



AL HOKAIR

ALHOKAIR  الحكير
Fashion Retail أزياء التجزئة

Investor Presentation

1 Q - F Y 2 1

A man and a woman are shown from the chest up, both wearing quilted leather jackets. The man on the left is also wearing a dark scarf and has his arms crossed. The woman on the right is smiling and also has her arms crossed. A semi-transparent dark rectangle is centered over the image, containing the text 'Key Developments' and '1Q-FY21'. The entire image has a reddish-pink color cast.

Key Developments

1Q-FY21

COVID-19 Developments



External Measures Impacting Alhokair Fashion Retail



Curfews & Restrictions

- **March 16:** Temporarily closed most retail units in KSA
- **April 26:** Retail units outside of Makkah Region began to reopen on a partial basis;
- **May 23-27:** 24hr curfew with closure of all units
- **May 28 – Jun20:** Reopening with extended hours; F&B permitted to take dine-in orders
- **June 20:** Lifting of all curfews and restrictions, units resume normal operations



External Support

- **Salaries:** The Government of KSA introduced the SANED program which covers 60% of payroll for 70% of Saudi staff
- **Rent Relief:** Alhokair Fashion Retail has managed to secure rent-relief from its landlords for an average of three to three and half months. SAR 63.0 million in savings booked during 1Q-FY21, with additional discounts expected in the coming quarter.

Alhokair Fashion Retail Internal Measures



Health & Safety Measures

- Establishment of **spatial limits** on the number of customers
- Mandatory use of **personal protective equipment (PPE)** by store personnel
- Hand **sanitizing stations** across all stores
- Frequent of disinfection and sanitization as well as the **closure of changing rooms**
- Encouragement of **contactless payment**
- Lenient **sick-leave and work from home policies**



Business Continuity

- **Accelerating online activities**, which constituted 15% of sales in 1Q-FY21 versus 0.5% in 1Q-FY20. Year-on-Year growth of 900%.
- **Strengthening supplier relationships** to mitigate supply-chain disruptions
- **Strong liquidity position** having recently concluded debt refinancing transaction with longer tenors and wider flexibility
- **Launched and completed asset tests** to emerge a leaner organization

Operational Developments



Store Closures Due to COVID-19	Between 16 March and 26 April 2020, Alhokair temporarily closed most of its retail units in the Kingdom of Saudi Arabia, with units gradually reopened starting 26 April through 21 June 2020. COVID-related closures during the period accounted for approximately SAR 1.2 billion in lost revenue and SAR 525 in lost gross profit.	-53.8% LFL revenue decline
Finalization of Optimization Strategy	Revenue was also impacted by the final stages of the company's portfolio optimization strategy, where Al Hokair had permanently closed a net of 86 stores between 1Q-FY20 and 1Q-FY21 to stand at a total number of 1,561 stores as at 30 June 2020	86 Net Store Closures
Online Sales	Online sales recorded SAR 83 million in 1Q-FY21, constituting 15% of total sales versus 0.5% in the same period last year as the company accelerates the rollout of its e-commerce platform and having secured exclusive rights to over 90% of its brand portfolio.	+900% YOY Online Growth
Completion of Balance Sheet Cleanup	One-off costs SAR 169.2 million in 1Q-FY21 (inventory write-offs and asset impairments), marking the completion of Al Hokair's balance sheet cleanup following similar one-offs in 4Q-FY21.	SAR 169 mn One-Offs
Business Development	Alhokair's sale and purchase agreement for F&B operator Innovative Union Company (IUC) was formally concluded in 1Q-FY21. Additionally, Alhokair finalized its representation agreement with Decathlon, a leading international sports brands, which serves as a vote of confidence in Al Hokair's strong position despite the challenging market conditions.	SAR 16 mn Due from IUC in 2Q-Fy21

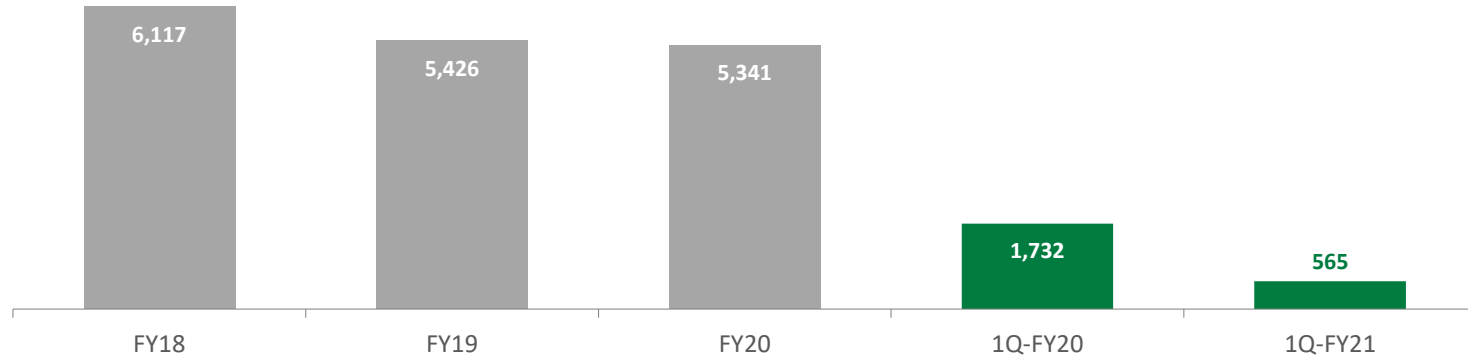
A man and a woman are standing side-by-side, both wearing quilted leather jackets. The man on the left is also wearing a dark scarf and has his arms crossed. The woman on the right is smiling and also has her arms crossed. A semi-transparent dark rectangle is centered over the image, containing the text 'FINANCIAL & OPERATIONAL REVIEW' and '1Q-FY21' in white. The entire image has a reddish-pink color cast.

FINANCIAL & OPERATIONAL REVIEW 1Q-FY21

Results Impacted by COVID-19 and Store Closures

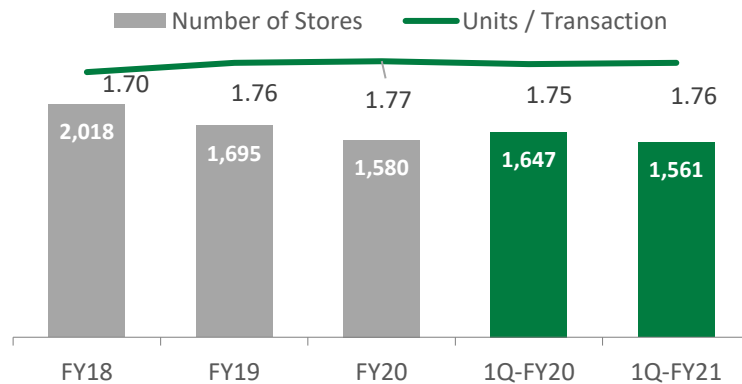


Revenue impacted by COVID-19 and store closures



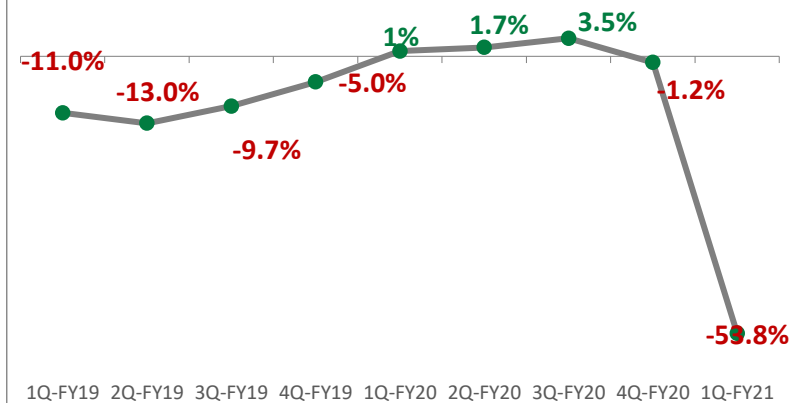
Revenues declined 67.4% y-o-y on account of COVID-19 and the *shuttering of the company's stores for prolonged periods during the quarter.*

Smaller portfolio of higher quality stores to extract maximum value



While the Company has been decreasing its number of stores, efforts to improve quality and customer experience is leading to *higher value extracted from each store as indicated by rising units per transaction.*

Strong like-for-like growth prior to COVID-19

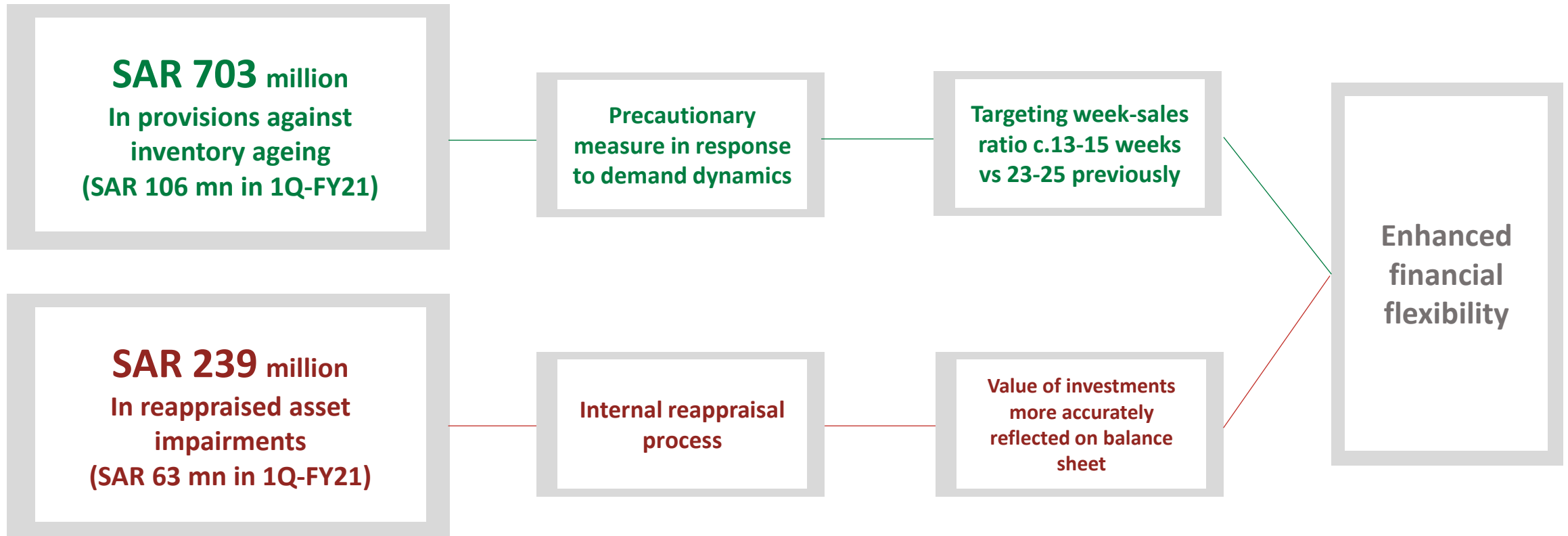


LFL growth for the period between 1 January to 15 March 2020 reached 17% y-o-y, representing the most rapid rate achieved since the Company began implementing its comprehensive portfolio optimization strategy.

Completion of Inventory and Asset Cleanup with no Further One-Time Costs



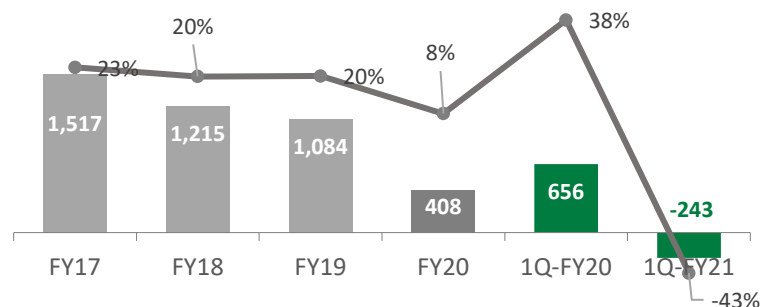
In 4Q-FY20 and 1Q-FY21, management took the strategic decision to reassess legacy assets in line with Alhokair's optimization and restructuring strategy. Despite the resulting bottom-line impact, management is confident that the move will put Alhokair's evolving business model on a sounder financial footing.



Lost Revenue During Closures Leading to SAR 525 mn Impact on Gross Profit

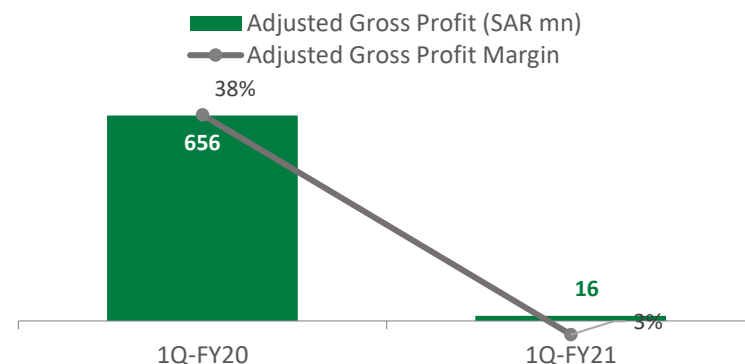


Gross profitability impacted by lower revenue and operating leverage



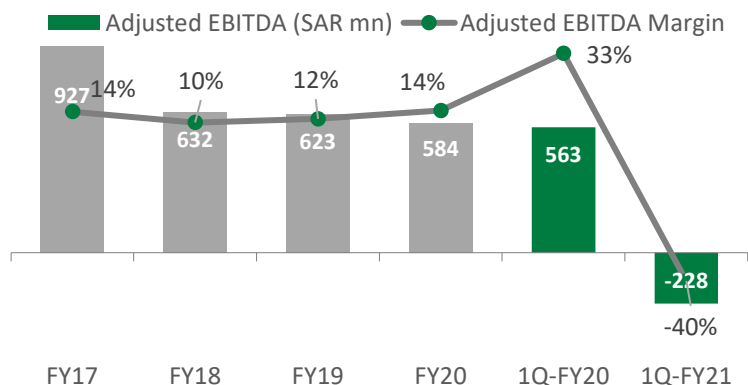
Gross profitability reflects lower revenue and operating leverage on the back of COVID-related closures during the period, with the SAR 1.2 billion top-line impact translating to a SAR 525 million reduction in gross profitability compared to 1Q-FY20.

Adjusted gross profitability accounts for IFRS-16 and one-time write-offs



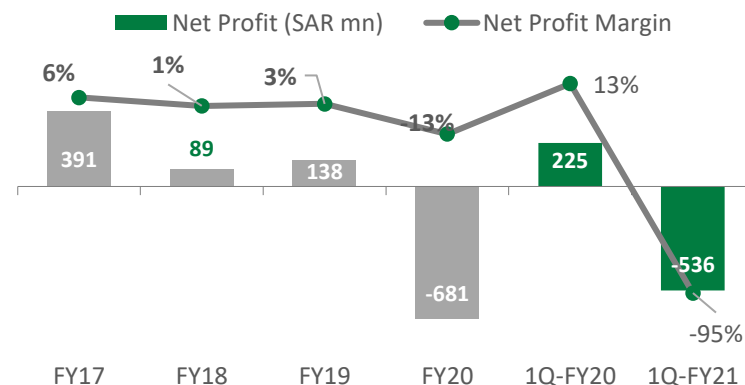
Adjusted gross profit factors out SAR 152.4 million in depreciation expenses related to IFRS-16 and SAR 106 million in one-time provisions related to the write-off of ageing inventory.

Lower gross profit reflected on EBITDA adjusted for one-offs



Adjusted EBITDA, which excludes one-off costs SAR 169.2 million in 1Q-FY21 (inventory write-offs and asset impairments), was

Net profit further impacted by one-offs



Bottom-line profitability was pressured by lower revenue as well as the one-off charges totaling SAR 169.2 million booked during the period.

Network Evolution



	KSA	International	Total
	# of Stores	# of Stores	# of Stores
Stores as at 30 June 2020	1,508	344	1852
New Stores	13	2	15
Closed Stores	-25	-7	-32
Net Change	-12	-5	-17
Stores as at 31 Aug 2020	1,496	339	1,835
Forecasted Openings	54	16	70
Forecasted Closings	-41	-22	-63
Net Changes	13	-6	7
Forecasted Stores as at 31 Mar 2021	1,509	333	1,842

Key Considerations the Network Evolution

- ✓ The major initiatives in terms of store closure is slowing down.
- ✓ KSA will be back to expansion mode led by new real estate production by Arabian Centers.
- ✓ New Stores are also planned in Georgia, Egypt and potentially in Armenia.

Focus on International Performance



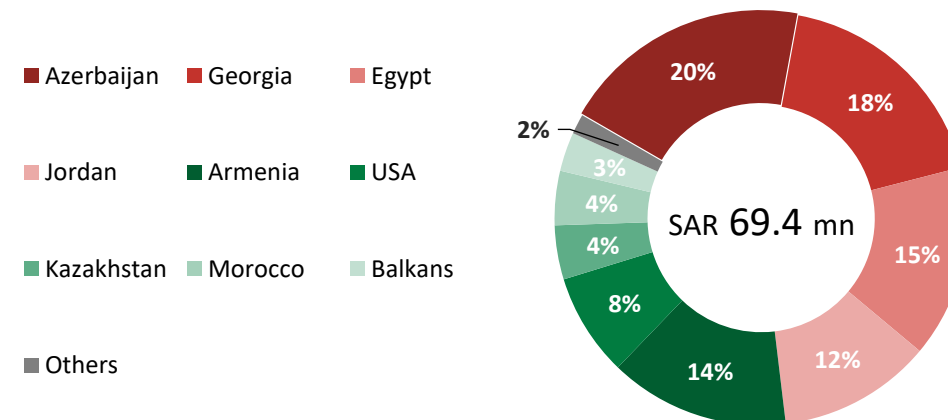
International Segment Key Performance Indicators

SAR mn	1Q-FY20	1Q-FY21	Change
Net Revenue	224.3	69.4	-69.0%
Gross Profit	50.2	(46.2)	-192.0%
Operating Income	18.5	(82.8)	547.2%
EBITDA	35.8	(67.9)	-289.5%
Net Income	(0.8)	(85.9)	10702.2%

International Markets Profitability

SAR mn	Net Revenues			Net Income			No. of Stores
	1Q-FY20	1Q-FY21	Change	1Q-FY20	1Q-FY21	Change	
Azerbaijan	43.8	7.0	-84%	4.4	(2.4)	-154%	30
Georgia	40.6	14.5	-64%	3.2	(9.2)	-391%	59
Egypt	33.8	18.2	-46%	2.8	(24.8)	-972%	80
Armenia	27.0	7.1	-74%	2.5	(8.5)	-438%	33
Jordan	31.6	15.6	-51%	2.1	(16.5)	-900%	52
USA	18.0	0.1	-100%	(5.6)	(19.1)	237%	14
Kazakhstan	9.5	2.9	-70%	(1.8)	(1.9)	9%	29
Morocco	9.5	1.6	-83%	(4.0)	(1.4)	-66%	23
Balkans	6.9	2.5	-64%	0.4	(1.4)	-416%	19
Others	3.5	-	-100%	(4.8)	(0.8)	-84%	0
Total	224.3	69.4	-69.0%	(0.8)	(85.9)	10702.2%	339

International Revenue Breakup by Country



Key Considerations for International Segment

- ✓ Four countries, namely Azerbaijan, Georgia, Egypt and Armenia, are contributing c.65% of international revenue. The Group aims to focus on these markets and sustain its position while grabbing growth opportunities. Those 4 countries were still growing their top line per-COVID-19.
- ✓ Profitability across international markets continues to improve as the Group works to extract operational efficiencies
- ✓ International operations are now conducted through KSA and specific functions through on-the-ground-operations in some countries following the closure of the warehouse in Dubai.

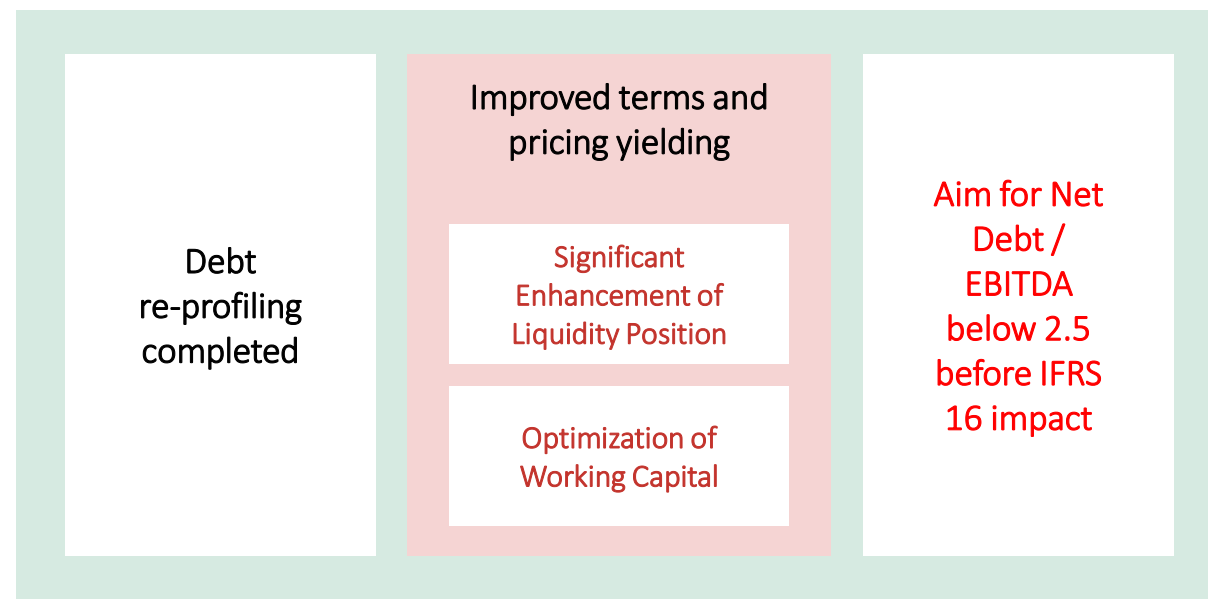
DEBT MANAGEMENT IN FOCUS



Re-financing furthers capital structure optimization with an eye to boosting liquidity position and flexibility to invest in the business.

Summary Credit Metrics

SAR mn	Jun '19	Mar'20	Jun '20
Total Interest-Bearing Debt	2,654	3,183	3,134
Cash Position	460	687	621
Net Debt	2,194	2,496	2,512
EBITDA pre IFRS	702	584	(397)
Full-Year / Annualized EBITDA (12 months rolling-back) pre IFRS	702	584	(397)
Net Debt * / EBITDA pre IFRS	3.12	4.27	(6.32)



Debt Management Strategy

Balanced debt position with matched maturity profile

Deleveraging with potential accelerated repayment supported by strengthening EBITDA (Kingdom deal is a proof of concept)

Targeting debt level of SAR 2.5-3 billion from current SAR 2.6 billion and at better conditions

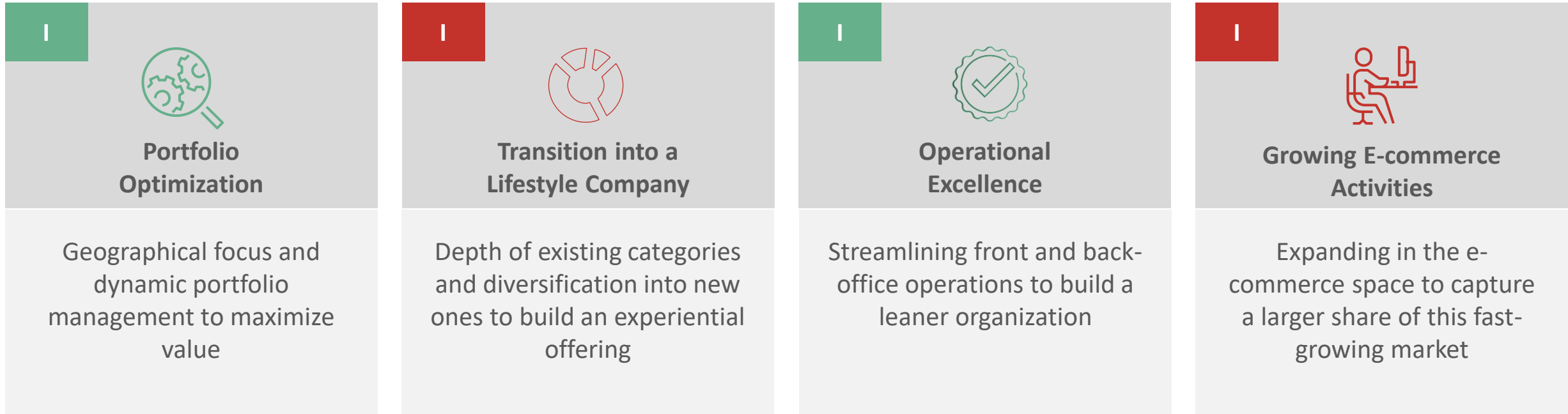
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STRATEGY OVERVIEW

Turnaround Strategy



Since 2019, Alhokair Fashion Retail has been implementing a turnaround strategy to improve operational efficiency and build a foundation for long-term growth



Strategy Implementation

FY2020

Realignment & Focus

FY2021

Strengthening & Transformation

Portfolio Optimization



An empirically-driven approach to strengthen portfolio performance and extract higher value

FY2020: Realignment & Focus

Closure of Nonperforming Stores

Closure of 308 nonperforming stores since January 2019 and disposal of weak / losing brands

Yield Maximization

Extract maximum value from lower-quantity but higher-quality store portfolio and increase EBITDA / sqm

SAR 124

FY2020 EBITDA / sqm

▲ 3% y-o-y

1.8

FY2020 Units / transaction

▲ 3% y-o-y

SAR 980

FY2020 Revenue / hour

▲ 7% y-o-y

FY2021: Strengthening & Transformation

Normalization of Store Closures / Expansion

Major store closure initiatives are complete, with new stores with attractive locations were sourced , focusing on KSA and other growth markets

Exit from US

The Group expects to finalize its exit from its US business within months as part of its efforts to focus on key growth geographies

Transitioning into a Lifestyle Company



A key driver for future growth is transforming from a fashion retailer into a lifestyle company by venturing into new categories

FY2020: Realignment & Focus

Expansion into New Categories

✓ **Beauty & Cosmetics**

ESTÉE LAUDER
COMPANIES

✓ **Electronics**

aleph | 
Premium Reseller

✓ **Food & Beverage**
(Innovative Union Company)

CINNABON
Bakery

SEATTLE'S BEST
COFFEE

MammaBuns
The Buns Emporium

Azal
Taste of the Palmyra

Siti's
EMIRGAN

20%

F&B Revenue Growth in FY2020

58

New Stores Added
Across New Categories – 53 F&B

FY2021: Strengthening & Transformation

Deepening F&B Presence with Launch of Dark Kitchen Concept

Offering back-office kitchen services to virtual F&B brands

Adding New Brand Categories

Alhokair is negotiating with several new brands that will accelerate its transition into a lifestyle

KIKO
MILANO

Cosmetics
(Signed)

PUBLIC DESIRE

Footwear
(Signed)



Athleisure
(Advanced stages with top international player)



Beauty & Cosmetics
(Advanced negotiations with worldwide player)

Focus on Food and Beverage



Alhokair is rapidly deepening its exposure to Saudi Arabia's lucrative and fast-growing F&B sector

Landmark F&B Portfolio Acquisition

10

New F&B franchises acquired in FY2020

200+

Locations across KSA



Acquisition geared towards café/dessert brands encouraging extended visits, repeat business



New units benefit from existing relationships with landlords, shared central services incl. information, tech, finance and procurement

Expanding F&B portfolio has already proved value-accretive...

F&B Segment: Income Statement

SAR '000	FY2020	FY2019	Change	1Q-FY21
Net Revenues	419,843	350,634	20%	19,144
Gross Profit	303,572	246,976	23%	12,480
GPM	72.3%	70.4%	1.9 pts	65.2%
EBITDA	70,099	45,110	55%	(23,289)
EBITDA Margin	16.7%	12.9%	3.8 pts	-
Net Profit	25,436	3,819	566%	(38,288)
NPM	6.1%	1.1%	5.0 pts	-
Net Profit After Minority Interest	18,784	(8,190)	-	(30,259)
NPAMI Margin	4.5%	-	-	-

Achieving Operational Excellence



Streamlining operations and building a leaner organization

FY2020: Realignment & Focus



Shedding Non-Core Assets

Sale of Dubai Warehouse, Kingdom Center, Tahliya Building, and disposal of Burberry brand



Collaborating with Brand Partners

Increased alignment with brand partners to streamline payments, coordinate renovations and collaborate on online development



Strengthening Liquidity

New facility for USD 800 mn, including USD 650 mn to refinance existing debt and USD 150 mn to finance operational needs



Retail Excellence

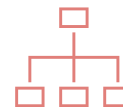
Investment in training, refurbishments, technology and supply chain to enhance in-store experience and speed-to-market

FY2021: Strengthening & Transformation



Shared Services Center

Launch of shared services center within 9-12 months



Restructuring Back Office

Complete restructuring exercise with targeted annual payroll savings



Mark to Market Inventory

Completed provisions for ageing inventory and normalization of week-sales ratio to industry norms.



Asset Impairment Tests

Completed appraisal of investments and booked necessary impairment to accurately reflect asset base

Growing E-Commerce Activities



AlHokair has developed a calibrated plan to broaden and deepen the Company's e-commerce footprint across multiple channels

FY2020: Realignment & Focus



Acquired Online Rights

Alhokair has acquired rights for 58 brands across its markets, of which 48 are currently trading, with more to be deployed

Launched Zara Online

Delivering strong results and with no cannibalization of store sales



300%
Growth in Q1-FY21 vs
previous Q4-FY20

Launched Alephksa.com

Alhokair's
Apple store



Alhokair's Products Sold Across Third-Party Platforms



FY2021: Strengthening & Transformation



Launched Multi-Brand Flagship Platform

Alhokair successfully launched its flagship e-commerce platform, *FAHFashion.com*, on 15 July 2020

Launch Additional Mono-Brand Platforms

The Group is in the advanced stages of launching two new mono-brand platforms for Mango and Aldo in Saudi Arabia



Build Omnichannel Experience

Extract synergies between store-based and online toward building omni-channel experience to our customers

A woman with long, wavy hair is wearing a dark, belted trench coat. The image is set against a teal background and is framed by a white L-shaped border. The word "APPENDIX" is centered in white capital letters.

APPENDIX

INCOME STATEMENT



SAR Million	1Q-FY20	1Q-FY21	Change
Net Revenue	1,732.4	564.9	-67.4%
Cost of Revenue	(1,076.5)	(807.7)	-25.0%
Gross Profit	655.9	(242.7)	-137.0%
<i>Gross Profit Margin</i>	37.9%	-43.0%	-
Selling & Distribution Expenses	(39.0)	(35.9)	-7.9%
General & Administrative Expenses	(53.7)	(55.6)	3.4%
One-off impairments	-	(63.2)	-
EBITDA	563.1	(397.4)	-
<i>EBITDA Margin</i>	32.5%	-70.3%	-
Other Income (loss), net	(1.4)	63.0	-
Depreciation & amortization	(212.1)	(77.8)	-63.3%
Interest Expense	(112.6)	(107.4)	-4.6%
Profit before Zakat and Tax	237.1	(519.5)	-
Zakat and Income Tax	(12.2)	(16.1)	32.5%
Net Profit	224.9	(535.6)	-
<i>Net Profit Margin</i>	13.0%	-94.8%	-
One-off Adjustments			
Inventory Write-offs	-	106.0	-
Asset Impairments	-	63.2	-
Adjusted EBITDA	224.9	(228.2)	-
<i>Adjusted EBITDA Margin</i>	13.0%	-40.4%	-
Cash Balances	459.7	621.2	20.3%

BALANCE SHEET

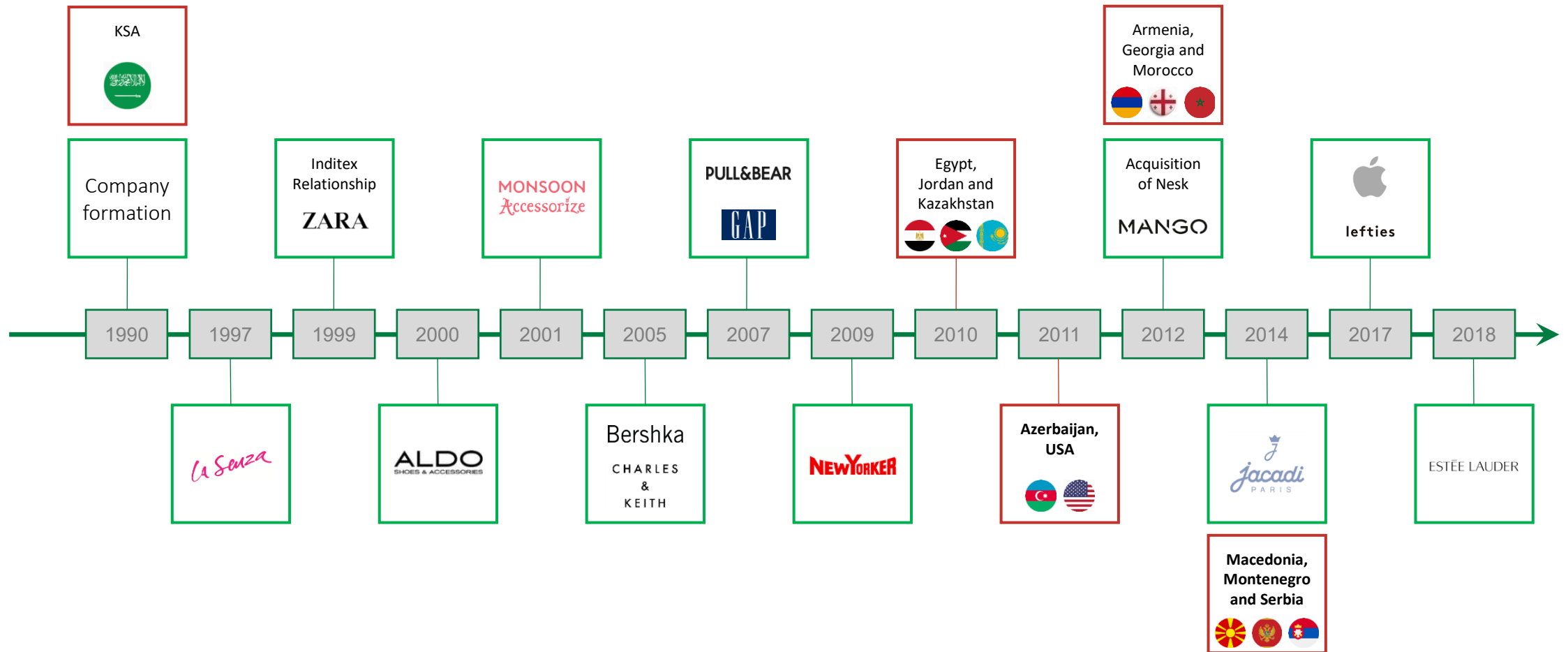


SAR Million	Jun '19	Mar '20	Jun '20	Change vs Jun	Change vs Mar
Assets					
Property, Plant and Equipment	1,717	1,541	1,439	-16%	-7%
Right-of-Use Assets	4,653	4,058	3,830		-6%
Goodwill and Intangible Assets	871	1,080	1,077	24%	
Investment Property	62	4	4	-94%	0%
Investment in Associates & Others	389	251	232	-40%	-8%
Receivables from Disposal of Subsidiaries / Brands	75	75	-		
Total Fixed Assets	7,767	7,008	6,582	-15%	-6%
Inventories	2,002	1,656	1,377	-31%	-17%
Advances, Deposits and Other Receivables	662	570	606	-9%	6%
Prepayments, Rentals and Insurance	50	68	52	3%	-24%
Receivables from Disposal of Subsidiaries / Brands	204	75	75	-63%	
Cash & Cash Equivalents	460	686	621	35%	-10%
Assets held for sale	-	-	-		#DIV/0!
Total Current Assets	3,379	3,056	2,731	-19%	-11%
Total Assets	11,147	10,063	9,313	-16%	-7%
Equity & Liabilities					
Share Capital	2,100	2,100	2,100		
Reserves (Statutory, Foreign Currency and Fair Value)	(249)	(373)	(337)	35%	-10%
Retained Earnings	848	(112)	(638)	-175%	468%
Equity Attributable to the Shareholders of the Company	2,699	1,615	1,126	-58%	-30%
Non-Controlling Interest	(66)	(85)	(96)	46%	13%
Total Equity	2,633	1,530	1,030.3	-61%	-33%
LT Loans and Borrowing	1,943	2,424	2,424	25%	0%
Lease Liabilities	4,172	3,359	3,021		-10%
Post-Employment Benefits	90	102	107	19%	5%
Total Non-Current Liabilities	6,205	5,884	5,552	-11%	-6%
Trade Payables	567	473	409	-28%	-13%
Accruals and Other Liabilities	656	478	606	-8%	27%
Zakat & Tax Liabilities	16	11	26	59%	139%
Lease Liability – current portion	358	928	981		6%
ST Loans and Borrowings	710	760	709	0%	-7%
Total Current Liabilities	2,308	2,650	2,731	18%	3%
Total Liabilities	8,513	8,534	8,283	-3%	-3%
Total Equity & Liabilities	11,147	10,063	9,313	-16%	-7%

Group History



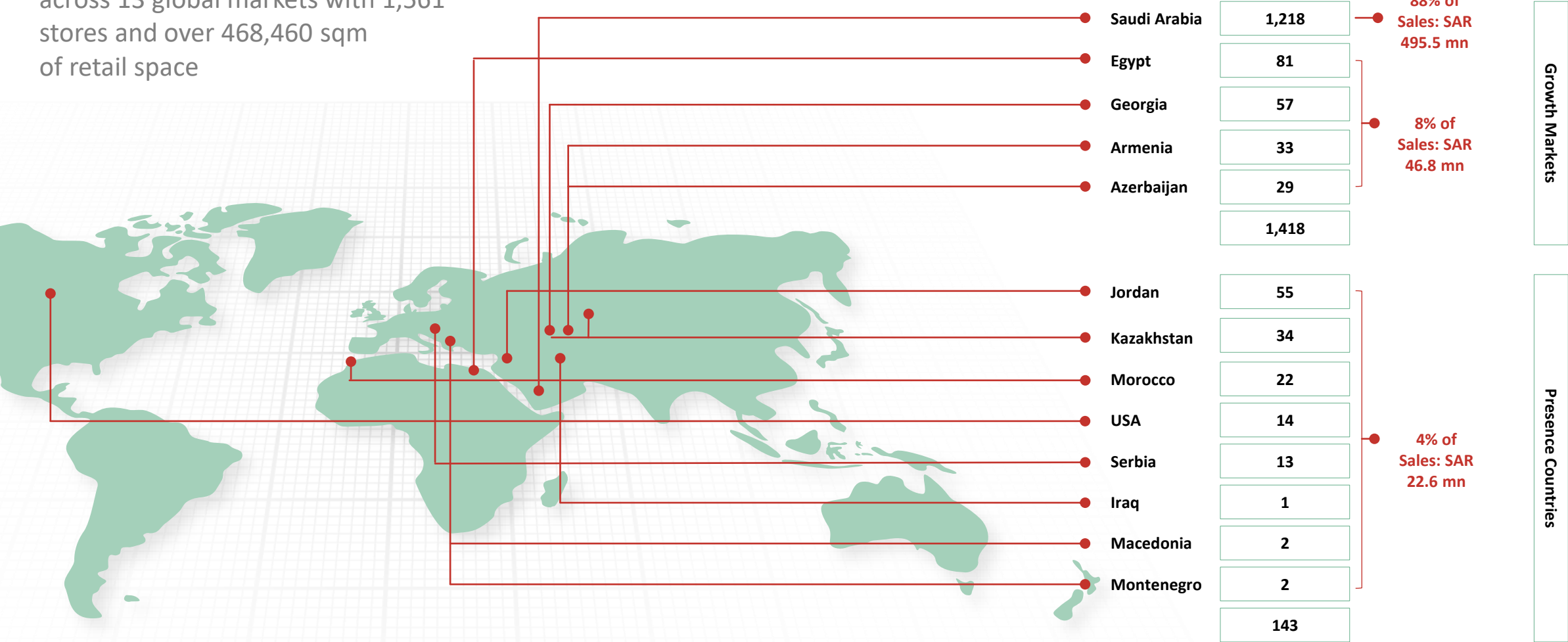
Established in 1990 with two operational stores, the Group has since built a track record of introducing global Brands to KSA and entering new markets



Our Current Footprint



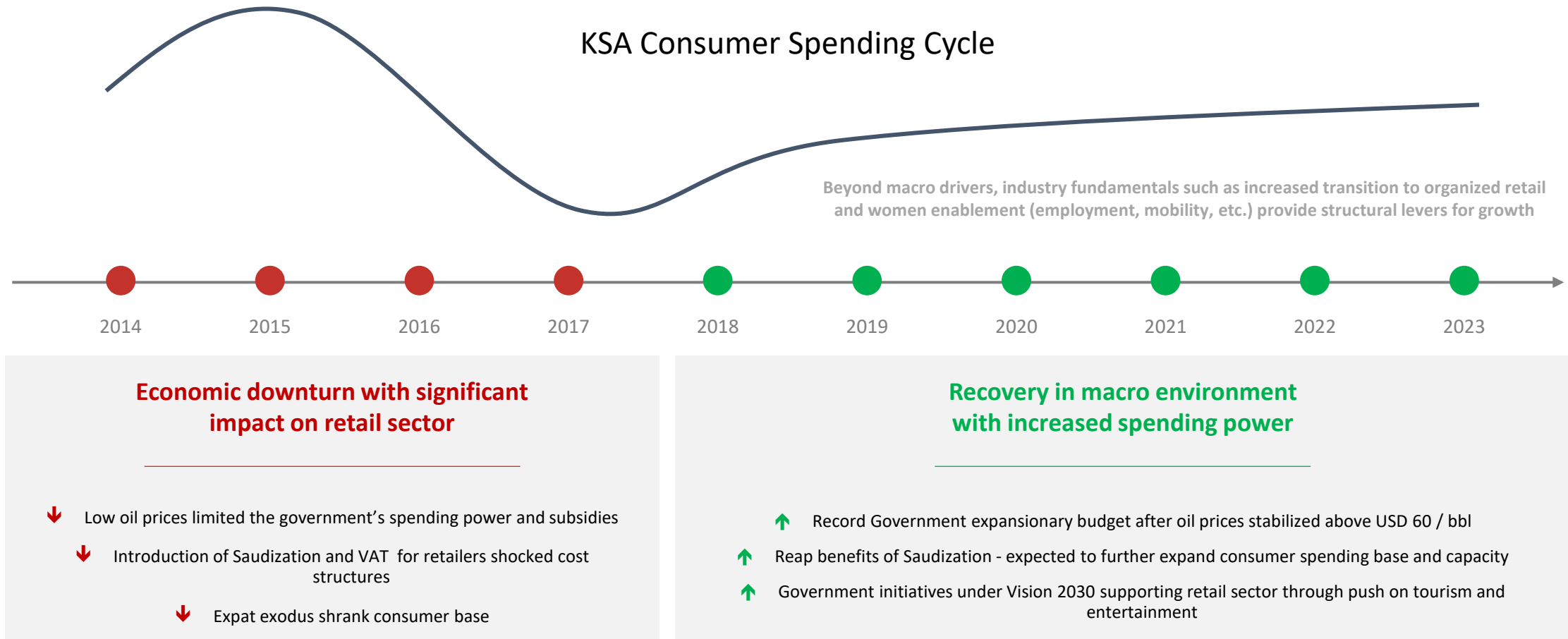
Our Group maintains a presence across 13 global markets with 1,561 stores and over 468,460 sqm of retail space



Our Primary Market



Looking beyond macro headwinds in the KSA – recovering consumer environment conducive to growth in the retail sector



Source: Euromonitor

Note: Consumer Expenditure includes the items such as (Food and Non-Alcoholic Beverage, Beer (Malt Beverages), Tobacco, Clothing and Footwear, Housing, Household Goods and Services, Health Goods and Medical Services, Transport, Communications, Education, Hotels and Catering, Miscellaneous Goods and Services).

OUR BRAND PORTFOLIO



AlHokair Fashion Retail holds a portfolio of over 75 brand representations and ownership covering all market segments

Department Stores



Kids Fashion



Fashion Boutique



Shoes & Accessories



OUR BRAND PORTFOLIO



Women's & Men's Fashion

CAMAÏEU

DYNAMITE

eclipse

IPEKYOL

LIPSY
LONDON

MONSOON

O X X O

gelco

celio*

wallis

QUIZ

ANOTAH

FG4
LONDON
DESIGNED BY GEORGE JAMES

adL

Youth Fashion

Bershka

PULL&BEAR

COMPANYS

GARAGE

GIRLS ON FILM

Jennyfer

Miss Selfridge

POLO GARAGE®

Stradivarius

Salsa

terranova®

Lingerie

la Senza

la Vie en Rose

MARKS & SPENCER
Lingerie & Beauty

undiz

women's secret

OYSHO

Cosmetics

flormar
Professional Make-Up

models
OWN

Home

KARACA

ZARA HOME

Entertainment and Food & Beverage

COSTA COFFEE

Morocco & Spain

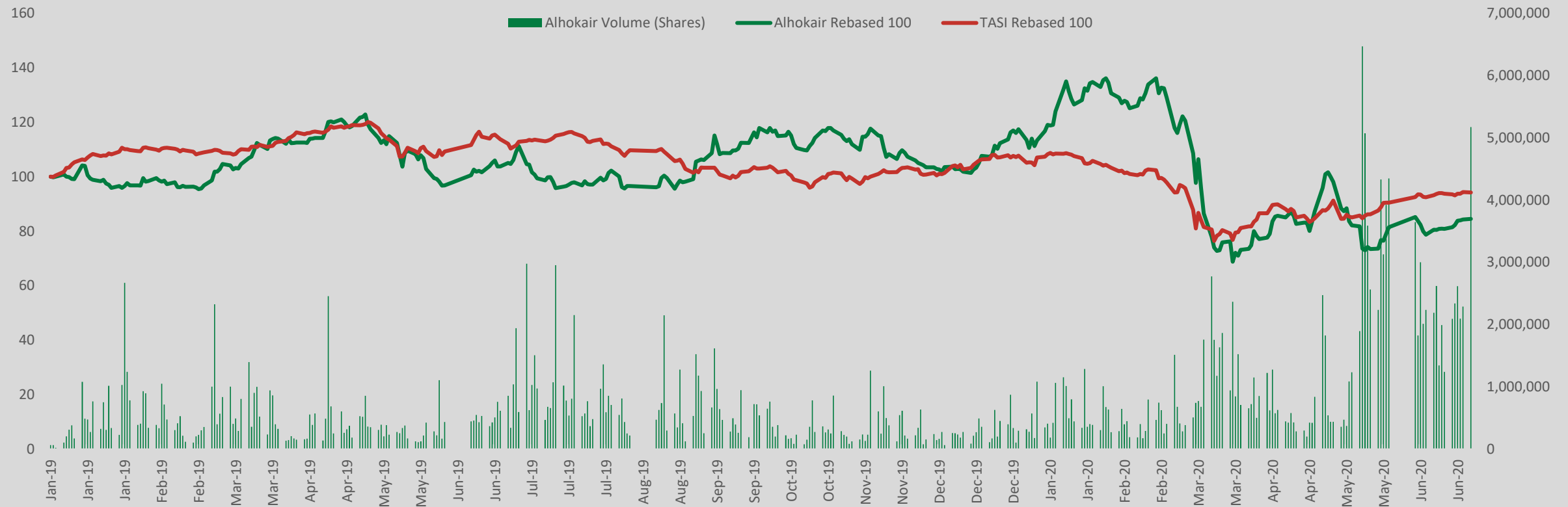


USA

Share Performance



Jan 2019 - June 2020 Share Performance





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