

## LuLu Retail Holding PLC

Current Price	Target Price	Upside/Downside (%)	Rating
AED 1.21	AED 2.00	+65%	BUY

### 2Q25 Net Profit lower than our estimate

- LuLu Retail's revenue rose 4.6% YOY to USD 2,017 Mn in 2Q25, primarily supported by the growth in LFL sales and new store openings.
- The Company opened two new stores in the UAE during 2Q25, which include one Hypermarkets and one Express stores.
- Private label sales, the Company's higher-margin segment, grew 3.5% YOY and contributed 29.7% to total retail revenue in 2Q25.
- Direct cost grew 4.1% YOY to USD 1,549 Mn in 2Q25.
- Gross profit rose 6.5% YOY to USD 468 Mn, with an increase in gross margins from 22.8% in 2Q24 to 23.2% in 2Q25, driven by higher sales of private label products and favorable volume and pricing trends.
- EBITDA rose 7.6% YOY to USD 204 Mn in 2Q25. EBITDA margin also grew from 9.9% in 2Q24 to 10.1% in 2Q25, supported by expansion in gross margins and stable operating expenses.
- Net profit rose 1.8% YOY to USD 57 Mn in 2Q25, mainly due to higher revenue partially offset by lower other operating income, higher net finance cost and operating expenses coupled with higher taxes.
- The Company's capex declined from USD 34 Mn in 2Q24 to USD 28 Mn in 2Q25, owing to its capex light model.

### Earnings Call Summary

- The Company's board approved an interim dividend of USD 98.4 Mn for 1H25, equivalent to 3.5 fils per share.
- The Company's Loyalty program membership grew by c.1 Mn in 2Q25, reaching 7.3 Mn members.
- LuLu Retail's new store sales added USD 37 Mn to revenue in 2Q25.
- Leverage ratio improved from 3.2x in 4Q24 to 3.0x in 2Q25, as higher in-period cash generation helped fund store expansion, though lease liabilities increased with the growing store base.
- The Company is on track to meet its 2025 target of opening 20 new stores, with all remaining 2025 sites secured and one-third already near completion, ensuring strong execution visibility.
- The Company aims to open 60 new stores in the medium term, with majority of it in KSA, followed by UAE and other GCC markets.
- LuLu Retail's e-commerce sales surged 43.4% YOY to USD 108 Mn, driven by a 45.4% YOY increase in customer count during 2Q25.
- The Company launched a QuickCommerce pilot in Abu Dhabi, offering faster, more flexible delivery by leveraging store-level fulfillment through technology-enabled operations.
- LuLu Retail's LOT store-in-store format is designed to serve value-conscious customers by offering a wider range of value-focused home and lifestyle products within existing LuLu hypermarkets and stores.
- The new stores in KSA are currently in the ramp-up phase, with the Company expecting sales productivity and profitability to improve gradually as they reach maturity.
- LuLu Retail's KSA EBITDA margins are slightly below the group average due to a higher share of new stores in ramp-up phase. Once the Company's stores in KSA stabilize, EBITDA margins are expected to be in line with UAE.
- The Company generated Roughly two-thirds of e-commerce sales through aggregator platforms and one-third through LuLu's own online platform.

#### LuLu Retail - P&L

(USD Mn)	2Q24	1Q25	2Q25A	2Q25F	VAR	YOY Ch	QOQ Ch
Revenue	1,928	2,080	2,017	2,068	-2.4%	4.6%	-3.0%
Cost of revenue	-1,488	-1,616	-1,549	-1,613	-4.0%	4.1%	-4.1%
<b>Gross profit</b>	<b>440</b>	<b>465</b>	<b>468</b>	<b>455</b>	<b>3.0%</b>	<b>6.5%</b>	<b>0.9%</b>
<b>EBITDA</b>	<b>190</b>	<b>214</b>	<b>204</b>	<b>210</b>	<b>-2.7%</b>	<b>7.6%</b>	<b>-4.8%</b>
<b>Profit before tax</b>	<b>63</b>	<b>79</b>	<b>66</b>	<b>72</b>	<b>-7.9%</b>	<b>4.5%</b>	<b>-16.1%</b>
Income tax expense	-7	-9	-9	-8	8.9%	27.2%	-2.7%
<b>Net profit from cont. operations</b>	<b>56</b>	<b>70</b>	<b>57</b>	<b>64</b>	<b>-10.0%</b>	<b>1.8%</b>	<b>-17.8%</b>
Profit/(loss) after tax from disc op	0	0	0	0	NM	NM	NM
<b>Net profit</b>	<b>56</b>	<b>70</b>	<b>57</b>	<b>64</b>	<b>-10.0%</b>	<b>1.8%</b>	<b>-17.8%</b>

FABS estimate & Co Data

## Research Rating Methodology:

Rating	Upside/Downside potential
BUY	Higher than +15%
ACCUMULATE	Between +10% to +15%
HOLD	Lower than +10% to -5%
REDUCE	Between -5% to -15%
SELL	Lower than -15%

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