Bin DAWOOD HOLDING
بن داود القابضة

EARNINGS CALL FY 2021

30th March 2022
BinDawood Holding HQ
Jeddah, KSA

Bin DAWOOD بن داود

Danube الدانوب

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Today's Presenters

Ahmad AR. BinDawood

Chief Executive Officer

Muhammad Salim Patka

Chief Financial Officer

Hassan Javaid

Head of Investor Relations (interim)

CEO Message

01

CEO Message

Ahmad AR. BinDawood

CEO, BinDawood Holding

2021 was never going to replicate 2020, an exceptional year for the industry, driven by pantry buying as a result of the pandemic and the increase in VAT.

Despite working hard to minimize uncertainty and complications, the pandemic continued to directly impact our sales. We did not see the anticipated return of travellers to Makkah and Madinah, we were unable to launch our regular promotions and we felt some impact on demand from the onset of inflation and some supply chain disruptions.

Our gross margin for 2021 is consistent with that of 2020, even without the full benefit of the Makkah and Madinah stores. We are hoping for a more settled period now after a two-year disruption. If religious travellers return and if we are allowed to undertake promotional campaigns as before, we expect our performance to improve given all the investment and forward planning we have undertaken.

Notwithstanding a testing year of ongoing macroeconomic challenges, we made continued progress in the execution of our key strategic priorities for 2021 and beyond.

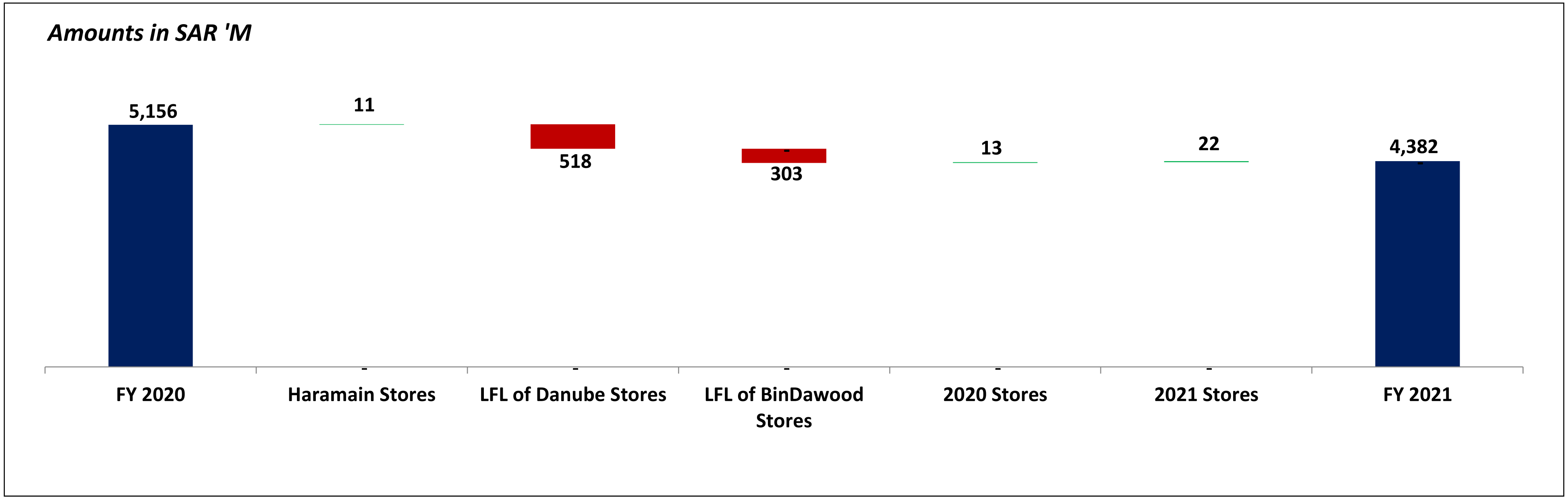
We invested in four new store openings, with a commitment to reach 100 by 2024. We invested in inventory technology, distribution, and talent. We recently announced the signing of an agreement to purchase a majority stake in the company that was responsible for developing and managing our e-grocery platforms and are committed to investing a further amount up to SAR 160m, over a two-year period, to strengthen our ominchannel approach in recognition of a paradigm shift in grocery shopping and the need to strengthen our omnichannel approach.

Trading Update

02

FY 2021 Trading Update (1/7)

Revenue Bridge (FY 2020 vs FY 2021)



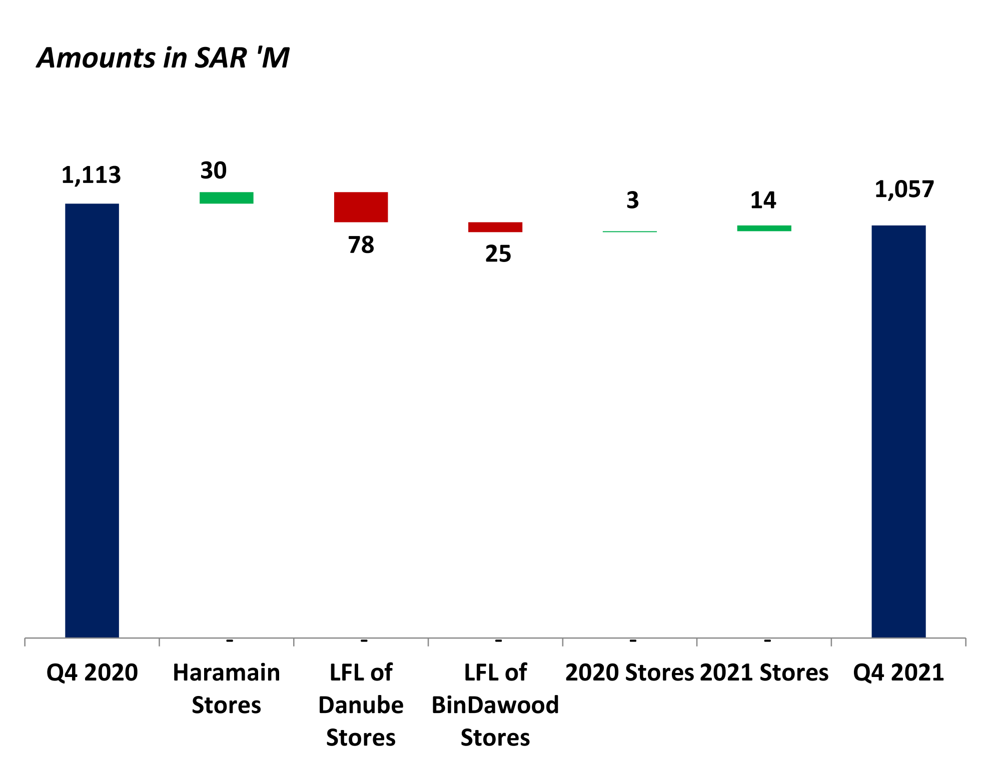
- **Revenue performance for FY’21 and FY’20 is not strictly comparable due to pantry buying in H1’20, first in response to the pandemic and then in the lead-up to the VAT hike. In addition, the Company’s sales performance continued to be impacted by pandemic travel restrictions leading to a lack of pilgrim inflow during Umrah, Hajj and Ramadan seasons and store restrictions in the Makkah and Madinah area, coupled with the lack of promotional campaigns such as Back to School, year-end and food festivals.**

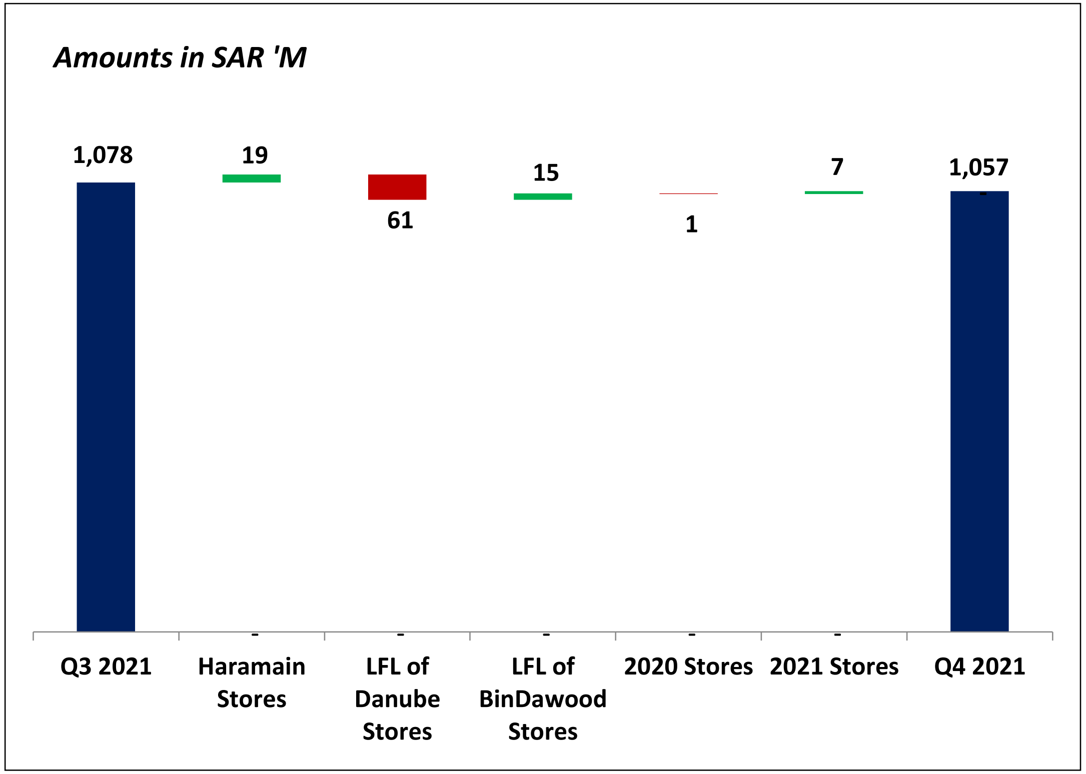
- **LFL stores excluding Haramain are those stores that have been in operation before FY 2020**

Source: Company Information, Audited Financial Statements FY 2021 and FY 2020.

FY 2021 Trading Update (2/7)

Revenue Bridge (Q4 2020 vs Q4 2021) & (Q3 2021 vs Q4 2021)





- **Revenue of Danube stores has declined by -7.4% vs Q4'20 due to lack of year-end promotional campaigns coupled with an increase in international travelling by vaccinated residents and citizens due to relaxation of travel restrictions.**
- **The decline in sales of Danube stores in Q4'21 vs Q3'21 was mainly due to a reduction in sales to VIP customers amounting to more than SR 70m. This is due to management cautious approach of focusing on collecting dues from VIP customers in Q4'21.**

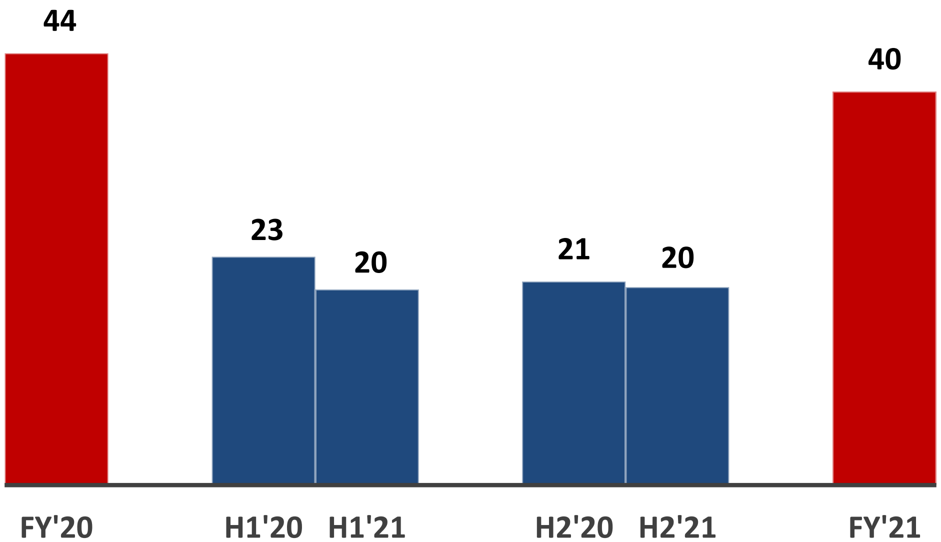
Source: Company Information, Interim & Audited Financial Statements FY 2021 and FY 2020.

FY 2021 Trading Update (3/7)

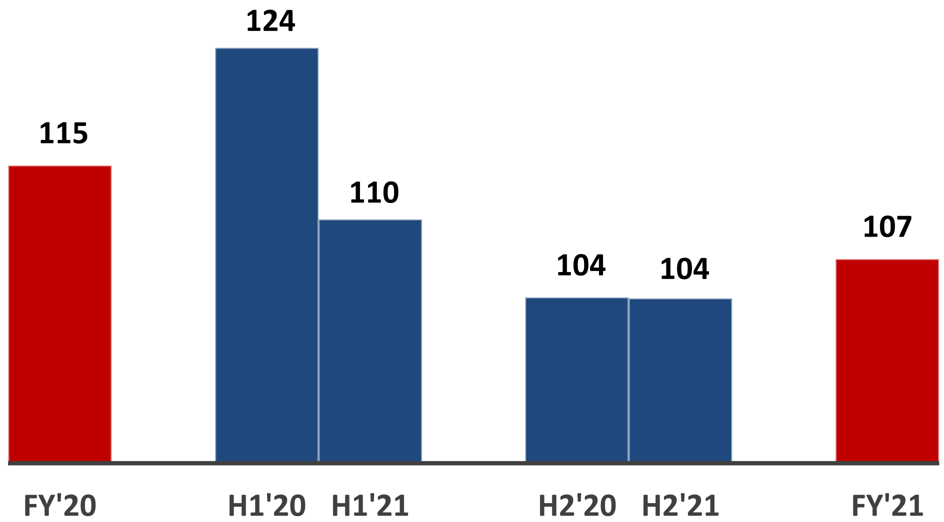
Customer Count and Basket Size

Customer Count

Count in millions



Basket Size



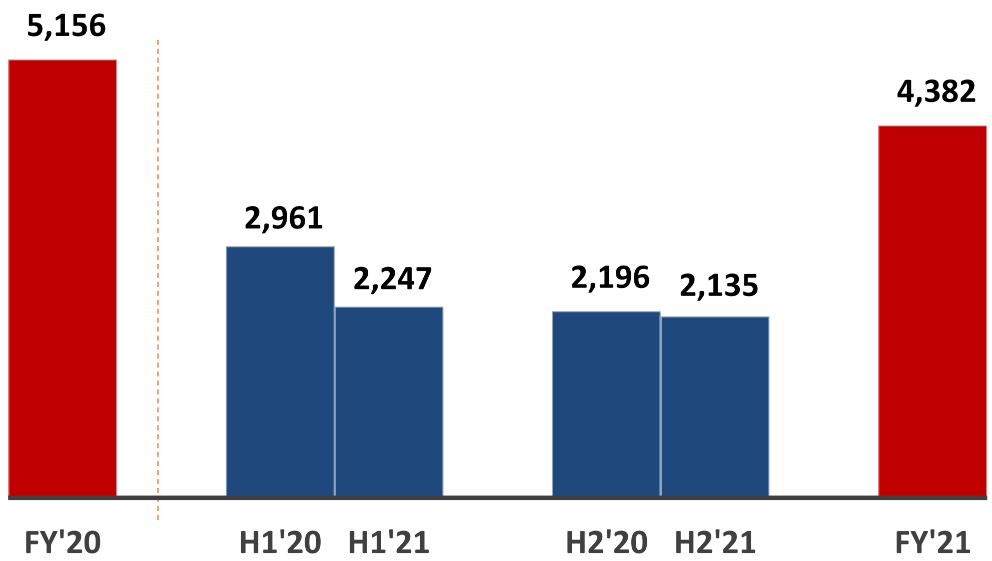
- **The reduction in customer count and basket size in H1'20 v H1'21 was mainly due to the impact of pantry buying as already discussed. The reduction in customer in H2'21 v H2'20 reflected the lack of promotional & seasonal campaigns.**

Source: Company Information, Interim & Audited Financial Statements FY 2021 and FY 2020.

FY 2021 Trading Update (4/7)

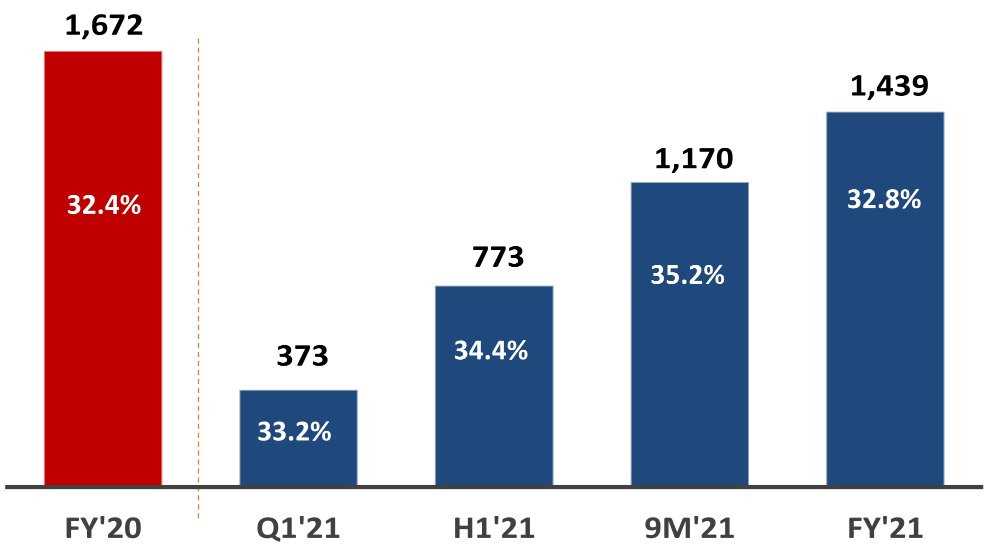
Financial Performance (SARm)

Revenue



- Sales declined overall by 15% in FY 21 v FY 20 of which 13.8% was in the relative performance of the first half as a result of non-recurring pantry buying.
- Sales performance in the second half of 2021 was in line with the same period in 2020.

Gross Profit

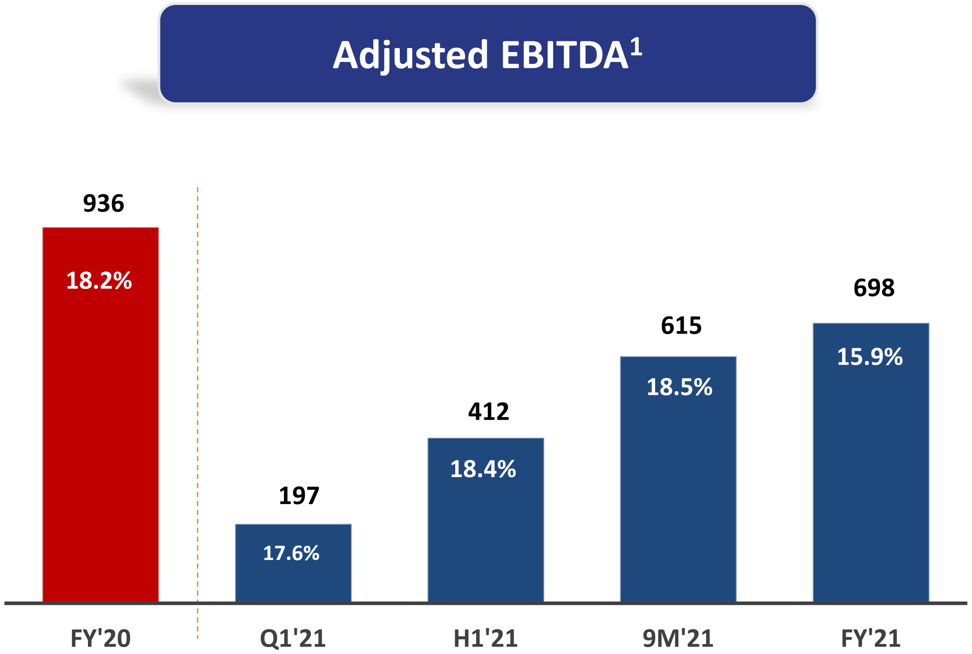


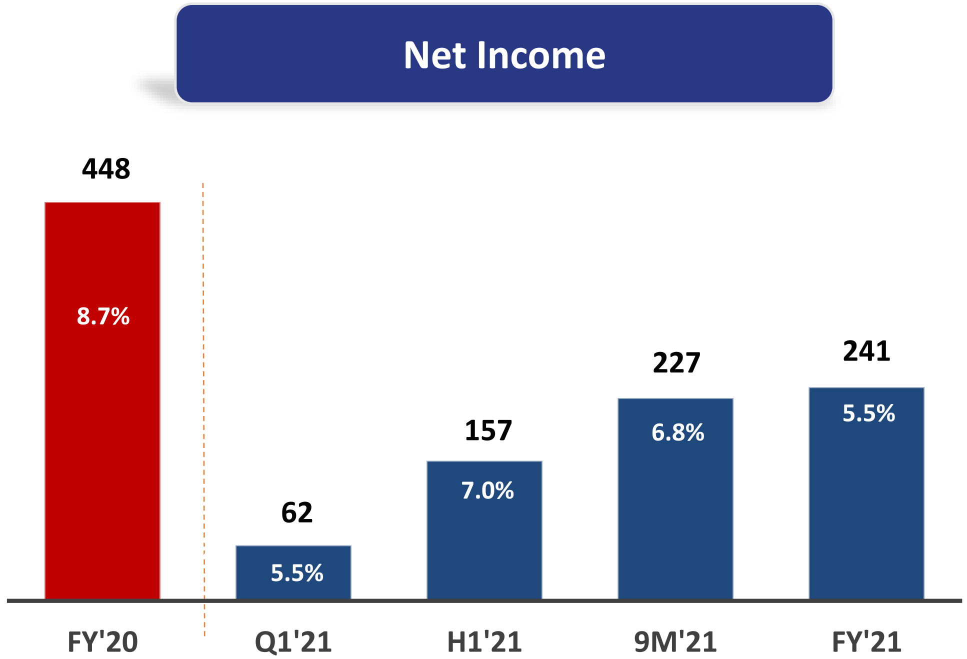
- YOY gross margin improved by 0.4% due to favourable impact of stringent wastage and shrinkage controls coupled with improvement in pricing and procurement efficiency.
- The decline in gross margin in Q4'21 reflected the cumulative impact of lower supplier discounts as a result of the unanticipated shortfall in revenue in Q4.

Source: Company Information, Interim & Audited Financial Statements FY 2021 and FY 2020.

FY 2021 Trading Update (5/7)

Profitability (SARm)





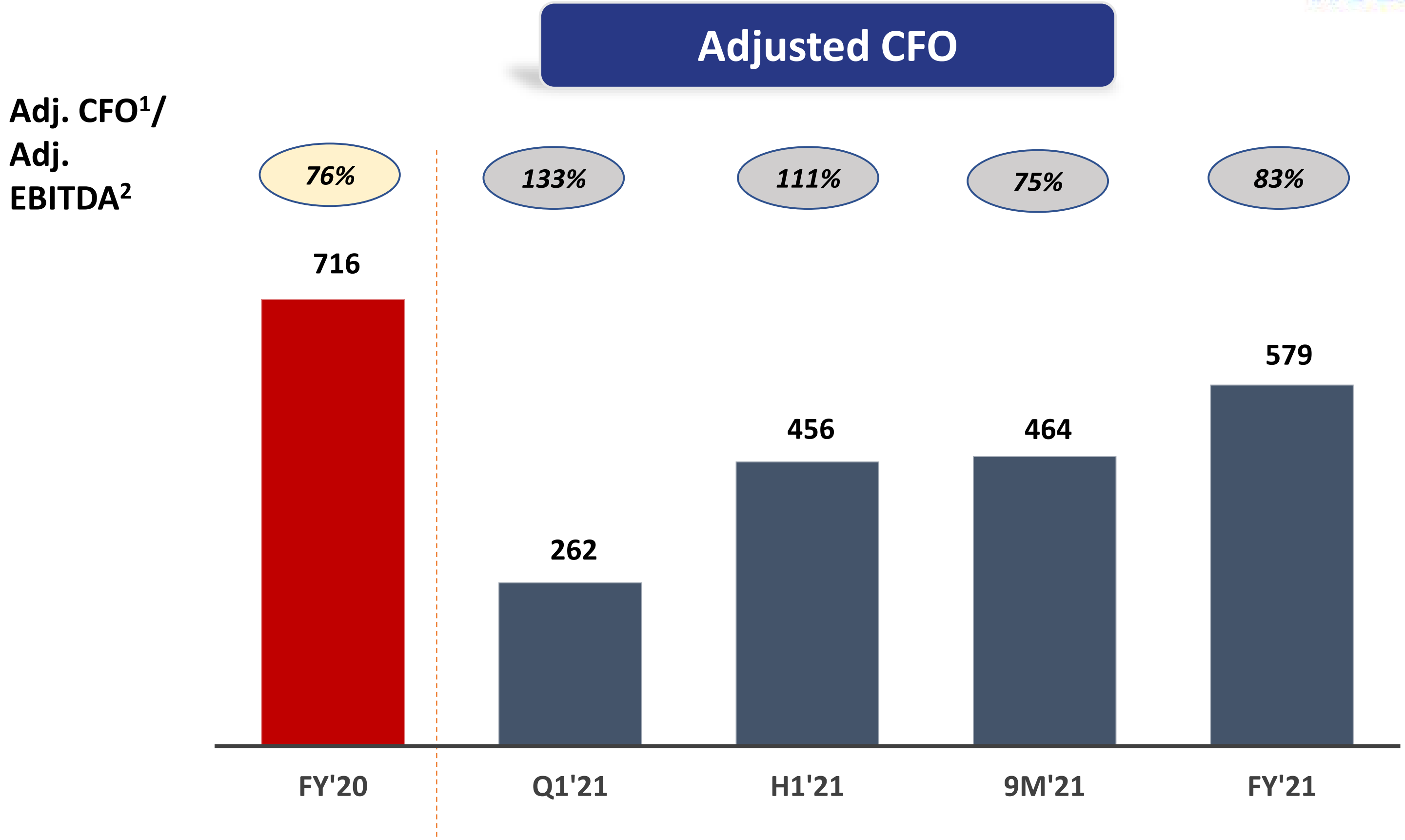
- **Adjusted EBITDA% for FY 2021 declined to 15.9% which is directly attributable to a greater impact of fixed costs in Q4'21 following a decline in revenue, however the momentum of revenue decline is lower as compared to operating profit.**

- **Net Profit Margin for FY 2021 is affected mainly due to increase in fixed costs owing to opening of three new stores in Q4, and decline in gross margin due absence of year end campaigns and other promotional campaigns.**

Source: Company Information, Interim & Audited Financial Statements FY 2021 and FY 2020.
[1]Adjusted EBITDA is defined as operating profit + D&A + recurring portion of other income (empty carton sales) – COVID related relief in FY'20.

FY 2021 Trading Update (6/7)

Cash flows (SARm)



- **Notwithstanding the 46% reduction in operating profit, the ratio of Adj CFO to Adj EBITDA improved to 83% in FY 21 from 76% in FY 20 due to reduction in working capital by SAR 291.3M, reflecting a conscious management decision to reduce inventory and debtor levels,**

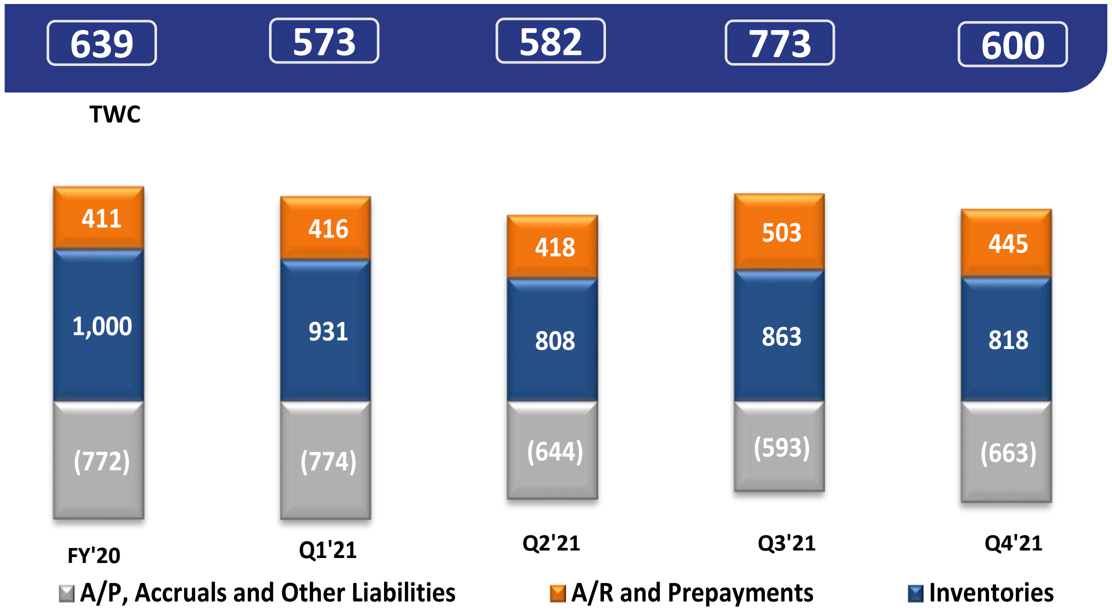
Source: Company Information, Interim & Audited Financial Statements FY 2021 and FY 2020.

[1] Adjusted CFO is defined as net cash from operating activities excluding change in capex payables. [2]Adjusted EBITDA is defined as operating profit + D&A + recurring portion of other income (empty carton sales) – COVID related relief in FY'20.

FY 2021 Trading Update (7/7)

Key Cashflow and Balance Sheet Items (SARm)

- **Trade Working Capital (TWC)[1]**



Trade Working Capital	○ Trade Working capital decreased by 22.3% which is mainly due to:
Accounts Receivables & Prepayments	○ Decline in receivables mainly driven by management focus to collect dues from VIP customers in Q4'21.
Inventory	○ Decline in inventory mainly driven by optimization and management pivoting in Q4 seeing the decrease in sales which resulted in 2 clear area of focus: ○ reduction in purchases during the last quarter and ○ generate free cash flow.
Accounts Payables, Accruals and other Liabilities	○ Increase in payables recorded due to lower supplier incentives recorded at year end due to a reduction in sales.

Source: Company Information, Interim & Audited Financial Statements FY 2021 and FY 2020.
[1]Trade working capital defined as inventories + A/R and prepayments – A/P, accruals and other liabilities excluding payables to capex suppliers.

Acquisition of Majority Share in E-Grocery Partner

Background	• In March 2022, BDH through a subsidiary, Future Tech Retail, signed an SPA to acquire a majority shareholding in International Applications Trading Company (IATC) which was responsible for developing and running its mobile applications and on-line platform and providing related services.
Acquisition of e-grocery platform – Why important?	• The onset of the pandemic accelerated the transition to online grocery shopping. • Brick and mortar businesses need to rapidly upscale their digital operations to embrace the change and reach customers whenever they want and wherever they are, particularly since a number of pure online retailers have sprung up to cater to this customer segment. • Aligned with BDH's objectives to enhance its position in e-commerce and to strengthen its omni-channel presence. • The acquisition of IATC and its subsequent integration into BDH will allow the Company to fully own the customer experience, thereby gaining insightful knowledge on consumer behaviors and trends, which in turn will help in optimizing operations.

Summary of the Transaction	• The Independent Boards of Directors of BinDawood Holding and IATC have approved the transaction.
	• The intention is for the Founder and Management Team of IATC to remain with the company.
	• The transaction is expected to close in the second half 2022.
	• BDH has signed the definitive agreement to acquire 62% ownership in IATC subject to the following payment terms:
	  • Upfront payment of SAR 107.5 million less net debt adjustment at closing;
	  • Additional payment in FY 23, subject to the achievement of certain revenue milestones in FY 22;
	  • Further payment in FY 26 subject to achieving certain profitability parameters in FY 25;
	  • BDH to invest up to SAR 160 million in IATC over a two-year period to support
	    • the development of the platforms;
	    • the roll-out of a network of state-of-the-art dark stores and fulfillment centers to optimize operations, fully integrate the customer experience and provide shorter lead delivery times.

Concluding Remarks & Q&A

03

Concluding Remarks & Q&A

Key Focus Areas

Expand Store Network

- 4 new Danube stores opened. Further 6 stores (including Bahrain & remaining Danube Riyadh store due to open in Q4 2021) are planned to be opened in FY 2022
- Bahrain store set to debut in 2022, marking the first international Danube store.
- 4 express stores at Haramain High Speed Railway to be opened in H2 2022.
- A review of suitable locations for BinDawood Riyadh launch is underway.

Drive Like-for-Like Growth

- Positive uplift is expected in Makkah and Madinah Stores following the Saudi Government's announcement to allow full capacity at the Holy Mosques for vaccinated pilgrims.
- Lifted precautionary and preventive measures related to combating Covid-19 pandemic expected to increase customer footfall (return of regular promotional festivals which ceased in 2020-21).
- Focus on enhancing in-store shopping experience for customers, thereby increasing average basket size (sequentially).
- During the last 2 years, inflation has impacted the purchasing power/basket size, however, it is being managed effectively through stringent inventory management, sophisticated price optimization strategy and automating processes to reduce fixed costs burden.

Technological advancement and introducing Loyalty Programme

- Increased competition among online retailers has enhanced the performance benchmark for any new entrant. However, BDH being equipped with the matured online platform is capable of exploiting the untapped opportunities available in this sector.
- Established *Future Tech Retail* subsidiary. The Company will focus on capitalizing investment opportunities in the technology and retail solutions sector to advance BinDawood Holding in achieving its long-term goals.
- Enhance online offering, improving delivery infrastructure & leveraging advanced data analytics & AI to improve predictability & prescriptive analytics of online demand.
- Sought to improve customer experience, and consequently retention, by introducing a new omnichannel customer loyalty programme across both Danube and BinDawood, expected to be fully operational in Q2 2022.

Free Cash Flows

- Despite a declining sales environment, the management pivoted in Q4, reducing purchasing target lows inventory level to improve FCF without impacting the availability of products. The company generated FCF of SR394.8M in 2021 vs. 335.8M (+17%).

Cash flow generation and cost-efficient approach

- Leverage cash balance and debt capacity for M&A opportunities to expand into other geographies and/or to acquire businesses that complement our existing business.
- Board approved a dividend of SR 74m (0.65 Riyal per share) in line with dividend guidance.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