



Investor Presentation

September 2021



Fawaz Abdulaziz Alhokair Co. (Tadawul: 4240)

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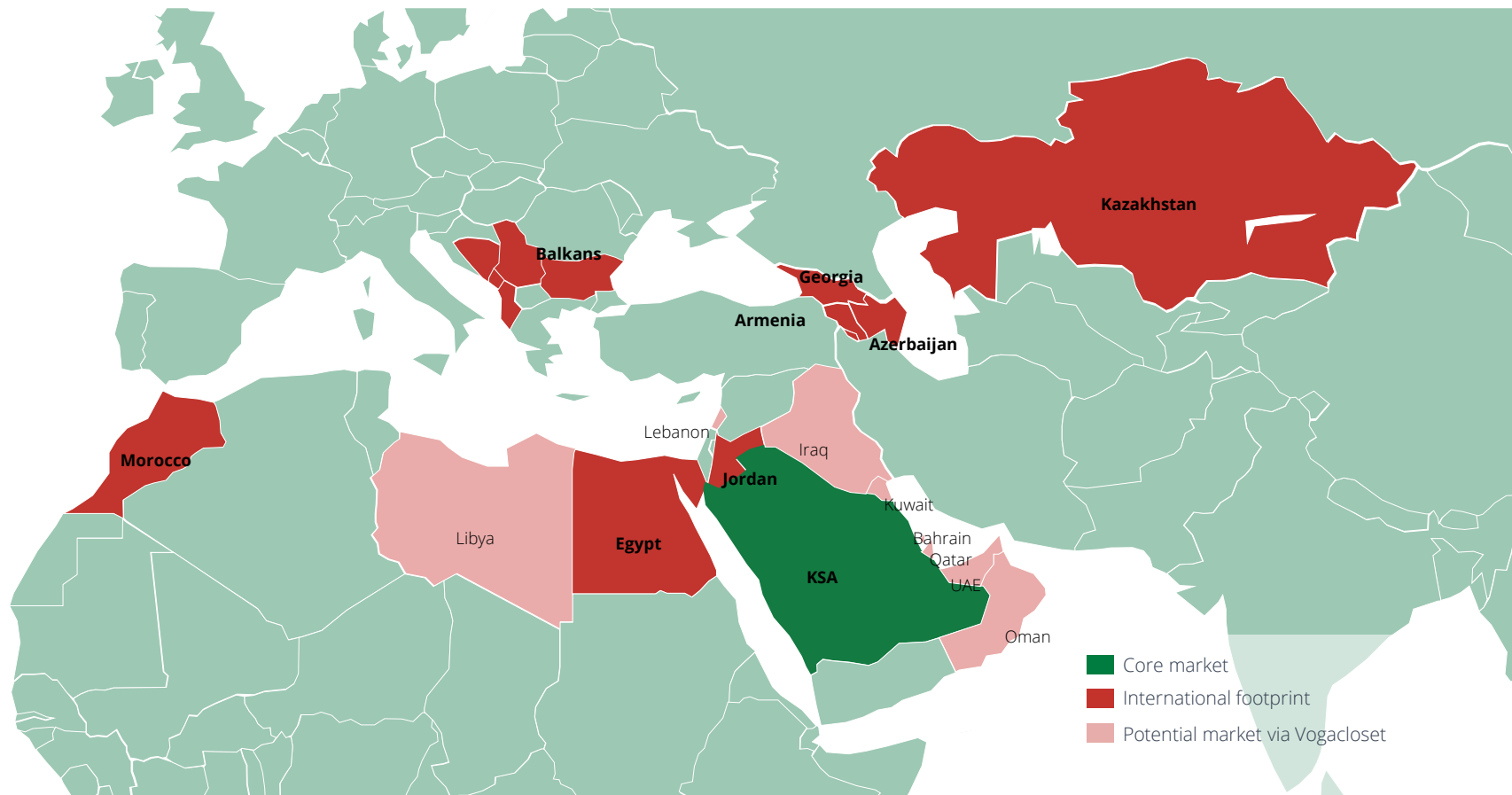
About Alhokair



The leading retail franchiser



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



* Store count as of June 2021

** Exited from Macedonia during Q1 FY22

*** US operations is not represented in the graph



1,709 stores*



c.470k sqm



11 countries**



Leaders in **KSA**



1,089 Saudi stores



303 F&B outlets



317 intl. stores



Access to new markets
via **Vogacloset**

Differentiated brand portfolio; diverse revenues



Our Brand Portfolio Is Our Competitive Advantage & Transformation Driver

90 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**



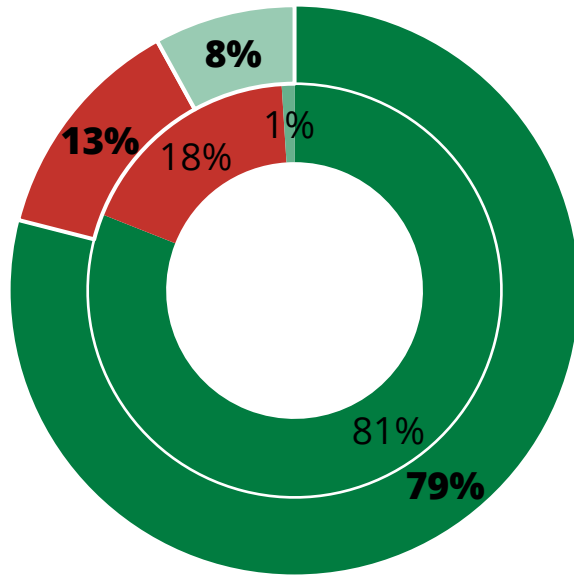
* Brand count as of June 2021. Count excludes newly signed agreements with Fnac Darty, Alo Yoga, & Flying Tiger

** Excl. SAR 1.2bn forgone revenue in Q1-FY21

Revenue breakdown - FY21



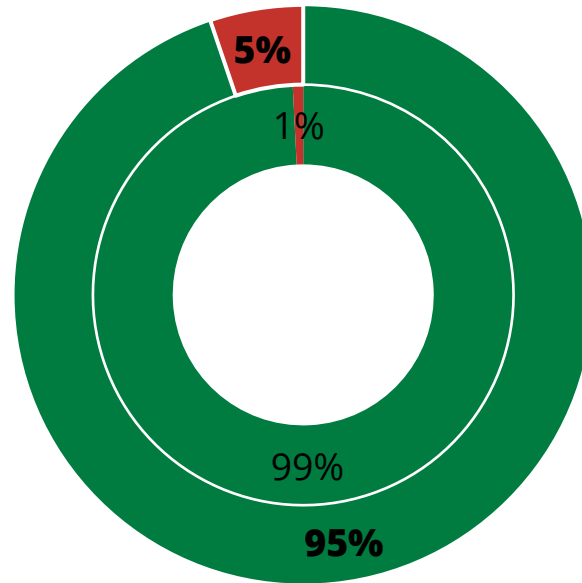
Revenue by division



FY 22 - Outer circle
FY 21 - Inner circle

■ KSA Retail ■ Int'l Retail ■ F&B

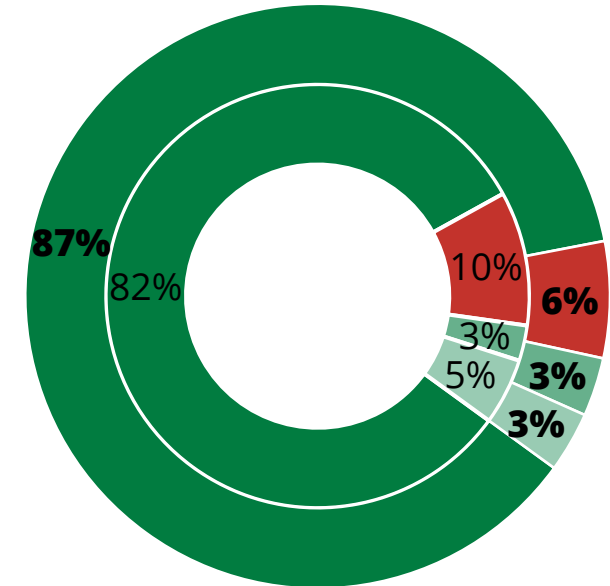
Revenue by channel



FY 22 - Outer circle
FY 21 - Inner circle

■ Stores ■ Online

Revenue by geography



FY 22 - Outer circle
FY 21 - Inner circle

■ KSA ■ CIS ■ Egypt ■ Others

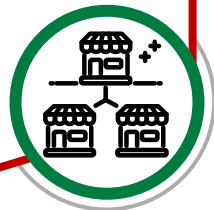
Our vision



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.



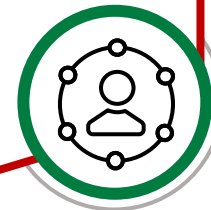
02

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



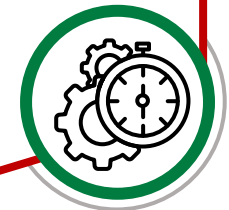
03

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

Operational Upgrade Strategy



Our operational upgrade strategy



Portfolio optimization

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

01

- Ongoing
- FY21
- FY21-22
- FY22

02

- FY21-22
- FY21-22
- H1-FY22
- Q3-FY22

Operational excellence

- Restructure inventory
- *Revamp inventory & supply chain management*
- *Build shared service center*
- *Dispose of non-core assets*



Building a lifestyle brand

- Add new brands & deliver new retail concepts
- Enter Sports and Lifestyle segments
- Grow F&B network*
- Launch loyalty & CRM program*

03

- FY21-22
- Q1-FY22
- FY21-22
- H2-FY22

04

- FY21-22
- FY21-22
- FY21-22
- Q1-FY22

Commitment to digital

- *Launch mono-brand platforms*
- Roll-out of digital store interfaces
- Build third party partnerships
- Launch click-and-collect



● Achieved ● WIP

Lifestyle footprint transition



Cabana F&B – casual dining concept



Public Desire footwear – first-ever physical store



Other FY22 openings to date

bizou



Marie
France

Monobrand platforms Georgia, Saudi Arabia



Key brand acquisitions for FY22



Already Signed

flying tiger
copenhagen

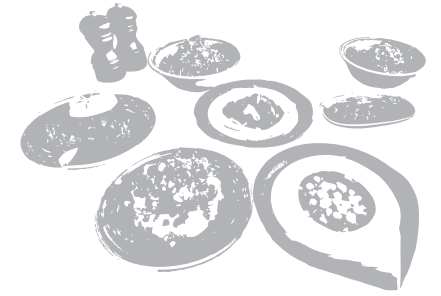
alo
yoga



Coming Soon in F&B



Desserts Concept



Arabic Food Concept

- In F&B, c. 50 new stores to open in FY22 with a CAPEX ~ SAR 50mn
- In Retail c. 65 new stores to open in FY22 with a CAPEX ~ SAR 100mn
- Signed 5 new Cinnabon sub-franchises ~ +30 new stores in the next 2 years
- Partnered with governmental and semi-governmental entities to support the SME sector in Saudi Arabia

Omnichannel transition



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

Vogacloset

V

- **29** Alhokair fashion brands are now live
- **Total stock** on hand of **63.9K** units
- Introduced “Buy now Pay later” option
- Ongoing marketing

Monobrand Platforms

Q1- FY22

- Uterque - KSA
- Massimo Dutti - Georgia

Q2- FY22

- Massimo Dutti Armenia - July
- Public Desire KSA – August
- Decathlon KSA – September
- Call it Spring (microsite within Aldo) KSA - September

New Features

- Add additional last mile providers
- Enhance logistics operations with 3rd party providers
- Enable Buy Now Pay Later
- New Customer Service Channels with GulfCX

Financial review

Q1-FY22



Q1-FY22 at-a-glance



Reported

SAR 1,701 mn Revenue ▲ 201% vs Q1-FY21 ▼ 1.3% vs Q1-FY20	SAR 333 mn Gross Profit ▲ Q1-FY21 SAR -242.7 mn ▼ Q1-FY20 SAR 507.5 mn	SAR 193 mn EBITDA ▲ Q1-FY21 SAR -334.4 mn ▼ Q1-FY20 SAR 413.4 mn	SAR 46 mn Net Profit ▲ Q1-FY21 SAR -535.6 mn ▼ Q1-FY20 SAR 224.9 mn
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Return to profitability post Covid-19 and operational challenges

Inventory reduced with ongoing initiatives to strengthen financial position

Significant top-line recovery, sales figures returned to pre-pandemic levels

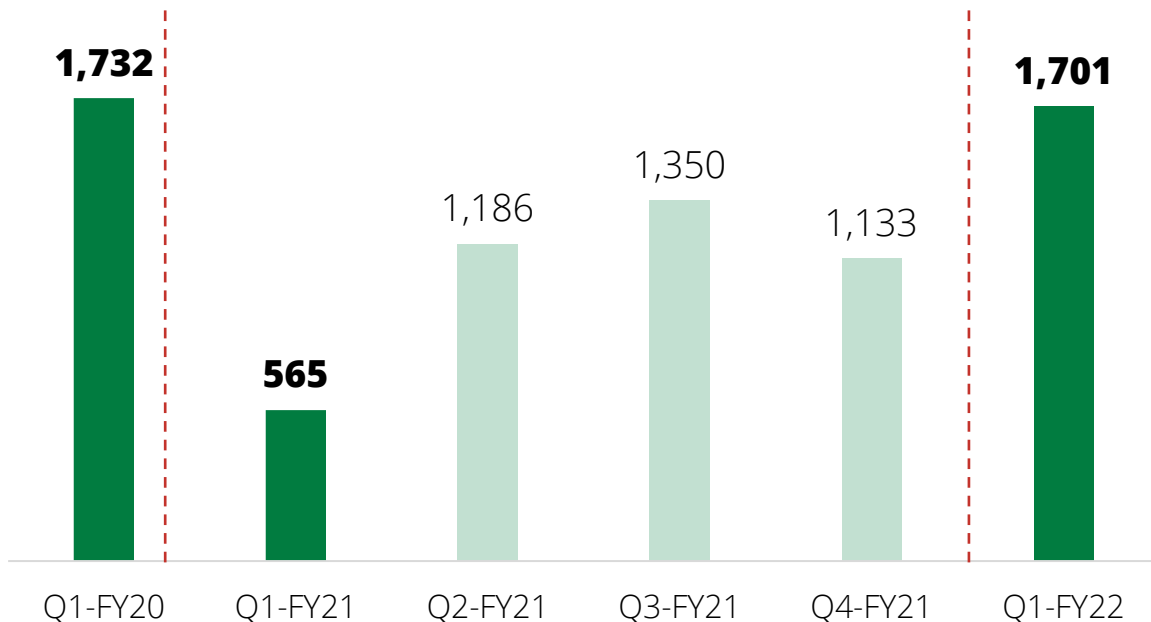
Operational Upgrade Strategy on track; focus on accelerating top-line growth and improving margins

Top line returns to pre-pandemic levels



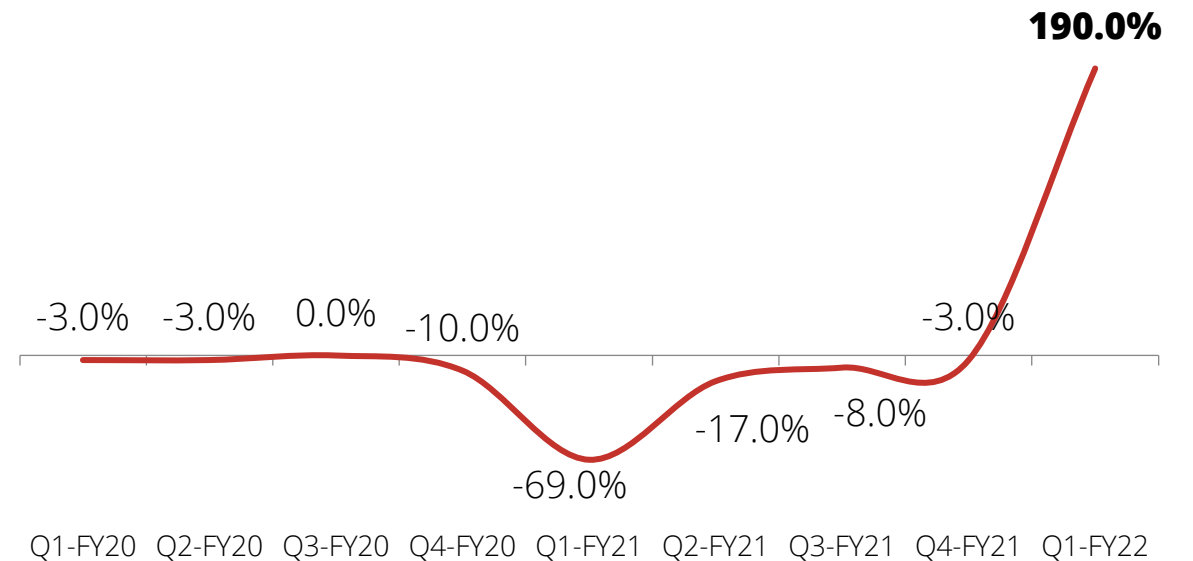
Revenues (SAR million)

Y-o-Y growth as sales return to pre-pandemic levels.
Performance strong compared to pre-pandemic Q1-FY20.
Forgone revenue in Q1-FY21 of SAR 1.2 bn.



LFL growth (consolidated)

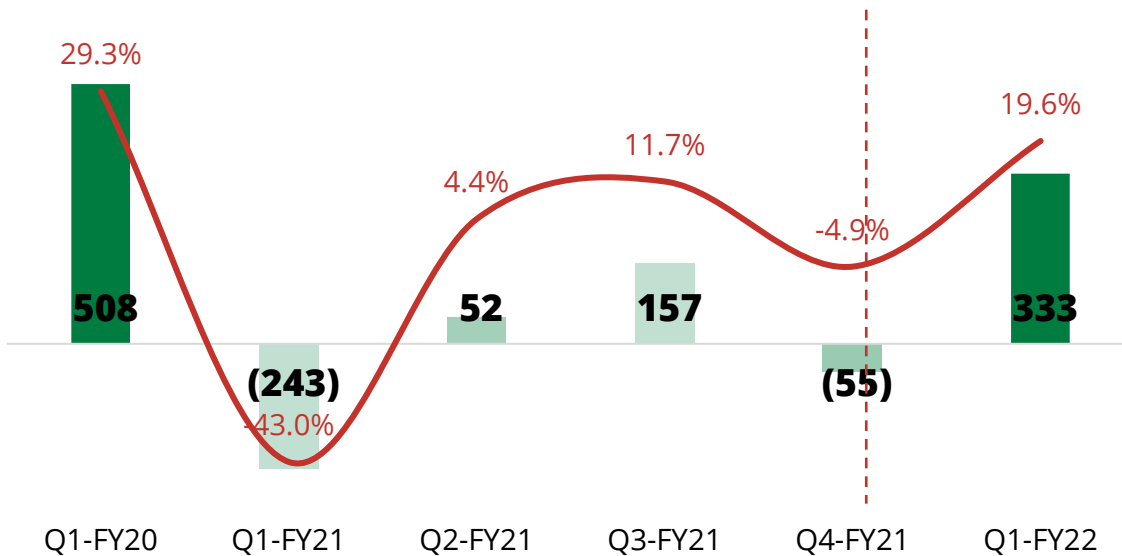
Improving LFL growth performance. Based on pre-pandemic levels revenue down 13% due to ongoing limitations in malls and F&B, social distancing and vaccination rules.



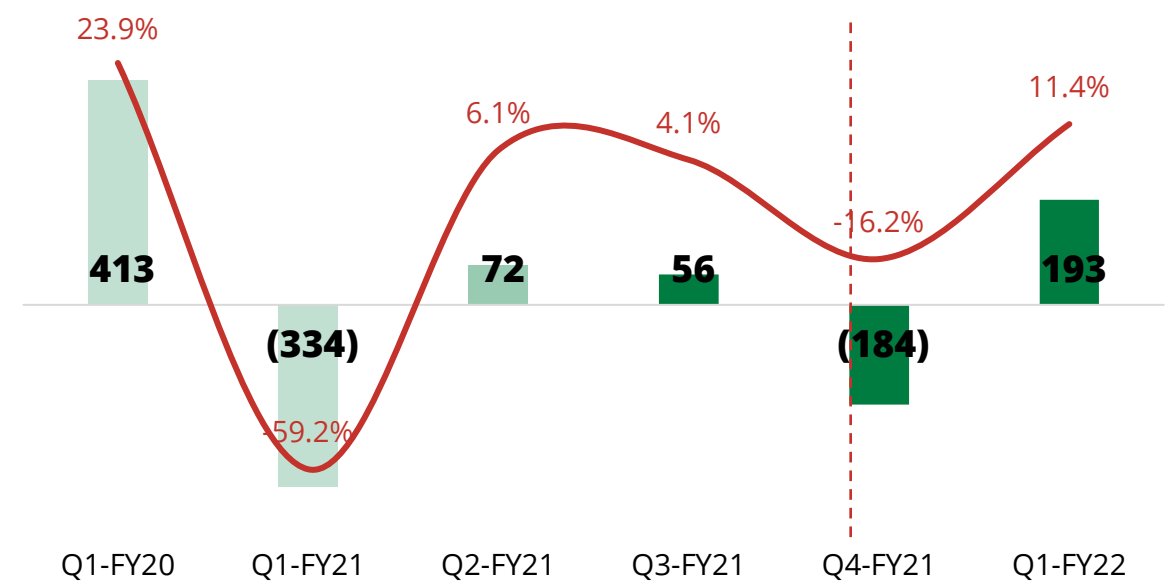
Gross profitability and EBITDA recovery



Gross Profit (SAR million) - GPM (%)



EBITDA (SAR million) - EBITDA Margin (%)



- Trend to profitability in post pandemic environment
- GPM stood at 19.6%, compared to -43% in the previous year
- **Trading Margin (Revenue less COGS less royalties) stood at 42% in Q1 FY22 versus 37% for Q1 FY21.**

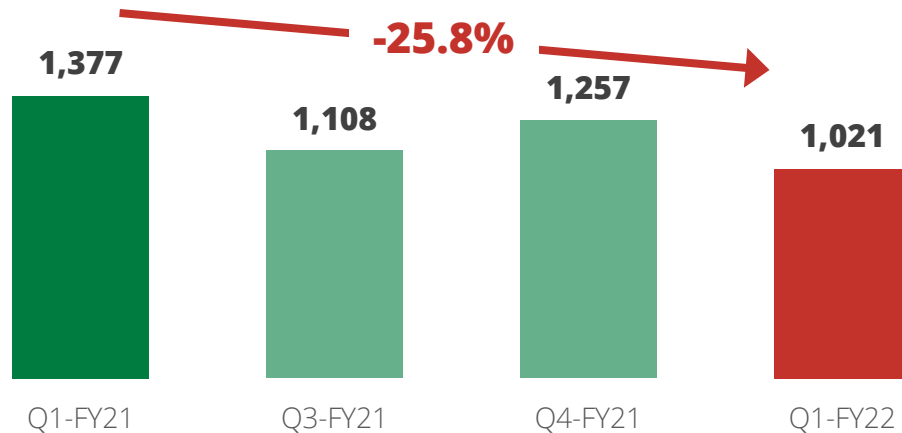
- On track to meet guidance of EBITDA margin of 8.0% for FY 22 with normalized target standing at 12-14%

Balance sheet optimization



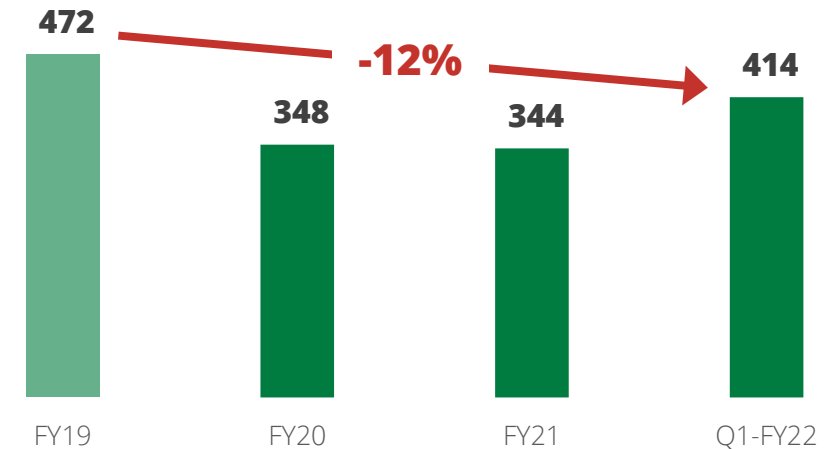
Aggressive inventory management and working capital optimization to improve liquidity and increase efficiency

Inventory balance (SAR million)



- **Optimizing inventory levels through:** Systems, policies and procedures, logistics, digitalization / technology
- Physical count of inventory complete in Q1-FY22
- **Terminal and ageing provisions target of c.2% of sales**

Receivables from related parties* (SAR million)



Actively reducing receivables:

- SAR 80mn receivables from **ECRED** resolved
- Increase in receivables from **FAS due to SAR 75mn receivables related to Blanco** and we are in active discussions to resolve remaining balances

* FAS, Egyptian Centre, FARE

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.

Financial and legal advisors to be appointed, further details to be communicated to the market in **due course**.

Strengthening our financial position to enable long term sustainable growth

Segmental review

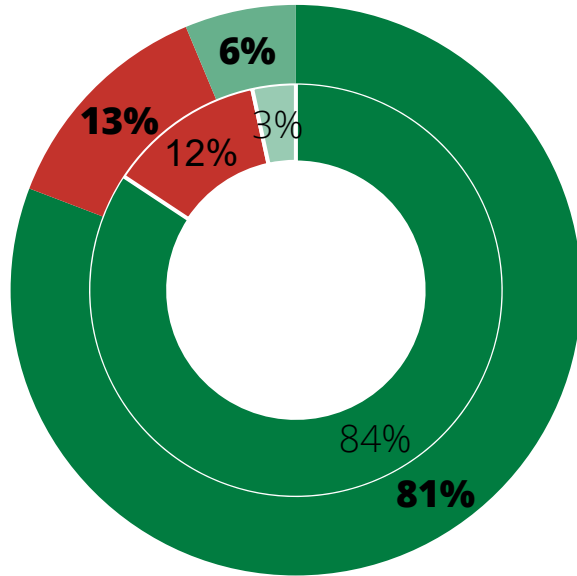
Q1-FY22



Revenue breakdown



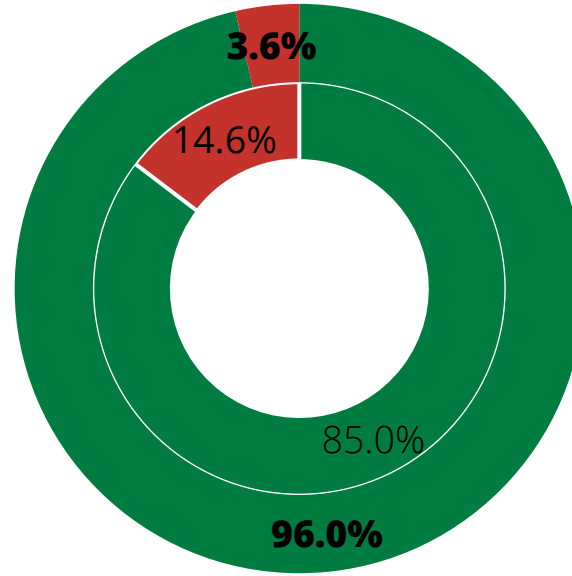
Revenue by division



Q1 FY 22- Outer circle
Q1 FY 21 - Inner circle

■ KSA Retail ■ Int'l Retail ■ F&B

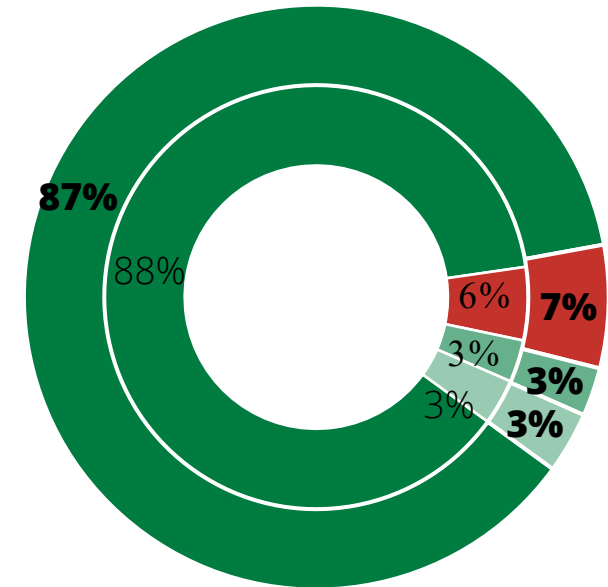
Revenue by channel



Q1 FY 22- Outer circle
Q1 FY 21 - Inner circle

■ Stores ■ Online

Revenue by geography



Q1 FY 22- Outer circle
Q1 FY 21 - Inner circle

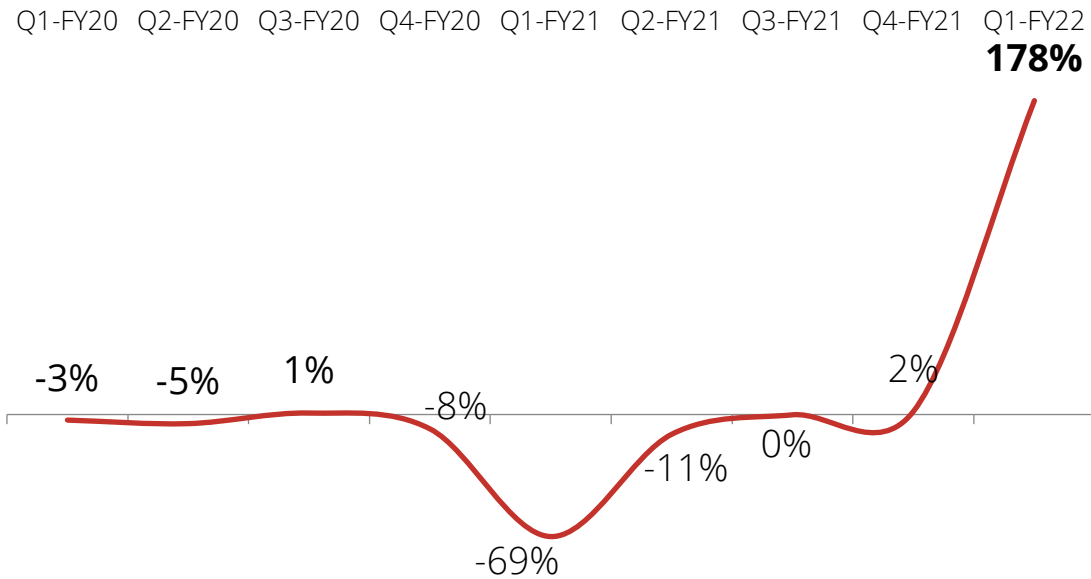
■ KSA ■ CIS ■ Egypt ■ Others

LFL Revenue Growth



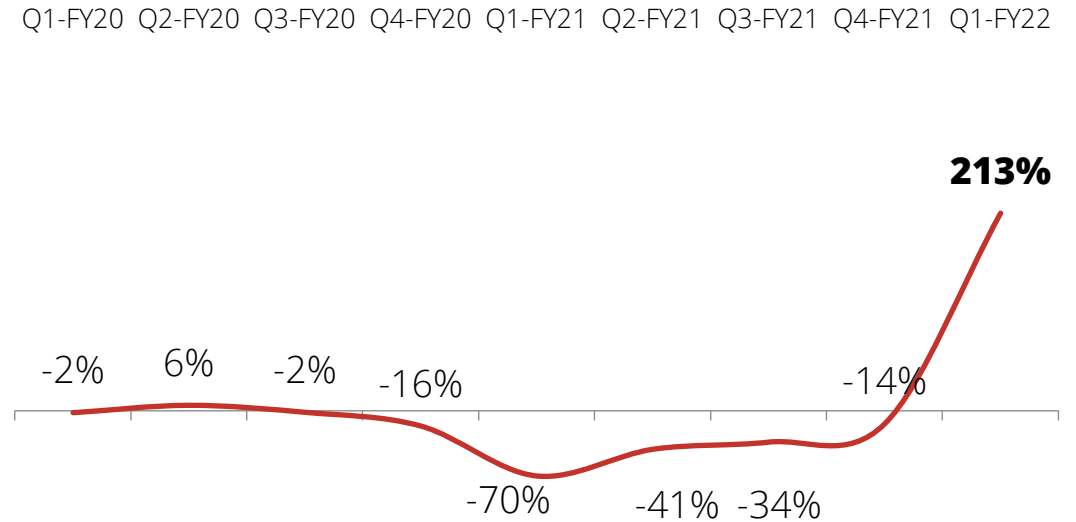
Saudi retail

LFL improving significantly. Saudi LFL revenues down 15% vs. pre pandemic levels. Target low single digit LFL growth.



International retail

LFL improvement due to removal of Covid-19 restrictions. LFL revenues down 11% compared to pre-pandemic levels.

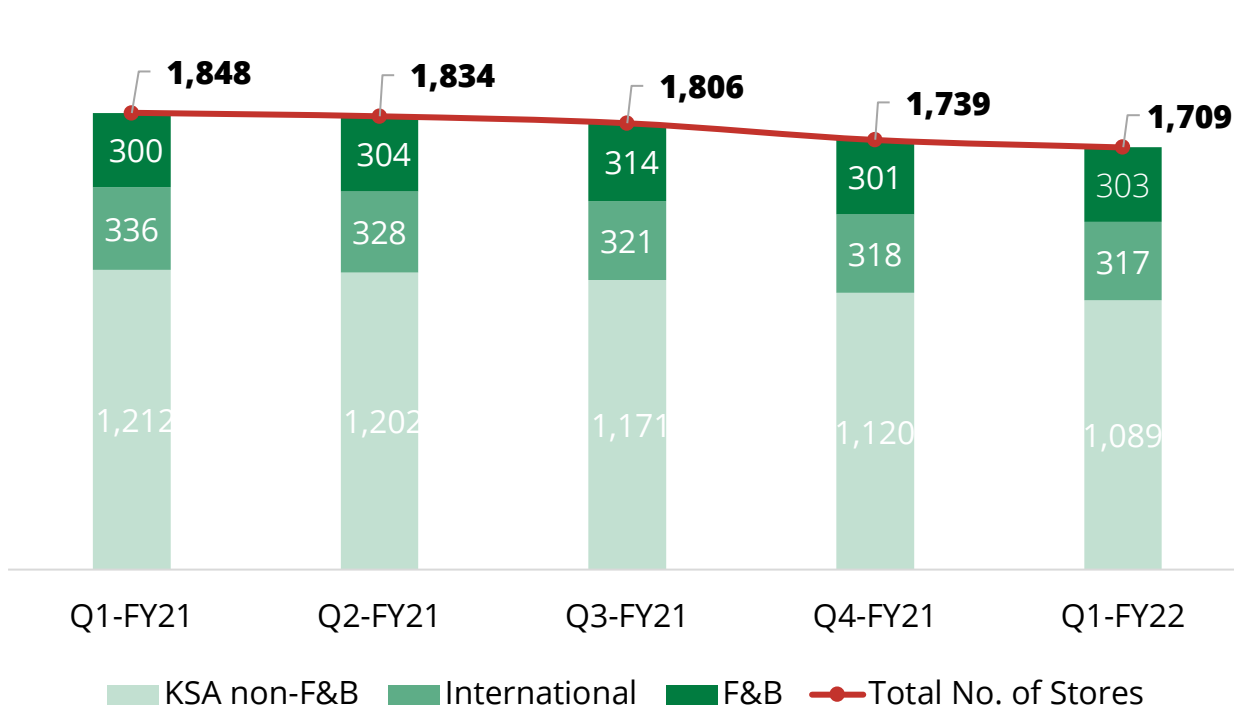


Ongoing store fleet rationalization



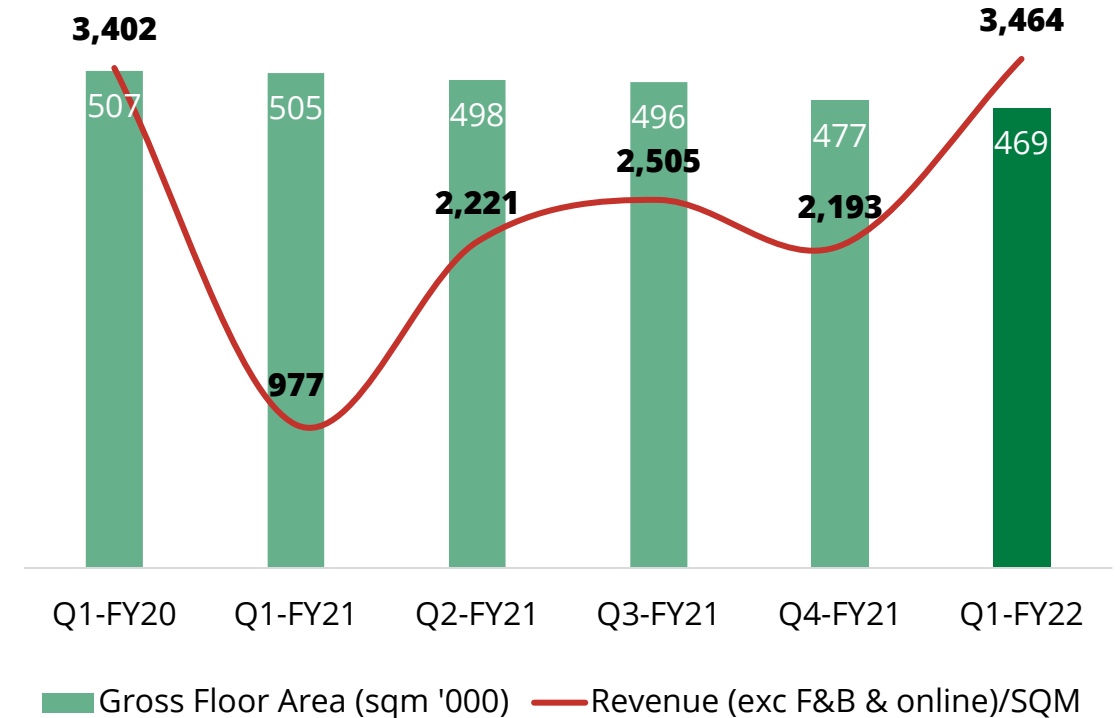
Store network evolution

Net store contraction of 30 stores in Q1-FY22. Plans to close c.50-60 stores in FY22 whilst focusing on expansion in chosen segments.



Gross Floor Area (SQM) vs Revenue Per SQM

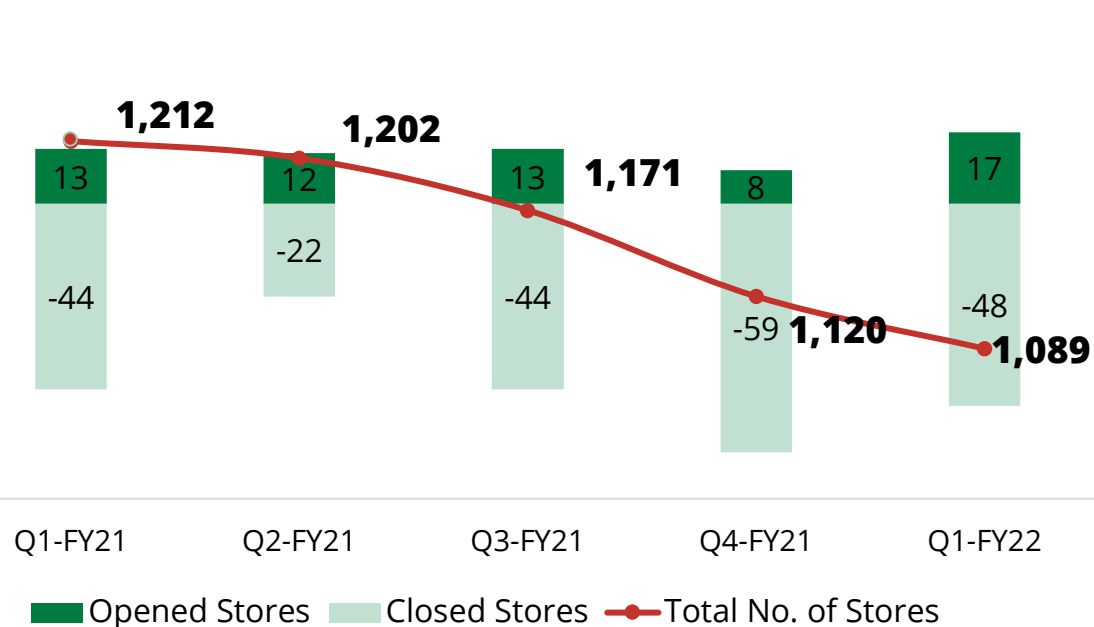
Revenue per sqm on an upward trajectory as we continue to generate more with less.



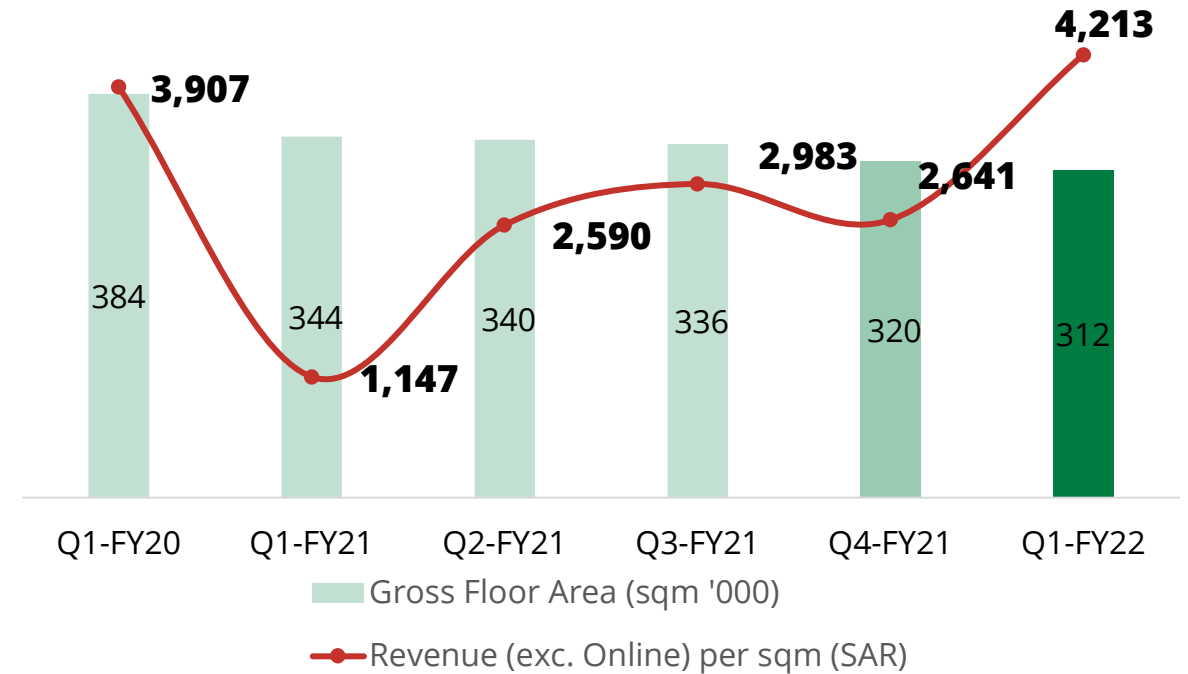
Saudi Arabia remains core market, key focus



Saudi retail store network evolution



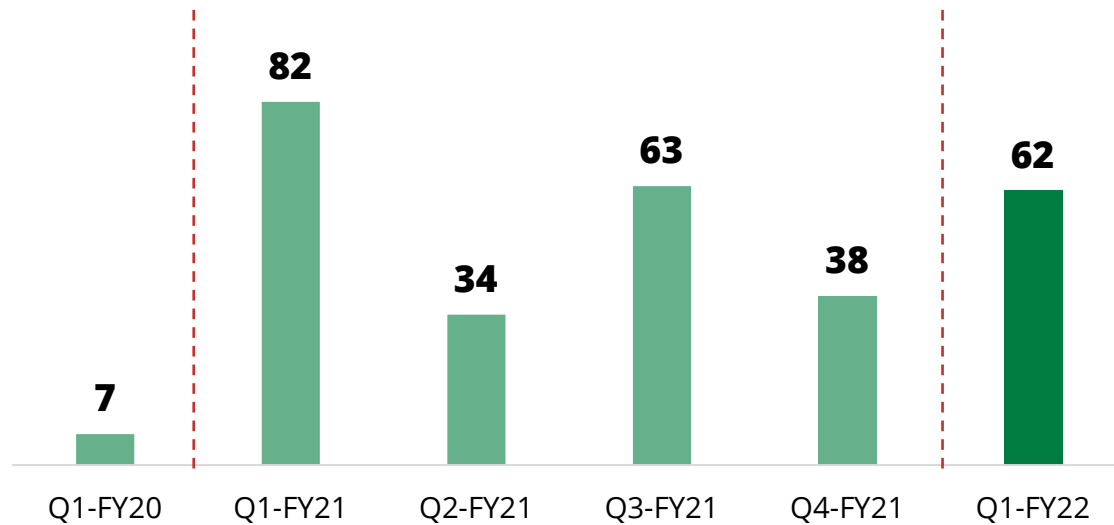
Store yields improving, upward trend



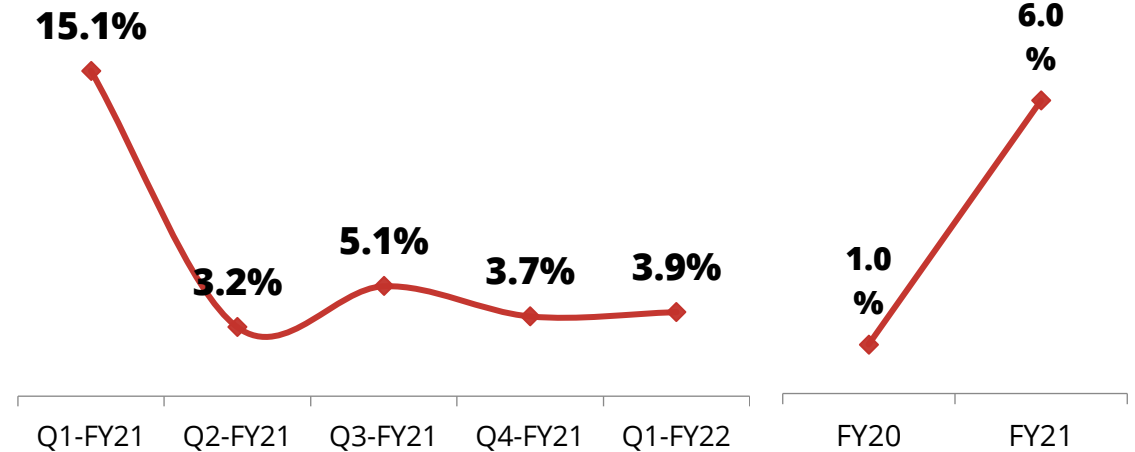
Rapid growth in online sales



Online revenues (SAR million)



E-commerce, % of total retail sales

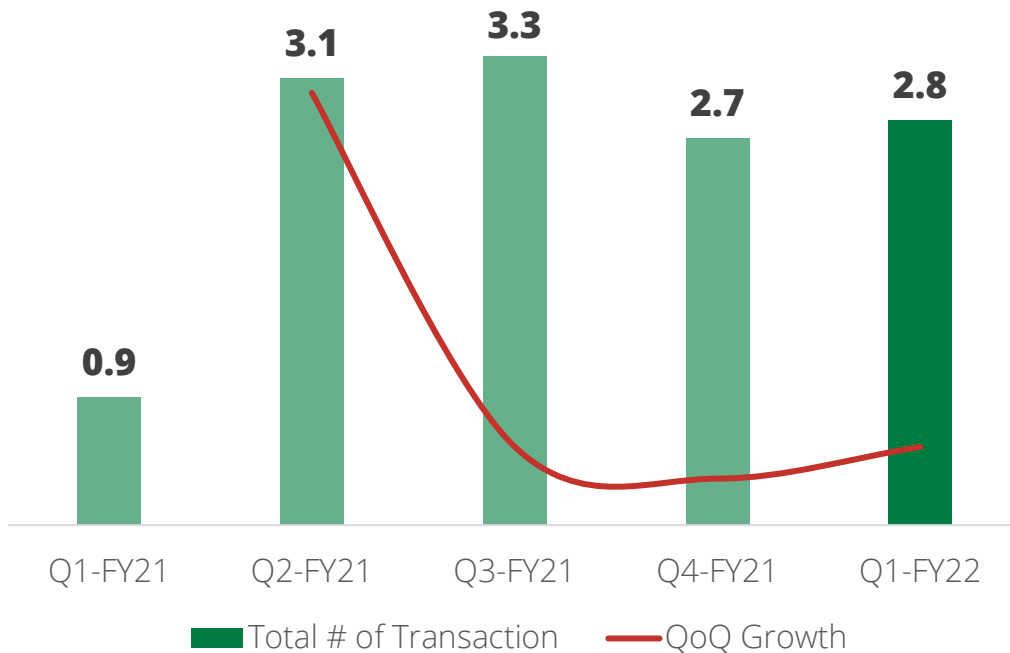


- Online sales down 25.3% due to in-store traffic increase
- LFL online dropped by 33% as recovery in retail segment led to increase of in-store traffic
- Ecommerce gaining momentum

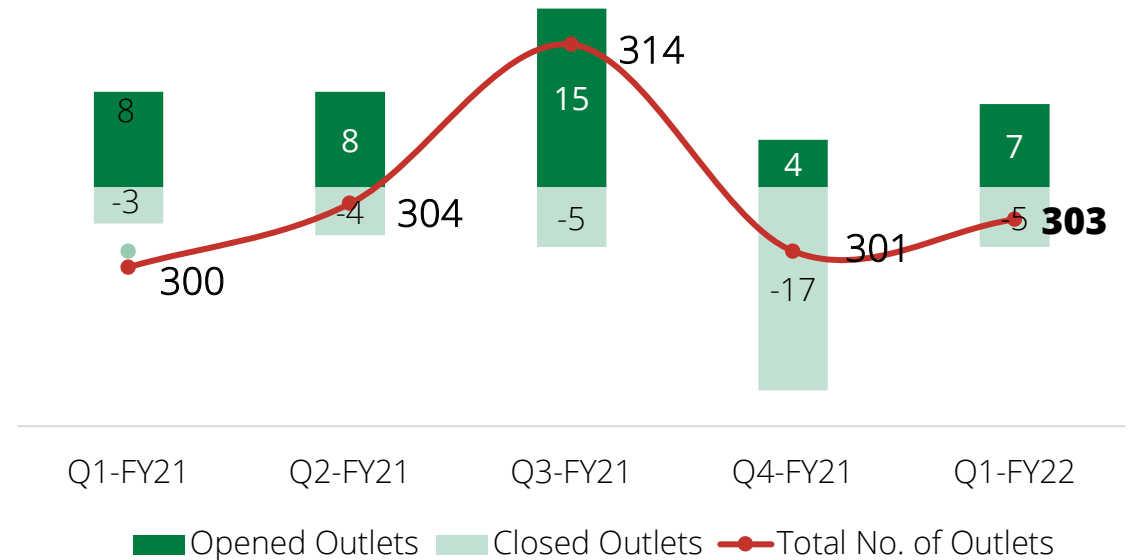
F&B segment poised for recovery and growth



Total number of transactions (million)



F&B store network evolution



Outlook

FY22



Key messages for FY22



Name of the Game: Topline and Margins

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

ALHOKAIR
Fashion Retail



الحكير
أزياء التجزئة

Financials

Q1-FY22



Income Statement Q1-FY22



SAR Million	Q1-FY21	Q1-FY22	Change y-o-y
Revenue	564.9	1,700.7	201.0%
Cost of Revenue	(808)	(1,368)	69.4%
Gross Profit	(242.7)	332.6	-
<i>Gross Profit Margin</i>	-43.0%	19.6%	-
Selling and Distribution Expenses	(36)	(44)	23.3%
General and Administrative Expenses	(56)	(99)	77.3%
Impairments	(29)	-	-100.0%
Other operating expense	(36)	(15)	-59.3%
Depreciation and Amortization	(77.8)	(65.3)	-16.1%
Other Income (loss), net	64.7	18.4	-71.6%
Operating Income	(412)	128	-
<i>Operating Income Margin</i>	-73.0%	7.5%	
Financial Charges	(107.4)	(72.1)	-32.8%
Share of loss of associates	-	-	-
Profit before Zakat and Tax	(520)	56	--
Zakat and Income Tax	(16.1)	(10.3)	-36.1%
Net Profit for the Period	(535.6)	45.7	-
<i>Net Profit Margin</i>	-94.8%	2.7%	-
Attributable to:			
Shareholders of the Company	(525)	47	-
Non-Controlling Interest	(10)	(1)	-88.7%
Earnings per Share Basic and Diluted	(2.50)	0.22	-
EBITDA	(334)	193	-
<i>EBITDA Margin</i>	-59.2%	11.4%	-

Balance Sheet Q1-FY22



SAR Million	30 June 2021	31 March 2021	Change
Assets			
Property, Plant and Equipment	1,304	1,327	-2%
Right-of-Use Assets	3,459	3,402	2%
Goodwill and Intangible Assets	1,118	1,111	1%
Investment Property	2	2	0%
Investment in Associates & Others	304	303	0%
Receivables from Disposal of Subsidiaries / Brands	-	-	-
Total Fixed Assets	6,186	6,145	1%
Inventories	1,021	1,152	-11%
Advances, Deposits and Other Receivables	625	471	33%
Prepayments, Rentals and Insurance	40	48	-16%
Receivables from Disposal of Subsidiaries / Brands	-	75	-100%
Cash & Cash Equivalents	374	468	-20%
Total Current Assets	2,060	2,214	-7%
Total Assets	8,246	8,359	-1%
Equity & Liabilities			
Share Capital	2,100	2,100	0%
Reserves (Statutory, Foreign Currency and Fair Value)	(500)	(510)	-2%
Accumulated Losses	(991)	(1,038)	-5%
Equity Attributable to the Shareholders of the Company	609	552	10%
Non-Controlling Interest	(101)	(100)	1%
Total Equity	508	452	13%
LT Loans and Borrowing	2,290	2,304	-1%
Lease Liabilities	2,933	2,838	3%
Post-Employment Benefits	112	110	2%
Total Non-Current Liabilities	5,336	5,252	2%
Trade Payables	876	1,016	-14%
Zakat & Tax Liabilities	25	16	56%
Lease Liability – current portion	791	803	-1%
ST Loans and Borrowings	709	820	-14%
Total Current Liabilities	2,401	2,655	-10%
Total Liabilities	7,737	7,907	-2%
Total Equity & Liabilities	8,246	8,359	-1%

Appendix



Operational developments



Our operational upgrade strategy



01 Portfolio optimization



Optimize store network



Increase revenue per SQM

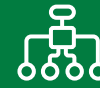


Exit weak/non-performing brands



Expand portfolio – unique brand experience

02 Operational excellence



Restructure inventory



Build shared service centers



Revamp inventory and supply chain management processes



Dispose of non-core assets

Progress update

- **Closed 55 retail stores** in Q1 FY-22, **23 stores opened**. Net decrease of **32 stores**.
- **7 F&B stores opened**, 5 closed.
- Cinnabon sub-franchise contracts concluded, 30 new stores to be added in the next 2 years
- Added **four brands** (Bizou, Decathlon, Marie France and Public Desire), 3 brands closed. Net difference of 1 brand.
- **Exit US** operations, in conversations to achieve fair exit valuation
- **Exited Macedonia** in Q1-FY22. Serbia and Montenegro exit in progress


Progress update

- Testing Oracle V16 Inventory Management System **staged roll out**
- Ongoing **inventory management and shrinkage policies**, work on updating policies for **management of ageing and terminal inventory**
- Focus on Retail Merchandise Planning & supply chain strategy.
- **Engaged advisors** to deliver **transformation program** addressing price sensitivity, inventory, zero-based cost optimization and organizational structure
- **Shared service center** partners selected, **expected launch in Q3-FY22**
- **Partnerships** with government to support **F&B SMEs**

Our operational upgrade strategy




03 Building a lifestyle brand

 Add new brands and deliver new retail concepts

 Enter Sports and Lifestyle segments

 Grow F&B network

 Launch loyalty & CRM program

Progress update

- **90 brands** in portfolio, excluding newly signed agreements
- **Store openings for new brands** – Decathlon, Public Desire, Marie France, Bizou
- Key **brand acquisitions** – Fnac Darty, Alo Yoga and Flying Tiger
- **Final stage** of securing franchise rights for **2 new F&B brands**
- **New Alhokair brand** identity under development

04 Commitment to digital

 Launch mono-brand and multi-brand platforms

 Roll-out of digital store interfaces

 Build third party partnerships

 Launch click-and-collect

Progress update

- Launched **29 brands** on **Vogacloset**
- **2 new mono brand platforms** launched for Uterque KSA and Massimo Dutti Georgia – total 17 platforms launched to date
- **CRM/loyalty program** to be rolled out **by Q3-FY22**
- Launched **customer service center project- 5 brands migrated**
- **Consumer finance offer** in pipeline

Supplementary Information



Intensive balance sheet restructuring



Alhokair continues to rationalize inventory balances. Shrinkage and ageing provisions to be in line with guidance of c.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

Debt management in focus



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

Summarized credit metrics

SAR million	Mar'21	Jun'21	% change
Total Interest-Bearing Debt	3,124	2,999	-4%
Cash Position	468	374	-20%
Net Debt	2,656	2,625	-1%

**Debt re-profiling
completed**

Improved terms and pricing, yielding:

Significant enhancement of liquidity position

Optimization of working capital

**Continuing support
from our main
lenders**

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
Hassan Alredha	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 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 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



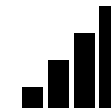
Transition to lifestyle retailer

- 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

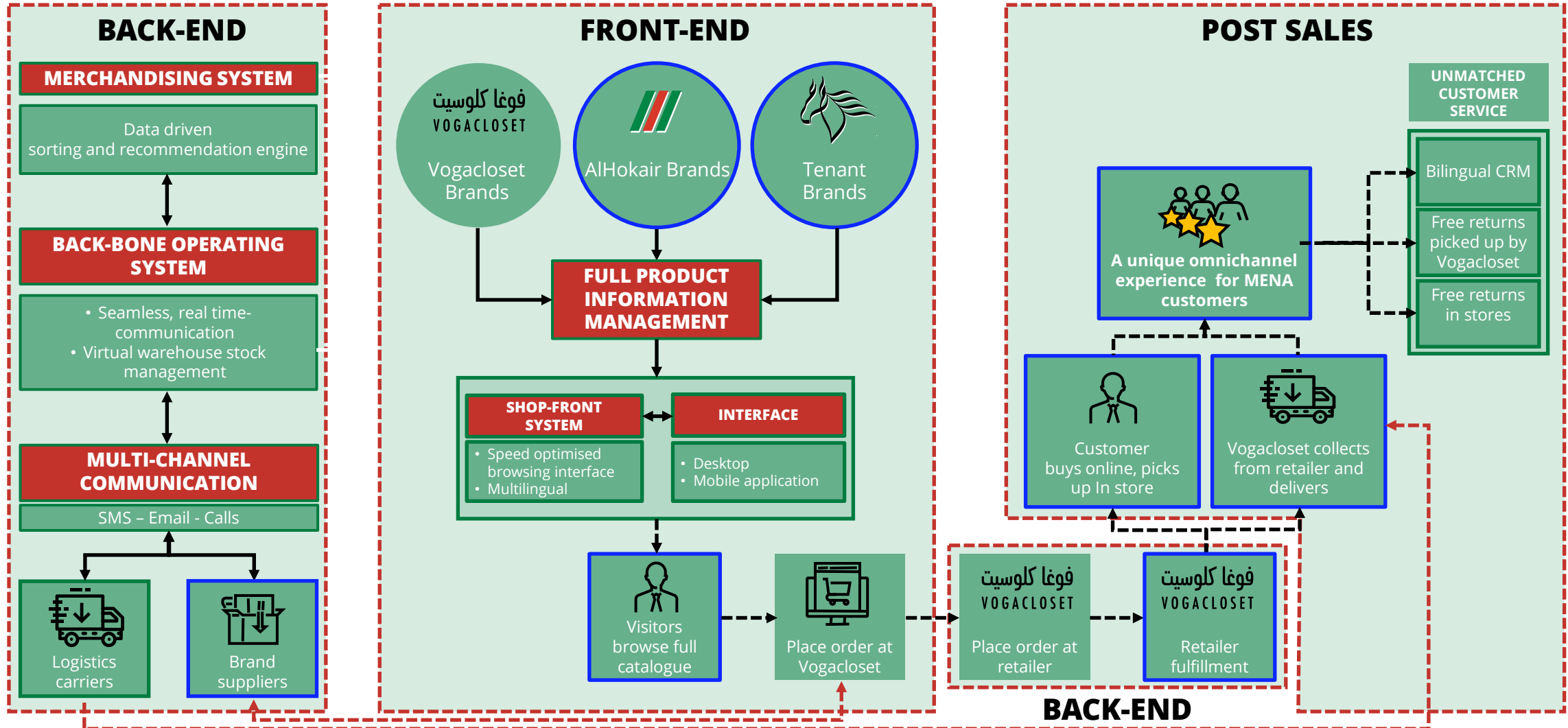
- Proven leadership
- Additional brands
- Integration of brand portfolios
- Economies of scale
- Capturing opportunity



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



Inventory optimization action plan | ongoing



Systems

Streamlined three different ERPs into one comprehensive ERP (Oracle V16) for all operating countries.

- Enables timely visibility on inventory levels for all countries
- Facilitates decision making process
- Provides detailed analysis on terminal stock
- Allows timely update of physical count

Implemented CCTV surveillance across all stores.

Policies & Procedures

- Developed and drafted with PwC updated policies and procedures including workflows to all touchpoints.
- Drafted and implemented shrinkage policy defining accountability of stock shortage allowing maximum exposure of 1% of sales
- FY21-22 target to perform bi-annual physical count
- Revisited ageing policy and procedure with target implementation by Q2 FY22

Logistics

- Consolidated three different warehouses into one single location
- Currently implementing WMS in the new location
- On target to close the Dubai warehouse by end of March.

Digitalization/Technology

Post ERP stabilization, the Company will explore further enhancements by implementing latest technology:

- RFID
- Auto replenishment
- Efficient stock-taking using dedicated applications
- OTB enhancement
- Revisiting agent policies

Thank you



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