

Cenomi Centers highlights strong performance with 8% revenue growth q-o-q, building on solid foundation for future expansion

- *EBITDA and Net Profit are up 12.3% and 78.1% y-o-y, respectively following adjustments.*
- *Record footfall of 31.7 million customer visits in Q1-24, up 9.6% quarter-on-quarter (q-o-q), highest on record.*
- *Strong revenue growth delivered q-o-q up 7.7% and year-on-year (y-o-y) up 1.6%. EBITDA is up 7.2% q-o-q.*
- *Net rental revenue displayed strong growth of 5.9% q-o-q.*
- *Two major financing deals secured to refinance the Company's historic Islamic facilities and redeem the 2024 Sukuk early. The transactions provide additional financial headroom to support strategic growth.*

Riyadh, Saudi Arabia, 16 May 2024: Cenomi Centers, Saudi Arabia's largest owner, operator and developer of shopping malls, published its financial results for the three months ended 31 March 2024.

During the first quarter, the company delivered SAR 585.8 million in revenue, up 7.7% q-o-q and EBITDA of SAR 323.0 million, up 7.2% q-o-q. The sequential improvement in revenue and EBITDA from the previous quarter is driven by growth in net rental revenue (+5.9%) and media sales (+10.4%) and a reduction in Expenses.

Revenue was boosted with the opening of U-Walk Jeddah on February 15th, 2024 and growth across the portfolio is supported by record footfall. In February 2024, Cenomi Centers held the grand opening for the first of seven developments in its pipeline, U Walk Jeddah, the new lifestyle center and the city's first hybrid mall that combines indoor and outdoor retail experiences. The asset has a GLA of approximately 60,000 sqm which was pre-let at 80%.

In Q1-24, Cenomi Centers also recorded its strongest footfall performance for any first quarter. With 31.7 million customer visits, footfall surged by a notable +7.8% y-o-y (+9.6% q-o-q). This reaffirms Cenomi Centers' assets as the premier shopping destinations and the primary gateway for both local and international retailers seeking to engage with Saudi consumers.

Building upon Cenomi Centers' focused dedication to refining the retail mix and quality through its tenant rotation program, this quarter saw like-for-like occupancy rates remain steady at 92.5%. This underscores the company's commitment to maintaining a dynamic and vibrant shopping environment catering to the consumers of Saudi Arabia. Furthermore, the strategic exits reaffirm the proactive approach to portfolio optimization, a decision made with confidence and foresight.

EBITDA was further enhanced by a reduction of advertising costs (by 56.2% q-o-q) and General & Administrative expenses (by 42.4%) which more than offset a q-o-q increase of ECL provisions.

Net profit this quarter was SAR 185.6 million, down 61.5% q-o-q mainly due to lower fair valuation gains booked in the quarter and a one-off SAR 50.6 million write-off of non-amortized financing costs following the successful refinancing of the company's historic Islamic facilities and the early redemption of its 2024 Sukuk.

Comparing y-o-y, Cenomi Centers demonstrated growth with revenue up 1.6% in Q1-24. This strong performance was driven despite the company's proactive tenant rotation program, with positive rental performance and growth in media sales.

The SAR 238.7 million gain from the sale of land in Al Raed district in Q1-23 distorts the comparison of EBITDA and Net Profit y-o-y. Adjusting for the gain recorded in 2023 and the write-off of financing costs in Q1 2024, EBITDA results 12.3% higher y-o-y and Net Profit results 78.1% higher.

The company is committed to growing its portfolio with flagship and lifestyle malls. Progress continues with the remaining development pipeline, including the flagship developments Jawharat Riyadh which is set to be the capital's largest lifestyle destination and Jawharat Jeddah due to open in the second half of 2025. A third flagship development, Jawharat Al Khobar is expected to open in 2027. Cenomi Centers remains committed to its strategic objective of inaugurating at least one new mall annually over the next four years. Its current pipeline of three flagship centers and three lifestyle centers will grow GLA by 44%, taking total GLA to 2m sqm by 2027.

Alison Rehill-Erguven, CEO, Cenomi Centers, commented: "Cenomi Centers continues to demonstrate strong fundamentals with a focus on driving growth and delivering on our company strategy. During the quarter, Cenomi Centers delivered a q-o-q 7.7% increase in revenue and 7.2% increase in EBITDA, held the grand opening of U Walk Jeddah, the first of seven new development projects and delivered two major financing deals.

As a result of enhancing our current assets and tenant mix, we also saw record footfall for the first quarter with 31.7 million customer visits and 5.9% net rental revenue growth q-o-q due to high retailer demand across our portfolio. With our robust flagship development pipeline, including Jawharat Riyadh and Jawharat Jeddah progressing toward their 2025 unveilings and our core focus on A grade malls in key cities, we are well-positioned to deliver unmatched premium shopping experiences.

We will continue capitalizing on emerging opportunities, forging new partnerships, and solidifying our leadership position in crafting world-class retail destinations across the Kingdom."

Business and Operating highlights

During Q1-24, Cenomi Centers welcomed 31.7 million visitors to its malls, a remarkable 9.6% sequential increase from the previous quarter and a 7.8% y-o-y increase. This ongoing surge further underscores the robustness of Cenomi Centers' assets and appeal of its contemporary and on-trend offerings. Amidst this growth, Cenomi Centers conducted standout marketing initiatives including a major fashion and beauty campaign during the Ramadan season. Cenomi Centers forged its first brand partnership with ITP Media Group, hosting a series of events across six assets.

Demand for prime retail space in the Kingdom remains strong. Like-for-like occupancy rates in Q1-24 remain relatively stable at 92.5%, a marginal decline from Q4-23, reflecting strong interest from regional as well as international brands. Throughout the quarter, the company successfully renewed 640 lease contracts and welcomed 135 brands onboard, (of which 43 are new brands). Among these additions are distinguished names such as Charlotte Tilbury, Ralph Lauren and Al Ahli. Presently, the company's gross leasable area (GLA) composition stands at 62% retail and 38% non-retail (including entertainment and F&B), with ongoing negotiations for additional brand partnerships.

The company is steadfast in its commitment to extending its reach through its development pipeline, which is progressing as planned. U Walk Jeddah, which commenced operations in December 2023 and held its official inauguration on February 15, 2024, features high profile retailers including Zara, Nike, Adidas, Victoria's Secret and Lululemon. Construction of the flagship developments, Jawharat Riyadh and Jawharat Jeddah, is advancing on schedule with anticipated openings in the second half of 2025. A third flagship project, Jawharat Al Khobar, is scheduled for inauguration in 2027.

Expenses this quarter witnessed a sequential reduction y-o-y by 30.3% in its general and administrative expenses driven by a significant reduction in personnel expenses, professional fees and communication expenses supporting Cenomi Centers' initiatives to achieve operational excellence throughout the business. Further, the company has previously initiated a set of efficiency measures to streamline internal operations including the development of a digitization platform to elevate collaboration and transparency with tenants.

In Q1-24, Cenomi Centers agreed terms for a new transaction in its asset sales program, with the sale of Sahara Plaza at SAR 200 million. The related gain will be recognized upon transfer of title later this year. This brings the total sales amount to SAR 1.1 billion with a remaining SAR 800 million still to be realized from the program. The company will continue to streamline its portfolio of assets with the aim of future-proofing its portfolio and focusing on the development of large-scale malls.

Financial highlights

The quarter saw the successful delivery of two major financing deals to repay existing facilities and support future growth.

In February, Cenomi Centers secured SAR 5.25 billion in Shariah-compliant facilities with improved terms from a syndicate of banks. The facilities include a revolving Murabaha facility and two term Murabaha tranches, all linked to sustainability targets including reducing carbon emissions, increasing grid connectivity and enhancing female representation in leadership roles. The new facilities provide additional headroom for future growth and a full 3.5-year grace period on repayment obligations.

In March, Cenomi Centers completed the placement of a \$500 million International USD denominated Shariah compliant Sukuk with a 5-year tenor and a 9.5% yield. The \$500 million sukuk had a total order book exceeding US\$1.6 billion and 3.2x subscription coverage – serving as testament to the strong international investor demand and confidence in the market. In addition, Cenomi Centers concluded a private placement offering of a supplementary Sukuk valued at \$100 million.

In the first quarter of 2024, the company experienced a q-o-q surge in total revenue, rising by 7.7% to SAR 585.8 million. This growth was primarily fueled by an increase in rental income and other ancillary revenue streams. Notably, net rental revenue displayed strong growth of 5.9% q-o-q, reaching SAR 521.5 million. This increase underscores robust pricing dynamics within a favorable operating landscape while other ancillary revenue streams surged by 36.2% to SAR 40.4 million and media sales by 10.4% to SAR 23.9 million.

EBITDA this quarter increased 7.2% q-o-q to SAR 323.0 million reflecting an increase in total revenue and reduction in operating costs such as general and administrative expenses by 42.4% and advertisement and promotion expenses by 56.2%. Net profit declined by 61.5% to SAR 185.6 million q-o-q due to lower fair valuation gains recorded in the quarter compared to last quarter, and the one-off write-off of non-amortized financing costs following the successful refinancing of the previous Islamic facilities and the early redemption of the 2024 Sukuk.

During the quarter, management were able to negotiate and reduce the property insurance premium which will further improve profitability going forward.

Comparing y-o-y, in Q1-24, revenue increased by 1.6% mainly driven by a 48.0% increase in ancillary revenue streams. However, EBITDA and net profit this year is not a like-for-like comparison to the prior year. This is because Q1-23 included a notable gain from the sale of Al Raed District, totaling SAR 238.7 million, while Q1-24 includes SAR 50.6 million of the write-off of non-amortized financing costs associated with the historic Islamic facilities and the 2024 Sukuk.

Income Statement

Income Statement (SAR million)	Q1-24	Q4-23	q-o-q % change	Q1-23	y-o-y % change
Revenues	585.8	543.9	7.7%	576.8	1.6%
Cost of Revenue	(98.7)	(85.7)	15.2%	(89.1)	10.8%
GROSS PROFIT	487.0	458.2	6.3%	487.7	-0.1%
Gross Profit Margin	83.1%	84.2%	-1.1pp	84.6%	-1.4pp
Other operating income	1.5	16.6	-90.9%	267.9	-99.4%
Net fair value gain / (loss) on investment properties	50.7	288.5	-82.4%	(51.7)	-197.9%
Advertisement and promotion	(11.9)	(27.1)	-56.2%	(13.8)	-13.9%
General and administration	(59.5)	(103.2)	-42.4%	(85.4)	-30.3%
Impairment loss on accounts receivable	(97.1)	(43.6)	122.6%	(114.6)	-15.3%
Other operating expenses	(0.1)	(0.3)	-66.7%	-	100%
INCOME FROM MAIN OPERATIONS	370.7	589.1	-37.1%	490.1	-24.4%
Finance Costs Over Loans and Borrowings	(139.1)	(69.4)	100.3%	(60.3)	130.5%
Finance Costs Over Lease Liabilities	(34.3)	(31.2)	10.1%	(26.4)	30.0%
NET FINANCE COST	(173.4)	(100.6)	72.4%	(86.8)	99.9%
Share of profit of equity-accounted investee	(0.6)	(2.8)	-77.5%	(2.9)	-78.5%
INCOME BEFORE ZAKAT	196.6	485.7	-59.5%	400.4	-50.9%
Zakat	(11.0)	(3.4)	226.6%	(12.4)	-11.1%
NET INCOME FOR THE YEAR	185.6	482.3	-61.5%	388.0	-52.2%
Net Profit Margin	31.7%	88.7%	-57.0pp	67.3%	-35.6pp

Balance Sheet

Balance Sheet (SAR million)	March 2024	December 2023	Change%
Investment properties	25,609.6	25,333.8	1.1%
Property and equipment	57.1	56.6	0.8%
Accrued revenue – non-current portion	182.2	157.1	16.0%
Investment in equity-accounted investee and others	79.3	78.6	0.8%
Other investments	0.1	0.1	0%
Other non-current assets	18.3	18.7	-2.2%
Non-current assets	25,946.5	25,644.9	-1.2%
Development properties	353.5	353.5	0.0%
Accrued revenue	94.2	78.5	19.9%
Accounts receivable	497.4	464.5	7.1%
Amounts due from related parties	523.4	483.8	8.2%
Prepayments and other assets	166.3	128.1	29.8%
Investments listed at fair value through profit or loss	303.0	303.0	0%
Cash and cash equivalents	577.6	85.0	579.6%
Asset held for sale	209.9	209.9	0.0%
Current Assets	2,725.3	2,106.3	29.4%
Total Assets	28,671.9	27,751.2	3.3%
Loans and borrowings	9,453.1	5,881.7	60.7%
Lease liabilities	2,775.8	2,839.9	-2.3%
Employee benefits	37.1	35.8	3.6%
Other non-current liabilities	35.3	42.7	-17.3%
Non-current liabilities	12,301.3	8,800.1	39.8%
Loans and borrowings	427.7	3,105.0	-86.2%
Lease liabilities – current portion	363.9	328.4	10.8%
Accounts payable and other liabilities	1,108.5	703.1	57.7%
Provision	-	30.0	-100.0%
Amount due to related parties	6.1	102.1	-94.0%
Unearned revenue	242.6	302.2	-19.7%
Zakat liabilities	79.4	68.4	16.1%
Current liabilities	2,228.3	4,639.2	-52.0%
Total Liabilities	14,529.6	13,439.3	8.1%
Total Equity	14,142.2	14,312.0	-1.2%
Total Liabilities and Equity	28,671.9	27,751.2	3.3%

Cash Dividend Distribution Announcement

On March 26, 2024, Cenomi Centers announced the distribution of cash dividends for the second half of fiscal year 2023. The Board of Directors, through a circulated decision, approved the distribution of SAR 356.25 million in dividends, equivalent to SAR 0.75 per share. This dividend represents a 7.5% payout relative to the share per value. Shareholders eligible for the dividend must have held shares by April 1, 2024. The distribution occurred in April 2024.

Dividend Distribution Policy

On March 26, 2024, Cenomi Centers announced its dividends distribution policy starting from Q2-2024. The Board of Directors approved a dividend policy whereby Cenomi Centers will pay SAR 0.375 per share per quarter for one year, subject to ratification at the next General Assembly Meeting. Additional dividends may be considered based on the company's financial performance and future outlook. This policy is subject to change in response to strategic shifts, regulatory requirements, and financial obligations.

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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 two decades, 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 22 assets, with circa 5,000 stores strategically located in 10 major Saudi cities. The Company's assets include several iconic lifestyle centers, such as Mall of Arabia Jeddah, Mall of Dhahran, and Nakheel Mall Riyadh, a consumers' favorite in the capital city. With a total GLA of nearly 1.4 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.

Disclaimer

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Forward-looking statements reflect our management's ("Management") current views of future events, are based on Management's assumptions and involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. The occurrence or non-occurrence of an assumption could cause our actual financial condition and results of operations to differ materially from, or fail to meet expectations expressed or implied by, such forward-looking statements. Our business is subject to a number of risks and uncertainties that could also cause a forward-looking statement, estimate or prediction to become inaccurate. These risks include fluctuations prices, costs, ability to retain the services of certain key employees, ability to compete successfully, changes in political, social, legal or economic conditions in Saudi Arabia, worldwide economic trends, the impact of war and terrorist activity, inflation, interest rate and exchange rate fluctuations and Management's ability to timely and accurately identify future risks to our business and manage the risks mentioned above.