

Fawaz Abdulaziz Alhokair Co. maintains positive top and bottom-line performance for the nine months to 31 December 2021

- Q3-FY22 revenue of SAR 1.5 billion bringing 9M-FY22 top line to SAR 4.5 billion, +46.1% y-o-y and ahead of pre-pandemic levels
- Third sequential profitable quarter with Q3-FY22 net profit of SAR 16.0 million
- Operating margins marginally tighter on higher landed cost and non-recurring expenses
- On-track to deliver profitable performance for FY22 despite Omicron worries

(Riyadh, 7 February 2022) Fawaz Abdulaziz Alhokair Co. ("Alhokair" or the "Company", 4240 on the Saudi Exchange), the leading franchise retailer in Saudi Arabia, today announced its results for the nine months ending 31 December 2021, reporting an ongoing positive trend with Q3-FY22 revenue of SAR 1,466.4 million, a growth of 9% y-o-y and surpassing the pre-pandemic Q3-FY20 level. This translated to a third sequential profitable quarter with net profit of SAR 16.0 million bringing 9M-FY22 bottom line to SAR 82.6 million. The results were underpinned by a solid performance during October and November ahead of renewed restrictions in response to the Covid-19 Omicron variant in Saudi Arabia during December 2021.

Marwan Moukarzel, Chief Executive Officer at Alhokair said:

"Alhokair has gained momentum with three consecutive quarters of top line and earnings growth driven by the ongoing recovery across our local and international retail operations despite mild softening in consumer demand during December due to Omicron worries.

We continue to drive growth by onboarding new lifestyle brands in support of our strategy while simultaneously focusing on bedding down the physical and virtual roll-out of all our partnerships. The F&B segment turnaround continues to materialize with major expansions set to continue into FY23 as demonstrated by the recently announced master franchise agreement for Saudi Arabia with Subway, the world's largest restaurant brand.

The new franchise acquisitions are aligned with our commitment to create an experiential omnichannel shopping environment supported by our digital transformation. To this end, we are making progress to set up our digital consumer microfinance following SAMA's recent preliminary approval.

The solid progress made by our teams so far this financial year has set us on-track to deliver a profitable full year performance particularly as we are gearing up for the Holy month of Ramadan due to start early April. We are well positioned to achieve our topline target of SAR 6 billion despite renewed Covid-19 related restrictions affecting some operations over the past two months."

New brands in FY22



*Signed agreement, not yet reflected in our brand count or financial statements

Summary Financial Highlights

SAR Million	Q3-FY22	Q3-FY21	Change y-o-y	9M-FY22	9M-FY21	Change y-o-y
Revenue	1,466	1,350	8.6%	4,528	3,100	46.1%
Gross Profit (Loss)	245	157	55.3%	809	(33)	-
EBITDA (pre-IFRS16)*	102	10	937.2%	369	(372)	-
Net Profit (Loss)	16	(128)	-	83	(762)	-

* After deducting depreciation on ROU and finance cost on lease liability

Ahmed Belbesy, Chief Financial Officer at Alhokair commented:

"We achieved a healthy financial performance during the third quarter reporting a 16.7% gross margin on higher revenue generation and despite marginal pressures from the ongoing, yet easing, higher landed costs. Operating margins this quarter were affected by a one-off expense of SAR 9 million related to prior years' tax assessments as well as non-recurring heightened expenses associated with consultancy fees and the Shared Service Centre transitory phase.

Going forward, Alhokair's will further strengthen its financial and operational position as we ramp up the streamlining of operational processes through the recently launched Shared Service Centre out of Egypt as well as IT, finance and other optimization initiatives. Our investments in driving operational excellence, which will enable us to achieve higher cost rationalization and savings will start to bear fruit from FY23.

In addition, the proposed SAR 1 billion capital increase via a rights issue is going through the necessary regulatory stages and will be a major enabler to optimize our balance sheet by reducing debt, fund strategic growth plans, explore new value accretive initiatives and improve cash flows to balance operational requirements with long term returns."

Q3-FY22 Highlights – Top-line continues to exceed pre-pandemic level, with third profitable quarter in a row

Revenue Analysis

Alhokair's revenues for Q3-FY22 increased by 8.6% to SAR 1,466 million driven by the sustained recovery in domestic and international retail revenues particularly during October and November 2021 while consumer demand softened marginally during December 2021 following the emergence of the COVID-19 Omicron variant and related restrictions in Saudi Arabia. Revenues continue to track higher when compared to pre-pandemic levels of SAR 1,290 million in Q3-FY20 highlighting gradual normalization of consumer behavior.

Revenue for 9M-FY22 increased by 46.1% to SAR 4,528 million as the severe impact of containment measures in response to the Covid-19 pandemic gradually eased and trade rebounded across all operations.

- **Saudi retail** revenues decreased marginally by 2.8% to SAR 1,037 million y-o-y for Q3-FY22. Saudi retail performance was strong in October and November reporting positive single y-

o-y growth yet softened during December following the spread of the Omicron variant and the Saudi government reinstating Covid-related restrictions. For 9M-FY22, revenues reached SAR 3,382 million, up 37.6% y-o-y from SAR 2,458 million.

- **F&B segment** for Q3-FY22 produced revenues of SAR 131 million, up 9.6% compared to SAR 119 million achieved in Q3-FY21, as the company continued to invest in this important growth segment with 19 new stores openings during the quarter. Sequentially, revenues came in flat, marginally affected by an increase in outdoors F&B activity witnessed alongside the Riyadh season.

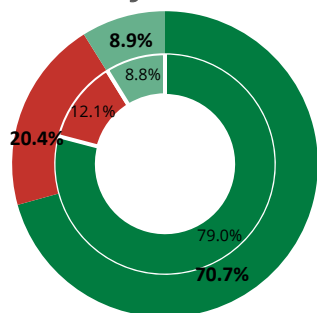
The expansion of the F&B segment is gathering momentum with sub-franchise agreements and store openings set to continue into FY23. A master franchise agreement was also concluded with Subway that will see over 145 company owned stores opening in the Kingdom over the next six years, 20 of which are expected in the coming 24 months. The Company also signed a master franchise agreement with rising Lebanese patisserie and bakery concept Secrets, bringing to the Kingdom a new and unique F&B concept.

- **International retail operations** generated revenue of SAR 299 million for Q3-FY22, up 82.4% on Q3-FY21, and now well ahead of pre-pandemic levels, with the CIS markets, Egypt, and Jordan continuing to drive the positive momentum. Alhokair continues to collaborate with its brand partners across chosen growth markets such as CIS, Egypt and Jordan to drive traditional and online capacity alongside them while simultaneously working on migrating new brands to these countries.

- **Online sales** for Q3-FY22 were 13% lower to SAR 55 million compared to Q3-FY21 which benefitted from higher demand due to stricter pandemic related restrictions. Online revenue contribution to total revenue (excluding F&B) accounted for 4.1% in Q3-FY22 compared to 5.1% in Q3-FY21 and 4.4% in Q2-FY22.

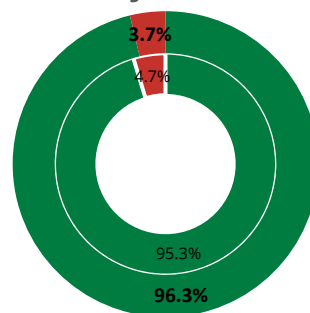
Alhokair, through FAS Labs, received preliminary approval from the Saudi Central Bank to establish FAS Finance. FAS Finance will offer a variety of microfinance services based on the latest available technologies and will also be linked to the new FAS Labs Loyalty Program. The launch of FAS Finance is aligned with Alhokair's strategy to reimagine its omnichannel approach to create a distinctive customer experience while aiming to become the leading lifestyle retailer in Saudi Arabia and the partner of choice for local and international brands

Revenue by division



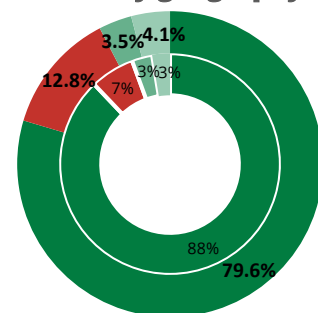
Q3-FY22 - Outer circle
Q3-FY21 - Inner circle
■ KSA Retail ■ Int'l Retail ■ F&B

Revenue by channel



Q3-FY22 - Outer circle
Q3-FY21 - Inner circle
■ Stores ■ Online

Revenue by geography



Q3-FY22 - Outer circle
Q3-FY21 - Inner circle
■ KSA ■ CIS ■ Egypt ■ Others

Consolidated like-for-like (LFL) revenues for Q3-FY22 continued to improve, recording growth of 3.7%, a positive reading for the third quarter in a row. It is worth mentioning that LFL growth was partially clouded during December due to Omicron worries. Up until end-November, LFL growth was a solid 7.8%.

- **Saudi retail** revenues for Q3-FY22 decreased by 6.4% y-o-y in LFL terms. Up until end-November, LFL revenue decline was -0.9%, showing the impact steepening of Covid-19 curve in December have had on local retail. Management continues to target a return to LFL growth in the low single digits over the near term.
- **International** sales for Q3-FY22 increased by 80.5% y-o-y in LFL terms mainly supported by a strong comeback from Azerbaijan and Georgia which reported above 100% y-o-y in LFL terms as Covid-19 related restrictions across operations lifted.
- **Online sales** decreased by 15.5% y-o-y on LFL basis in Q3-FY22 coming down from a high base last year and as in-store traffic increased post lockdowns.

Bottom Line Analysis

Gross Profit was up 55.3% to SAR 245 million for Q3-FY22 versus Q3-FY21 on the back of increased revenues, normalized inventory related provisions and continuing strong trading margins. The gross profit margin of 16.7% in Q3-FY22 improved from 11.7% in Q3-FY21 but was marginally lower than in the previous quarter on the back of slightly lower trading margin of 42% due to ongoing supply chain bottlenecks putting pressure on landed costs.

9M-FY22 gross profit was SAR 809 million compared to a gross loss of SAR 33 million in 9M-FY21 and a gross profit of SAR 949 million in 9M-FY20. The trend back to profitability is now evident and improvement to pre-pandemic levels is anticipated to be achieved as consumer behaviors return to normal, barring any significant Covid-19 restrictions.

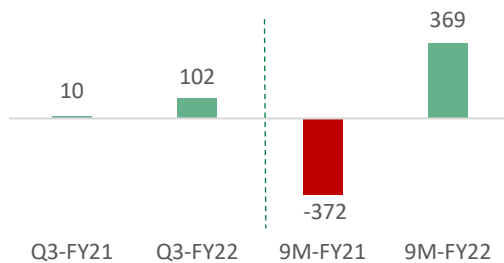
Selling, general and administrative expenses (SG&A) recorded SAR 146.6 million in Q3-FY22 compared to SAR 116 million in Q3-FY21. Whilst the Company continues to keep SG&A expenses under tight control, the quarter included several non-recurring expenses including a one-off expense of SAR 9 million related to prior years' tax assessments as well as around SAR 4 million associated with consultancy fees and the Shared Service Centre transitory phase. Our investments in the Shared Service Centres as well as the transformation program we are currently undergoing across IT, Finance, HR, procurement and supply chain will start to bear fruit starting FY23.

EBITDA (pre-IFRS16: after excluding finance costs on lease liability) was SAR 101.7 million for Q3-FY22 versus SAR 9.8 million in Q3-FY21 and achieved an EBITDA margin of 6.9% during the quarter and 8.2% for 9M-FY22, and Alhokair is on track to meet management's guidance of an EBITDA margin of 8.0% for the full year.

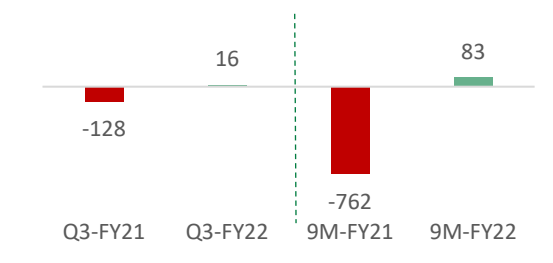
Alhokair booked a **net profit** of SAR 16.0 million in Q3-FY22 versus a net loss of SAR 128.1 million in Q3-FY21, achieving the third profitable quarter in a row and signalling the ongoing recovery in the overall economic environment across the markets in which it operates. The net profit margin dropped to 1.1% from 1.5% in Q2-FY22 due to higher SG&A expenses; excluding these, net profit

margin for the quarter would have come at 2.0%. For 9M-FY22, Alhokair delivered net profit of SAR 82.6 million, compared to a net loss of SAR 761.9 million a year earlier.

Pre-IFRS16 EBITDA (SAR million)



Net profit/(loss) (SAR million)



Balance Sheet and Cash Flow Analysis

Inventory balances recorded SAR 1,168 million for Q3-FY22, marking an increase of 6.2% compared to Q2-FY22. Inventory provisions came at SAR 24.7 million, 1.7% of sales, in line with management guidance of 1-2% inventory terminal and shrinkage-related provisions.

The Company recorded an **operating cash flow** of SAR 327 million for the quarter, up 163% y-o-y. For 9M-FY22, Alhokair delivered solid operating cash flow of SAR 764 million, +61% ahead of 9M-FY21 levels, and just 3% lower than pre-pandemic 9M-FY20 operating cash flow of SAR 790 million, enabling the company to reduce its **interest-bearing debt** by 6% since 31 March 2021, reaching SAR 2,938 million as of 31 December 2021.

Following a comprehensive review, the Board announced in November 2021 its decision to recommend a capital decrease and a subsequent capital increase through a **rights issue** to further strengthen Alhokair's financial position.

The rights issue is expected to raise **SAR 1.0 billion** and Alhokair intends to use the proceeds to deleverage its balance sheet, improve liquidity, and enhance the Company's overall financial agility. The successful capital alteration will allow Alhokair to renegotiate the financial covenants and ultimately regain full compliance with covenants by FY 2023. The regulatory procedures are progressing and the application to the Capital Market Authority was submitted in January 2022. Further updates will be shared in due course.

In Focus: Transformation Strategy

Alhokair rolled out its Operation Upgrade Strategy to achieve sustainable and profitable growth. The transformation strategy focuses on four pillars: portfolio optimization, operational excellence, building a lifestyle brand, and commitment to digital. The following outcomes were achieved during the quarter:

Portfolio optimization	Operational excellence
<ul style="list-style-type: none"> 3 brands were closed while we added one brand*, Alo Yoga, bringing our total brand count to 85 Our consolidated store network showed positive growth (+2 stores Q-o-Q) for the first time in 6 quarters as we ramped down our store optimization exercise In retail, net store closure trend continued to stabilize with 30 retail stores closing and 22 opening while gross floor area marginally expanding In F&B, 19 outlets were opened and 9 were closed, resulting in a net increase of 10 outlets. The Subway Master Franchise Agreement concluded in Q3-FY22 will result in over 145 new stores in the next 6 years <p><i>*Brands added to brand count and financial statements</i></p>	<ul style="list-style-type: none"> Extensive gap assessment of the IT department to support other key initiatives: Oracle v16 Implementation, Managed Services Provider, and Customer Service and Loyalty Program Outsourced inventory count to achieve maximum accuracy and costs savings Global professional services consultant delivering a transformation program addressing price sensitivity, inventory, zero based cost optimization, store profitability, and organizational structure Assessing further cost optimization through detailed analysis of staff cost, rental and utilities Shared Service Centre first phase now live in Egypt with other centers set to go live in H2 resulting in material costs savings from FY23 onwards Saudization levels at 72% for Q3-FY22, equivalent to Platinum Nitaqat status, with reaffirmed commitment to continual professional development and career opportunities 70% female team members level in line with the stated drive to promote inclusion and diversity
Building a lifestyle brand	Commitment to digital
<ul style="list-style-type: none"> Continuing to build breadth and depth of the brand portfolio, with 85 brands on board following further rationalization First of 5 planned Alo yoga stores opened in December 2021 with the second branch slated for June 2022. Flying Tiger opening was delayed to March 2022 Locations for Fnac Darty identified Acquisition of Subway master franchise concluded in January 2022 with 20 company owned stores planned in the coming 24 months. Secrets franchise agreement also 	<ul style="list-style-type: none"> Ongoing integration of Alhokair brands on Vogacloset with 51 brands now live supported by optimized marketing Launched Decathlon online platform in KSA Buy Now Pay Later launched on Aleph and Aldo Introduction of iPod sales across entire Inditex portfolio Aldo Application under development for KSA and 3 international sites Development of 8 KSA monobrand sites for launch in Q1-FY23 underway

<p>finalized with the first two branches to open in FY23</p> <ul style="list-style-type: none">• Conclusion of cross selling agreement with Cinnabon (previously with Seattle's Best Coffee) at one of the leading QSR in the Kingdom• Continuously working with our brand partners to launch new brands and expand in growth markets. To this end, we opened first of 3 planned Kiko Milano stores in Azerbaijan with the additional stores expected to open in Morocco	<ul style="list-style-type: none">• 3PL contract to improve cost efficiency and scalability• Preliminary approval from the Saudi Central Bank to establish FAS Finance
---	---

Contact

Investor Relations Department

Email:

investors.relations@fahretail.com

Analyst Call and Earnings Presentation

Alhokair will be hosting an analyst call on 8 February 2022, at 16:00 Saudi time. For conference call details, please email investors.relations@fahretail.com. The Q3-FY22 presentation will be available for download ahead of the call at ir.fahretail.com

Income Statement

SAR Million	Q3-FY21	Q3-FY22	Change y-o-y	9M-FY21	9M-FY22	Change y-o-y
Revenue	1,350	1,466	8.6%	3,100	4,528	46.1%
Cost of Revenue	(1,192)	(1,222)	2.5%	(3,134)	(3,719)	18.7%
Gross Profit	157	245	55.3%	(33)	809	-
<i>Gross Profit Margin</i>	11.7%	16.7%	5.0	-1.1%	17.9%	19.0
Selling and Distribution Expenses	(28)	(52)	84.1%	(109)	(142)	30.5%
General and Administrative Expenses	(88)	(94)	7%	(207)	(264)	27.7%
Impairments	10	-	-	(19)	-	-
Other operating expense	(30)	(11)	-61.4%	(71)	(32)	-55%
Depreciation and Amortization	(74)	(38)	-48.7%	(228)	(141)	-37.9%
Other Income (loss), net	34	47	38.3%	232	110	-52.5%
Operating Income	(18)	96	-	(434)	340	-
<i>Operating Income Margin</i>	-1.3%	6.5%	7.9	-14.0%	7.5%	21.5
Financial Charges	(83)	(57)	-30.8%	(275)	(200)	-27.2%
Share of loss of associates	(1)	(4)	258.9%	(1)	(4)	258.9%
Profit before Zakat and Tax	(102)	34	-	(710)	136	-
Zakat and Income Tax	(26)	(18)	-29.5%	(52)	(53)	3.5%
Net Profit for the Period	(128)	16	-	(762)	83	-
<i>Net Profit Margin</i>	-9.5%	1.1%	10.6	-24.6%	1.8%	26.4
Attributable to:						
Shareholders of the Company	(129)	17	-	(753)	85	-
Non-Controlling Interest	1	(1)	-	(9)	(3)	-68.6%
Earnings per Share Basic and Diluted	(0.61)	0.08	-	(3.59)	0.41	-
Pre-IFRS16 EBITDA	10	102	937.2%	(372)	369	-
<i>EBITDA Margin</i>	0.7%	6.9%	6.2	-12.0%	8.2%	20.1

Balance Sheet

SAR Million	31 December 2021	31 March 2021	Change
Assets			
Property, Plant and Equipment	1,338	1,327	1%
Right-of-Use Assets	3,182	3,402	-6%
Goodwill and Intangible Assets	1,140	1,111	3%
Investment Property	2	2	0%
Equity-accounted investees	74	3	2,631%
Other investments	301	300	0%
Total Fixed Assets	6,036	6,145	-2%
Inventories	1,168	1,152	1%
Advances, Deposits and Other Receivables	803	471	71%
Prepayments, Rentals and Insurance	35	48	-27%
Receivables from Disposal of Subsidiaries / Brands	-	75	-
Cash & Cash Equivalents	219	468	-53%
Total Current Assets	2,225	2,213	1%
Total Assets	8,261	8,359	-1%
Equity & Liabilities			
Share Capital	2,100	2,100	0%
Reserves (Statutory, Foreign Currency and Fair Value)	(495)	(511)	-3%
Accumulated Losses	(952)	(1,038)	-8%
Equity Attributable to the Shareholders of the Company	653	552	18%
Non-Controlling Interest	(103)	(100)	3%
Total Equity	550	452	22%
LT Loans and Borrowing	-	2,304	-
Lease Liabilities	2,819	2,838	-1%
Post-Employment Benefits	115	110	5%
Total Non-Current Liabilities	2,935	5,253	-44%
Trade Payables	1,230	1,016	21%
Zakat & Tax Liabilities	29	16	81%
Lease Liability – current portion	580	803	-28%
ST Loans and Borrowings	2,938	820	258%
Total Current Liabilities	4,776	2,655	80%
Total Liabilities	7,711	7,907	-2%
Total Equity & Liabilities	8,261	8,359	-1%

About Fawaz A. Alhokair & Co

Fawaz A. Alhokair & Co (known as “Alhokair”) was formed in 1990 by Fawaz, Salman and Abdulmajeed Alhokair. The company has since become the leading franchise retailer in the KSA and the only listed business of its type in the Middle East. Since the opening of its first store in 1991, Alhokair has grown considerably and now trades in circa 1,684 stores across 100 shopping malls in 11 countries, with a retail platform operating on a total GLA of more than 470,000m². All of this is managed by a workforce numbering more than 10,500. Alhokair currently represents around 85 brands, spanning from womenswear, menswear, kids and baby, department stores, shoes and accessories, cosmetics in addition to operating a series of restaurants and coffee shops. For more information, please visit www.fahretail.com

Forward-Looking Statements

This communication contains certain forward-looking statements. A forward-looking statement is any statement that does not relate to historical facts and events, and can be identified by the use of such words and phrases as “according to estimates”, “anticipates”, “assumes”, “believes”, “could”, “estimates”, “expects”, “intends”, “is of the opinion”, “may”, “plans”, “potential”, “predicts”, “projects”, “should”, “to the knowledge of”, “will”, “would” or, in each case their negatives or other similar expressions, which are intended to identify a statement as forward-looking. This applies, in particular, to statements containing information on future financial results, plans, or expectations regarding our business and management, our future growth or profitability and general economic and regulatory conditions and other matters affecting us.

Forward-looking statements reflect our management’s (“Management”) current views of future events, are based on Management’s assumptions and involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. The occurrence or non-occurrence of an assumption could cause our actual financial condition and results of operations to differ materially from, or fail to meet expectations expressed or implied by, such forward-looking statements. Our business is subject to a number of risks and uncertainties that could also cause a forward-looking statement, estimate or prediction to become inaccurate. These risks include fluctuations prices, costs, ability to retain the services of certain key employees, ability to compete successfully, changes in political, social, legal or economic conditions in Saudi Arabia, worldwide economic trends, the impact of war and terrorist activity, inflation, interest rate and exchange rate fluctuations and Management’s ability to timely and accurately identify future risks to our business and manage the risks mentioned above.