



بن داود
DAWOOD
HOLDING القابضة

EARNINGS CALL Q2 2021

16th August 2021
BinDawood Holding HQ
Jeddah, KSA

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DAWOOD

الدانوب
Danube

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Today's Presenters



Ahmad AR. BinDawood
Chief Executive Officer



Muhammad Salim Patka
Chief Financial Officer



Hassan Javaid
Head of Investor Relations (interim)



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CEO's Message



01

CEO's Message



Ahmad AR. BinDawood



Forbes Top CEOs In the Middle East 2021

H1 2021 Overview

A comparison of the financial performance of H1 2021 with H1 2020 is not very meaningful because of the extenuating circumstances and unprecedented disruption to business caused by the pandemic.

Q1 2020 was largely unaffected by the pandemic. Q2 2020 benefitted enormously from pantry-buying in response to lockdowns and in the lead-up to the VAT hike which came into effect from 1 July 2020. In contrast, H1 2021 bore the full impact of the pandemic, resulting in a drop in pilgrim traffic due to restrictions on international travel and a significant drop-in promotional activity due to the need to adhere to social distancing measures.

A comparison of H2 2020 with H1 2021 is more relevant as the trading conditions over both these periods were very similar. In this context, the Company responded positively to the challenging business environment and performed better across all financial parameters.

The Company's sales for H1 2021 were 2.3% higher than H2 2020 and the gross margin improved by an impressive 1.8%, from 32.6% to 34.4%, and net profit margin from 6.2% to 7%. The improvement in margins reflects a concerted effort to optimize inventory management, procurement efficiency and seek cost reductions whilst maintaining the quality of our service and products. The gross margin of H1 2021 compares favorably with the margin of 32.3% achieved in H1 2020. However, the net profit margin of H1 2021 is below the 10.5% net profit margin achieved in H1 2020 because of the greater impact of fixed costs following the drop in revenue.

Our improved financial performance in H1 2021 versus H2 2020 is a significant achievement. I believe it strongly demonstrates the resilience of our business and its ability to achieve sustainable growth in revenue once normalcy returns. The management remains committed to expanding the branch network of the Company and the stated objective of opening 5 new Danube stores by the end of 2021 remains on track.

Q2 2021 Financial and Operational Highlights



Financial Highlights (SAR)

Revenue:

1,122.8M -0.1% Sequential Decline
-27.4% Decline vs. Q2 2020

Gross Profit:

399.4M +7.0% Sequential Growth
-20.8% Decline vs. Q2 2020

Operating Profit:

117.2M +35% Sequential Growth
-45% Decline vs. Q2 2020

Net Profit:

95M +53% Sequential Growth
-48.8% Decline vs. Q2 2020

BinDawood Sales:

-30.0% vs Q2 2020 and -0.13% vs Q1 2021

Danube Sales:

-26.4% vs Q2 2020 and -0.15% vs Q1 2021

Operational Highlights

Basket Size Table: YOY/Seq [H1/H2 2020, H1 2021]

Company	H1'20	H2'20	H1'21
BinDawood	104.81	86.77	88.39
Danube	135.64	111.68	122.01
BinDawood Holding	124.21	103.66	110.09

Basket sizes increased sequentially but dropped YOY due to pantry buying in Q2 2020. Furthermore, Company has noticed increase in customer traffic during the latter half of Q2 2021, showing gradual return to normalcy in customer behaviour.

Procurement efficiency and new inventory management system rolled-out in 2019 are finally bringing the desired effect on financials and playing a key role in boosting our gross margin

Company on track to open 5 new Danube stores in H2 2021

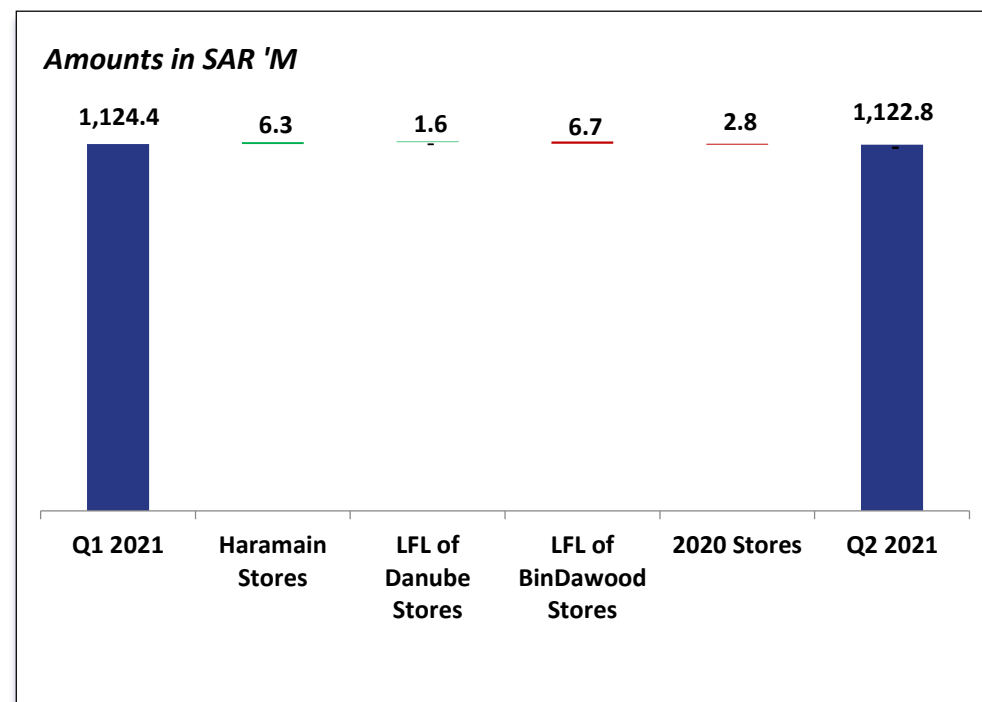
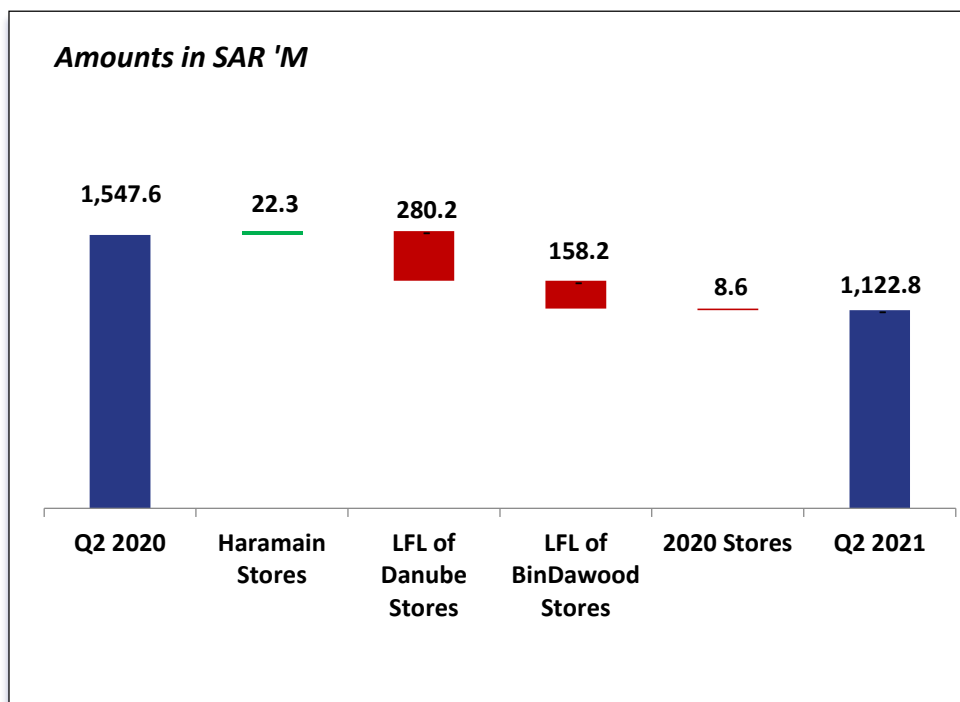


**Trading
Update**

02

Q2 2021 Trading Update (1/5)

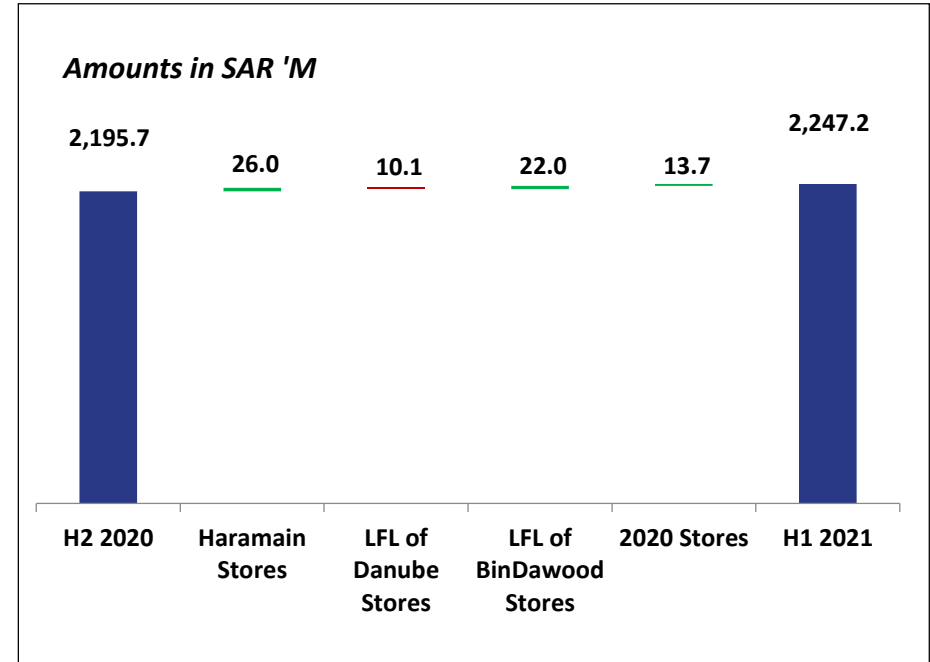
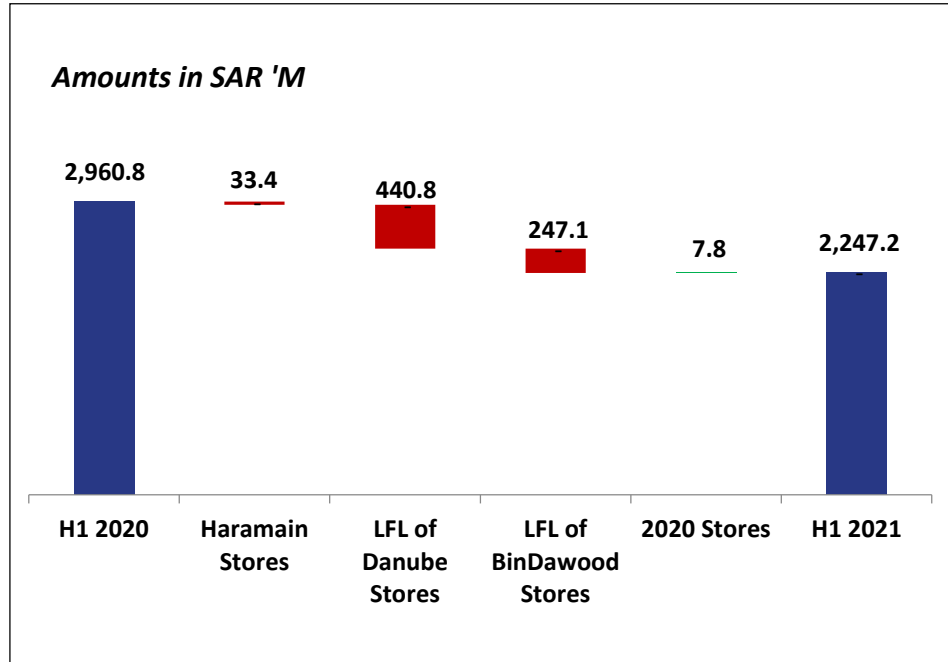
Revenue Bridge (Q2 2020 vs Q2 2021) & (Q1 2021 vs Q2 2021)



- LFL stores are those open before FY 2020 (excluding Haramain)
- 2020 stores include those stores that were opened in FY 2020 and do not fulfil the criteria established for LFL stores.

H1 2021 Trading Update (2/5)

Revenue Bridge (H1 2020 vs H1 2021) & (H2 2020 vs H1 2021)

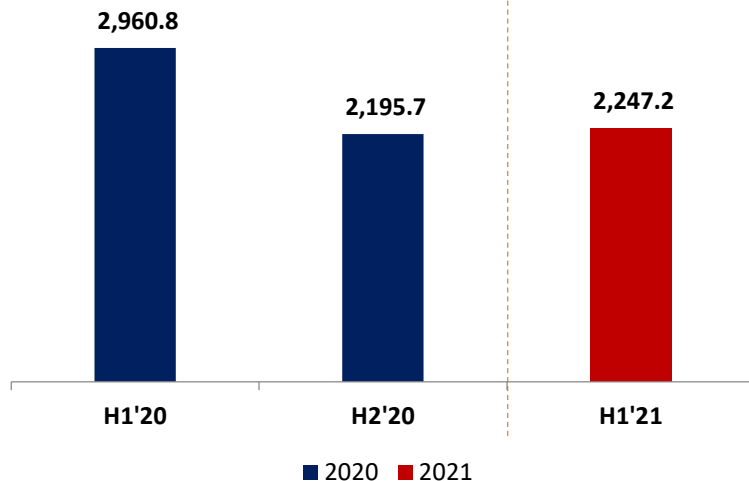


- LFL stores are those that had been opened before FY 2020(excluding Haramain)
- 2020 stores include those stores that were opened in FY 2020 and do not fulfil the criteria established for LFL stores.

H1 2021 Trading Update (3/5)

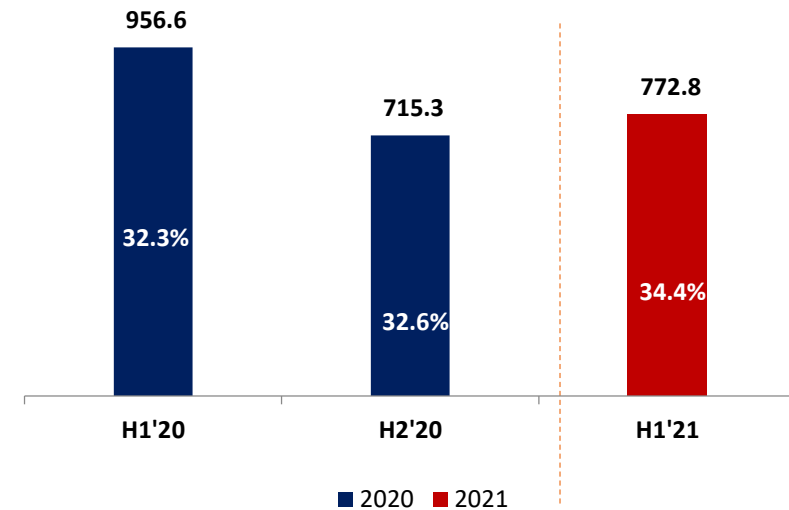
Financial Performance (SARm)

Revenue



- 2.3% Sequential growth in H1 2021 versus H2 2020
- Danube and BinDawood witnessed an overall decline of 24.1% in H1 2021 sales versus H1 2020

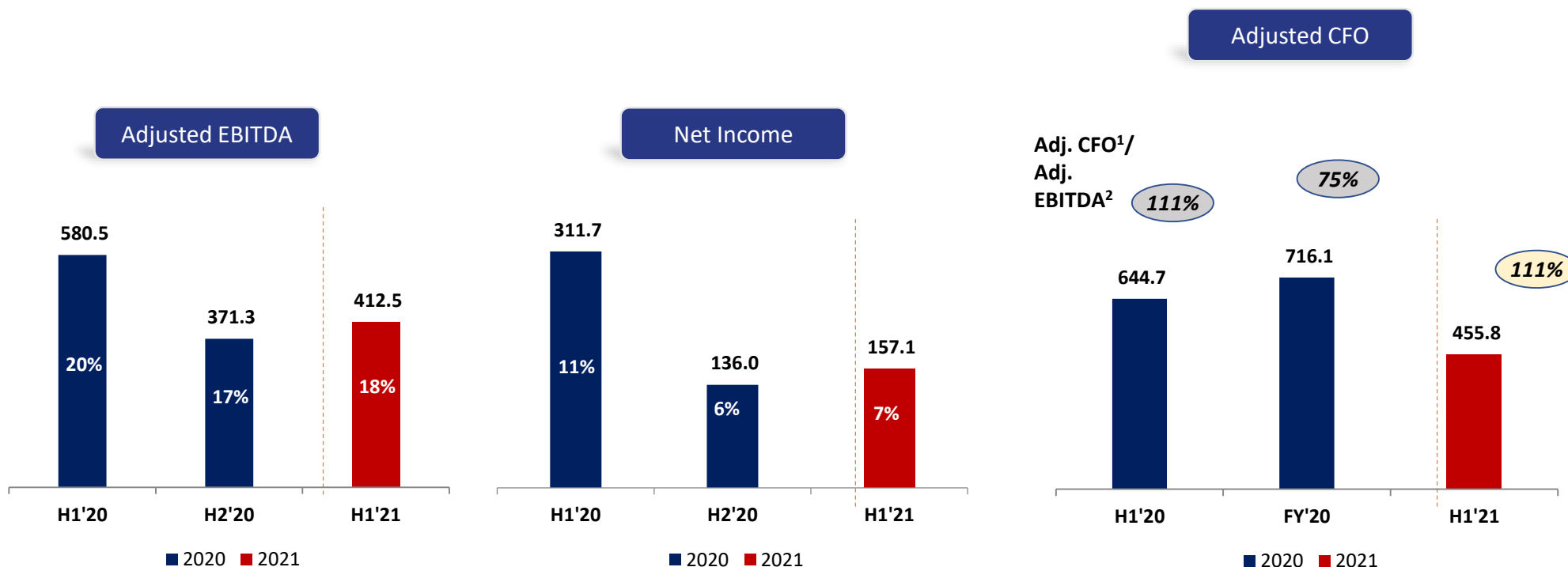
Gross Profit



- Sequential increase in gross profit of H1 2021 vs H2 2020 by SAR 57.5M
- YOY gross margin improved by 2.1%

H1 2021 Trading Update (4/5)

Profitability (SARm)



- Adjusted EBITDA increased sequentially by SAR 41.2 million (+11.1%).
- Sequential increase in net income of 15.5%.
- Adj. CFO/Adj. EBITDA is maintained at 111%, in line with H1 2020.

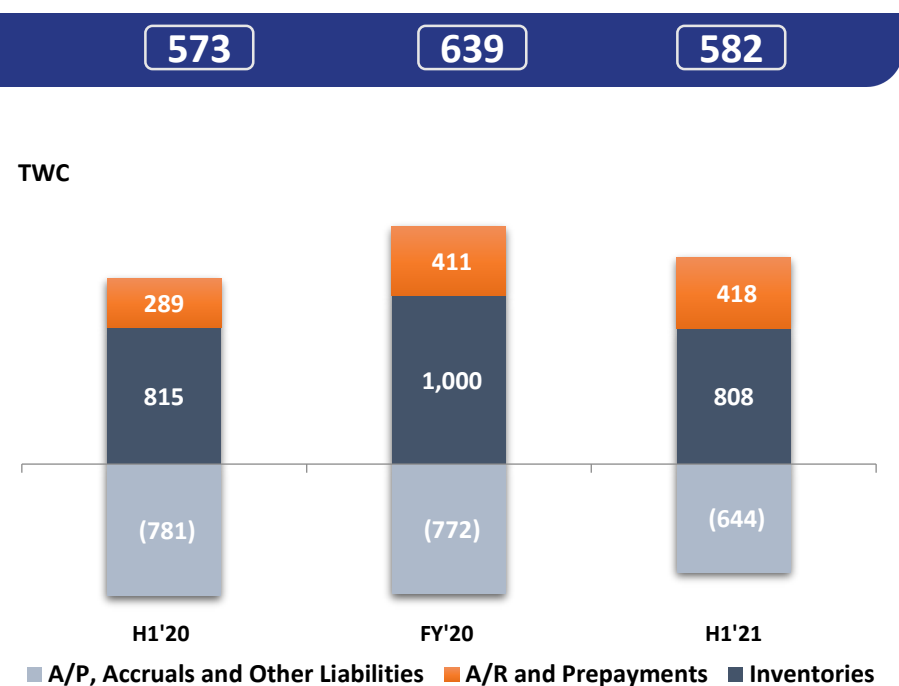
Source: Company Information, Reviewed Financial Statements (June 2021) and (June 2020).

¹ Adjusted CFO is defined as net cash from operating activities excluding change in capex payables. ² Adjusted EBITDA is defined as operating profit + D&A + recurring portion of other income (empty carton sales).

H1 2021 Trading Update (5/5)

Key Cashflow and Balance Sheet Items (SARm)

• Trade Working Capital (TWC)¹



Inventory

Accounts
Receivables
&
Prepayments

Accounts
Payables,
Accruals and
other
Liabilities

- Working capital reduced sequentially by SAR 57m, reflecting a conscious management decision to reduce inventory levels notwithstanding purchases made during Q2 to cater for the Shaban season.
- Operational teams controlled inventory level in line with the customer demand patterns on a proactive basis.
- Receivable balances as at Q2 2021 slightly increased from FY 2020. This is due to increase in VIP sales during Q2 2021 offset by the realization of collections from VIP customers.
- Decrease in supplier payables due to advance payments to suppliers to secure stocks & better deals during Shahban season.



Concluding
Remarks & Q&A

04

Concluding Remarks & Q&A

Key Focus Areas

Expand Store Network

- Continue organic growth by opening 5-6 stores PA
- BinDawood stores Riyadh region expansion announced. A preliminary review of suitable locations has been undertaken.

Drive Like-for-Like Growth

- Focus on enhancing in-store shopping experience for customers, thereby increasing average basket size (sequentially). Strategy is supported by promotional initiatives and the adoption of the latest technologies to enhance supply chain efficiency.

Strengthen Online Platform and Technological Advancement

- Enhance online offering, improving delivery infrastructure and leveraging advanced data analytics & AI to improve predictability of online demand.
- Harness technology to improve real time inventory management to minimize shrinkage and wastage, ensure better product availability and reduce working capital investment.

Cash flow generation and cost-efficient approach

- Leverage cash balance and debt capacity for M&A opportunities to expand into other geographies and/or to acquire businesses that complement the existing business.





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