

LuLu Retail Holding PLC

Store expansion and a rise in private label sales supported profit

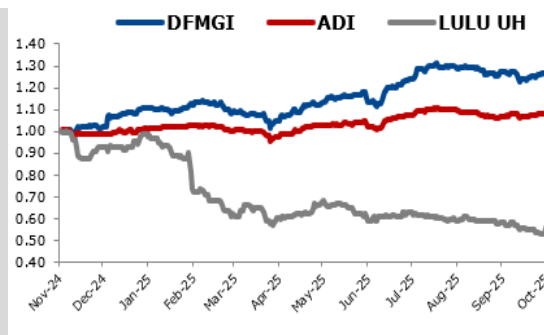
Current Price
AED 1.20

Target Price
AED 1.80

Upside/Downside (%)
+50%

Rating
BUY

- The Company added six new stores with a total store count of 260 stores in 3Q25.
- Average daily shoppers increased 37k YOY to 668k in 3Q25.
- Cash conversion expanded from 77% in 3Q24 to 84% in 3Q25, due to strong cash discipline and operational efficiency.
- Capex fell from USD 41 Mn in 3Q24 to USD 29 Mn in 3Q25, due to adoption capex light model.
- The Company expanded its omnichannel network to 102 stores in 9M25, including 60 Express stores that offer 30-45-minute delivery.
- Lulu guided 4% YOY revenue growth in 2025 and 4-5% YOY revenue growth in 2026.



3Q25 Net Profit lower than our estimate

Lulu Retail's ("Lulu" or the "Company") net profit rose 2.4% YOY to USD 36 Mn in 3Q25, lower than our estimate of USD 40 Mn. The increase in net profit was primarily driven by an increase in revenue due to the opening of new stores and expansion in the E-commerce channel, coupled with a decline in tax expense, partially offset by higher cost of revenue, a decline in other operating income and a rise in operating expense, and higher finance costs.

P&L Highlights

Lulu Retail's revenue rose 2.0% YOY to USD 1,896 Mn in 3Q25, primarily supported by the stable performance in the UAE and Kuwait regions. The rise in private label and e-commerce sales also supported the revenue growth. Revenue from Private label grew 6.2% YOY in 3Q25, constituting 30.6% of total revenue during 3Q25, driven by strong consumer price sensitivity that boosted demand for affordable private label products, resulting in volume growth outpacing sales growth. The E-commerce sales surged 32.4% YOY, accounting for 6.4% of the total retail revenue in 3Q25, supported by partnerships with aggregators, coupled with improved digital capabilities and online adoption. Additionally, Lulu recorded growth in key markets, with revenue from the UAE expanding 5.1% YOY to USD 695 in 3Q25, marking the strongest regional growth. This growth is driven by strong demand for fresh food and electronics products. However, in the KSA, revenue declined 1.0% YOY to USD 366 in 3Q25, supported by soft demand in CPG and fresh food. Kuwait's revenue expanded 3.3% YOY to USD 171 Mn in 3Q25, due to strong channel performance in the supermarket and e-commerce, while Qatar's revenue increased marginally 1.4% YOY to USD 258 Mn in 3Q25, led by fresh food. Revenue from Oman declined marginally 0.8% YOY to USD 288 Mn in 3Q25 due to lower sales in the fresh food and CPG segments. The

Stock Information

Market Cap (AED, Mn)	12,394.69
Paid Up Capital (Mn)	143.42
52 Week High	2.06
52 Week Low	1.07
3M Avg. daily value (AED)	10,551,430

3Q25 Result Review (USD, Mn)

Total Assets	5,333
Total Liabilities	4,363
Total Equity	971
EBITDA	180
Net Profit	36

Financial Ratios

Dividend Yield (12m)	5.33
Dividend Pay-out (%)	0.00
Price-Earnings Ratio(x)	14.81
Price-to-Book Ratio (x)	3.48
Book Value (AED)	0.09
Return-on Equity (%)	23.96

Stock Performance

5 Days	2.56%
1 Months	3.45%
3 Months	-0.83%
6 Months	-12.41%
1 Year	-41.18%
Month to Date (MTD%)	1.69%
Quarter to Date (QTD%)	7.14%
Year to Date (YTD%)	-36.84%

Company's cost of revenue rose 1.7% YOY to USD 1,447 Mn in 3Q25. Thus, gross profit increased 3.1% YOY to USD 449 Mn during 3Q25, exceeding the revenue growth. Gross profit margins expanded 26 bps YOY to 23.7% in 3Q25, supported by stronger margins in fresh food and supermarket categories, coupled with strong benefit from a higher mix of private-label products. Other operating income declined 3.1% YOY to USD 73 Mn, whereas operating expenses grew 2.4% YOY to USD 440 Mn in 3Q25. Net finance cost expanded 3.3% YOY to USD 42 Mn in 3Q25. EBITDA rose 2.3% YOY to USD 180 Mn in 3Q25, whereas EBITDA margin remained stable at 9.5% in 3Q25, compared to 3Q24, supported by expansion in gross margin and stable operating expenses. The Company's income tax expenses fell 21.7% YOY to USD 4 Mn in 3Q25.

Balance Sheet Highlights

Lulu's cash and cash equivalents declined from USD 377 Mn in 2Q25 to USD 261 Mn in 3Q25. The Company's capex declined from USD 41 Mn in 3Q24 to USD 29 Mn in 3Q25, owing to its capex light model. Free cash flow rose from USD 135 Mn in 3Q24 to USD 151 Mn in 3Q25, and the cash conversion ratio increased from 76.8% in 3Q24 to 84.0% in 3Q25, driven by steady EBITDA growth and further reinforced by disciplined capital management. Net debt grew from USD 2,528 Mn in 2024 to USD 2,609 Mn in 3Q25, primarily due to higher cash allocated towards working capital. However, lease liabilities increased marginally from USD 1,900 Mn in 2024 to USD 1,906 Mn in 3Q25, driven by the new store openings. Excluding lease liabilities, leverage stood at 1.4x in 3Q25, compared to 1.3x in 2024.

Target Price and Rating

We maintain our BUY rating on Lulu with a revised target price of AED 1.80. The Company recorded growth in net profit during 3Q25, attributed to an increase in revenue and lower income tax expenses. The revenue growth is fueled by stable performance in the UAE and Kuwait region, as well as the opening of new stores and strong growth in e-commerce and private label sales. However, the Company's revenue from the Saudi Arabia region declined 1.0% YOY to USD 366 Mn in 3Q25, reflecting a high base from 3Q24, increased promotional activity, and elevated costs associated with new store openings. The Company expects performance in Saudi Arabia to remain subdued in the near term, weighed down by softness in non-food segments and continued consumer down-trading, with a full recovery anticipated in 2026. To mitigate these challenges, Lulu plans to expand into high-potential catchment areas and strengthen its e-commerce ecosystem through proprietary digital platforms, thereby reinforcing its omnichannel capabilities and enhancing customer engagement. These strategic initiatives underscore Lulu's resilient approach to restoring growth in Saudi Arabia while sustaining its broader regional momentum. The Company opened six new stores in 3Q25, bringing the total store count to 260. Furthermore, to enhance customer convenience and accessibility, Lulu expanded its omnichannel network to 102 stores as of 9M25, including 60 Express stores that offer 30–45-minute delivery. The Company further plans to expand its omnichannel-enabled store network to over 150 locations while enhancing the user interface and delivery speed to improve customer experience further. Additionally, Lulu aims to launch in-store digital brand activation campaigns and leverage its CRM system along with a base of over 8 Mn loyalty members to strengthen online engagement and drive profitability. Based on the store expansion momentum and continued e-commerce growth, the Company expect revenue to rise by 4% YOY, with a c. 9.8% EBITDA margin, c. 2.5% net margin, and a total of 20 planned store additions in 2025. The Company's private label products remained in high demand, supported by strong consumer price sensitivity that drove preference for affordable alternatives. As a result, volume growth outpaced sales growth, demonstrating the brand's ability to capture value-conscious consumers and strengthen its market penetration. The Company's average daily shoppers increased 37k YOY to 668k in 3Q25. Furthermore, loyalty-linked sales accounted for 71.8% of total sales in 3Q25, reflecting stronger customer stickiness and engagement. Lulu's capex fell from USD 99 Mn in 9M24 to USD 83 Mn in 9M25, reflecting efficiency gains and a continued shift toward an asset-light model. This strategic focus underscores Lulu's efforts to enhance its return on capital and accelerate expansion through partnerships and leasing arrangements, rather than making heavy upfront investments. Furthermore, the Company's cash conversion improved from 77% in 9M24 to 84% in 9M25, due to strong cash discipline and operational efficiency. Looking ahead, Lulu expects revenue growth of 4–5% YOY, a stable EBITDA margin, and net profit growth of c. 10% YOY, alongside the addition of 18–20 new stores in 2026 and 50 new store openings during FY26–28 in express and hypermarket format. Considering these factors, we reiterate our BUY rating on Lulu.

LuLu Retail - Relative valuation

(at CMP)	2024	2025F
PE (x)	13.32	16.69
PB (x)	3.34	3.22
EV/EBITDA	5.02	4.66
BVPS (AED)	0.353	0.366
EPS (AED)	0.089	0.071
DPS (AED)	0.030	0.055
Dividend yield (%)	2.5% ¹	4.5%

FABS Estimates & Co Data

Note – Company was listed in 2024; hence, the previous year's multiples are unavailable.

¹Dividend yield for 2024 is based on the 3 fils per share the Company announced for 2H'24

LuLu Retail – P&L

USD Mn	3Q24	2Q25	3Q25	3Q25F	Var.	YOY Ch	QOQ Ch	2024	2025F	YOY Ch
Revenue	1,859	2,017	1,896	1,998	-5.1%	2.0%	-6.0%	7,621	7,923	4.0%
Direct cost	-1,424	-1,549	-1,447	-1,528	-5.3%	1.7%	-6.6%	-5,856	-6,109	4.3%
Gross profit	435	468	449	470	-4.4%	3.1%	-4.2%	1,765	1,814	2.8%
Other operating income	76	80	73	80	-8.1%	-3.1%	-7.8%	300	326	8.7%
Operating expenses	-430	-441	-440	-456	-3.3%	2.4%	-0.2%	-1,657	-1,737	4.9%
Finance cost, net	-41	-41	-42	-48	-12.4%	3.3%	2.6%	-169	-177	4.6%
EBITDA	176	204	180	186	-3.2%	2.3%	-11.7%	787	780	-0.8%
Profit before tax	40	66	40	46	-12.9%	-0.7%	-39.3%	239	226	-5.3%
Income tax expense	-5	-9	-4	-6	-27.7%	-21.7%	-53.6%	-22	-27	21.6%
Profit from cont operation	35	57	36	40	-10.9%	2.4%	-37.2%	216	199	-8.0%
Profit from disc. operation	0	0	0	0	NM	NM	NM	33	0	NM
Net Profit	35	57	36	40	-10.9%	2.4%	-37.2%	249	199	-20.2%

FABS estimate & Co Data

LuLu Retail - Margins

	3Q24	2Q25	3Q25	YOY Ch	QOQ Ch	2024	2025F	YOY Ch
Gross Profit	23.4%	23.2%	23.7%	26	45	23.2%	22.9%	-26
EBITDA	9.5%	10.1%	9.5%	3	-61	10.3%	9.8%	-48
Net Profit	1.9%	2.8%	1.9%	1	-94	3.3%	2.5%	-76

FABS estimate & Co Data

Key Developments:

- **27th May 2025:** Lulu will be included in the FTSE Global Equity Index Series (FTSE GEIS) effective 23 June 2025, marking a significant milestone following its successful IPO in 4Q24. The inclusion in FTSE Mid Cap, All-World, All-Cap, and Total-Cap indices is expected to enhance global visibility and attract deeper engagement from international investors.
- **19th August 2025:** Lulu expanded its GCC footprint with the opening of its 260th store, a new Lulu Express outlet in Nad Al Hammar, Dubai. Spanning 22,000 sq. ft., the store strengthens Lulu's UAE network to 112 outlets and reinforces its commitment to high-quality, affordable retail offerings amid continued growth momentum following 1H25 revenues of USD 4.1 Bn.
- **01st October 2025:** Lulu expanded its GCC presence with the launch of its first Lulu Mini Market in Kuwait, located at Al Bahar Complex, Hawally. Spanning 4,844 sq. ft., the store enhances Lulu's network to 17 outlets in Kuwait and underscores its focus on accessible, high-quality, and convenient shopping experiences across the region.
- **09th October 2025:** Lulu expanded its UAE presence with a new 4,736 sq. ft. Express Store in Al Ain, offering a curated selection of groceries, fresh produce, and daily essentials. The launch reinforces the company's 2025 expansion strategy and strengthens its omnichannel presence and leadership as the GCC's top full-line retailer.
- **20th October 2025:** Lulu opened a new 63,995 sq. ft. hypermarket in Tuwaiq, Riyadh, reinforcing its expansion strategy in Saudi Arabia in October 2025. The store offers a wide range of products across categories, enhancing customer convenience and strengthening Lulu's omnichannel presence and leadership as the GCC's leading full-line retailer.
- **07th November 2025:** Lulu announced a strategic partnership with Beyout Holding to open a 6,650 sqm flagship hypermarket at Beyout Plus Mall in Al Mutlaa, Kuwait, part of the country's largest residential project in November 2025. The partnership reinforces Lulu's expansion strategy in Kuwait and its commitment to delivering greater value and convenience to customers.
- **10th November 2025:** Lulu opened six new stores across the UAE, KSA, and Kuwait, adding 18,047 sqm of retail space and bringing the total 2025 additions to 49,428 sqm in 3Q25. The company targets 20 openings for 2025 and plans to open around 50 new stores across the GCC over the next three years.

Valuation:

We use Discounted Free Cash Flow (DCF), Relative Valuation (RV), and Discounted Dividend Method (DDM) to value Lulu Retail. We have assigned weights of 70% to DCF, 15% to RV, and 15% to DDM.

Valuation Method	Target	Weight	Weighted Value
DCF Method	1.98	70.0%	1.39
DDM Method	1.24	15.0%	0.19
Relative Valuation (Average of PE & EV/EBITDA)	1.50	15.0%	0.22
Weighted Average Valuation (AED)			1.80
Current market price (AED)			1.20
Upside/Downside (%)			+50%

1) DCF Method:

Lulu Retail is valued using free cash flow to the firm. We have discounted the cash flow using the weighted average cost of capital of 8.0%. It is arrived at after using the cost of equity of 9.3% and the after-tax cost of debt of 5.0%. Equity cost is calculated using a 10-year government bond yield of 4.2%, a beta of 1.0 and an equity risk premium of 4.5%. Government bond yield is calculated after adding Abu Dhabi's 10-year spread over the 10-year US risk-free rate. Also, assumed a terminal growth rate of 2.0%.

Sum of PV (USD, Mn)	1,401
Terminal value (USD, Mn)	4,869
Cash/(Net Debt) (as of Sep 2025)	-703
FV to Common shareholders (USD, Mn)	5,567
No. of shares (Mn)	10,329
Current Market Price (AED)	1.20
Fair Value per share (AED)	1.98

DCF Method

(All Figures in USD Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
NOPAT	376	390	439	460	483	562
IFRS Rent	-346	-372	-379	-406	-396	-374
Depreciation & Amortization	377	392	397	429	441	420
Capex	-132	-125	-110	-110	-115	-110
Change in Working Capital	226	-17	-21	-19	-18	-31
Free Cash Flow to Firm (FCFF)	126¹	268	326	354	395	466
Discounting Factor	0.91	0.84	0.78	0.72	0.67	0.62
Discounted FCFF	114	226	254	255	264	288

Source: FAB Securities, ¹Adjusted for partial year

2) Relative Valuation:

We have used regional peers to value Lulu Retail, and it is valued using the average of EV/EBITDA and PE multiple. It is valued at a 2026 EV/EBITDA and PE multiple of 8.9x and 17.3x, respectively, in line with peers.

Company	Market	EV/EBITDA (x)		P/E (x)	
	(USD Mn)	2025F	2026F	2025F	2026F
Regional Peers					
Abdullah Al Othaim Market	1,687	10.3	9.8	18.7	17.8
Savola	2,180	5.8	5.5	10.0	13.1
Bindawood Holding	1,655	9.8	8.9	26.9	21.0
Al Meera Consumer Goods	823	12.9	12.4	18.2	17.3
Spinneys	1,568	8.7	7.9	17.7	16.1
Average		9.5x	8.9x	18.3x	17.1x
Median		9.8x	8.9x	18.2x	17.3x
Max		10.3x	9.8x	18.7x	17.8x
Min		8.7x	7.9x	17.7x	16.1x

Source: FAB Securities

3) DDM Method:

Lulu Retail plans to maintain a dividend payout ratio of c. 75% of annual distributable profit after tax, paid semi-annually. The dividend is discounted at the cost of equity of 9.3%.

Sum of PV (USD, Mn)	929
Terminal value (USD, Mn)	2,567
FV to Common shareholders (USD, Mn)	3,496
No. of shares (Mn)	10,329
Current Market Price (AED)	1.20
Fair Value per share (AED)	1.24

(All Figures in USD Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
Dividend Paid						
Dividend	155	164	208	227	253	318
Total Dividend	155	164	208	227	253	318
Discounting Factor	0.90	0.82	0.75	0.69	0.63	0.58
Present Value of Dividend	139	135	157	156	160	183

Source: FAB Securities

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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