FAB أبوظبي الأول للأوراق المالية SECURITIES

Earnings Call Insight | 2Q26

UAE Equity Research | Sector: Consumer Staples | Market: ADX

LuLu Retail Holding PLC

Current Price	Target Price	Upside/Downside (%)	Rating
AED 0.98	AED 1.50	+53.1%	BUY

2Q26 Net Profit lower than our estimate

- LuLu Retail's revenue declined 2.3% YOY to USD 1,971 Mn in 2Q26, driven by lower non-food sales, particularly in discretionary categories, amid weaker consumer sentiment, partially offset by growth in food sales, which was further supported by new store openings and strong e-commerce growth.
- Like-for-like (LFL) sales declined 5.9% YOY in 2Q26.
- The Company opened six new stores in 2Q26 across KSA and the UAE, comprising five Mini Markets and one Express store, adding 2,997 sqm of selling space during the quarter.
- Cost of revenue declined 2.0% YOY to USD 1,518 Mn in 2Q26.
- Gross profit declined 3.3% YOY to USD 453 Mn in 2Q26, with gross margin contracting 24 bps YOY to 23.0% in 2Q26 due to higher input costs.
- EBITDA declined 10.8% YOY to USD 182 Mn in 2Q26, with EBITDA margin declining 88 bps YOY to 9.2% in 2Q26, primarily due to lower gross margin along with an increase in S&A expenses, partially offset by disciplined cost management.
- Net profit declined 26.5% YOY to USD 42 Mn in 2Q26, mainly due to lower revenue and other operating income, along with higher operating expenses, partially offset by lower cost of revenue, net finance cost and income tax expense. Despite cost pressures amid the evolving geopolitical situation, profitability was maintained, supported by select network expansion and continued cost discipline.
- The Company's capex stood at USD 26 Mn in 2Q26, equivalent to 1.3% of revenue, compared with USD 28 Mn, or 1.4% of revenue, in 2Q25, reflecting renewed focus on a capital-efficient expansion model and balanced approach to maintenance and growth investments.
- Lulu's Board of Directors declared an interim dividend of 3 fils per share for 1H26, equivalent to c. USD 84 Mn and representing 95% of 1H26 net profit, above the Company's stated 75% payout policy.

Earnings Call Summary

- Retail footprint expanded to 283 stores with 6 new store openings during 2Q26, adding c. 2,997 square meters of selling space and bringing total selling space to 1.41 Mn sqm as of June 2026.
- Customer count reached c. 695,000 with 5,000 customers added during 2Q26, reflecting continued traction across markets.
- E-commerce business continued to scale, contributing 8.9% of retail sales, up 332 bps, with 53.0% YOY growth to USD 165 Mn in 2Q26, driven by ongoing omnichannel integration and improved customer adoption.
- Loyalty membership program increased to 9.4 Mn members, including 382,000 additions in 2Q26. Loyalty-linked sales accounted for c. 70% of total sales, supporting more targeted and data-driven commercial execution.
- Private label sales continued to gain share, with penetration reaching 30.7% of retail sales in 2Q26, up from 29.7% in 2Q25, supported by customer substitution, with broad coverage across price tiers from value to premium and differentiated ranges across partnerships, wellness, community and sustainability.
- Cash conversion stood at 85.9% in 2Q26, demonstrating resilience in underlying cash generation despite softer profitability.
- Local sourcing capabilities built ahead of the disruption provided a strong buffer against international freight constraints and helped maintain product availability across stores.

- The Company maintained disciplined management of costs and cash flows, with close oversight of freight, commodity and import costs, alongside targeted pricing and assortment actions where appropriate, and ongoing business continuity monitoring across stores, distribution, sourcing and support functions.
- Management stated that within non-food, lifestyle categories experienced volume declines, while electrical categories faced both volume declines and negative price-mix. The pattern was consistent across geographies, with modest inflation providing only partial mitigation of overall softer demand.
- Management noted that the situation in Saudi Arabia remains complex, with competition from legacy brick-and-mortar operators, discounters and aggressive new e-commerce entrants. Food performance remained broadly aligned with the Company's overall performance, while non-food performance was weaker due to the broader operating environment.
- In Saudi Arabia, management stated that it is undertaking multiple actions, including refining product offerings based on customer data, space management including third-party leasing, smart promotions, store-level profitability improvements through weight reductions, supply partnerships, inventory optimization, and central cost exercises, which are expected to have a meaningful impact in the coming months and quarters.
- In e-commerce, digital capabilities continue to scale, with investments in customer onboarding, fulfilment, and post-order experience. The single Happiness loyalty program anchors the integrated customer experience.
- Management stated that its strategy remains appropriate, with strong e-commerce growth supporting the long-term fundamentals.

LuLu Retail - P&L

(USD Mn)	**2Q25**	**1Q26**	**2Q26**	**2Q26F**	**Var**	**YOY Ch**	**QOQ Ch**
Revenue	2,017	2,020	1,971	1,927	2.3%	-2.3%	-2.4%
Cost of revenue	-1,549	-1,571	-1,518	-1,494	1.7%	-2.0%	-3.3%
Gross profit	**468**	**449**	**453**	**434**	**4.5%**	**-3.3%**	**0.8%**
EBITDA	**204**	**192**	**182**	**190**	**-4.2%**	**-10.8%**	**-5.2%**
Profit before tax	**66**	**53**	**49**	**51**	**-4.0%**	**-26.0%**	**-8.8%**
Income tax expense	-9	-7	-7	-6	9.2%	-22.4%	-0.2%
Net profit from cont. operations	**57**	**47**	**42**	**45**	**-5.8%**	**-26.5%**	**-10.0%**
Profit/(loss) after tax from disc op	0	0	0	0	NM	NM	NM
Net profit	**57**	**47**	**42**	**45**	**-5.8%**	**-26.5%**	**-10.0%**

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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