

CENOMI CENTERS ACHIEVES STRONG RESULTS WITH 64% GROWTH IN NET PROFIT FOR THE FIRST 9 MONTHS OF 2023

- *Net Profit of SAR 1,018.7 million, up 64% YTD y-o-y*
- *Net rental revenue increased 5.4% YTD y-o-y on strong pricing momentum*
- *Robust operating momentum with a 23.5% y-o-y increase in footfall YTD to 95.2 million*
- *U Walk Jeddah is set to open on 15 December 2023*
- *Conclusion of land sale at auction in Granada district of Al Ahsa for SAR 62.5 million*

Riyadh, Saudi Arabia, 9 November 2023: Cenomi Centers, the largest owner, operator and developer of shopping malls and complexes in the Kingdom of Saudi Arabia, published its financial results for the three months and nine-months period ended 30 September 2023.

The company delivered a strong performance in the first nine months of 2023, achieving SAR 1.7 billion in revenue, up 3.3% year-on-year (y-o-y), EBITDA of SAR 1,244.1 million up 10% and increase in net profit by 64% y-o-y to SAR 1,018.7 million. Results were driven by the growth in net rental revenue as well as the profit from land sales and a positive valuation impact.

In the first nine months of the year, visitor footfall surged by 23.5% y-o-y to 95.2 million, with a year-end trajectory set to deliver the highest ever number of visitors underlying the continued attractiveness of Cenomi Centers assets.

Occupancy rates continue to moderate and reached 90.3% as at September'23 (91.4% in Q2-23), while net rental revenue year to date increased 5.4% y-o-y to SAR 1.56 billion. With strong market fundamentals across the Kingdom, the company is benefiting from strong supply/demand dynamics to achieve price increases in both new leases and renewals. The company is proactively rotating tenants in an effort to curate the optimal mix of brands and experiences on offer to its visitors. As new tenants complete fit-outs and occupancy levels rebound, revenues and profitability will better reflect the positive momentum in the business.

During Q3-23, net profit increased by 11.1% to SAR 293.6 million while revenue marginally dipped by 1.1% to SAR 567.7 million and EBITDA decreased 8.9% to SAR 341.2 million. Results in the quarter were impacted by lower occupancy rates and higher operating costs including one-off costs impacting this quarter while positive one-offs inflated the Q3-22 comparison base.

The company remains committed to grow its portfolio, as demonstrated by the advancement of its construction pipeline. Construction of U Walk Jeddah is complete and the center will open in December 2023. Additionally, construction of the flagship developments, Jawharat Riyadh and Jawharat Jeddah is progressing according to plan with the former achieving a 35% completion rate and the latter 26% completed. Both are expected to open in the first half of 2025.

Alison Rehill-Erguven, CEO, Cenomi Centers, commented: "Our vision is to consistently set the benchmark in Saudi Arabia as the largest and most innovative mall developer and operator. We aim to redefine the essence of retail excellence, a commitment reflected by the record number of visitors, over 95 million nationally, who have made Cenomi Centers their preferred lifestyle destination.

To that end, we have crafted a robust five-pillar strategy that is guiding us towards new heights. Our product pipeline is well under way to deliver on our strategic pillars of Growth and Product Excellence with the launch of U Walk Jeddah on the 15th of December. The momentum continues with six more premier assets advancing steadily, and our flagship destinations in Riyadh and Jeddah are slated to welcome visitors in the first half of 2025.

As our portfolio flourishes, we shift our focus to the pillars of Operational Excellence and Organizational Enhancement. It is here that we commit to embracing global best practices, ensuring that our expansive operations not only grow in scale but also in efficiency, driving increased profitability and operational synergy across our assets.

Guided by our fifth pillar of Sustainability Leadership, we are in advanced stages of concluding a strategic partnership with a global renewable energy leader. This alliance will further cement our commitment to pioneer with purpose, charting a sustainable course for the future of retail and lifestyle destinations.

We maintain our unwavering focus on executing our ambitious strategy, fostering sustainable progress, and delivering lasting value to our stakeholders in every endeavor we undertake.”

Business and Operating highlights

The company’s portfolio of assets welcomed 95.2 million visitors in the first nine months, a 23.5% increase over last year. During the quarter, the company launched several initiatives and activities to support footfall, including Saudi National Day celebrations, and a first-of-its-kind ‘The Garden’ activation within Al Nakheel Riyadh and Jeddah Park. This program resulted in 31,512 additional visitors. More recently, Cenomi Centers won the Gold award for customer service experience at the prestigious MENA Conference for Shopping centers and Retail shops 2023.

Demand for prime retail space remains strong. Cenomi Centers onboarded 160 brands and renewed 883 contracts as of September 2023. Drawing on the international expertise of its management team, the company is attracting renowned brands including the introduction of the first Starbucks Reserve in Jeddah, and expanding M&S Food’s footprint in Riyadh, with additional brand deals in the pipeline.

September 2023 like-for-like occupancy rates closed at 90.3% (91.4% in Q2-23) as the company continued to proactively evolve its category mix and take a more stringent approach with tenants. The tenant rotation programs are advanced and represent circa 3% of GLA, of which 50% have already signed proposals with new tenants and 32% have been handed over for fit-out. Demonstrating the Company’s ongoing efforts to shift its merchandise mix, the gross leasable area (GLA) mix is now 63% retail and 37% non-retail (including entertainment, F&B and others).

Cenomi Centers has initiated a range of strategic efficiency initiatives seeking synergies through the regionalization of its organization, supply chain management activities, improved facilities and property risk management, and the rationalization of its IT infrastructure and systems. The company is actively progressing the development of a digitization platform to enhance collaboration with its tenants and ensure increased transparency. This platform is anticipated to launch prior to the conclusion of the current fiscal year. These comprehensive initiatives are geared towards optimizing the company’s operations and elevating the overall performance. This commitment underscores the ongoing dedication to achieving operational excellence.

The company’s development pipeline continues to be on track. U Walk Jeddah is expected to open on 15 December 2023. Construction of the flagship developments, Jawharat Riyadh and Jawharat Jeddah are progressing according to plan with the former 35% completed and the latter 26% completed. Both are expected to open in the first half of 2025.

During the quarter, Cenomi Centers agreed the sale of land at auction in Granada district of Al Ahsa spanning over 29k sqm amounting to SAR 62.5 million that resulted in a profit of SAR 40.5 million to be recognized in Q4-23. This is part of the company’s non-core asset sale program, which is expected to unlock nearly SAR 2 billion of value.

Financial highlights

In the first nine months of 2023, the company displayed robust performance, with total revenue reaching SAR 1.7 billion, marking a 3.3% year-on-year growth, primarily propelled by a substantial increase in net rental revenue and media sales. Net rental revenues saw a remarkable 5.4% y-o-y rise, reaching SAR 1.56 billion, largely attributable to strong pricing dynamics, indicative of a favorable operating environment while media sales increased 5.5% to SAR 66.8 million.

EBITDA increased 10% y-o-y to SAR 1,244.1 million as at September'23 including a SAR 238.7 million gain on the sale of an investment property recorded in Q1-23.

Year to date, net profit increased 64% y-o-y to SAR 1,018.7 million with a positive valuation impact of the investment properties amounting to SAR 81.5 million.

In Q3-23, revenue declined 1.1% to SAR 567.7 million due to lower occupancy which offset renewal gains and a 17.4% increase in media sales. EBITDA decreased 8.9% y-o-y to SAR 341.2 million particularly driven by increase in staff expenses. These elevated personnel costs are a direct outcome of the management's ongoing initiatives to overhaul the organizational structure, including strategically hiring key personnel to advance the company's ambitious goals and objectives. Further, this quarter also incurred certain one-time professional fees and marketing expenses to meet the company's operational requirements. Net profit however increased by 11.1% to SAR 293.6 million compared to SAR 264.3 million in Q3-22 as the Company's investment properties continue to appreciate with fair value gains in the period amounting to SAR 60 million.

As a result of the ongoing collection efforts, accounts receivable from external parties decreased by 8.6% between December 2022 and September 2023. Amounts due from related parties also reduced from SAR 417.8 million at year-end 2022 to SAR 390.9 million as of 30 September 2023 mainly driven by agreed retention of distributed dividends to major shareholders.

Income Statement

Income Statement (SAR million)	Q3 2023	Q3 2022	%Change	9M 2023	9M 2022	% Change
Total Revenue	567.7	573.7	-1.1%	1,709.8	1,655.9	3.3%
Cost of Revenue	(104.9)	(89.2)	17.7%	(297.8)	(269.0)	10.7%
GROSS PROFIT	462.8	484.6	-4.5pp	1,411.9	1,386.8	1.8pp
<i>Gross Profit Margin</i>	81.5%	84.5%	-2.9%	82.6%	83.8%	-1.2%
Other Operating Income	2.7	(1.3)	-312.0%	274.8	20.0	1274.5%
Net fair value gain / (loss) on investment properties	60.3	(4.3)	-1493.9%	81.5	(178.4)	-145.7%
Advertisement and promotion	(17.5)	(7.4)	138.1%	(36.5)	(24.0)	52.2%
General and administration	(77.4)	(48.7)	58.8%	(247.2)	(178.7)	38.4%
Impairment (loss) / reversal on accounts receivable	(32.6)	(31.5)	3.6%	(146.1)	(29.6)	394.0%
Other operating expenses	-	(23.3)	-100.0%	(18.1)	(52.3)	-65.4%
OPERATING PROFIT	398.2	368.2	8.2%	1,320.4	943.9	39.9%
Finance Income	-	-	-	7.1	-	100%
Finance Costs Over Loans and Borrowings	(64.4)	(51.0)	26.5%	(184.4)	(136.2)	35.4%
Finance Costs Over Lease Liabilities	(26.9)	(35.4)	-24.0%	(79.3)	(115.8)	-31.5%
NET FINANCE COST	(91.3)	(86.3)	5.8%	(256.5)	(252.0)	1.8%
Share of loss of equity-accounted investee	(1.0)	(2.4)	-59.7%	(8.1)	(15.0)	-46.4%
PROFIT BEFORE ZAKAT	306.0	279.5	9.5%	1,055.8	676.9	56.0%
Zakat	(12.4)	(15.1)	-18.3%	(37.1)	(55.8)	-33.5%
NET PROFIT	293.6	264.3	11.1%	1,018.7	621.0	64.0%
<i>Net Profit Margin</i>	51.7%	46.1%	5.6pp	64.9%	33.0%	31.9pp

Balance Sheet

Balance Sheet (SAR million)	September 2023	December 2022
Investment properties	24,756.3	23,075.7
Property and equipment	57.4	63.4
Accrued revenue – non-current portion	170.2	182.4
Investment in equity-accounted investee and others	75.8	64.9
Other non-current assets	23.6	24.8
Non-current assets	25,083.3	23,411.2
Development properties	353.0	345.7
Accrued revenue	85.1	91.2
Accounts receivable	354.9	388.2
Amounts due from related parties	390.9	417.8
Prepayments and other assets	239.3	206.4
Cash and cash equivalents	415.8	610.4
Assets held for sale	62.5	405.9
Current assets	1,901.5	2,465.6
Total Assets	26,984.8	25,876.9
Loans and borrowings	7,724.9	7,433.7
Lease liabilities	2,794.8	2,383.7
Employee benefits	35.6	28.5
Other non-current liabilities	55.7	47.6
Non-current liabilities	10,611.0	9,893.4
Loans and borrowings	1,145.1	903.3
Lease liabilities – current portion	317.4	255.6
Accounts payable and other liabilities	717.4	459.3
Amount due to related parties	7.0	6.3
Unearned revenue	292.4	239.1
Zakat liabilities	64.6	51.2
Current liabilities	2,543.9	1,914.8
Total Liabilities	13,154.8	11,808.3
Total Equity	13,829.9	14,068.6
Total Liabilities and Equity	26,984.8	25,876.9

Cash Dividend for the first half of 2023

During Q3-23, Cenomi Centers distributed a cash dividend to shareholders totaling SAR 413.25 million. Furthermore, SAR 46.15 million of dues from related parties were settled as part of the distribution to the major shareholders.

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About Cenomi Centers:

Cenomi Centers is the leading owner, operator and developer of contemporary lifestyle centers in Saudi Arabia. For over a decade, the company has provided customers with a complete range of high-quality lifestyle centers up to international standards, located in the most attractive areas of the country to satisfy all shopping needs and market requirements. Today, Cenomi Centers has a portfolio of 21 assets, with more than 4,900 stores strategically located in 10 major Saudi cities. The Company's developments include several iconic lifestyle centers, such as Mall of Arabia Jeddah, Mall of Dhahran, and Nakheel Mall Riyadh, a consumers' favorite in Riyadh. With a total GLA of nearly 1.33 million square meters, the company's malls provide Saudi shoppers with their preferred point of access to the full range of international, regional and local retail brands. For more information about Cenomi Centers, please visit www.cenomicenters.com.

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