

LuLu Retail Holding PLC

Current Price

AED 1.07

Target Price

AED 1.50

Upside/Downside (%)

+40%

Rating

BUY

4Q25 Net Profit in line with our estimate

- LuLu Retail's revenue rose 2.4% YOY to USD 1,940 Mn in 4Q25, primarily supported by resilient trading in the UAE, Kuwait and Other operating segments, partially offset by a decline in KSA and Oman. Additionally, revenue from fresh food segments rose 3.5% YOY in 4Q25, while the e-commerce segment increased 51.8% YOY in 4Q25.
- Like-for-like (LFL) sales declined 1.1% YOY in 4Q25 due to temporary softness in electrical and lifestyle categories, along with subdued performance in KSA and Oman
- The Company opened seven new stores in 4Q25 across the UAE, KSA and Kuwait, comprising two Hypermarkets, four Express stores and one Mini market, adding 23,498 sqm of selling space during the quarter.
- Private labels sales, the Company's higher-margin segment, delivered steady performance in 4Q25, contributing USD 549.2 Mn in retail sales. Penetration stood at 29.8% in 4Q25 versus 30.8% in 4Q24.
- Direct cost grew 3.3% YOY to USD 1,499 Mn in 4Q25.
- Gross profit declined marginally 0.5% YOY to USD 441 Mn in 4Q25, with gross margin contracting to 22.7% in 4Q25 from 23.4% in 4Q24.
- EBITDA declined 16.2% YOY to USD 184 Mn in 4Q25, with EBITDA margin contracting to 9.5% in 4Q25 from 11.6% in 4Q24, primarily due to higher staff costs, incremental rent from new stores and increased aggregator commission payments, reflecting continued investment in new store openings and expanded aggregator partnerships.
- Net profit declined 35.7% YOY to USD 42 Mn in 4Q25, mainly due to higher operating expenses, cost of revenue and lower other operating income, partially offset by lower net finance cost and increase in revenue.
- The Company's capex declined marginally from USD 137 Mn in 2024 to USD 134 Mn in 2025, owing to its capex light model.
- Lulu's Board of Directors has proposed a dividend of 3.5 fils per share for 2H25, subject to shareholder approval. For 2025, the total annual dividend amounts to USD 196.9 Mn (7 fils per share).

Earnings Call Summary

- Lulu added seven new stores in 4Q25, bringing the total store count to 267, partially offset by selective closures.
- The Company's customer count stood at c.675k in 4Q25, increasing by 26k during the quarter.
- The margin-led initiatives for KSA undertaken by Lulu include refinement of product assortment using customer data, space optimization, smarter ROI-led promotions, waste reduction, strengthened supplier partnerships and tighter cost control, with profitability expected to improve as stores mature.
- KSA markets constitute a higher portion of new stores, and margins will improve as stores from the region mature.
- Notably, in 4Q25, both volumes and pricing in the Electrical category declined, weighing on quarterly performance. Nevertheless, customer numbers increased during 4Q25, and full-year revenue growth remained positive, indicating underlying demand resilience despite category-level softness.
- Loyalty-linked sales accounted for c.67% of total revenue in 2025, reflecting improved customer engagement and higher basket sizes among members, while enabling more targeted, data-driven promotions across the network.

- Lulu expects omni channel store network to increase from 128 to 200+ majorly focusing on productivity improvement.
- Lulu Retail's net leverage stood at 1.1x (excluding leases) in 2025, reflecting a stable balance sheet and improved deleveraging versus 1.3x in 2024, while cash flow conversion strengthened to 82.9%, supported by disciplined capex management and strong operating cash generation of USD 648 Mn in 2025.
- In the private label segment, the Company's major focus remains on premium & health-led SKUs such as baby and pet care, as these are high repeat purchase categories along with chilled premium dairy and "free-from" products. The private label strengthens the margin profile while supporting competitive pricing.
- Net profit is expected to grow at a faster pace than EBITDA in 2026, despite flat EBITDA margin guidance, primarily supported by lower finance costs as leverage declines. The Company highlighted that reduced interest expense and fixed depreciation expense from maturing stores will drive bottom-line expansion, resulting in net margin improvement outpacing EBITDA margin progression.
- The Company highlighted that strong e-commerce growth remains a key strategic priority, with margin pressure from last-mile delivery and aggregator commissions expected to be offset by scale efficiencies, sourcing leverage and operating discipline, thereby supporting flat EBITDA margin guidance in 2026 despite continued digital expansion.
- Lulu aims to open 18–20 new stores in 2026, with c.80% in the Express format and c.20% in Hypermarkets. The geographic mix is expected to be broadly aligned with the medium-term plan of allocating openings across the UAE, KSA and other GCC markets, with the continued shift toward smaller formats supporting capital efficiency and improved return profiles while sustaining network-led revenue growth.
- The split of store openings over the next three years: one-third each in the UAE & KSA, and the remaining split across the GCC region. Lulu will follow the same split in 2026.
- Expectation of e-commerce split between own and aggregator will amount to one-third and two-thirds, respectively, in 2026. The store mix is expected to gradually improve in favor of its own platform.
- In 2026, Lulu Retail expects 4–5% revenue growth, supported by continued store expansion and sustained momentum in e-commerce, with EBITDA margin projected to remain stable year on year.
- Net profit is projected to grow by 10% YOY in FY2026, driven by lower finance costs and operating leverage as stores mature, with a continued focus on smaller formats.

LuLu Retail - P&L

(USD Mn)	4Q24	3Q25	4Q25	4Q25F	Var.	YOY Ch	QOQ Ch
Revenue	1,894	1,896	1,940	1,929	0.6%	2.4%	2.3%
Cost of revenue	-1,451	-1,447	-1,499	-1,489	0.7%	3.3%	3.6%
Gross profit	443	449	441	440	0.1%	-0.5%	-1.8%
EBITDA	220	180	184	190	-3.1%	-16.2%	2.2%
Profit before tax	71	40	48	50	-3.8%	-32.6%	19.6%
Income tax expense	-6	-4	-6	-7	-8.5%	0.6%	54.5%
Net profit from cont. operations	65	36	42	43	-3.1%	-35.7%	15.7%
Profit/(loss) after tax from disc op	0	0	0	0	NM	NM	NM
Net profit	65	36	42	43	-3.1%	-35.7%	15.7%

FABS estimate & Co Data

2026 Management Guidance:

Financial Metrics	FY 2025A	FY 2026e
 Revenue Growth (%)	4.1% YoY	+4-5%
 EBITDA Margin (%)	9.9%	Flat
 Net Profit	\$205 million	+10%
 # of Stores	20 stores	18-20 stores

