

BinDawood Holding H1 2023 Results

- **Robust operational metrics and quality of earnings**
- **Revenue for H1 2023 was SAR 2.8bn, reflecting a year-on-year increase of 16.6% and a sequential increase of 11.7%**

Jeddah, Saudi Arabia; 14th August 2023 – BinDawood Holding Co. (Tadawul: 4161 and the “Company”), one of the leading grocery retail operators of hypermarkets and supermarkets in the Kingdom of Saudi Arabia (‘KSA’), today reported its half-year 2023 financial results.

Financial Highlights (SAR Million)

	H1 2023	H1 2022	Improvement	H2 2022	Improvement
Revenue	2,792.8	2,396.1	16.6%	2,500.9	11.7%
Gross Profit	868.7	761.8	14.0%	675.3	28.6%
Net Profit	118.0	107.8	9.5%	16.9	598.2%
Net Profit *	118.0	90.7	30.1%	(23.2)	n/a
	Q2 2023	Q2 2022	Improvement	Q1 2023	Improvement
Revenue	1,411.6	1,220.9	15.6%	1,381.2	2.2%
Gross Profit	452.0	378.1	19.5%	416.6	8.5%
Net Profit	65.8	42.3	55.6%	52.2	26.1%

(*) Net Profit excluding non-recurring rent relief of SAR 17.1 million in H1 2022 and SAR 40.1 million in H2 2022

Comments from Ahmad AR. BinDawood, CEO of BinDawood Holding:

“H1 2023 has witnessed accelerated growth, both in terms of revenue and profitability, consolidating the bounce back to normalcy post the pandemic. H1 2023’s reassuring growth narrative is a testimony to management’s success in navigating through turbulent waters over the last two years, while remaining true to the Group’s core value of quality and customer-centric service. A number of prudent measures taken in 2022 have borne fruit in 2023 and this becomes even more evident when the profitability of Q2 2023 is compared with that of the corresponding period of 2022 and sequentially with Q1 2023. A 26.1% increase in net profit sequentially on the back of a 2.2% increase in revenue is indeed heartening.

Our revenue for H1 2023 was SAR 2.8 billion, reflecting a year-on-year increase of 16.6% and a sequential increase of 11.7%. This robust growth has been driven by an increase in customer spending across both brands and represents the cumulative impact of:

- *The return of international pilgrims due to the full resumption of the Hajj season.*

- *Adroitly planned marketing and promotion activities that have boosted the number of customers enrolling in our customer loyalty program. This number currently stands at above 4 million and has become a source of repeat sales over the last year. The extent of the engagement gained with our loyalty customers is a source of great pride for me and allows us to “mine” data to further improve the customer experience.*

Our performance also benefitted from the increase in the new digital revenue segment that includes Ykone S.A.S (“Ykone”) and the International Applications Trading Company (“IAC”).

Compared to H2 2022, gross margin improved by 410bps to 31.1% in H1 2023, due to a better product mix, cooling down of inflation to normal levels, and support from suppliers. In H1 2023, our net profit, before accounting for non-recurring rental reliefs, increased by 30.1% to SAR 118.0 million from SAR 90.7 million in the corresponding period of the prior year. Sequentially too, the net profit has shown significant improvement from SAR 52.2 million to SAR 65.8 million.

We continue to look at operational improvements. On the store re-sizing front, we have expanded the size of one of our stores in Taiba, Madinah. We continue to monitor and analyze data to effect cost rationalization measures that include re-sizing and relocation of stores based on strategic and technical research of customers’ footfall. This is being done in conjunction with better supplier negotiations and enhanced operational efficiencies such as improved layouts and product displays.

With regard to the addition of new stores, we have opened a new Danube store in Jeddah. Over H2 2023, we plan to roll out 5-6 new stores across all the formats we operate. This will be executed with a strategic focus on major cities in the Western and Central regions. In addition, we will continue to explore opportunities to expand our regional footprint in grocery retailing and our global footprint in technology related investments. Our strong liquidity and debt-free position allow us to undertake acquisitions whenever an attractive opportunity is identified.

We are consistently striving to strengthen our presence in the rapidly growing online space by opening more dark stores, including a mega-dark store. At the end of H1 2023, we have 14 dark stores and 22 in-store online operations.

In a nutshell, H1 2023 has demonstrated commendable improvement across all performance parameters after the last two tumultuous years. We are optimistic that we will continue with this progress, steadily moving onwards and upwards.”

Financials: H1 2023

Revenue increased 16.6% year-on-year to SAR 2,792.8 million in H1 2023 as compared to SAR 2,396.1 million in H1 2022. Increase in sales in the first half of 2023 was driven by both BinDawood and Danube stores.

BinDawood stores recognized sales of SAR 912.1 million in H1 2023 versus SAR 779.8 million in H1 2022, an increase of 17.0%. This was on the back of a sharp increase in international pilgrims

for Hajj and Ramadan, which resulted in enhanced performance in our Makkah and Madinah stores.

Danube stores posted sales of SAR 1,743.6 million in H1 2023 versus SAR 1,616.3 million in H1 2022. Continuous marketing campaigns and good pre Ramadan season were the catalysts for this growth, an increase of 7.9%.

In addition, the loyalty program has played a positive role in enhancing growth under both brands.

Gross profit was SAR 868.7 million or 31.1% of sales in H1 2023 versus SAR 761.8 million in H1 2022 or 31.8% of sales in H1 2022. The higher gross margin in H12022 was on the back of a 32.6% gross margin reported in Q12022 which dropped to 27.0% in H2 2022 (29.3% in FY2022). It recovered substantially in Q1 2023 to 30.2% and has further strengthened to 32% in Q2 2023 due to increase in supplier support and better product mix during the period.

Operating expenses were SAR 706.4 million in H1 2023 versus SAR 628.1 million in H1 2022. The year-on-year increase reflects the impact of the opening of a new store in Jeddah as well as resizing of the existing store in Taiba, Madinah, to double its size, and the full period impact of stores opened in H2 2022. It also includes Ykone & IAC operating expenses that were not present last year. Further, there is a full year impact of the amortization of intangible assets by SAR 9 million arising from the acquisitions made in 2022.

The Company's net profit was SAR 118.0 million in H1 2023 compared to SAR 90.7 million in H1 2022 (after elimination of non-recurring rent relief), representing a net profit margin of 4.2% and 3.8% respectively. The increase in net profit reflects the cumulative impact of increase in sales and gross profit, which was partly offset by the increase in operating expenses. However, notwithstanding the absolute increase in operating expenses, the ratio of operating expenses to revenue reduced from 26.2% in H12022 to 25.3% in H12023.

Cash generated from operations in H1 2023 was SAR 604.5 million versus SAR 564.9 million in H1 2022. Net Working Capital amounted to SAR 268.1 million at 30 June 2023 as compared with SAR 479.1 million on 30 June 2022 and SAR 391.8 million on 31 December 2022. The Company's financial position continued to be strong with no bank debt.

Financials: Q2 2023

Second quarter revenue was SAR 1,411.60 million, up 15.6% versus SAR 1,220.90 million in Q2 2022, and up 2.2% sequentially. The increase is attributable to a strong Hajj season and targeted marketing campaigns across both banners, assisted by the market intelligence gathered from the loyalty program.

Gross profit was SAR 452.0 million in Q2 2023 or 32.0% of sales versus SAR 378.1 million or 31% of sales in Q2 2022. Gross profit for Q1 2023 was SAR 416.6 million, or 30.2% of sales. We are

gradually moving back to historic levels of gross margin due to a better product mix, cooling down of inflation to normal levels and enhanced support from suppliers.

Operating expenses were SAR 364.3 million in Q2 2023 versus SAR 315.3 million in Q2 2022, owing to the opening of a new store in Jeddah and also the resizing and expansion of the Taiba store. Further, the increase is also attributable to the operating expenses of Future Retail for Information Technology Company “FTR” subsidiaries which were not included in Q2 2022 and an increase of SAR 9 million in the amortization of intangible assets arising from the acquisitions in 2022.

The Company’s Q2 2023 net profit was SAR 65.8 million versus SAR 42.3 million in Q2 2022. This increase was the cumulative impact of higher sales and improved gross margin, offset partly by an increase in operating expenses.

Cash generated from operations in Q2 2023 was SAR 201.3 million versus SAR 144.8 million in Q2 2022.

About BinDawood Holding Co.

BinDawood Holding Co. (the Company) is one of the leading grocery retail operators of hypermarkets and supermarkets in the Kingdom of Saudi Arabia “KSA”. The Company has a total of 84 stores, of which 54 are Hypermarkets, 27 are Supermarkets and 3 are Express stores. The stores are strategically located across KSA with one international store in the Kingdom of Bahrain. The Company operates its stores under two complementary brands: BinDawood and Danube, and also has a strong online presence with 14 dark stores and 22 in-store online operations.

In 2022, the Company, through its wholly owned subsidiary FTR, made two major acquisitions:

1. Ykone S.A.S (‘Ykone’), a profitable international influencer marketing agency with a proprietary technology offering, focused on retail, travel, beauty, fashion and luxury brands, with a presence in Europe, Asia, the US and the Middle East.
2. International Applications Trading Company (‘IAC’), the company which developed and currently operates BinDawood Holding’s Danube and BinDawood ecommerce channels.

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