

BINDAWOOD HOLDING REPORTS Q4 AND FY2022 FINANCIAL RESULTS

 JEDDAH
SAUDI ARABIA
29th March 2023



Jeddah, Saudi Arabia, 29th March 2023: BinDawood Holding (BDH), one of the leading grocery retail operators, head-quartered in the Kingdom of Saudi Arabia (KSA), today reported its fourth quarter and full-year financial results for FY2022.

Financial Highlights (SAR Millions)

	FY2022	FY2021	% Up / (Down)	FY2020
Revenue	4,897.0	4,382.2	11.7%	5,156.5
Gross Profit	1,437.1	1,438.9	-0.1%	1,671.9
Net Profit	124.7	240.6	-48.1%	447.7
	Q4FY2022	Q4FY2021	% Up / (Down)	Q4FY2020
Revenue	1,318.3	1,057.1	24.7%	1,113.2
Gross Profit	368.1	268.9	36.9%	359.1
Net Profit	64.9	13.2	391.5%	57.4

- Board of Directors approved a total dividend of SAR 1.55 per share for FY2022, resulting in a payment of SAR 177.17 million.

COMMENTS FROM AHMAD AR. BINDAWOOD, CEO OF BINDAWOOD HOLDING:

“2022 can be defined as a year when investments across technology, inventory management and talent yielded better results in terms of revenue growth, supported by a rebound in customer footfall. We registered more than 3 million customers in our loyalty program in less than one year, with a majority of these being repeat customers, helping to further reinforce the power and resilience of our brand.

However, with the global macro-economic environment facing major headwinds on account of geo-political developments and peaking inflation, management made a conscious decision to absorb part of the inflationary increase on a temporary basis, predicated on the view that the resultant loss in margin would be more than compensated in the future through the increase in our client base and, consequently, our higher market share. The margins were also impacted by the reluctance of principals to make investments and provide the rebates and discounts they normally provide due to increasing economic uncertainty faced by them in their home countries.

As we continue to execute on our strategic priorities, we acquired a majority interest in International Applications Company (“IAC”) as a means of getting better control and visibility over our online sales strategy. We also acquired majority control in Ykone Group (“Ykone”), a global tech-enabled influencer marketing company that specializes in the retail sector. Both IAC and Ykone have performed better than anticipated following their acquisition by the BDH Group.

Looking ahead, with peak inflation now behind us at a global level, higher seasonality driven investment in customer engagement programs and marketing activities and enhancement of product offerings as a result of successful implementation of the loyalty program, we foresee positive impact on our sales and margins in FY2023. This has already started to manifest itself in the trading for the first quarter. These tail winds together with the adoption of aggressive cost rationalization measures including re-sizing and relocation of stores based on strategic and technical research of customers footfall, coupled with improved operational efficiency should help our profitability to gradually move upwards to the industry leading margins witnessed earlier in 2019.

In FY2023, we plan to roll out 6-7 new stores across all the three formats we operate in – Hypermarkets, Supermarkets and Express stores with a strategic focus on major cities in Western and Central Regions. In addition, we will continue exploring international opportunities, both organic and inorganic, to achieve geographical diversity. Our strong liquidity and debt free position allows us to undertake acquisitions whenever an attractive opportunity is identified.

Further, we are working on augmenting our presence in the rapidly growing online space by adding more dark stores including a mega dark store. During the year, we also made investments in a fleet of cars to improve our fulfillment rates and reduce the delivery times. Notably, today we have managed to reduce our delivery time to 59 minutes in our Express delivery format.

In summary, after three extremely challenging years for the retail sector in general, I look forward to driving the future revenue and profitability of the company with renewed hope and optimism.”

FINANCIALS: FY 2022

Revenue for the full year 2022 is SAR 4,897.0 million versus SAR 4,382.2 million in 2021. The year-on-year growth can be attributed to the gradual return of pilgrims following the lifting of the travel ban (post-pandemic) during Hajj and Umrah. The Non-Retail segment, which includes Ykone and IAC, also contributed to the overall sales with revenues of SAR 117 million.

Both our brands – Danube and BinDawood supermarkets – contributed to the overall growth during the year. The growth recorded was higher in the second half of FY2022 versus the corresponding period of the previous year (second half of FY2021). Q4 FY2022 also registered 25% growth on a YoY basis, as compared to Q4 FY2021.

BinDawood supermarkets contributed a total revenue of SAR 1,536.5 million in 2022, as compared to SAR 1,209.2 million in 2021. H2 2022 sales were higher at SAR 756.6 million vis-à-vis SAR 575 million in H2 2021. Danube supermarkets contributed a total revenue of SAR 3,243.7 million in 2022, as compared to SAR 3,173 million in 2021. H2 2022 sales were higher at SAR 1,627.4 million vis-à-vis SAR 1,560.0 million in H2 2021.

Gross profit for the full year of 2022 was SAR 1,437.1 million versus SAR 1,438.9 million in 2021. The Company posted a lower gross profit margin of 29.3% in 2022, when compared with 32.8% in 2021. This decline was primarily due to higher inflation costs that were partly absorbed by the Company to remain competitive and increase customer footfall. Gross margin was also impacted by the customer engagement programs undertaken during the year, such as the successful customer loyalty program, and lower than anticipated investment by suppliers because of economic uncertainty and consequential delay in signing of supplier's agreement. Higher customer engagement and sales will result in better negotiation with suppliers, which should translate into an uptick in gross margin in FY2023.

Operating expenses for the full year 2022 were higher at SAR 1,294.7 million versus SAR 1,174 million in 2021. This can be attributed to expenses on new store openings, investments made in technology and human capital as well as the cost of acquisitions made during the year.

Other income for FY2022 was SAR 84.1 million versus SAR 71.5 million in the previous year. A significant portion of this income in both years relates to rental relief. The increase in other income during 2022 due to the profits earned on financial products and contributions from Ykone and IAC. Net profit for 2022 was SAR 124.7 million versus SAR 240.6 million in 2021 because the increase in revenue was not enough to offset the cumulative impact of lower gross margin and higher operating expenses.

Cash generated from operations during 2022 was SAR 862 million and the year-end cash balance was SAR 509.3 million with no bank debt after total payment of SAR 177.2 million as dividend and outflows of SAR 137.6 million and SAR 107.2 million in acquiring Ykone and IAC respectively. The higher cash generation was due to better working capital management during the year.

During the full year 2022, the Company opened 6 new stores, taking the total store count to 84. This also includes the Company's maiden international Danube store in Bahrain. The Company further strengthened its presence in e-Commerce by opening 10 new dark stores in FY2022 and plans to open one mega dark store and multiple dark stores in 2023 to improve fulfillment rates and continuously reduce delivery time. FY2023 will be witnessing the roll-out of full-fledged marketing campaigns and festivals, well supported by improving macro-economic factors, which is expected to have a positive impact on both volumes and margins.

FINANCIALS: Q4 2022

Revenue for the fourth quarter of 2022 was SAR 1,318.3 million versus SAR 1,057.1 million in Q4 2021, reflecting higher customer footfall. The average basket size showed a small decline reflecting customer resistance to higher prices.

Danube's sales in Q4 2022 were SAR 857.4 million versus SAR 752.4 million in Q4 2021. Growth in Danube was on account of new store openings and more customer engagement activities.

BinDawood's sales in Q4 2022 were SAR 382.1 million versus SAR 304.8 million in Q4 2021. Notably, a higher growth rate was registered in BinDawood stores versus Danube stores.

Gross profit for Q4 2022 was SAR 368.1 million versus SAR 268.9 million in Q4 2021, reflecting a higher gross profit margin of 27.9% versus 25.4%, respectively. Q4 FY2022 marked a gradual improvement in gross margin which has continued into Q1 2023.

Q4 2022 operating expenses were SAR 330.1 million versus SAR 296.9 million in Q4 2021 as a result largely of new store openings in the last quarter of 2022.

Net profit for Q4 2022 was SAR 64.9 million, compared to SAR 13.2 million in Q4 2021 reflecting higher sales and improved gross margin which was partly offset by the increase in operating expenses.



ABOUT BINDAWOOD HOLDING:

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

In 2022, BDH 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 presence in Europe, Asia, the US and the Middle East.

(2) International Applications Company Ltd ('IAC'), the company which developed and currently operates BinDawood Holding's Danube and BinDawood ecommerce channels.

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