Spinneys

# MANAGEMENT DISCUSSION AND ANALYSIS REPORT

# FOR THE PERIOD ENDED 30 SEPTEMBER 2026

Spinneys ("Spinneys" or the "Company"), the region's leading premium fresh food retailer, has announced its financial results for the third quarter and nine-month period ended 30 September 2026. Nine-month revenues reached AED 2.7 billion, increasing 5.7% compared to the same period in 2025. This was driven by nine new stores that opened over the last 12 months, higher Fresh and Private Label sales participation, resilient like-for-like growth, and online sales growth. Profit before tax grew by 3.7% to AED 262 million, with profit for the period increasing by 5.7% to AED 224 million. The company's integrated operating model, underpinned by direct sourcing, owned production facilities and broad private label ranges, ensured product availability despite a complex freight environment.

Performance highlights:

- Revenue returned to growth in Q3 2026, increasing 6.9% quarter-on-quarter, bringing revenue for the first nine months of 2026 to AED 2.7 billion, up 5.7%.
- Adjusted EBITDA increased 1.8% to AED 512 million in the first nine months of 2026.
- Online sales grew 24.5% year-on-year in the first nine months of 2026, with online participation reaching 19.5%.
- Profit after tax increased 5.7% to AED 224 million in the first nine months of 2026.
- Nine new stores opened across the UAE and Saudi Arabia over the last 12 months.
- Spinneys' integrated sourcing and supply network helped the business overcome supply chain disruptions, ensuring product availability under difficult conditions.

**Statement by Sunil Kumar, Chief Executive Officer**:

*"Our return to growth in the third quarter demonstrates the strength of our proposition and the discipline of our teams. Summer trading was supported by more customers staying in-market, and we have been encouraged by the customer footfall post summer. Having navigated a full disruption cycle, our model has been thoroughly tested, reinforcing our confidence in our integrated sourcing capabilities, owned production facilities, fresh food focus and private label ranges that set Spinneys apart.*

*We are taking lessons from this period and using them to build a stronger business, getting closer to our freight operations, integrating all available routes and transportation options. At the same time, we remain disciplined in delivering our growth pipeline, with two stores opened during the quarter, two more planned before year-end, and our first openings in Kuwait and the Philippines expected in the first quarter of 2027."*

## Financial Highlights

| AED (m) | Q3 2026 | Q3 2025 | YoY Growth (%) | 9M 2026 | 9M 2025 | YoY Growth (%) |
|---|---|---|---|---|---|---|
| Revenue | **831** | 777 | 6.9% | **2,740** | 2,593 | 5.7% |
| Gross Profit | **345** | 327 | 5.7% | **1,129** | 1,079 | 4.6% |
| Adj. EBITDA[1] | **142** | 138 | 3.4% | **512** | 503 | 1.8% |
| Profit Before Tax | **59** | 50 | 16.5% | **262** | 253 | 3.7% |
| Profit After Tax | **49** | 41 | 18.6% | **224** | 212 | 5.7% |

[1] Adjusted EBITDA is profit before tax plus depreciation and impairment of property, plant and equipment, depreciation and impairment of right-of-use assets, impairment of goodwill, finance costs minus finance income.

## Top-Line Growth with Resilient Profitability

**Revenue:** Revenue returned to growth in Q3 2026, increasing 6.9% quarter-on-quarter, recovering from negative 1.6% in Q2 2026. This brings revenue growth for the first 9 months of the year to 5.7%, reaching AED 2.7 billion. Top-line growth was driven by like-for-like sales growth of 3.3% and the opening of nine new stores across the UAE and Saudi Arabia since October 2025. The company saw continued strong performance in Fresh (65.7%) and Private Label sales (47.6%), with penetration growing by 140bps and 230bps, respectively. Online sales participation increased to 19.5%, compared to 16.6% a year ago.

**Profitability:** Gross profit increased by 4.6% year-on-year to AED 1.13 billion for the nine months ended 30 September 2026, with gross profit margin broadly maintained at 41.2% compared to 41.6% in 9M 2025. This was supported by the company's integrated sourcing capabilities, owned production facilities, as well as the continued success of the company's fresh offer and private label ranges.

**Adjusted EBITDA** totaled AED 512 million for the nine months ended 30 September 2026, up 1.8% year-on-year, with an adjusted EBITDA margin[2] of 18.7% compared to 19.4% in 9M 2025, despite the inflationary environment.

**Profit before tax** increased by 3.7% year-on-year to AED 262 million for the nine months ended 30 September 2026, representing a margin of 9.6%. **Profit for the period** rose by 5.7% to AED 224 million, with a margin of 8.2%.

**Transaction growth:** Transaction volumes grew by 5.9% year-on-year to 32.1 million transactions for the nine months ended 30 September 2026, reflecting growing customer demand, while the average basket size remained stable at AED 84.

### A resilient operating model, tested through a full disruption cycle

Having navigated a full cycle of disruption, Spinneys integrated operating model has demonstrated its resilience, supporting product availability and service standards. The Company is embedding alternative freight routes and sourcing arrangements into its supply chain, turning contingency measures into lasting operational capabilities. Its established direct grower relationships, fresh food expertise, local production capabilities and differentiated private label portfolio continue to provide flexibility in managing availability.

### Continued omnichannel growth

Spinneys' digital channels continue to grow, reinforcing the importance of serving customers wherever and however they choose to shop. Through its own online platforms and third-party delivery partnerships, the Company is extending its reach across a broader range of shopping missions, from planned weekly shops to convenient top-ups and immediate food needs. This approach keeps the company close to its customers, combining the quality and freshness of its in-store offer with the convenience of customers' preferred platforms.

### Growth pipeline on track

Spinneys' growth pipeline remains on track, with two stores opened during the quarter, one store opened at Peninsula Business Bay in a post period event, and a further two planned before year-end. The Company continues to take a disciplined approach to expansion, balancing new opportunities with operational readiness and long-term returns. Preparations for entry into Kuwait and the Philippines are progressing, with the first stores in both markets expected to open in the first quarter of 2027.

[2] Adjusted EBITDA margin: Adjusted EBITDA divided by revenue

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

| AED (m) | Three-month period ended 30 September | | Variance | Nine-month period ended 30 September | | Variance |
|---|---|---|---|---|---|---|
| | 2026 | 2025 | | 2026 | 2025 | |
| Revenue from contracts with customers | **815** | 762 | 53 | **2,699** | 2,551 | 148 |
| Rental income | **16** | 15 | 1 | **41** | 42 | (1) |
| **Revenue** | **831** | 777 | 54 | **2,740** | 2,593 | 147 |
| Cost of sales | **(486)** | (450) | (36) | **(1,611)** | (1,514) | (97) |
| **Gross Profit** | **345** | 327 | 18 | **1,129** | 1,079 | 50 |
| Other income | **2** | 2 | - | **6** | 9 | (3) |
| Selling, general and administrative expenses | **(204)** | (192) | (12) | **(624)** | (585) | (39) |
| Depreciation and impairment of right-of-use assets | **(47)** | (49) | 2 | **(138)** | (139) | 1 |
| Depreciation and impairment of property, plant and equipment | **(30)** | (30) | - | **(91)** | (87) | (4) |
| Finance costs | **(14)** | (14) | - | **(41)** | (42) | 1 |
| Finance income | **7** | 6 | 1 | **21** | 18 | 3 |
| **Profit for the period before tax** | **59** | 50 | 9 | **262** | 253 | 9 |
| Income tax expense | **(10)** | (9) | (1) | **(38)** | (41) | 3 |
| **Profit for the period** | **49** | 41 | 8 | **224** | 212 | 12 |

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## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| AED (m) | 30 September 2026 | 31 December 2025 | Variance |
|---|---|---|---|
| Property, plant and equipment | **413** | 435 | (22) |
| Intangible assets | **34** | 34 | - |
| Right-of-use assets | **941** | 872 | 69 |
| Investment in an associate | **4** | - | 4 |
| Deferred tax assets | **1** | 1 | - |
| Inventories | **191** | 171 | 20 |
| Trade receivables, prepayments and other receivables | **160** | 142 | 18 |
| Amounts due from related parties | **18** | 5 | 13 |
| Cash and short-term deposits | **685** | 776 | (91) |
| **Total assets** | **2,447** | 2,436 | 11 |
| | | | |
| Employees' end of service benefits | **90** | 87 | 3 |
| Deferred tax liability | **1** | 1 | - |
| Trade payables, accruals and other payables | **768** | 827 | (59) |
| Lease liabilities | **1,109** | 1,029 | 80 |
| Interest-bearing loans and borrowings | **5** | 6 | (1) |
| Amounts due to related parties | **18** | 19 | (1) |
| Income tax payable | **61** | 61 | - |
| **Total liabilities** | **2,052** | 2,030 | 22 |
| **Total equity** | **395** | 406 | (11) |
| **Total equity and liabilities** | **2,447** | 2,436 | 11 |

### Assets

As at 30 September 2026, total assets amounted to AED 2,447 million, compared to AED 2,436 million as at 31 December 2025, reflecting an increase of AED 11 million.

- Decrease in property plant and equipment was primarily due to depreciation charge amounting to AED 91 million, which was partially offset by additions amounting to AED 70 million (relating to new stores and refurbishment of existing stores in the UAE and KSA).
- Increase in right-of-use assets was primarily due to leases entered in respect of new stores/renewals amounting to AED 210 million, which was partly offset by depreciation charge amounting to AED 138 million and reversal due to termination of lease amounting to AED 3 million.
- Investment in an associate of AED 4 million relates to the Group's investment in Philippines, which was partially offset by the share of loss during the period.

- Inventories increased by AED 13 million compared to 31 December 2025, mainly due to higher goods in transit arising from extended shipping lead times amid Strait of Hormuz disruptions and increased retail stock requirements following the opening of six new stores. This was partially offset by an AED 8 million net reduction in provisions for old and obsolete inventories. The average inventory holding period increased to 31 days (30 September 2025: 29 days).
- Increase was mainly driven by higher prepaid insurance (AED 8 million) and landlord-related prepayments (AED 12 million) due to pending invoices, partially offset by a reduction in Visa/Mastercard receivables (AED 9 million) and movements in other receivables.
- Increase in amounts due from related party arising from the timing of settlement of stock transfers charges and intercompany cost recharges, which, unlike in prior periods, were settled after the period end.
- Cash and bank balances include AED 580 million placed in short-term deposits, generating interest at the current market rates.

**Liabilities**

As at 30 September 2026, total liabilities amounted to AED 2,052 million, compared to AED 2,030 million as at 31 December 2025, reflecting an increase of AED 22 million.

- Decrease was primarily driven by lower trade payables (AED 54 million) due to seasonal reduction in purchases during August/September compared to November/December, and settlement of funding from the KSA partner towards absorption of KSA losses. This was partially offset by higher accruals in the UAE and KSA, mainly due to new store openings.
- Increase in lease liabilities was primarily due to leases entered into in respect of new stores/renewals amounting to AED 210 million, accretion of interest accretion amounting to AED 41 million, which was partially offset by the payment of lease liabilities amounting to AED 170 million and reversal due to termination of lease amounting to AED 3 million.

## CONSOLIDATED STATEMENT OF CASH FLOWS

| AED (m) | Nine-month period ended 30 September | |
|---|---|---|
| | 2026 | 2025 |
| Cash from Operating Activities before changes in working capital | **431** | **437** |
| Changes in working capital | **(69)** | **18** |
| Net Cash flow from Operating Activities | **362** | **455** |
| Net Cash flow from/(used in) Investing Activities | **108** | **(48)** |
| Net Cash used in Financing Activities | **(399)** | **(348)** |
| **Cash and Cash Equivalents** | **180** | **119** |

The Company's prudent investment approach and inherent negative working capital deliver robust cash flow generation. This provides a strong lever allowing Spinneys to self-fund growth, while simultaneously supporting shareholder value creation. Spinneys' free cash flow conversion rate, which was 62.5% in 2026, demonstrates operational efficiency and enables consistent dividend pay-outs while simultaneously funding expansion.

Sunil Kumar
CEO