



Cenomi Retail

Earnings Presentation

For the quarter ended 30 September 2023 ("Q3 23")

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Cenomi Retail at a glance



SAR 4.2 BN
Revenues
SAR 1.2 BN (Q3)

▼ 5.5% YOY 9M 2023
▼ 13.6% YOY Q3 2023



SAR 347 MN
EBITDA
SAR -39.2 MN (Q3)

▲ 7.7% YOY 9M 2023



SAR 89.1 MN
Net loss
SAR -203 MN (Q3)



SAR 836 MN
International Revenue
SAR 298 MN (Q3)

▲ 8.2% YOY 9M 2023
▲ 4.8% YOY Q3 2023



SAR 242 MN
Online Sales
SAR 64 MN (Q3)

▲ 34.8% YOY 9M 2023
▲ 32.0% YOY Q3 2023



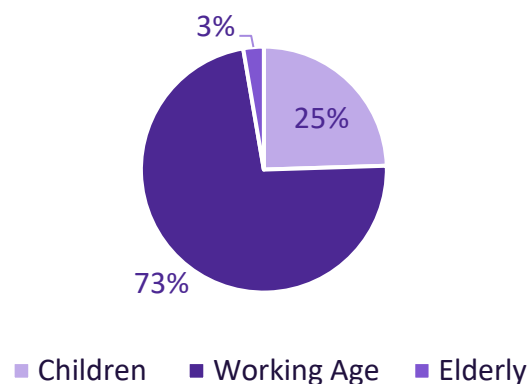
SAR 933 MN
Inventory
▼ SAR 1,000 MN (YE-22)
6.8% YOY



The Saudi market represents a secular growth opportunity

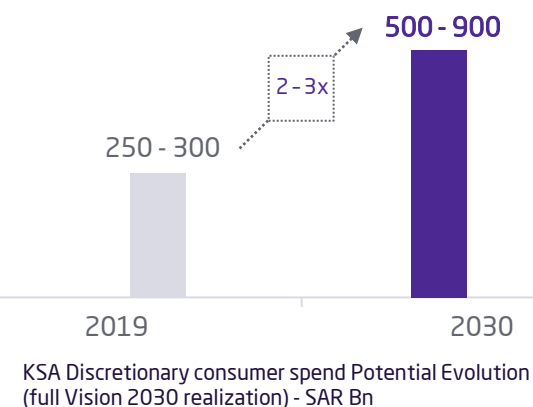
01

Youthful demographics with 63% of population under 30



02

A booming consumer outlook



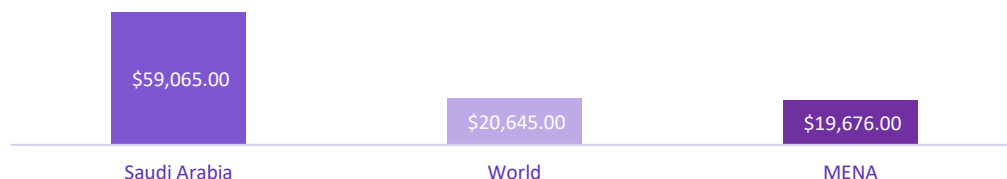
KSA population:
+4 million (+12%)

Tourism:
100 MN annual visits

Consumer spend:
3X

03

Strong GDP Per Capita PPP in comparison to world and MENA average



04

Unprecedented Vision 2030 growth tailwinds



FDI in KSA on strong upward trajectory
(11X in 2022 vs 2017)

VISION رؤية
2030
المملكة العربية السعودية
KINGDOM OF SAUDI ARABIA

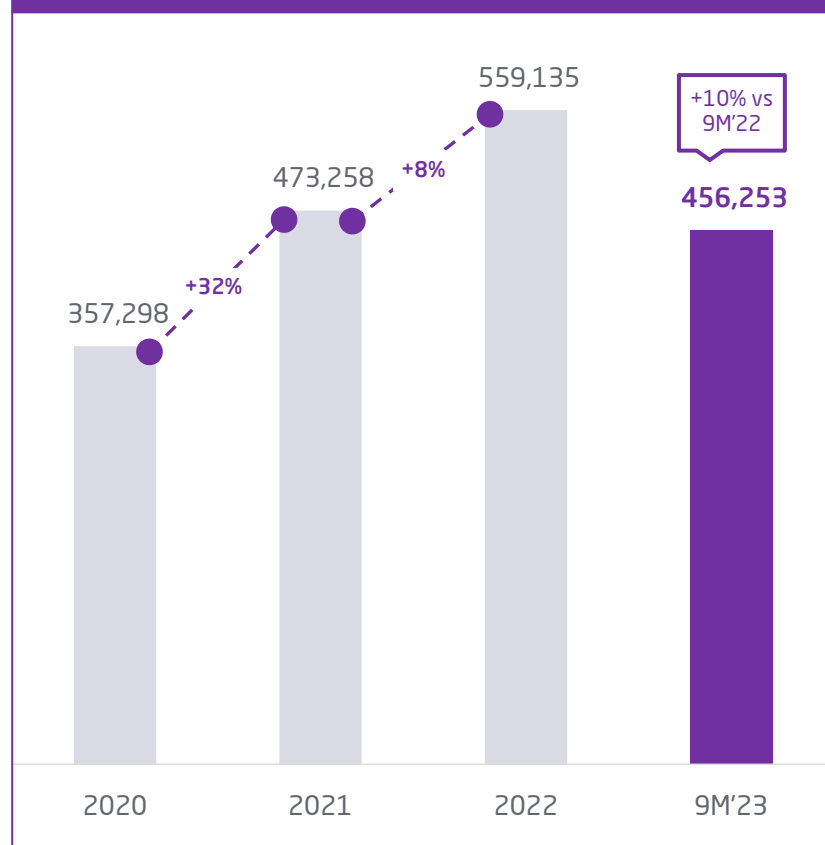


PIF commitment to invest SAR 150+ BN
p.a. by 2025 in the KSA economy

Healthy KSA consumer spending trends with seasonal challenges in Q3

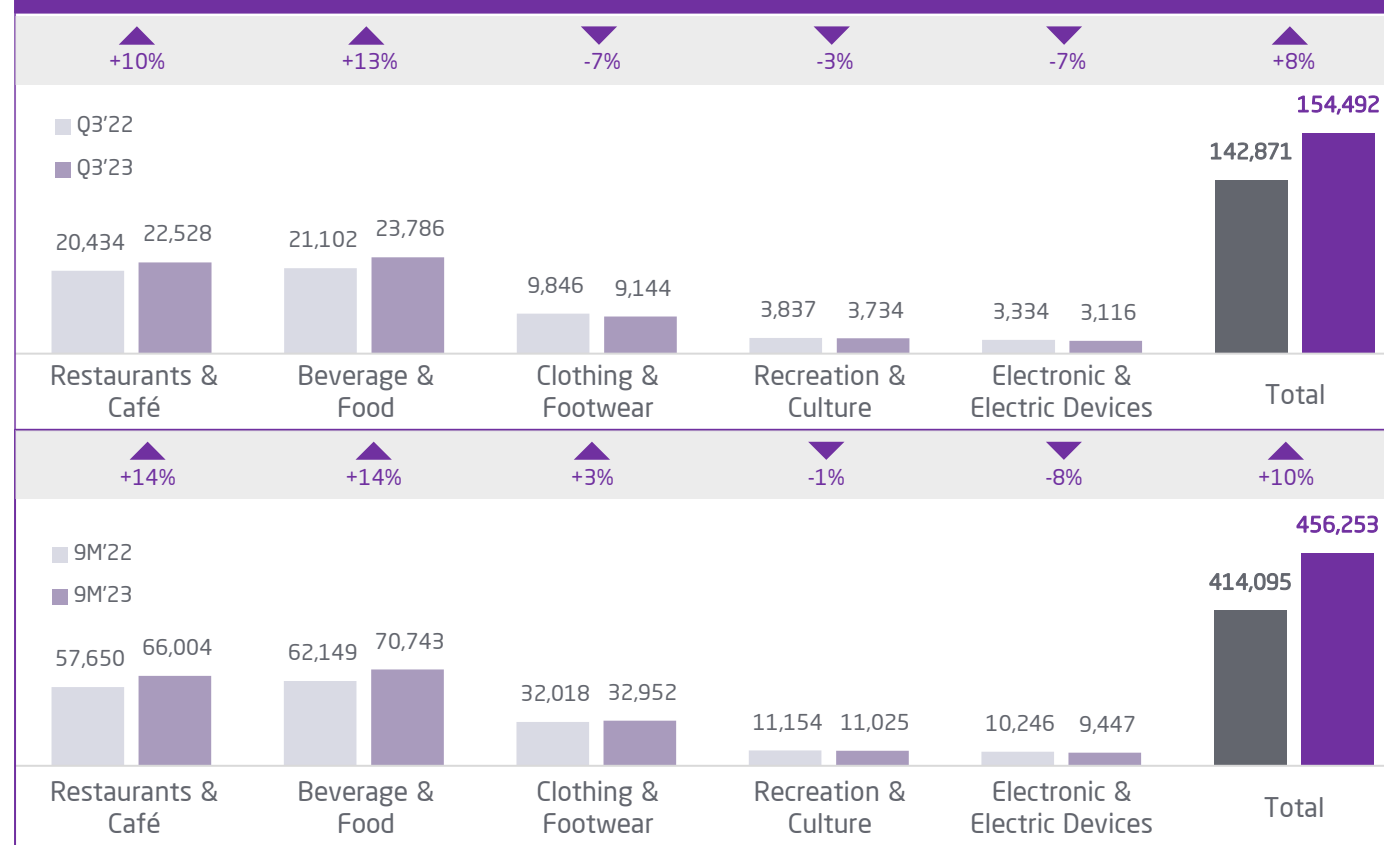
POS Transactions* - KSA Market

(SAR Million)



POS Transactions* - Select Sectors

(SAR Million)



01



Cenomi Retail Strategic Review



Strategic pillars underpinning long-term return to profitability and growth



Geography



'Saudi First' Strategy

- Exit non-strategic markets of US, and the Balkans
- Double down on Saudi market and wider MENA region



Category



Evolve from apparel champion to multi category lifestyle retailer

- Defend & maintain Fashion & Accessories market leadership
- Replicate Fashion & Accessories leadership in F&B
- Expand lifestyle categories to become a true multicategory retailer



Brands



Lead with winning brands

- Rationalize portfolio by exiting non-strategic brands
- Scale top existing brands to their full potential
- Spearhead growth with Brand Champions (BC) and Tier 1 (T1)









Channel



Rise to meet the online opportunity

- Double down on mono-brand sites to achieve record market online penetration rates
- Access third-party aggregators and leverage Cenomi.com as a platform partner

Charting the course to maximized potential and profitability

Focus	Phase 1: Fix The House (2023-2024)	Phase 2: Embark on Growth (2024-2026)	Phase 3: Achieving Optimal Potential (2027+)
Turnaround			
Growth			
	<ul style="list-style-type: none"> Rationalize brand and store portfolio Exit/stabilize non-strategic markets Revamp processes and systems to ensure efficiency Onboard new Brand Champions in core markets Deleverage company and secure cash for growth 	<ul style="list-style-type: none"> Invest to scale existing brands across markets Identify white space opportunities and secure new franchise in key markets 	<ul style="list-style-type: none"> Scale existing brands to maximum potential ensuring comprehensive coverage of key cities in target markets Invest in scaling new brands

Solid progress made across all fronts towards turnaround strategy



Market Rationalization

- Successfully exited the Balkans through the closure of 8 stores
- LOI signed to sell US operations
- Efforts to right-size the Egyptian and Moroccan markets progressing with 18 and 3 stores closed in Q3 respectively



Brand Rationalization

- LOI to divest 22 brands was signed with Abdullah Al Othaim Fashion Company



Store Rationalization

- Closure of 319 stores in the past 12 months
- Closure of 68 retail stores and F&B outlets and are now at the tail end of the major reset in our store footprint



Operational Enhancement

- Cut down of costs among them staff costs by SAR 77 million, and rent by SAR 40.5 million
- New CHRO and COO onboarded to enhance operational efficiencies



Governance

- Defining roles and responsibilities as well as business processes across business units and functions to harmonize cooperation and ways of working
- Received from its related parties the final settlement of outstanding amount of SAR 272 million

Rolled out a full-fledged program to deliver best in class governance and controls

Topic	Achieved so far	Next Steps
People	<ul style="list-style-type: none"> Developed new simplified plug & play model to establish consistent Cenomi Retail Way of Operating Define clear roles and responsibilities across 10+ functions within Core operations and Head office 	<ul style="list-style-type: none"> Operationalize the design by introducing the new organizational model Implement the changes starting with key senior roles and building up critical capabilities
Processes	<ul style="list-style-type: none"> 140 business processes designed to harmonize ways of working across all business units and countries Single accountabilities secured along end to end processes to boost cross functional collaboration 	<ul style="list-style-type: none"> Train personnel to execute the new standard ways of working in line with best practices Further integrate process automation priorities within System & Technology Roadmap
Governance	<ul style="list-style-type: none"> Defined areas requiring build up of critical controls in line with best practices for Corporate Governance Developing a set of 40+ Policies within a Corporate Governance Framework for Cenomi Retail 	<ul style="list-style-type: none"> Finalize design of key GRC Policies and procedures to institutionalize compliance with regulatory requirements
Change	<ul style="list-style-type: none"> 50+ functional leads and SMEs engaged in workshops and contributing to co-creation of the future operating model and execution of Quick Wins 	<ul style="list-style-type: none"> Mobilize core team for implementation and communicate change across the organization

02



Operational Overview



Continued efforts towards optimizing market, brand & store footprint

 Retail	
Q3'23 Retail	<ul style="list-style-type: none"> 13 stores opened 56 stores closed 43 net closures
Q2'23 Retail	<ul style="list-style-type: none"> 6 stores opened 85 stores closed 79 net closures
Q1'23 Retail	<ul style="list-style-type: none"> 8 stores opened 107 stores closed 99 net closures
 F & B	
Q3'23 F&B	<ul style="list-style-type: none"> 6 stores opened 12 stores closed 6 net closures
Q2'23 F&B	<ul style="list-style-type: none"> 8 stores opened 5 stores closed 3 net openings
Q1'23 F&B	<ul style="list-style-type: none"> 10 stores opened 6 stores closed 4 net openings

Market Rationalization



Successfully exited the Balkans through the closure of 8 stores
LOI signed to sell US operations

Brand Rationalization



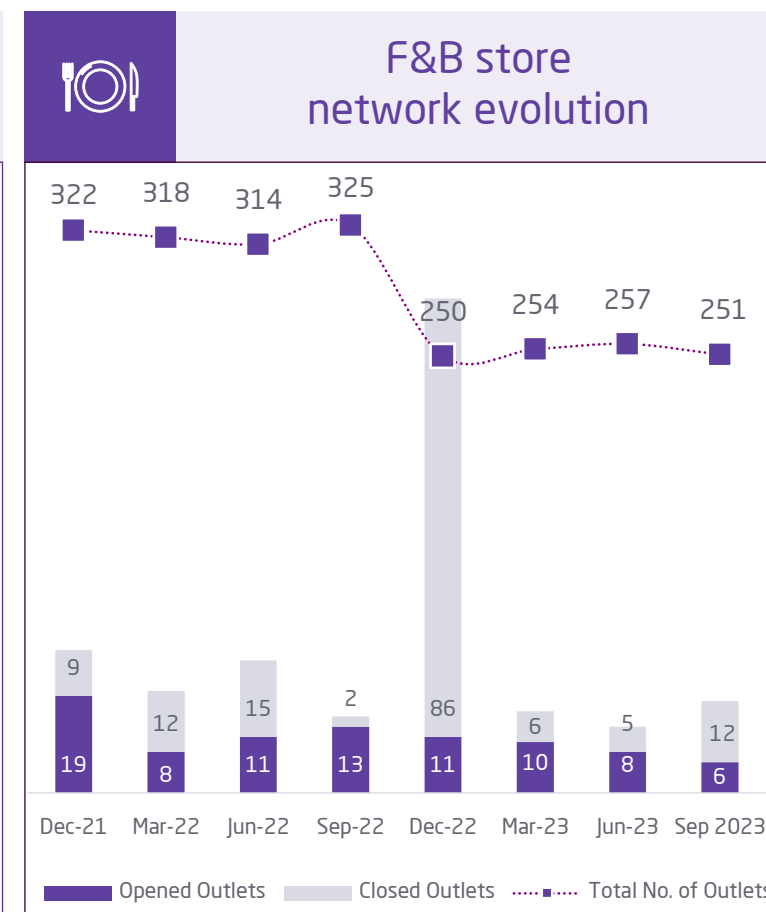
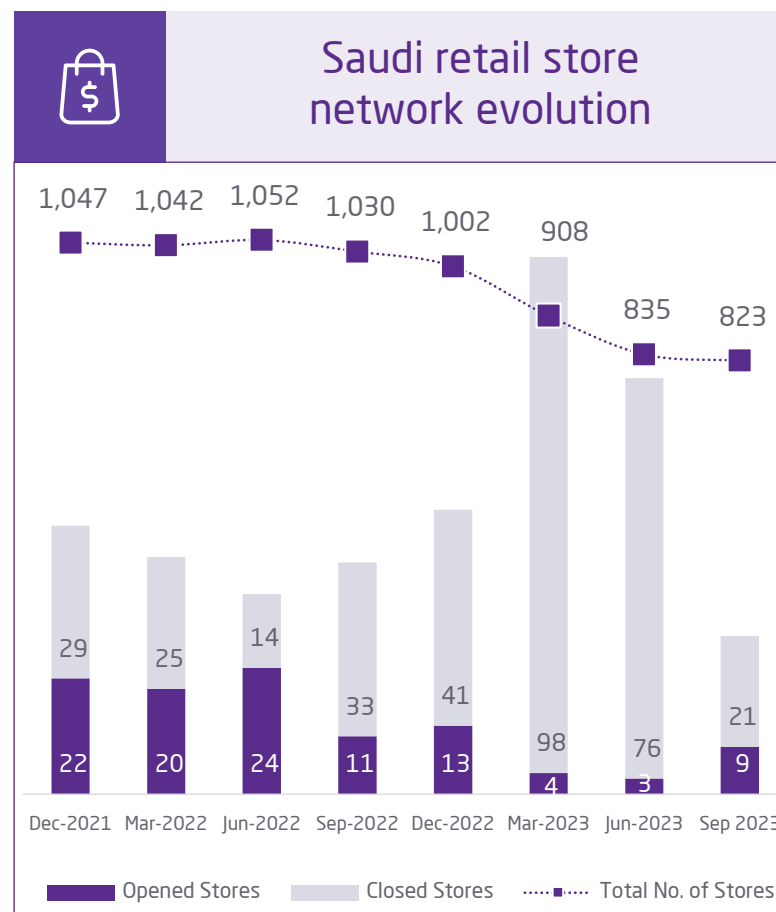
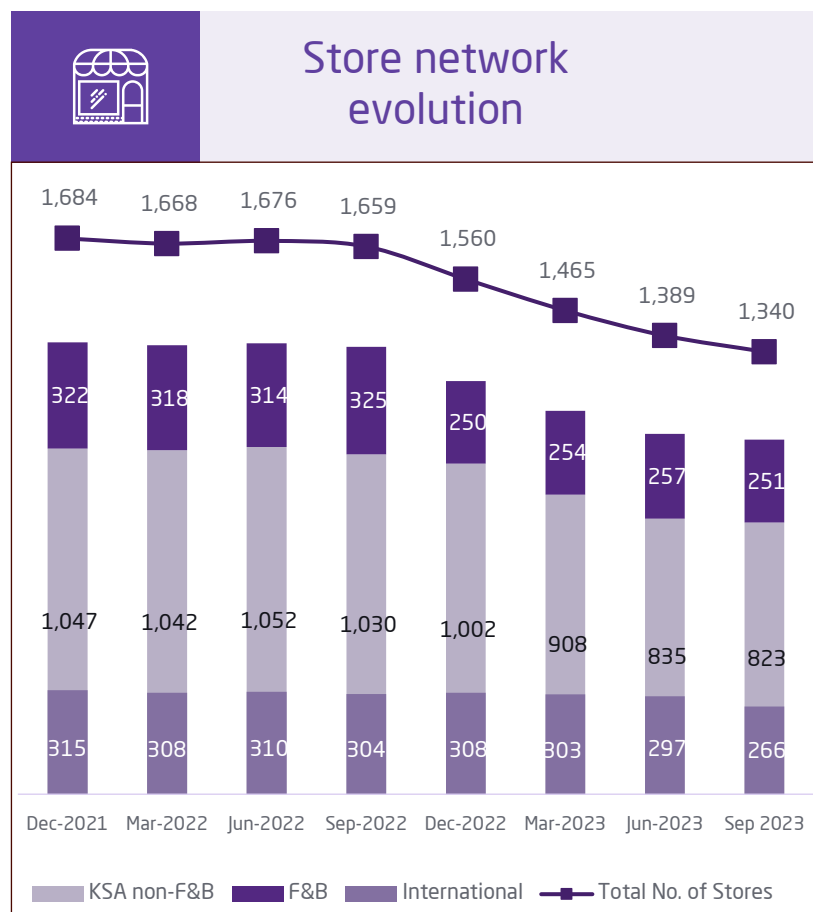
LOI signed with Abdullah Al Othaim Fashion Company to divest 22 brands in KSA

Store Rationalization



A total closure of 319 stores in the past 12 months
In Q3, closed 68 retail stores and F&B outlets and are now at the tail end of the major reset in our store footprint

Tangible progress in store optimization evident in network evolution



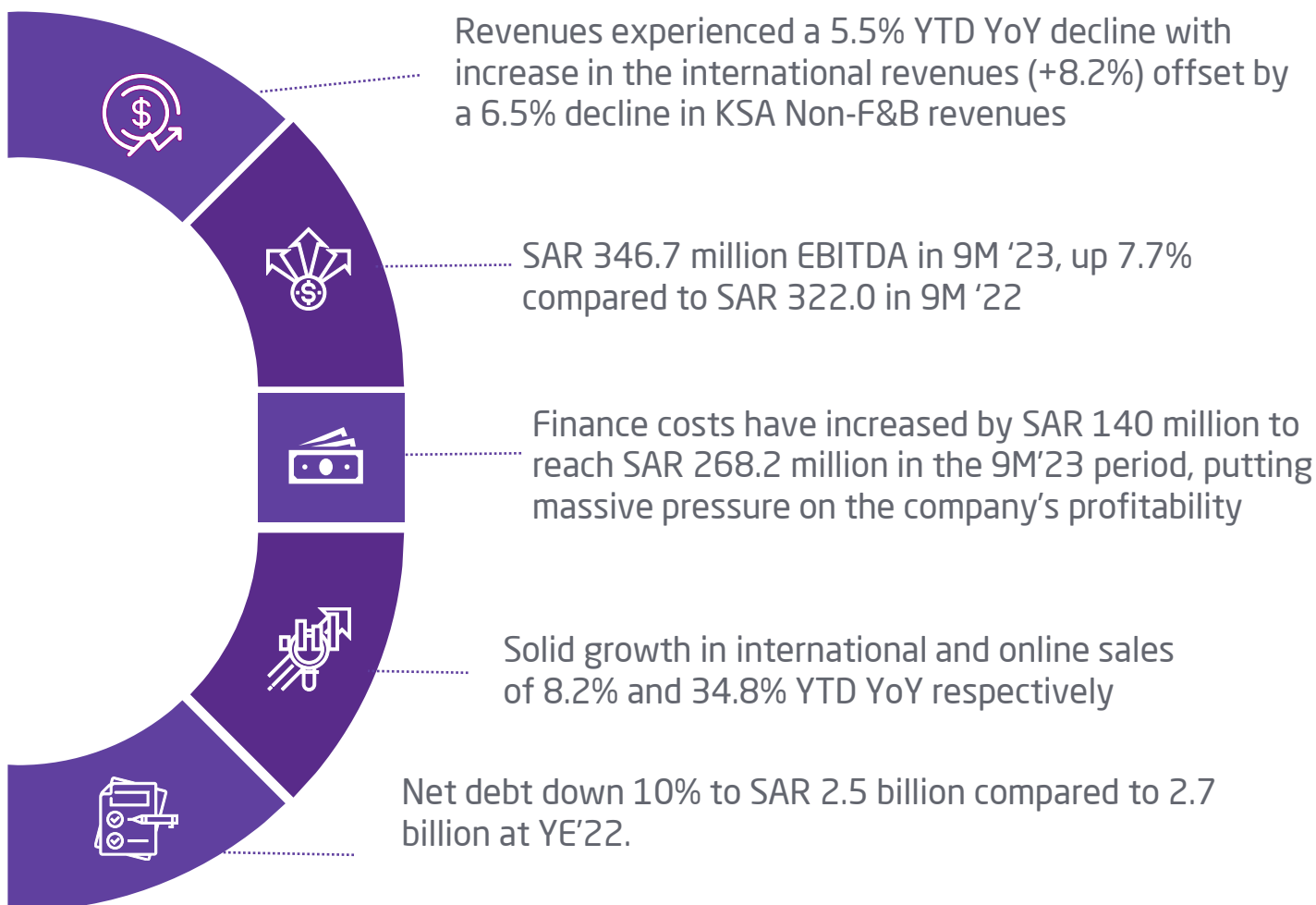
03



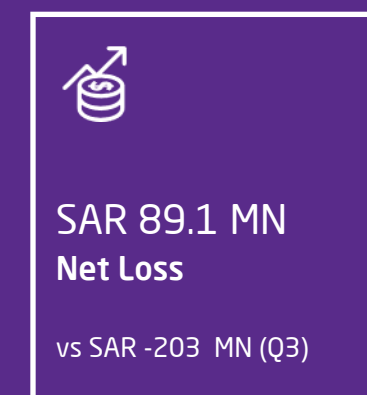
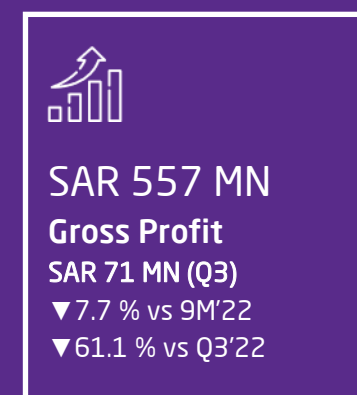
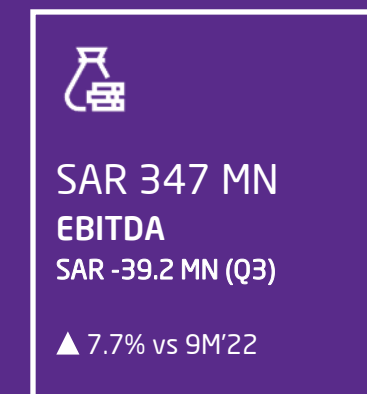
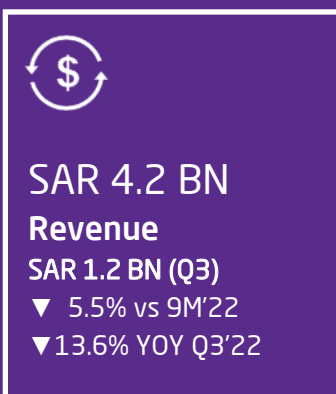
Financial Overview



Financial performance overview



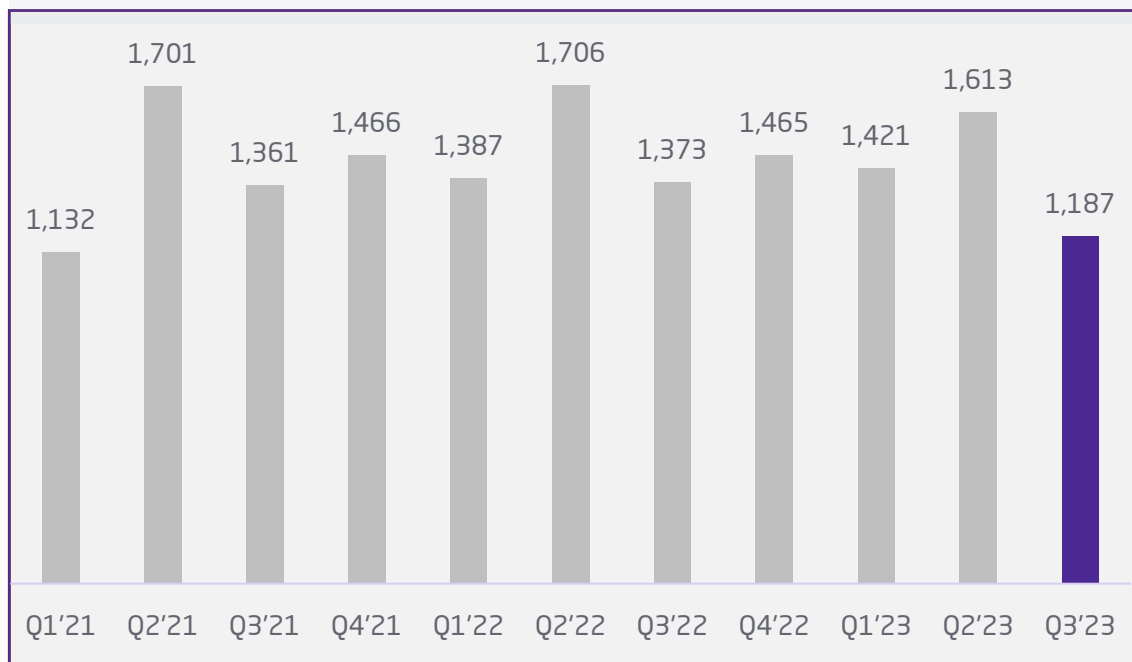
Financial highlights



Softening of top line amid store rationalization, retail market challenges, and seasonal trends

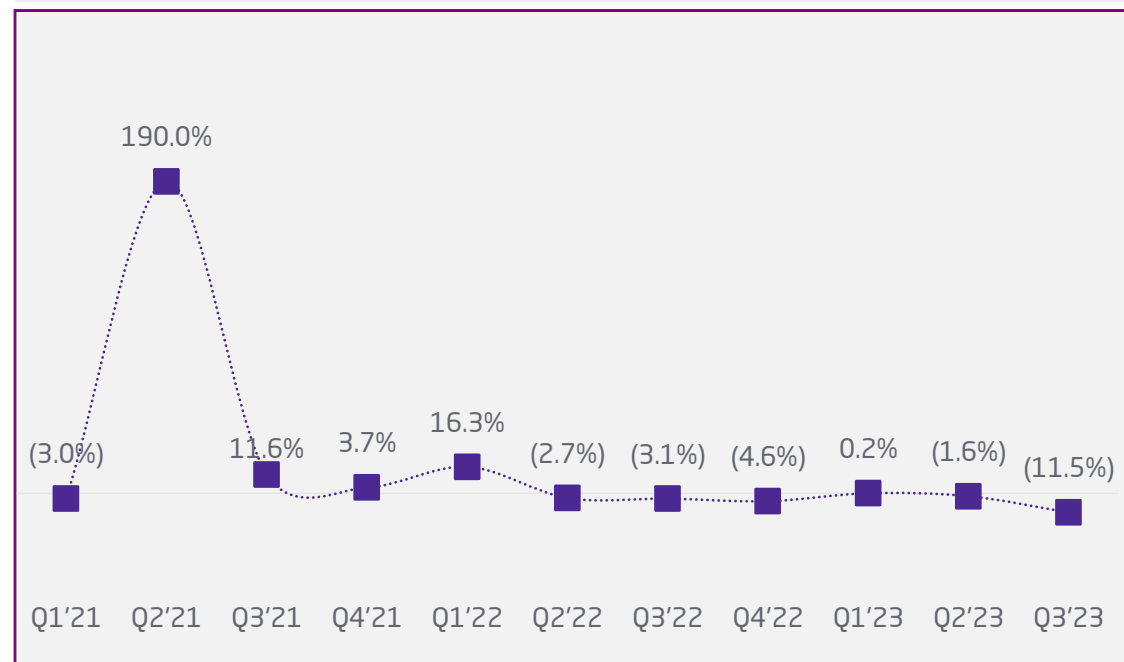
Revenue, SAR million

- Retail sales continues to dominate the revenue pool contributing almost 93% of the total sales mix
- The Saudi market softened on the back of Adha and pay-day timing
- International and Online sales remained robust with 4.8% and 32% YoY growth in Q3'23 respectively



LFL consolidated sales growth, %

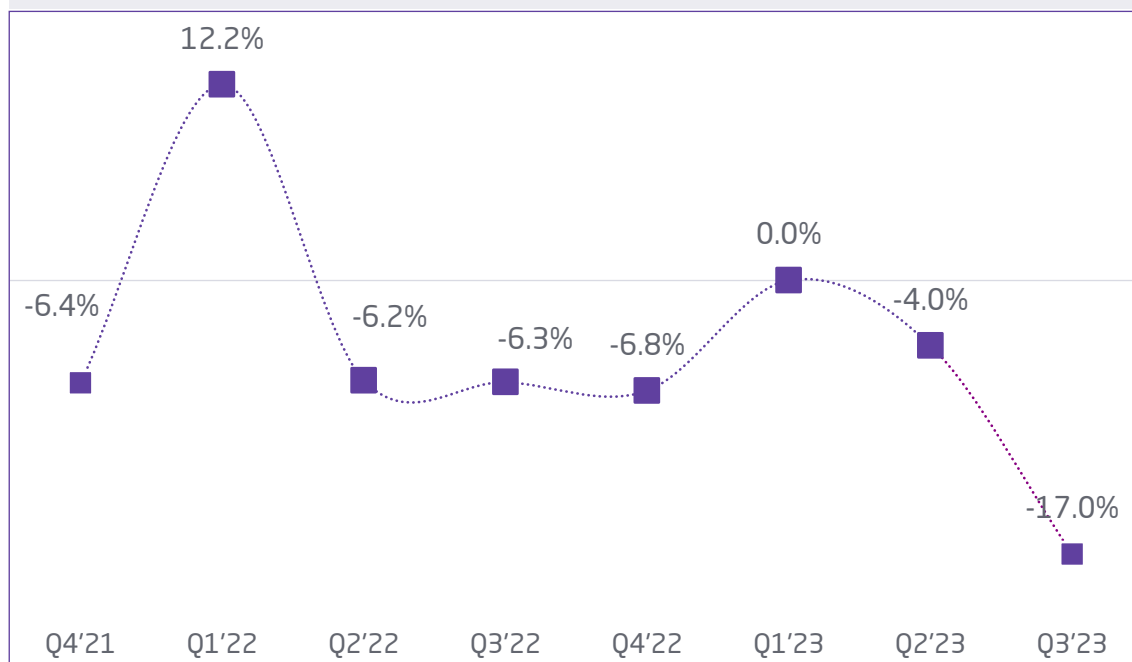
- Recorded a drop in LFL consolidated sales owing to weakened performance in tail brands, and tough KSA compares.
- Zara and Inditex continue to be the exception with 6% growth and 4% growth, respectively



Resilient Brand Champions amidst softening LFL, with sustained international growth momentum

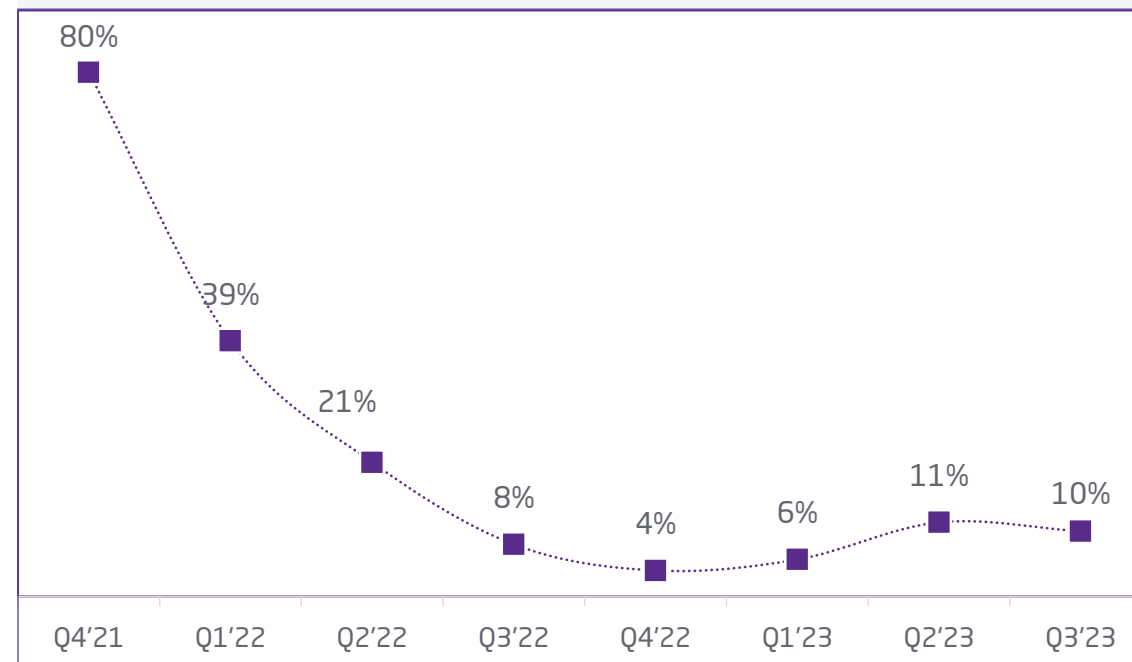
LFL Saudi retail sales growth %

- LFL has weakened in Q3 2023 as a result of a drop in top-line, mostly driven by tail brands while Champion brands showed resilience



LFL International Retail growth %

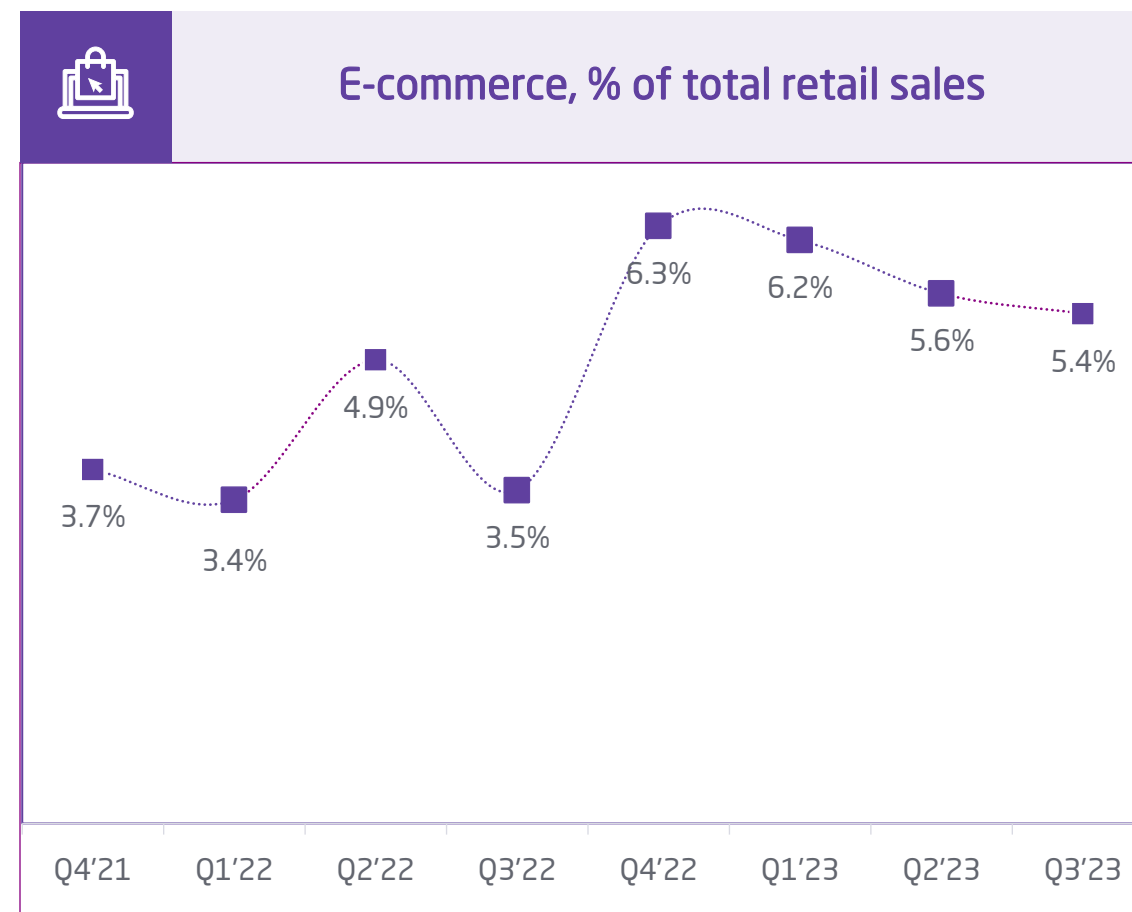
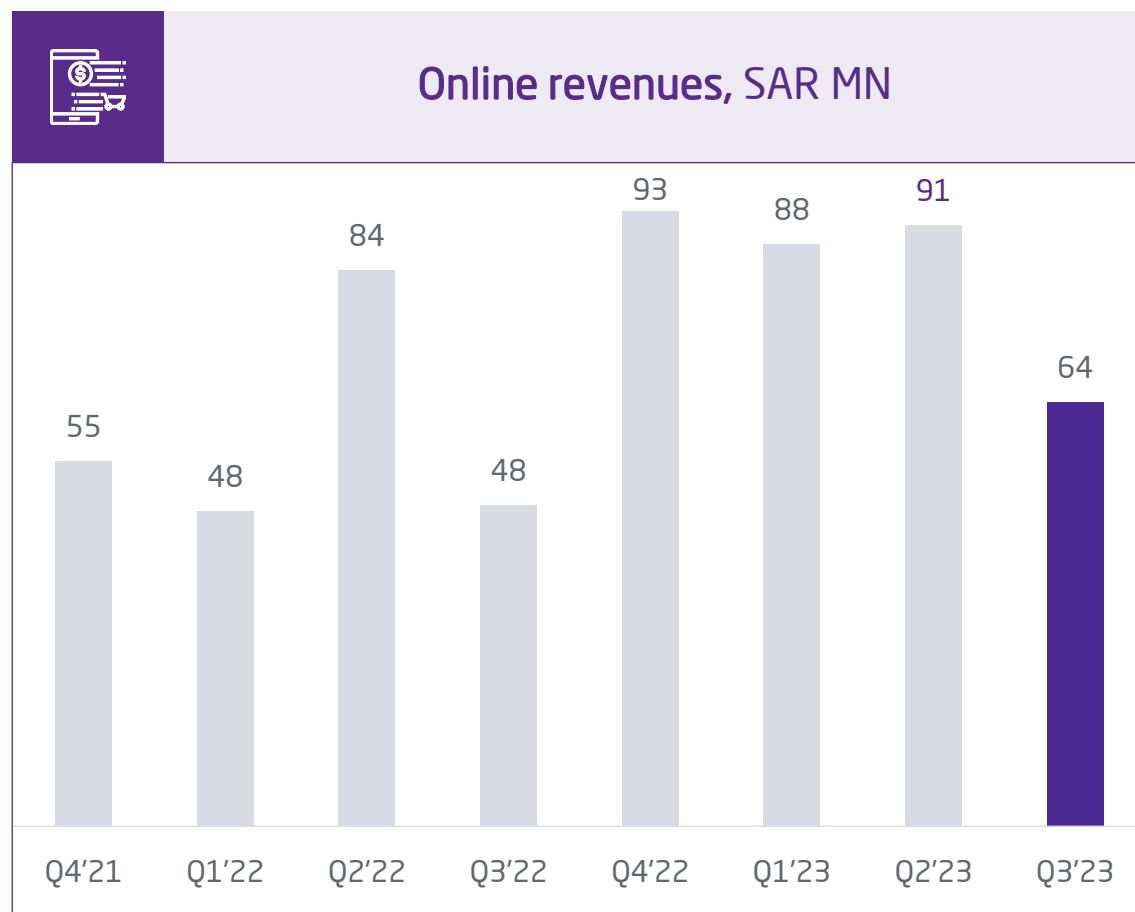
- International LFL growth maintained positive momentum during the quarter, with particular strength in CIS countries



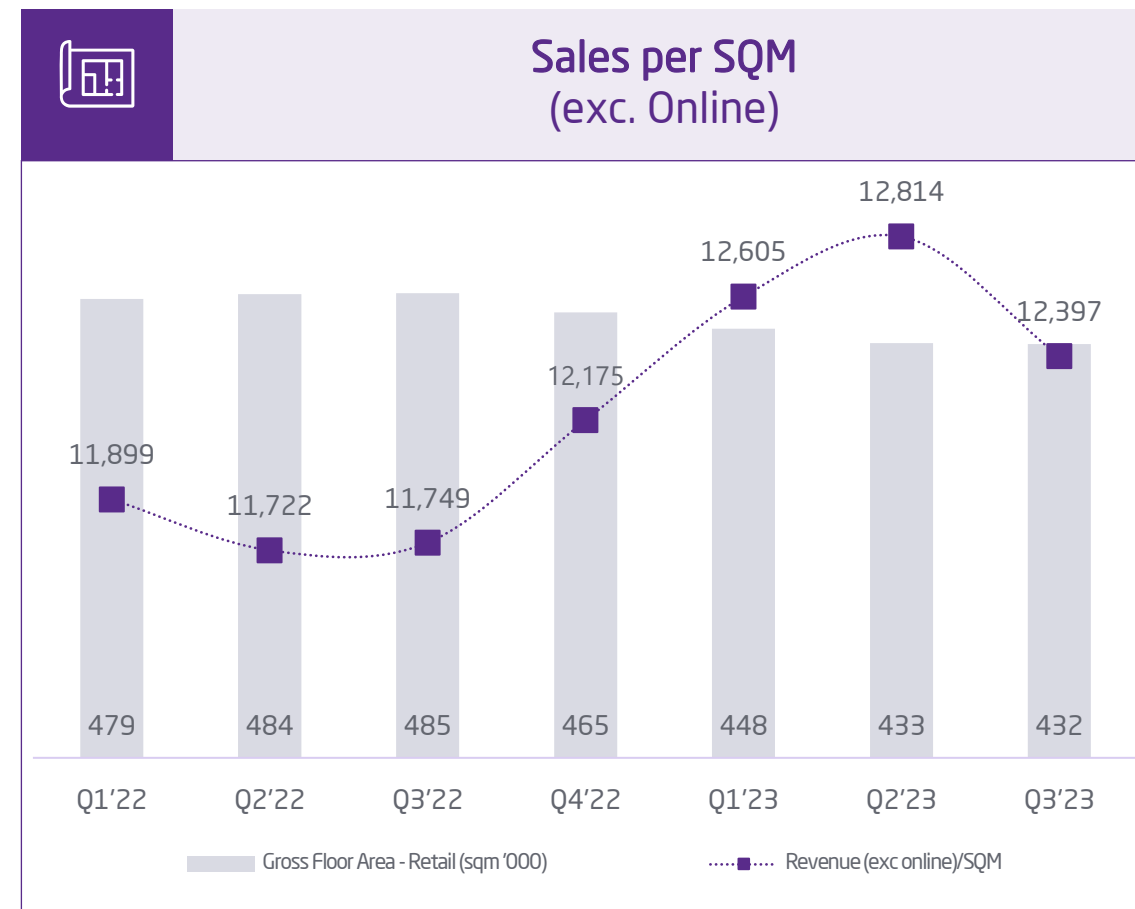
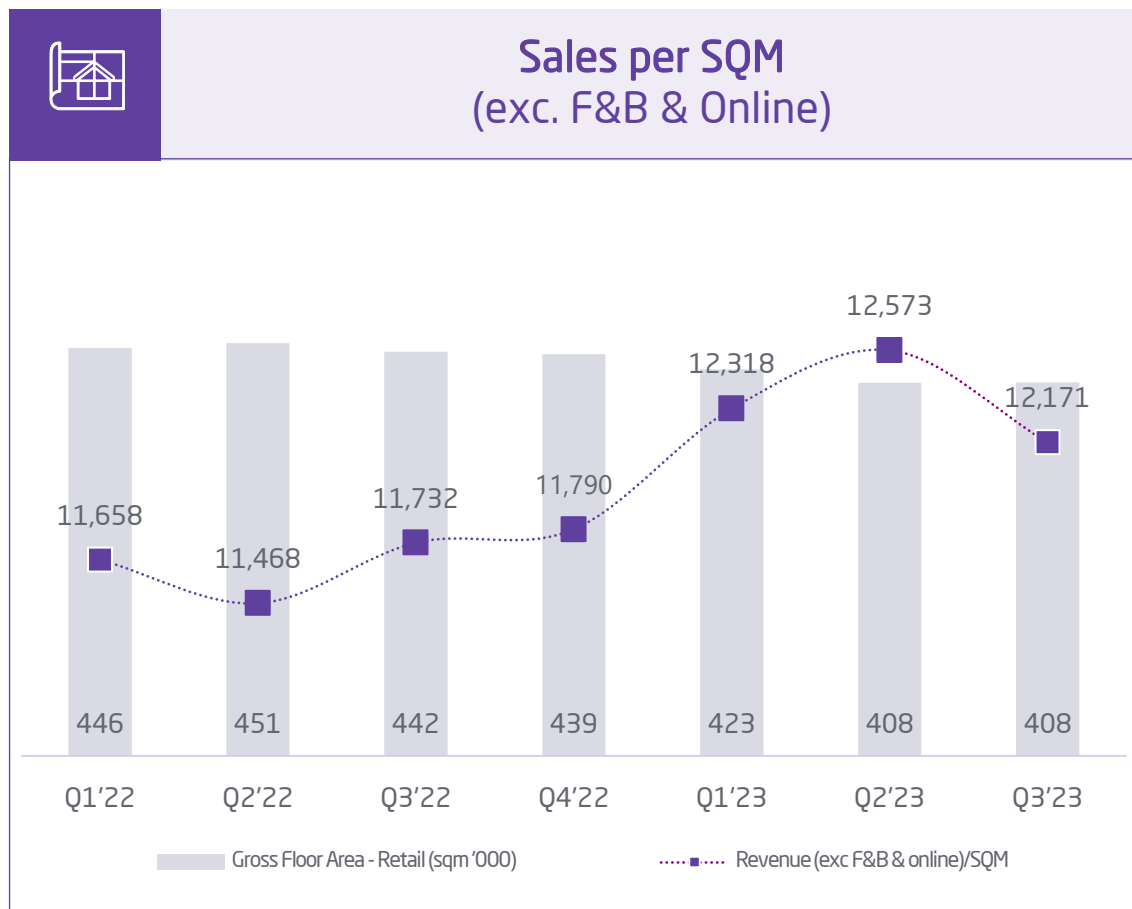
Champion brands continue to perform positively while tail brands weaken overall fashion performance



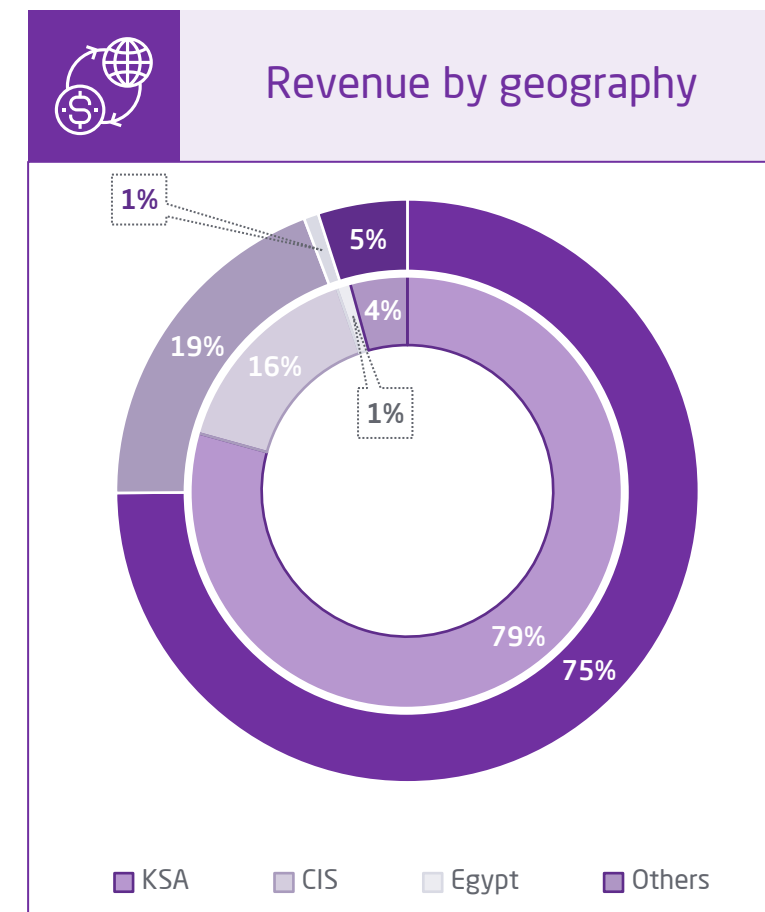
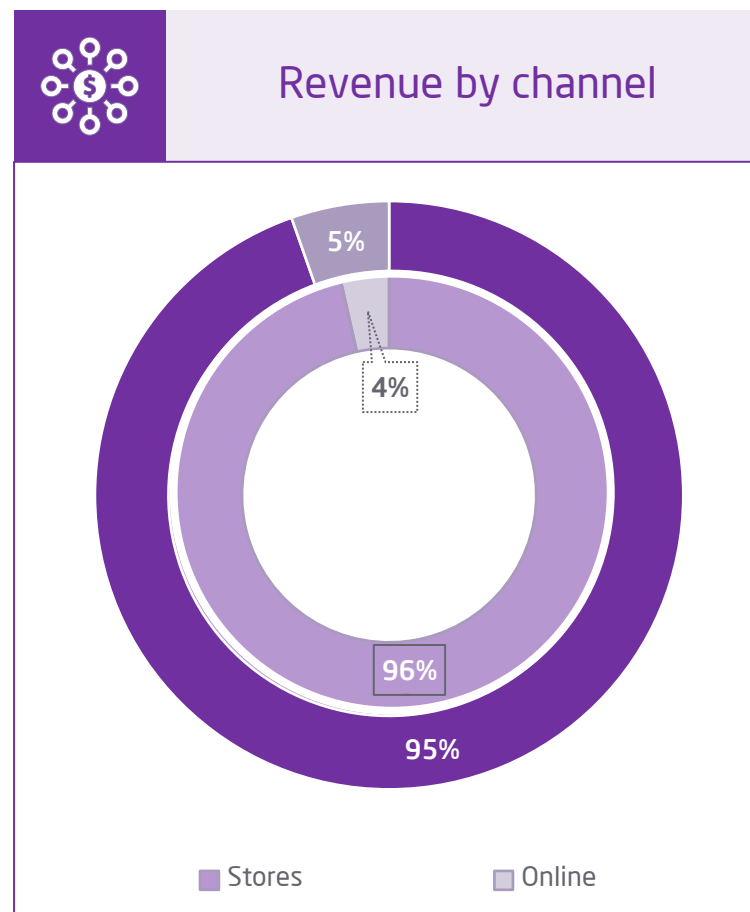
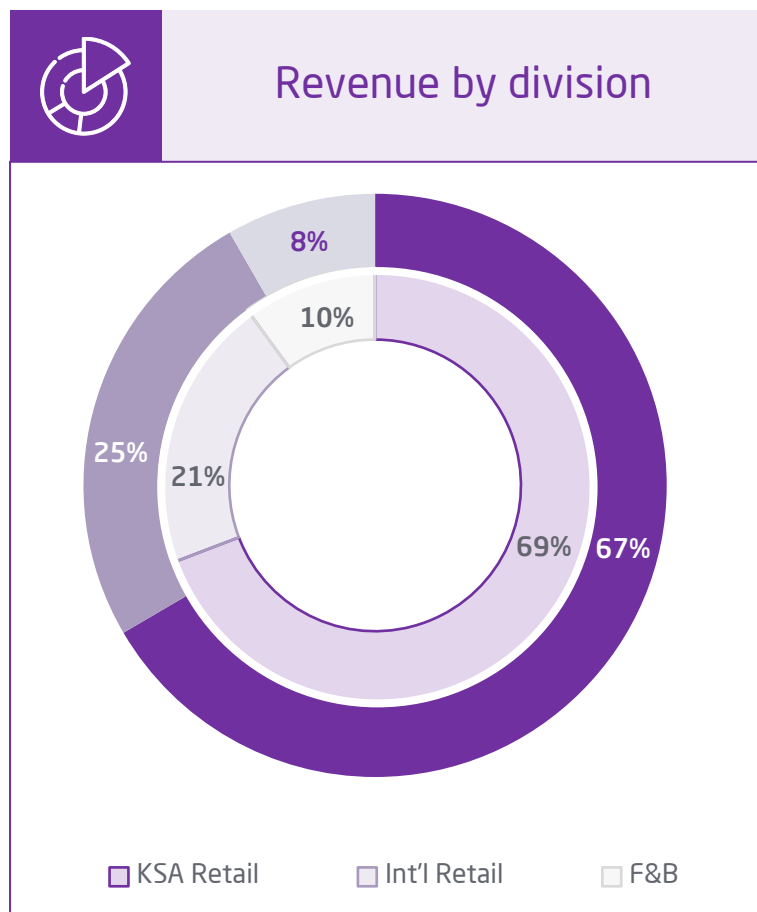
Continued strength in online sales marked by 32% YoY growth in Q3'23 and 35% YoY in 9M'23



Sales per SQM efficiency gains persist despite softness in Q3'23



Online and international experience growth as a part of revenue mix



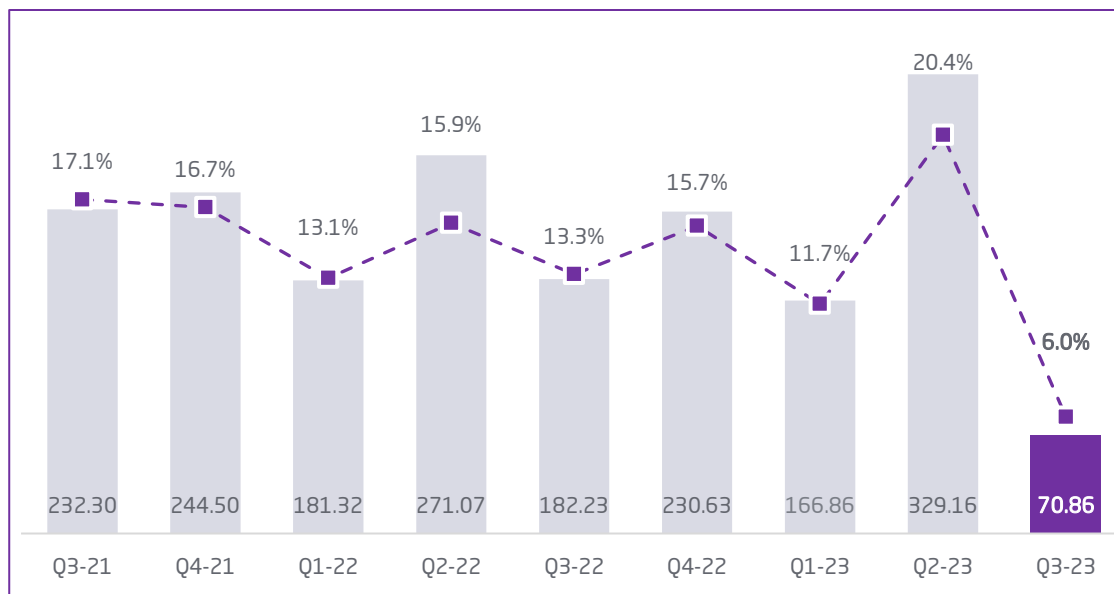
Q3-23 - Outer circle

Q3-22 - Inner circle

Impact of softer retail market reflected in gross profit and EBITDA decline in Q3'23

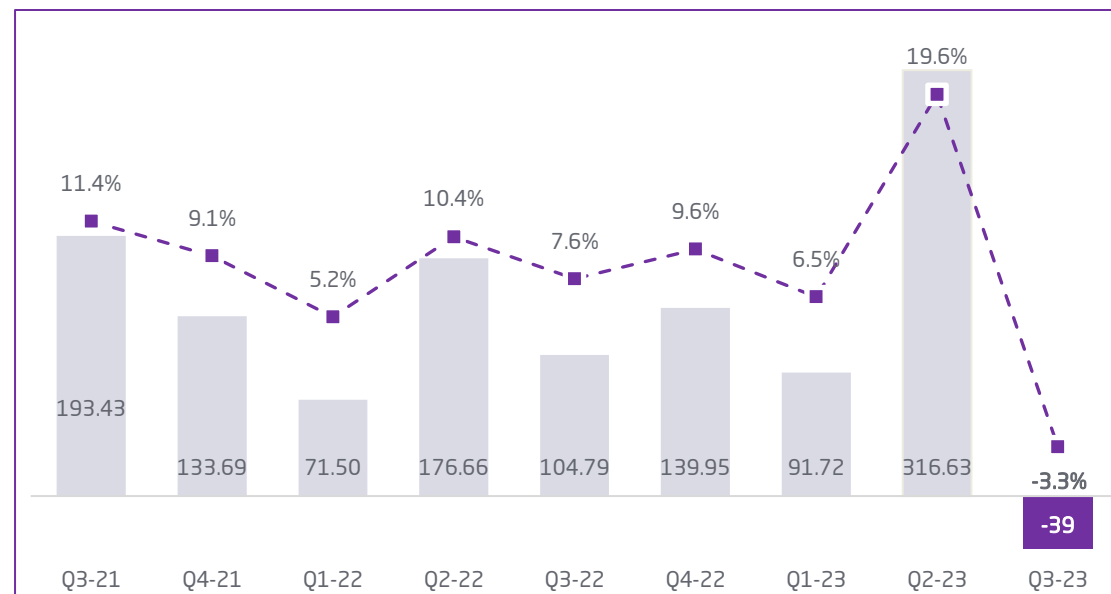
Gross Profit, SAR MN - GPM, %

- A decrease in gross profit, which fell by 61.1% y-o-y from SAR 182.2 million in Q3 22 to SAR 70.9 million in Q3 23.
- This decrease can be attributed to a 13.6% decrease in revenues due a weakened retail market and seasonality only partially offset by a 6% decline in cost of revenues.



EBITDA, SAR MN - EBITDA Margin, %

- EBITDA decreased by 137% to SAR 39.18 million on YoY basis. This was driven by a softer top line due to store closures, as well as seasonality's impact on the overall KSA retail sector.



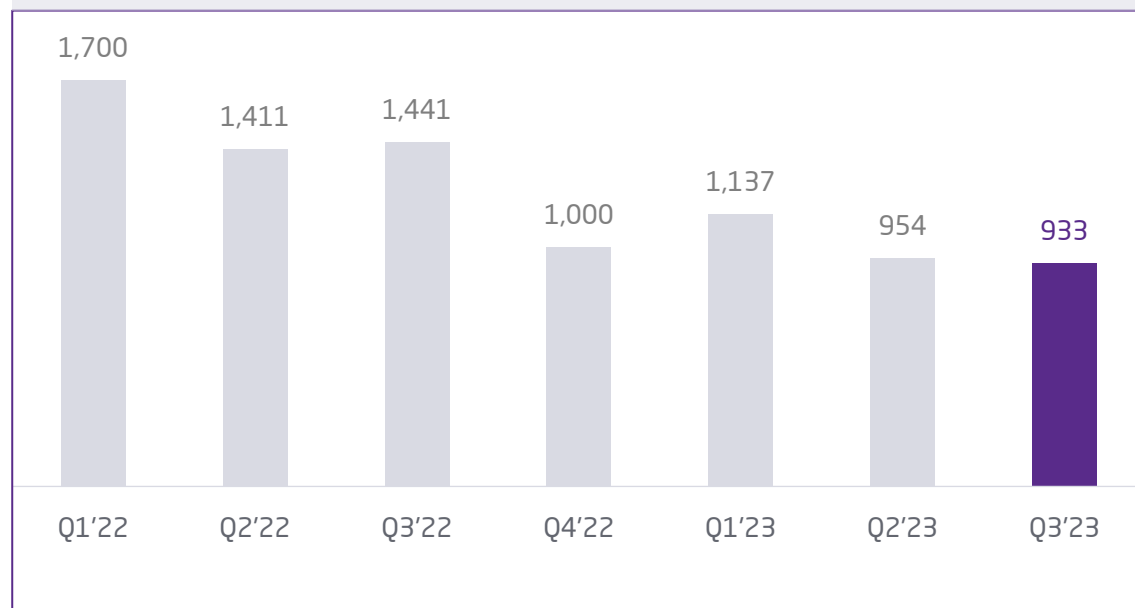
Softening market and increased finance costs overshadow improving fundamentals



Inventory management delivers stability despite softer sales

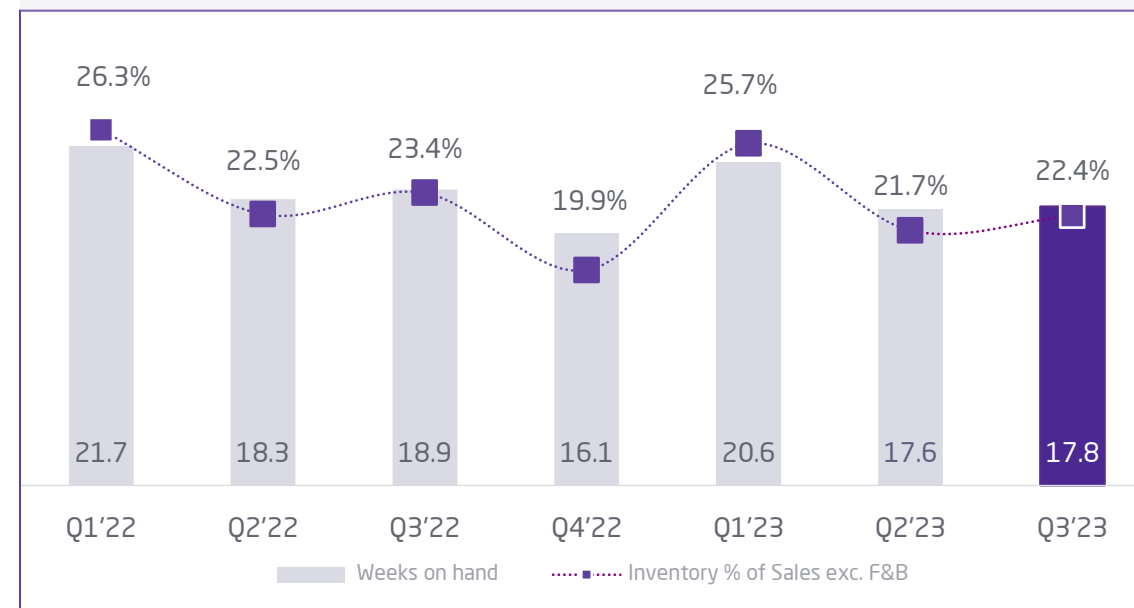
Inventory balance (SAR MN)

- Inventory continues to shrink as a part of optimization efforts to enhance liquidity and efficiency



Inventory efficiency ratios

- This quarter, inventory remained stable at 18 weeks, showing signs of stability as compared to the previous quarter



04



Appendix



Income statement

SAR Million	Q3 2023	Q3 2022	% Change	9M Q3'23	9M Q3'22	% Change
Revenue	1,186.8	1,372.9	-13.6%	4,220.8	4,465.2	-5.5%
Cost of Revenue	-1,116.0	-1,190.6	-6.3%	-3,663.8	-3,861.6	-5.1%
Gross Profit (Loss)	70.9	182.2	-61.1%	557.0	603.6	-7.7%
Gross Profit Margin	6.0%	13.3%	(7.3pp)	13.2%	13.5%	(0.3pp)
Selling & Distribution Expenses	-42.4	-46.5	-8.8%	-146.8	-117.9	24.6%
General & Administrative Expenses	-78.2	-67.3	16.2%	-245.2	-209.5	17.1%
Impairments	0.0	0.0	-	0.0	-70.5	-100.0%
Provisions	0.0	0.0	-	0.0	0.0	-
Other Operating Expense	-3.2	7.0	N/M	-10.4	-6.6	57.5%
Depreciation and Amortization	-43.7	-37.4	16.7%	-129.4	-116.4	11.2%
Other Operating Income	13.8	29.4	-53.0%	192.2	122.8	56.5%
Operating Income (Loss)	(82.9)	67.4	N/M	217.3	205.6	5.7%
Operating Income Margin	-7.0%	4.9%	(11.9pp)	5.1%	4.6%	0.5pp
Financial Charges	-104.8	-33.1	216.6%	-268.2	-128.5	108.7%
Impairment loss on goodwill	0.0	0.0	-	0.0	0.0	-
Change in fair value of other investment	0.0	3.7	-100.0%	0.0	1.3	-100.0%
Share of loss of associates	-1.0	0.0	-	-7.0	-10.7	-34.2%
Profit (Loss) before Zakat & Tax	-188.6	38.0	N/M	-57.9	67.6	N/M
Zakat and Income Tax	-14.3	-16.9	-15.3%	-31.2	-48.3	-35.4%
Net Profit (Loss) for the Period	-202.9	21.1	N/M	-89.1	19.3	N/M
Net Profit Margin	-17.1%	1.5%	(18.6pp)	-2.1%	0.4%	(2.5pp)
Attributable to:			-			-
Shareholders of the Company	-204.1	19.8	N/M	-91.8	21.9	N/M
Non-Controlling Interest	1.2	1.2	-4.4%	2.7	-2.5	N/M
Earnings per Share Basic and Diluted	-1.8	0.17	N/M	-0.80	0.19	N/M
EBITDA	-39.2	104.8	N/M	346.7	322.0	7.7%
EBITDA Margin	-3.3%	7.6%	(10.9pp)	8.2%	7.2%	1.0pp

* Short Annual Year

Balance sheet



SAR Million	Sept '23	Dec '22	% Change
Assets			
Property, Plant and Equipment	1,417.0	1,324.3	7.0%
Right-of-Use Assets	2,228.5	2,347.1	-5.1%
Goodwill and Intangible Assets	1,195.1	1,120.8	6.6%
Investment Property	1.3	1.4	-6.6%
Equity-accounted investees	68.0	62.1	9.4%
Other investments	74.2	314.2	-76.4%
Derivative asset	0.0	35.1	-100.0%
Total Non-Current Assets	4,984.1	5,205.2	-4.2%
Inventories	932.6	1,000.3	-6.8%
Advances, Deposits and Other Receivables	494.4	718.2	-31.2%
Prepayments, Rentals and Insurance	33.4	35.4	-5.7%
Cash & Cash Equivalents	426.3	193.8	119.9%
Assets held for sale	57.1	0.0	-
Total Current Assets	1,886.7	1,947.7	-3.1%
Total Assets	6,870.8	7,153.0	-3.9%

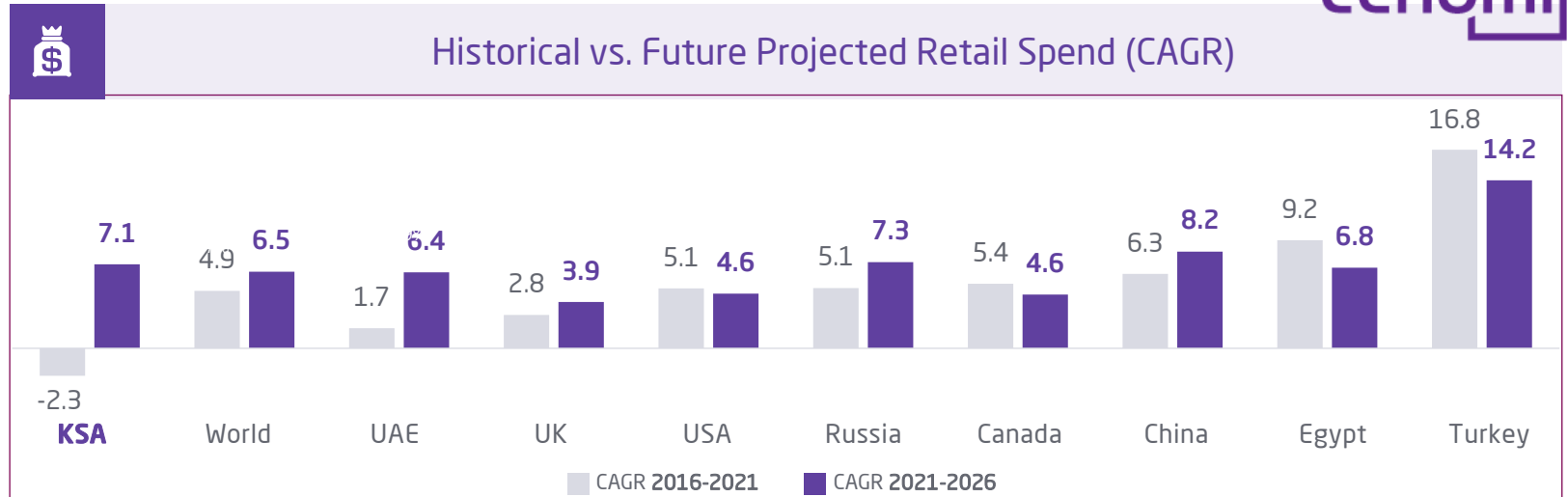
SAR Million	Sept '23	Dec '22	% Change
Equity & Liabilities			
Share Capital	1,148	1,148	0.0%
Reserves (Statutory, Foreign Currency and Fair Value)	-559	-524	6.7%
Fair value reserve	42	42	0.0%
Accumulated Losses	-319	-228	40.3%
Equity Attributable to the Shareholders of the Company	311	438	-29.0%
Non-Controlling Interest	-90	-92	-2.3%
Total Equity	221	346	-36.1%
LT Loans and Borrowing	196	115	70.1%
Lease Liabilities	1,877	1,903	-1.4%
Derivative liability	51	0.0	#DIV/0!
Post-Employment Benefits	111	96	16.0%
Total Non-Current Liabilities	2,234	2,114	5.7%
Trade and other payables	1,151	1,257	-8.4%
Bank Overdraft	50	50	0.2%
Zakat & Tax Liabilities	77	71	8.8%
Lease Liability - current portion	485	499	-2.9%
ST Loans and Borrowings	2,647	2,817	-6.1%
Total Current Liabilities	4,409	4,693	-6.1%
Total Liabilities	6,643	6,807	-2.4%
Total Equity & Liabilities	6,864	7,153	-4.0%

Cenomi Retail brand portfolio

Sports	F&B	Fashion
 	 	    
Multimedia		
 	 	    
Lifestyle	Inditex & Zara	
	  	   
Beauty		
  	  	   
  	 	  
		   
		   

Market context

The Saudi Retail sector has faced key headwinds over the past five years but is on track to strong growth as these start to dissipate.



MACRO Headwinds		2016-2022	Outlook - 2023 Onwards
Key Consumer Factors	COVID-19	Lockdowns due to COVID-19 spread	Government eased all COVID-19 restrictions Gradual return of pre-COVID-19 consumer spending and habits
	Oil & Consumer Confidence	Crash of the oil market and curtailed consumer sentiment	Stabilized around US\$80-\$100 per barrel over the past year Consistent maintenance of high government spending
	VAT	Introduction of VAT at 5% + subsequent raise to 15%	Gradual absorption of shock into goods prices or onto consumers
	Subsidies	Removal of utility subsidies	Gradual absorption into household spending patterns, with retail spending ultimately recovering
	Benefits	Cutting of public sector benefits	Annual allowances for public sector workers to be reinstated
	Expat Levy	Expat levy imposed	Special relief granted
Key Tenant Factors	Saudization	100% I/s Saudization, raising cost structures and impacting in-store sales productivity	Increased support from HRDF is adjusting the cost impact. Tenants adjusting their cost structures to become more efficient and upskilling workforce to meet productivity targets Cycle of increasing local household income to ultimately offset pressures (more disposable HH income => more retail spend)

Unparalleled opportunity

Birth of the New Saudi Consumer



Shift to lifestyle categories:
More demand for F&B,
Leisure and Entertainment



Need for ultra **convenience** and **localization**



Sophisticated Consumer:
Desire for personalized experiences



Increasing **e-commerce** adoption
and **digital savviness**



Increasing **customer awareness**

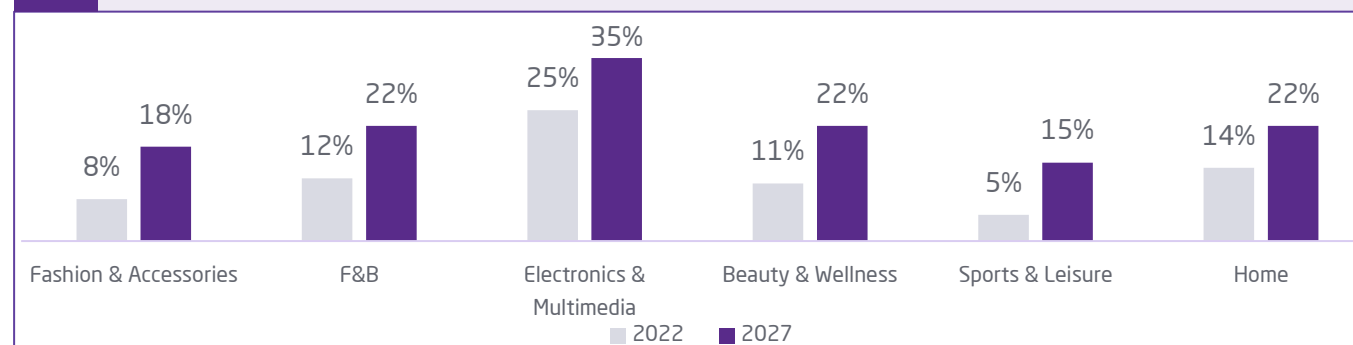
The birth of The New Saudi Consumer presents unique growth prospects

KSA Retail Spend Overview (2022-2027, in SAR MN)

Category	Market Size 2022	Market Size 2027	CAGR 2022-2027
Groceries	179,216	226,429	4.8%
F&B	99,769	137,861	6.7%
Fashion & Accessories	74,460	106,324	4.7%
Electronics & Multimedia	38,179	46,223	3.9%
Entertainment	30,810	37,543	5.3%
Beauty & Wellness	20,273	28,050	5.1%
Home	15,169	20,246	4.9%
Sports & Leisure	6,000	7,600	5.3%

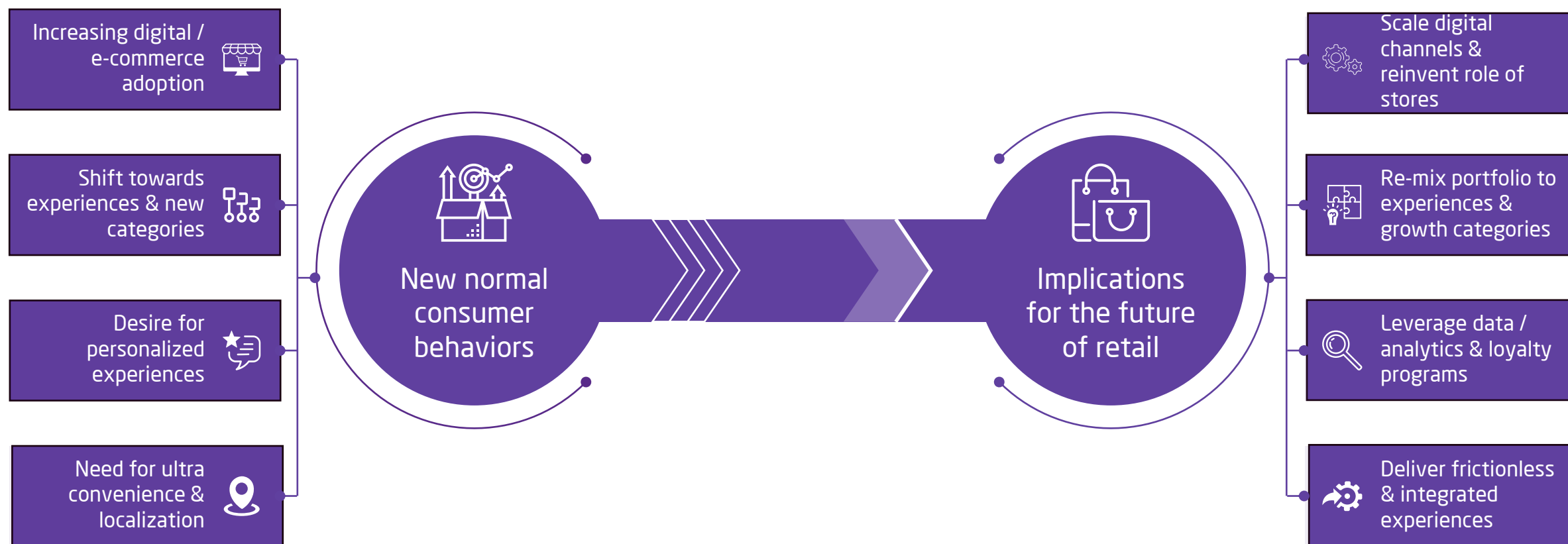


KSA Online Market Share by category (2022-2027, in %)



Consumer trends

Moving forward, Cenomi Retail will need to cater to new consumer trends with significant implications for the future of the industry.



Moving towards best-in-class governance to foster greater transparency and management control

Audit Committee

- Closer collaboration with Audit Committee and the Board of Directors to revamp policies and processes to support addressing previously recognized gaps

Related Party Balances

- Commitments from major shareholders to settle SAR 272 million in outstanding related party balances by Q3 '23 – a move that further supports ongoing deleveraging efforts

Right of Use Asset & Lease Liabilities

- On the back of external independent party assessment of Right of Use of Asset and Lease Liabilities under IFRS16 Standard, adjustment to opening balances as of January 1st 2022 leading to SAR 56.5 million gain in retained earnings as of June 30th 2023

Operational Enhancement

- Introducing a full-fledged inventory management policy to better control inventory and enhance operational efficiency
 - On-hand inventory reduced from 21 weeks to 18 weeks, q-o-q

Cenomi Retail



THANK YOU

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