

Earnings Release

FY 2022

Riyadh | 30 June 2022

Fawaz Abdulaziz Alhokair Co. returns to profitability in FY22 supported by strategic delivery and improved macro environment

- FY22 revenue grows by 40% annually to SAR 5.9 billion ahead of pre-pandemic levels and in line with management guidance; Q4-FY22 top line of SAR 1.4 billion was up 22% y-o-y
- Gross profit of almost SAR 1.0 billion for FY22 driven by top-line growth and improvement in trading margins; FY22 EBITDA margin of 7.8% broadly in line with guidance
- Return to profitability in FY22 with a bottom line of SAR38.0 million driven by recovery in overall market conditions and successful delivery on Operational Upgrade Strategy
- Capital alteration on track to strengthen financial position and set the Company for future growth

(Riyadh, 30 June 2022) Fawaz Abdulaziz Alhokair Co. ("Alhokair" or the "Company", 4240 on the Saudi Exchange), the leading lifestyle retailer in Saudi Arabia, today announced its results for the full year ended 31 March 2022 (FY22), reporting revenues of SAR 1,387 million for the final quarter, a 22% growth year-on-year (y-o-y), with annual revenues of SAR 5,915 million recording a 40% increase from the previous year.

The strong top-line performance was predominantly driven by the recovery in both domestic and international retail markets with a strong improvement in consumer sentiment translating into higher instore foot traffic, despite the marginal impact of the Omicron variant in December. F&B revenues continued to grow but were hampered by capacity and other Covid-19 related restrictions which persisted throughout the year. Overall, the Company reported a net profit of SAR 38 million for FY22, compared to a net loss of SAR 1,109 million in FY21, with the increase driven by the growth in revenues, expansion in trading margins, absence of one-off inventory provisions recorded in FY21, partially offset by a one-off, non-cash impairment charge of SAR 71 million related to the goodwill arising from the acquisition of NESK Group in 2012. Adjusted net profit, excluding the impairment charge, is SAR 109 million.

Mohamad Mourad, Interim Chief Executive Officer at Alhokair said:

"Alhokair has successfully navigated a challenging year to generate topline growth of 40% and a strong underlying profitability. The robust results are supported by the trading activity returning to pre-pandemic levels, the successful execution on the operational upgrade strategy and the strength of our teams across the business. We entered the new year on a strong footing, ready to sustain our path to recovery and build on our industry-leading position.

The optimization of our brand portfolio is paying off, and we were pleased to successfully launch and onboard great brands this year, whilst the rationalization of our store network is approaching normalization. Our investments in key international operations have done well with the

New brands in FY22





CIS countries, Egypt and Jordan being key contributors to the performance.



Our commitment to drive a robust omnichannel experience continued to progress with FAS Finance's strategic partnership with valU. Through the integration of innovative payment solutions, we offer greater affordability, convenience and value for our customers, all available through one digital platform. Covid-19 has profoundly reshaped the retail landscape and we will continue to evolve our business by investing in strategic retail innovation and digitalization to enhance the consumer experience and grow revenues.

Based on the strong foundation set during the past year and the positive momentum in our key markets, we expect to build on our growth trajectory to deliver a credible performance in FY23."

Summary Financial Highlights

SAR Million	Q4-FY21	Q4-FY22	Change y-o-y	FY21	FY22	Change y-o-y
Revenue	1,132	1,387	22.5%	4,233	5,915	39.8%
Gross Profit (Loss)	(55)	181	-	(88)	991	-
EBITDA (pre-IFRS 16)*	(226)	93	-	(598)	462	-
Net Profit (Loss)	(347)	(45)	(87.1%)	(1,109)	38	-

^{*} After deducting depreciation on right-of-use (ROU) assets and finance cost on lease liability

Ahmed Belbesy, Chief Financial Officer at Alhokair commented:

"We delivered a strong set of financial results during FY22 with a top line growth of 40% to close on SAR 6 billion, in line with our guidance, and exceeding pre-pandemic levels. Profitability is back on track, with gross profit of nearly SAR 1.0 billion and a bottom line of SAR 38 million. Although we witnessed an improvement in operating margins, inflationary pressures and ongoing supply chain disruptions continued to push margins to below historical levels. Nevertheless, EBITDA margin for the full year was broadly in line with our guidance at 7.8%.

During the year, we continued to focus on streamlining our operations and costs, with the launch of the shared service center, in addition to managing our working capital and inventory. Going forward, we will continue to optimize our costs further and accelerate our innovation drive, as we transition into a true lifestyle retailer, that provides a comprehensive suite of offerings to clients, both digitally and in-store.

The planned capital alteration is also starting to materialize, after having secured the CMA and EGM approvals on the capital reduction, following which we plan to raise capital through a SAR1 billion rights issue. We are now ready to embark on a fresh journey of growth for Alhokair, underpinned by fit-for-purpose capital structure to support our strategic expansion agenda whilst enabling stronger cash flow generation through the reduction of our overall gearing."



FY22 Highlights – solid top line growth and underlying profitability, backed by improved market conditions

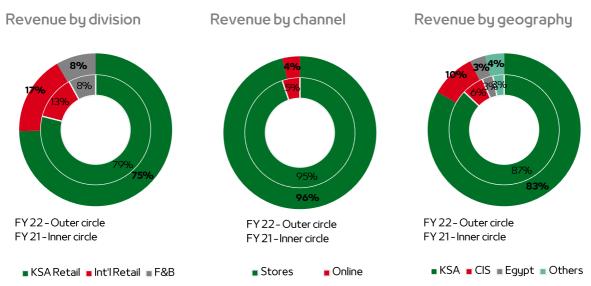
Revenue analysis

Alhokair recorded revenues of SAR 1,387 million in Q4-FY22, up by 22% from SAR 1,132 million booked in Q4-FY21. Meanwhile, full-year revenue increased 40% y-o-y to SAR 5,915 million, in line with guidance. The strong growth in the top-line was primarily driven by Alhokair's ongoing focus on portfolio optimization and increasing revenue per SQM, supported by the market's return to normalcy as pandemic-related restrictions continued to be lifted across the globe, in addition to a general improvement in business activity and sentiment. This translated into enhanced performances across the board, with a marked growth in Saudi and international retail revenues, as well as F&B.

- Saudi retail revenues exceeded SAR 1 billion in Q4-FY22, increasing 17% y-o-y. For FY22, revenues amounted to SAR 4,419 million, increasing 32% y-o-y. This was primarily driven by a significant improvement in consumer sentiment, which resulted in a pickup in sales activity, thus reinforcing the growth in revenues. The Company ended the year with 1,042 stores and 63 brands in Saudi Arabia, with net store closure of 78 stores since FY21, the vast majority of which materialized in the first half of the year. Net closures normalized in the second half of the year as the Company approached the end of its store rationalization program.
- International retail operations generated revenues of SAR 221 million in Q4-FY22, up 44% y-o-y, which was essentially the result of sustained revenue growth from CIS countries, Egypt, and Jordan. Alhokair ended the year with 308 stores and 38 brands overseas, with net store closure of 10 stores since FY21. International revenues almost doubled during the year to nearly SAR 1 billion in FY22, in line with Alhokair's ongoing initiatives to expand its omnichannel footprint in selected growth markets, with a continued onboarding of leading global brands.
- F&B segment reported remarkable results, with revenues increasing 35% y-o-y to SAR 130 million in Q4-FY22 from SAR 96 million in Q4-FY21, in line with Alhokair's strategic plans to further expand the contribution of this segment, through increasing the number of outlets, growing the brand portfolio, and enhancing F&B digital platforms. The recent signing of the master franchise agreement with US fast-food group Subwayis expected to boost Alhokair's F&B segmental performance in FY23 and beyond. With net openings of 17 stores, the Company reported a 46% y-o-y rise in full-year revenue to SAR 498 million in FY22 from SAR 340 million a year earlier. Alhokair remains well-positioned to further capitalize on the promising growth potential of the dynamic F&B segment, through a strategic focus on portfolio diversification, digitalization, and expansion of home-grown concepts.
- Online sales in Q4-FY22 came in at SAR 48 million, up by 24% y-o-y as Alhokair has continued to expand its online monobrand platform and multi-brand capabilities, which was also supported by the acquisition of Vogacloset last year. FY22 sales stood at SAR 219 million, in line with FY21, as the e-commerce market normalized after the rapid pandemic-driven spike at the beginning of last year. Online revenue contribution to total revenue (excluding F&B) reached 4.0% in FY22 compared to 5.6% in FY21. Nevertheless, the currently low e-commerce market penetration rates in the Kingdom, in addition to a rise in population and discretionary spending, as well as a shift in consumer preferences, should act as key growth drivers for our online business going forward. In line with its sustained efforts to accelerate its digital drive and further cement its positioning in the domestic market, Alhokair, through FAS Labs launched FAS Finance through entering into a strategic partnership with valU, that will be targeted mainly at Saudi customers, providing them with a variety of customizable digital consumer finance solutions across the entire purchase journey.



- Ramadan trading activity: Alhokair started the new fiscal year on a strong footing as the Holy Month of Ramadan, considered one of the best sales seasons, started on April 2nd. Overall, revenues increased by 5.2% y-o-y for the Ramadan trading period, defined as the 30 days of Ramadan plus the 7 days around Eid Al-Fitr. Saudi retail sales during the period remained buoyant showing healthy growth of 4.2% compared to the 2021 Ramadan season. Meanwhile, the impact of the Ramadan season was especially pronounced for the F&B segment, whereby revenue growth exceeded 25.3% y-o-y, driven by lower pandemic-related restrictions, and a large pickup in activity resulting from enhanced consumer sentiment.
- Consolidated like-for-like (LFL) revenue growth largely improved in Q4-FY22, recording 16.3% y-o-y, a positive reading for the fourth quarter in a row, despite partial Covid-related restrictions in Saudi Arabia in February. Consolidated LFL growth reached 37% in FY22.
 - Saudi retail revenues were up 12.2% y-o-y in LFL terms for Q4-FY22, and 30.6% y-o-y in FY22. Management continues to target a return to LFL growth in the low single digits over the near term.
 - o **International retail** sales increased 39.3% in LFL terms for Q4-FY22, and a solid 74.4% you o-y in FY22, due to the positive momentum from CIS counties, Egypt, and Jordan.
 - **F&B sales** LFL growth reached 18.6% for Q4–FY22, and 46.0% in FY22 despite ongoing Covid related restrictions during the year.



Bottom line analysis

Gross profit amounted to SAR 181 million in Q4–FY22, compared to a gross loss of SAR 55 million in Q4–FY21, and SAR 991 million in FY22 versus a gross loss of SAR 88 million in FY21. This was supported by the material improvement in revenues and trading activity, expansion in trading margins, as well as absence of one-off inventory-related provisions booked last year. As a result, the gross profit margin (GPM) was 16.8% for FY22 as compared to an adjusted margin of 9.3% last year, adjusting for the one-off inventory-related provisions charge of SAR 397 million in FY21.

Selling, general and administrative expenses (SG&A) recorded SAR 84 million in Q4–FY22, a 33% y-o-y decline, as a result of Alhokair's focus on cost optimization and operational efficiencies. SG&A reached SAR 490 million in FY22, increasing by 11% y-o-y from SAR 441 million, due to a low base effect in FY21, which incorporated one-off government support, namely Saned. In line with Alhokair's operational excellence, a key



pillar of the Operational Upgrade Strategy, the Company has rolled out a variety of initiatives which should contain SG&A expenses in the future, including launch of the shared service center, overhaul of the IT infrastructure, and comprehensive analysis of staff, rental and utility costs, amongst others.

EBITDA (pre-IFRS16, i.e. after deducting depreciation on right-of-use assets and finance cost on lease liability) was SAR 93 million in Q4-FY22, compared to an EBITDA loss of SAR 226 million in Q4-FY21. Meanwhile, FY22 EBITDA amounted to SAR 462 million versus an EBITDA loss of SAR 598 million in FY21. EBITDA margin for FY22 reached 7.8%, broadly in line with guidance. This improvement was mainly propelled by the growth in the top-line and trading margins largely outpacing the increase in SG&A expenses during the period. Going forward we expect EBITDA margins to expand by a range of 1-2% on the back of ongoing cost rationalization and pent-up demand.

Alhokair booked a **net profit** of SAR 38 million in FY22, compared to a net loss of SAR 1,109 million last year. The robust turnaround in the Company's profitability was essentially the result of the %40 growth in revenues due to a pickup in market activity, as well as vigilant store and portfolio rationalization, which, in turn, had a positive impact on both the retail and F&B segments across the key geographies in which Alhokair operates. This was partially offset by a non-cash impairment charge of SAR 71 million related to the goodwill arising from the acquisition of NESK Group in 2012.

Pre-IFRS16 EBITDA (SAR million)



Net profit/(loss) (SAR million)



Balance sheet analysis

Inventory balances reached SAR 1,700 million as of 31 March 2022, marking an increase of 48% y-o-y. This was primarily the reflection of ongoing supply chain bottlenecks prompting the Company to initiate a buildup of inventories ahead of the Ramadan, Eid Al-Fitr, and Eid Al-Adha seasons. Following this seasonality spike, we have seen this number decline by close to 14%.

The Company has continued to focus on inventory optimization primarily through streamlining its ERP systems, implementing a Warehouse Management System in one centralized location, and advancing the use of technology to manage inventory workflows. For FY23 and beyond, Alhokair will focus on enhancing retail merchandise planning with the goal being to improve supply chain efficiencies and reduce terminal stock.

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, having secured the CMA and EGM approvals on the capital reduction. Further updates will be shared in due course.



In Focus: Operational Upgrade Strategy

Alhokair rolled out its **Operational 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 FY22:

Portfolio optimization

- During the year, we saw the first store opening of 3 new brands: Alo Yoga, Decathlon and Flying Tiger. We also onboarded exciting new brands such as Subway and Fnac Darty. Our total brand count stood at 83* at year-end.
- Our consolidated store network showed a y-o-y net decline of 71 stores and 16 stores q-o-q, as we approach the end of our store optimization, whilst accelerating our digital drive.
- For retail, a total of 174 retail stores were closed, with 86 opened, resulting in a net decrease for the retail portfolio of 88 stores
- For F&B, 47 outlets were opened and 30 were closed, resulting in a net increase of 17 outlets. The Subway Master Franchise Agreement concluded in Q3-FY22 will result in over 145 new stores in the next 5 years
- *Count includes brands added to the store network and financial statements

Operational excellence

- 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 resulting in reduced inventory weeks on hand
- Global professional services consultant delivering a transformation program addressing price sensitivity, inventory, zero based cost optimization, store profitability, and organizational structure
- Shared Service Centre first phase now live in Egypt with other centers set to go live resulting in material costs savings from FY23 onwards
- Saudization levels at 69% for Q4-FY22, equivalent to Platinum Nitaqat status, with reaffirmed commitment to continual professional development and career opportunities
- 67% female team members level in line with the stated drive to promote inclusion and diversity

Building a lifestyle brand

- First of 5 planned Alo yoga stores opened in December 2021 with the second branch having opened in June 2022 at Al Nakheel Mall in Riyadh. Flying Tiger's first branch opened in February 2022 at Al Nakheel Mall, followed by 3 new openings in March 2022. Locations for Fnac Darty identified, with the opening of the first store scheduled during 2022
- With the conclusion of the Subway master franchise agreement, there will be 20 company owned store openings in KSA and 47 new store acquisitions by 2023, with plans underway for Subway's entry into select markets in the CIS in the coming two

Commitment to digital

- Ongoing integration of Alhokair brands on Vogacloset with 47 brands now live, supported by optimized marketing
- Enhanced 3PL and last mile offering, and agreements signed with new providers
- Scaled last mile operations in advance of Ramadan sales volume, with signing of new providers
- Signed development contract expediting the creation of 18 new monobrand sites
- Enabled "Buy Online, Pick Up In Store" on selected Inditex brands as part of global rollout in 18 months



- years. Secrets franchise agreement also finalized, with the first two branches set to open in FY2023. Discussions underway to acquire franchise rights for home-grown QSR chain.
- Conclusion of expansion agreement with Cinnabon, with 130 new Cinnabon outlets to be rolled out in the Kingdom within the next 5 years, in addition to the existing portfolio of 120 branches. First international Cinnabon store set to open in Morocco during the latter part of 2022, with plans to migrate the brand to other markets in 2023.
- Continuously working with our brand partners to launch new brands and expand in growth markets. To this end, we opened four Kiko Milano stores in Georgia and Azerbaijan, with the additional stores expected to open in Morocco.

- Introducing cross-channel selling across entire portfolio, enabling omni-channel and seamless consumer journey
- FAS Labs launched FAS Finance through a strategic partnership with valU which will see Alhokair offering Buy Now Pay Later solutions to its customers in KSA

Contact

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Analyst Call and Earnings Presentation

Alhokair will be hosting an analyst call on the Company's full results on July 4, 2022, at 16:00 Saudi time. For conference call details, please email investors.relations@fahretail.com.



Income Statement

SAR Million	Q4-FY21	Q4-	Change	FY21	FY22	Change
		FY22	y-o-y			
Revenue	1,132	1,387	22.5%	4,233	5,915	39.8%
Cost of Revenue	(1,187)	(1,205)	1.5%	(4,321)	(4,924)	14.0%
Gross Profit	(55)	181	NM	(88.3)	990.8	NM
Gross Profit Margin	-4.8%	13.1%	17.9	-2.1%	16.8%	18.8
Selling and Distribution	(37)	(27)	-26.6%	(146)	(170)	16.0%
Expenses						
General and	(88)	(57)	-35.4%	(295)	(321)	8.8%
Administrative Expenses						
Impairments	17	-	-	(2)	-	_
Other operating expense	(58)	(6)	-90.4%	(129)	(37)	-70.9%
Depreciation and	(71)	(38)	-46.5%	(299)	(179)	-40.0%
Amortization						
Other Income (loss), net	39	48	23.8%	271	158	-41.6%
Operating Income	(253)	102	NM	(687)	442.0	NM
Operating Income Margin	-22.4%	7.3%	29.7	-16.2%	7.5%	23.7
Financial Charges	(80)	(51)	-36.7%	(355)	(251)	-29.3%
Impairment loss on	_	(71)	-	-	(71)	_
goodwill						
Share of loss of	(19)	(12)	-38.6%	(20)	(16)	-21.9%
associates						
Profit before Zakat and	(352)	(31)	-91.1%	(1,063)	105	NM
Tax						
Zakat and Income Tax	6	(13)	NM	(46)	(67)	44.8%
Net Profit for the Period	(347)	(45)	-87.1%	(1,109)	38	NM
Net Profit Margin					0.6%	
Earnings per Share Basic and Diluted	(1.61)	(0.19)	-87.9%	(5.19)	0.21	NM
Pre-IFRS 16 EBITDA	(226)	93	NM	(598)	462	NM
EBITDA Margin	-19.9%	6.7%	26.7	-14.1%	7.8%	21.9
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Balance Sheet

SAR Million	31 March 2021	31 March 2022	Change
Assets			
Property, Plant and Equipment	1,327	1,358	2%
Right-of-Use Assets	3,402	3,276	-4%
Goodwill and Intangible Assets	1,111	1,083	-3%
Investment Property	2	2	-8%
Investment in Associates & Others	3	62	2198%
Other investments	300	300	0%
Derivative asset	-	30	-
Total Fixed Assets	6,145	6,110	-1%
Inventories	1,152	1,700	48%
Advances, Deposits and Other Receivables	471	475	1%
Prepayments, Rentals and Insurance	48	64	33%
Receivables from Disposal of Subsidiaries /	75	-	-
Brands			
Cash & Cash Equivalents	468	198	-58%
Total Current Assets	2,213	2,437	10%
Total Assets	8,359	8,547	2%
Equity & Liabilities			
Share Capital	2,100	2,100	0%
Reserves (Statutory, Foreign Currency and	(511)	(507)	-1%
Fair Value)			
Accumulated Losses	(1,038)	(982)	-5%
Equity Attributable to the Shareholders of	552	611	11%
the Company	(4.0.0)	(5.27)	
Non-Controlling Interest	(100)	(107)	7%
Total Equity	452	504	8%
LT Loans and Borrowing	2,304	-	-
Lease Liabilities	2,838	2,846	0%
Post-Employment Benefits	110	103	-7%
Total Non-Current Liabilities	5,253	2,949	-44%
Trade Payables	1,016	1,496	47%
Bank Overdraft	-	50	
Zakat & Tax Liabilities	16	37	134%
Lease Liability - current portion	803	632	-21%
ST Loans and Borrowings	820	2,878	251%
Total Current Liabilities	2,655	5,094	92%
Total Liabilities	7,907	8,043	2%
Total Equity & Liabilities	8,359	8,547	2%



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 1,668 stores across 100 shopping malls in 11 countries, with a retail platform operating on a total GLA of nearly 480,000m². All of this is managed by a workforce numbering more than 10,500. Alhokair currently represents around 83 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.