

CENOMI RETAIL'S 2023 EARNINGS IMPACTED BY ONE-OFFS RELATED TO BRAND EXITS AND STORE CLOSURES

- *Progress on brand divestment with 16 brands sold and additional five brands added*
- *Asset impairments and restructuring charges related to retail portfolio transformation impact profits*
- *Focus remains on business transformation, Champion brands and continued retail portfolio optimization*
- *The Board of Directors has requested Management to evaluate the need for a capital increase should it be required post income from brand sales*
- *Cenomi Retail's operational cash flow remains strong with no impact on day-to-day business operations including commitments to brand partners, landlords and financial institutions.*

Riyadh, Saudi Arabia, 31 March 2024: Cenomi Retail, Saudi Arabia's pioneering retail brand partner, today announced its financial results for the quarter and full-year ended 31 December 2023.

During 2023, significant progress has been made on the retail portfolio optimization across Saudi Arabia and International markets. As a result of this optimization, 16 brands were sold, and a number of International markets were either exited or right sized.

The sale of 16 brands, which was finalized in Q1 2024, resulted in 226 stores in Saudi Arabia transferring to Abdullah Al Othaim Fashion Company. The International market exiting, and right sizing resulted in a net closure of an additional 219 stores in 2023. A subsequent Board approval has been given for the sale of an additional five brands: Aldo, Aldo Accessories, Pedro, La Vie en Rose and Charles & Keith and an amended agreement was signed with Abdullah Al Othaim Fashion Company.. The impact, which will be reported during the 2024 fiscal year will result in 121 stores transferring for an agreed consideration of SAR 219 million plus inventory.

2023 saw the continuation of Cenomi Retail's turnaround strategy which is focused on building Champion brands in Fashion, led by Inditex as well as top tier Food & Beverage brands. In International markets 2023, Zara and other Inditex brands performed strongly: on a like-for-like basis, Zara sales grew 14.7% while other Inditex brands grew 17.3%. This performance offset softness in Saudi Arabia where Zara like-for-like sales were flat (-0.2%) while other Inditex brands declined 6%. A strong performance was seen across market leader Subway where revenues grew 20-fold thanks to improving revenues per outlet and store expansion.

Salim Fakhouri, Acting Chief Executive Officer, commented:

"Cenomi Retail is in the midst of a significant turnaround strategy. The business continues as originally outlined last year with the objective of strengthening the performance and financial stability of Cenomi Retail. Namely, this includes rationalizing our portfolio to focus on Champion brands and profitable stores in the Fashion and Food & Beverage categories; on board new Champion brands in our core markets; exit or right size our presence in non-strategic markets; deleverage to improve profitability and continue enhancements on operating processes. Cenomi Retail's operational cash flow remains strong with no impact on day-to-day business operations including commitments to brand partners, landlords and financial institutions. .

To date, despite the macro issues impacting the overall retail market, this strategy is delivering improved operating metrics, increased efficiencies and a single-minded focus on growth driving brands"

Business and operating highlights

Retail portfolio transformation is improving operating results. The consistent work around the company's retail portfolio transformation is yielding positive results. In Saudi Arabia, average revenue per store grew 13.4% whereas revenue per sqm grew 1.4%. In international markets, average revenue per store soared 24.2% while revenue per sqm grew 10.9%. During the year, Cenomi Retail opened 47 retail stores (25 in Saudi Arabia, 22 overseas), closed 266 (203 in Saudi Arabia, 63 overseas) to end with a store count of 1,091 (824 in Saudi Arabia, 267 overseas).

Retail store count

	Q4'22	Q4'23	2022	2023
Beginning of period				
Retail - Saudi Arabia	1,030	823	1,047	1,002
Retail - International	304	266	315	308
	1,334	1,089	1,362	1,310
Opened				
Retail - Saudi Arabia	13	9	68	25
Retail - International	8	11	17	22
	21	20	85	47
Closed				
Retail - Saudi Arabia	-41	-8	-113	-203
Retail - International	-4	-10	-24	-63
	-45	-18	-137	-266
End of period				
Retail - Saudi Arabia	1,002	824	1,002	824
Retail - International	308	267	308	267
	1,310	1,091	1,310	1,091

F&B outlets are getting a new lease of life. In 2023, Cenomi Retail opened 41 outlets while closing 37, resulting in 254 F&B outlets. While the Company started refurbishment works on 60 Cinnabon outlets (out of 127), revenues from the Cinnabon franchise remained resilient with a 3.2% decrease. The Subway franchise which started in 2022 ended the year with 16 outlets that are performing significantly ahead of expectations.

F&B store count

	Q4'22	Q4'23	2022	2023
Beginning of period	325	251	322	250
Opened	11	17	43	41
Closed	-86	-14	-115	-37
End of period	250	254	250	254

Financial highlights

Full review of balance sheet completed. Due to the scale of changes to Cenomi Retail's footprint, the Board of Directors instigated a wide ranging balance sheet review that led to SAR 772 million of non-cash charges.

Revenues were temporarily impacted by portfolio transformation. Group revenues of SAR 5,232 million (-5.3%) were impacted by the closure of retail and F&B outlets. International retail revenues improved from SAR 1,047 million to SAR 1,128 million, growing 7.7% on strong demand for Inditex brands. Retail revenues in Saudi Arabia contracted by 6.8% to SAR 3,994 million due to the net closure of 188 stores. Franchise exits and store closures led to a 21.2% decrease in F&B revenues to SAR 379 million.

EBITDA impacted by exceptional items. The company generated an EBITDA loss of SAR 105 million against a 2022 pro-forma EBITDA of SAR 553 million. During the year, Cenomi Retail incurred SAR 259 million of impairments and restructuring charges: a SAR 134 million impairment charge on inventory, a SAR 92 million charge related to the exit from international markets and a SAR 33 million impairment charge on receivables. In addition, General & Administrative expenses increased 66.2% to SAR 394 million on one-off provisions related to the portfolio optimization. Excluding these provisions, G&A grew 14 %.

Net loss of SAR 1,113 million. In 2022, Cenomi Retail turned a pro-forma net profit of SAR 37 million. The higher interest rate environment brought a SAR 100 million increase in finance costs. The portfolio transformation drove SAR 772 million of non-cash charges: SAR 259 million of impairments and restructuring charges; a SAR 370 million Goodwill impairment charge, a fixed asset impairment charge of SAR 109 million, and SAR 33 million loss of the disposal Al-Mubarak Fund (classified as a non-core asset).

Deleveraging in Progress. During the year, the Company repaid SAR 763 million of debt. In addition, related parties settled SAR 418 million of dues. Net debt at the end of the year decreased 17.0% to SAR 2.3 billion compared to SAR 2.7 billion at the end of 2022. Proceeds from brand disposals will be directed towards debt reduction. Cenomi Retail will continue working towards reducing the accumulated losses by the end of this year. The executive team – with the Board of Directors’ unwavering support – is committed to accelerate brand disposals and execute the proposed capital restructuring plan.

Income Statement

SAR million	Q4'22	Q4'23	change	Pro-forma		change
				2022*	2023	
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%
<i>margin</i>	22.8%	8.9%	-13.9%	15.3%	12.4%	-2.9%
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	-69.1	N/M	117.8	123.1	4.5%
Other operating expense	-5.6	-290.2	N/M	-12.2	-300.6	N/M
EBITDA	160.2	-452.2	-382.3%	552.7	-105.5	-119.1%
<i>margin</i>	15.1%	-44.7%	-59.8%	10.0%	-2.0%	-12.0%
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 profit / (loss)	122.4	-857.4	N/M	328.0	-640.1	N/M
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	-2233.0%	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)	114.77	114.77		114.77	114.77	
EPS (SAR)	0.15	-9.46	N/M	0.34	-10.26	N/M

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

Balance Sheet

SAR million	Q4'22	Q4'23
Property, Plant and Equipment	1,324.3	1,189.4
Right-of-Use Assets	2,347.1	2,044.7
Goodwill and Intangible Assets	1,120.8	755.8
Investment Property	1.4	1.3
Investment in associates and joint venture	62.1	64.8
Other investments	314.2	74.2
Derivative asset	35.1	0.0
Receivables from Disposal of Subsidiaries / Brands	0.0	0.0
Fixed Assets	5,205.2	4,130.2
Inventories	1,000.3	773.4
Advances, Deposits and Other Receivables	718.2	302.4
Prepayments, Rentals and Insurance	35.4	25.8
Receivables from Disposal of Subsidiaries / Brands	0.0	0.0
Cash & Cash Equivalents	193.8	235.2
Assets held for sale	0.0	0.0
Assets included in disposal group classified as held for sale	0.0	310.0
Current Assets	1,947.7	1,646.8
Total Assets	7,153.0	5,776.9

SAR million	Q4'22	Q4'23
Share Capital	1,147.7	1,147.7
Reserves (Statutory, Foreign Currency and Fair Value)	-524.1	-564.5
Fair value reserve	42.1	42.1
Accumulated Losses	-227.6	-1,403.9
Equity Attributable to the Shareholders of the Company	438.1	-778.7
Non-Controlling Interest	-92.1	-27.6
Total Equity	345.9	-806.3
LT Loans and Borrowing	115.0	208.5
Lease Liabilities	1,902.9	1,555.5
Derivative liability	0.0	31.6
Post-Employment Benefits	95.9	89.3
Non-Current Liabilities	2,113.9	1,885.0
Trade and other payables	1,256.5	1,419.4
Bank Overdraft	49.8	47.1
Zakat & Tax Liabilities	70.5	86.6
Lease Liability – current portion	499.0	578.8
ST Loans and Borrowings	2,817.4	2,298.2
Liabilities included in disposal group classified as held for sale	0.0	268.2
Current Liabilities	4,693.1	4,698.3
Total Liabilities	7,153.0	5,776.9

--- Ends ---

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 considerable 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 326,000 sq m. 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 and cosmetics in addition to operating a series of restaurants and coffee shops. For more information, please visit www.cenomiretail.com

Contact

Investor Relations Director

Sarah Moussa

Tel +966 50 256 9516

Email: IR.retail@cenomi.com

Disclaimer

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.