

ALHOKAIR  
Fashion Retail



الحكير  
أزياء التجزئة

## Earnings Presentation | H1-FY22

As at 30 September 2021

Fawaz Abdulaziz Alhokair Co. | Tadawul: 4240



# Management review

H1-FY22



# The leading retail franchiser



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



**1,682** stores\*



**c.468k** sqm



**11** countries\*\*



Leaders in **KSA** with **9.4%** market share\*\*\*



**1,054** Saudi stores



**312** F&B outlets



**316** intl. stores



Access to new markets via **Vogacloset**

\* Store count as of September 2021

\*\* Exited from Macedonia during Q1 FY22

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

\*\*\*\* US operations not represented in the graph

# Our operational upgrade strategy



## Portfolio optimization

Optimize store network

*Exit weak/non-performing markets*

Expand portfolio – unique brand experience

*Increase revenue per SQM*

01

- Ongoing
- FY22
- FY21-22
- FY22

02

- FY22 ● IT, finance and other optimization initiatives
- FY22 ● Revamp inventory & supply chain management
- H2-FY22 ● *Launch shared service center*
- H2-FY22 ● Dispose of non-core assets

## Operational excellence



## Building a lifestyle brand

New and differentiated brand identity

Stores roll-out for new brands

*Grow F&B network*

*Launch loyalty & CRM program*

03

- FY22-23
- FY22-23
- ongoing
- H2-FY22

04

- H1-FY22 ● *Launch "buy now pay later"*
- Ongoing ● *Enhance Vogacloset portfolio*
- FY22 ● *Launch customer service center*
- FY22 ● *Launch of FAS Lab with Arabian Centers*

## Commitment to digital



● Achieved    ● WIP

# Differentiated brand portfolio; diverse revenues



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

**87** 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 September 2021. Count excludes newly signed agreements (Fnac Darty, Alo Yoga and Flying Tiger)

# Key brand & store openings



## H1-FY22 new brand store openings

- Total gross capex of SAR 53.5mn
- On 11 STAR existing brands Aleph, Lefties, Zara, Pull & Bear, LC Waikiki and new brands like Decathlon

## H2-FY22 openings

alo  
yoga

flying tiger  
copenhagen

## FY23 openings



## Q2-FY22 Retail

- **18** stores opened
- 54 stores closed
- Net 36 closures

## H1-FY22 Retail

- **41** stores opened
- 109 stores closed
- Net 68 closures

## FY22 Retail

- c.70 New stores
- Net CAPEX ~ SAR 85mn

# F&B: At the core of our upgrade strategy



The F&B segment turnaround is gaining momentum with major expansions in FY22 and FY23 based on 3 strategic revenue growth pillars

## 01 Expand store network of existing brands

- Q2-FY22: Opened 13 stores, closed 4 for a net of 9 new stores
- H1-FY22: Opened 20, closed 9, for a net of 11 new stores
- Cinnabon sub-franchises c. 30 new outlets in the next 2 years
- FY-22: c. 50 new outlets with a CAPEX ~ SAR 50mn

## 02 Onboard new brands

- Q2-FY22: 2 New franchise rights - Arabic casual dining & cake/dessert shop concepts
- H2-FY22: Final stages in acquiring QSR Concept
- H2-FY22: : Final stages to Cross Sell Seattle's Best Coffee at a leading QSR in KSA
- All new brands should have delivery capabilities, scalability, multi-format and adaptability features

## 03 Grow our digital sales footprint

- Aggressively grow our current food delivery sales

# Omnichannel transition

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



## Vogacloset

# V

- **36** Alhokair fashion brands are now live
- **Total stock** on hand of **66.7K** units
- Introduced “Buy now Pay later” option
- Ongoing marketing
- Introduced the fragrance category

## Monobrand Platforms

KSA

**14**

International

**5**

**H1- FY22**

- **Uterque** - KSA
- **Massimo Dutti** - Georgia
- **Massimo Dutti** - Armenia
- **Public Desire** - KSA
- **Call it Spring** (microsite within Aldo) KSA
- **Decathlon KSA** – *delayed till Nov 21*

**H2- FY22**

- By H2-FY22, total monobrand platforms to 19 KSA sites and 7 international sites.
- Launch of Aleph and Aldo mobile applications

**New Features**

- Add additional last mile providers – working with Thabit and UPS.
- Enhance logistics operations with 3rd party providers
- Enable Buy Now Pay Later – Launch Dec '21 on Aleph
- New Customer Service Channels with GulfCX



# Financial review

Q2/H1-FY22



# Q2-FY22 at-a-glance



## Reported

<b>SAR 1,361 mn</b> Revenue ▲ 14.8% vs Q2-FY21	<b>SAR 232 mn</b> Gross Profit ▲ 348.0% vs Q2-FY21	<b>SAR 155 mn</b> EBITDA ▲ 114.5% vs Q2-FY21	<b>SAR 21 mn</b> Net Profit ▲ Q2-FY21 SAR -98 mn
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**Return to sustainable profitability post Covid-19 and operational challenges**

**Inventory significantly reduced vs. pre-Covid, with ongoing initiatives to strengthen financial position**

**Significant top-line recovery, sales surpass pre-pandemic levels**

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

# H1-FY22 at-a-glance



## Reported

<b>SAR 3,062 mn</b> Revenue ▲ <b>74.9% vs H1-FY21</b>	<b>SAR 565 mn</b> Gross Profit ▲ <b>H1-FY21 SAR -191 mn</b>	<b>SAR 348 mn</b> EBITDA ▲ <b>H1-FY21 SAR -262 mn</b>	<b>SAR 67 mn</b> Net Profit ▲ <b>H1-FY21 SAR -634 mn</b>
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**Sequential profitability providing the platform to deliver a solid FY22**

**Profitability still lower than pre-pandemic but steadily improving**

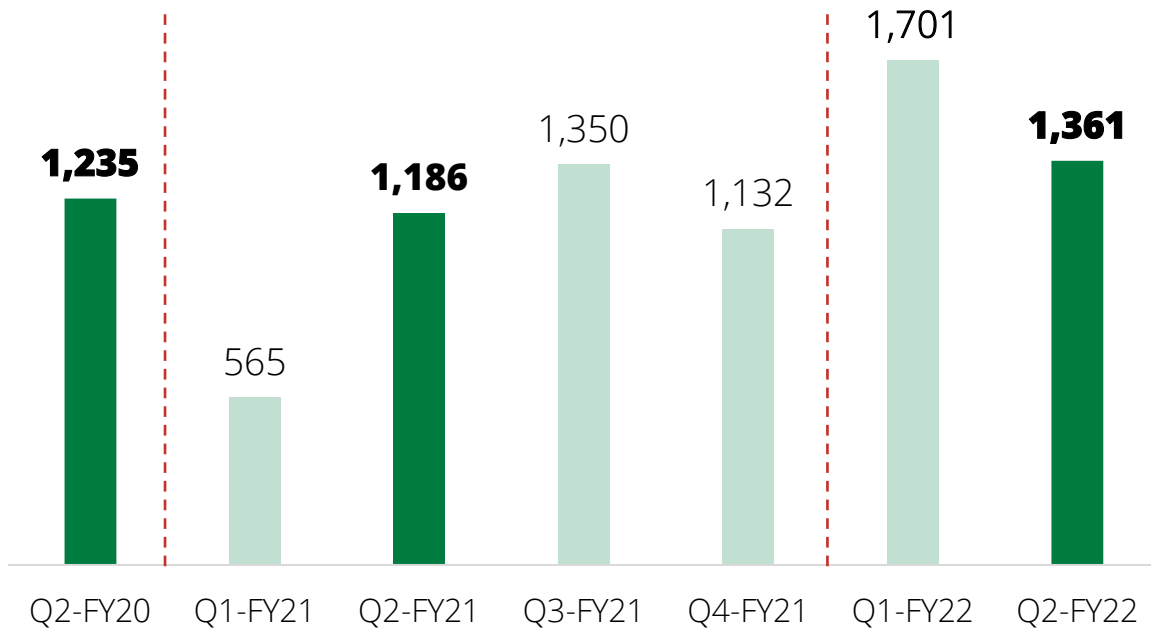
**Material y-o-y recovery and positive pre-pandemic levels comparability**

# Top line surpass pre-pandemic levels



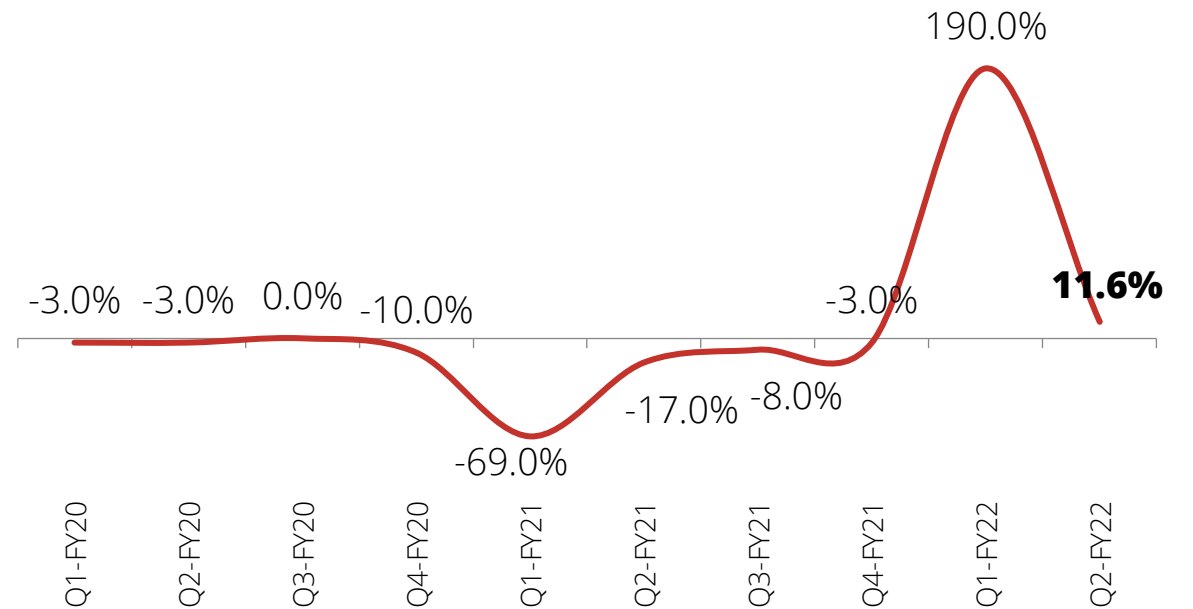
## Revenues, SAR million

Sales exceed pre-pandemic levels despite ongoing capacity limitations in malls and F&B outlets during Q2.



## LFL consolidated sales growth, %

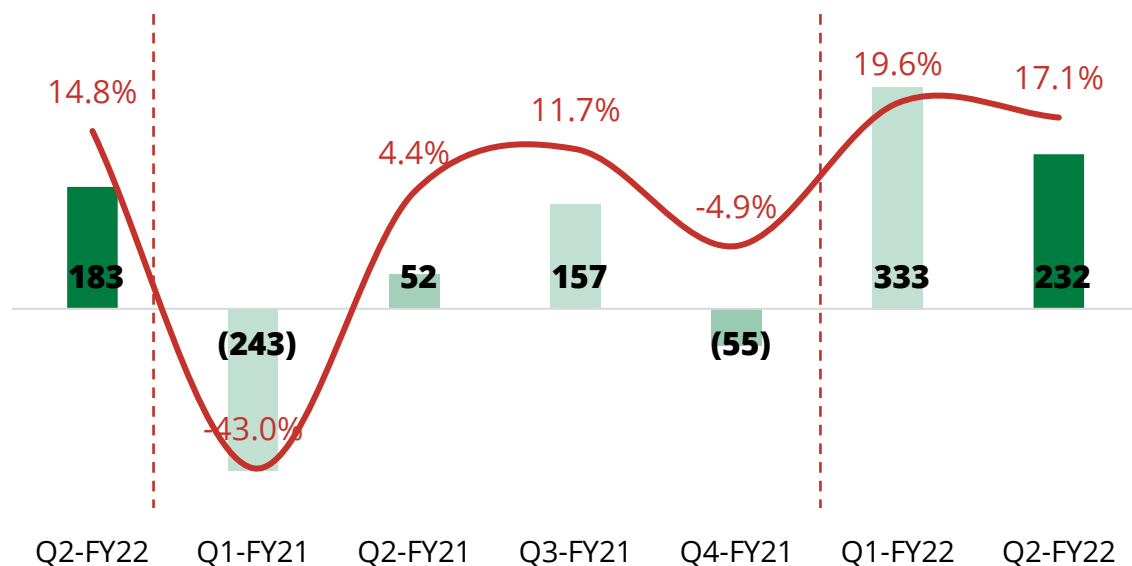
Improving LFL growth performance. Based on pre-pandemic levels revenue down -12% due to ongoing limitations in malls and F&B, social distancing and vaccination rules during Q2.



# Strategic delivery drives sustainable profitability

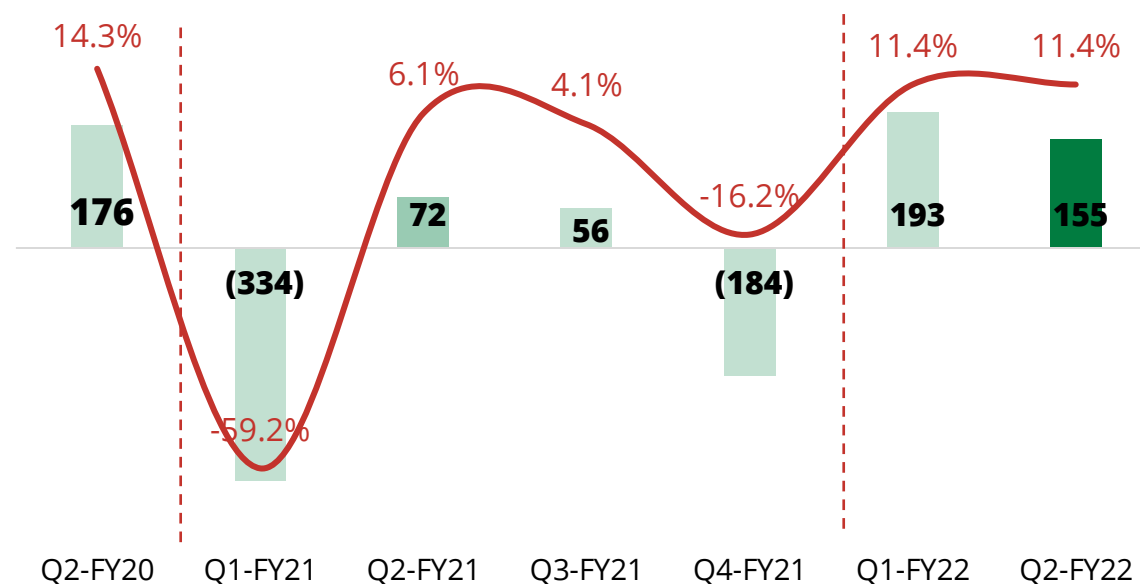


## Gross Profit (SAR million) – GPM (%)



- Gross profit and GPM surpass pre-pandemic levels
- **Trading Margin (Revenue less COGS less royalties less normalized inventory provisions) stood at 43.8% in Q2- FY22 versus 38.4% for Q2-FY21.**

## EBITDA (SAR million) – EBITDA Margin (%)



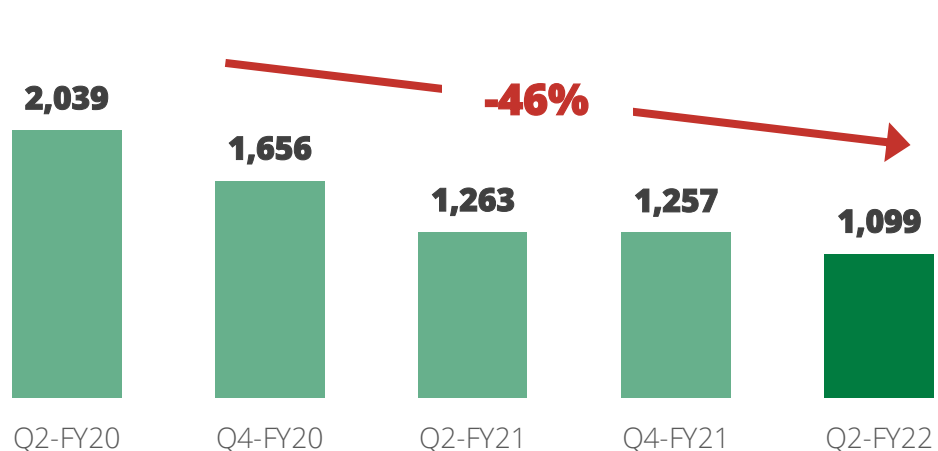
- EBITDA and EBITDA margin on track to hitting pre-pandemic levels
- On track to meet guidance of EBITDA margin of 8.0% for FY-22 with normalized target standing at 12-14%

# Balance sheet optimization

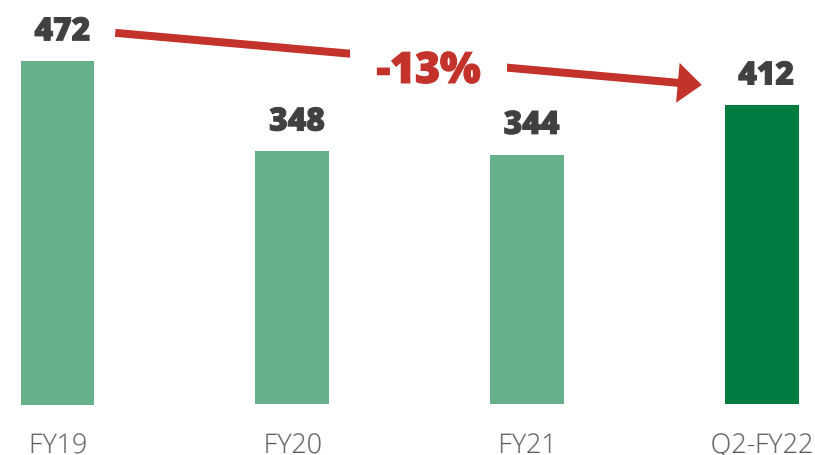


Aggressive inventory management and working capital optimization to improve liquidity and increase efficiency

## Inventory balance (SAR million)



## Receivables from related parties\* (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 1-2% of sales**

### Actively reducing receivables:

- SAR 80mn receivables from **ECRED** resolved
- No material changes during the period

\* FAS, Egyptian Centre, FARE

# Balance Sheet Actions



## Capital alternation to restructure capital and further strengthen financial position

1.

Share Capital of SAR 2.1 billion with **accumulated losses of SAR 969** million as at 30-Sept

2.

**Board** recommends capital decrease followed by a capital increase

3.

**Capital reduction by 46%** to offset accumulated losses by cancelling c. 96.9 million shares

4.

**Capital increase** by way of a SAR 1.0 billion rights issue to **SAR 2.13 billion**

### Strengthening our financial position to enable long term sustainable growth



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



Additional funding to support executing growth plan and exploring new initiatives



Greater cashflow headroom accelerating ability to distribute dividends

# Debt management in focus



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

## Summarized credit metrics

**SAR 188 million of debt paid down YTD**

SAR million	Mar'21	Sep'21	YTD % change
<b>Total Interest-Bearing Debt</b>	3,124	2,936	-6%
<b>Cash Position</b>	468	265	-43%
<b>Net Debt</b>	2,656	2,671	1%

**H1-FY22 financial charges down 26% y-o-y**

- The reclassification of non-current loans and borrowings to current liabilities as at 30 September 2021 was effected to comply with IFRS standards
- Our lenders, who continue to be supportive, have not indicated their intention of demanding repayment
- The successful capital alteration will allow Alhokair to renegotiate the financial covenants and ultimately regain full compliance with covenants by FY 2023



# Outlook

FY22



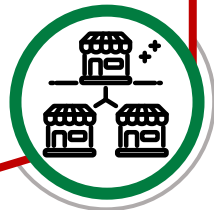
# Our vision



**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.



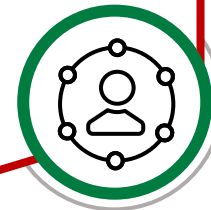
02

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



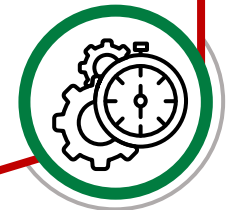
03

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

[investors.relations@fahretail.com](mailto:investors.relations@fahretail.com)

# Supplementary information



# Income Statement Q2-FY22 and H1-FY22



SAR Million	Q2-FY21	Q2-FY22	Change y-o-y	H1-FY21	H1-FY22	Change y-o-y
<b>Revenue</b>	<b>1,186</b>	<b>1,361</b>	<b>14.8%</b>	<b>1,751</b>	<b>3,062</b>	<b>74.9%</b>
Cost of Revenue	(1,134)	(1,129)	-0.4%	(1,941)	(2,497)	28.6%
<b>Gross Profit</b>	<b>52</b>	<b>232</b>	<b>348.0%</b>	<b>(191)</b>	<b>565</b>	<b>-</b>
<i>Gross Profit Margin</i>	4.4%	17.1%	12.7	-10.9%	18.5%	29.4
Selling and Distribution Expenses	(45)	(46)	2.3%	(81)	(90)	11.6%
General and Administrative Expenses	(63)	(71)	12.1%	(119)	(170)	42.6%
Impairments	-	-	-	(29)	-	-
Other operating expense	(5)	(6)	14.7%	(41)	(21)	-50.4%
Depreciation and Amortization	(76)	(38)	-49.8%	(154)	(104)	-32.8%
Other Income (loss), net	133	45	-66.4%	198	63	-68.1%
<b>Operating Income</b>	<b>(4)</b>	<b>116</b>	<b>-</b>	<b>(416)</b>	<b>244</b>	<b>-</b>
<i>Operating Income Margin</i>	-0.4%	8.5%	8.9	-23.8%	8.0%	31.8
Financial Charges	(85)	(71)	-16.5%	(192)	(143)	-25.6%
Share of loss of associates	-	-	-	-	-	-
<b>Profit before Zakat and Tax</b>	<b>(89)</b>	<b>46</b>	<b>-</b>	<b>(608)</b>	<b>102</b>	<b>-</b>
Zakat and Income Tax	(9)	(25)	162.6%	(26)	(35)	37.3%
<b>Net Profit for the Period</b>	<b>(98)</b>	<b>21</b>	<b>-</b>	<b>(634)</b>	<b>67</b>	<b>-</b>
<i>Net Profit Margin</i>	-8.3%	1.5%	9.8	-36.2%	2.2%	38.4
<b>Attributable to:</b>						
<b>Shareholders of the Company</b>	<b>(99)</b>	<b>22</b>	<b>-</b>	<b>(624)</b>	<b>69</b>	<b>-</b>
Non-Controlling Interest	0.6	(0.8)	-	(10)	(2)	-79.2%
<b>Earnings per Share Basic and Diluted</b>	<b>(0.47)</b>	<b>0.10</b>	<b>-</b>	<b>(2.97)</b>	<b>0.33</b>	<b>-</b>
<b>EBITDA</b>	<b>72</b>	<b>155</b>	<b>114.5%</b>	<b>(262)</b>	<b>348</b>	<b>-</b>
<i>EBITDA Margin</i>	6.1%	11.4%	5.3	-15.0%	11.4%	26.3

# Balance Sheet Q1-FY22



SAR Million	30 September 2021	31 March 2021	Change
<b>Assets</b>			
Property, Plant and Equipment	1,300	1,327	-2%
Right-of-Use Assets	3,139	3,402	-8%
Goodwill and Intangible Assets	1,131	1,111	2%
Investment Property	2	2	0%
Equity-accounted investees	3	3	0%
Other investments	301	300	0%
Receivables from Disposal of Subsidiaries / Brands	-	-	
<b>Total Fixed Assets</b>	<b>5,876</b>	<b>6,145</b>	<b>-4%</b>
Inventories	1,099	1,152	-5%
Advances, Deposits and Other Receivables	651	471	38%
Prepayments, Rentals and Insurance	38	48	-21%
Receivables from Disposal of Subsidiaries / Brands	-	75	-
Cash & Cash Equivalents	265	468	-43%
<b>Total Current Assets</b>	<b>2,053</b>	<b>2,214</b>	<b>-7%</b>
<b>Total Assets</b>	<b>7,929</b>	<b>8,359</b>	<b>-5%</b>
<b>Equity &amp; Liabilities</b>			
Share Capital	2,100	2,100	0%
Reserves (Statutory, Foreign Currency and Fair Value)	(497)	(510)	-3%
Accumulated Losses	(969)	(1,038)	-7%
Equity Attributable to the Shareholders of the Company	634	552	15%
Non-Controlling Interest	(102)	(100)	2%
<b>Total Equity</b>	<b>532</b>	<b>452</b>	<b>18%</b>
LT Loans and Borrowing	-	2,304	-
Lease Liabilities	2,773	2,838	-2%
Post-Employment Benefits	114	110	4%
<b>Total Non-Current Liabilities</b>	<b>2,887</b>	<b>5,252</b>	<b>-45%</b>
Trade Payables	938	1,016	-8%
Zakat & Tax Liabilities	17	16	8%
Lease Liability – current portion	619	803	-23%
ST Loans and Borrowings	2,936	820	258%
<b>Total Current Liabilities</b>	<b>4,510</b>	<b>2,655</b>	<b>70%</b>
<b>Total Liabilities</b>	<b>7,397</b>	<b>7,907</b>	<b>-6%</b>
<b>Total Equity &amp; Liabilities</b>	<b>7,929</b>	<b>8,359</b>	<b>-5%</b>

# Intensive balance sheet restructuring



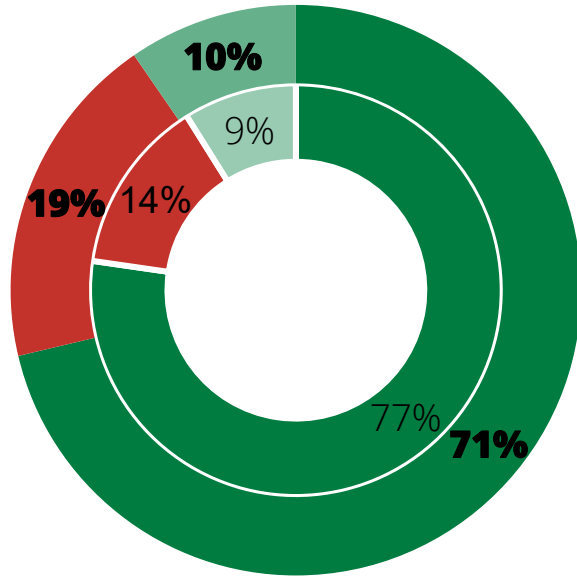
Alhokair continues to rationalize inventory balances. Shrinkage and ageing provisions to be in line with guidance of c.1-2% of sales.

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
Q2-FY2022	Accumulated shrinkage & Ageing	SAR 19.1 million

# Revenue breakdown



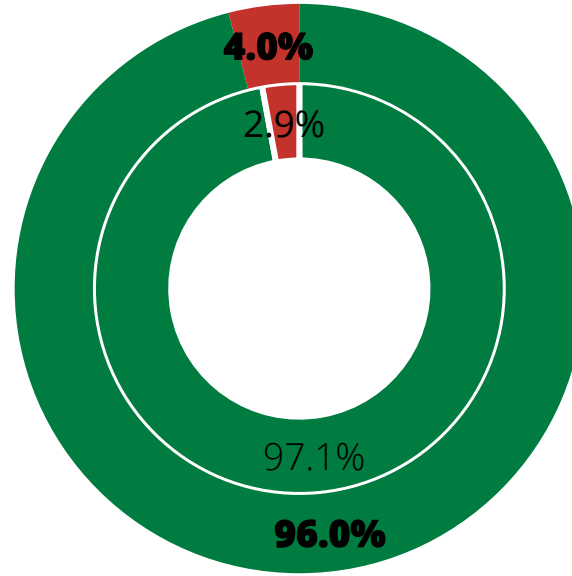
### Revenue by division



**Q2-FY22** - Outer circle  
**Q2-FY21** - Inner circle

■ KSA Retail ■ Int'l Retail ■ F&B

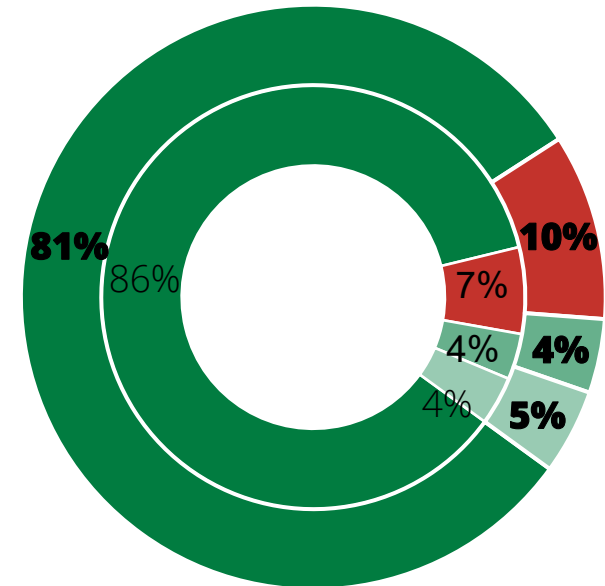
### Revenue by channel



**Q2-FY22** - Outer circle  
**Q2-FY21** - Inner circle

■ Stores ■ Online

### Revenue by geography



**Q2-FY22** - Outer circle  
**Q2-FY21** - Inner circle

■ KSA ■ CIS ■ Egypt ■ Others

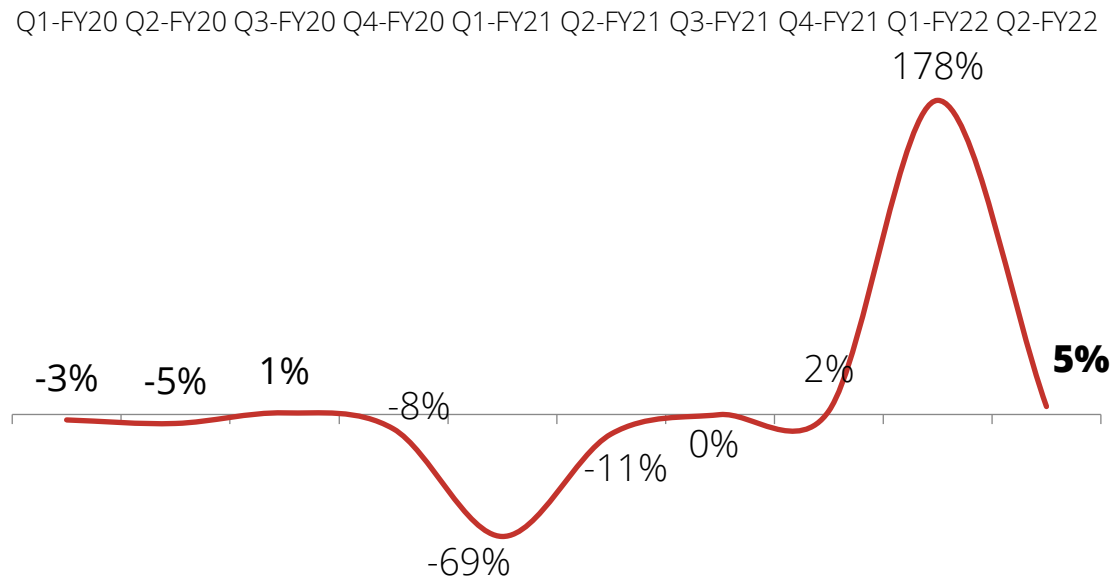


# LFL Revenue Growth



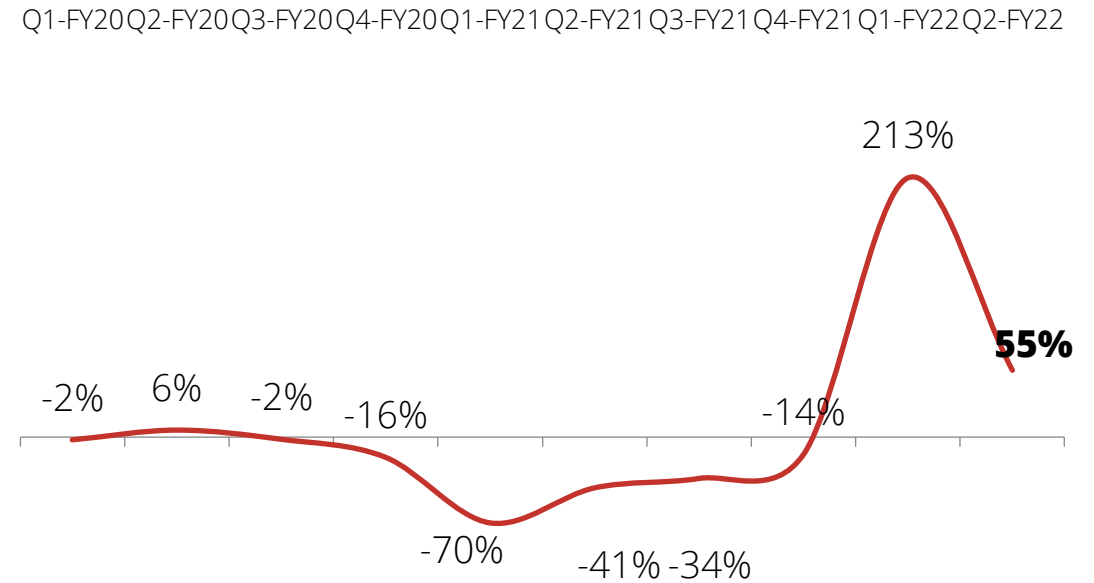
## Saudi retail

LFL gradually improving. Saudi LFL revenues down 9.8% vs. pre pandemic levels due to Covid-19 restrictions during the quarter. Target low single digit LFL growth.



## International retail

LFL improvement due to gradual removal of Covid-19 restrictions. LFL revenues down 8.5% compared to pre-pandemic levels.

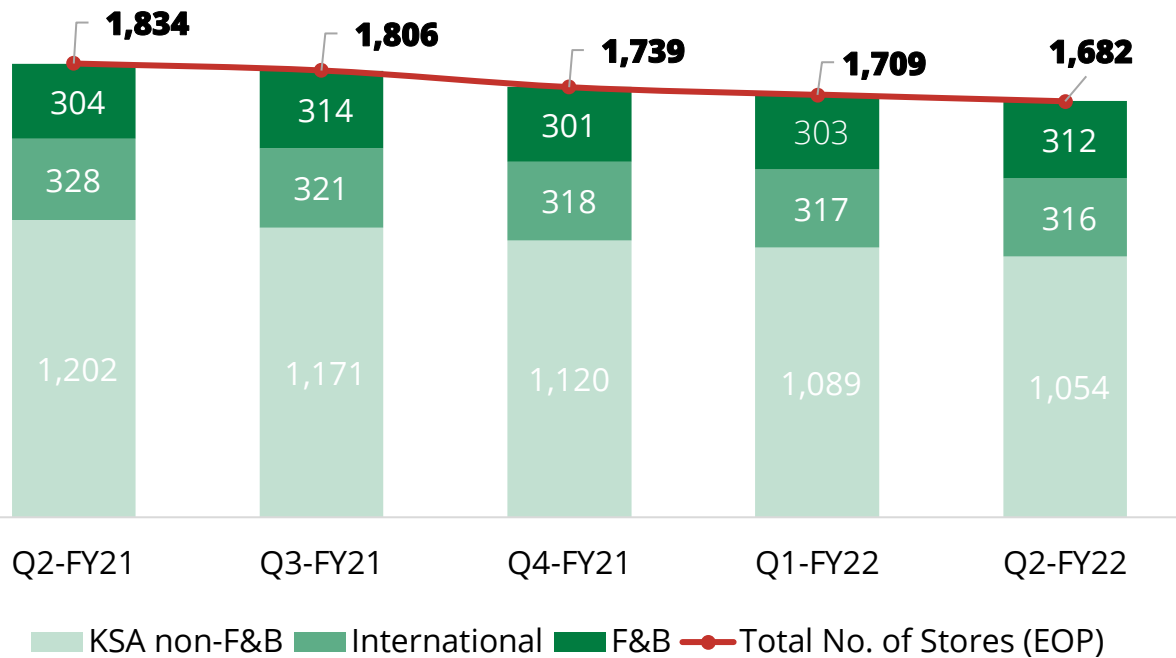


# Store base rationalization slowing down



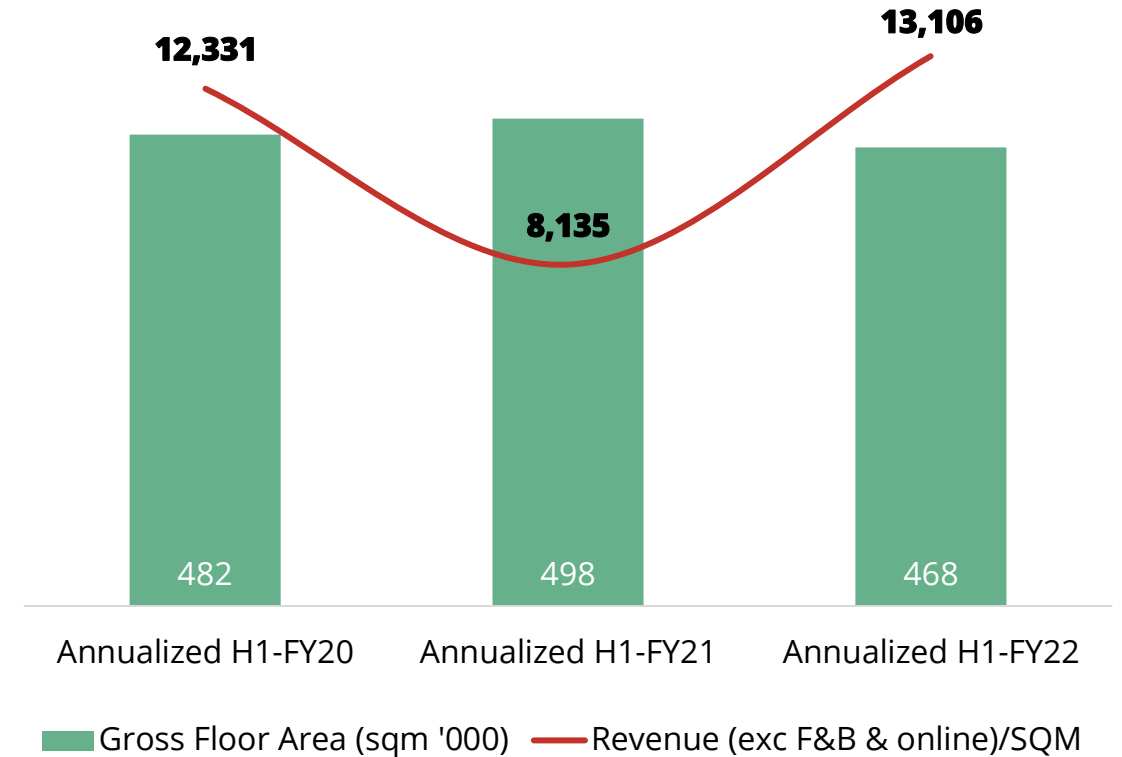
## Store network evolution

Net store contraction of 27 stores in Q2-FY22 stemming from ongoing network rationalization in KSA. F&B back to net store opening.



## Gross Floor Area, SQM vs Sales Density, SAR

Annualized H1-FY22 revenue per sqm (+61% yoy) on an upward trajectory as we continue to generate more with less. H1-FY22 annualized sales density exceeds pre-pandemic levels

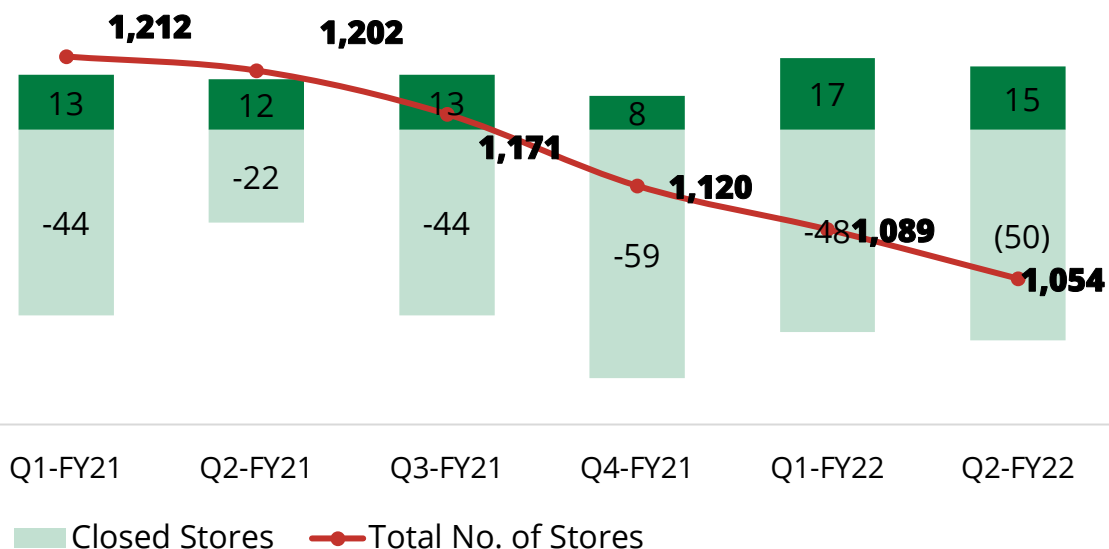


Annualized figures are based on the period run rates

# Saudi Arabia remains core market, key focus

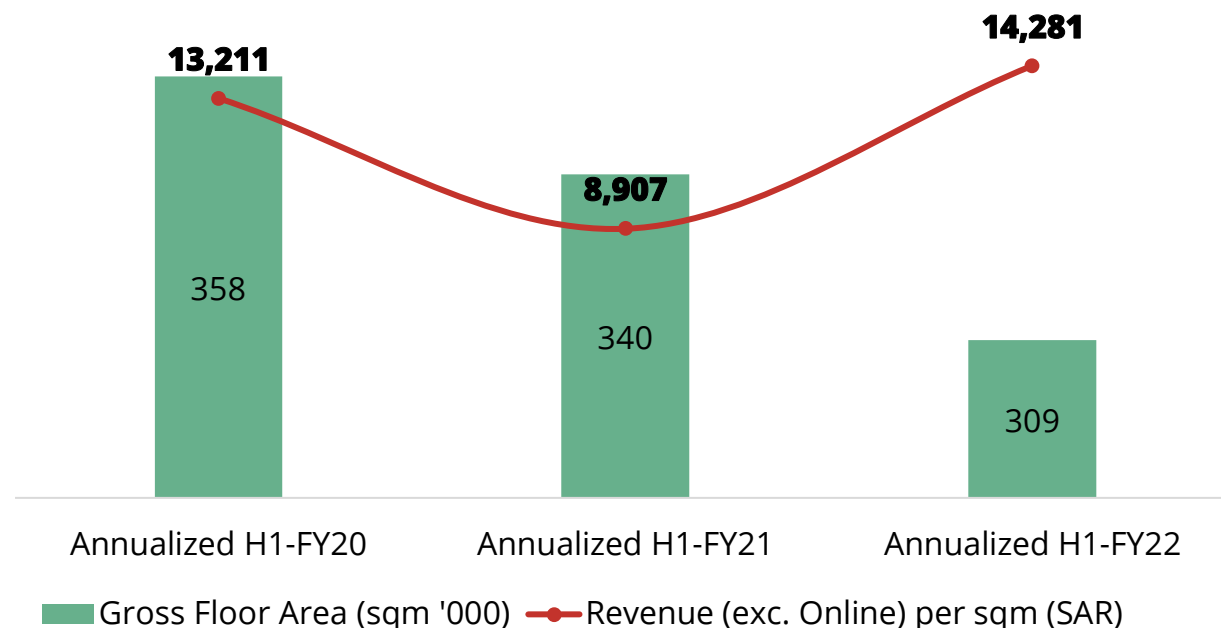


## Saudi retail store network evolution



## Gross Floor Area, SQM vs Sales Density, SAR

Annualized H1-FY22 KSA revenue per sqm up +60% yoy and +8% compared to H1-FY20

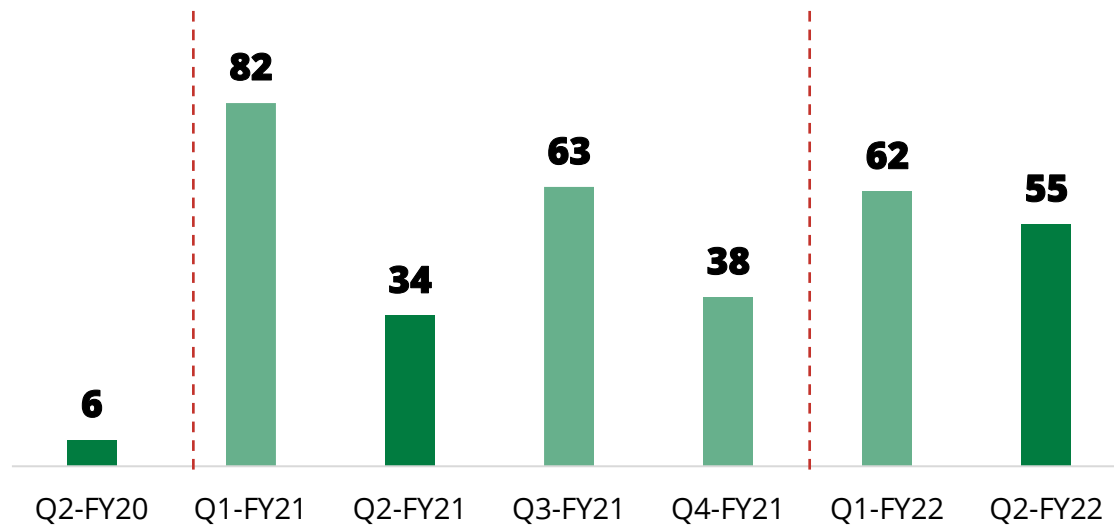


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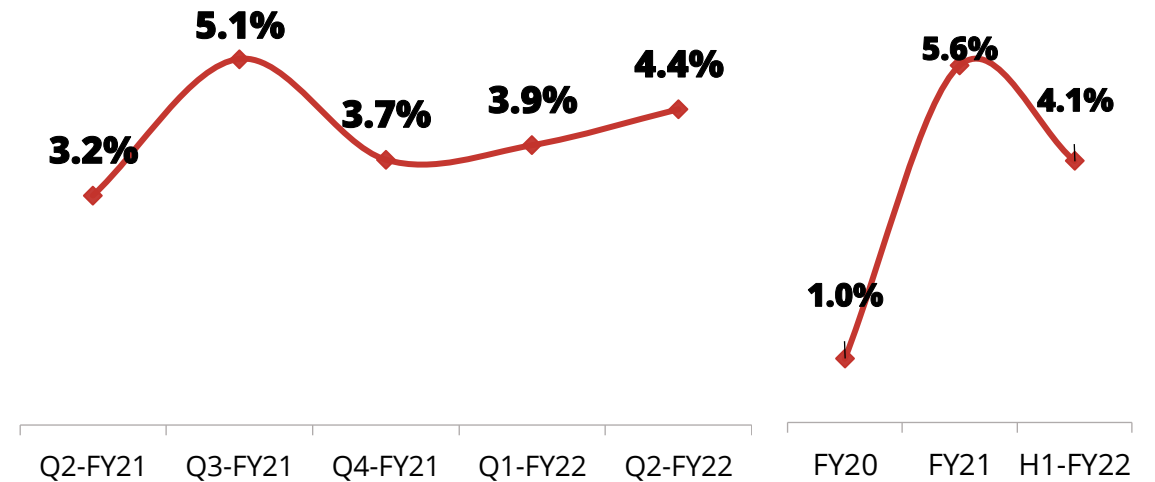
# Rapid growth in online sales



## Online revenues, SAR million



## E-commerce, % of total retail sales



### Ecommerce continues to gain momentum:

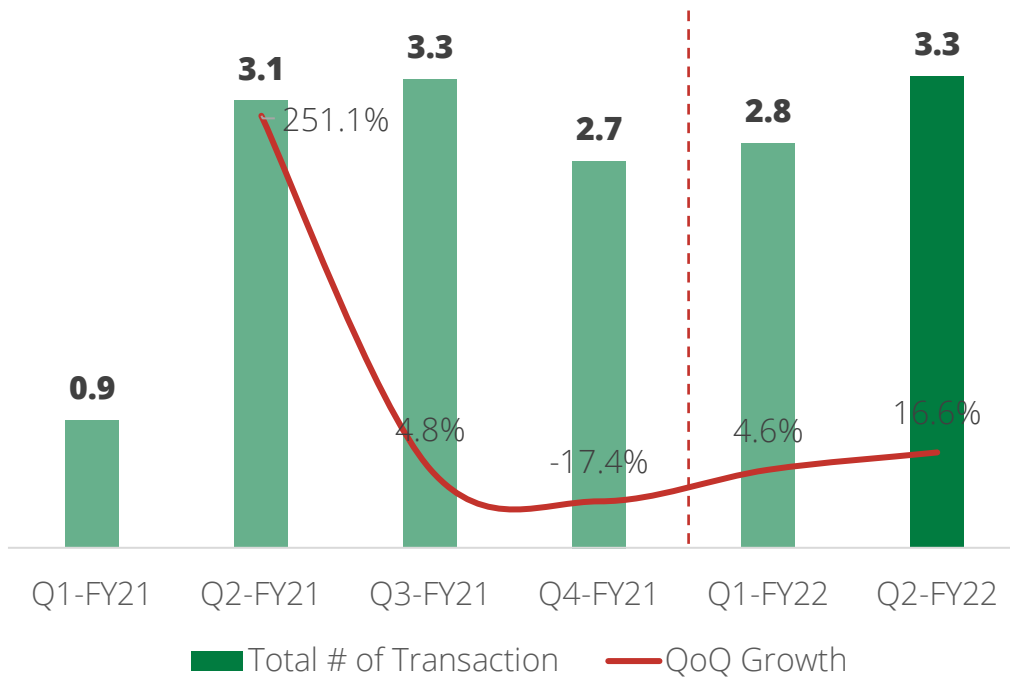
- Online sales up 55% y-o-y despite in-store traffic increase
- Contribution to retail revenue reaches 4.4%

### LFL online increased by 5% despite increase of in-store traffic

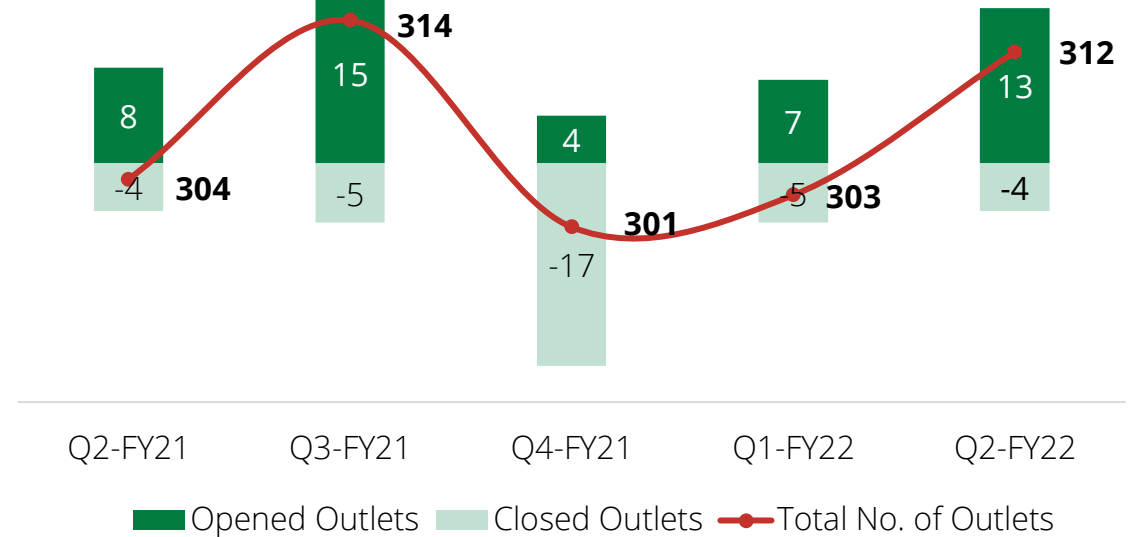
# F&B segment poised for recovery and growth



## Total number of transactions (million)



## F&B store network evolution



# 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 Al Redha	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 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

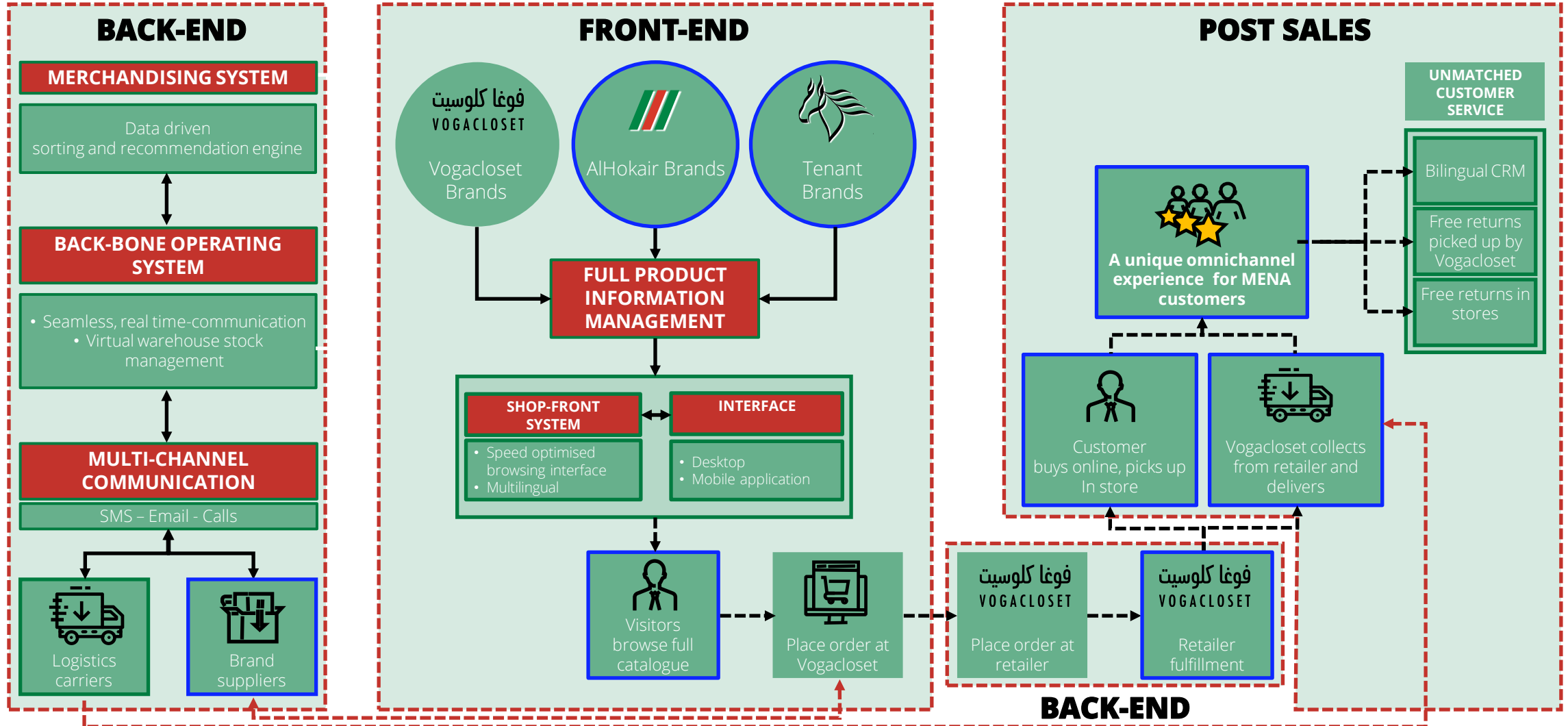


## Positive financial impact

- 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



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# Thank you



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