



بن داود
DAWOOD
HOLDING القابضة

EARNINGS CALL Q3 2022

14th November 2022
BinDawood Holding HQ
Jeddah, KSA

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DAWOOD

الدانوب
Danube

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Today's Presenters



Muhammad Salim Patka
Chief Financial Officer



Hassan Javaid
Head of Investor Relations



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Management's Message



01

Management's Message



Founding Members

9M'2022 Overview

Our sales were up 7.6% on a year-to-date basis, which is hugely encouraging, as we see shoppers returning to our stores and responding positively to our loyalty program launched earlier this year. However, this revenue increase has come by sacrificing gross margin because of continued promotional and marketing activity.

In addition, the costs associated with opening of new stores, M&A activities and the continued strengthening of the management team have resulted in a substantial increase in operating expenses. The combined effect has translated in a net loss of SAR 48 million for this quarter.

While continuing in our efforts to increase footfall and market share, we have also started to refocus our supplier relationship and operating model by putting in place the necessary building blocks to support a turnaround with our commercial team, starting with our newly appointed Chief Operating Officer and Deputy Chief Commercial Officer.

The structural changes in the commercial team and a critical review of the profitability of each store, will underwrite our front and back margin improvement over the next six months. I am encouraged by the progress made and initiatives taken, such as the opening of our first international supermarket in Bahrain. I am confident the actions taken will return BinDawood Holding to profitable growth in the short-term.

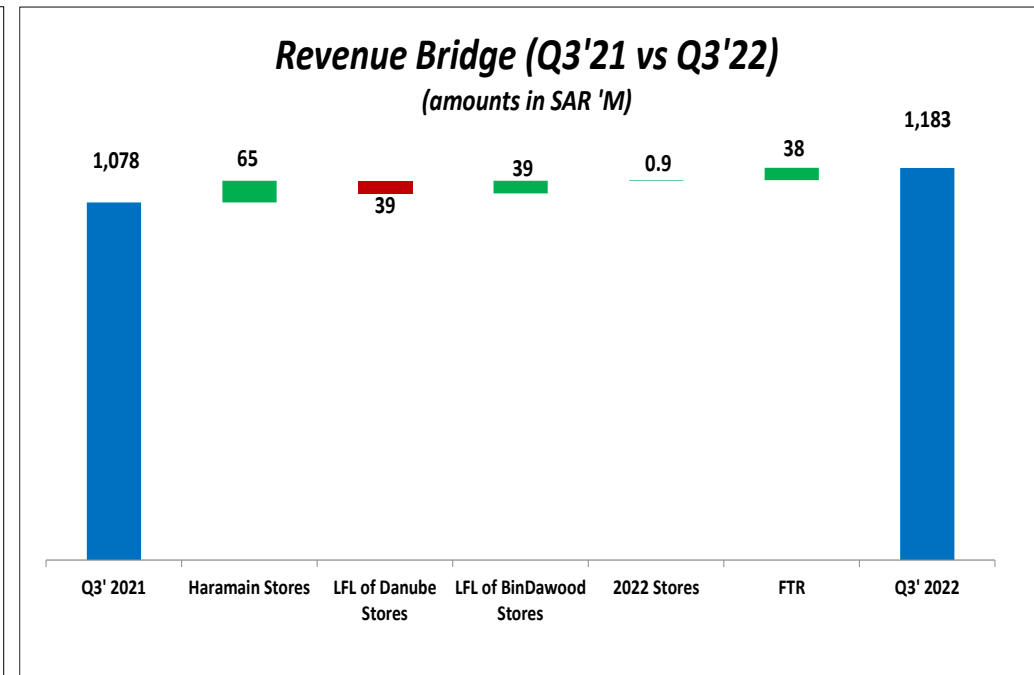
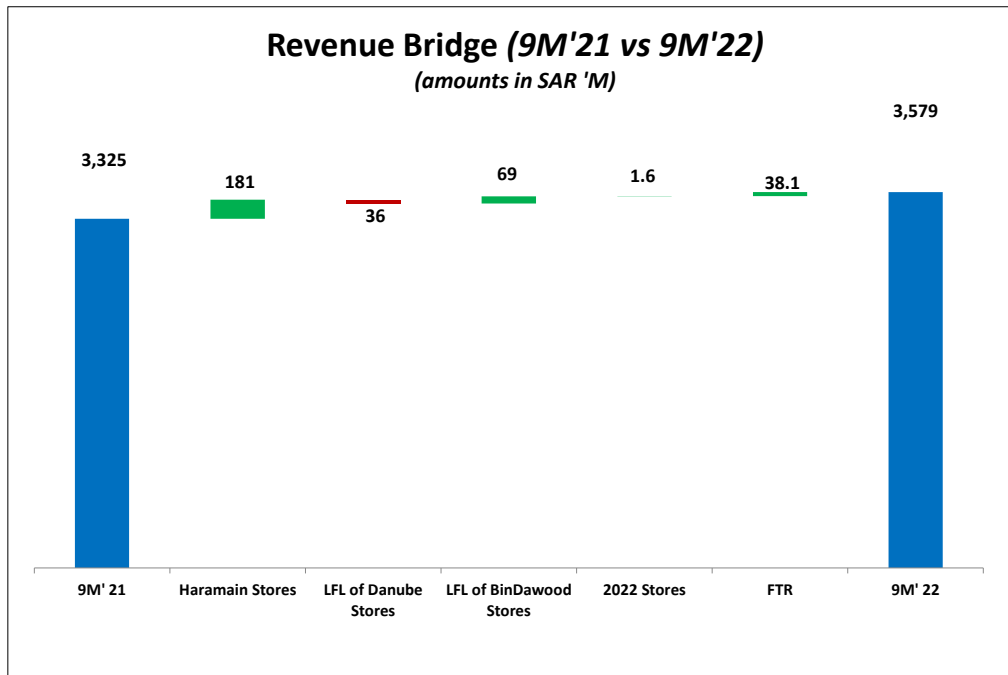


Trading
Update

02

Q3 2022 Trading Update (1/6)

Revenue Bridge (9M'21 vs 9M'22) & (Q3 2021 vs Q3 2022)



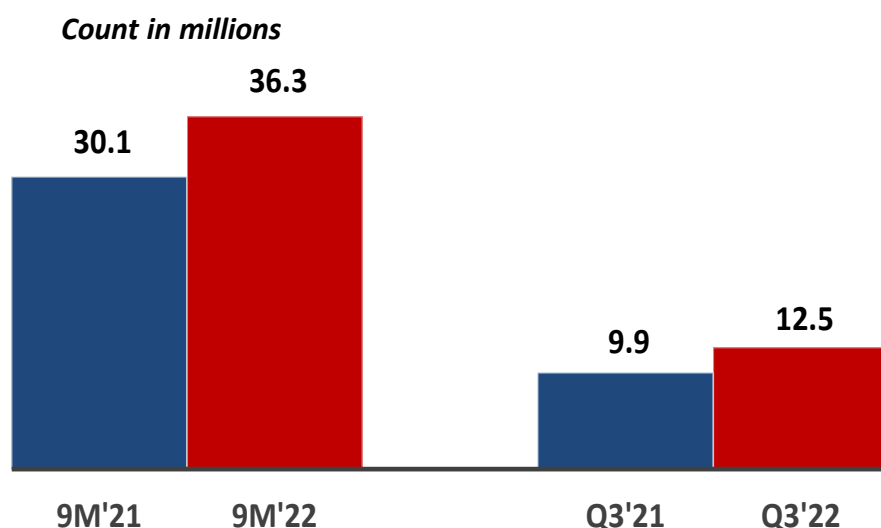
- Revenue in 9M'22 improved by +7.6% vs 9M'21 due to the Increase in sales of BinDawood stores by 27.6% owing to the return of pilgrims following the lifting of the travel ban. The increase was not just limited to the stores serving the pilgrims. It was in fact across the board due to the return of promotions & marketing activities during Hajj, Umrah and Back to School seasons. Another contributory factor was the revenue earned from the subsidiaries of FTR. The positive effect of these two factors was partly offset by a 1.4% reduction in sales of Danube stores mainly due to a slow-down in sales related to corporate customers in Q3'22, whereas in-store sales have increased by 1%.
- Revenue in Q3'22 improved by +9.7% vs Q3'21 due to the net impact of an across the board increase of 38.6% in sales of Bindawood store and revenue contribution from of SAR 38m from the FTR subsidiaries. This increase was partly offset by a 4.7% reduction in sales of Danube stores, mainly due to lower sales to corporate customers, whereas, in-store sales of Danube actually increase by 6%.

Source: Company Information, Interim Financial Statements Q3 2022 and Q3 2021.

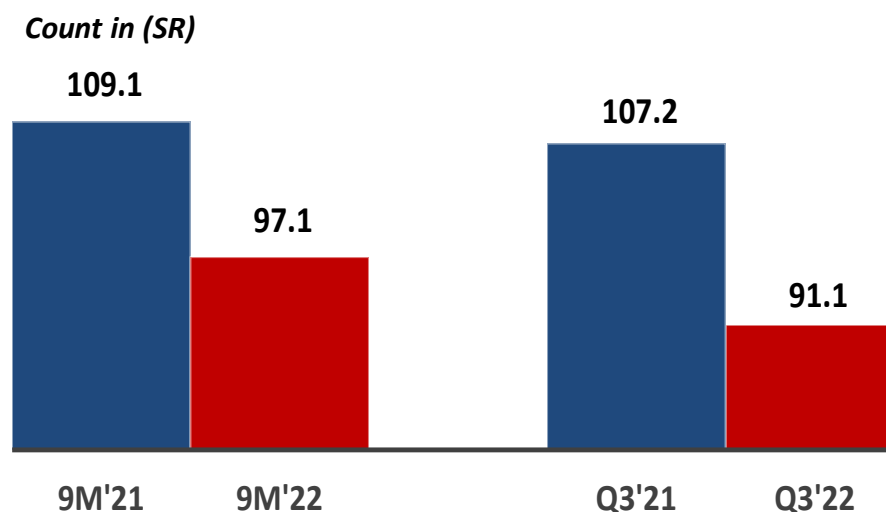
9M'22 Trading Update (2/6)

Customer Count and Basket Size

Customer Count



Basket Size

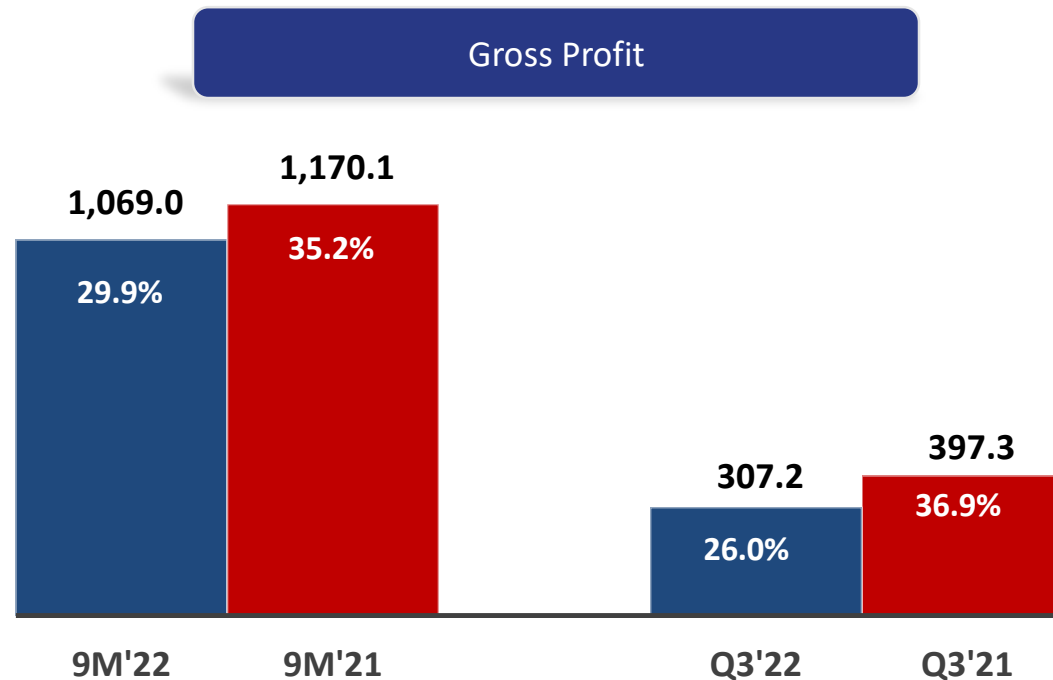


- Total footfall increased by +20.6% in 9M'22 v 9M'21 and by +26.3% in Q3'22 v Q3'21 due to the return of pilgrims and increase in promotional and marketing activity.
- In contrast , basket size decreased by -11% in 9M'22 v 9M'21 and -15% in Q3'22 v Q3'21 reflecting the competitive pricing adopted by the Group to attract footfall.

Source: Company Information, Interim Financial Statements Q3 2022 and Q3 2021.

9M'22 Trading Update (3/6)

Financial Performance (SARm)



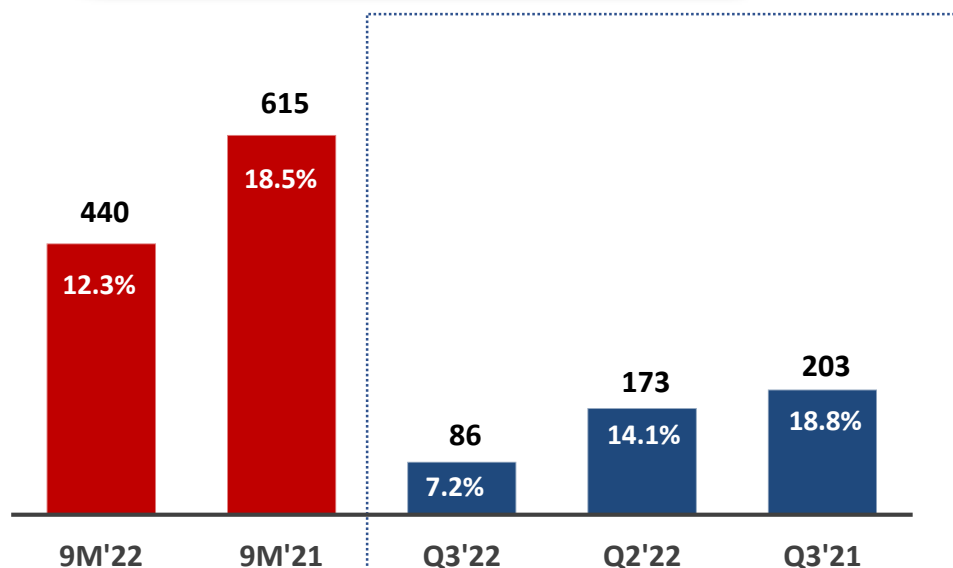
- Gross profit declined by -8.6% in 9M'22 vs 9M'21 and -22.7% in Q3'22 v Q3'21 due to the combined affect of the marketing & promotions activity and lower support from suppliers.
- Improvement in sales and regaining of market share should assist negotiations with the suppliers. An uptick in gross profit and margin is expected as early as Q4 2022 with the full turnaround to be completed in FY 2023.

Source: Company Information, Interim Financial Statements Q3 2022 and Q3 2021.

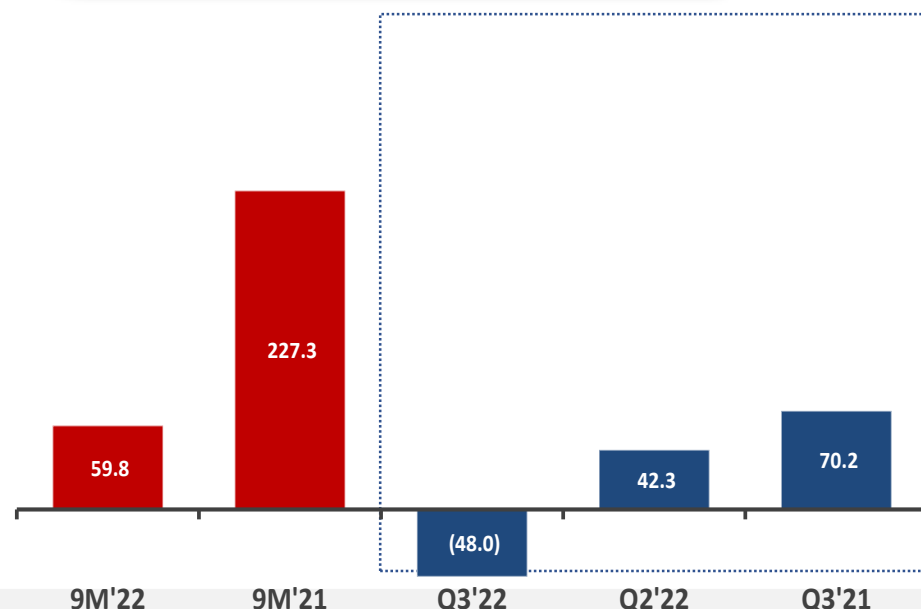
9M'22 Trading Update (4/6)

Profitability (SARm)

Adjusted EBITDA¹



Net Income



- Decline in Adjusted EBITDA and Net Income in 9M'22 and in Q3'22, both in absolute terms and in terms of margins was due to :
 - A sharp reduction in gross profit in Q3 due to marketing and promotional activity and lower support from suppliers; and
 - Increase in operating expenses by 10%, reflecting higher employment costs, expenses associated with new branch openings as well as acquisition related costs.

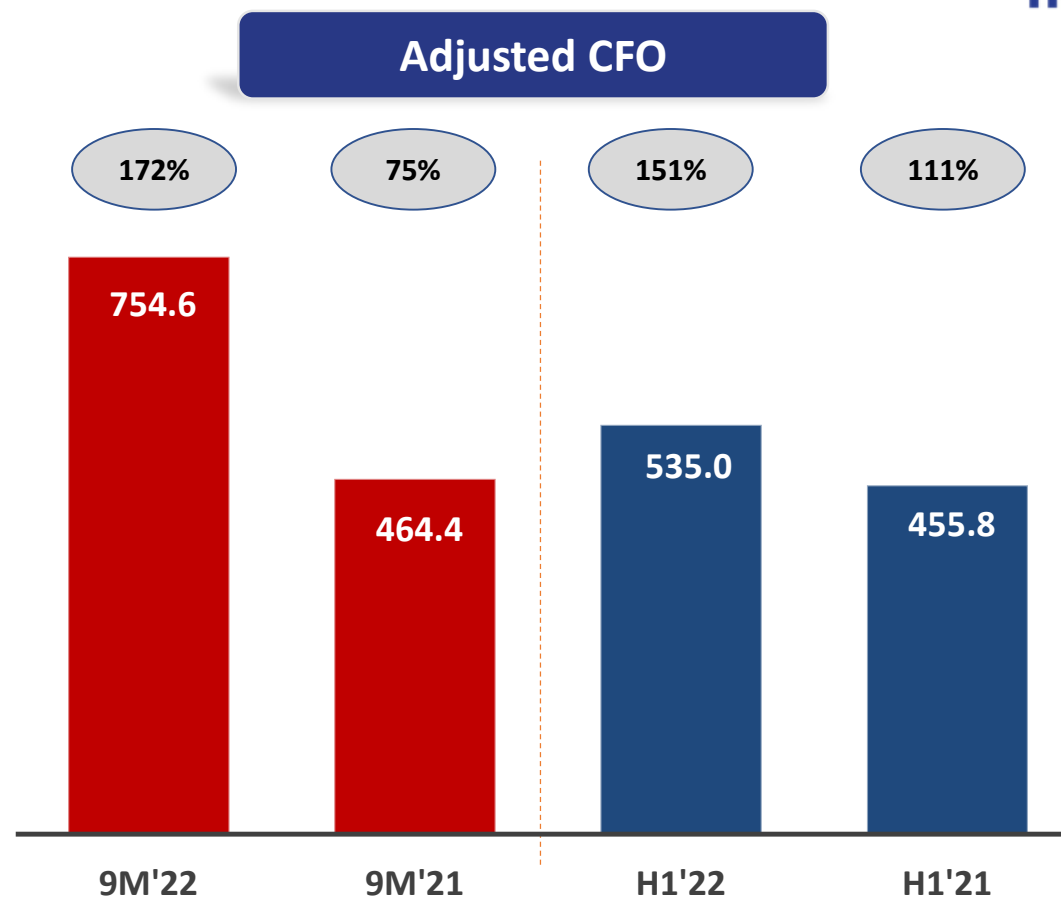
Source: Company Information, Interim Financial Statements Q3 2022 and Q3 2021.

¹Adjusted EBITDA is defined as operating profit + D&A + recurring portion of other income (empty carton sales).

9M'22 Trading Update (5/6)

Cash flows (SARm)

Adj. CFO¹/
Adj.
EBITDA²



- The ratio of Adj CFO to Adj EBITDA increased to +172% in 9M'22 from +75% in 9M'21 as the reduction in working capital investment was significantly higher than the reduction in Adj EBITDA as explained on the following slide.

Source: Company Information, Interim Financial Statements Q3 2022 and Q3 2021.

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)

9M'22 Trading Update (6/6)

Key Cashflow and Balance Sheet Items (SARm)

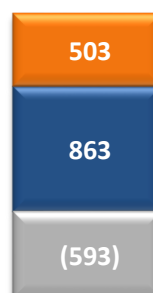
• Trade Working Capital (TWC)¹



TWC



9M'22



9M'21



FY'21

■ A/P, Accruals and Other Liabilities

■ A/R and Prepayments

■ Inventories

Trade Working Capital

Inventory And Accounts Receivables & Prepayments

Accounts Payables, Accruals and other Liabilities

- Trade Working capital decreased by -53.3% (despite an increase in Inventory balances to ensure stock availability for umrah and festivals) due to:
 - reduction in accounts receivable balances reflecting both an expeditious recovery of receivable balances and a decline in corporate customer sales in 9M'22 vs 9M'21.
 - increase in trade payables which was attributable to higher purchases and lower level of support from suppliers.



Concluding
Remarks & Q&A

03

Concluding Remarks & Q&A

Key Focus Areas

Organic Growth

- Continue the store roll out in different formats. Three express stores , one hypermarket in Tabuk and a international branch in Bahrain were opened during the year. Three more Danube stores (one express store and two supermarkets) and a pastry shop are to be commissioned during 2023.
- A review of suitable locations for BinDawood Riyadh launch is underway.

Drive Like-for-Like Growth

- Loyalty customers have surpassed the mark of 2.87 million indicating the increased brand penetration and successful roll out of the loyalty program.
- Finance and Commercial department are undertaking a detailed review of the profitability of each store with a view to rationalize costs.

Technological Advancement

- 5 small dark stores have been commissioned and their positive impact has started to reflect on the financial performance of IAC. The mega dark Store is expected to be commissioned in FY23 and supported by smaller dark stores is expected to improve fulfillment rates and reduce delivery times.

Strong Cash Flows

- The Company's financial position continued to be strong with no bank debt. Cash generated from operations in 9M'22 was SAR 785.9 million versus SAR 495.6 million in 9M'21. The increase of 58.6% in 9M'2022 is directly attributable to significant improvement in working capital efficiency.

Mergers & acquisitions

- After successful acquisitions of Ykone and ITAC, further M&A opportunities are currently being evaluated in the MENA region to support the core grocery retailing business.





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