

9M 2021 Financial Results

BinDawood Holding Q3 2021 Results:

BinDawood Holding improves gross margin. Sales in line with Q3 2020.

- *Improvement in gross margin carried over from Q2 2021*
- *Year-on-year increase in Q3 gross and net profit**
- *Inflation impact effectively managed*
- *2 new Danube stores opened since January 2021. 3 more planned by year-end*
- *Cash balance of SAR 290.6 million, with no bank debt*

Jeddah, Saudi Arabia; 9 November 2021 – 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 today reported its Q3 2021 financial results.

Financial Highlights (SAR Million)

	Q3 2021	Q3 2020	% Up / (Down)	Q2 2021	% Up / (Down)
Revenue	1077.8	1,082.5	-0.4%	1,122.8	-4.0%
Gross Profit	397.3	356.3	11.5%	399.4	-0.5%
Operating Profit	95.5	86.8	10.0%	117.2	-18.5%
Net Profit (*)	70.2	63.8	10.0%	95.0	-26.1%

(*) Excluding one-off rental relief of SAR 14.9m received in Q3 2020

	9M 2021	9M 2020	% Up / (Down)
Revenue	3,325.0	4,043.3	-17.8%
Gross Profit	1,170.1	1,312.8	-10.9%
Operating Profit	299.4	451.3	-33.7%
Net Profit	227.3	390.3	-41.8%

Comments from Ahmad AR. BinDawood, CEO of BinDawood Holding

"Overall, revenue during this quarter was in line with that achieved in Q3 2020 but softer than that achieved in the previous quarter because of the number of residents returning to their home countries following the easing of travel restrictions and the continuing limit on pilgrims visiting Makkah and Madinah.

However, it is encouraging to see healthy gross margin at 36.9%, testifying to the success of the operational strategy implemented by the management which partially offset the decline in sales.

We are opening two new Danube stores this month and one more in December. This will give us an enhanced presence in key consumer areas as we prepare for 2022 and as the country eases restrictions for residents and opens its doors to travelers. Our teams continue to deliver on our mission of providing our customers an exceptional grocery shopping experience, with unmatched standards of quality and convenience and we remain committed to expanding our footprint and reaching more customers across the Kingdom."

Financials: Q3 2021

Highlights

- Sales in line with Q3 2020; marginally softer sequentially due to the number of residents travelling out of the country following the easing of travel restrictions.
- Danube store sales remain resilient; 2 Danube stores opened since January and 3 more opening by year-end.
- Gross margin reaches 36.9% due to improvement in product cost and inventory management.

Third quarter revenue of SAR 1,077.8 million was in line with Q3 2020. Third quarter sales were slightly softer against the second quarter due to a large number of consumers choosing to travel during the summer holiday season which translated into reduced footfall through the stores.

Third quarter Danube store sales were SAR 807.6 million, marginally higher than SAR 796.9 million in Q3 2020 and in line with SAR 805.9 million in Q2 2021, highlighting the resiliency of its premium product offering in the current market and also providing a platform for stronger sales next year with a further three stores opening by year-end. BinDawood store sales were down slightly to SAR 270.2 million versus SAR 285.6 million in Q3 2020 and SAR 316.9 million on a sequential basis. However, encouragingly there was a five-fold year-on-year improvement, albeit from a very low base, in sales from the five stores in the Makkah and Madinah area, as the return of pilgrims to the area progresses.

Third quarter gross profit was SAR 397.3 million or 36.9% of sales versus a gross profit of SAR 356.3 million or 32.9% of sales in Q3 2020. The 36.9% gross margin is an improvement when compared to 35.6% posted last quarter. The increase in year-on-year gross margin is a result of procurement efficiency and careful inventory management.

Third quarter operating expenses were SAR 304.1 million versus SAR 272.2 million in Q3 2020 as a result of the termination of Covid-related government waivers for businesses and additional employment costs arising from strengthening the management team.

Third quarter net profit was 10% higher at SAR 70.2 million versus SAR 63.8 million in Q3 2020, excluding one-off rental relief. Including these one-offs, Q3 2020 net profit was SAR 78.7 million. Net profit margin was higher by 60 basis points, with the improvement in gross margin partly offset by higher operating expenses.

Financials: 9M 2021

Highlights

- Revenue significantly lower as compared to the corresponding period because of impact of the pandemic and the absence of certain factors that provided a significant fillip to sales in 2020.
- BinDawood stores see uptick in sales in Q2 and Q3 but unable to offset drop in pilgrim footfall.
- Improvement in gross margin as a result of inventory optimization, stringent wastage and shrinkage controls, and pricing and procurement efficiency.
- Net profit and net profit margin lower due to greater impact of fixed costs.

Revenue decreased by 17.8% to SAR 3,325 million, compared to SAR 4,043.3 million for the same period last year. In 2020, the first six months were unseasonably high in terms of sales due to; 1) the effect of pantry buying in response to the pandemic; 2) bulk buying in anticipation of the change in VAT on 1 July; and 3) consumers staying within the country during the summer holidays as international travel was significantly curtailed. The opposite can be said of the first nine months of 2021. The continuing restrictions on pilgrim travel, a reduction in marketing activities because of adherence to social distancing norms and, importantly, the resumption of travelling during the summer holiday season, were all contributory factors to lower sales.

The impact of these factors was less pronounced on Danube sales than on BinDawood sales. Danube stores posted sales of SAR 2,420.7 million versus SAR 2,843.0 million in 9M 2020, a decline of 14.9%, whereas BinDawood stores recorded 9M 2021 revenues of SAR 904.4 million versus SAR 1,200.30 million, a drop of 24.7%.

Gross profit was SAR 1,170.1 million or 35.2% of sales versus a gross profit of SAR 1,312.8 million or 32.5% of sales in 9M 2020. Whilst gross profit was lower by 10.9%, gross margin improved as a result of the Company's careful inventory management, stringent wastage and shrinkage controls, efficient pricing and procurement efficiency.

Operating expenses were SAR 877.1 million versus SAR 869.8 million in 9M 2020. Despite the absence of Covid related governmental waivers and the higher costs associated with new branch openings since October 2020, there was only a marginal increase in operating expenses due to the stringent cost containment measures introduced by management to offset the inflationary increase in costs.

Net profit was SAR 227.3 million as compared to SAR 390.3 million in 9M 2020, representing a net profit margin of 6.8% and 9.7% respectively. The improvement in Q3 net margin was unable to offset the weaker margin in the first half, which was lower as a result of the greater impact of fixed costs following a decline in revenue.

At 30 September 2021, the Company had a cash balance of SAR 290.6 million, which represented an increase of 25.2% as compared to 31 December 2020. The reduction as compared to 30 June 2021 was mainly due to the payment of an interim dividend to shareholders of SAR 142.9 million.

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About BinDawood Holding Co.

BinDawood Holding is one of the leading grocery retail operators of hypermarkets and supermarkets in the Kingdom of Saudi Arabia. The Company has a total of 76 stores of which 52 are hypermarkets and 24 are supermarkets, each located strategically across KSA, operating two complementary brands: BinDawood and Danube.

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