilities			
Share Capital	1,148	2,100	-45%
Reserves (Statutory, Foreign Currency and Fair Value)	(512)	(520)	-1%
Fair Value Reserve	13	13	0%
Accumulated Losses	28	(982)	-103%
Equity Attributable to the Shareholders of the Company	676	611	11%
Non-Controlling Interest	(107)	(107)	0%
Total Equity	570	504	13%
Lease Liabilities	2,876	2,846	1%
Post-Employment Benefits	107	103	4%
Total Non-Current Liabilities	2,984	2,949	1%
Trade and other payables	1,261	1,496	-16%
Bank Overdraft	50	50	0%
Zakat & Tax Liabilities	50	37	34%
Lease Liability – current portion	641	632	1%
ST Loans and Borrowings	2,873	2,878	0%
Total Current Liabilities	4,875	5,094	-4%
Total Liabilities	7,858	8,043	-2%
Total Equity & Liabilities	8,428	8,547	-1%



Segmental Information

/ Revenue breakdown

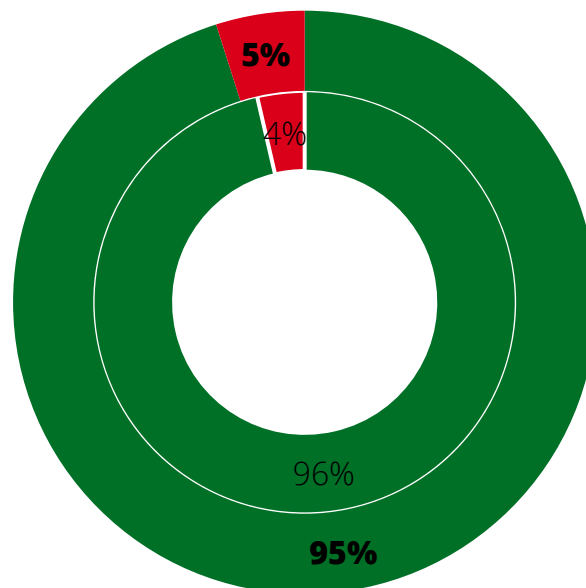
Revenue by division



Q1-FY23 - Outer circle
Q1-FY22 - Inner circle

■ KSA Retail ■ Int'l Retail ■ F&B

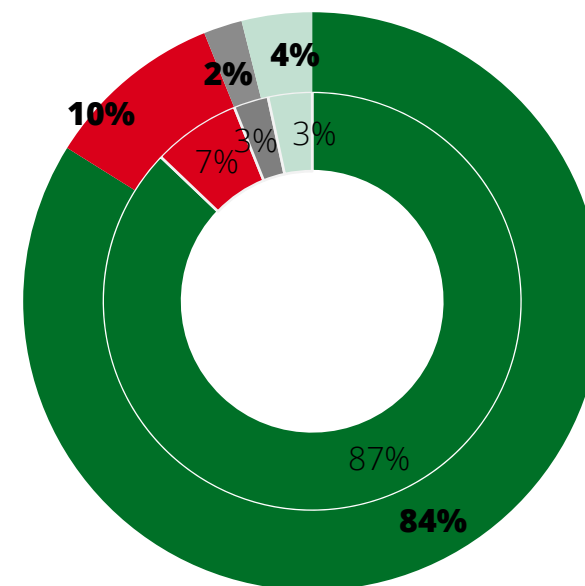
Revenue by channel



Q1-FY 23 - Outer circle
Q1-FY 22 - Inner circle

■ Stores ■ Online

Revenue by geography



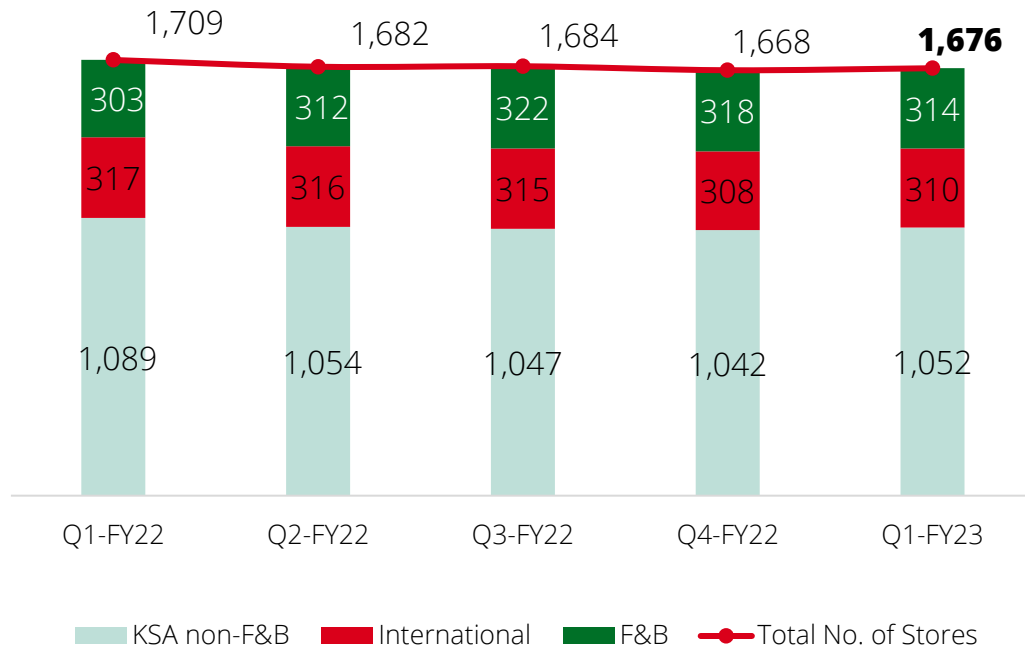
Q1-FY23 - Outer circle
Q1-FY22 - Inner circle

■ KSA ■ CIS ■ Egypt ■ Others

Store base rationalization slowing down

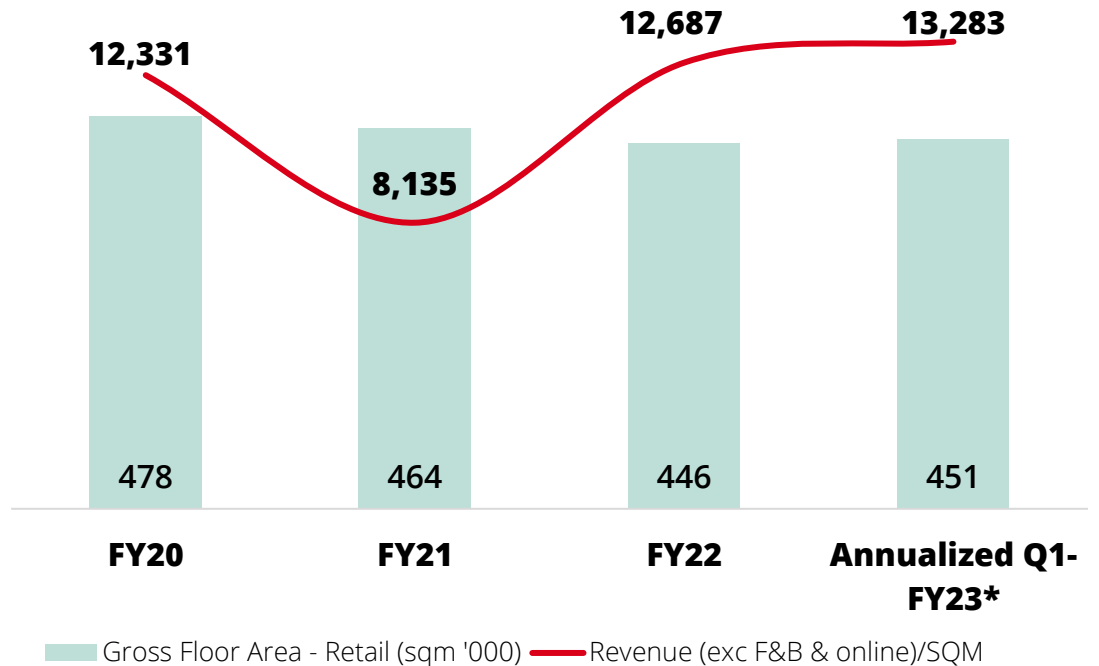
Store network evolution

Net store openings of 11 stores in Q1-FY23



Gross Floor Area, SQM vs Sales Density, SAR

Q1-FY23 revenue per sqm of SAR 13,283, an increase of 5% YoY on strong international retail performance

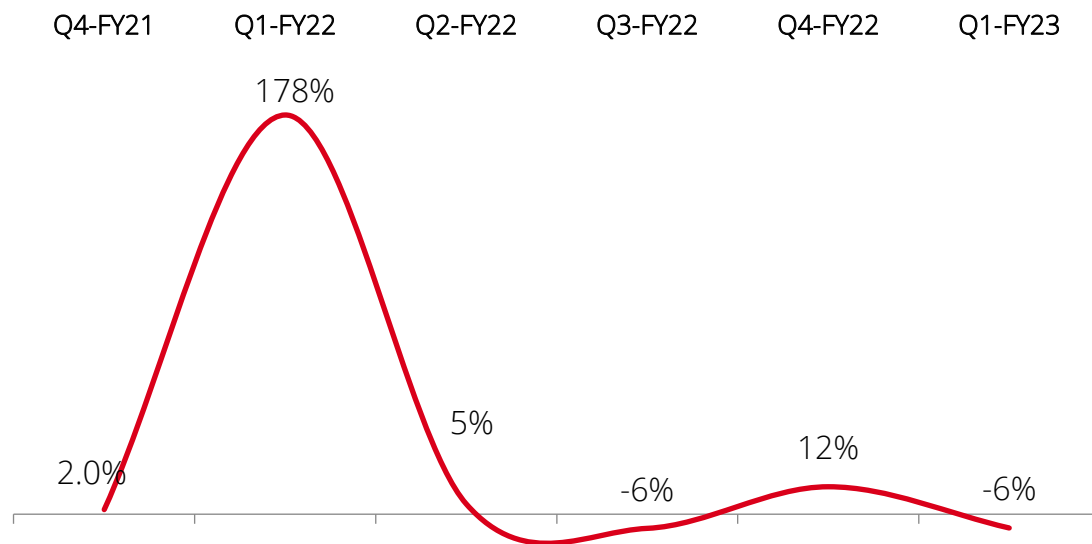


*Annualized figures are based on the period run rates

/ Same-store sales showing mixed performance

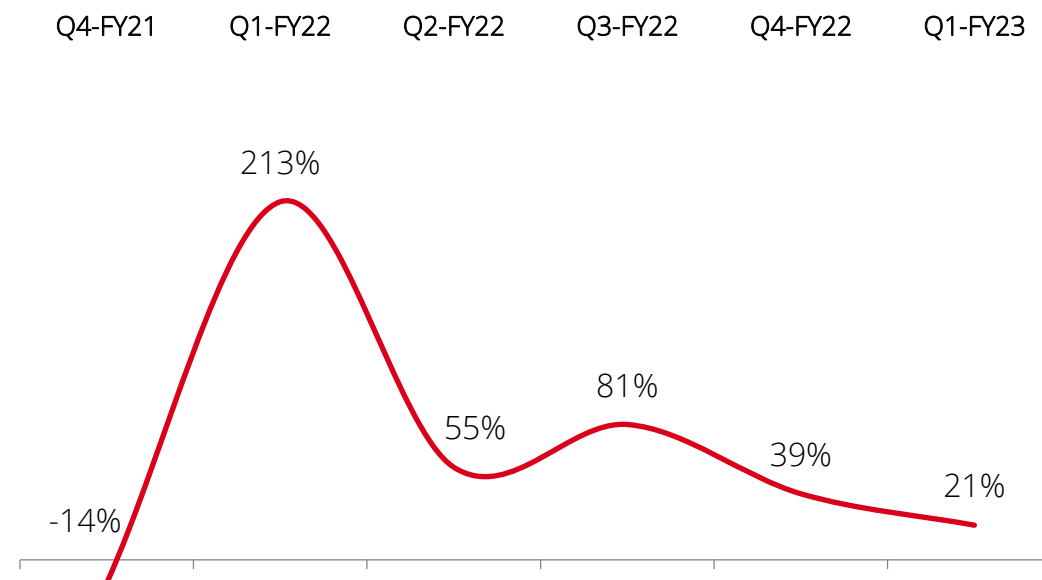
LFL Saudi retail sales growth, %

Saudi LFL revenues down 6% in Q1-FY23, due to absence of Ramadan ramp-up, which was fully captured in Q1-FY22 and overall softness in trading activity



LFL international retail sales growth, %

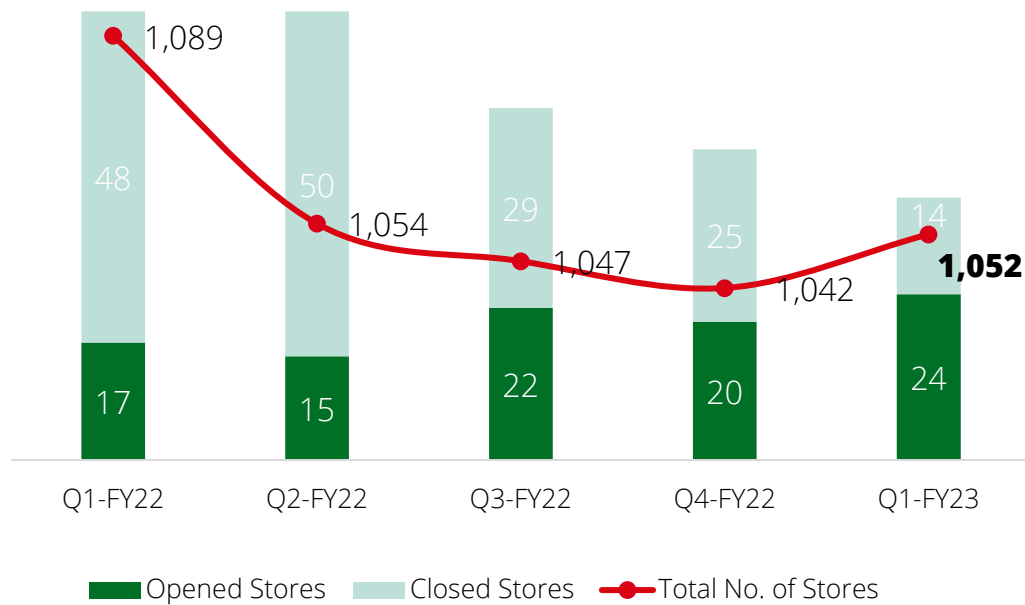
LFL revenues up 21%, due to sustained improvement in performance of the CIS countries and Jordan despite weakness in Egypt



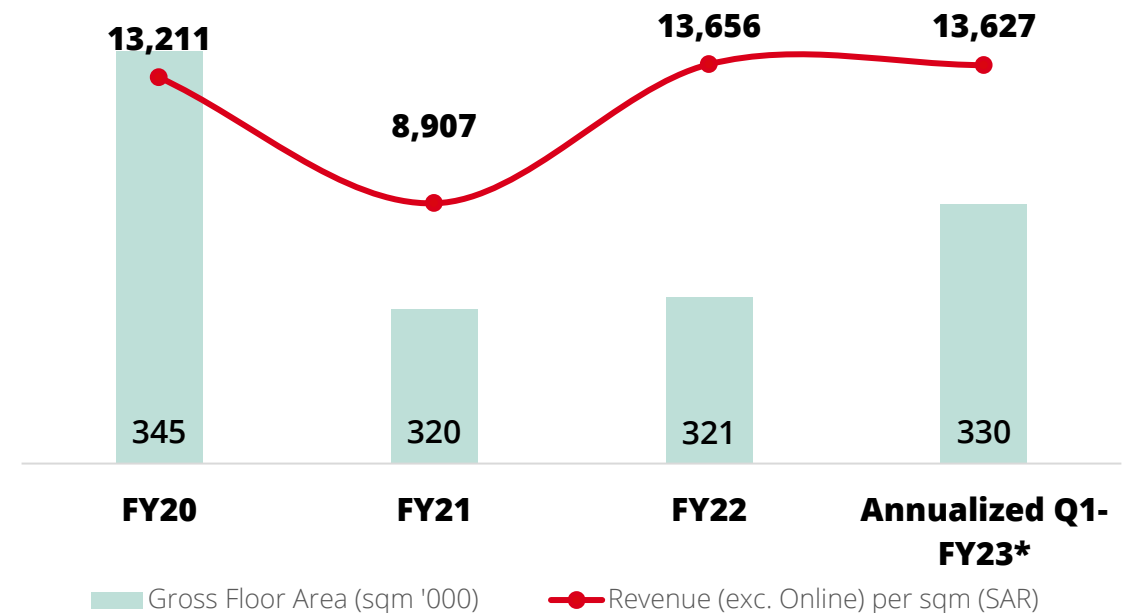
/ Saudi Arabia remains core market, key focus

Q1-FY23 KSA revenue per sqm remained flat on stable performance

Saudi retail store network evolution



Gross Floor Area, SQM vs Sales Density, SAR

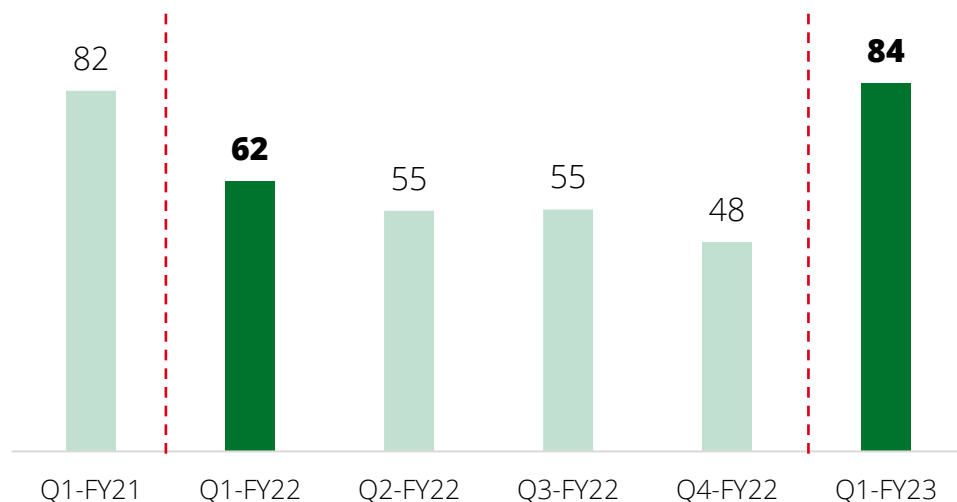


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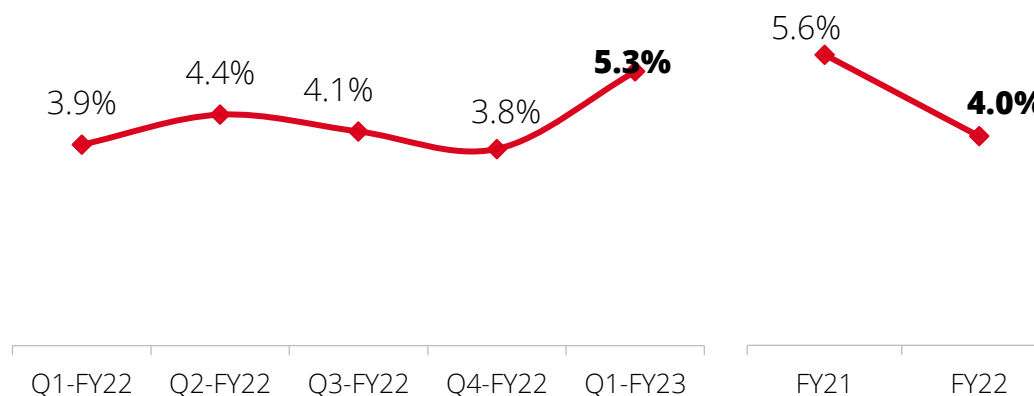
Rapid growth in online sales

Online sales almost doubled over the last quarter due to Ramadan trading, and surpassed levels achieved during the pandemic. Contribution to retail revenue exceeds 5% (exc F&B).

Online revenues, SAR million



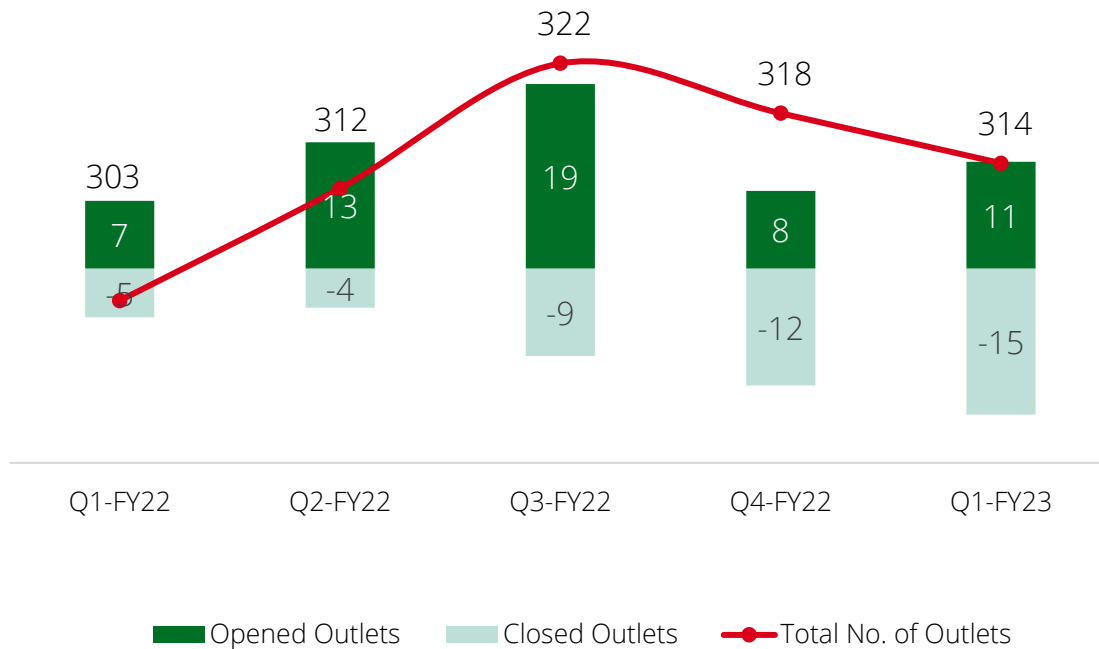
E-commerce sales, % of total retail sales



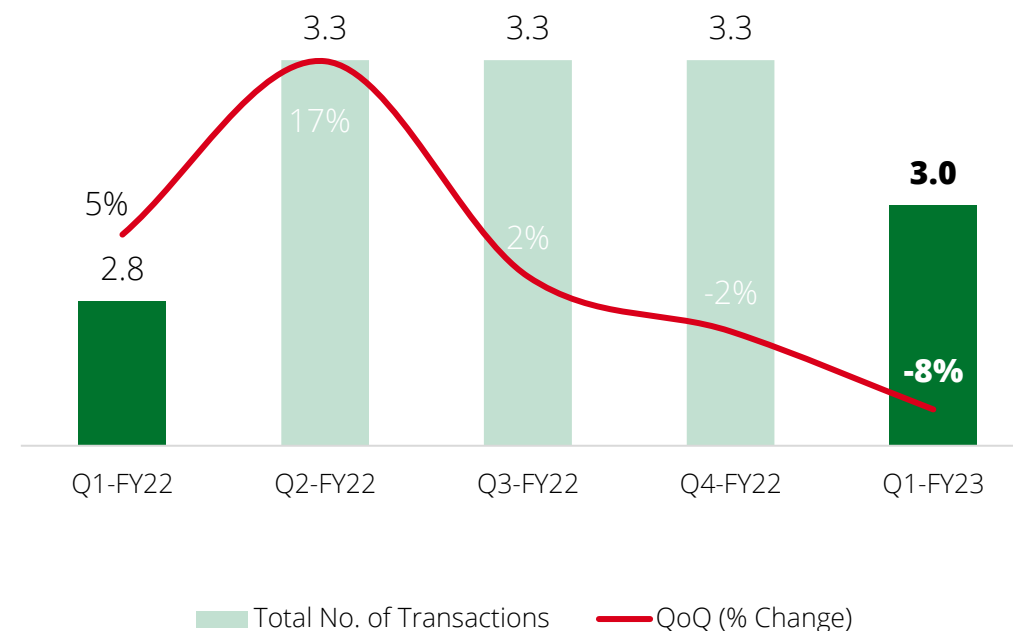
/ F&B segment poised for recovery and growth

F&B segment delivers solid performance, with first income streams from the Subway sub-franchise royalty fees; Focus remains on 3 strategic revenue growth pillars

F&B store network evolution



Total number of transactions, million



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Supplementary Information

Our operational upgrade strategy

01 Portfolio optimization

- Optimize store network
- Exit weak/non-performing markets
- Expand portfolio – unique brand experience
- Increase revenue per SQM

02 Operational excellence

- IT, finance and other optimization initiatives
- Revamp inventory & supply chain management
- 1st phase of shared service center live
- Dispose of non-core assets

03 Building a lifestyle brand

- New and differentiated brand identity
- Stores roll-out for new brands
- Grow F&B network
- Launch loyalty & CRM program

04 Commitment to digital

- Launch “buy now pay later” for new brands
- Enhance Vogacloset portfolio
- Launch customer service center
- FAS Finance

F&B: At the core of our upgrade strategy

01 **Expand store network of existing brands**

Expedite the store rollout of leading brands

Increase the number of sub franchises

02 **Onboard new brands**

Target new brands that have delivery capabilities, scalability, multi-format and adaptability features

Improve our cross-selling capabilities

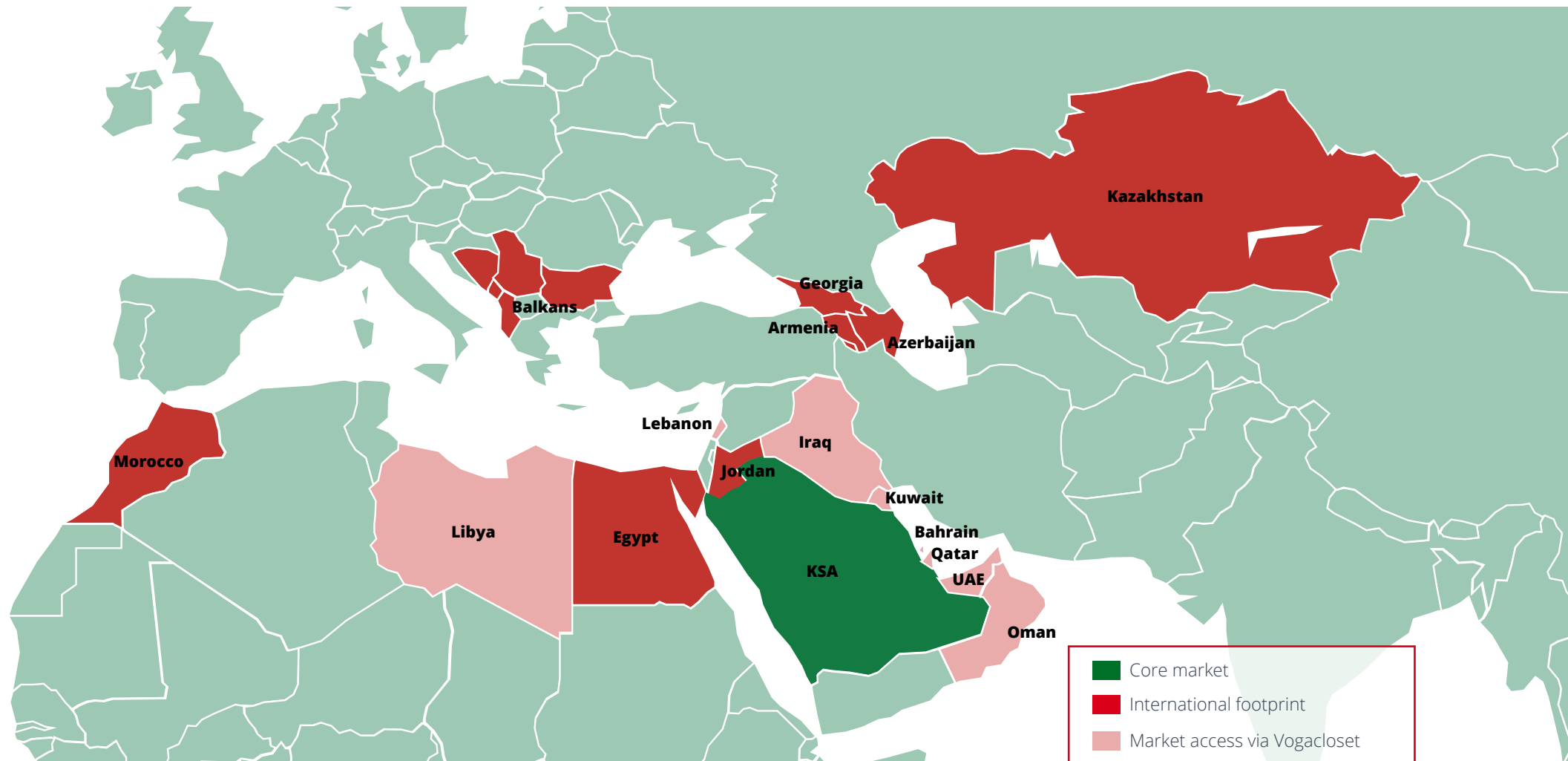
03 **Grow our digital sales footprint**

Aggressively grow our current food delivery sales

Enhancement of digital platforms

/ Alhokair Footprint

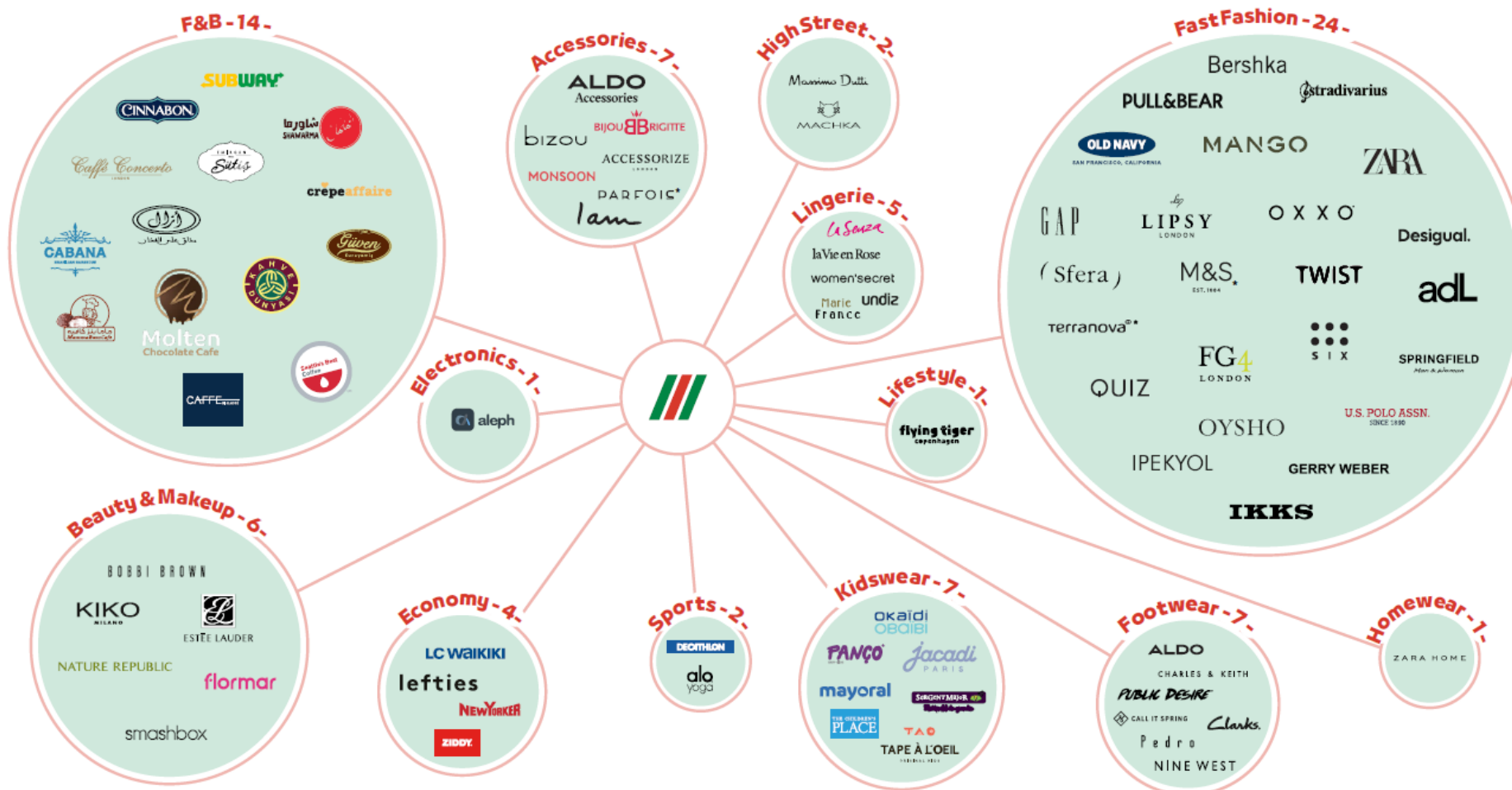
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* US operations is not represented in the graph

/ Alhokair Brand Portfolio – 82 Brands

Return to parent slide



* These brands are present in international markets only
Brand count as of June 2022. Count excludes newly signed agreements (Fnac Darty & Secrets)

/ Debt management in focus

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

The successful capital restructuring will allow Alhokair to renegotiate the financial terms and ultimately regain full compliance with covenants in FY23

SAR million	Jun'22	Mar'22	YTD % change
Total Interest-Bearing Debt	2,873	2,878	-0.2%
Cash Position	148	198	-25%
Net Debt	2,725	2,680	2%

- SAR 5 million of debt paid down during Q1-FY23
- Financial charges down 5.7% YoY

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