

Chairman's Statement

Investing for the future in all our key areas

In general terms, 2022 was a year in which we were finally able to put our business back on track after what had been an unimaginably challenging two year period, stemming from the pandemic. As I write this letter to our valued stakeholders in March 2023, we are perhaps not yet 100% recovered in every respect; but the clear signs of a strong rebound are there to be seen and we go into the current financial year highly optimistic on all fronts.

BinDawood Holding developed materially during 2022, following two separate acquisitions made through our new subsidiary Future Retail for Information Technology Company ('FRIT'). FRIT is a Limited Liability Company registered in Jeddah, which makes investments in companies that are engaged in providing solutions and technology for the retail sector.

In 2022, FRIT acquired firstly an effective 85.3% of Ykone S.A.S ('Ykone') and secondly 62% of International Applications Trading Company Ltd ('IATC').

The acquisition of a controlling interest in the specialist influencer company Ykone, headquartered in Paris, was a major milestone not only of the year but also for BinDawood Holding more widely. Since the acquisition date, Ykone has performed very well – growth and profitability are ahead of projections. We are now able to run our own media campaigns 'in-house', effectively with our own employees at the helm, and the initial results show dramatic progress as measured by all the usual sales and marketing conversion metrics. Not only is Ykone profitable in its own right, but our ownership has simultaneously produced synergies. The costs we were formerly incurring in using third party marketing services have been materially reduced. Ykone's business is spread far and wide, with clients all over the world including the Middle East, Europe, America and the Far East. The company has an acquisition agenda of its own and is making good progress with assessing potential inorganic expansion internationally.

Following the acquisition last July, IATC has also produced credible results, becoming profitable in Q4. IATC has quickly developed both BinDawood's and Danube's online offering, with improvements on the technology side matched by our own operational developments: we have added an enlarged fleet of vehicles to complement our branches, in order to service our expanding footprint of dark stores throughout the Kingdom. This is one of our key strategic moves – to enhance our ability to make faster deliveries to more customers on a more localized basis, with greater frequency and with reduced minimum basket sizes. These major changes to the Company's business model started to add demonstrable value and produced positive sales growth in Q4.

In 2022, for understandable reasons, the Saudi Arabian authorities capped the number of pilgrims permitted to attend Hajj at a level of 1 million, which was approximately half the pre-Covid number. This had a significant impact on our business in the two Holy cities, where up to 15% of our total sales have traditionally been directly related to the pilgrim market.

The Ministry of Hajj & Umrah has now formally announced an 'open' Hajj in 2023, with the permitted numbers of pilgrims returning to former levels; this will provide a very material boost as we rebound from the severe challenges of 2020 and 2021. The wider context, which supports our optimism regarding significant sales growth in 2023, is the opening up of the Saudi economy on so many fronts in line with Vision 2030, not least to the international tourism market. It is now much easier to acquire visas for visiting Saudi Arabia; previous restrictions on the free movement of tourists have largely been reduced,

meaning that tourists are now starting to make visits to multiple cities and heritage sites, rather than just one destination as before. There are now 5 so called 'mega projects' underway, supported by a huge programme of investment and development across all sectors of the economy. In Riyadh, for example, the stated ambition is to increase the population of the city by up to five million people by 2030.

Rising inflation across most consumables made it a tough year for consumers in the Kingdom generally, as it has done throughout the world. In response, we adopted a strategy of price reduction in order to make our stores as competitive as possible against the other retail operators in our markets. In doing so we have deliberately sacrificed some margin, but in the process we have also achieved our primary aim of protecting our two brands' market shares, with the number of customers physically visiting our stores or shopping through our online portal increasing by 14% during the year. Sales were positive, despite smaller average basket sizes, and our customers shopped with us more frequently. This reflected the expected



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outcomes of our chosen pricing strategy. Although our traditional customers are far from immune to cost pressures, they also show great loyalty and they appreciate our market-leading approach to customer service. This customer loyalty is one of the great strengths that underpins our long term stability as a business and which gives us the confidence to make the significant investments we have made in 2022 in technology and marketing.

All of this future growth in the economy will directly impact the disposable incomes of our customers and therefore, in turn, it will impact our own prospects for revenue growth. For this reason, the widespread investment I refer to above will be good news for our retail stores in the years ahead.

Our new loyalty program was implemented during 2022, with great success. We are very pleased with the results so far – within two months of launch, over 3 million new subscriptions were registered. The data which we are acquiring through this programme will bring us many benefits, including allowing us to tailor more targeted marketing according to customer types, with the ability to make specific promotions to specific customers that are based on known shopping habits rather than broad guesswork. In 2022 we also pushed our geographical reach further into the north-west, with the opening of a new store in Tabuk, close to the rapidly developing resort at NEOM. This store is well located in an area with wide catchment and a population which is forecast to grow significantly in the short term. We expanded our store footprint in 2022, with 6 new branches in total, 4 of them being located in the Western Region. We also pushed in new directions with the opening of our first international branch in Bahrain, which commenced trading in October.

From all these experiences, we are quickly learning how we might expand into other GCC countries, which we hope we can start to do in 2023.

Outlook

Prospects for 2023 and beyond, after three very challenging years, are now much brighter. The return of the pilgrim market in 2023 is extremely significant for us as a business, coupled with which the overall dynamism within the Kingdom. As Vision 2030 is delivered across so many strands in our society, all our stakeholders will benefit – from our customers, to our employees and our trusted partners and suppliers. We look to the future with the benefit of the immense knowledge we have gained during the Covid era; we are definitely stronger for it. I have many people to thank for our resilient performance as we emerge from the tough conditions of the recent past.

Firstly the Board of Directors, for their guidance, leadership and wisdom throughout 2022. Secondly our staff, who I thank for their unbroken loyalty and endeavour. They have demonstrated once again that a combination of hard work and teamwork can conquer all challenges.

Thirdly all of BinDawood Holdings' trusted partners and suppliers, whose relationships we value so highly. The mutual respect and appreciation which we share is at the very core of our business and is the foundation of our Company's values. I thank them most sincerely for their dedication and friendship as we emerge together post-Covid in our long-established spirit of partnership.

Lastly I convey my sincere gratitude and heartfelt thanks to the Government of the Kingdom of Saudi Arabia and The Custodian of the Two Holy Mosques, His Majesty King Salman bin Abdulaziz Al Saud for his wise and visionary leadership, and His Royal Highness Prince Mohammed bin Salman bin Abdulaziz Al Saud, Crown Prince of the Kingdom of Saudi Arabia, for driving Saudi Arabia's Vision for 2030.

Abdulrazzag BinDawood
Chairman of the Board of Directors
of BinDawood Holding



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