

# Earnings Presentation | H1-FY23

As at 30 September 2022



# **Management Review H1-FY23**

# / Alhokair at a Glance – Q2-FY23

H1-FY23 results supported by growing international operations and strong F&B performance

**82**

Brands

**1,659**

Total Number of Stores

**~480k**

Gross Floor Area, sqm

**+10,500**

Employees

**73%**

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



**1,030**

Total Retail Stores



**325**

Total F&B Stores

## Strong International Presence

with recovering performance & pickup in momentum



**304**

Total Retail Stores



**10**

Int'l Countries



**21%**

of Q2-FY23 Revenue

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

# / Diversified brand portfolio and revenue streams

Our Competitive Advantage & Transformation Driver to becoming a true 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**

			Q2-FY23	FY22
24	Fast Fashion		55.3%	52.8%
4	Economy		9.8%	10.6%
14	F&B		8.2%	8.5%
7	Footwear		5.2%	6.2%
1	Electronics		5.5%	5.3%
2	High Street		3.8%	3.7%
7	Kidswear		3.1%	3.2%
7	Accessories		3%	3.1%
5	Lingerie and intimate apparel		2.9%	3.1%
6	Beauty & Makeup		1.6%	1.1%
1	Homewear		1%	1.1%
1	Entertainment		1%	0.9%
2	Sports		0.7%	0.4%
1	Lifestyle		0.3%	0.03%

# Key brand & store openings

## Retail

### Q2-FY23 Retail

- **13** stores opened
- **41** stores closed
- **28** net closures

### H1-FY23 Retail

- **41** stores opened
- **57** stores closed
- **16** net closures

### FY23 Retail

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

### FY23 openings



## F&B

### Q2-FY23 F&B

- **13** stores opened
- **2** stores closed
- **11** net openings

### H1-FY23 F&B

- **24** stores opened
- **17** stores closed
- **7** net openings

### FY23 F&B

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

### FY23 openings



# / Omnichannel transition

Ongoing channel optimization on Vogacloset & via our Monobrand platforms

## Vogacloset

V

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

## Monobrand Platforms

KSA

**19**

International

**7**

### H1-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 monobrand sites.
- Launched 2 new monobrand sites in Georgia and Armenia for Bershka, with total number of monobrand sites in international markets reaching 7.



# **Financial Review H1-FY23**

# / Q2 and H1-FY23 Financial Performance Overview

<b>SAR 1,373 mn</b> Revenue ▲ +0.9% vs Q2-FY22	<b>SAR 193 mn</b> Gross Profit ▼ -17% vs Q2-FY22	<b>SAR 80 mn</b> EBITDA* ▼ -31% vs Q2-FY22	<b>SAR 23 mn</b> Net Profit ▲ +12% vs Q2-FY22
<b>SAR 3,079 mn</b> Revenue ▲ +0.5% vs H1-FY22	<b>SAR 471 mn</b> Gross Profit ▼ -17% vs H1-FY22	<b>SAR 227 mn</b> EBITDA* ▼ -15% vs H1-FY22	<b>SAR 81 mn</b> Net Profit ▲ +22% vs H1-FY22

- ❖ Continued positive momentum from F&B and international portfolio supports topline, offsetting softer seasonal domestic operating environment
- ❖ Focus remains on cost rationalization to drive future growth
- ❖ Strategic optimization of inventories continues with further reduction of 15% YTD

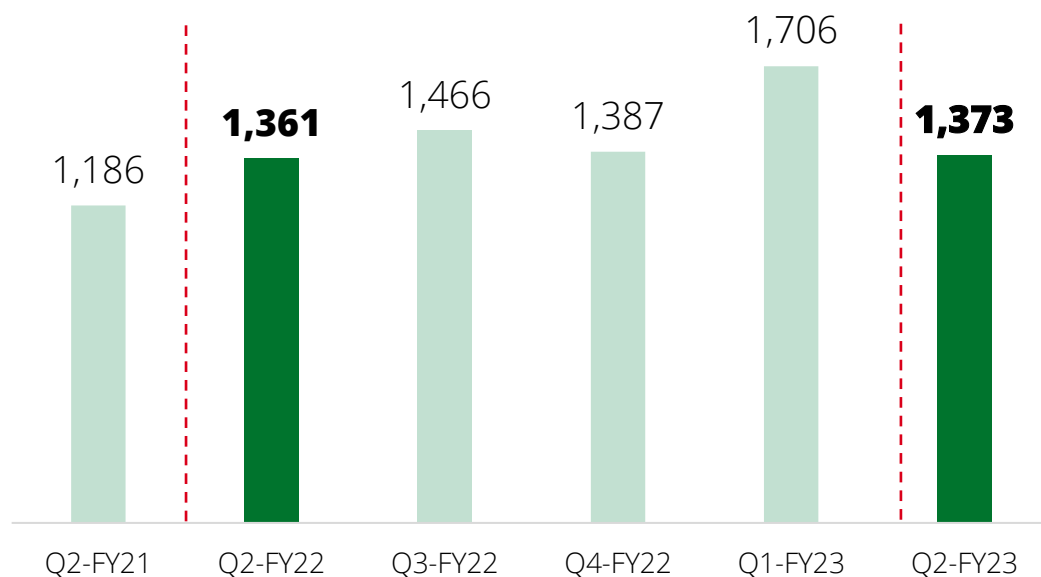
*\*EBITDA represents pre-IFRS 16 EBITDA, i.e. EBITDA after deducting depreciation on right-of-use assets and finance cost on lease liability*



# Steady top line performance

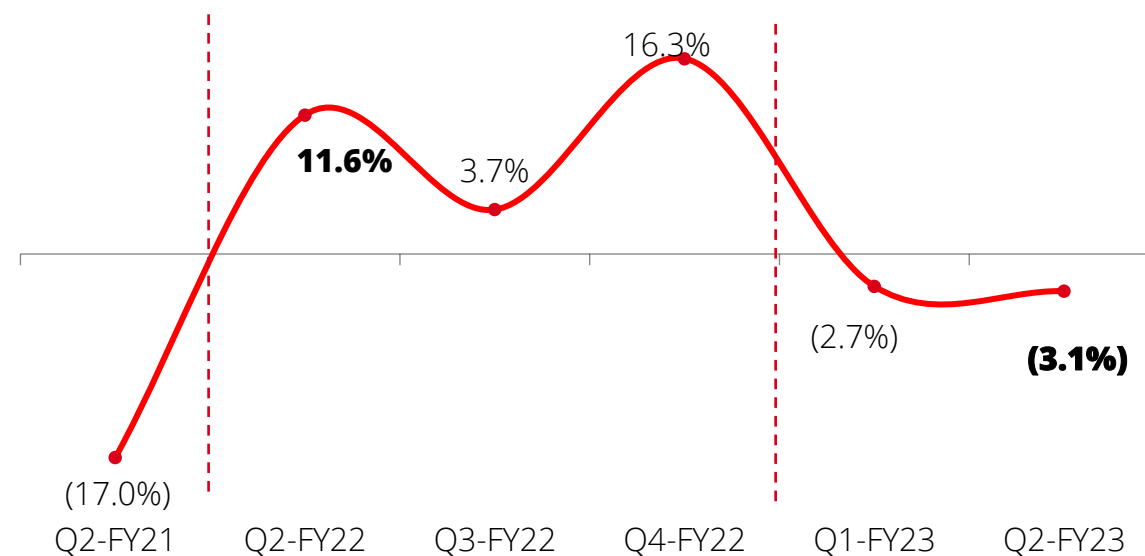
## Revenue, SAR million

Steady revenue performance in Q2-FY23, at SAR 1,373 million (+0.9% YoY), supported by F&B and international retail



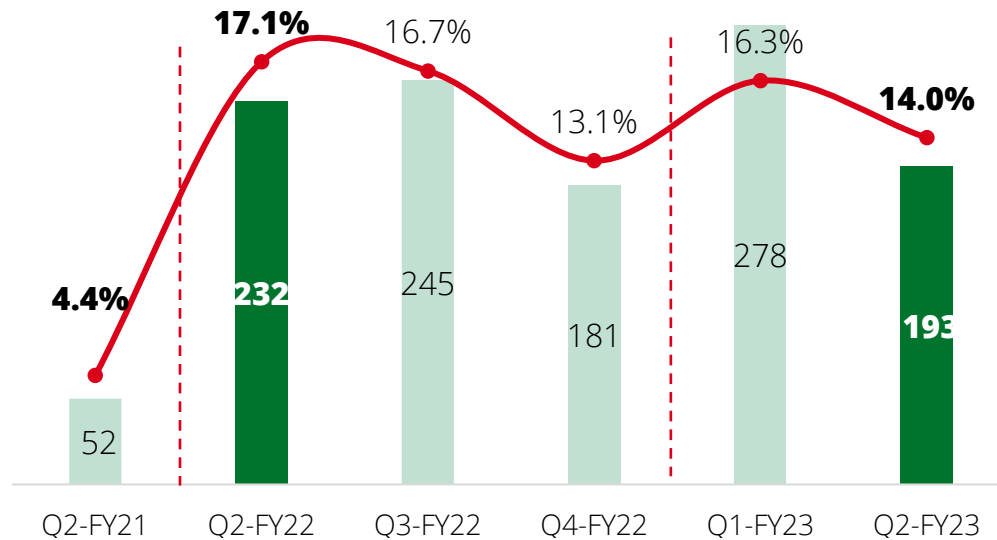
## LFL consolidated sales growth, %

LFL revenue declined 3% YoY, due to softer domestic operating environment, characterized by inflationary pressures and reduction in discretionary spending



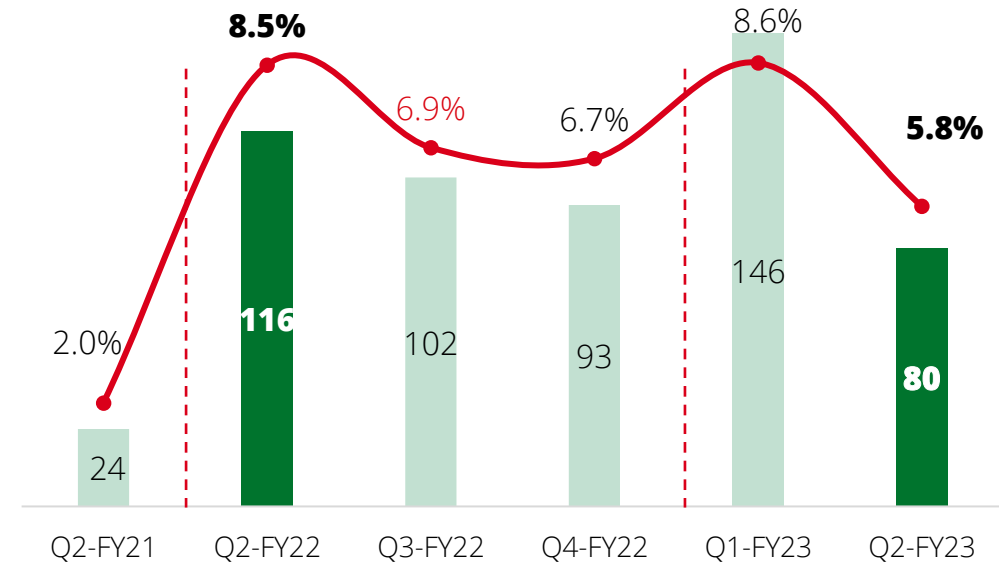
# Margin pressure due to rapidly changing domestic landscape

**Gross Profit, SAR million – GPM, %**



- Trading Margin (Revenue less COGS less royalties less normalized inventory provisions) stood at 41.9% in Q2-FY23 versus 43.8% for the same quarter last year.
- Increase in landing costs during the period

**EBITDA, SAR million – EBITDA Margin, %**

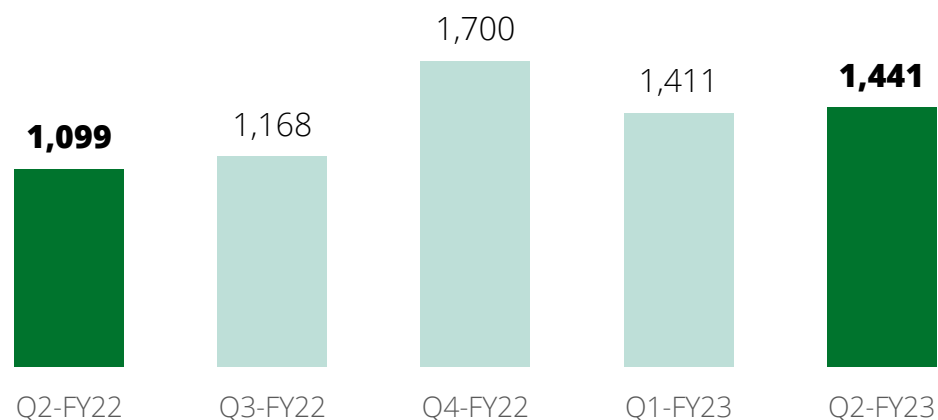


- EBITDA represents pre-IFRS 16 EBITDA, i.e., after deducting depreciation on right-of-use assets and finance cost on lease liability

# / Balance sheet optimization

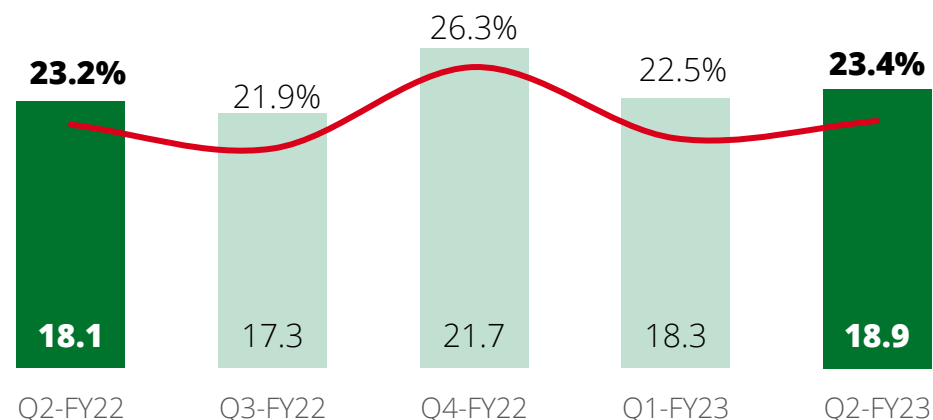
Prudent working capital practices through inventory optimization, to improve liquidity and efficiency

## Inventory balance (SAR million)



- YTD decline in inventory balance due to Alhokair's sustained focus on inventory optimization

## Inventory efficiency ratios



■ Weeks on hand    — Inventory % of Sales exc. F&B

- Steady inventory ratios, with enhanced and efficient inventory management

# / 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 earnings at SAR 50 mn**  
as at 30-Sep-2022

**2.**

**Capital reduction by 45% 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 to be used to improve leverage and lower Net Debt/EBITDA to a target range of 3.8-4.3x

**2**

Additional funding to support executing growth plan and exploring new initiatives

**3**

Greater cashflow headroom supporting capacity for future dividend distributions

# / Key takeaways – Q2 and H1-FY23

**1.**

Sustained growth in F&B and international operations, with plans to further expand domestically and into select strategic international markets

**2.**

Ongoing store rationalization to improve profitability and support a sustainable long-term performance

**3.**

Disciplined working capital management with optimized inventory management policies

**4.**

Operational upgrade strategy in progress, to accelerate digital transformation, improve efficiencies, and continue to deliver a distinctive omnichannel customer experience

**5.**

Capital alteration set to reinforce financial position and support current and future growth initiatives



**Thank you**

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# **Financial Statements**

# / Income Statement Q2 and H1-FY23

<i><b>SAR Million</b></i>	<b>Q2-FY23</b>	<b>Q2-FY22</b>	<b>% Change</b>	<b>H1-FY23</b>	<b>H1-FY22</b>	<b>% Change</b>
Revenue	1,373	1,361	0.9%	3,079	3,062	0.5%
Cost of Revenue	(1,180)	(1,129)	4.5%	(2,608)	(2,497)	4.4%
<b>Gross Profit</b>	<b>193</b>	<b>232</b>	<b>-17.1%</b>	<b>471</b>	<b>565</b>	<b>-16.7%</b>
Gross Profit Margin	14.0%	17.1%	(3.0)	15.3%	18.5%	(3.2)
Selling and Distribution Expenses	(46)	(46)	1.2%	(91)	(90)	0.4%
General and Administrative Expenses	(67)	(71)	-5%	(153)	(170)	-9.9%
Other operating expense	7	(6)	NM	(1)	(21)	-94.7%
Depreciation and Amortization	(37)	(38)	-2.2%	(78)	(104)	-24.3%
Other Operating Income	29	45	-34.5%	73	63	16.2%
<b>Operating Income</b>	<b>78</b>	<b>116</b>	<b>-33.1%</b>	<b>222</b>	<b>244</b>	<b>-9.4%</b>
Operating Income Margin	5.7%	8.5%	(2.9)	7.2%	8.0%	(0.8)
Financial Charges	(41)	(71)	-41.7%	(109)	(143)	-23.5%
Share of Profit (Loss) of Associates	4	-	NM	4	-	NM
<b>Profit before Zakat and Tax</b>	<b>40</b>	<b>46</b>	<b>-11.8%</b>	<b>116</b>	<b>102</b>	<b>14.1%</b>
Zakat and Income Tax	(17)	(25)	-31.6%	(35)	(35)	-0.2%
<b>Net Profit for the Period</b>	<b>23</b>	<b>21</b>	<b>11.7%</b>	<b>81</b>	<b>67</b>	<b>21.6%</b>
Net Profit Margin	1.7%	1.5%	0.2	2.6%	2.2%	0.5
Attributable to:						
Shareholders of the Company	22	22	1.7%	80	69	16.1%
Non-Controlling Interest	1	(1)	NM	1	(2)	NM
<b>Earnings per Share Basic and Diluted</b>	<b>0.19</b>	<b>0.19</b>	<b>0.8%</b>	<b>0.69</b>	<b>0.60</b>	<b>16.1%</b>
<b>Pre-IFRS 16 EBITDA</b>	<b>80.2</b>	<b>116.1</b>	<b>-30.9%</b>	<b>226.5</b>	<b>267.5</b>	<b>-15.3%</b>
EBITDA Margin	5.8%	8.5%	(2.7)	7.4%	8.7%	(1.4)



# / Balance Sheet Q2-FY23

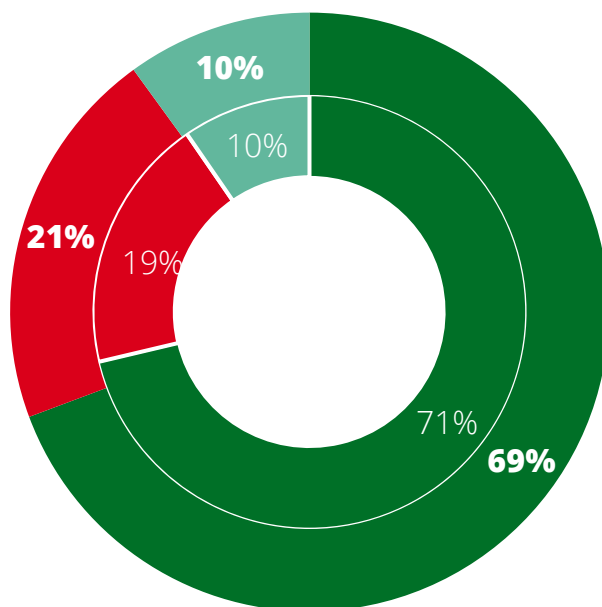
<i><b>SAR Million</b></i>	<b>30 Sep 2022</b>	<b>31 Mar 2022</b>	<b>% Change</b>
<b>Assets</b>			
Property, Plant and Equipment	1,457	1,358	7.3%
Right-of-Use Assets	3,150	3,276	-3.8%
Goodwill and Intangible Assets	1,124	1,083	3.8%
Investment Property	2	2	0.0%
Equity-accounted investees	63	62	1.6%
Other investments	298	300	-0.6%
Derivative asset	39	30	33.1%
<b>Total Fixed Assets</b>	<b>6,132</b>	<b>6,110</b>	<b>0.4%</b>
Inventories	1,441	1,700	-15.2%
Advances, Deposits and Other Receivables	546	475	15.1%
Prepayments, Rentals and Insurance	54	64	-14.7%
Cash & Cash Equivalents	180	198	-9.0%
<b>Total Current Assets</b>	<b>2,222</b>	<b>2,437</b>	<b>-8.8%</b>
<b>Total Assets</b>	<b>8,354</b>	<b>8,547</b>	<b>-2.3%</b>
<b>Equity &amp; Liabilities</b>			
Share Capital	1,148	2,100	-45.3%
Reserves ( Statutory, Foreign Currency)	(509)	(520)	-2.0%
Fair value reserve	13	13	0.0%
Accumulated earnings (Losses)	50	(982)	NM
Equity Attributable to the Shareholders of the Company	701	611	14.7%
Non-Controlling Interest	(106)	(107)	-1.2%
<b>Total Equity</b>	<b>595</b>	<b>504</b>	<b>18.1%</b>
Lease Liabilities	2,760	2,846	-3.0%
Post-Employment Benefits	119	103	15.1%
<b>Total Non-Current Liabilities</b>	<b>2,879</b>	<b>2,949</b>	<b>-2.4%</b>
Trade and other payables	1,374	1,496	-8.2%
Bank Overdraft	51	50	2.5%
Zakat & Tax Liabilities	56	37	50.7%
Lease Liability – current portion	641	632	1.4%
ST Loans and Borrowings	2,757	2,878	-4.2%
<b>Total Current Liabilities</b>	<b>4,880</b>	<b>5,094</b>	<b>-4.2%</b>
<b>Total Liabilities</b>	<b>7,759</b>	<b>8,043</b>	<b>-3.5%</b>
<b>Total Equity &amp; Liabilities</b>	<b>8,354</b>	<b>8,547</b>	<b>-2.3%</b>



# Segmental Information

# / Revenue breakdown

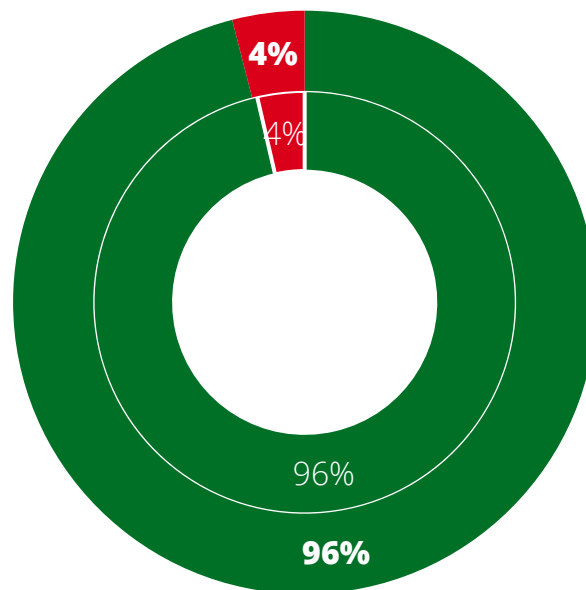
## Revenue by division



Q2-FY23 - Outer circle  
Q2-FY22 - Inner circle

■ KSA Retail ■ Int'l Retail ■ F&B

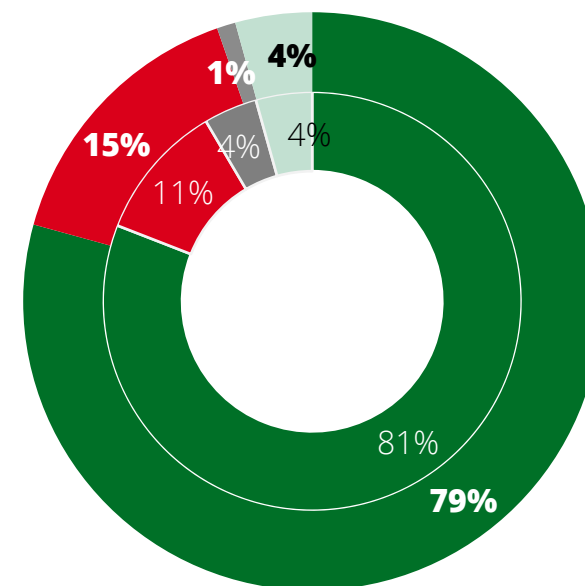
## Revenue by channel



Q2-FY 23 - Outer circle  
Q2-FY 22 - Inner circle

■ Stores ■ Online

## Revenue by geography



Q2-FY23 - Outer circle  
Q2-FY22 - Inner circle

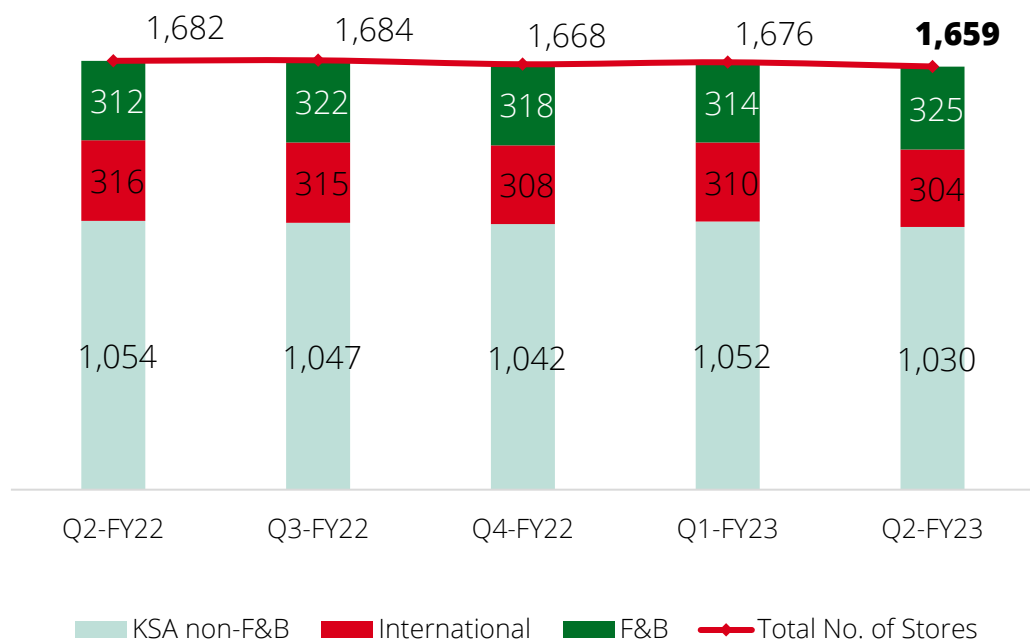
■ KSA ■ CIS ■ Egypt ■ Others

# Store rationalization in progress

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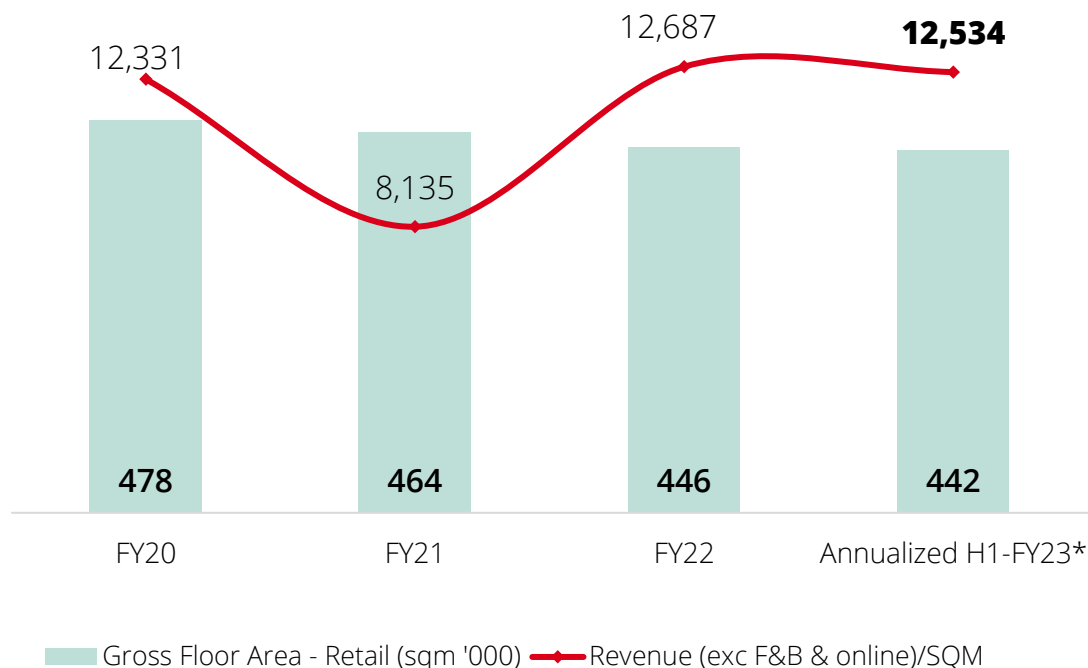
## Store network evolution

Net 21 store closures in Q2-FY23



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

Q2-FY23 revenue per sqm of SAR 12,534, a decline of 6% YoY

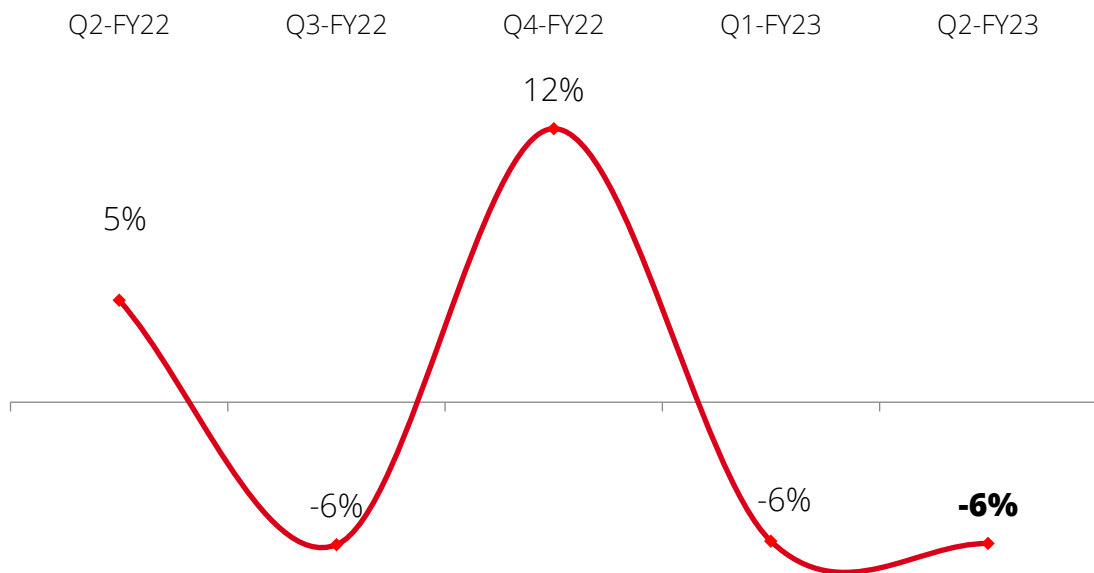


\*Annualized figures are based on the period run rates

# / Same-store sales showing mixed performance

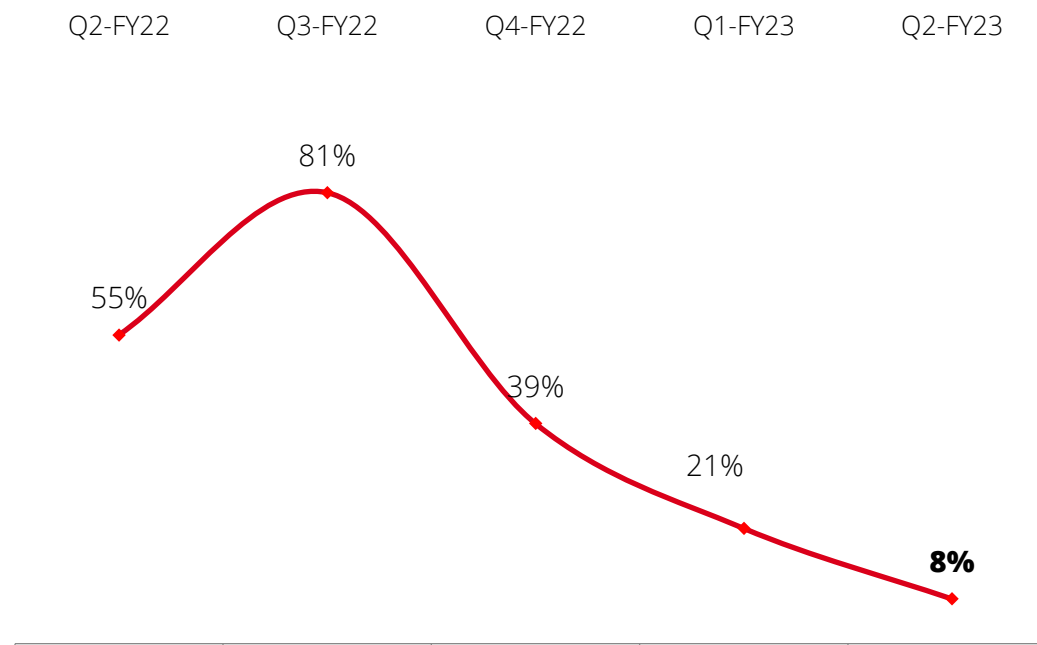
## LFL Saudi retail sales growth, %

Saudi LFL revenues down 6% in Q2-FY23, due to strong rebound in post-Covid travel and inflationary pressures leading to shifting consumer spending habits



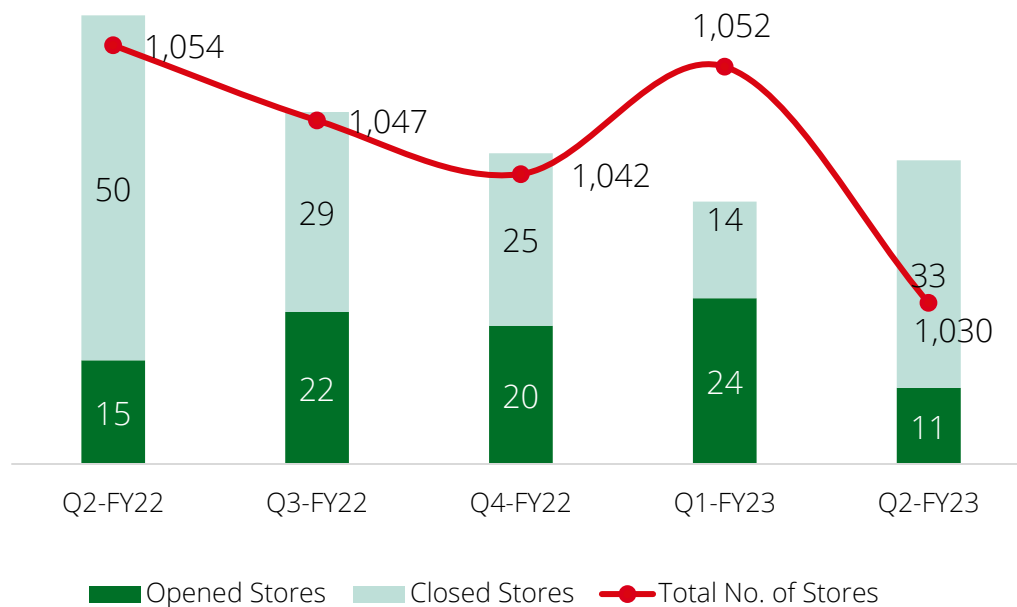
## LFL international retail sales growth, %

International LFL revenues up 8% in Q2-FY23, due to sustained improvement in performance of the CIS countries and Jordan

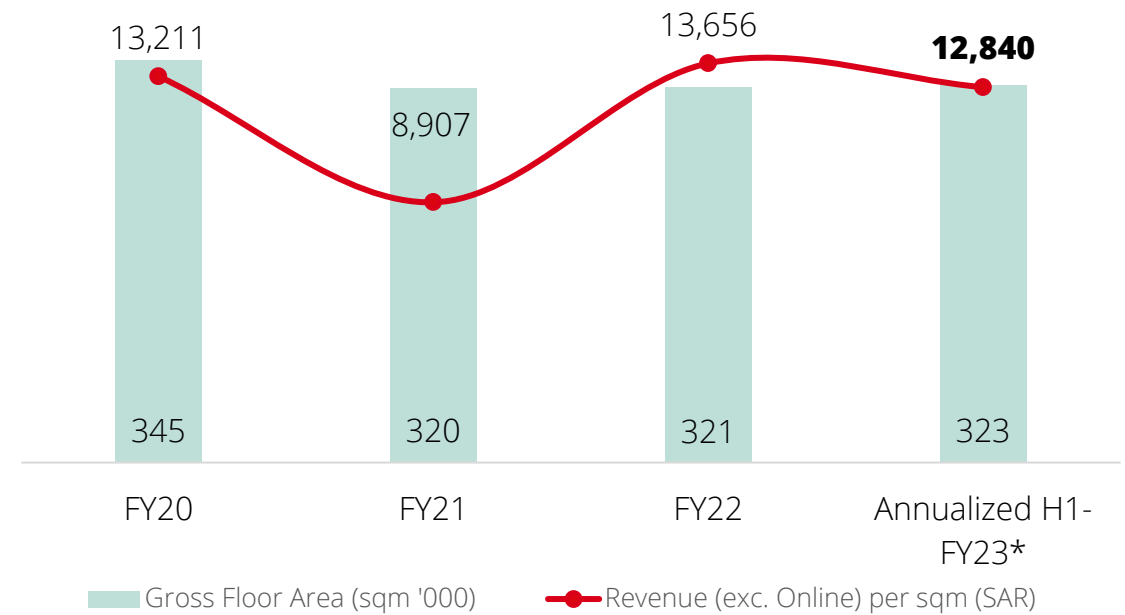


# / Saudi Arabia remains core market, key focus

## Saudi retail store network evolution



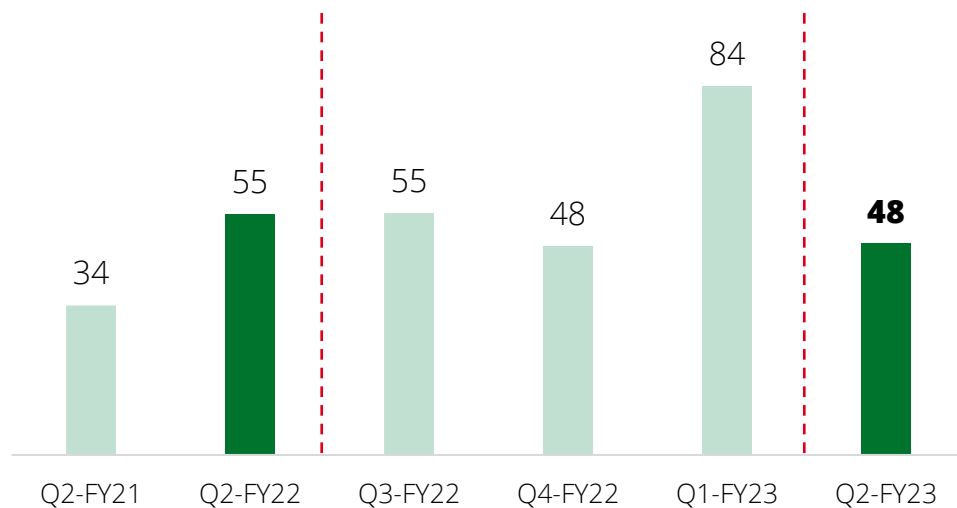
## Gross Floor Area, SQM vs Sales Density, SAR



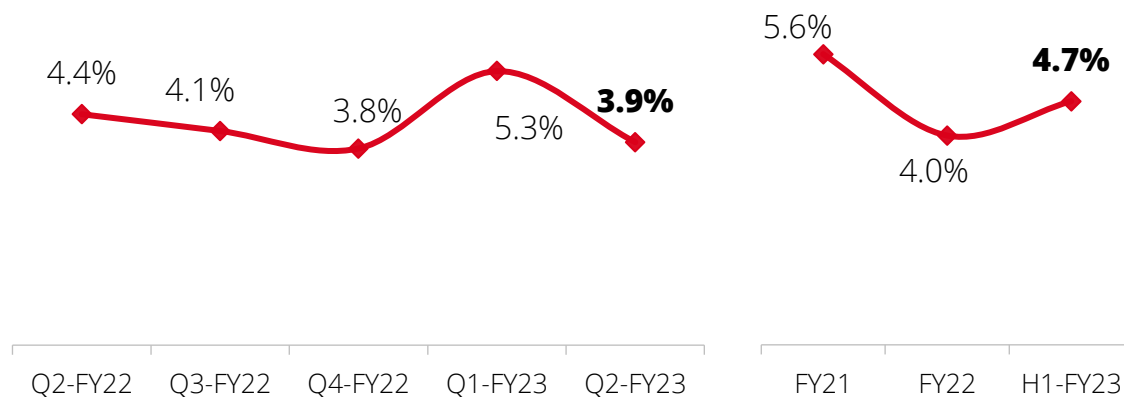
*\*Annualized figures are based on the period run rates*

# Decline in online sales

Online revenues, SAR million



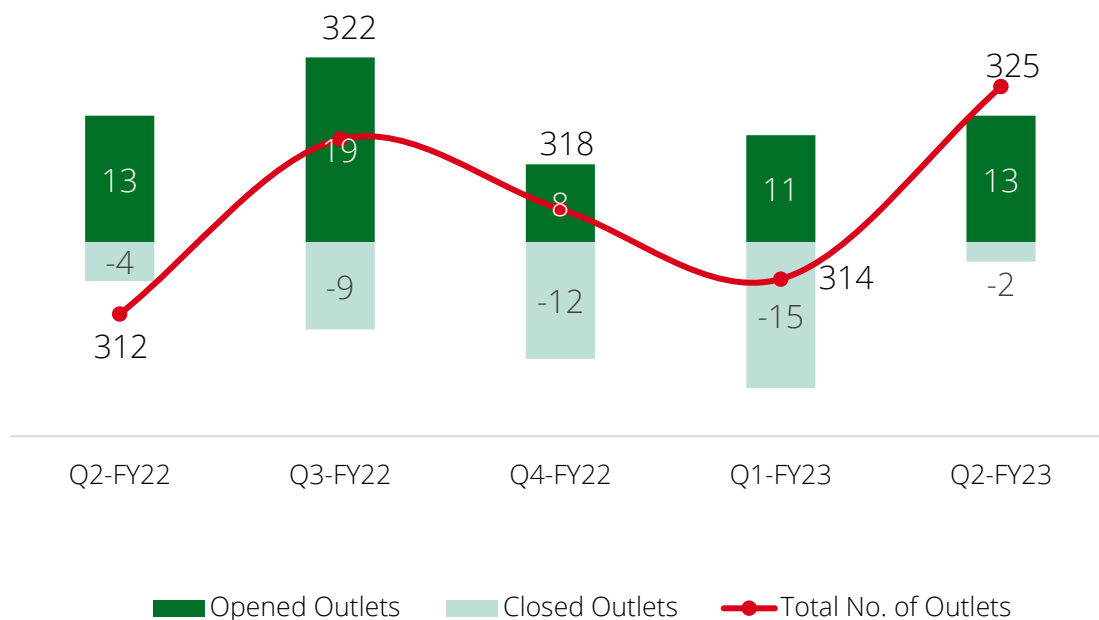
E-commerce, % of total retail sales



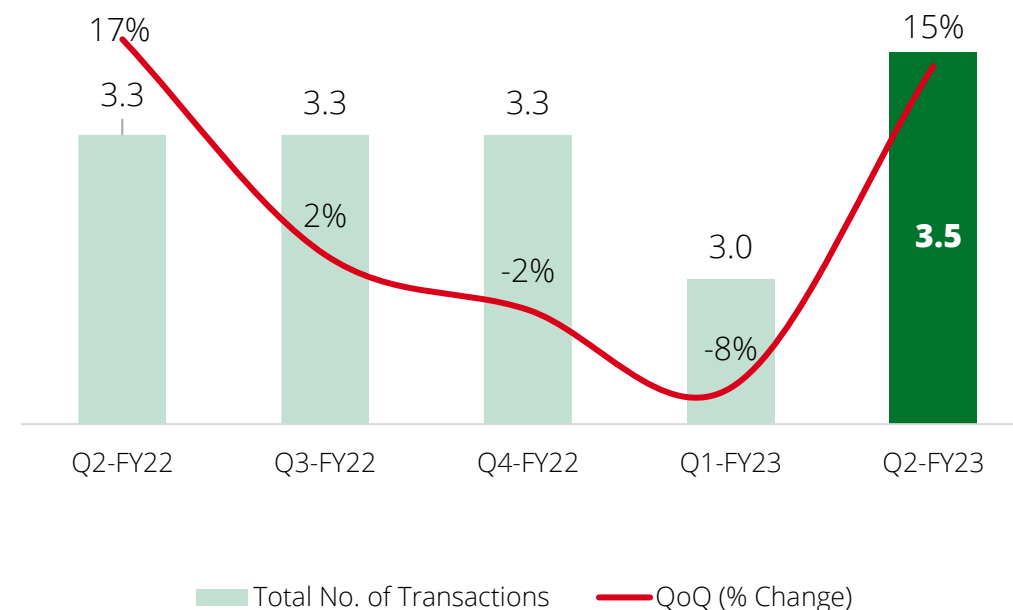
# F&B segment poised for recovery and growth

F&B segment continues on growth trajectory, with focus 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

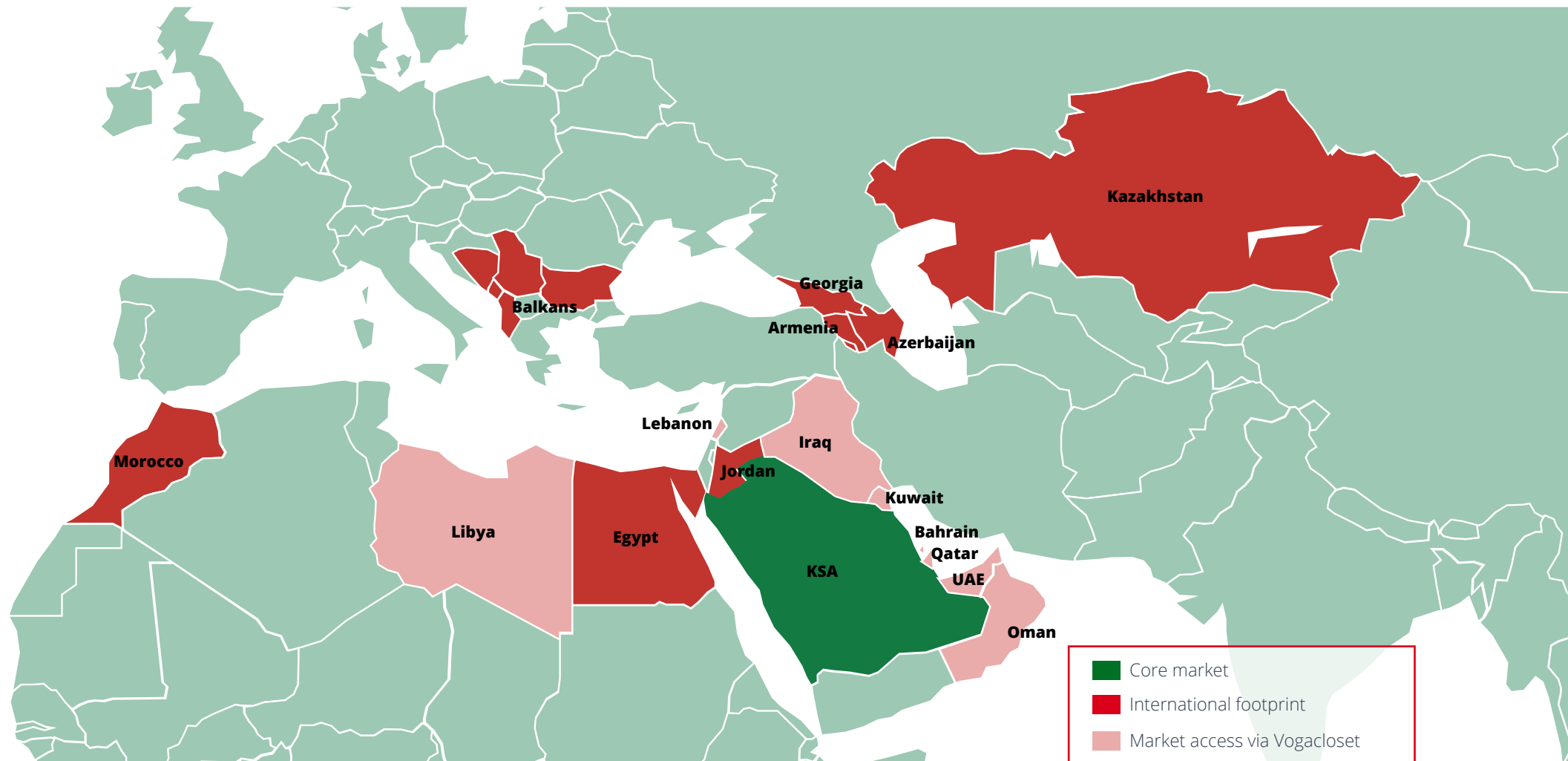


## Grow our digital sales footprint

- Aggressively grow our current food delivery sales
- Enhancement of digital platforms

# / Alhokair Footprint

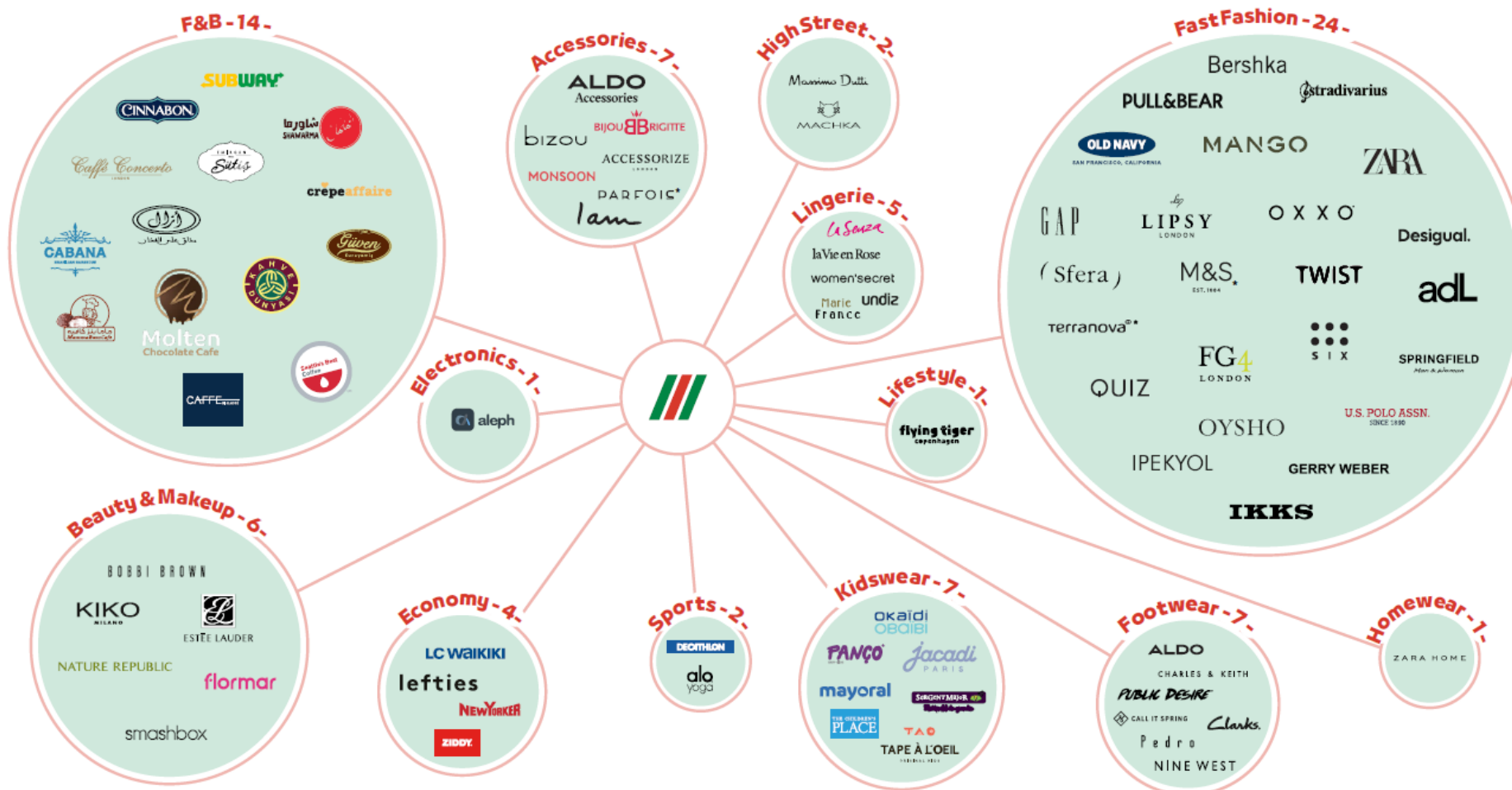
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\* US operations is not represented in the graph

# / Alhokair Brand Portfolio – 82 Brands

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\* 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 managing 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	Sep'22	Mar'22	YTD % change
Total Interest-Bearing Debt	2,757	2,878	-4%
Cash Position	180	198	-9%
Net Debt	2,578	2,680	-4%

- SAR 120 million of debt paid down during Q2-FY23
- Financial charges down 41.7% YoY, due to the partial capitalization of interest costs related to PPE

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**Thank you**