

CENOMI RETAIL MAINTAINS MOMENTUM IN TURNAROUND STRATEGY WITH SOLID PERFORMANCE FROM CHAMPION BRANDS AND INTERNATIONAL MARKETS IN Q1 2024

- Stable performance of Zara & other Inditex brands with group sales showing a 2.2% increase y-o-y
- Strong EBITDA margin for international operations in Fashion at 9.3 % and F&B at 5.0%
- Continued focus on operational efficiencies with 300 underperforming stores closed giving respective operational savings
- Commitment to divest of additional 24 brands with expected proceeds of 650MN SAR with net asset value SAR 215MN to be realized in 2024

Riyadh, Saudi Arabia, 19 May 2024: Cenomi Retail, Saudi Arabia’s pioneering retail brand partner, today announces financial results for the three months ended 31 March 2024 (Q1-2024 or the period). In Q1-2024 the company reported stable revenues of SAR 1,329.8 million and EBITDA of SAR 8.1 million. The quarter’s results reflect the journey Cenomi Retail embarked on in 2023 with a turnaround strategy to enhance its future potential and profitability focusing on Brand champions in Fashion and F&B. Since 2023, the company has focused on rationalizing the brand and store portfolio which has resulted in a divestment program of 18 brands and 497 store closures which has significantly improved operational efficiencies. In addition, the business has strategically refocused on KSA as its core market and stabilized non-core strategic markets.

The turnaround strategy continues to deliver progress and in Q1-2024, on a y-o-y basis the company has:

- Closed 266 stores and divested 23 brands in the Kingdom. We have strategically opened 4 stores on Champion brands to continue to drive performance on market leading, strategically important brands.
- Closed 26 stores across its international markets and divested four brands. In addition, opened 8 stores on the key Champion brands; and
- Closed 8 F&B outlets in the Kingdom and increased the number of brands by one, aligned to the growth of the F&B category within the Kingdom. This also involved the opening of 5 stores within the Kingdom.

As previously set out, Cenomi Retail continues to focus its attention on Fashion and F&B Tier 1 and Champion brands that have a positive impact on its profitability, including Zara and other Inditex brands as well as popular F&B names such as Cinnabon, Subway and Jamba.

Salim Fakhouri, Acting Chief Executive Officer, commented: “Q1-2024 has been a transformational quarter as our commitment to the turnaround strategy is showing promising developments. When we look at y-o-y progress, which is stable and moving in the right direction, it is evident the decisions we made last year were the right ones. Today’s results give us resolve to continue forward.

In the quarter we finalized Phase 1 brand sales, closed 226 stores and divested 16 brands leading to a capital gain of SAR 35 million. A further 24 brands have been identified for sale or exit, leading to an

expected SAR 650 million in proceeds and with net asset value of SAR 215 million, which will add strength and flexibility to our balance sheet. More importantly, we continue to open stores on strategically important brands, which is clearly working as can be seen from the 38% increase in revenue per store on a group level. Performance in Q1 2024 in Saudi Arabia was softer than expected due to a number of external factors such as vacation seasonality, geopolitics impact from last December and store closures. However, Cenomi Retail will continue with its Saudi First strategy.

While the challenges are not yet behind us and despite the current net loss, we will continue to implement our turnaround strategy. Our focus will be on enhancing the topline, which will naturally lead to a stronger stabilized EBITDA, by progressing our strategy. Overall, I am confident all of our efforts will bring benefits for all stakeholders.”

Business highlights

During the period, Cenomi Retail finalized Phase 1 brand sale, with a capital gain of SAR 35 million reflected in this period’s results. The company also signed a variation agreement of the shares purchase agreement previously signed with Al Othaim for the sale of five brands. This is expected to be finalized during Q2-2024.

During the quarter, the Board approved the sale of 24 non-essential brands, including Aleph. As announced previously, it is expected to generate revenues worth SAR 650 million and with net asset value of SAR 215 million Cenomi Retail has appointed Deloitte as an advisor for Aleph divestment.

In the period, Management executed a plan for Ramadan sales that included online and offline marketing. While sales were impacted by the decrease in footfall in the final week of Ramadan due to vacation schedule seasonality, the marketing plan led by the company achieved 94 % of its Ramadan targets.

Cenomi Retail entered Uzbekistan, its ninth international market, with eight brands, including Zara and Cinnabon.

In the quarter, 94.4% of the company’s revenue came from its stores channel with the remaining 5.6% via its online channels.

Operating highlights

As planned, during the period, Cenomi Retail opened four stores in fashion and closed 266 stores in KSA, ending the period with 562 stores, a y-o-y decrease of 38.1%. In its international markets, Cenomi Retail opened eight stores in fashion and closed 26 stores, for a total of 249 stores at the end of the period. This was a y-o-y decrease of 17.8%. Cenomi Retail reduced the number of brands by 23% and now holds 57 in total from 74 brand in Q1-2023.

Retail store count

	Q1-2023	Q1-2024
<i>Beginning of period</i>		
Retail - Saudi Arabia	1,002	824
Retail - International	308	267
	1,310	1,091
<i>Opened</i>		
Retail - Saudi Arabia	4	4
Retail - International	4	8

	8	12
Closed		
Retail - Saudi Arabia	-98	-266
Retail - International	-9	-26
	-107	-292
End of period		
Retail - Saudi Arabia	908	562
Retail - International	303	249
	1,211	811

Cenomi Retail's Tier 1 and Champion brands strategy maintained its strength. In Q1-2024, across the group, like-for-like (LFL) sales value for Zara increased 1.1% and other Inditex brands decreased 3.1% compared to Cenomi Retail's other brands which decreased 28.4% due to brand divesture.

In the F&B category, Cenomi Retail opened five stores and closed eight stores, a 1.2% y-o-y decrease. The company had 251 F&B stores at the end of the period. In Q1-2024, LFL sales value, F&B decreased by 10%.

F&B store count

	Q1-2023	Q1-2024
Beginning of period	250	254
Opened	10	5
Closed	-6	-8
End of period	254	251

Financial highlights

Revenues remained stable in Q1-2024 at SAR 1,329.8 million. International retail revenues improved from SAR 243.5 million to SAR 269.0 million, growing 10.4%. Retail revenues in Saudi Arabia contracted by 2.0% to SAR 974.5 million due to vacation schedule seasonality during Ramadan, geopolitics, store closures and discounting of seasonal inventory. Franchise exits and store closures led to a 7.1% decline in F&B revenues to SAR 86.5 million.

In the period, EBITDA decreased from SAR 69.0 million in Q1-2023 to SAR 8.1 million due to an increase in cost of revenue. Cost of revenue increased from SAR 1,174.8 million in Q1-2023 to SAR 1,212.6 million (+3.2% y-o-y), because of an increase in cost of sales by 7.9% but other expenses such as salaries and benefits decreased by 7.2%, rent expenses decreased by 26.9 %, and Utilities and maintenance decreased by 5.6%.

General & administrative expense increased from SAR 87.2 million in Q1-2023 to SAR 91.4 million 4.7% y-o-y.

Other Operating expenses increased from SAR 18.1 million to SAR 8.6 million due to the Mubarak fund balance write off by SAR 10.1 million, but Store closure losses have decreased from SAR 3.5 million to SAR 449.7 K by 88% .

Operating income declined from SAR 28.9 million in Q1-2023 to SAR a loss of SAR 29 million (-200.4% y-o-y).

Cenomi Retail had a net loss of SAR 151.7 million in Q1-2024 versus a net loss of SAR 55.9 million in Q1-2023. Continuing operations represented SAR 134.5 million of the net loss while discontinued operations accounted for SAR 17.2 million. Net finance expense increased 27.8% to SAR 93.5 million (Q1-2023: SAR

73.2 million) but the finance cost over loans and borrowings increased by 2.78 % only. Losses from discontinued operations increased to SAR 17.2 million in Q1-2024 (Q1-2023: SAR 5.6 million loss) and Zakat and income tax expense increased to SAR 11.8 million in Q1-2024 (Q1-2023: SAR 4.4 million). Revenue per store on a group level continues to increase y-o-y by 37.8% proving the success of the store optimization strategy. For the Kingdom of Saudi Arabia revenue per store increased y-o-y by 58.4% , Internationally revenue per store increased y-o-y by 34.4% while in F&B decreased y-o-y by only 6.0%. Across its international markets, Egypt had exceptional performance, thanks to our rightsizing program, with net revenue increasing 123% y-o-y to SAR 13.0 million, as well as Jordan, which had net revenues of SAR 30 million, a y-o-y increase of 8%. Uzbekistan, a new market which Cenomi Retail entered in the quarter with seven Inditex brand stores, achieved SAR 15 million in revenue. Net debt at the quarter end was SAR 2.1 billion, a y-o-y decrease of 6.7%. During the quarter, Cenomi Retail repaid SAR 251.7 million

Medium-term outlook

During the period, Cenomi Retail achieved several operational milestones that will have a positive impact as well as streamline the company in upcoming quarters. This includes finalization of the post-Phase-2 brand exits, which is expected to have its final stages of brands sales by the end of Q2-2024.

Cenomi Retail continues its work to deleverage the balance sheet. All proceeds from brands sales are committed to principal repayment and so far the company has paid approximately SAR 170 million of debt principal in Q2-2024.

Other steps have also been undertaken, including restructuring of the organization, which is expected to result in savings of more than SAR 60 million, finalization of top-down store staff optimization exercise, a bottom-up assessment to derive savings and rightsizing the company after the completion of the brands sales. Management has also Established an Opex Optimization program, including an initiative for rent optimization while continuing to open stores for Tier 1 and Champion brands in Fashion and F&B.

Income Statement

SAR million	Q1'23	Q1'24	change
Revenue	1,330.8	1,329.8	-0.1%
Cost of revenue	-1,174.8	-1,212.6	3.2%
Gross profit/(loss) margin	156.0 11.7%	117.2 8.8%	-24.9% -2.9pp
Selling and distribution expenses	-49.7	-49.3	-0.8%
General and administrative expenses	-87.2	-91.4	4.7%
Other operating income	58.7	49.7	-15.4%
Other operating expense	-8.6	-18.1	110.7%
EBITDA margin	69.2 5.2%	8.1 0.6%	-88.4% -4.6pp
Depreciation, amortization	-40.3	-37.1	-8.0%
Impairment loss on goodwill	-	-	-
Operating profit / (loss)	28.9	-29.0	-200.4%
Net finance costs	-73.1	-93.5	-24.9%
Gain on disposal of subsidiary	0.0	0.0	-24.9%
Change in fair value of other investment	0.0	0.0	-24.9%
Share of loss of equity-accounted investees	-1.6	-0.2	-24.9%
Profit / (loss) before zakat and income tax	-45.9	-122.7	-24.9%
Zakat and Income tax expense	-4.4	-11.8	166.5%
Loss for the year from continuing operations	-50.3	-134.5	167.5%
Loss for the year from discontinued operations	-5.7	-17.2	205.1%
Profit / (loss) for the year	-55.9	-151.7	171.3%
Non-controlling interests	-0.5	0.1	-114.9%
Net profit group share	-56.5	-151.7	168.5%
# of shares (m)	114.8	114.8	-
EPS (SAR)	(0.47)	(1.32)	-180.9%

*In 2023, Cenomi Retail changed its fiscal year-end from 31 March to 31 December

Balance Sheet

SAR million	Q4'23	Q1'24
Property, Plant and Equipment	1,150.0	1,154.8
Right-of-Use Assets	2,044.7	1,896.4
Goodwill and Intangible Assets	755.8	754.8
Investment Property	1.3	1.2
Investment in associates and joint venture	64.8	68.0
Other investments	74.2	37.6
Derivative asset	0.0	0.0
Fixed Assets	4,090.7	3,912.8
Inventories	793.5	770.7
Advances, Deposits and Other Receivables	302.4	337.1
Prepayments, Rentals and Insurance	25.8	44.5
Cash & Cash Equivalents	235.3	168.0
Assets held for sale	0.0	0.0
Assets included in disposal group classified as held for sale	310.0	0.0
Current Assets	1,666.9	1,320.1
Total Assets	5,757.6	5,232.9

SAR million	Q4'23	Q1'24
Share Capital	1,147.7	1,147.7
Reserves (Statutory, Foreign Currency and Fair Value)	-564.5	-602.2
Fair value reserve	42.1	31.2
Accumulated Losses	-1,403.9	-1,555.7
Equity Attributable to the Shareholders of the Company	-778.7	-979.1
Non-Controlling Interest	-27.6	-28.3
Total Equity	-806.3	1,007.35
LT Loans and Borrowing	208.5	186.3
Lease Liabilities	1,555.5	1,543.7
Derivative liability	31.6	42.4
Post-Employment Benefits	89.3	91.9
Non-Current Liabilities	1,885.0	1,864.4
Trade and other payables	1,400.1	1,643.4
Bank Overdraft	47.1	48.2
Zakat & Tax Liabilities	86.6	82.1
Lease Liability – current portion	578.8	491.6
ST Loans and Borrowings	2,298.2	2,110.7
Liabilities included in disposal group classified as held for sale	268.2	0.0
Current Liabilities	4,679.0	4,375.9
Total Liabilities	6,563.9	6,240.3
Total equity and liabilities	5,757.6	5,232.9

About Cenomi Retail:

Cenomi Retail, formed as Fawaz A. Alhokair & Co 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, Cenomi Retail has grown considerably and now trades in over 900 stores across 326 shopping malls in 9 countries, with a retail platform operating on a total GLA of more than 326 thousand square meters. All of this is managed by a workforce numbering more than 7,000. Cenomi Retail currently represents over 55 brands, spanning 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.cenomiretail.com

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