



بن داود  
**BinDAWOOD**  
HOLDING القابضة

# EARNINGS CALL 2020

30 March 2021  
BinDawood Holding HQ  
Jeddah, KSA

بن داود  
**BinDAWOOD**

الدانوب  
**Danube**

# Disclaimer



This presentation has been prepared for information and background purposes only.

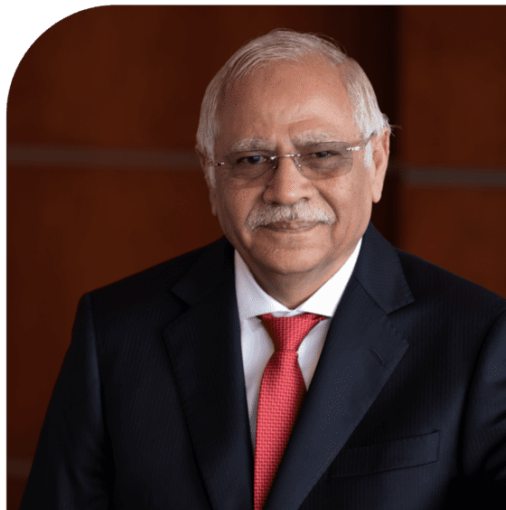
It has not been independently verified, and no representation or warranty, express or implied, is made as to the fairness, accuracy, completeness or correctness of the information contained herein, and no reliance should be placed on it. Neither the Company nor its affiliates, advisers, connected persons or any other person accepts any liability for any loss howsoever arising (in negligence or otherwise), directly or indirectly, from this presentation or its contents or otherwise arising in connection with this presentation. This shall not, however, restrict or exclude or limit any duty or liability to a person under any applicable law or regulation of any jurisdiction which may not lawfully be disclaimed (including in relation to fraudulent misrepresentation).

No forward looking statement contained in this presentation has been made or reaffirmed without a reasonable basis or has been disclosed other than in good faith.

## Today's Presenters



**Ahmad AR. BinDawood**  
*Chief Executive Officer*



**Muhammad Salim Patka**  
*Chief Financial Officer*



**Hassan Javaid**  
*Director of Finance &  
Head of Investor Relations (interim)*





## CEO Message



01

# CEO Message



**Ahmad AR. BinDawood**

**Forbes Top CEOs In the Middle East  
2021**



## ***FY 2020 Overview***

*Our number one priority in 2020 was to support our customers and our communities in what was an immensely challenging year. The socio-economic impact of COVID-19 was felt by everyone, everywhere. We pivoted rapidly, implementing new health and safety measures that were established by the government while continuing to serve our customers via our supermarkets and ecommerce platforms.*

*Major headwinds included an absence of Umrah, Hajj, Shaban and Back to School seasons and regular promotional campaigns, alongside a shift in consumer spending trends. Despite these challenges, our operations have proved resilient. We closed our fiscal 2020 with group sales of SAR 5.16BN and 6.8% increase in net profit to SAR 447.7M.*

*FY 2020 was also a year of opportunity. We marked the major milestone of completing our successful IPO. In terms of strengthening our business, we added 5 new Danube stores, taking our total to 74 stores. We announced our first new international store opening in Bahrain, which is expected to open in late 2021/early 2022. We implemented new technologies to improve our procurement, logistics and back-end operations, and we anticipate seeing the benefits come through this fiscal year.*

*Given the resilience of our business model, the steps we have taken to streamline the business and the power of our omnichannel approach, I remain optimistic about the long-term prospects of the business.*

# FY 2020 Financial and Operational Highlights



## Financial Highlights (SAR)

Revenue:  
**5,156.5M +6.5%**

---

Gross Profit:  
**1,671.9M +1.7%**

---

Operating Profit:  
**514.6M -0.7%**

---

Net Profit:  
**447.7M +6.8%**

---

Board of Directors approved full year dividend of SAR 2.8 per share, totalling SAR 318.6M

---

Cash Balance of SAR 232.2M, with no bank debt

---

Danube sales grew by 17.5% annually despite challenging trading environment

## Operational Highlights

Opened five new Danube branches in Hail; Riyadh (2); Khamis Mushait; and Jeddah

---

Announced first international branch outside KSA, Danube store to open in Bahrain (late 2021/early 2022)

---

Significantly increased security and cleaning at all 74 sites and introduced social distancing, hygiene measures and larger layouts

---

Increased product depth and competitive pricing to prioritize availability of essential items

---

Improved online transaction experience

---

Rolled out four major investments in technology infrastructure





## FY 2020 Trading Performance

02

# FY 2020 Key Performance Highlights



<b>Sales Performance</b>	Sales performance for FY 2020 witnessed a strong growth of +6.5% attributable to a +17.5% growth in Danube which was partially offset by a decline of -13.4% in BinDawood sales. Overall BDH performance is improved due to efficient & organised stock availability amid pandemic effectively meeting customers' needs, balanced network expansion, and exceptional management of supply chain and procurement function.	<b>+6.5% YoY Growth</b>
<b>Gross Margin %</b>	Gross margin % witnessed a slight decline by 1.6% due to underperformance in H2 2020 owing to the loss of festival & marketing campaigns and limited scale operations at the stores serving the pilgrims. Encouragingly, the impact of these is offset by a reduction of shrinkage and wastage costs as a result of a conscious effort by management to improve operational efficiency.	<b>32.4% Gross Margin</b>
<b>Strong Cash Flow Generation</b>	The Company has generated SAR 658M of cash, representing a very healthy EBITDA to FCF conversion ratio, despite an increase in working capital investment because of the impact of COVID-19.	<b>75% Adjusted CFO<sup>1</sup>/Adjusted EBITDA<sup>2</sup></b>
<b>Robust Capital Structure</b>	BinDawood Holding has a debt free structure despite significant dividend payments as indicated below owing to strong operational performance and cash flow generating ability.	<b>SAR 232.2M Cash Balance</b>
<b>Strong Capacity to Pay Dividends</b>	Dividend of SAR 318.6M paid for Q1-Q3'20 reflecting a dividend pay-out ratio of 82%.	<b>82% Dividend Pay-out<sup>3</sup></b>

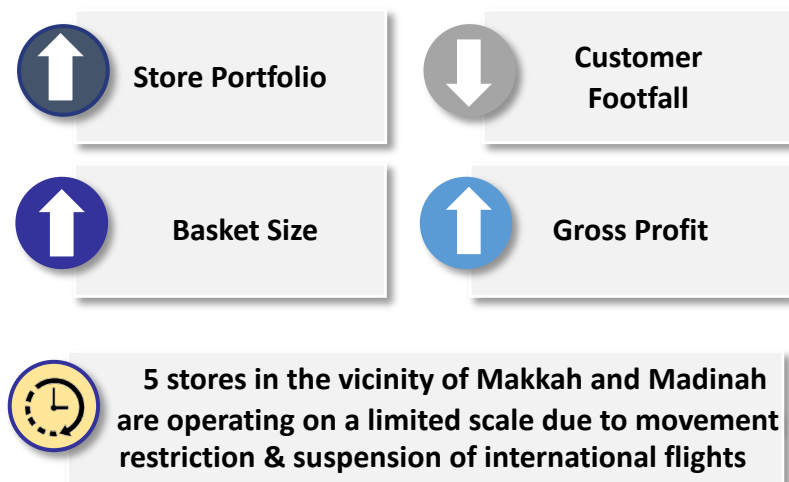
Source: Company Information

<sup>1</sup>Adjusted CFO is defined as net cash from operating activities excluding change in capex payables. <sup>2</sup>Adjusted EBITDA is defined as operating profit + D&A + recurring portion of other income (empty carton sales). <sup>3</sup>Dividend pay-out defined as dividends paid divided by net income.



# FY 2020 Performance Dashboard

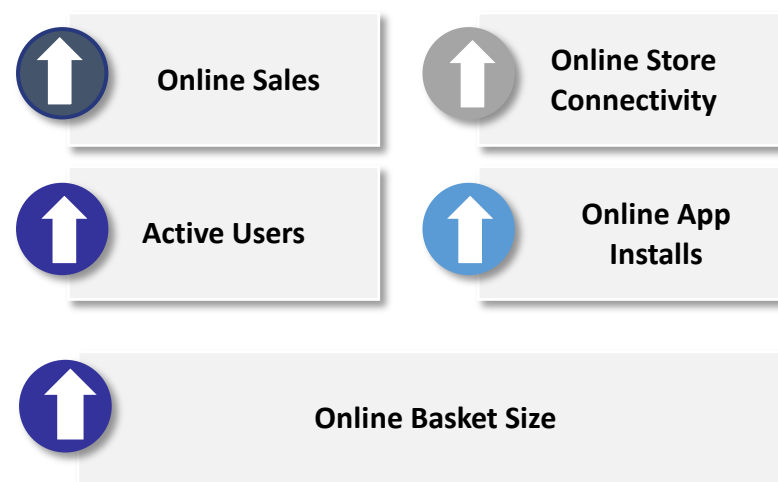
## Physical Stores<sup>1</sup>



- Store portfolio increased from 69 to 74. Danube expanded presence across the Central, Southern and Western Regions.
- Customer footfall was affected mainly due to absence of Shaban, Umrah & Hajj Seasons and Back to School Campaign due to COVID-19 restrictions & suspension of international flights in December.
- Improvement of basket size is due to pantry stocking by customers in H1'20 and customers prefer to have larger baskets to minimize the store visits.
- Gross profit rose to SAR 1,671.9M in 2020 versus SAR 1,644.5M in 2019 whereas, the margin % is reduced by 1.6% due to the loss of festival & marketing campaigns and lower profitability in the stores serving the pilgrims which are offset by a reduction of shrinkage and wastage costs as a result of a conscious effort by management to improve operational efficiency.



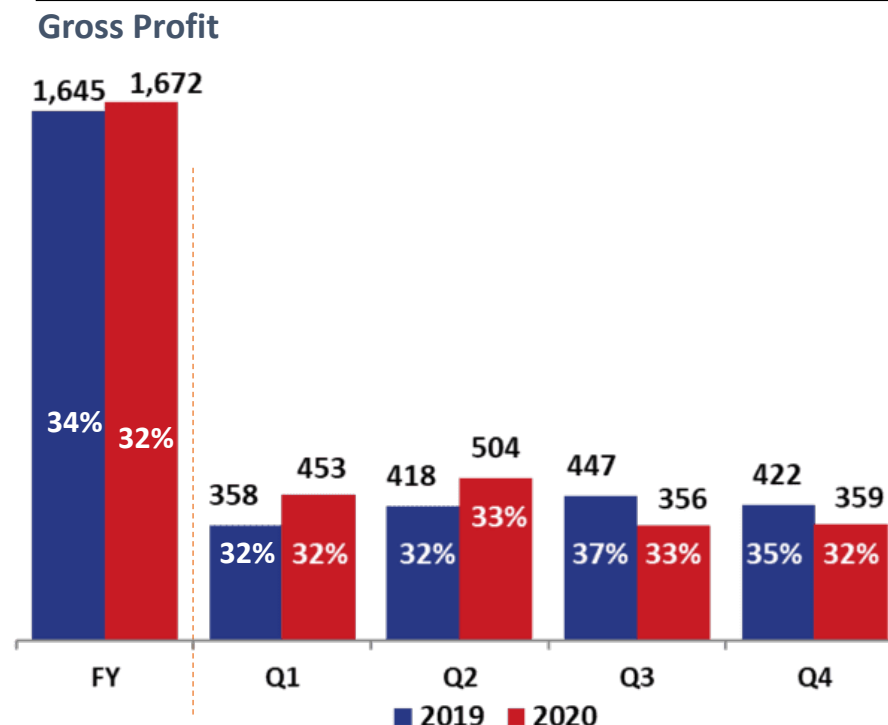
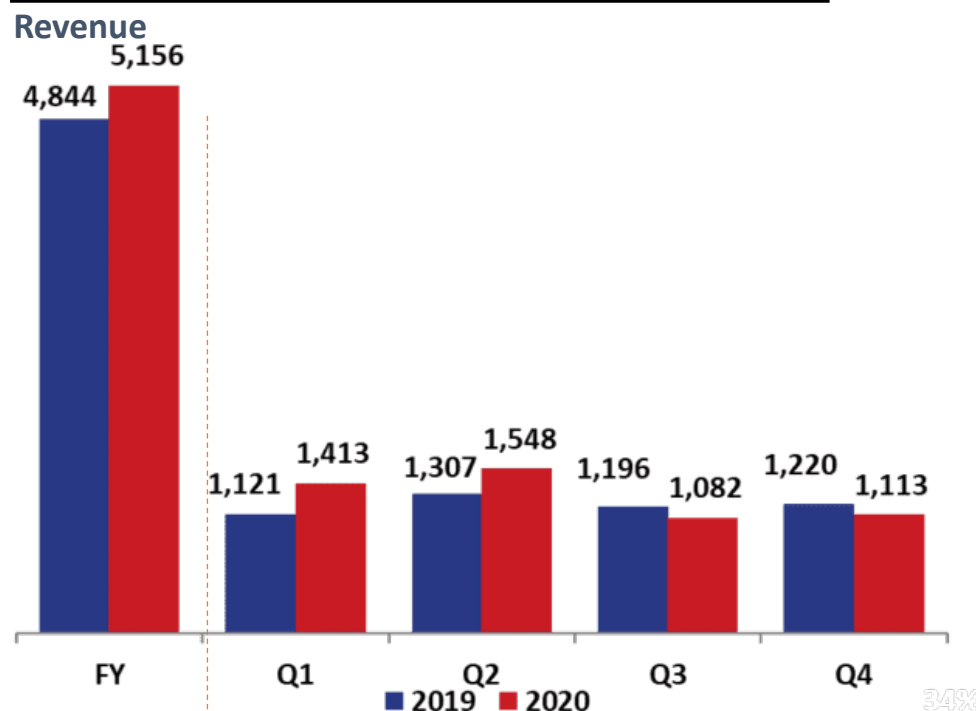
## Online Stores<sup>1</sup>



- Increased store connectivity from 13 stores to 31 stores
- Boosted by stable platform ensuring minimum glitches
- Enhanced availability of SKUs
- Redeployed employees to help with online boom
- Collaborated with delivery aggregators to cope with demand

# FY 2020 Trading Update (1/4)

Financial Performance (SAR M)



- Growth of 6.5% in FY 2020 versus FY 2019. Sales growth in Danube by 17.5%. Danube's record sales helped to offset a fall in BinDawood (-13.4%).
- H2 2020 witnessed a loss in revenue due to international flight restrictions leading to a loss of pilgrim visits for the Umrah/Hajj season coupled with a drop off in marketing campaigns to adhere to social distancing norms

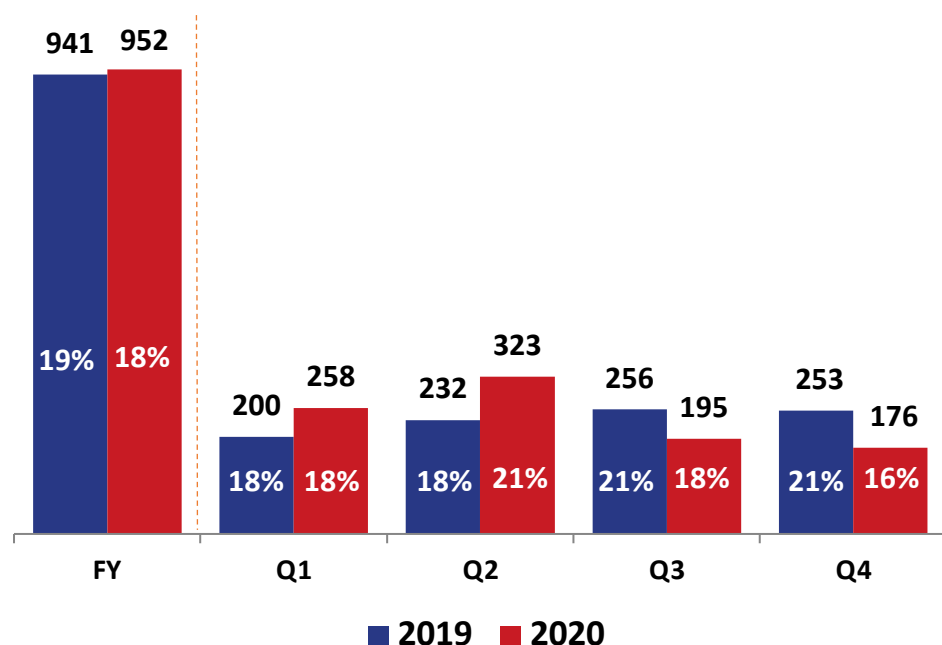
- Overall increase in gross profit by 27M whereas decrease in gross margin % by 160 basis points.
- The decrease in margin % was largely attributable to lower profitability of the Makkah and Madinah stores and the loss of festival and marketing campaigns to ensure compliance with government health and safety social distancing regulations.

# FY 2020 Trading Update (2/4)

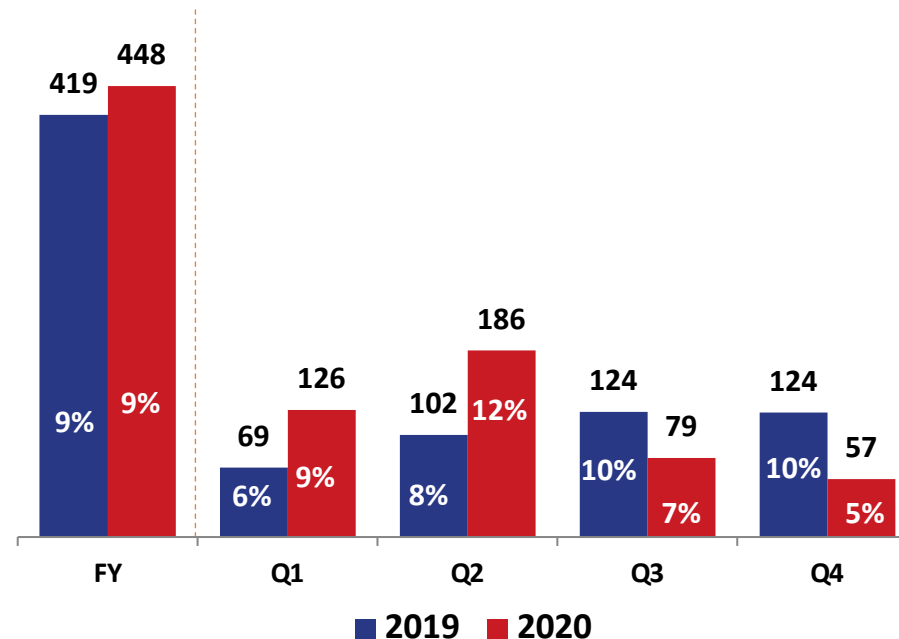
Profitability (SAR M)



## Adjusted EBITDA



## Net Income



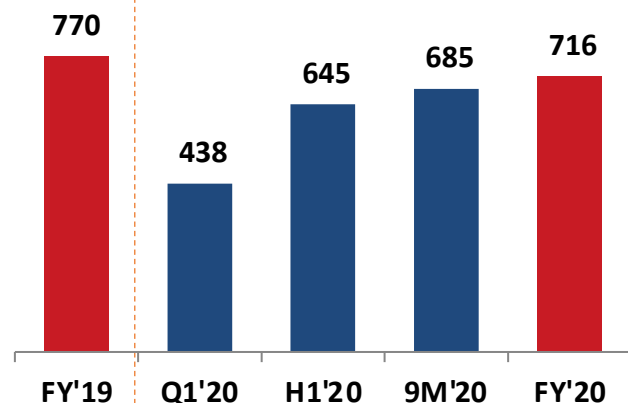
- Company managed to maintain the profitability by leveraging on exceptional supply chain management amid pandemic, stock availability, growth in sales, and increasing presence across the Kingdom despite an increase in operating expenses due to COVID-19 related measures on health and safety which is offset by waiver of commission charges by banks, rental relief received from landlords and subsidy received in electricity bills.

## FY 2020 Trading Update (3/4)

Adj. CFO<sup>1</sup>/  
Adj.  
EBITDA<sup>2</sup>

82%   170%   111%   88%   75%

Funds from  
Operations<sup>1</sup>

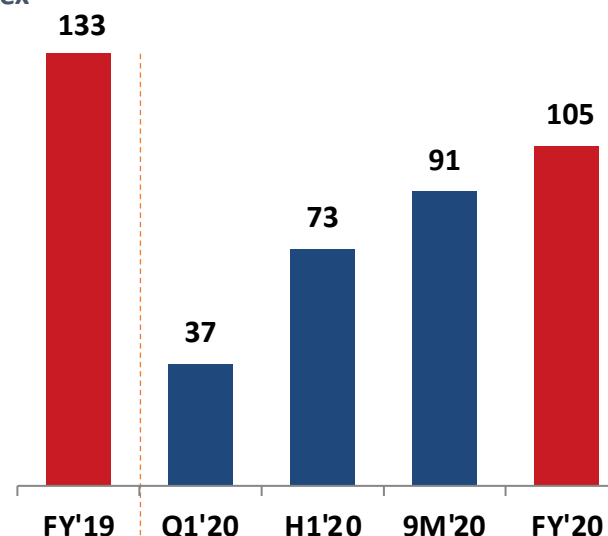


Capex/Store

4,275/sqm

3,905/sqm

Cash Capex<sup>3</sup>



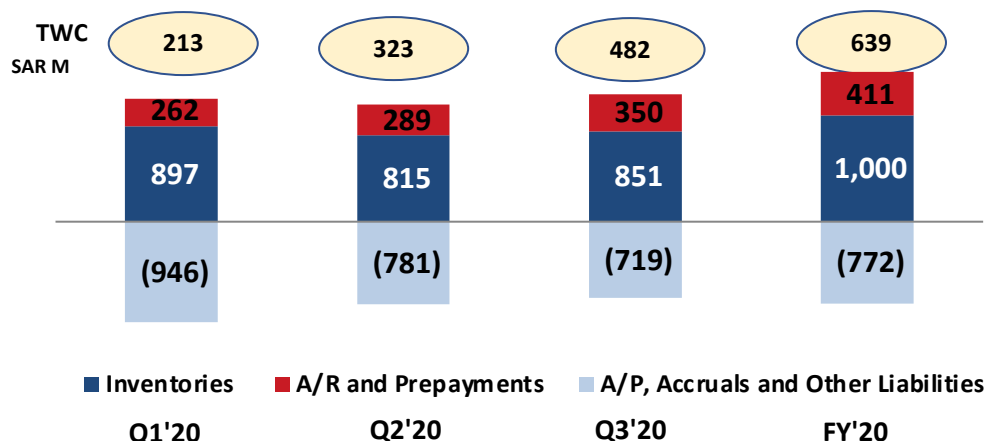
- Adjusted CFO for FY 2020 is 7% lower than FY 2019 due to an increase in working capital investment largely arising from higher inventory balance.
- Opening of 3 warehousing and production facilities and 5 new stores achieved with higher capex efficiency on the back of smaller store sizes and improved utilization of existing fittings/machinery.
- Cash balance was SAR 232.2M as at 31 December 2020.



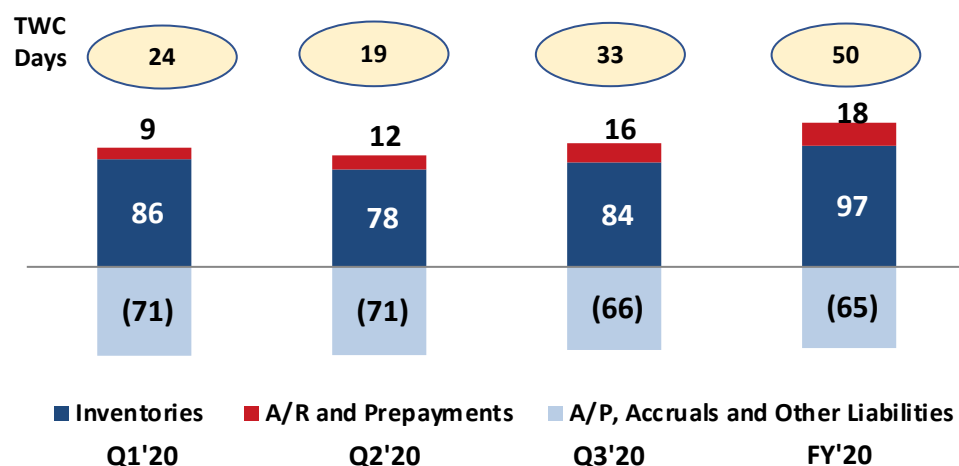
## Key Cash flow and Balance Sheet Items (SAR M)

# FY 2020 Trading Update (4/4)

### • Trade Working Capital (TWC)<sup>1</sup>



### • Trade Working Capital Days



### Inventory

- Lower sales during Q4 due to absence of marketing campaigns, and suspension of international flights that stopped the inflow of pilgrims resulted in higher inventory balances.
- No sell-down of slower moving non-perishable items (pilgrim related) due to subdued Ramadan/Hajj season.

### Accounts Receivables & Prepayments

- Balance increase due to slow down in collection owing to the impact of COVID-19.

### Accounts Payables, Accruals and Other Liabilities

- Secured supply of products during COVID-19 by offering suppliers one-off enhanced payment terms and thereby reducing accounts payables.
- Deduction of annualized supplier targets from account payable balances.

Source: Company Information, Audited Financial Statements. Note: Q1 2020A TWC days annualized using Q1 2020A financials, Q2 2020A TWC days annualized using H1 2020A financials, Q3 2020A TWC days annualized using 9M 2020A financials and FY 2020A TWC days are calculated using FY 2020A financials<sup>1</sup> Trade working capital defined as Inventories + A/R and prepayments – A/P, accruals and other liabilities excluding payables to capex suppliers. 2 Inventory days defined as (average of opening and closing inventory / cost of sales) x 365 days. Receivable days defined as (average of opening and closing A/R and prepayments excl. other receivables (debit balances of suppliers) / revenue) x 365 days. 4 Payable days defined as (average of opening and closing A/P, accruals and other liabilities excl. capex payables and adjusted for other receivables (debit balances of suppliers) / cost of sales) x 365 days.



**Concluding  
Remarks & Q&A**

# Our Strategy and Concluding remarks

## Key Focus Areas

Expand Store Network	<ul style="list-style-type: none"> <li>Continue to implement national store rollout plan to consolidate position in the Western, Central and Eastern regions of the KSA. The Company will leverage the strategic flexibility of its dual-brand and format model to grow the network of both BinDawood and Danube stores inside and outside of the Kingdom. Given the market capitalization, cash-generating ability, and debt-free structure, the Company would view favourably any potential opportunity for meaningful M&amp;A.</li> </ul>
Incremental measures for recently opened stores	<ul style="list-style-type: none"> <li>Continue granular focus on aggressively driving sales at recently opened stores, by closely monitoring demographic and consumption trends and improving performance at stores that might have been negatively impacted by one-off adversities (such as construction work) through targeted marketing and promotion initiatives.</li> </ul>
Drive Like-for-Like Growth	<ul style="list-style-type: none"> <li>Continue to drive initiatives to enhance sales levels in mature stores, focusing on enhancing the in-store shopping experience for customers, thereby increasing average basket size. This strategy is supported by promotional initiatives, including in-store seasonal and festive events and the adoption of the latest technologies to enhance supply chain efficiency.</li> </ul>
Strengthen Online Platform	<ul style="list-style-type: none"> <li>Continue to strategically build an incremental online sales channel through danube.sa, the Danube App and BinDawood App to maintain strong positioning as the pioneer of grocery digitisation in KSA. The Company also intends to increase the number of stores that support online shopping in 2021. Following the change in consumption trends and patterns, the Company is revisiting its strategy to scale online operations in 2021.</li> </ul>
Cash flow generation and cost-efficient approach	<ul style="list-style-type: none"> <li>Continue efficient management of operating expenses at the store level and the corporate level, including introducing the latest technology and digitisation measures generating extra cash flow.</li> </ul>



## Forward Looking 2021

### Sales Outlook



*Performance is expected to be subdued in H1 but to improve from Q2 onwards due to the resumption of international flights and achievement of significant progress in the vaccination program*

### Profitability



*Gross Margin and Net Profit Margin are expected to show a marginal improvement in 2021 by improving operational efficiency.*

### Dividend Guidance



*Pay-out of 80% approx.*

### Store Development



*On track to open 5-6 new stores including one international store in Bahrain*





## Appendix: Additional Materials

05



# FY 2020 Key Share Data



## Share price performance

<u>BinDawood Holding (Symbol: 4161)</u>	
Share price (SAR) as at 28 March 2021	110.0
Current P/E Ratio as at 31 December 2020	30.4
Earnings per share (SAR) as at 31 December 2020	3.9
Shares outstanding (millions)	114.3
Market Capitalization (SAR millions)	12,573

## BDH Shareholding Structure

