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**FOR IMMEDIATE RELEASE**

31 August 2020G

## **INTENTION TO LIST BINDAWOOD HOLDING COMPANY ON THE SAUDI STOCK EXCHANGE (TADAWUL)**

BinDawood Holding Company ("BinDawood Holding" or the "Company"), one of the leading grocery retail operators of hypermarkets and supermarkets in the Kingdom of Saudi Arabia ("KSA" or "Saudi Arabia"), announces its intention to proceed with an initial public offering (the "IPO" or the "Offering") and listing of its ordinary shares ("Shares") on the Main Market of the Saudi Stock Exchange of Saudi Arabia ("Tadawul"). The Offering is expected to comprise a sale of existing Shares and result in a free float of 20 per cent. Tadawul approved the Company's application for the listing of the Shares on the Main Market on 26 February, 2020G and the Capital Market Authority ("CMA") approved the Company's application for the initial public offering of 22,860,000 ordinary shares (representing 20% of the Company's share capital) on 30 June 2020G. The price at which all subscribers in the Offering will purchase Shares will be determined at the end of the book-building period.

### **BinDawood Holding Business Highlights**

- Third largest<sup>1</sup> grocery retail operator of hypermarkets and supermarkets in Saudi Arabia by revenue for the year ended 31 December 2019G.
- The Company has a total of 73 stores<sup>2</sup> of which 51 are hypermarkets and 22 are supermarkets, each strategically located across KSA.
- Operates two complementary brands:
  - BinDawood (mass mid-market brand, geared towards value offerings with competitive pricing strategies)
  - Danube (premium value grocery brand catering to the higher end of the customer spectrum), each offering unique market propositions.

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<sup>1</sup> Based on a market study report (18 Dec 2019G) prepared by Euromonitor International Ltd. For the benefit of the Company in relation to grocery retail sector in Saudi Arabia.

<sup>2</sup> As of 31 July 2020G.

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- 10-year track record of delivering growth and sustainable margins with sales of SAR 4.8bn in 2019G, posting revenue growth of 6.4% vs. 2018G and EBITDA and net profit margins of 19.4% and 8.7%, respectively in 2019G.
- The Company operates a chain of grocery stores in the immediate vicinity of the two Holy Mosques, giving it unparalleled access to an increasingly large number of pilgrims who visit the Kingdom on an annual basis for Hajj and Umrah.
- Operates exclusively in Saudi Arabia, a modern grocery retail market valued at SAR 57bn as of 2019G which is set to grow at 5.1% CAGR between 2019G to 2024G<sup>3</sup>.
- Operates in a sector which has proved to be highly resilient during the COVID-19 crisis.
- Deep product offering with 140,000 products available in the Company's stores, including items not sold anywhere else in KSA and directly imported by the Company.
- Pioneer in online and mobile grocery shopping – launched online sales through Danube Online in 2017G.
- Robust capital structure with historically zero interest-bearing debt, allowing for greater financial flexibility.
- Strategic growth plans and robust corporate governance framework supported by its strategic investor, Investcorp Group<sup>4</sup>, a leading global manager of alternative investments.
- Highly experienced management team with extensive experience in the grocery retail industry and strong knowledge of the KSA and regional food retail sector.

**Ahmad Abdulrazzaq BinDawood, Chief Executive Officer, BinDawood Holding, said:**

*"BinDawood Holding is a leading private grocery retail company in KSA, operating two of the most recognized supermarket brands in Saudi Arabia, BinDawood and Danube. We opened our first grocery store in 1984G and from there pioneered the roll-out of modern grocery retail formats and online grocery shopping across the Kingdom. At present, we have 73 stores across the country with the widest selection of imported products and a rich heritage of serving the pilgrims in the holy cities in Saudi Arabia. Our brands are beloved by our customers through years of providing them outstanding and optimized shopping experiences, heralded with the latest industry advancements.*

*Our track record of innovation, our strong financial position, our excellent supplier relationships, and our strategic store network puts us in a prime position to capitalize on the significant growth opportunity in our sector. Given the positive direction of the Saudi grocery retail sector, we believe our IPO will give new investors a solid platform for future capital growth."*

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<sup>3</sup> Based on a market study report (18 Dec 2019G) prepared by Euromonitor International Ltd. For the benefit of the Company in relation to the grocery retail sector in Saudi Arabia.

<sup>4</sup> Investcorp Group consists of Investcorp Holdings B.S.C and its regulated subsidiaries. The acquisition was done through Commercial Growth Development Company, an associated company of the Investcorp Group.

## Key Investment Highlights

**Highly differentiated and innovative grocery experience, with two strongly recognized brands, “BinDawood” and “Danube”, covering a wide consumer spectrum in the KSA.**

BinDawood Holding is the only grocery retailer in Saudi Arabia with two distinct brands: BinDawood and Danube. Each brand enables the Company to tap different customer segments with minimal cannibalization.

- BinDawood is a mass mid-market retailer that offers a unique shopping experience targeting middle income locals and expatriates. The location of these stores is typically in high footfall areas and middle-class neighborhoods.
- Danube is a premium retailer that serves middle-to-high income locals and expatriates who wish to purchase high quality, carefully selected imported products not easily available. These stores are generally located in malls and affluent neighborhoods.

The Company’s value proposition to customers is underpinned by a number of facets primarily aimed at providing a superior shopping experience, with the highest quality of products and services. These include i) ability to meet market demand for high quality products at competitive prices as a result of efficient sourcing and procurement policies, ii) vast and highly diversified product range that the Company’s stores offer, iii) innovative and efficient store design and layout and targeted and effective marketing campaigns, iv) high quality customer service and convenience of shopping including self-check outs and v) pioneering grocery digitization in Saudi Arabia.

**A well-balanced portfolio across all grocery retailing formats in an underpenetrated market with significant whitespace opportunity.**

The Company has 73 stores operating strategically across the Western, Central, Eastern and Southern regions of KSA. The Company is strongest in the Western region with 48% of all stores located there. It recently opened its latest Danube store in April this year, bringing the current total to 46 Danube and 27 BinDawood stores which collectively make up a total gross area of 555,527 sqm and total selling area of 364,475 sqm. In terms of format, this translates into 51 hypermarkets and 22 supermarkets, with the Company exploring potential new formats such as express (convenience) stores. The other regions are divided as follows: 27% in the Central region, 15% in the Eastern region, and 10% in the Southern region.

The Company operates a retail grocery chain in the immediate vicinity of the Two Holy Mosques, giving it unparalleled access to an increasingly large number of pilgrims who visit the Kingdom on an annual basis. In 2019G, 9.95 million<sup>5</sup> pilgrims visited Saudi Arabia, and this figure is expected to increase to 30 million pilgrims by 2030G<sup>6</sup>, marking out the significant growth potential of Umrah and Hajj.

**A business model which capitalizes on growing consumer demand for high quality food products and household items in the KSA at competitive prices.**

BinDawood Holding has an overall assortment of more than 140,000 active products, known in the retail sector as stock keeping units (or “SKUs”), and distinguishes itself by the depth of its product offering and breadth of product availability. The Company seeks to provide customers with a differentiated product and tailors its store-level SKU assortment after a disciplined assessment of each store’s respective catchment area, demographic profile, and latest consumption trends informed by proprietary customer data. The Company sources products through a broad and diversified network of suppliers and has distribution rights for many

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<sup>5</sup> Based on General Authority for Statistics KSA results on the number of Foreign Umrah and Hajj performers in 2019

<sup>6</sup> Based on Saudi Government “Vision 2030” plans to increase the number of religious visitors to 30m by 2030G

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premium brands and focuses heavily on fresh products such as vegetables, meats and freshly baked goods through its specialized bakeries.

### **Pioneer of grocery e-commerce in KSA**

The Company was the first retail grocery operator in the KSA to offer online sales through Danube Online and the Danube App, a mobile phone application and online platform launched in 2017G. The Company followed by launching the BinDawood App in 2019G.

Management believes that Danube Online has transformed the Saudi Arabian grocery shopping experience by catering to unmet online shopping needs in Saudi Arabia.

Danube Online and the Danube App have been recognized by peers through multiple awards from leading names such as Retail Middle East, IDC and Seamless Awards, which acknowledges the Company's leading online presence and reputation for a reliable service.

### **Access to a growing market supported by a stable macroeconomic backdrop, further complemented by KSA's Vision 2030<sup>7</sup>**

With a total estimated GDP of SAR 3.0 trillion, KSA is the largest economy in the MENA region and has a population that is 1.5 times larger than the rest of the GCC countries' combined population. The economy is underpinned by key factors, including:

- Strong population growth expected to reach 34.2 million inhabitants by the end of 2019G with 47% of the total population aged 29 and below in 2019G, considered a 'demographic dividend' for the retail sector as it implies robust future demand.
- Ongoing implementation of buoyant economic reforms in KSA, including opening up sectors for private participation, boosting infrastructure investments, and unlocking new economic sectors (including tourism and leisure).

Vision 2030 initiatives include, but are not limited to, enabling the retail sector, increasing Hajj and Umrah visitors inflow, increasing tourism contribution to 10% of the country's GDP, and increasing spending on culture and entertainment from 3% to 6%, all of which contribute to a positive backdrop for the economy overall, including the grocery retail sector.

There is also significant potential for modern grocery retail penetration growth in KSA. Saudi Arabia modern grocery retail penetration currently at 41% is low compared to 85% for neighboring UAE and 70% for the rest of the GCC excluding UAE<sup>8</sup>. The gap is substantial and offers runway for growth that will in turn be supported by several giga-projects and other sizeable developments expected across the Kingdom.

### **Consistent financial performance**

BinDawood Holding has demonstrated consistent top line growth, solid margins, strong cash flow generation, and a resilient capacity to paying dividends. As of 2019A, net income stood at SAR 419 million (8.7% margin) implying higher profitability than the average Saudi listed peer group<sup>9</sup> over the same period. Also, in 2019A, the Company had zero financial leverage, SAR 770 million in FFO<sup>10</sup> and a cash conversion<sup>11</sup> of 82%. Highlights of FY2019G financial results include:

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<sup>7</sup> Saudi Vision 2030 and Market Study Report by Euromonitor (as per footnote #1)

<sup>8</sup> Euromonitor International's analysis based on data from Passport's Retailing Database (2019 edition)

<sup>9</sup> A peer group is a group of individuals or entities that share similar characteristics

<sup>10</sup> FFO is defined as net cash from operating activities excluding change in capex payable

<sup>11</sup> Cash conversion defined as FFO / EBITDA.

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- Sales: SAR 4.8bn, 6.4% increase year-on-year
- Gross profit: SAR 1.6bn, 34.0% margin
- EBITDA: SAR 941m, 19.4% margin
- Net income: SAR 419m, 8.7% margin
- Distributed dividends: SAR 245m

In the first half of 2020, the Company's supermarkets and supply chain have proven remarkably resilient during the coronavirus outbreak. Revenue was up 22% in H1 2020, compared to H1 2019, and excluding the revenue from five temporarily closed stores in the Haramain area, it was up 30%. Compared to H1 2019, H1 2020 gross profit, EBITDA and net income were 23%, 34% and 82% higher respectively<sup>12</sup>. Improved profitability was boosted by sales driven by pantry stocking and higher at-home food consumption as well as reduced operational expenses, fewer supported promotions, improved inventory management and government utility rebates.

### **Robust corporate governance framework**

In 2016G, an associate of Investcorp Holdings B.S.C.<sup>13</sup>, who together with its regulated subsidiaries is a leading global manager of alternative investments, acquired a minority stake in BinDawood Holding. Investcorp worked closely with the management team to deliver on their strategic growth plans, optimize their operational leverage and implement a robust corporate governance framework that institutionalizes BinDawood Holding's policies and procedures.

The roles, duties and responsibilities of the Board of Directors, Board Committees and Executive Management as well as the General Assemblies have been formulated in line with the applicable regulations including the Companies' Law, Corporate Governance Regulations.

The Company's bylaws have also been updated to meet the listing requirements and a corporate governance manual has been drafted for the guidance of the Board of Directors, executive management and employees of the Company. The Board of Directors is composed of 9 Directors appointed by Shareholders at the General Assembly; consisting of 2 Non-Executive Directors; 4 Executive Directors and 3 Independent Non-Executive Directors.

### **Highlights of the Offer**

- Listing on the Main Market of the Tadawul of Saudi Arabia
- The Offering is comprised of 22,860,000 existing Shares to be sold by the current shareholders (the "Offer Shares")
- Immediately following listing, the Company is expected to have a free float of 20% of the Shares
- The IPO will comprise an offer of 22,860,000 Offer Shares to institutional investors entitled to participate in the book-building process ("Institutional Investors") in accordance with the CMA Instructions on Book-Building and Allocation of Shares in Initial Public Offerings, including non-resident qualified foreign financial institutions in accordance with the Rules for Qualified Foreign Financial Institutions Investment in Listed Securities. Following the completion of the Institutional

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<sup>12</sup> Calculated using IFRS 16

<sup>13</sup> Acquisition done through Commercial Growth Development Company (an associated company of the Investcorp Group)

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Tranche, the Offer Shares will also be offered to Saudi Arabian nationals, foreign residents in the Kingdom of Saudi Arabia and GCC nationals ("**Retail Investors**"). Initially, 100% of the Offer Shares will be provisionally allocated to the Institutional Investors. This may be reduced to 20,574,000 Offer Shares (representing 90% of the total Offer Shares) depending on the level of demand by Individual Investors. The final number of Offer Shares allocated to the Institutional Investors will be accordingly adjusted based on subscription from Individual Investors.

- The offer of Offer Shares to Institutional Investors will be made as follows:
  - Institutional Investors registered in the Kingdom may submit a Bid Form or may apply for subscription with the Bookrunners telephonically or electronically during the Book-Building Period to be made available by the Financial Advisors and Bookrunners. In all cases, Institutional Investors registered in the Kingdom must complete the Institutional Investors Subscription Form after the allocation of Offer Shares based on the number of Offer Shares allocated to them.
  - Institutional Investors not registered in the Kingdom may apply for subscription with the Bookrunners telephonically or electronically, without the need to complete and sign a Bid Form. Institutional Investors not registered in the Kingdom must complete the Subscription Form for Participating Parties after the allocation of Offer Shares based on the number of Offer Shares allocated to them.
- The offer of Offer Shares to Retail Investors will be made as follows:
  - Individual Investors are required to fill and submit a Retail Subscription Form. Retail Investors who have participated in recent initial public offerings in the Kingdom can also subscribe through the internet, telephone banking or automated teller machines ("**ATMs**") of any of the Receiving Agents branches that offer any or all such services to its customers, *provided* that the following requirements are satisfied: (i) the Retail Investor must have a bank account at a Receiving Entity which offers such services and (ii) there have been no changes in the personal information or data of the Individual Investor since such person's subscription in the last initial public offering.
- The substantial shareholders who each own 5% of more of the Shares and comprise Akasiya Star Trading Company Limited, Abdullah BinDawood Sons Company Limited and Commercial Growth Development Company (a subsidiary of Investcorp) (collectively, the "**Substantial Shareholders**") may not dispose of any of their Shares for a period of 24 months, and the Company may not list additional Shares on the Tadawul for a period of six months, in each case from the date on which trading of the Company's Shares commences on the Tadawul.
- CMA and Tadawul approvals have been obtained for the Offering.

With respect to the Offering, the Company appointed Goldman Sachs Saudi Arabia and J.P. Morgan Saudi Arabia Company as Financial Advisors, Coordinators, Bookrunners, and Underwriters. The Company also appointed GIB Capital as Senior Bookrunner, Coordinator, and Underwriter, in addition to NCB Capital Company as Lead Manager, Bookrunner, Coordinator and Lead Underwriter (Goldman Sachs Saudi Arabia, J.P. Morgan Saudi Arabia Company, GIB Capital and NCB Capital Company together, the "**Bookrunners**"). The National Commercial Bank and Al Rajhi Bank have been appointed as receiving agents (collectively, the "**Receiving Agents**")

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The international offering circular prepared in connection with the Offering (the "**International Offering Circular**") is the sole legally binding document containing information about the Company and the Offering



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