

CENOMI CENTERS DEMONSTRATES STRONG GROWTH WITH H1 NET PROFIT UP 103.3%

- *Net Profit of SAR 725.1 million, up 103.3% year-on-year in H1-23*
- *Strong net rental revenue growth of 7.8% year-on-year in H1-23*
- *Positive operating momentum as footfall increased 33.5% year-on-year to 63.1 million*
- *Pipeline progress on track for completion with U-Walk Jeddah launching this December*
- *Accelerated construction of Jawharats' flagship properties with Jawharat Riyadh targeted to open in Q2-25*

Riyadh, Saudi Arabia, 9 August 2023: Cenomi Centers, the largest owner, operator and developer of shopping malls and complexes in the Kingdom of Saudi Arabia, posted its financial results for the three months and half-year ended 30 June 2023.

The company reported solid performance in H1-23 totaling SAR 1.1 billion in revenue, a 5.5% y-o-y increase. Revenue remained stable with a marginal increase of 0.4% y-o-y in Q2-23.

EBITDA in H1-23 grew 19.3% y-o-y to SAR 902.8 million and net profit increased 103.3% y-o-y to SAR 725.1 million for the same period. This was driven by an increase in the top-line, net fair value gains recorded in Q2-23, and the sale of the Al Raed district land, part of the non-core asset sale program, for a SAR 238.7 million profit recorded in Q1-23. In Q2-23, net profit increased 82.3% y-o-y to SAR 337.1 million on net fair value gain in investment properties.

On the back of the robust financial performance during this first half, the company decided on a SAR 413.3 million dividend distribution (SAR 0.87 per share) which follows the distribution of SAR 475 million in April and underscores the company's commitment to rewarding shareholders.

Demonstrating the potency of the company's portfolio and attractive category mix, footfall soared 33.5% y-o-y to 63.1 million in the first half of the year, higher than footfall in the same period in 2019. The company is well positioned to exceed pre-pandemic footfall levels for the full year.

With this backdrop, Cenomi Centers has continued to deliver on its growth-oriented strategy in the first half of 2023 and leveraged positive pricing dynamics to grow net rental revenue by 7.8% y-o-y from renewals and re-lettings. Occupancy has temporarily reduced to 91.4% as the company now adopts a more stringent approach towards underperforming tenants and uses non-renewal decisions to evolve the retail category mix, a key company objective.

Cenomi Centers' strategic focus on growth is evident in the accelerated progress of its construction pipeline. U Walk Jeddah is now complete and already circa. 80% pre-let. Flagship developments, Jawharat Jeddah and Riyadh, will bring state of the art, first of their kind features, attractions and unique luxury offerings to the Kingdom and the region. Jawharat Riyadh is expected to open in Q2-25.

The company also revamped its organizational structure reinforcing its senior leadership team with strategic hires across key functions to support its ambitious growth aspirations.

Alison Rehill-Erguven, CEO, Cenomi Centers, commented: "The first half of 2023 has been excellent for Cenomi Centers. The results demonstrate the efficacy of our strategy to deliver continuous growth by offering Saudi shoppers, who continue to increase their spending as the economy grows, the experiences they desire. This can be seen by the exceptional footfall, which increased 33.5% year on year to 63.1 million, which I expect will lead us to

a new post-pandemic record level. We also saw strong rental revenue growth of 7.8% and a 19.3% increase in EBITDA. Owing to this, the board announced half yearly cash dividends disbursement of SAR 413.3 million.

Our development pipeline remains as exciting as ever and it will reinforce our position as the leading player in the contemporary lifestyle centers industry. We have started handovers at U Walk Jeddah and look forward to launching this December. The construction of our flagship properties - Jawharat Jeddah and Jawharat Riyadh is well underway and on track for delivery in the first half of 2025.

To ensure the company is well placed to capitalize on future growth opportunities, we have invested in strategic senior hires and optimized our organizational structure to support the role asset management plays as a key performance driver. I am confident that we have the right team in place to take Cenomi Centers to the next phase of its ambitious growth plans."

Business highlights

Cenomi Centers overhauled its organizational structure through recruitment of eight executives to lead the leasing, asset management, finance, IT and legal functions. This, in addition to, creating regional asset management teams and strengthening the leasing team, to optimize existing operations and attract new brand partners. The company is also exploring new ancillary revenue streams to further shareholder value.

The company continues with its non-core asset sale program. Sahara Plaza is in advanced talks and the transaction is expected to close in Q3-23. This program also includes selling its Qassim land in phases. Ultimately, this sale program is expected to unlock nearly SAR 2 billion of value for Cenomi Centers, SAR 875 million of which has already been realized.

Operating highlights

In the first half, footfall reached 63.1 million, a remarkable 33.5% increase y-o-y. This is testament to the company's success in delivering lifestyle destinations and shopping experiences that meet the expectations of Saudi consumers. Cenomi Centers is confident about achieving record footfall in the full year and surpassing pre-pandemic levels.

In H1, Cenomi Centers onboarded 111 brands and renewed 717 contracts. The gross leasable area (GLA) mix was 62.9% retail and 37.1% non-retail (including entertainment, F&B and others).

H1 like-for-like occupancy rates closed at 91.4% as the company continued to proactively evolve its category mix, while taking a more stringent approach with underperforming tenants. However, demand for prime retail space remains strong, and the active rotation of tenants offers opportunities to improve the retail mix and the attractiveness of Cenomi assets. Management programs are in place to reduce vacancy levels by year-end.

Cenomi Centers' development pipeline is well on track. Construction of U-Walk Jeddah has recently completed with a target opening date in December 2023. This asset adds 61,000 sqm of gross leasable area (GLA) to the portfolio and is already 80% pre-let with attractive anchor tenants. Handovers have started and tenants are accelerating the fit-out of their stores.

Financial highlights

The company reported revenues of SAR 1.1 billion the first half of 2023, an improvement of 5.5% y-o-y. In Q2-23, it reported revenues of SAR 565.3 million, a 0.4% improvement y-o-y. In the first half of 2023, net rental revenues increased 7.8% y-o-y to SAR 1.0 billion, while increasing 1.2% y-o-y to SAR 514.5 million in Q2.

EBITDA in the first half of 2023 increased 19.3% y-o-y to SAR 902.8 million driven by gross profit and lower other operating expenses. In Q2-23 EBITDA decreased 7.1% y-o-y to SAR 359.8 million due to an increase in G&A and other expenses related to one-time fees.

Net profit in the first half of 2023 increased 103.3% y-o-y to SAR 725.1 million due to a net fair value gain of SAR 21.2 million recorded in the period. In Q2-23 net profit increased 82.3% y-o-y to SAR 337.1 million mainly due to higher revenue, net fair value gains on its investment properties, and reversals of impairment on accounts receivable.

Cenomi Centers rolled out a pro-active collection program in Q2-23 which helped drive gross receivables from external parties down as of 30 June 2023. Amounts due from related parties also reduced from SAR 417.8 million at year-end 2022 to SAR 306.1 million as of 30 June 2023 due to concerted efforts and commitments from the related parties.

Income Statement

Income Statement (SAR million)	Q2 2023	Q2 2022	% Change	H1 2023	H1 2022	% Change
Total Revenue	565.3	562.9	0.4%	1,142.0	1,082.1	5.5%
Cost of Revenue	-107.2	-104.6	2.5%	-192.9	-179.9	7.2%
GROSS PROFIT	458.0	458.3	-0.1%	949.2	902.3	5.2%
<i>Gross Profit Margin</i>	<i>81.0%</i>	<i>81.4%</i>	<i>-0.4pp</i>	<i>83.1%</i>	<i>83.4%</i>	<i>-0.3pp</i>
Other Operating Income	4.3	1.3	239.7%	272.1	21.3	1179.4%
Net fair value gain / (loss) on investment properties	72.9	-100.0	-172.9%	21.2	-174.1	-112.2%
Advertisement and promotion	-5.2	-7.0	-25.5%	-19.0	-16.6	14.2%
General and administration	-81.0	-57.5	40.8%	-169.8	-129.9	30.7%
Impairment (loss) / reversal on accounts receivable	1.2	-15.0	-107.9%	-113.4	1.9	-6024.1%
Other operating expenses	-18.1	-	-	-18.1	-29.1	-37.7%
OPERATING PROFIT	432.1	280.1	54.2%	922.1	575.7	60.2%
Finance Income	7.1	-	100.0%	7.1	-	100.0%
Finance Costs Over Loans and Borrowings	-59.6	-44.5	34.1%	-120.0	-85.3	40.7%
Finance Costs Over Lease Liabilities	-26.0	-39.9	-34.9%	-52.4	-80.4	-34.8%
NET FINANCE COST	-78.5	-84.4	-7.0%	-165.2	-165.6	-0.3%
Share of loss of equity-accounted investee	-4.2	-1.6	155.8%	-7.1	-12.7	-43.9%
PROFIT BEFORE ZAKAT	349.4	194.1	80.0%	749.8	397.4	88.7%
Zakat	-12.4	-9.3	33.2%	-24.7	-40.7	-39.2%
NET PROFIT	337.1	184.9	82.3%	725.1	356.7	103.3%
<i>Net Profit Margin</i>	<i>59.6%</i>	<i>32.8%</i>	<i>26.8pp</i>	<i>63.5%</i>	<i>33.0%</i>	<i>30.5pp</i>

Balance Sheet

Balance Sheet (SAR million)	June 2023	December 2022	% Change
Investment properties	24,541.9	23,075.7	6.4%
Property and equipment	60.9	63.4	-3.9%
Accrued revenue – non-current portion	175.3	182.4	-3.9%
Investment in equity-accounted investee and others	77.1	64.9	18.8%
Other non-current assets	24.0	24.8	-3.3%

Non-current assets	24,879.2	23,411.2	6.3%
Development properties	350.9	345.7	1.5%
Accrued revenue	84.8	91.2	-7.1%
Accounts receivable	339.3	388.2	-12.6%
Amounts due from related parties	306.1	417.8	-26.7%
Prepayments and other assets	228.5	206.4	10.7%
Cash and cash equivalents	620.6	610.4	1.7%
Assets held for sale	0.0	405.9	-100.0%
Current assets	1,930.1	2,465.6	-21.7%
Total Assets	26,809.3	25,876.9	3.6%
Loans and borrowings	7,596.1	7,433.7	2.2%
Lease liabilities	2,796.3	2,383.7	17.3%
Employee benefits	33.8	28.5	18.6%
Other non-current liabilities	56.2	47.6	18.2%
Non-current liabilities	10,482.4	9,893.4	6.0%
Loans and borrowings	1,137.1	903.3	25.9%
Lease liabilities – current portion	324.3	255.6	26.9%
Accounts payable and other liabilities	564.6	459.3	22.9%
Amount due to related parties	3.0	6.3	-52.9%
Unearned revenue	278.0	239.1	16.2%
Zakat liabilities	67.4	51.2	31.6%
Current liabilities	2,374.4	1,914.8	24.0%
Total Liabilities	12,856.8	11,808.3	8.9%
Total Equity	13,952.6	14,068.6	-0.8%
Total Liabilities and Equity	26,809.3	25,876.9	3.6%

Recent updates concerning FAS Labs.

Cenomi Centers made an announcement that FAS Labs has received the final approval from the Saudi Central Bank to license FAS Finance Company. The approval allows FAS Finance to offer consumer microfinance solutions through financial technology. Cenomi Centers ownership interest in FAS Finance is through its 50% stake in FAS Labs. It's important to note that "FAS Labs," a Limited Liability Company, is jointly owned by both Cenomi Centers and Cenomi Retail. The approval was granted on 25-07-2023.

Appointment of Al Rajhi Capital as market maker

During the reported period, Cenomi Centers announced the decision of its Board to appoint Al Rajhi Capital as a market maker for the Company's stock, to support the Company's stock liquidity levels in its trading. Following this move, the Saudi Exchange Company officially approved Al Rajhi Capital's application, making them the first-ever market maker on the Saudi Exchange.

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About Cenomi Centers:

Cenomi Centers is the leading owner, operator and developer of contemporary lifestyle centers in Saudi Arabia. For over a decade, the company has provided customers with a complete range of high-quality lifestyle centers up to international standards, located in the most attractive areas of the country to satisfy all shopping needs and market requirements. Today, Cenomi Centers has a portfolio of 21 assets, with more than 4,900 stores strategically located in 10 major Saudi cities. The Company's developments include several iconic lifestyle centers, such as Mall of Arabia Jeddah, Mall of Dhahran, and Nakheel Mall Riyadh, a consumers' favorite in Riyadh. With a total GLA of nearly 1.33 million square meters, the company's malls provide Saudi shoppers with their preferred point of access to the full range of international, regional and local retail brands. For more information about Cenomi Centers, please visit www.cenomicenters.com.

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