cenomi

# Cenomi Retail

## Earnings Presentation

For the year ended 31 December 2023 ("FY + Q4 23")

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# Cenomi Retail at a glance

SAR 5.2 BN
**Revenues**
SAR 1.0 BN (Q4)
▼ 5.3% YOY FY 2023

SAR (105.5) MN
**EBITDA**
SAR (452.2) MN (Q4)
▼ 119.1% YOY FY 2023

SAR 1.1 BN
**Net loss**
SAR 1.0 BN (Q4)
▼ 3,118.6% YOY FY 2023

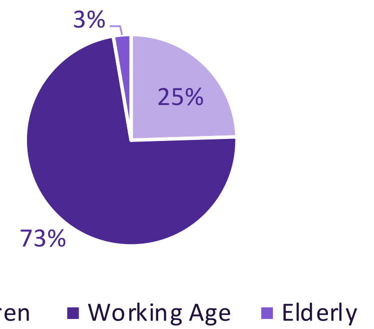
SAR 1.1 BN
**International Revenue**
SAR 291.8 MN (Q4)
▲ 7.7% YOY FY 2023

SAR 319.1 MN
**Online Sales**
SAR 76.8 MN (Q4)
▲ 23.7% YOY FY 2023

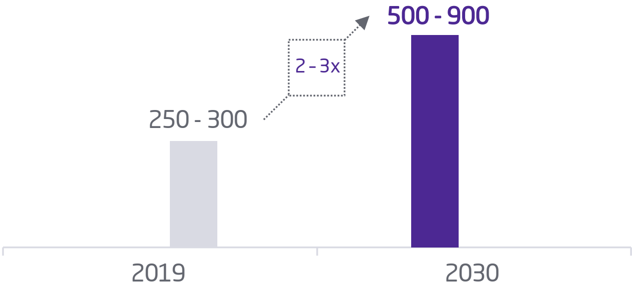
14 Weeks
**Inventory Turnover**
17 Weeks (YE-22)
▼ 18.8% YOY FY2023

# The Saudi market represents a secular growth opportunity

## 01 Youthful demographics with 63% of population under 30




## 02 A booming consumer outlook



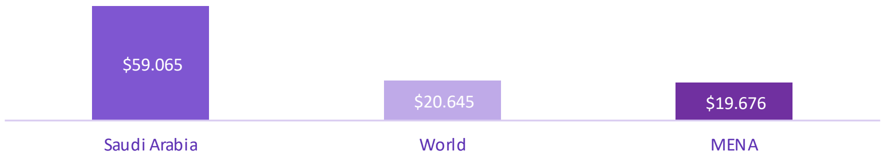

KSA Discretionary consumer spend Potential Evolution
(full Vision 2030 realization) - SAR Bn

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 and strong growth

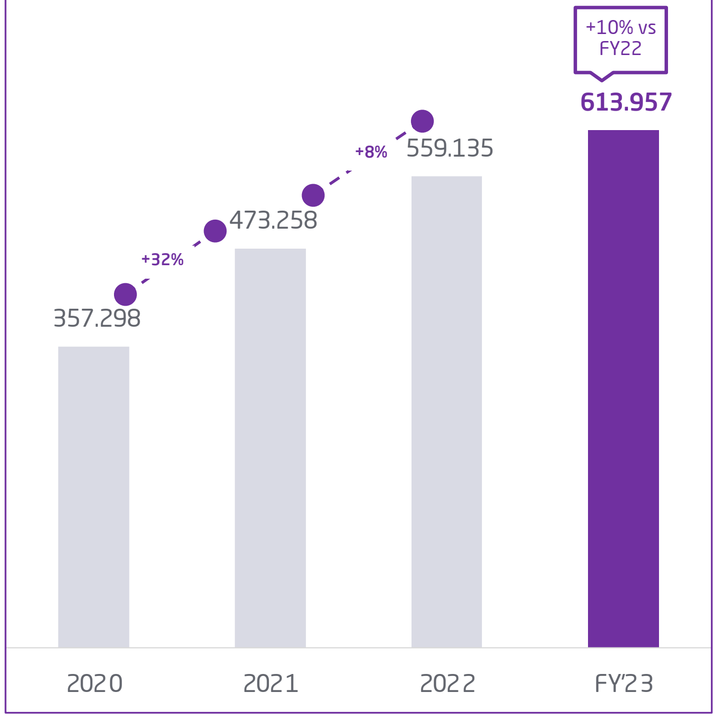
FDI in KSA on strong upward trajectory
(11X in 2022 vs 2017)

VISION 2030
KINGDOM OF SAUDI ARABIA

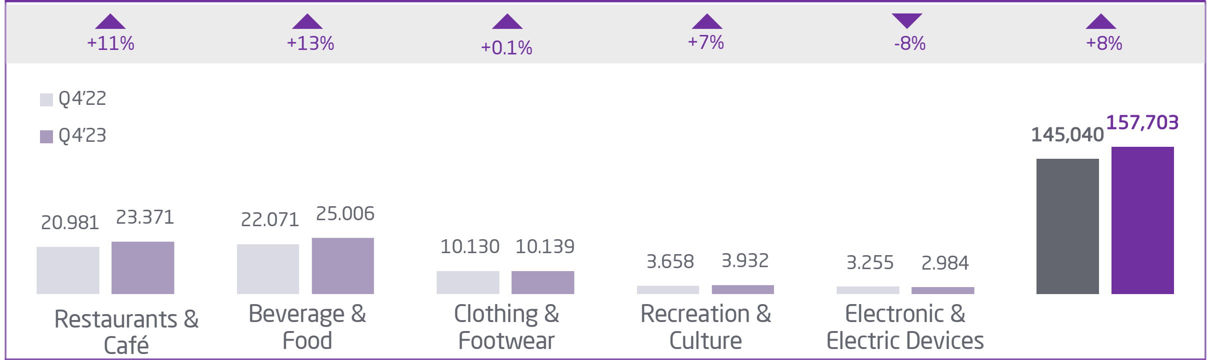
21% 5-year CAGR in retail spend across KSA indicating a strong consumer market

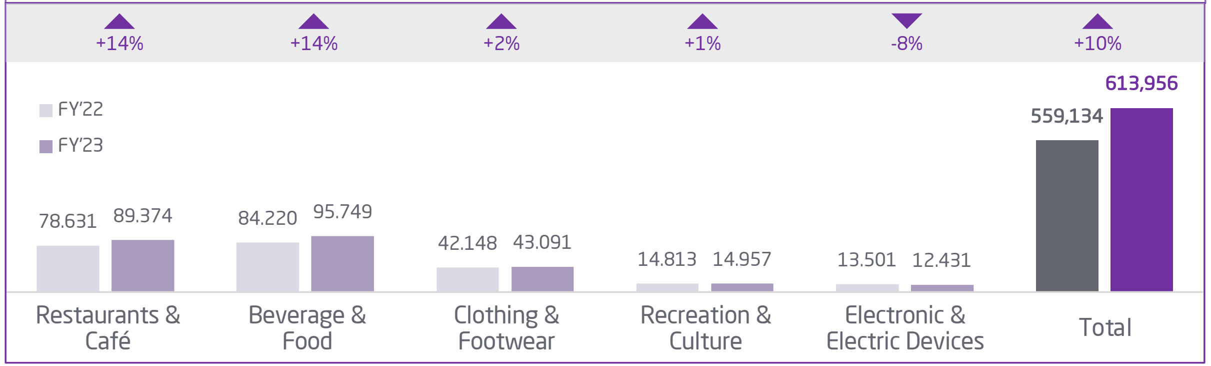
# KSA consumer spending trends finish the year on a strong note

## POS Transactions* - KSA Market
(SAR Million)




## POS Transactions* - Select Sectors
(SAR Million)






** Source: SAMA Monthly Statistical Bulletin December 31, 2023*

# Saudi Arabia presents an unparalleled opportunity

## Shifting consumer behaviour

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

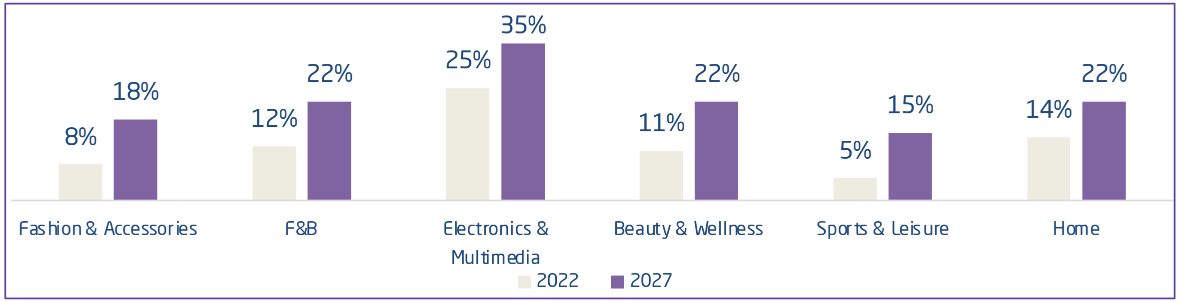
Increasing **e-commerce** adoption
and **digital savviness**

## 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 %)






Source: Euromonitor retail spend

01

# Cenomi Retail

## Strategic Review

# Transforming portfolio, expanding brand champions and enhancing operational efficiency

| | | |
|---|---|---|
| Geography | 'Saudi First' Strategy | ▪ Exited the Balkans, exiting Morocco and the US and rationalized Egypt operations<br>▪ 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<br>▪ Replicate Fashion & Accessories leadership in F&B |
| Brands | Lead with winning brands | ▪ Rationalize portfolio by exiting non-strategic brands<br>▪ Scale current leading brands to their full potential<br>▪ 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 |

# Navigating towards enhanced potential and profitability

| Focus | Phase 1: Fix The House (2023-2024) | Phase 2: Embark on Growth (2024-2026) | Phase 3: Achieving Optimal Potential (2026+) |
|---|---|---|---|
| Turnaround | ●●○ | ●○○ | ○○○ |
| Growth | ●○○ | ●●○ | ●●● |

**Phase 1: Fix The House (2023-2024)**

- 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

**Phase 2: Embark on Growth (2024-2026)**

- Invest to scale existing brands across markets
- Identify white space opportunities and secure new franchise in key markets

**Phase 3: Achieving Optimal Potential (2026+)**

- 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 and exiting Morocco
- Exiting US operations
- Restructured operations in Egypt by closing 31 out of 68 stores

## Brand Rationalization

- Finalized the disposal of 16 brands and 226 stores was signed with Abdullah Al Othaim Fashion Company
- Disposal of additional 5 brands as part of amended agreement signed with Abdullah Al Othaim Fashion Company

## Store Rationalization

- Closure of 303 stores in the past 12 months:
  - 266 retail stores
  - 37 F&B outlet

## Operational Enhancement

- Average revenues per retail store:
  - Saudi Arabia +13.4%
  - International markets +24.2%
- Revenue (excluding online sales) per SQM grew +20.8%

## Governance

- 40+ Operational Policies & Procedures developed to align with best practice governance

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

| Topic | Achieved so far | Currently progressing in |
|---|---|---|
| **People** | • Developed new **simplified plug & play model** to establish consistent **Cenomi Retail Way of Operating**<br>• **Define clear roles and responsibilities** across 10+ functions within **Core operations and Head office** | • Operationalize the design by introducing the **new organizational model**<br>• Implement the changes starting with key senior roles and **building up critical capabilities** |
| **Processes** | • **140 business processes** designed to **harmonize ways of working** across all business units and countries<br>• **Single accountabilities** secured along end-to-end processes to boost cross functional collaboration | • **Train personnel** to execute the new standard ways of working in line with best practices<br>• Further integrate **process automation priorities** within System & Technology Roadmap |
| **Governance** | • Defined areas requiring **build up of critical controls** in line with best practices for Corporate Governance<br>• Developing a **set of 40+ Policies** within a Corporate Governance Framework for Cenomi Retail | • Finalize design of **key GRC Policies and procedures** to institutionalize **compliance with regulatory requirements** |
| **Change** | • **50+ functional leads and SMEs engaged** in workshops and contributing to co-creation of the future operating model and execution of Quick Wins | • **Mobilize core team for implementation** and communicate change across the organization |

02

# Operational Overview

# Continued efforts towards optimizing market, brand & store footprint

| Retail | |
|---|---|
| Q4'23 Retail | 20 stores opened<br>18 stores closed<br>2 net openings |
| Q3'23 Retail | 13 stores opened<br>56 stores closed<br>43 net closures |
| Q2'23 Retail | 6 stores opened<br>85 stores closed<br>79 net closures |
| Q1'23 Retail | 8 stores opened<br>107 stores closed<br>99 net closures |
| **F & B** | |
| Q4'23 F&B | 17 stores opened<br>14 stores closed<br>3 net openings |
| Q3'23 F&B | 6 stores opened<br>12 stores closed<br>6 net closures |
| Q2'23 F&B | 8 stores opened<br>5 stores closed<br>3 net openings |
| Q1'23 F&B | 10 stores opened<br>6 stores closed<br>4 net openings |

## Market Rationalization

Successfully exited the Balkans with closure of 8 stores

Rationalized operations in Egypt with closure of 31 stores

Exiting Morocco and the US

## Brand Rationalization

Signed agreement with Abdullah Al Othaim Fashion Company for the disposal 16 brands and 226 stores. Amended agreement resulted in disposal of 5 additional brands

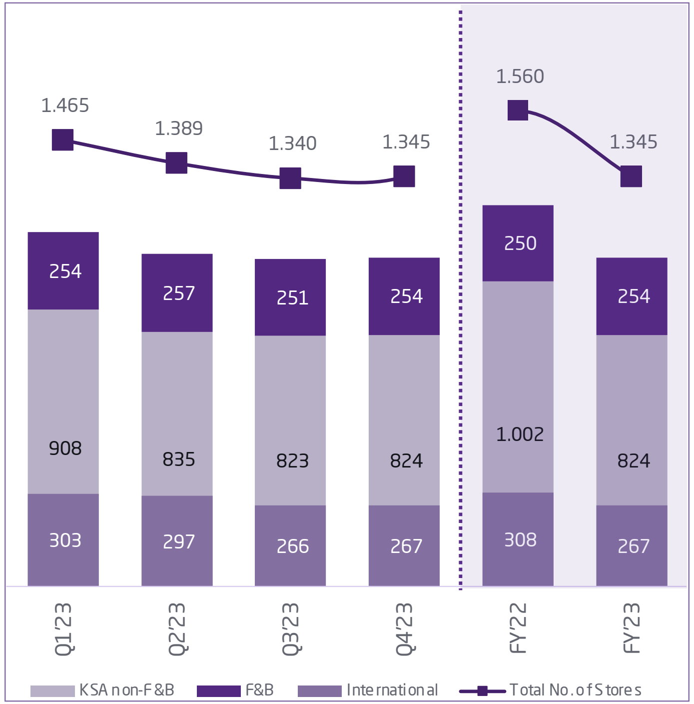
## Store Rationalization

A total closure of 303 stores in the past 12 months

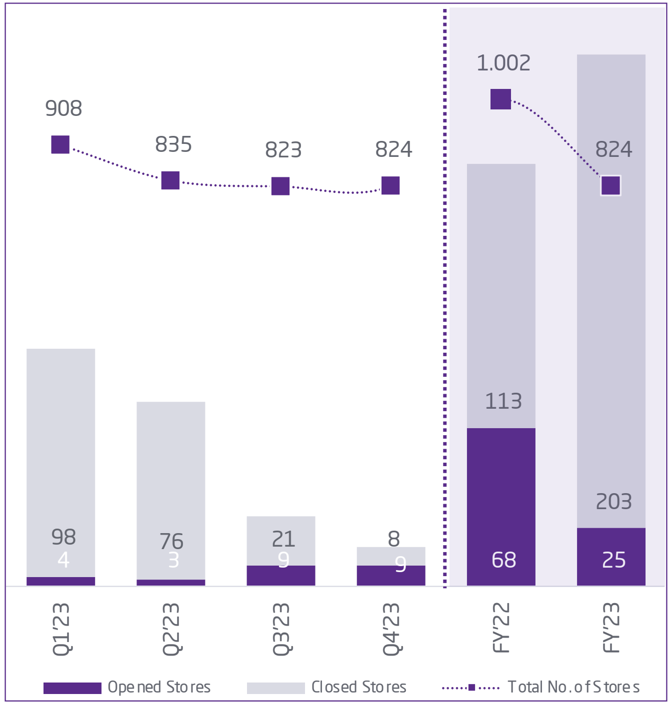
In Q4, closed 32 retail stores and F&B outlets and are now at the tail end of the major reset in our store footprint

# Tangible progress in store optimization evident in network evolution

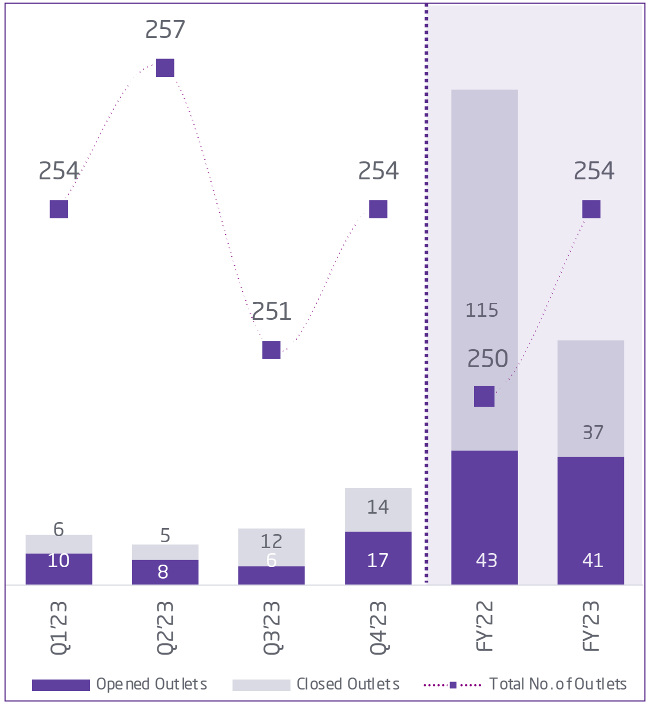
## Store network evolution




## Saudi retail store network evolution

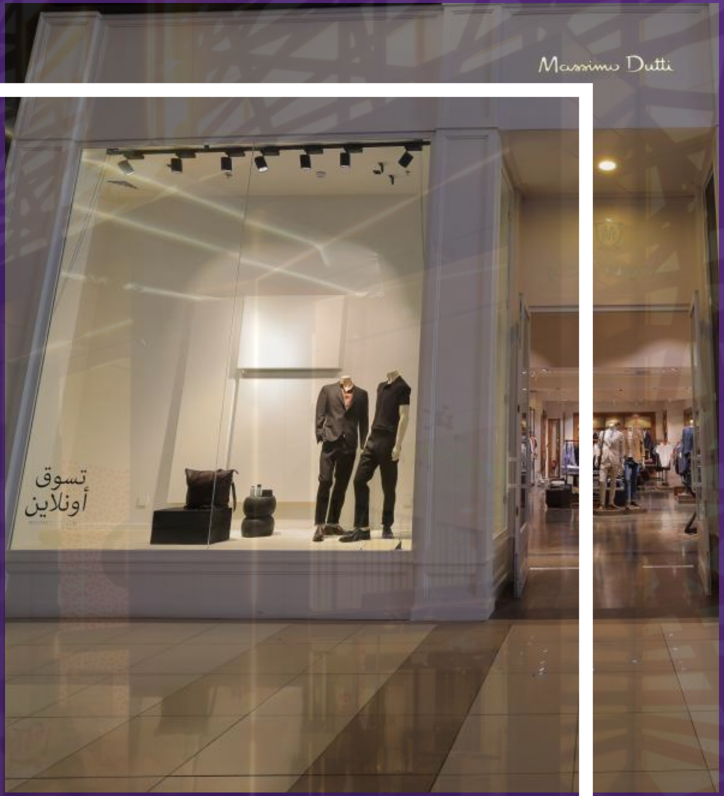



## F&B store network evolution



03

# Financial Overview



# Financial performance overview

**Total revenues decreased 5.3% to SAR 5.2 BN**

- KSA retail revenue dropped 6.8%, after closing 178 stores in KSA.
- F&B revenue declined 21.2% to SAR 379.2 MN.
- Offset by a 23.7% surge in online sales and a 7.7% increase in international retail revenue.

The increase in operational efficiency led to a 2.0% decline in cost of revenues.

Net debt down 17.0% to SAR 2.5 BN compared to 2.9 BN at YE'22.

**Net losses reached SAR 1.1 BN**

- 11.9% rise in distribution costs
- 66.2% increase in administrative expenses
- Goodwill cost of 370.0 MN and asset impairment cost of SAR 276.4 MN incurred

## Financial highlights

SAR 5.2 BN
**Revenue**
SAR 1.0 BN (Q4)
▼ 5.3% vs FY'22

SAR (105.5) MN
**EBITDA**
SAR (452.2) MN (Q4)
▼ 119.1% vs FY'22

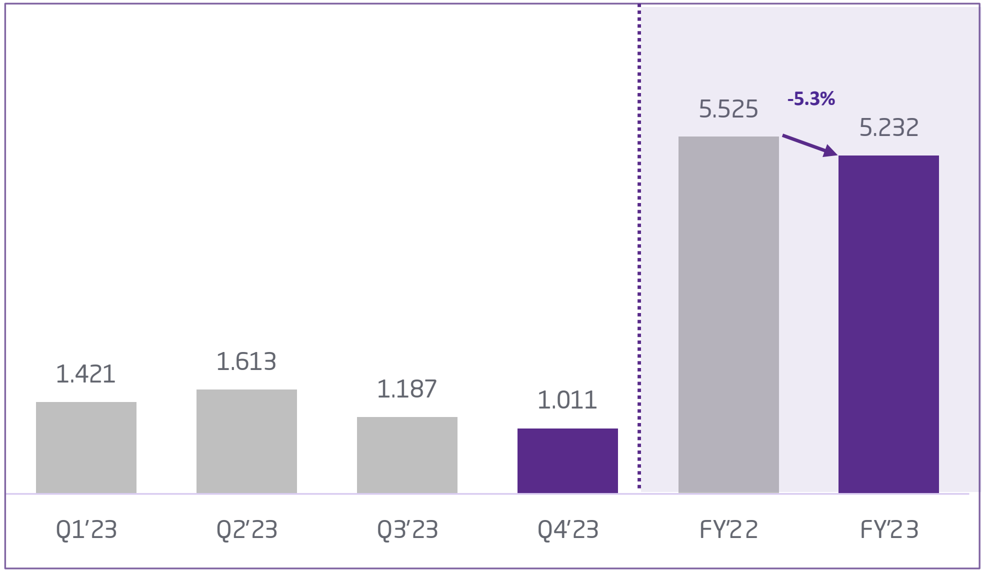
SAR 646.5 MN
**Gross Profit**
SAR 89.6 MN (Q4)
▼23.5% vs FY'22

SAR 1.1 BN
**Net Loss**
SAR 1.0 BN (Q4)
▼ 3,118.6% vs FY'22

## Reported revenues impacted by retail portfolio transformation. However, revenue per store grew 9.8%

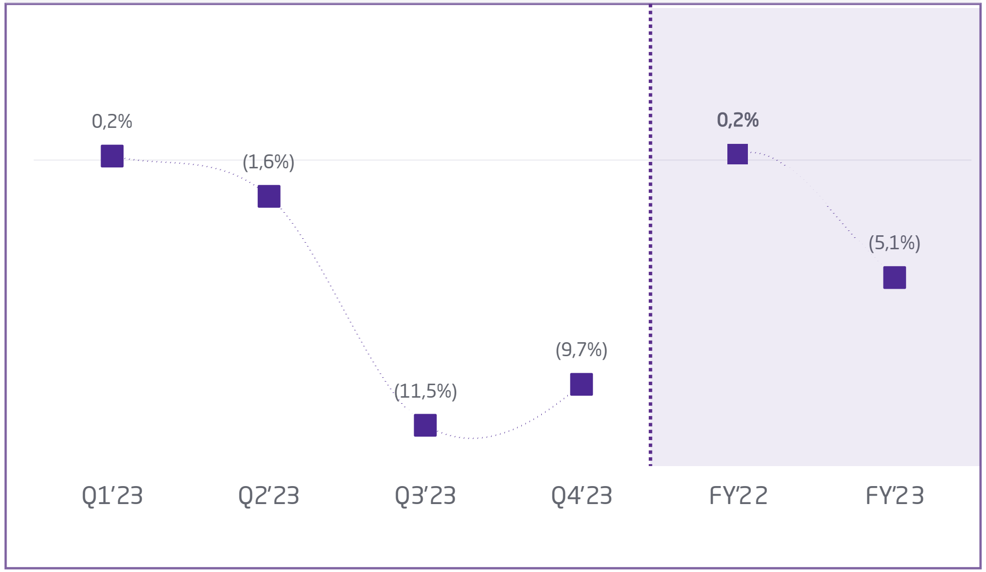
### Revenue, SAR million

- Revenue were impacted by the business transformation and a volatile retail market. However, the turnaround yielded a 9.8% improvement in revenue per store on a group level.




### LFL consolidated sales growth, %

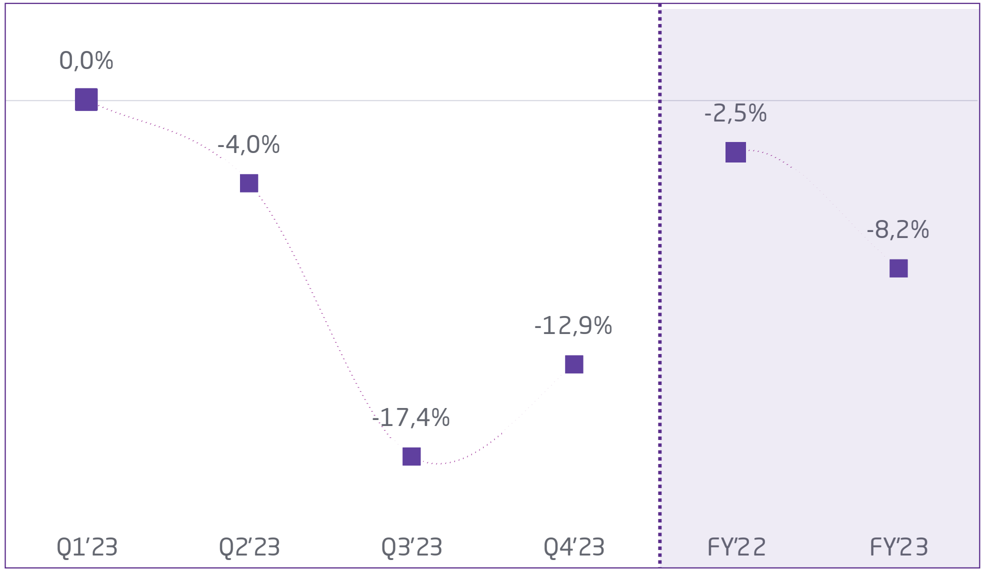
- Weak LFL in FY 2023 mostly driven by tail brands while Champion Brands remained resilient



# Champion Brands show sustained international growth momentum amidst weakening LFL

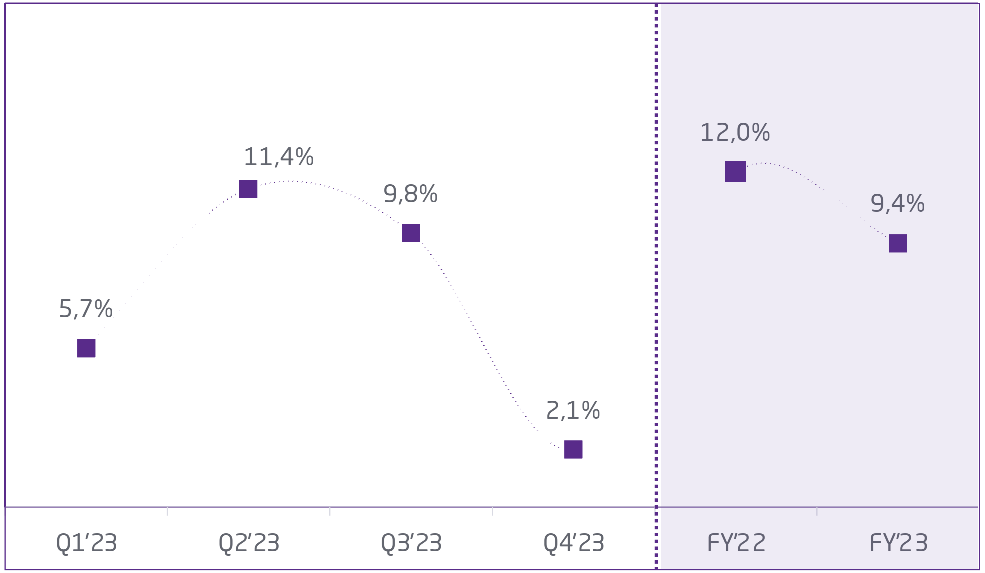
## LFL Saudi retail sales growth %

- Saudi retail, like-for-like growth slightly weakened over the year, primarily influenced by seasonal trends in the second half of 2023.

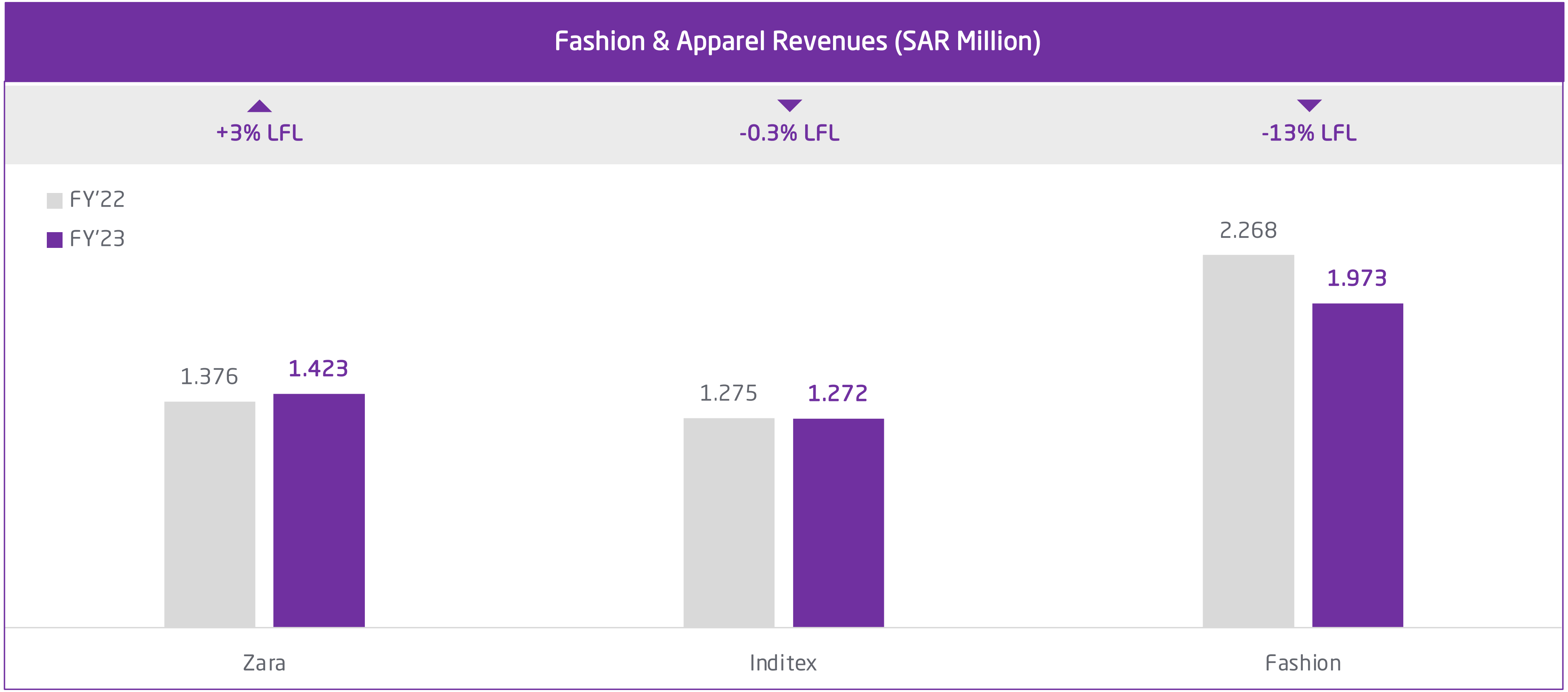



## LFL International Retail growth %

- International LFL growth maintained positive momentum during the year due to Zara sales growing 14.7% and other Inditex brands grew 17.3% on a like-for-like basis

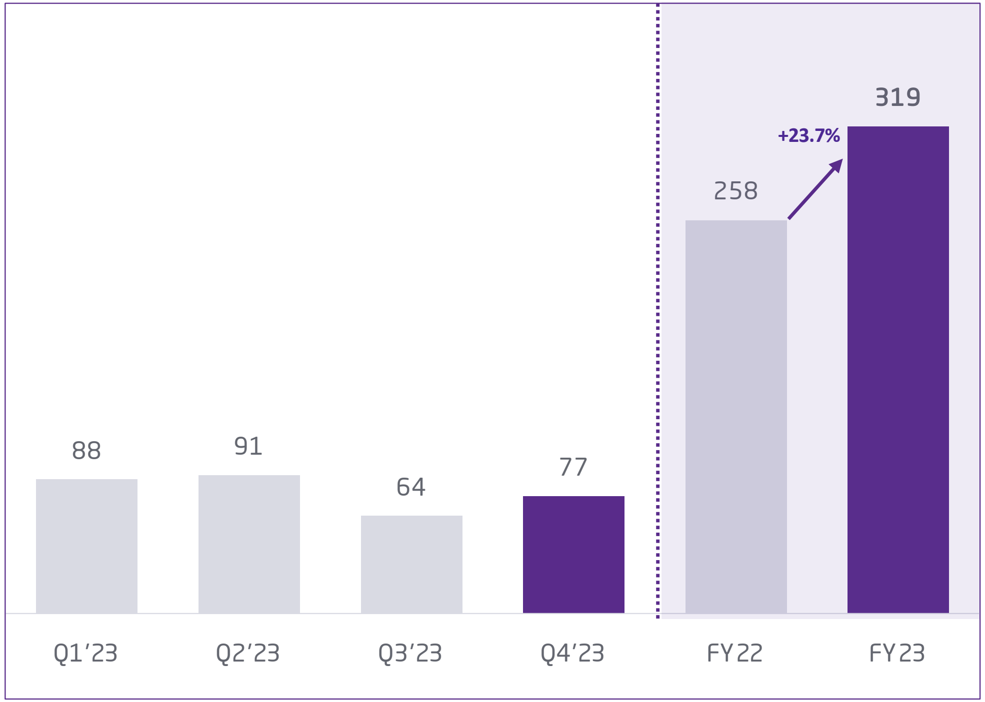


# Leading brands sustain as tail brands weaken fashion performance

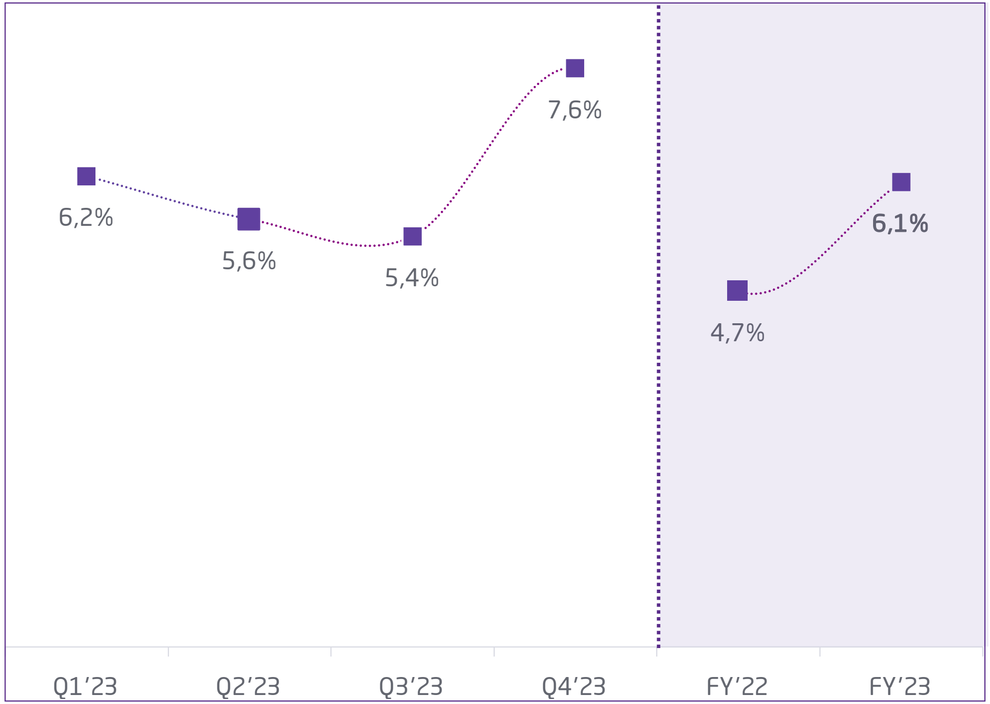


# Online channel is picking up with a 24% growth in FY'23.

## Online revenues, SAR MN

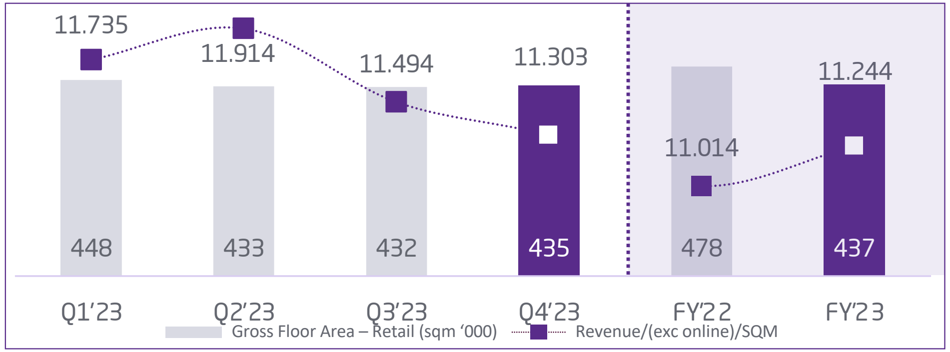



## E-commerce, % of total retail sales

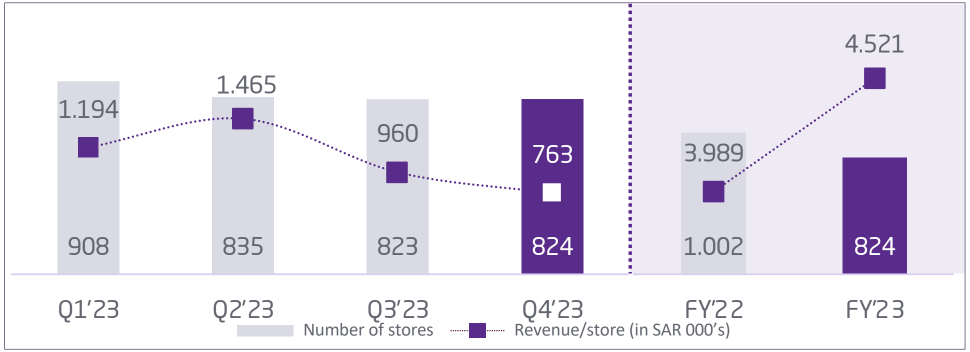


# Underlying sales efficiency increased YoY due to portfolio transformation in 2023**

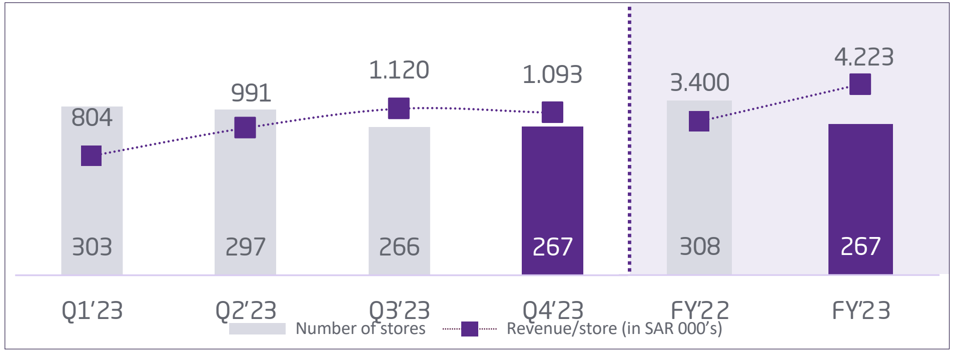
## Sales per SQM (exc. Online)



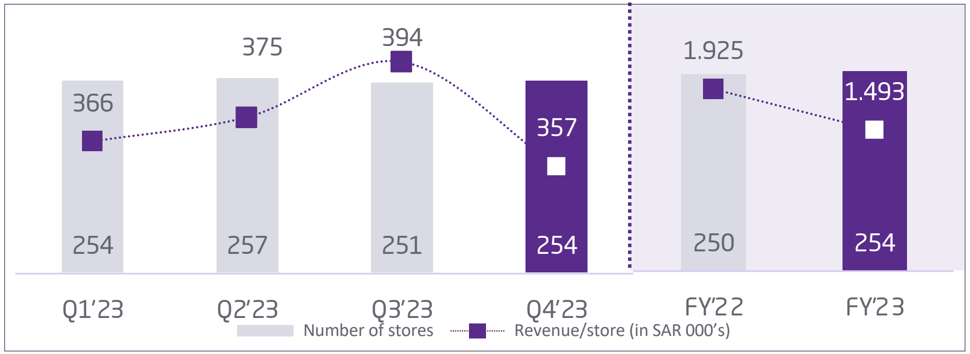

## Sales per Store (KSA)




## Sales per Store (International)




## Sales per Store (F&B)



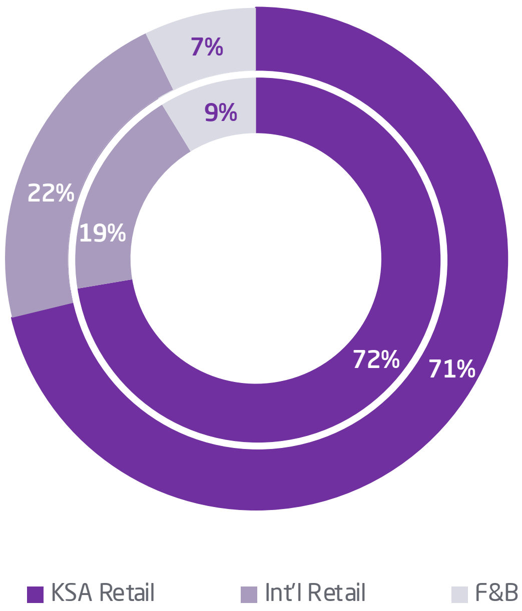



*Annualized figures are based on the period run rates

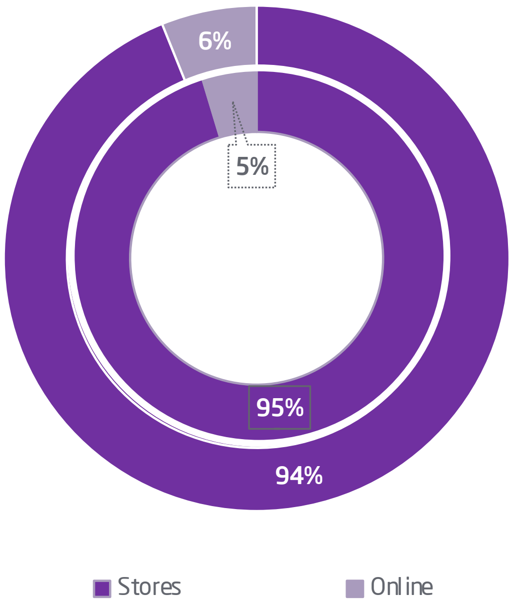
**Quarterly figures have been re-classified due to orior business assumptions

# Online and international experience growth as a part of revenue mix

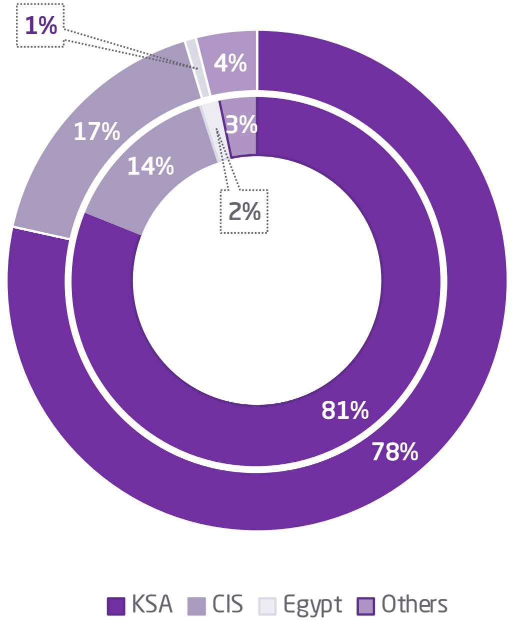
## Revenue by division




## Revenue by channel




## Revenue by geography

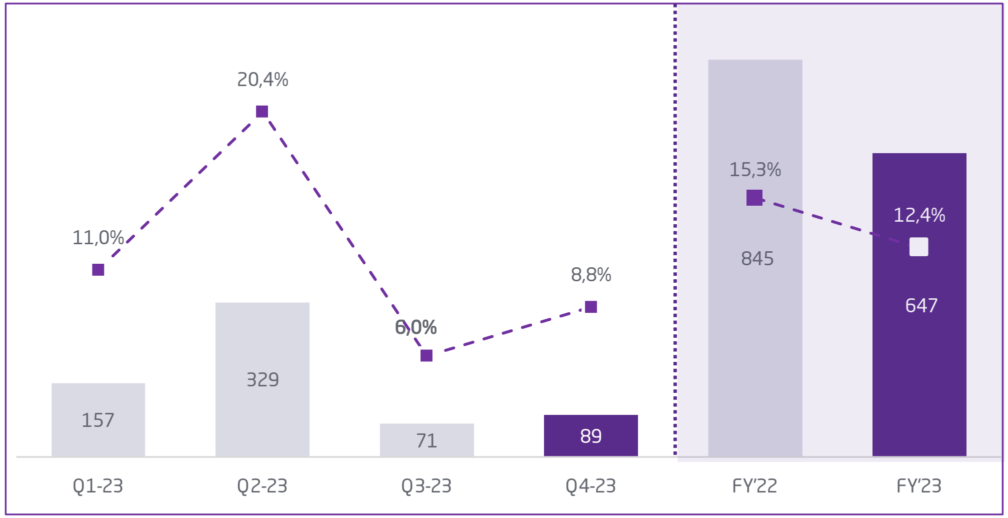



FY-23 - Outer circle FY-22 - Inner circle

# Impact of business transformation reflected in gross profit and EBITDA decline in FY’23

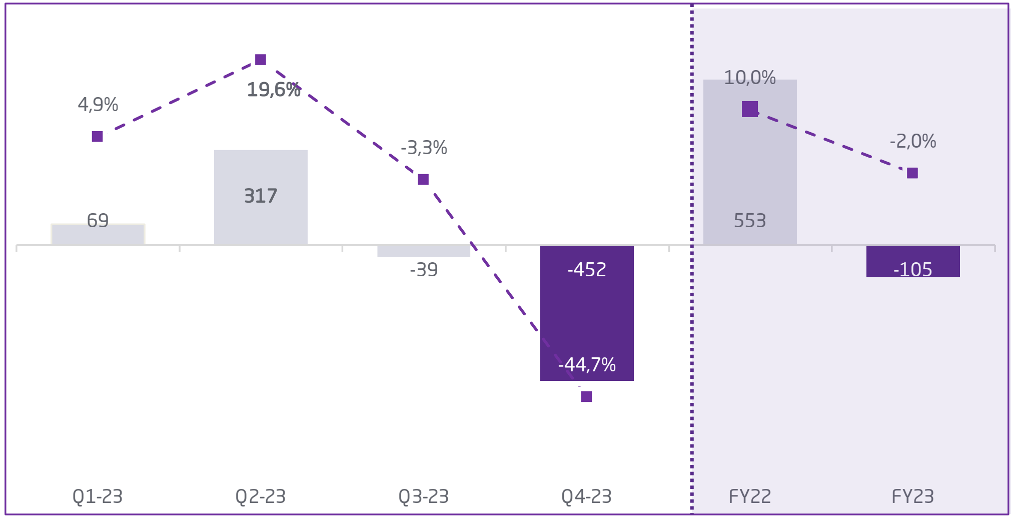
## Gross Profit, SAR MN - GPM, %

- A decrease in gross profit, which fell by 23.5% y-o-y from SAR 845.3 million in FY 22 to SAR 646.5 million in FY 23.
- This decrease can be attributed to a 5.3% decrease in top line, partially offset by a 2.0% decrease in cost of revenues.




## EBITDA, SAR MN - EBITDA Margin, %

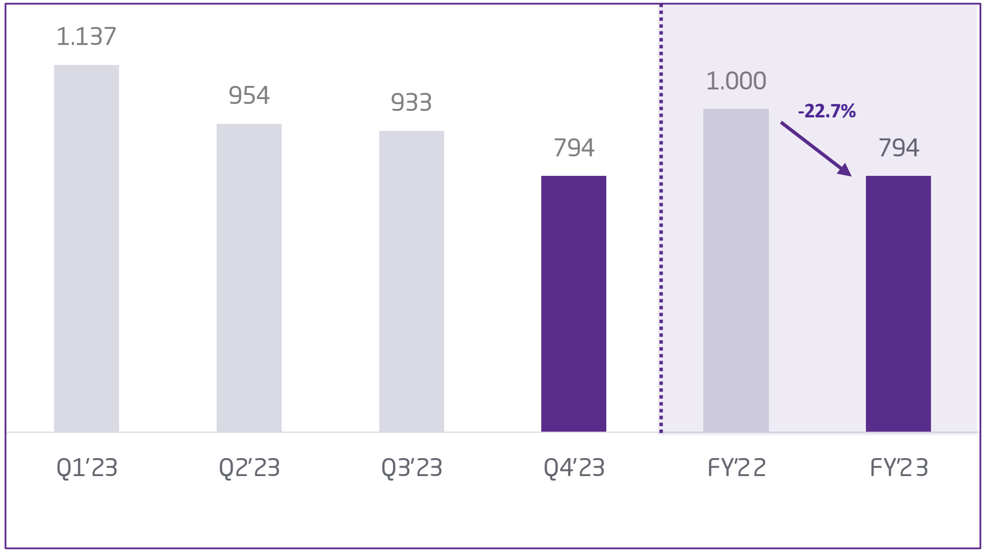
- EBITDA loss was driven by non-recurring charges brought upon by the retail portfolio transformation.



# Updated inventory management systems and processes improved inventory turnover

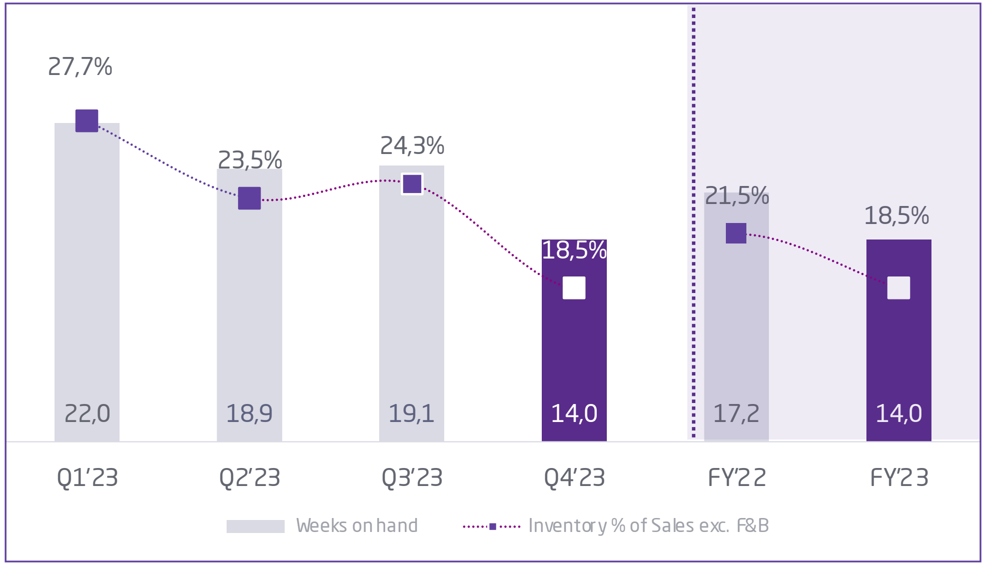
## Inventory balance (SAR MN)

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

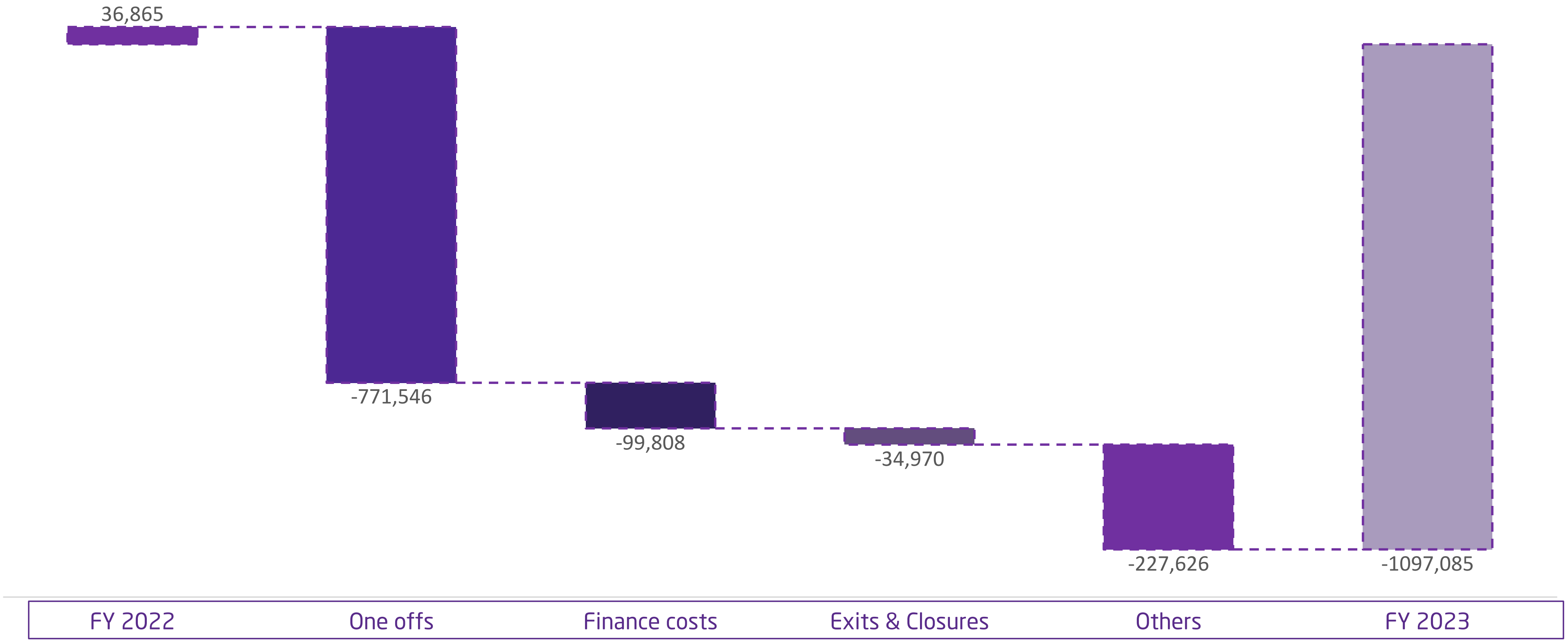



## Inventory efficiency ratios

- Inventory on hand improved to 14 weeks thanks to improved purchasing decision and supply chain optimization



## Net profit FY'23 impacted by one-offs, international exits and seasonality trends



OR THIS

# Strategic approaches to address accumulated losses (1/2)

## Capital restructuring program approved per the following

Accumulated Losses

Share Capital

### Options to reduce Acc. Losses / Share Capital Ratio

01 **Operational Performance / Turnaround:** In line with the 2024 target - minimize losses and embark on profitable growth

02 **Brands Disposal:** Planned disposal of 24 non-core brands such as Aleph and other F&B. Expected revenues of SAR 650 MN of SAR 650 MN

03 **Stock Split:** Board recommendation to reduce PAR value from SAR 10 to SAR 1

04 **Capital Reduction:** Reduce to 91.3% equivalent to SAR 100 million

05 **Restructuring the company's Capital :** study the need to increase the capital after completing the sale of non core brands

### Impact

*Reduce Accumulated Losses*

## Strategic approaches to address accumulated losses (2/2)

An amended agreement has been signed with Abdullah Al Othaim Fashion Company to sell 5 brands (Aldo, Aldo Accessories, Charles & Keith, Pedro, and La Vie en Rose) with expected proceeds of SAR 219 MN plus inventory

This will lead to the closure of 121 stores in KSA. All proceeds will be directed towards debt payment and deleveraging the balance sheet

- Five brands will be transferred through two newly-formed SPVs which will be sold to Al Othaim
  - Fixed Feet Company holds the Aldo & Aldo Accessories franchise rights
  - Third Outfit Company holds the franchise rights to Charles & Keith, Pedro, and La vie en Rose
- The initial closing of the agreement will set off upon the following main conditions :
  - Transfer of the brands to be housed in the SPV,
  - Entry into new franchise agreements which is subject to a number of pre-closing conditions, including, but not limited to, obtaining the approval of the General Authority for Competition as well as other conditions of regulatory and commercial nature.

05

# Appendix

# Income statement

| SAR Million | Q4 2022 | Q4 2023 | *% Change* | FY'22 | FY'23 | *% Change* |
|---|---|---|---|---|---|---|
| **Revenue** | **1,060.1** | **1,011.4** | ***-4.6%*** | **5,525.3** | **5,232.2** | ***-5.3%*** |
| Cost of revenue | -818.5 | -921.9 | ***12.6%*** | -4,680.1 | -4,585.7 | *-2.0%* |
| **Gross profit/(loss)** | **241.6** | **89.6** | ***-62.9%*** | **845.3** | **646.5** | ***-23.5%*** |
| Gross Profit Margin | 22.8% | 8.9% | *(13.9pp)* | 15.3% | 12.4% | *(2.9pp)* |
| Selling and distribution expenses | -43.1 | -33.3 | *-22.8%* | -161.0 | -180.1 | *11.9%* |
| General and administrative expenses | -27.7 | -149.1 | *437.9%* | -237.2 | -394.3 | *66.2%* |
| Other operating income | -5.0 | -29.7 | *N/M* | 117.8 | 162.5 | *38.0%* |
| Other operating expense | -5.6 | -329.7 | *N/M* | -12.2 | -340.1 | *N/M* |
| **EBITDA** | **160.2** | **-452.2** | ***N/M*** | **552.7** | **-105.5** | ***-119.1%*** |
| EBITDA Margin | 15.1% | -44.7% | *(59.8pp)* | 10.0% | -2.0% | *(12.0pp)* |
| Depreciation, amortization | -37.8 | -35.2 | *-7.0%* | -154.2 | -164.6 | *6.8%* |
| Impairment loss on goodwill | 0.0 | -370.0 | *N/M* | -70.5 | -370.0 | *-424.6%* |
| **Operating Income / (loss)** | **122.4** | **-857.4** | ***N/M*** | **328.0** | **-640.1** | ***N/M*** |
| Operating Income Margin | 11.5% | -84.8% | *N/M* | 5.9% | -12.2% | *(18.22pp)* |
| Net finance costs | -80.4 | -58.1 | *-27.8%* | -208.9 | -326.2 | *-56.1%* |
| Gain on disposal of subsidiary | 12.1 | 0.0 | *N/M* | 13.4 | 0.0 | *N/M* |
| Change in fair value of other investment | 1.3 | -33.0 | *N/M* | 1.3 | -33.0 | *N/M* |
| Share of loss of equity-accounted investees | -10.7 | -3.2 | *-70.5%* | -21.4 | -10.2 | *-52.4%* |
| **Profit / (loss) before zakat and income tax** | **44.6** | **-951.6** | ***N/M*** | **112.3** | **-1,009.5** | ***N/M*** |
| Zakat and Income tax expense | 14.6 | -17.6 | *N/M* | -33.7 | -48.8 | *44.6%* |
| **Loss for the year from continuing operations** | **59.2** | **-969.2** | ***N/M*** | **78.5** | **-1,058.3** | ***N/M*** |
| Loss for the year from discontinued operations | -41.7 | -54.6 | *-30.9%* | -41.7 | -54.6 | *-30.9%* |
| **Profit / (loss) for the year** | **17.5** | **-1,023.7** | ***N/M*** | **36.9** | **-1,112.8** | ***N/M*** |
| Non-controlling interests | 0.0 | -62.3 | *N/M* | 2.5 | -65.0 | *N/M* |
| **Net profit group share** | **17.5** | **-1,086.0** | ***N/M*** | **39.4** | **-1,177.8** | ***N/M*** |
| # of shares (m) | 114.8 | 114.8 | - | 114.8 | 114.8 | - |
| **EPS (SAR)** | **0.15** | **-9.46** | ***N/M*** | **0.3** | **-10.3** | ***N/M*** |

# Balance sheet

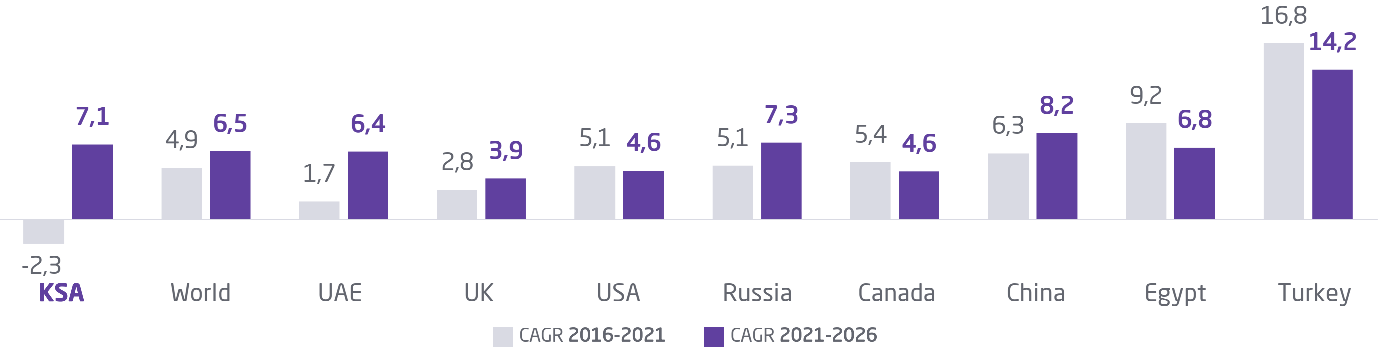
| SAR Million | Dec '23 | Dec '22 |
|---|---|---|
| **Assets** | | |
| Property, Plant and Equipment | 1,150.0 | 1,324.3 |
| Right-of-Use Assets | 2,044.7 | 2,347.1 |
| Goodwill and Intangible Assets | 755.8 | 1,120.8 |
| Investment Property | 1.3 | 1.4 |
| Equity-accounted investees | 64.8 | 62.1 |
| Other investments | 74.2 | 314.2 |
| Derivative asset | 0.0 | 35.1 |
| **Total Non-Current Assets** | **4,090.7** | **5,205.2** |
| Inventories | 793.5 | 1,000.3 |
| Advances, Deposits and Other Receivables | 302.4 | 718.2 |
| Prepayments, Rentals and Insurance | 25.8 | 35.4 |
| Cash & Cash Equivalents | 235.2 | 193.8 |
| Assets included in disposal group classified as held for sale | 310.0 | 0.0 |
| **Total Current Assets** | **1,666.9** | **1,947.7** |
| **Total Assets** | **5,757.6** | **7,152.9** |

| SAR Million | Dec '23 | Dec '22 |
|---|---|---|
| **Equity & Liabilities** | | |
| Share Capital | 1,147.7 | 1,147.7 |
| Reserves ( Statutory, Foreign Currency and Fair Value) | -564.5 | -524.1 |
| Fair value reserve | 42.1 | 42.1 |
| Accumulated Losses | -1,403.9 | -227.6 |
| Equity Attributable to the Shareholders of the Company | -778.7 | 438.1 |
| Non-Controlling Interest | -27.6 | -92.1 |
| **Total Equity** | **-806.3** | **345.9** |
| LT Loans and Borrowing | 208.5 | 115.0 |
| Lease Liabilities | 1,555.5 | 1,902.9 |
| Derivative liability | 31.6 | 0.0 |
| Post-Employment Benefits | 89.3 | 95.9 |
| **Total Non-Current Liabilities** | **1,885.0** | **2,113.9** |
| Trade and other payables | 1,400.1 | 1,256.5 |
| Bank Overdraft | 47.1 | 49.8 |
| Zakat & Tax Liabilities | 86.6 | 70.5 |
| Lease Liability - current portion | 578.8 | 499.0 |
| ST Loans and Borrowings | 2,298.2 | 2,817.4 |
| **Total Current Liabilities** | **4,679.0** | **4,693.1** |
| **Total Liabilities** | **6,563.9** | **6,807.0** |
| **Total Equity & Liabilities** | **5,757.6** | **7,152.9** |

## Market context

The Saudi Retail sector has faced key headwinds but is poised for robust growth, capitalizing on sustained economic expansion and solid underlying market fundamentals

### Historical vs. Future Projected Retail Spend (CAGR)[1]



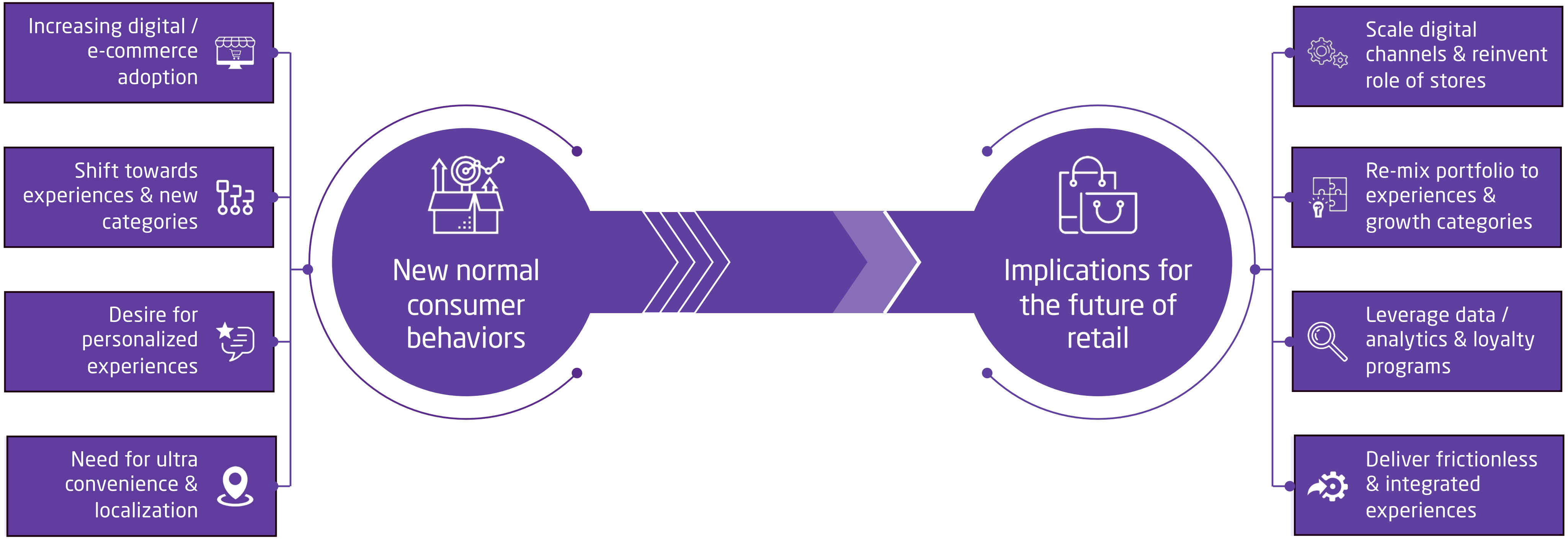

| MACRO Headwinds | | 2016-2022 | Outlook - 2024 Onwards |
|---|---|---|---|
| | GDP Growth[2] | Slowed growth as a result of decline in oil activities | KSA maintains the GCC's largest economy, surpassing the combined GDP of all other members. IMF forecasts anticipate growth of 2.7% in 2024 and 5.5% in 2025. |
| | Tourism[3] | Modest growth in tourism, mainly impacted by COVID-19 regulations | Surpassed 100mn tourists in 2023 and now set a new ambitious target of welcoming 150 million tourists by 2030. |
| | Benefits[4] | Cutting of public sector benefits | Annual allowances for public sector workers have been reinstated |
| **Key Tenant Factors** | Saudization | 100% I/s Saudization, raising cost structures and impacting in-store sales productivity | HRDF support is easing cost impacts for businesses and workers<br>Tenants are cutting costs and improving workforce skills for efficiency<br>Growing local household incomes will relieve economic pressures and boost retail spending |



Source: Euromonitor retail spend[1], IMF World Economic Outlook 2023[2], Argaam[4]
https://www.spa.gov.sa/en/N2055105[3],

## Consumer trends

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



cenomi

## Cenomi Retail brand portfolio

### Sports
alo yoga
DECATHLON

### Multimedia
aleph ألف
fnac DARTY

### Lifestyle
flying tiger copenhagen

### Beauty
ESTĒE LAUDER
KIKO MILANO
BOBBI BROWN
smashbox LOS ANGELES
SPRINGFIELD
flormar

### F&B
CINNABON
CABANA
Molten
crêpeaffaire
SUBWAY

### Indite & Zara
ZARA
ZARA HOME
PULL&BEAR
Bershka
Massimo Dutti
lefties
OYSHO
stradivarius

### F&B
MACHKA
U.S. POLO ASSN. SINCE 1890
NEWYORKER
La Senza
BIJOU BRIGITTE
LIPSY LONDON
OXXO
Jacadi PARIS
IPEKYOL
IKKS
GERRY WEBER
GAP
FG4 LONDON Designed by GEORGE DAVIES
bizou
QUIZ
ZIDDY
TWIST
Marie France
undiz
PUBLIC DESIRE
NINE WEST
Clarks
mayoral
women'secret
CALL IT SPRING
MANGO
LC Waikiki
THE CHILDREN'S PLACE
MONSOON ACCESSORIZE
OKAÏDI

# 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**

- In 2023, related parties settled SAR 437 million of dues to Cenomi Retail

**Deleveraging balance sheet**

- Cenomi Retail has reduced overall debt from SAR 2.9 billion in FY-22 to SAR 2.5 billion by FY-23.
- c. 772 million right-off related to goodwill impairment, asset impairment, exit from the Balkans and sale of non-core assets.

**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 led to a SAR 56.5 million gain in retained earnings for the first half of 2023

**Operational Enhancement**

- Introducing a full-fledged inventory management policy to better control inventory and enhance operational efficiency
  - On-hand inventory reduced from 17 weeks to 14 weeks

Cenomi Retail

# THANK YOU

## Contacts

Investor Relations Department
Email: IR.retail@cenomi.com
Tel: +966 (11) 825 2080

For more information, visit
https://ir.cenomiretail.com/