

Initiation Coverage

LuLu Retail Holdings PLC



UAE



KSA



Bahrain



Kuwait



Oman



Qatar



Key Investment Highlights:

We initiate coverage on LuLu Retail Holding PLC ("LuLu Retail" or "the Company") with an equity valuation of AED 2.55 per share. LuLu Retail Holdings PLC is the largest full-line retailer in the GCC region, operating 241 stores across all GCC countries. The Company runs a diverse range of retail formats, including hypermarkets, supermarkets (express stores), minimarkets, and online platforms, offering consumer packaged goods, electrical goods, fresh foods, and lifestyle products. LuLu Retail is a wholly owned subsidiary of LuLu International Holdings Limited, which manages multiple malls, international retail businesses, properties, and retail outlets.

Our investment view is supported by:

- **Diversified Products and Robust Logistics & Distribution Infrastructure to Drive Scale**
- **Strong Operational Backbone Driven by Global Sourcing Capabilities**
- **Robust Strategy with Multiple Growth Levers Supporting the Profitability**
- **Strong Financial Performance with Growing Revenue and EBITDA**

Diversified Products and Robust Logistics & Distribution Infrastructure to Drive Scale

LuLu Retail is the largest retailer with a strong presence across six GCC countries. It operates 241 stores and serves 600K+ shoppers daily, with an average basket size of USD 30-35. The Company runs a diverse range of retail formats, including hypermarkets, supermarkets, minimarkets, and online platforms, offering consumer packaged goods, electronics, fresh foods, and lifestyle products. LuLu Retail operates with a highly flexible and dynamic business model with over 200,000 active SKUs from more than 85 countries, catering to a wide range of ethnicities and budgetary preferences. LuLu Retail differentiates itself with high-quality private-label offerings across categories, offering a higher gross profit margin than branded products. The Company's scaled logistics and distribution infrastructure position it to support its growth and create a competitive edge in the GCC regions.

Strong Operational Backbone Driven by Global Sourcing Capabilities

LuLu Retail's global sourcing and logistics network is crucial to its operational strength and competitive edge in the GCC. With sourcing operations in 85 countries and offices in 19 key locations, the Company leverages over 20 years of average-length supplier relationships to ensure a steady supply of quality products. The Company's large-scale operation provides a significant competitive advantage through enhanced negotiating leverage and operational effectiveness. Its established partnerships with global FMCG brands like P&G, Unilever, and PepsiCo, along with key sourcing offices in China, the USA, and the UK, support a robust supply chain. Regional partnerships with Almarai, Agthia, Afia, and Alsafa further support its market position and operational efficiency.

Robust Strategy with Multiple Growth Levers Supporting the Profitability

LuLu Retail's growth strategy enhances customer satisfaction and operational efficiency through a four-phase approach. The first phase focuses on maximizing growth within existing stores through targeted and complementary initiatives. The second phase emphasizes the rollout of new stores, supported by favorable macroeconomic conditions and strategic transformation efforts. In the third phase, LuLu Retail aims to improve operating efficiencies through initiatives focused on cost optimization and store efficiency. In the fourth phase, the Company plans to capitalize on tangible growth opportunities by enhancing private-label offerings and expanding into new product lines and categories. Additionally, LuLu Retail plans to enhance online channel to maximize growth utilizing favorable trends, growing capacity, and higher penetration.

Strong Financial Performance with Growing Revenue and EBITDA

LuLu Retail delivered strong revenue growth, with a CAGR of 7.4% from USD 6,312 Mn in FY2021 to USD 7,278 Mn in FY2023 driven by increased new store openings, like-for-like (LFL) growth, robust performance in the KSA market, and the strong expansion of its private label segment. LuLu Retail's EBITDA grew at a CAGR of 10.7% from USD 615 Mn in FY2021 to USD 753 Mn in FY2023. EBITDA margins also expanded from 10.2% in FY2022 to 10.4% in FY2023. The strong increase in EBITDA and EBITDA margins is primarily due to a growth in gross margins and efficiencies in employee cost as a percentage of revenue, partially offset by increases in utilities, vehicle costs and other operating expenses. LuLu Retail also focuses on a disciplined capex strategy and is progressively transitioning toward a capital-light model. As a result, the Company's capex as a percentage of sales declined from 2.7% in FY2021 to 2.1% in FY2023. The total capex declined from USD 170 Mn in FY2021 to USD 149 Mn in FY2023.

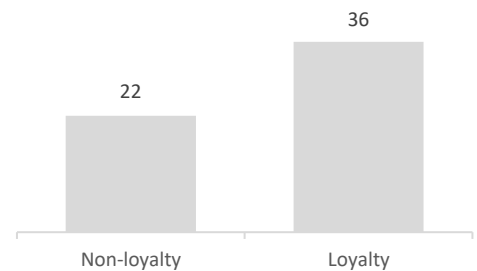
Initiating Coverage

Sector: Consumer Staples

Analyst Name: Ahmad Banihani

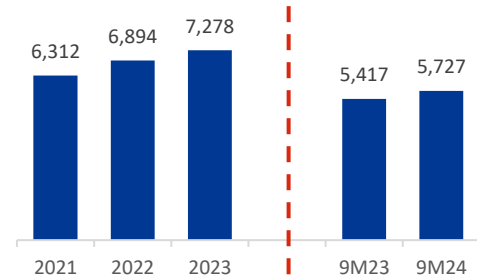
Rating	BUY
Current Market Price (AED)	1.89
Target Price (AED)	2.55
Upside/(Downside)	+35%
Market Cap (AED, Bn)	19.52

Average Basket Size (USD)



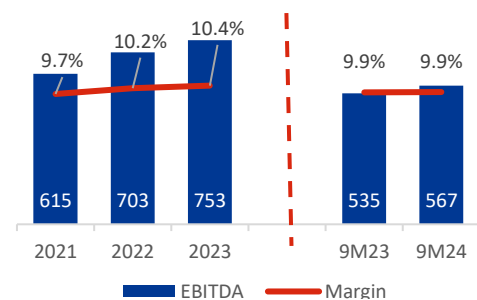
Source: Company Information

Total Revenue (USD, Mn)



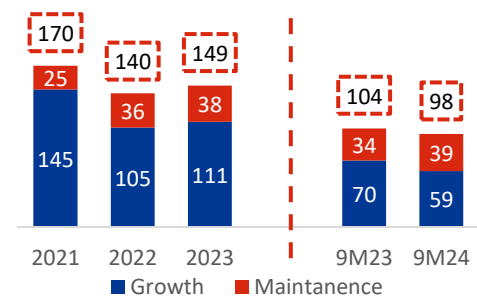
Source: Company Information

EBITDA (USD, Mn) and Margin (%)



Source: Company Information

Capex (USD, Mn)



Source: Company Information

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Introduction to LuLu Retail

LuLu Retail is a Largest Full-Line Retailer in Pan-GCC

LuLu Retail is the GCC's largest full-line retailer with 241 stores across all GCC countries

LuLu Retail Holdings PLC, headquartered in Abu Dhabi, UAE, is the largest full-line retailer in the GCC region, operating 241 stores across all GCC countries. The Company runs a diverse range of retail formats, including hypermarkets, supermarkets, minimarkets, and online platforms, offering consumer packaged goods, electrical goods, fresh foods, and lifestyle products. LuLu Retail is a wholly owned subsidiary of LuLu International Holdings Limited, which also manages multiple malls, international retail businesses, properties, and retail outlets.

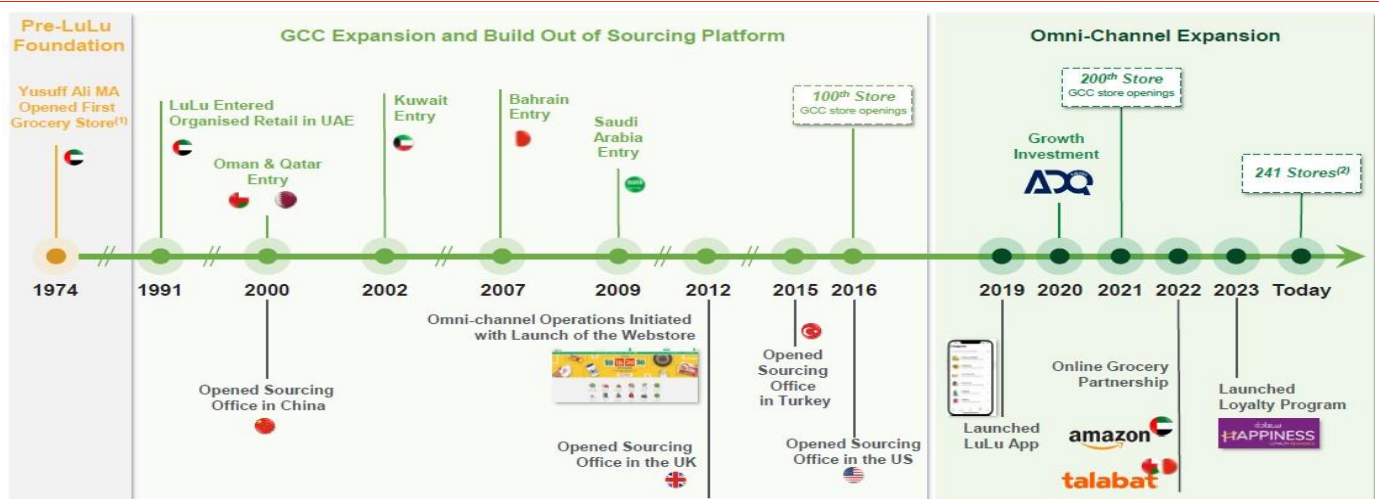
Founded in 1974 by Yusuf Ali MA, the Company began wholesale and distribution operations with its first grocery store, laying the foundation for its retail empire. LuLu Retail entered the UAE's organized retail sector in 1991 and expanded into Oman and Qatar in 2000. In the same year, the Company established a sourcing office in China. The Company continued its international expansion by entering Kuwait in 2002, Bahrain in 2007, and Saudi Arabia in 2009, thereby establishing a presence in all GCC countries.

In 2012, LuLu Retail ventured into online retail with the launch of its website, marking the beginning of its omni-channel operations. The Company also opened sourcing offices in the UK (2012), Turkey (2015), and the USA (2016) to support its growing procurement needs. In 2016, LuLu Retail had surpassed 100 stores in the GCC. The Company launched the LuLu App in 2019 to enhance its omni-channel presence and expanded its store count to over 200 in 2021. The growing operations of LuLu caught the eyes of various investors and received a growth investment from ADQ, a sovereign wealth fund based in Abu Dhabi, in 2020. In 2022, LuLu Retail formed online grocery partnerships with Amazon and talabat, and in 2023, introduced the Happiness Loyalty Program as part of an aggressive marketing strategy to attract a broader customer base.

LuLu Retail had surpassed 100 stores in the GCC by 2016 and 200 stores by 2021

The Company is listed in the Abu Dhabi Securities Exchange (ADX) in 4Q24 with an Initial Public Offering. LuLu Retail operates a total of 241 stores with different formats in GCC with a total selling area of c. 1.3 Mn SQM and serves more than 600K daily shoppers from 130+ nationalities. The Company also offers multiple private-label products, contributing 29% of total sales in FY2023. LuLu Retail sources its products from 85 countries with the help of its 19 on-the-ground sourcing offices and also operates 21 distribution centers across GCC for an uninterrupted supply chain.

Figure 01: LuLu Retail Track Record Over the Period



Source: Company Information, Notes: Store milestones based on GCC perimeter countries (1) With wholesale and distribution operations. (2) As of May 2024

Cutting Edge Business Model Transforming LuLu Retail Operations

Expanded Across the GCC Region with Multi-Format Stores

UAE hosts 104 LuLu Retail stores with 510K SQM of selling area and contributes 36% of total revenue in FY2023

Geographical Presence

LuLu Retail operates across all six GCC countries, with a significant concentration in the UAE and KSA, where nearly two-thirds of its stores are located. The Company is the largest pan-GCC retailer with 241 stores with an average size of 5,400 SQM and serves 600K daily shoppers with average basket size ranging between USD 30-35.

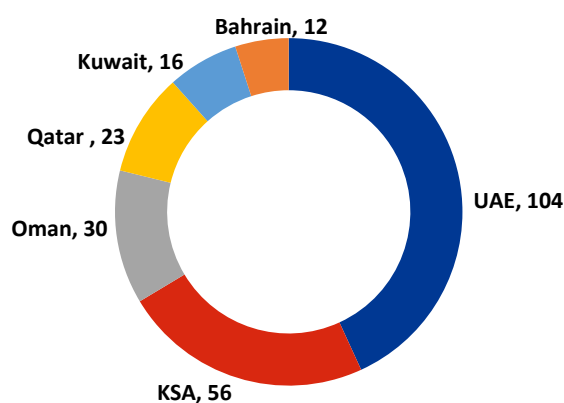
In the UAE, LuLu Retail has the highest number of stores, totaling 104. This includes 43 hypermarkets, 57 supermarkets, and four minimarkets, covering a selling area of 510K SQM. The Company holds a 14% market share in the UAE and is the second-largest retailer in the country. The UAE operation contributed approximately 36% of the Company's total revenue in FY2023. The UAE stores serve 244K daily shoppers with an average basket size of USD 28.

The Kingdom of Saudi Arabia (KSA) is home to the second-largest number of LuLu stores, with a total of 56, consisting of 25 hypermarkets, 17 supermarkets, and 14 minimarkets, across a selling area of 276K SQM. LuLu holds an 8% market share in KSA and is the country's largest pan-GCC retailer. The KSA operations contributed nearly 19% of the total revenue in FY2023, serving 120K daily shoppers with an average basket size of USD 31.

Oman has 30 LuLu Retail stores, including 21 hypermarkets and nine supermarkets, covering a selling area of 222K SQM. The Company is the leading retailer in Oman with a 30% market share. The Omani operations contributed about 15% of the total revenue in FY2023, catering to 83K daily shoppers with an average basket size of USD 36. In Qatar, LuLu Retail operates 23 stores, consisting of 11 hypermarkets, nine supermarkets, and three minimarkets, with a selling area of 127K SQM. LuLu holds a 17% market share and is the largest retailer in Qatar. The Qatari stores contributed roughly 15% of the total revenue in FY2023, serving 83K daily shoppers with an average basket size of USD 36.

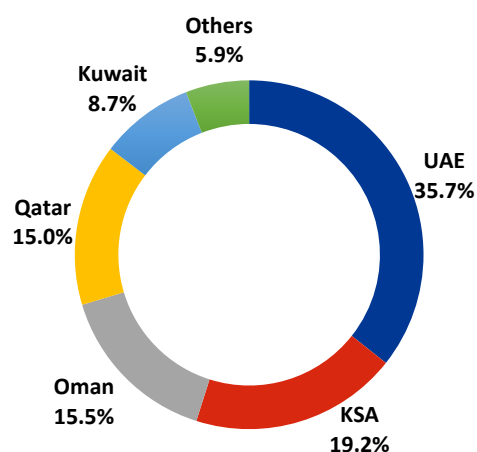
Kuwait and Bahrain operate a combined 28 LuLu stores, including 16 hypermarkets, 11 supermarkets, and a single minimarket with a total selling area of 167K SQM. The Company is the largest retailer in both countries with a market share of 15% in Kuwait and 23% in Bahrain. Kuwait and Bahrain stores together contributed 15% of total revenue in FY2023, serving 84K daily shoppers with an average basket size of USD 33 in each region.

Figure 02: Geographical Stores Across GCC as of May 2024



Source: Company Information

Figure 03: Revenue Split by GCC in FY2023



Source: Company Information

Hypermarkets have an average selling area of c. 9,200 SQM, supermarkets c. 2,400 SQM, and minimarkets c. 160 SQM

Store Format Overview

LuLu Retail operates a diverse portfolio of stores, including hypermarkets, supermarkets, minimarkets, and an online platform. This multi-format approach allows the Company to cater to various customer needs, offering a wide range of products and services across different shopping environments, enhancing convenience and accessibility for consumers.

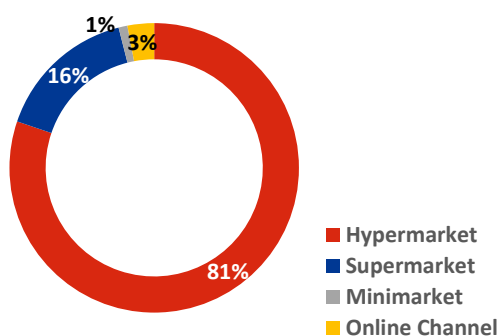
Hypermarkets: LuLu Retail operates 116 hypermarkets, representing 48% of its total store count as of May 2024. These hypermarkets are designed as one-stop shopping destinations, offering a comprehensive range of products. The Company's average store spans approximately 9,200 SQM and features around 200K active SKUs (Stock Keeping Units), catering to diverse consumer needs. Positioned as anchor stores in shopping centers, LuLu's hypermarkets are typically located out-of-town to attract a wide customer base. These hypermarkets play a pivotal role in LuLu's business, contributing approximately 81% of the company's sales in FY2023, with an average basket size of USD 36. Their extensive product range and strategic locations drive significant revenue and customer engagement.

Supermarkets: LuLu Retail operates 103 supermarkets, also known as Express stores, which account for 43% of its total stores. These supermarkets are tailored for grocery shopping, providing a convenient option for everyday needs. Each supermarket has an average selling area of about 2,400 SQM and features over 35K active SKUs. The focus on essential grocery items makes them attractive for routine shopping. In FY2023, LuLu Supermarkets contributed around 16% of the company's total sales, with an average basket size of USD 20. Their strategic positioning and emphasis on groceries drive consistent customer traffic and sales performance.

Minimarkets: LuLu Retail operates 22 minimarkets across the GCC, accounting 9% of its total store count. These convenience outlets are designed for quick, grab-and-go shopping, with an average selling area of around 160 SQM and featuring c. 8,000 active SKUs. Despite their widespread presence, minimarkets contributed less than 1% of LuLu's total sales in FY2023. The average basket size at these stores is USD 6, reflecting their focus on high-frequency, small-ticket purchases.

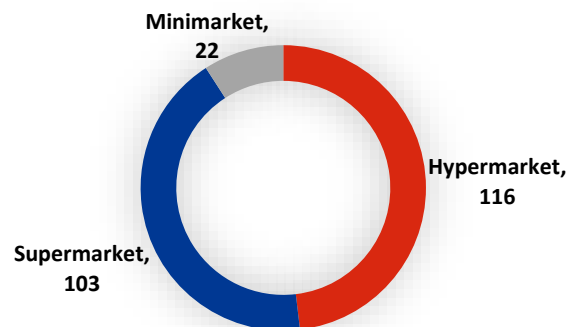
Online Platform: LuLu Retail enhances its reach with online shopping services through its proprietary app as well as third-party platforms such as Amazon, talabat, Hunger Station, and Snoonu. The Company offers home delivery directly to customers using its online platform. This online format features approximately 104K active SKUs and attracts around 300K daily visitors. In FY2023, the online segment contributed about 3% of LuLu's total revenue, with an average basket size of USD 40. This digital approach expands customer accessibility and complements the company's physical retail operations, catering to a growing demand for online shopping.

Figure 04: Revenue Split by Store Format in FY2023



Source: Company Information

Figure 05: Portfolio of Stores by Format



Source: Company Information, as of May 2024

Stores of LuLu Retail features a comprehensive product assortment so customers can find everything they need under one roof

Innovative Store Layouts to Optimize Product Visibility

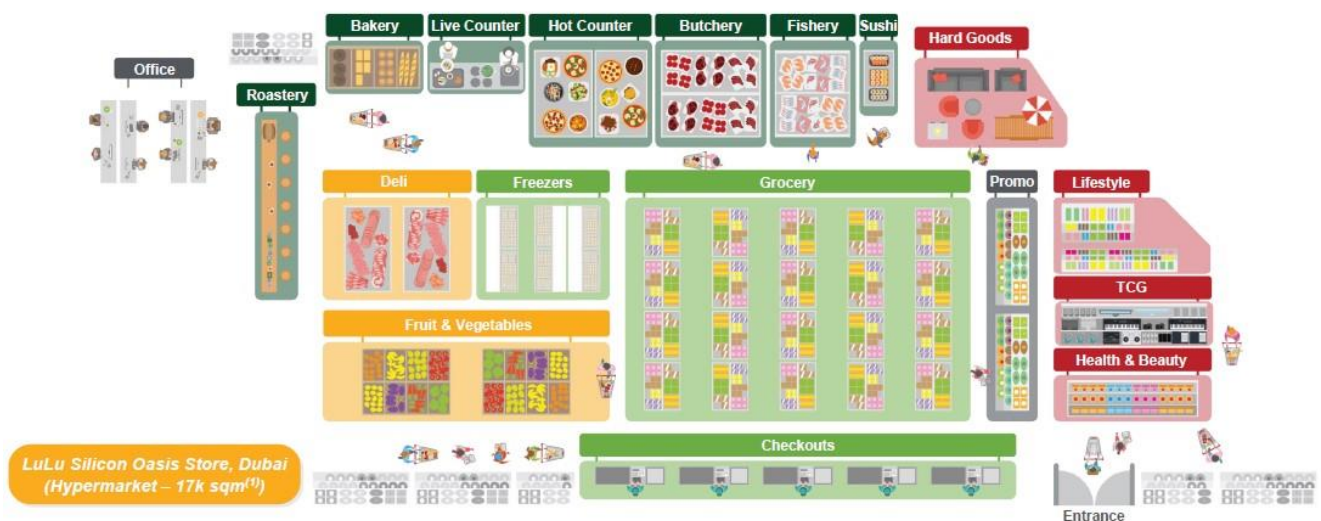
LuLu Retail has meticulously crafted its store layouts to elevate the customer shopping experience. The stores feature a comprehensive product assortment, allowing customers to find everything they need under one roof. The layout is thoughtfully designed to enhance convenience and accessibility. Promotional products are strategically placed near the entrance to catch customers' attention and encourage impulse purchases. Fresh food items are positioned near the checkouts, making it easy for customers to add last-minute items to their baskets to complete their shopping. Additionally, wide aisles are incorporated to facilitate smooth movement and provide a clearer view of the products. This thoughtful arrangement optimises product visibility and ensures a more enjoyable and efficient shopping experience. By combining strategic product placement with spacious design, LuLu Retail creates a seamless and satisfying shopping environment that caters to diverse customer needs.

The rollout process for LuLu Retail stores is a well-structured and methodical approach designed to ensure both efficiency and effectiveness in establishing new locations. This process involves five key steps, each critical to the successful launch of a new store, and typically spans between seven to twelve months. The following is an overview of each step in the rollout process.

1. Market Research and Feasibility Study (2-3 months):

The first step in LuLu Retail's store rollout process involves comprehensive market research and feasibility studies. This phase is crucial as it lays the foundation for the entire rollout by providing a detailed understanding of the local market dynamics. During this period, LuLu Retail conducts extensive research to gather data on various factors that could influence the success of a new store. The research includes an analysis of local competition to assess the level of market saturation and identify potential competitive advantages or challenges. The team examines retail penetration to understand existing retail infrastructure and market demand. Demographic and socio-economic factors are also scrutinized to determine the target customer base in the area. Additionally, the feasibility study evaluates practical considerations such as parking availability, prevailing rents, construction costs, and potential site-specific challenges like potential cannibalization of existing stores. The goal of this step is to gain a comprehensive understanding of the market environment and assess whether the location offers favorable financial returns and an acceptable payback period. This process takes approximately two to three months and is crucial for setting the groundwork for subsequent steps.

Figure 06: Layout of LuLu Silicon Oasis Store, Dubai (Hypermarket with 17K SQM Selling Area)



Source: Company Information

Site selection and due diligence is handled by in-country management with oversight from the Company HQ

2. Site Selection and Due Diligence (1-2 months)

Following the completion of the feasibility study, LuLu Retail moves to the second step: site selection and due diligence. This stage is marked by localized decision-making, with regional teams leveraging their deep expertise and knowledge of the area to evaluate potential sites. Site visits are conducted to inspect prospective locations and assess their suitability based on various criteria. This includes evaluating compliance with local regulations and legal requirements. The due diligence process involves a thorough review to ensure that the site meets all legal and compliance standards, which is essential to avoid any future complications. The site selection and due diligence phase typically takes one to two months and is led by in-country management with oversight from the Company's headquarters. This step ensures that all potential risks are identified and addressed before moving forward.

3. Financial Projections and Compliance (two weeks)

In the third step, LuLu Retail focuses on generating detailed financial projections and conducting a sensitivity analysis to evaluate the attractiveness of the site. This involves close collaboration with the Company's financial planning or budgeting department to develop an analytical model that assesses potential financial outcomes. The financial projections include estimates of revenues, expenses, and profitability, while sensitivity analysis examines how changes in key variables might impact financial performance. This analysis is crucial for making informed decisions about the viability of the site. Simultaneously, LuLu Retail files the necessary documents and obtains licenses or approvals from relevant authorities to ensure compliance with local regulations. This step is completed in approximately two weeks and is vital for securing the operational permits required to proceed with the store rollout.

4. Terms Negotiation (one month)

The fourth step involves negotiating terms with landlords. LuLu Retail leverages its scale and market insights to negotiate favorable lease terms. The Company works with in-house legal counsel to review and ensure that the terms are flexible and beneficial for LuLu Retail. This negotiation process is aimed at securing the best possible lease agreements that align with the company's operational needs and financial goals. The negotiations typically take around one month to complete. LuLu Retail aims to be a tenant of choice, which helps negotiate more favorable terms and build strong relationships with landlords.

5. Fit-out, Recruitment, and Marketing (3-6 months)

The final step of the store rollout process involves architectural design and layout planning, equipment procurement, installation, and staff recruitment. During this phase, LuLu Retail focuses on designing the store layout to align with the company's standardized format, which drives cost efficiencies and ensures a consistent customer experience. The procurement and installation of equipment are handled to ensure that the store is fully equipped to operate efficiently. Staff recruitment is also a key component, with the Company hiring and training personnel to deliver high-quality service. Additionally, marketing efforts begin in this phase to build awareness. This includes promotional activities, advertising campaigns, and community outreach to attract potential customers. The entire final step takes approximately three to six months to complete, reflecting the scale and complexity of setting up a new store.

In recent years, LuLu Retail has transitioned towards a capex-light model focusing on leasing fully furnished stores that require less growth capex with lower rollout time. Fully furnished stores lower the capex by c. 40% and can be rolled out in three to six months compared to 6-12 months of shell & core stores.

Fully furnished stores under light capex model requires less capex and cut down the rollout period by half

LuLu Retail generated USD 192 Mn from E-commerce activities which is equivalent to 2.6% of total sales in FY2023

Third-party aggregators contributed c. 58% of total e-commerce revenues while the LuLu app and website contributed c. 42% of total online sales in FY2023

Expanding Online Presence for New Revenue Sources

LuLu Retail started its digital journey in 2012 with the launch of its website, marking entry into the e-commerce sector. Since then, the Company has developed a robust multi-channel e-commerce presence, providing customers with multiple ways to shop. Despite this growth, the GCC region remains underpenetrated by LuLu Retail, with e-commerce contributing only 2.6% to the Company's revenues in FY2023. However, this presents a significant opportunity for incremental growth. In FY2023, LuLu Retail generated USD 192 Mn in total revenues from e-commerce, indicating the potential for substantial expansion in the online segment.

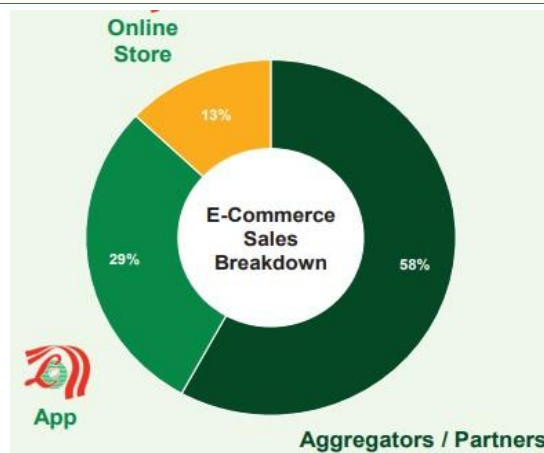
LuLu Retail's e-commerce sales are driven through three primary platforms: webstores, a proprietary app, and third-party aggregators such as Amazon, talabat, Hunger Station, and Snoonu. Third-party aggregators account for c. 58% of the company's e-commerce sales. The collaboration with these partners has proven instrumental in reaching a broad customer base with diverse preferences. Amazon, for instance, plays a significant role, with its contribution growing over the years. At launch, active SKUs on Amazon were around c. 10k which expanded to c. 26k. Additionally, monthly orders on Amazon also surged from c. 2k to c. 623k, showcasing a healthy growth in demand.

The proprietary app and website have also been a crucial component of LuLu Retail's e-commerce strategy, contributing 42% to the total group sales in FY2023. Since its inception, the app and website sales grew significantly, with active SKUs increasing from c. 61k at launch to c. 84k. Monthly orders on the app have similarly escalated from c. 1k to c. 90k with 78% of these orders placed via mobile devices. This growth underscores the app's importance in LuLu Retail's e-commerce strategy, catering to a tech-savvy customer base.

LuLu Retail has established a solid infrastructure to support the expanding scale of its e-commerce operations. The Company has streamlined its e-commerce processes to maximize efficiency, ensuring a seamless experience for customers. Orders placed through third-party aggregators, the proprietary app, or Amazon are efficiently routed and orchestrated to LuLu stores before being delivered to customers. This integrated approach helps maintain high service standards and meet the growing demand effectively.

The rapid growth of LuLu Retail's e-commerce segment is evident from the substantial increases in both active SKUs and monthly orders across all platforms. The Company has partnered with Akinon to provide a customizable front-end experience to increase the conversion rate. LuLu Retail also collaborated with Instaleap for back-end development to create an efficient fulfillment process and to optimize last-mile delivery.

Figure 07: E-Commerce Sales Breakdown



Source: Company Information

LuLu Retail offers products across four main categories including consumer packaged goods, fresh foods, electric goods, and lifestyle products

Focusing on Private Label Products for Higher Margins

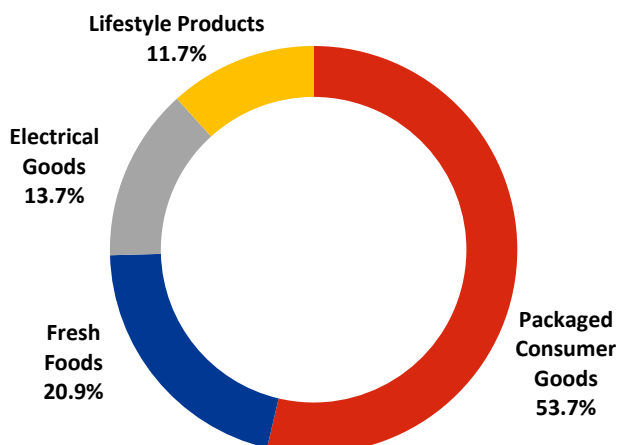
LuLu Retail has established itself as a prominent player in the retail industry by offering a compelling customer proposition supported by a well-balanced and diverse product range. The Company's commitment to exceptional customer service is evident through its tailored product selection, guided by active customer feedback.

Customer engagement is a cornerstone of LuLu Retail's strategy. The Company's well-staffed stores are designed to provide personalized service, enhancing the overall shopping experience. Additionally, LuLu Retail's integration with local communities is evident in its celebration of 87 festivals and events in the UAE alone during FY2023. This community-focused approach not only fosters brand loyalty but also aligns the Company with the cultural values of its diverse customer base. The Company has adopted a range of technologies to streamline the shopping experience and improve checkout efficiency. This includes self-checkout stations, self-scanners, and cashier-less or checkout-less counters, which reduce wait times and enhance customer convenience.

LuLu Retail's product offering is categorized into four core areas including consumer packaged goods, fresh foods, electrical goods, and lifestyle products. Consumer packaged goods remain the largest contributor accounting for 54% of sales, followed by fresh foods at 21%, electrical goods 14%, and lifestyle products at 12%. This diverse range allows LuLu Retail to cater to various customer needs and preferences.

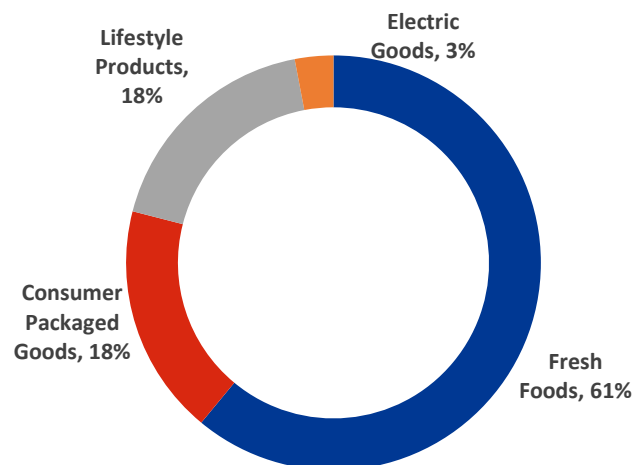
A significant aspect of LuLu Retail's product strategy is its focus on private-label goods. These products contributed more than USD 2.0 Bn in sales or equivalent to 28.5% of sales in FY2023, are available across all four core categories. Sales of private labels recorded a CAGR growth of 5.6% during FY2021-23. Private-label products offer higher gross profit margins compared to branded items and are known for their high quality and value. The Company benefits from its in-house production capabilities, which are supported by 28 central kitchens, enabling it to maintain a diverse and high-quality private-label product range. Within the private-label segment, fresh food products dominate, representing 61% of private-label sales in FY2023. Consumer packaged foods and lifestyle products each contributed 18% to private-label sales, while electrical goods accounted for 3%. This focus on fresh food aligns with the company's commitment to providing high-quality, value-for-money products. LuLu Retail's strategic focus on customer service, community engagement, innovative technology, and a diverse product range—including a robust private-label offering—positions it as a leading retailer.

Figure 08: Category Sales Contribution in FY2023



Source: Company Information

Figure 09: Private Label Sales Breakdown in FY2023



Source: Company Information

Consumer packaged goods generated USD 3.8 Bn in sales, followed by fresh foods at USD 1.5 Bn, electricals at USD 1.0 Bn and lifestyle at USD 0.8 Bn in FY2023

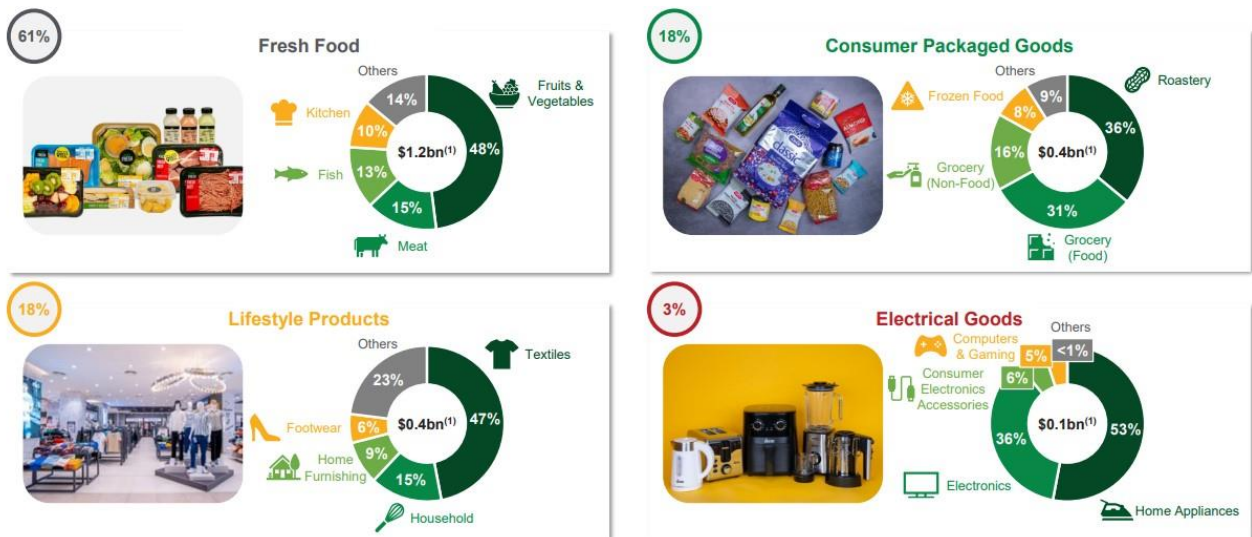
LuLu Retail's revenue distribution highlighted its broad market reach in FY2023. Consumer Packaged Goods generated USD 3.8 Bn sales, with food grocery leading the category at a 48% share. This was followed by non-food grocery and health & beauty products, each at 13%, chilled & dairy items at 12%, and others at 14%. Fresh Foods generated sales of USD 1.5 Bn, where fruits and vegetables dominated with a 40% share, meat contributed 21%, bakery products accounted for 12%, fish at 11%, and others made up the remaining 16% in FY2023. Electrical Goods earned USD 1.0 Bn, with mobiles being the largest segment at 35%, followed by home appliances at 24%, electronics at 17%, consumer electronics accessories at 10%, and others at 14% in FY2023. Lifestyle Products generated USD 0.8 Bn in sales, with textiles leading at 32%, household products at 15%, footwear at 11%, home furnishing at 9%, and others at 33%. Across the private label product offering in FY2023, Fresh Foods contributed USD 1.2 Bn in sales, covering fruits & vegetables, meat, fish, kitchen and others. Private-label Consumer Packaged Goods generated USD 0.4 Bn sales, encompassing roastery products, food and non-food groceries, frozen food, and other items. Lifestyle Products also contributed USD 0.4 Bn from textiles, household goods, home furnishing, footwear, and others. Electrical Goods generated USD 0.1 Bn in private label sales, including home appliances, electronics, computer gaming, and other products in FY2023.

Figure 10: Revenue Distribution among Product Categories in FY2023



Source: Company Information. (1) 2023A sales, breakdown as a % of category sales

Figure 11: Private Label Products Sales in FY2023



Source: Company Information. (1) 2023A sales, breakdown as a % of category sales

LuLu Retail's marketing strategy is based on the four-pronged strategic approach to enhance the impact of promotional campaigns

Multi-faceted Promotions for Strategic Market Penetration

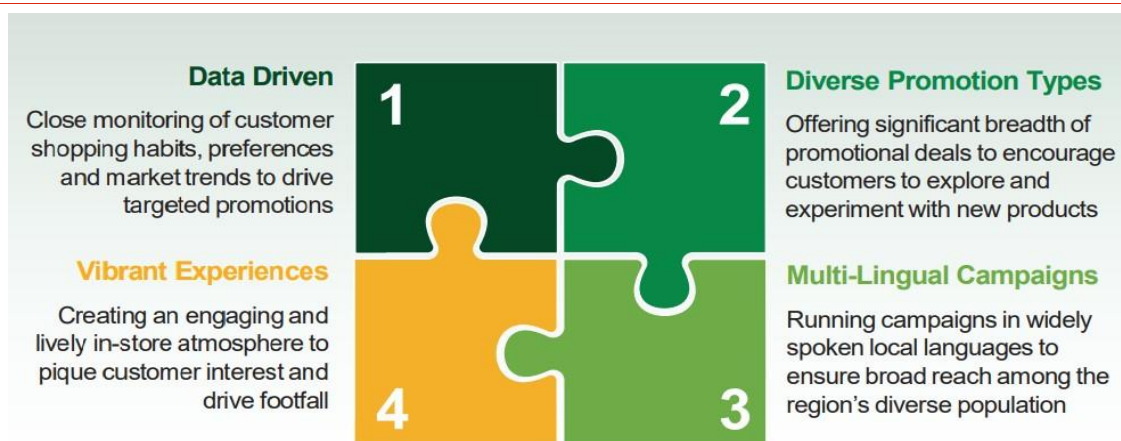
LuLu Retail has implemented a sophisticated and highly effective go-to-market strategy designed to significantly boost sales penetration. Central to this strategy is a comprehensive four-pronged approach created to maximize the impact of the Company's marketing campaigns and enhance overall market presence.

This strategy is based on data-driven insights and employs multi-lingual campaigns to effectively communicate with a diverse customer base. By leveraging a variety of promotional techniques, LuLu Retail ensures that marketing efforts resonate with different demographic groups, creating vibrant customer engagement. The Company's approach is characterized by an emphasis on creating dynamic and engaging promotional experiences that capture consumer interest and increase sales. One key aspect of LuLu Retail's strategy is its commitment to closely monitoring and analyzing customer shopping habits, preferences, and evolving marketing trends. This data-driven approach enables the Company to design and execute highly targeted promotions that align with their customer segments' specific needs and desires. By understanding and anticipating customer behavior, LuLu Retail can tailor its promotional efforts to maximize the effectiveness of the campaign.

The breadth of promotional deals offered by LuLu Retail is another pillar of the strategy. The Company encourages customers to explore and experiment with new products, driving both interest and sales by providing a wide range of deals and discounts. These promotions are designed not only to attract attention but also to promote repeat purchases and maintain brand loyalty. Moreover, LuLu Retail's commitment to multi-lingual campaigns ensures brand reach among the region's diverse population. By offering marketing materials in widely spoken languages, the Company can engage with a diverse customer base and ensure that their promotions are accessible to as many people as possible.

In addition to these efforts, LuLu Retail focuses on creating an engaging and lively in-store atmosphere. This vibrant shopping environment is crafted to pique customer interest, enhance their shopping experience, and drive footfall to their stores. The Company's attention to creating an inviting and stimulating in-store ambiance plays a crucial role in attracting customers and encouraging them to spend more time exploring the product offerings. Overall, LuLu Retail's multi-faceted go-to-market strategy effectively combines data-driven insights, diverse promotional tactics, multi-lingual outreach, and an engaging in-store experience to drive significant sales growth and establish a strong market presence.

Figure 12: Overview of Marketing Strategy



Source: Company Information

The promotional activities of LuLu Retail are based on category, season, festival, and country

LuLu Retail’s go-to-market strategy is a comprehensive seven-step cycle designed to maximize promotional effectiveness and drive robust sales growth. The cycle begins with the allocation of a marketing budget for each category or department, determined based on projected sales figures. Alongside budget allocation, target demographics and key performance indicators (KPIs) are established to ensure that promotional efforts are precisely aligned with business objectives and measurable outcomes. With these elements in place, LuLu Retail develops detailed monthly promotion plans tailored to each category and region, incorporating insights into seasonal trends, local festivals, and regional preferences. These plans are designed to deliver timely and relevant promotions that resonate with diverse customer segments. Following the planning phase, the Company focuses on media and content strategy to craft engaging content that effectively communicates the promotional messages. The goal is to ensure maximum reach and engagement with the target audience. This is complemented by planning events and activities that enhance the shopping experience, drive foot traffic, and generate excitement around the promotions. To measure the success of these efforts, LuLu Retail conducts monthly reviews of KPIs, analyzing performance data to assess whether the campaigns are meeting their objectives. Based on these reviews, adjustments are made to promotional strategies, reallocate resources, or modify media and content plans as needed. This process allows the Company to continually optimize its go-to-market approach to adapt to market dynamics and feedback.

Figure 13: Go-to-Market Strategy Lifecycle



Source: Company Information

Figure 14: Promotional Categories



Source: Company Information

The Happiness program provides customers with points, instant discounts, personalized offers, and partner benefits

The average basket size rose from USD 22 to USD 36 for loyalty customers

Introduced a Customer Loyalty Program to Enhance Engagement

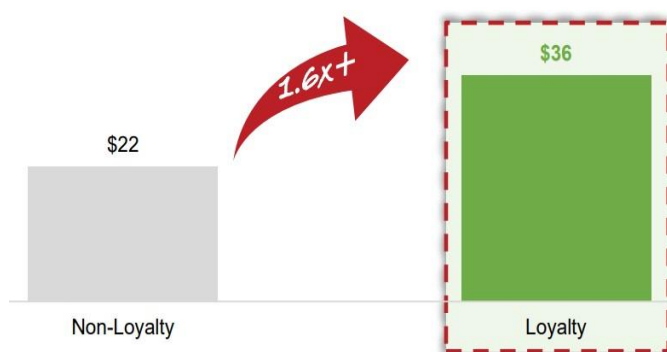
LuLu Retail's Happiness Program is a distinctive and highly effective promotional campaign designed to enhance customer loyalty and drive sales through a multifaceted rewards system. This program provides a unique proposition for members by offering a range of benefits that cater to various customer preferences and behaviors. Customers can easily enroll in the Happiness Program through multiple channels, including the Company's website, mobile app, WhatsApp, dedicated happiness kiosks, or by interacting with Happiness staff in-store.

Once enrolled, members earn points on every purchase, with the program designed to reward spending. For instance, a purchase of AED 1 in the UAE earns one point, and 400 points are equivalent to AED 1. This system of point accumulation encourages regular shopping and increases customer engagement by providing rewards for every transaction. Additionally, the program offers instant discounts across various categories, personalized offers based on customer preferences, purchase history, and spending habits, as well as exclusive partner benefits. This level of personalization ensures that customers receive highly relevant offers to their individual shopping patterns, thereby enhancing the overall customer experience.

One of the key advantages of the Happiness Program for LuLu Retail is the valuable data it generates about customer habits, preferences, and spending patterns. This data is instrumental in segmenting customers effectively, allowing the Company to create highly targeted marketing campaigns that address specific customer needs and interests. By understanding customer behavior in greater detail, LuLu Retail can also optimize its marketing budget allocation. Moreover, the data gathered through the Happiness Program aids in inventory management by providing insights into demand patterns, enabling the Company to anticipate needs and manage stock levels more efficiently.

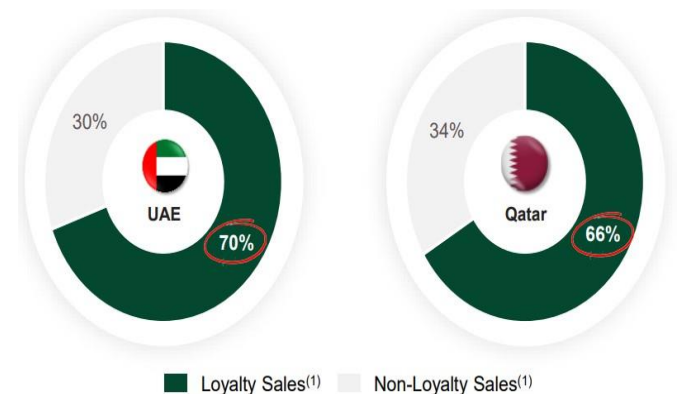
In addition, the data collected helps LuLu Retail build stronger relationships with suppliers by sharing insights that can lead to better collaboration. This data-driven approach enhances operational efficiency and fosters a more strategic partnership with suppliers. The impact of the Happiness Program is evident in its ability to significantly increase the average basket size. For instance, the average basket size for loyalty customers grew from USD 22 for non-loyalty customers to USD 36 for those participating in the program. Furthermore, the program has proven to be a major contributor to the Company's sales figures. As of June 2024, LuLu Retail generated 70% of its sales from loyalty customers in the UAE and 66% in Qatar.

Figure 15: Effect of Loyalty Program on Average Basket Size



Source: Company Information

Figure 16: Loyal Customer Representation in Sales



Source: Company Information (1) As of June 2024. (2) Represents markets where the Happiness program has been live for at least 3 months.

LuLu Retail monitors KPIs such as sales growth, footfall, promotion effect, and loyalty program linkage to analyze the effectiveness of a campaign

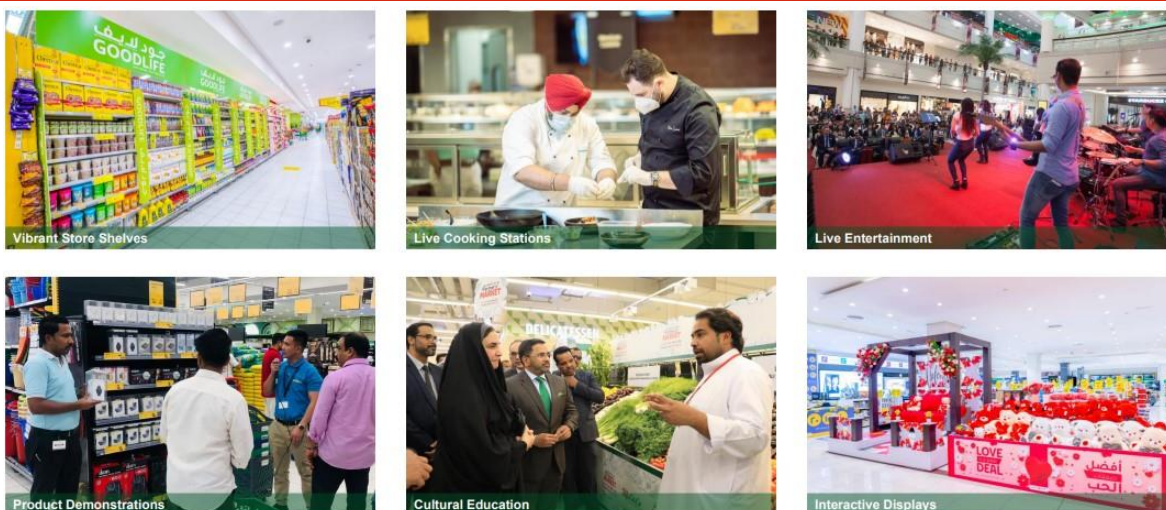
Positive Feedback Loop & Payment Flexibility for Better Convenience

Retail store employees at LuLu Retail engage customers with various activities designed to create a vibrant atmosphere and drive footfall. These activities include eye-catching store displays, live cooking stations, entertainment, product demonstrations, cultural education, and interactive exhibits. To evaluate the effectiveness of these campaigns and others, the Company closely monitors key performance indicators (KPIs) and conducts post-campaign assessments.

Retail store campaigns are tracked using KPIs such as sales growth, footfall, promotion effect, and Loyalty Program & Sales Linkage. LuLu Retail tracks overall increase in sales during campaign months against previous periods and leverages footfall data to assess a campaign's ability to drive engagement. The Company compares sales data during promotion months with similar months without promotions. Also analyzes sales linkage within loyalty programs to derive insights into customer behavior. In e-commerce, LuLu Retail tracks campaign KPIs including advertisement metrics, app and web metrics, and decision-making methodologies. Advertisement metrics involve using analytical tools to monitor post-click behavior across platforms like Google AdWords, Meta, and TikTok. Web metrics focus on tracking traffic, user interactions, order volumes, revenue, session duration, and bounce rates to assess user engagement. App metrics include monitoring app opens, revenue, and orders to understand user behavior within the app.

LuLu Retail offers various payment options and rewards, including Buy Now Pay Later (BNPL), credit, and gift cards to drive sales and enhance customer convenience. The Company has established partnerships with multiple organizations to provide attractive discounts on eligible transactions through its co-branded cards. These cards allow customers to earn redeemable points on every purchase, which can be used for daily expenses such as in-store and online shopping, fuel, and utility bill payments. Additionally, the co-branded cards offer benefits like airport lounge access, free cinema tickets, exclusive in-store offers, and zero-interest payment plans. LuLu Retail has issued over 300,000 of these co-branded cards. LuLu Retail's gift cards have seen significant growth after launched in 2018, with sales increasing from USD 46 Mn in FY2018 to USD 110 Mn in FY2023. The Company has also partnered with Tabby, a BNPL service provider, to offer installment-based purchasing options in KSA, UAE, Bahrain, and Kuwait. This service facilitates 25,000 transactions per month, with an average transaction value of USD 100+.

Figure 17: In-store Activities to Create Engaging and Lively Atmosphere



Source: Company Information

Operational Excellence through Integrated Sourcing and Infrastructure

LuLu Retail collaborated with top global brands including P&G, Unilever, MARS, PepsiCo, and Ferrero with years of relationship

Diversified Global Sourcing Provides a Diversified Product Range

LuLu Retail excels in sourcing products from over 85 countries, with India and China being the largest contributors, each accounting for 20% of the total sourcing volume. The USA and the UK also play significant roles, contributing 10% and 9%, respectively. This extensive sourcing network allows LuLu Retail to offer a broad and diverse product range, catering to a wide array of consumer preferences. The company's strategic partnerships with major global brands like Procter & Gamble (P&G), Unilever, MARS, PepsiCo, and Ferrero further enhance its product offerings, ensuring a robust and competitive position in the market.

A notable aspect of LuLu Retail's operations is its import of 17% of total sales, with fresh food items making up 25% of total imports purchased outside of the GCC in FY2023. The efficiency of LuLu Retail's sourcing and procurement processes is supported by a dedicated team of over 1,500 employees, demonstrating the company's operational resilience and capacity.

Additionally, LuLu Retail benefits from its network of on-the-ground sourcing offices located in 19 countries, including key markets such as China, the USA, and the UK. These offices provide significant advantages, including direct access to suppliers, facilitating better price negotiations and reducing reliance on intermediaries. This direct engagement allows for a broader and more diverse product assortment, including unique and specialty items. Enhanced logistics and supply chain efficiency are also achieved through better coordination and management of operations.

Furthermore, these offices ensure rigorous quality control, maintaining high product standards and reinforcing consumer trust. Strong supplier relationships foster greater transparency and collaboration, aligning suppliers with LuLu Retail's specific needs and enhancing the overall quality of the product offerings. This comprehensive approach underscores LuLu Retail's commitment to operational excellence and its ability to deliver a diverse, high-quality range of products to its customers.

Figure 18: Global Sourcing Network of LuLu Retail



Source: Company Information

The large regional suppliers of LuLu Retail include Almarai, Agthia, Afia, and Alsafa Halal

Enhancing Efficiency Through Local Sourcing & Supplier Synergy

In addition to its extensive international sourcing efforts, LuLu Retail strongly emphasizes domestic sourcing, maintaining long-standing and deeply integrated relationships with local suppliers. This domestic sourcing strategy is particularly focused on short shelf-life and highly perishable products such as fresh fruits and vegetables, dairy products, fish, bakery items, meat and poultry, and eggs. Notable regional suppliers include Almarai, Agthia, Afia, and Alsafa Halal. Local sourcing offers several significant advantages for the company. It ensures improved quality and freshness of products, enables faster and more cost-effective deliveries, providing better control over food safety and handling practices. By minimizing spoilage and waste, local sourcing contributes to greater operational efficiency. Furthermore, it helps reduce the carbon footprint associated with transportation and supports local businesses.

The Company also collaborates with local suppliers to augment mutual growth and market presence. LuLu Retail also collaborates with suppliers for joint marketing plans such as co-branded campaigns, promotional events, and digital marketing. The Company also takes category initiatives for product innovation and merchandising strategies. LuLu Retail also participates in joint business plans with suppliers for strategic alignment, resource sharing, and performance tracking. Such collaboration results in higher sales, enhanced customer loyalty, brand awareness, higher efficiency, and better product range.

Figure 19: Locally Sourced Products



Source: Company Information

Optimized Procurement and Product Management with a Strategic Approach to Efficiency and Effectiveness

LuLu Retail has meticulously optimized its procurement process to enhance efficiency and effectiveness in both central and local procurement categories. The process is segmented into five key steps, each tailored to address different aspects of procurement, ensuring that both broad and localized needs are met seamlessly.

Initially, LuLu Retail conducted thorough research and analysis on market trends and consumer demands. This involves identifying potential suppliers and assessing their capabilities, product quality, and adherence to established standards. Local procurement also focuses on evaluating suppliers' ability to cater to specific regional preferences and demands. In the second step, LuLu Retail employs a strategic push-and-pull approach. This involves pushing products into the supply chain based on forecasted demand and pulling in products that are in high demand from suppliers.

The third step involves organizing supplier listing events, where potential suppliers are evaluated based on local preferences, various criteria, and LuLu's internal standards. This helps select the

LuLu Retail follows a step procurement process, which is Research and analysis, a push-and-pull approach, supplier listing events, negotiations, and distribution

best suppliers to meet the Company's quality and supply requirements. The fourth step diverges between central and local procurement. For local procurement, LuLu Retail focuses on sourcing fresh fruits and vegetables from local farmers during peak seasons, which helps in maintaining product freshness and quality. Conversely, central procurement involves negotiating and finalizing contracts with suppliers to secure favorable terms and ensure a consistent supply.

Finally, the distribution process differs slightly for central and local procurement. Central procurement focuses on transporting goods to distribution centers before distributing them to various stores, ensuring that all locations receive a steady supply. For local procurement, the focus is on direct transportation to nearby stores, allowing quicker turnaround and maintaining product freshness.

The product management cycle at LuLu Retail is comprised of four key components:

1. **Monitoring Product Performance:** LuLu Retail continuously evaluates product performance by analyzing sales data to track top sellers and identify underperforming items. They also gather customer feedback to understand preferences, satisfaction levels, and areas needing improvement. This evaluation informs inventory management decisions, adjusting stock levels based on sales and seasonal trends. Additionally, these insights help in shaping promotional strategies.
2. **Planning Assortment:** The Company conducts trend analysis to stay ahead of upcoming seasonal trends and consumer preferences. Market research guides their product selection, ensuring a mix of staple items and trending or seasonal products. LuLu Retail also develops an assortment strategy to create a balanced product mix and defines categories to improve organization and enhance the shopping experience.
3. **Overseeing Delivery to Shelves:** This component involves managing logistics and shelf organization. LuLu Retail coordinates with logistics partners to ensure timely product transport from suppliers to distribution centers and stores while implementing quality control measures to maintain product condition. Shelf management focuses on promptly stocking shelves, maintaining the freshness of perishable items, and using effective merchandising strategies to highlight seasonal products and create attractive displays.
4. **Ordering and Negotiating Terms:** Effective supplier management and order planning are crucial. LuLu Retail identifies suppliers that offer quality products aligning with seasonal trends and negotiates terms such as pricing, delivery schedules, and payment conditions to secure competitive agreements. Order planning involves forecasting demand using sales data and trend analysis to place accurate orders, ensuring the right product availability and timing, especially during peak seasons.

Figure 20: Product Management Cycle



Source: Company Information

Robust Logistics and Distribution Network Positioned to Support Growth in Medium-term

LuLu Retail operates 21 distribution centers with an area of 430K SQM and a fleet of c. 1,400 vehicles

LuLu Retail is strategically positioned to support medium-term growth with a robust and expansive infrastructure. The Company operates 21 state-of-the-art distribution centers (DCs) across GCC, collectively spanning 430K SQM. These strategically located DCs are pivotal to LuLu's efficient supply chain operations, enabling a lead time of under 24 hours from distribution center to store, facilitated by a fleet of c. 1,400 vehicles.

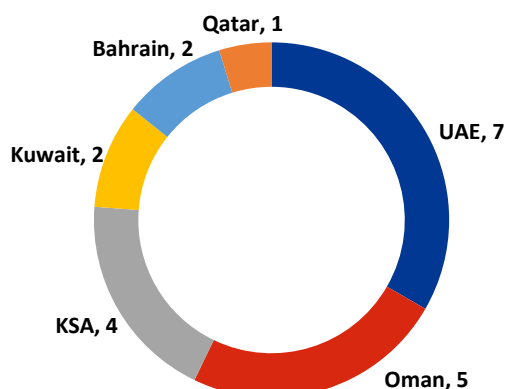
The UAE is home to seven of these advanced distribution centers, while Oman hosts five, Saudi Arabia has four, Kuwait and Bahrain each have two, and Qatar has one center. The DCs are designed with several key characteristics that enhance their efficiency and scalability. The DCs possess sufficient spare capacity to accommodate future store rollouts and are strategically positioned to optimize reach and connectivity with surrounding outlets. The in-house operation of these DCs allows LuLu Retail to maintain direct control over the entire logistics process. Automation plays a significant role in these distribution centers, helping to minimize out-of-stock occurrences and improve inventory management. Real-time monitoring of the order fulfillment cycle enables LuLu Retail to continually enhance supply chain processes, ensuring products are sorted and dispatched efficiently. The technology used in these DCs is optimized to facilitate efficient sorting and dispatch, further streamlining operations.

LuLu Retail's fleet of 1,400 vehicles includes a diverse mix of transportation options, including 300 chiller trucks, 265 dry trucks, 192 chiller vans, 144 frozen trucks, 90 dry vans, and 387 other vehicles. This extensive fleet offers several strategic advantages, including complete control over logistics operations, the flexibility to cater to various product types, and transparent order processing with enhanced delivery visibility. Currently, LuLu Retail conducts 54% of its total deliveries using its owned fleet, while the remaining 46% are managed through third-party providers. The Company tracks several key performance indicators (KPIs), including order fulfillment cycle time, on-time delivery performance, perfect order rate, capacity utilization, and instances of unnecessary stoppages to ensure smooth operations and improvement.

The Company operates 28 central kitchen facilities to serve 170 stores with an average of 600 SKUs per store

Additionally, LuLu Retail operates 28 central kitchens staffed with over 400 employees. These central kitchens supply 184 stores with an average of c. 600 SKUs per store. The central kitchens are integral to the company's operations, offering numerous benefits such as higher profit margins compared to branded products, consistent quality and taste, high-quality control, and enhanced hygiene and safety standards. It also enables streamlined and cost-efficient operations, fosters product innovation based on changing consumer preferences, and ensure consistent product availability.

Figure 21: Geographical Presence of DCs



Source: Company Information

Figure 22: LuLu's Logistics Center, Dubai



Source: Company Information

LuLu Retail has been the leader in embracing the latest technology in the Middle East in the Retail Industry

The analytics center of excellence is equipped with 20+ dashboards, 75+ KPIs, 1.5 Mn files, and staff of 30+ data engineers & scientists

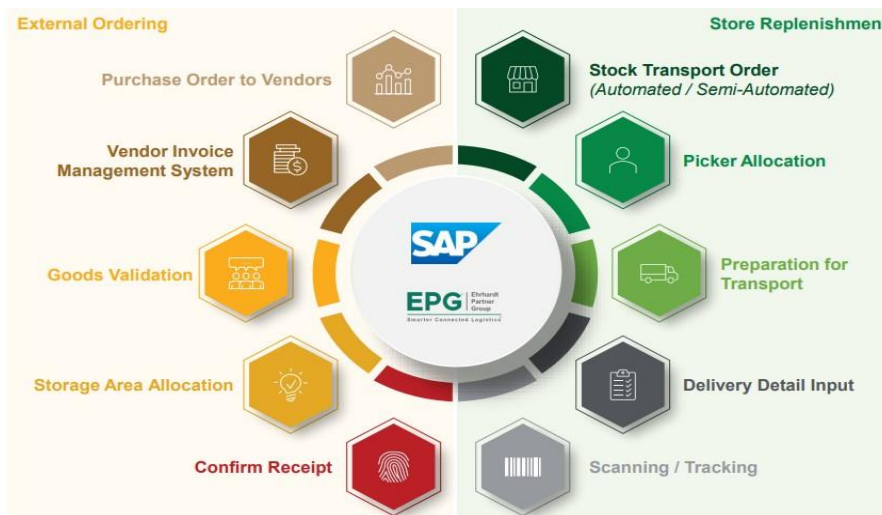
Advanced IT Infrastructure and Innovative Technology Integration

LuLu Retail's IT infrastructure is robustly centered around SAP ERP, making it a leader in the region's retail technology landscape. The Company was an early adopter of SAP IS-Retail in the Middle East, SAP HANA's scale-out architecture, and the ERP suite on SAP HANA, setting a precedent in the Middle East. This sophisticated setup is supported by a dedicated team of in-house SAP consultants. The company's IT framework is integrated through SAP Process Orchestration, which includes key SAP ERP modules such as material management for purchasing and inventory control, sales and distribution for order processing and billing, finance and controlling for accounting and group consolidation, and human resources for payroll management.

Additionally, LuLu Retail utilizes key extensions like OpenText for vendor invoice management, Vistex for rebate management, SAP Customer Activity for enhancing customer interactions, SAP BW/4HANA for data warehousing, and SAP HANA for group reporting. Third-party systems such as EPG for warehousing management and Diebold Nixdorf for POS and loyalty management further complement the infrastructure. Beyond SAP, LuLu Retail has embraced numerous in-store technologies to enhance operational efficiency and customer experience. These initiatives include the rollout of self-checkouts and self-scanning for streamlined transactions, an integrated loyalty and personalized promotion engine for real-time multi-channel interactions, pilot autonomous stores in Qatar for a seamless shopping experience, real-time store performance tracking for informed decision-making, and predictive analysis and demand forecasting to better anticipate customer needs.

The Company also boasts an advanced Analytics Center of Excellence with over 20 dashboards, 75+ KPIs, 1.5 million files, and a team of more than 30 data scientists and engineers. Data engineering at LuLu Retail focuses on building efficient data pipelines, integrating data from various sources, ensuring data quality, and designing scalable architectures. The data scientists leverage predictive analysis, machine learning, and advanced analytics to forecast customer behavior, segment customers, uncover insights, and personalize experiences, thereby driving enhanced engagement and satisfaction. Such well-invested IT infrastructure is the backbone of supply chain operation at LuLu Retail and performs functions including stock transport orders, picker allocation, preparation for transport, delivery detail input, scanning & tracking, receipt conformation, storage area allocation, goods validation, vendor invoice management system, and purchase order to vendors.

Figure 23: Functions of the SAP ERP and EPG at LuLu Retail



Source: Company Information

Robust Financial Performance Driven by Strong Margins Leading to Steady Cash Flow Generation

LuLu Retail's revenue recorded growth of 5.6% YOY to USD 7,278 Mn in FY2023

LuLu Retail generates revenue both from physical stores and e-commerce platform. In FY2023, the Company achieved a revenue of USD 7,278 Mn, marking a 5.6% increase from USD 6,894 Mn in FY2022 and a compound annual growth rate (CAGR) of 7.4% from FY2021 to FY2023. This revenue growth was driven by several factors, including an average like-for-like (LFL) growth of 5.4% during FY2022 & FY2023, the opening of 70 new stores between FY2021-1Q24, a notable CAGR revenue growth of 14.8% in Saudi Arabia during FY2021-23, the addition of more than 39 Mn new customers between FY2021 and FY2023, and strong performance in consumer-packaged goods and fresh foods. Additionally, a CAGR of 5.6% in private label product sales from FY2021 to FY2023 also contributed to the revenue boost. Furthermore, the Company's revenue grew 5.7% YOY to AED 5,727 Mn in 9M23 attributable to strong growth across UAE, Kuwait and KSA.

LuLu Retail's revenue is derived from four main product segments: consumer packaged goods, fresh foods, electrical goods, and lifestyle products. Consumer packaged goods were the largest revenue contributor, generating USD 3,767 Mn, or 53.7% of total revenue in FY2023. Fresh foods contributed 20.9% in revenue, amounting to USD 1,466 Mn in FY2023. Electrical goods accounted for 13.7% with a revenue of USD 963 Mn, and lifestyle products made up the remaining 11.7% with USD 822 Mn.

LuLu Retail reported EBITDA of USD 753 Mn in FY2023, a growth of 7.1% YOY from USD 703 Mn in FY2022. EBITDA margin also increased from 9.7% in FY2021 to 10.4% in FY2023. The growth in EBITDA and EBITDA margin was driven by an increase in gross margin and efficiencies in employee cost as a percentage of revenue partially offset by increases in utilities, vehicle costs and other operating expenses. In addition, the Company's EBITDA grew 6.0% YOY to AED 567 Mn, while EBITDA margins remained stable at 9.9% in 9M24 compared to 9M23.

LuLu Retail is adopting a capex-light model to reduce growth capex and incurred capex of USD 149 Mn in FY2023 and USD 99 Mn in 9M24

The Company incurred a capex of USD 149 Mn in FY2023, of which USD 111 Mn spent on growth capex, and the remaining USD 38 Mn on maintenance capex. LuLu Retail is moving towards the capex light model by leasing fully furnished stores which requires less capex and a lower rollout period. The Company is also focusing on hypermarkets with smaller selling areas which will require lower capex compared to sales. C. 48% of LuLu Retail stores are less than five years old, requiring lower maintenance capex. LuLu Retail's capex declined from USD 104 Mn in 9M23 to USD 99 Mn in 9M24.

LuLu Retail's strong growth in EBITDA margins and transition to the capex light model resulted in increasing cash conversion. The Company recorded a cash conversion of USD 604 Mn with a cash conversion ratio of 80.2% in FY2023 compared to USD 562 Mn in FY2022 with a cash conversion ratio of 80.0%, and USD 446 Mn in FY2021 with a conversion ratio of 72.4%. Additionally, the Company's cash conversion continued to grow to USD 468 Mn with a cash conversion ratio of 82.5% in 9M24 compared to USD 431 Mn with a cash conversion ratio of 82.5% in 9M23.

Figure 24: Revenue of LuLu Retail (USD, Mn)

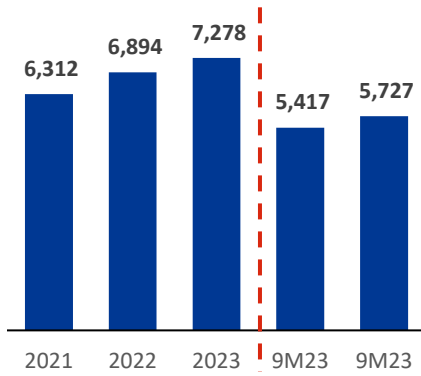


Figure 25: EBITDA (USD, Mn) & EBITDA Margin

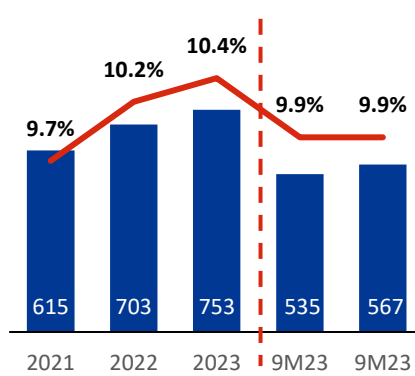
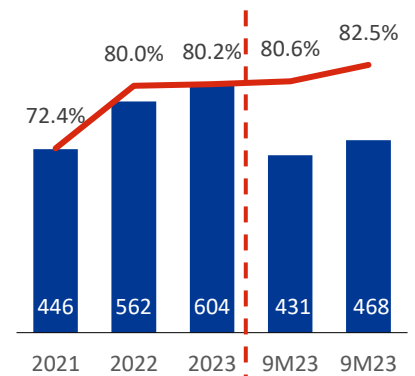


Figure 26: Cash Conversion¹ (USD, Mn) & Ratio² (%)



Source: Company Information, ¹ Cash conversion = EBITDA – Capex ² Cash Conversion Ratio = Cash Conversion/EBITDA

Environmental, Social, and Corporate Governance

Lulu Retail is dedicated to advancing sustainability through a comprehensive approach that involves Community Initiatives, Circular Economy, and Environmental Management

Lulu Retail's Integrated Approach to Address Sustainability Drives Strategic Outcomes

Lulu Retail's sustainability efforts are built around an integrated approach, ensuring that sustainability is a core part of its strategic vision. The Company's approach involves key oversight by senior management, board-level involvement, and execution by a seasoned operational team. Central to this strategy are Lulu's sustainability initiatives focus on three primary areas:

- 1. Community Initiatives:** These include promoting locally made products, supporting local small and medium enterprises (SMEs), pledging support for children in the community, and providing food donations, particularly through Iftar meal distribution.
- 2. Circular Economy:** Lulu Retail is actively engaged in extensive recycling and waste reduction initiatives across various regions, reinforcing its commitment to minimizing environmental impact.
- 3. Environment Management:** The strategies include decarbonization initiatives within operations, along with ongoing energy and resource efficiency enhancements.

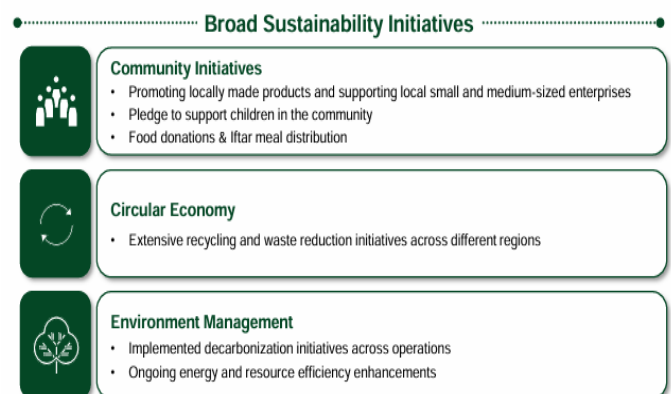
Lulu Retail's targeted strategic outcomes include sourcing 83% of products locally, 15% participation of nationals in the workforce as of FY2023, and increasing training hours by 11% between FY2022 and FY2023. Additionally, Lulu Retail has implemented 5.3 MWp of planned and installed renewable energy capacity, contributed USD 2.3 Mn to community initiatives, and collected approximately 11.7 Mn bottles and cans as part of its recycling efforts as of May 2024. Lulu Retail's commitment to sustainability creates long-term value while positively impacting both the environment and the communities in which it operates.

Figure 27: LuLu Retail's Integrated Approach to Addressing Sustainability



Source: Company Information

Figure 28: LuLu Retail's Broad Sustainability Initiatives



Lulu Retail is advancing circular economy practices through initiatives like recycling, eco-friendly packaging, and strategic partnerships, while targeting significant reductions in both direct and indirect emissions

Promoting ethical and circular economy practices through responsible governance embedded into operations

LuLu Retail's governance structure is primarily overseen by its Board of Directors, which provides strategic guidance and supervision to the senior management team. The senior management team, in turn, has established a dedicated Group-level Sustainability Department, led by the Chief Sustainability Officer. This department includes 33 Sustainability Champions, each representing different regions, to ensure rigorous governance and implementation of sustainability initiatives across the organization. The Sustainability Department is responsible for overseeing and enforcing key policies, including the ESG Policy, Anti-Bribery and Corruption Policy, Code of Conduct, Human Rights Policy, Data Privacy and Security Policy, and Employee Wellbeing Policy.

The Company's Sustainability department oversees the Company's ESG plans. It reviews the Company's annual business plan and regularly updates the board on sustainability for its strategic decision-making. The departments also manage and assess the organization's impact on the economy, environment, and people, ensuring that sustainability issues from each region are reported and addressed effectively.

Lulu Retail has integrated circular economy practices into its operations through key initiatives to promote sustainability and reduce waste. The Company's initiatives include recycling used cooking oil, raising awareness about eco-friendly packaging, and addressing improper waste disposal with Reverse Vending Machines (RVMs). Additionally, the Company has implemented ORCA digesters to convert food waste into liquid and established in-store refill stations to encourage the reuse of packaging. Lulu Retail has successfully phased out single-use plastics across Abu Dhabi and Dubai. The Company has also deployed a total of 20 RVMs in Qatar and 30 RVMs in the UAE. As of May 2024, the Company has collected over 11 million recyclable items via RVMs and it further aims to reach 32 million by FY2025. The Company has undertaken several strategic collaborations to strengthen its sustainability initiatives. It partnered with North Ladder to enhance e-waste recycling efforts while offering customers trade-in discounts and promoting responsible consumption. Additionally, through its partnership with Sparklo, the Company has advanced its recycling and sustainability practices. Lulu Retail is also a part of the Textile Circularity Pilot Project, which focuses on collecting used school uniforms to reduce textile waste. This initiative is currently operational in 17 stores across the UAE, further supporting its commitment to environmental responsibility.

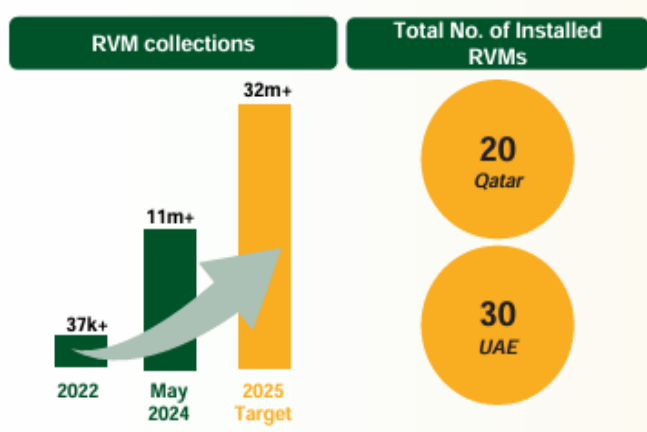
To address environmental challenges, LuLu Retail is focusing on managing direct emissions through route optimization, utilizing biodiesel from used cooking oil, and transitioning to an electric fleet. The Company plans to reduce utility usage for indirect emissions by implementing sensors and monitoring systems, switching to LED lighting, and installing Solar Photovoltaic Systems with battery storage. These measures reflect Lulu's commitment to advancing its circular economy practices and reducing its overall environmental footprint.

Figure 29: LuLu Retail's Governance Hierarchy



Source: Company Information

Figure 30: LuLu Retail's RVM Collection Target for FY2026



The Company has invested significantly in energy efficiency and sustainability, achieving multiple certifications and expanding its renewable energy initiatives

Efficient Environmental Management Practices and Reducing Reliance on Natural Resources

Lulu Retail's environmental management strategy focuses on reducing its reliance on natural resources through sustainable store designs, targeted energy efficiency efforts, and robust certifications. The Company invested SAR 4 Mn in FY2022 alone in KSA to implement energy-efficient upgrades, such as LED lighting, centralized refrigeration, efficient HVAC systems, and smart monitoring devices. In addition to energy efficiency, Lulu Retail is also addressing water consumption by introducing low-flow water taps, water-softening systems, and reusing water for landscaping.

As part of its broader environmental goals, Lulu Retail is committed to a decarbonization strategy that includes energy efficiency upgrades, renewable energy procurement, and refrigerant leak detection. The Company is currently baselining its scope 1 and 2 emissions to set credible reduction targets. Lulu Retail's commitment to sustainability is demonstrated through its green building certifications, with 12 stores achieving GSAS certification, as well as ISO 14001 certification in Thailand. Notably, Lulu Retail is expanding its solar capacity, including a 304 kWp solar panel installation in the UK and larger planned solar projects in Riyadh and Bahrain. Furthermore, the Company operated the first carbon-neutral certified store in the GCC, demonstrating a proactive approach to reducing carbon emissions and enhancing environmental outcomes. Through a combination of energy-efficient store designs, water-saving measures, renewable energy investments, and collaborations with government entities, Lulu Retail is driving tangible progress in its sustainability initiatives.

Figure 31: Certification & Collaboration Driving Environmental Outcomes



Source: Company Information

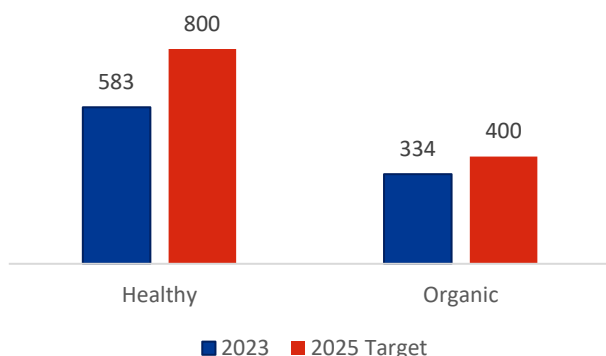
LuLu Retail's initiatives in mentorship, DEI, training, healthy food offerings, and community support goes hand in hand with its commitment to employee growth, sustainability, and local impact

Strong Commitment to Investing in its Community, Workforce, and Healthy Food Offerings

Lulu Retail demonstrates a strong commitment to investing in its community, workforce, and healthy food offerings through targeted initiatives. The Company supports local farmers and fish markets, reducing supply chain carbon footprints while ensuring fresh, locally sourced products. Lulu Retail also contributes to community welfare through Iftar meal distributions during Ramadan and health campaigns to raise awareness around breast cancer, including blood donation drives. Additionally, the Company fosters entrepreneurship by assisting local startups and promoting sustainability through initiatives like reusable bags, refill stations, and e-waste collection during Qatar Sustainability Week.

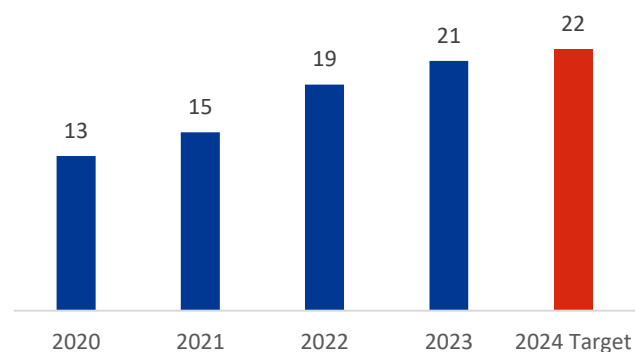
Lulu Retail's workforce initiatives emphasize mentorship and inclusion, with a 38% increase in female middle managers between 2021 and 2023, and a strong mentorship program aimed at female employees. The Company's workforce is predominantly young, with 74% of employees under 35, and it is committed to job satisfaction and personal growth. Lulu Retail's nationalization efforts are reflected in a 15% national workforce participation, alongside a focus on diversity, equity, and inclusion (DEI) to ensure a safe, inclusive work environment. Furthermore, Lulu Retail is dedicated to offering healthier food options, boasting 583 own-brand healthy products and 334 organic products, with a clear goal to promote sustainable, health-conscious living. The Company's strategic focus on both community engagement and workforce development, alongside a commitment to healthier product offerings, strengthens Lulu Retail's position in the retail industry.

Figure 32: Safe & Healthy Food Offering 2025 Target



Source: Company Information

Figure 33: Average Training Hours



Key Investment Highlights

Diversified Product Portfolio and Robust Logistics & Distribution Infrastructure to Drive Scale

LuLu Retail is the largest pan-GCC retailer, which has a retail footprint that is three times larger than its listed peers, and generates total sales that is four times higher than its competitors

LuLu Retail Offers a Dynamic Business Model with a Well-Balanced Product Offering

LuLu Retail is the largest retailer in the GCC, with a strong presence across six GCC countries, providing a significant competitive advantage over its peers, such as Majid Al Futtaim, Al Othaim, and Savola Group, etc. which primarily operate within single markets. The Company also manages a retail footprint three times larger than its listed peers and generates total sales four times higher than its competitors. This scale advantage strengthens its leadership position in the region and enhances its ability to capture a larger market share. As of May 2024, it operates 241 stores with an average size of 5,400 square meters. The Company serves 600K+ shoppers daily, with an average basket size of USD 30-35. The Company runs a diverse range of retail formats, including hypermarkets, supermarkets, minimarkets, and online platforms, offering consumer packaged goods, electrical goods, fresh foods, and lifestyle products.

LuLu Retail operates with a highly flexible and dynamic business model that creates substantial barriers to entry for its competitors. With a robust local expertise and a diverse stock-keeping unit (SKU) comprising over 200,000 active SKUs from more than 85 countries, the Company can effectively cater to a wide range of ethnicities and budgetary preferences, considerably expanding its potential customer base. Additionally, the Company has established trusted partnerships with governments, particularly in initiatives such as food security, that reinforce its dependability and strategic positioning. LuLu Retail also follows an agile approach in its highly integrated supply chain, supported by global sourcing offices and in-house logistics that ensure efficient sourcing. Its commitment to social listening enables it to stay ahead of market trends and constantly refine its product selection. Furthermore, the Company's flat organizational structure and regional autonomy facilitate rapid adaptation and localized decision-making, enhancing its ability to meet specific community needs effectively. Moreover, LuLu Retail's format flexibility is a key strength, allowing it to penetrate various geographic regions, from large urban areas to smaller suburban and rural areas. The Company's brick-and-mortar and online presence provides multiple customer touchpoints and ensures an uninterrupted product offering, driving sustained growth and market presence.

The Company's attractive customer proposition and diverse product range significantly strengthen its market position and growth prospects. It delivers exceptional customer service through a comprehensive approach that includes tailoring product selections based on active customer feedback, personalized engagement facilitated by well-staffed stores, and strong community involvement. Additionally, it leverages innovative technology to improve checkout efficiency, with advancements such as self-checkouts and self-scanners. Recently, the Company piloted innovative technology, such as cashier-less and checkout-less stores in Qatar, highlighting its significant technological advancements.

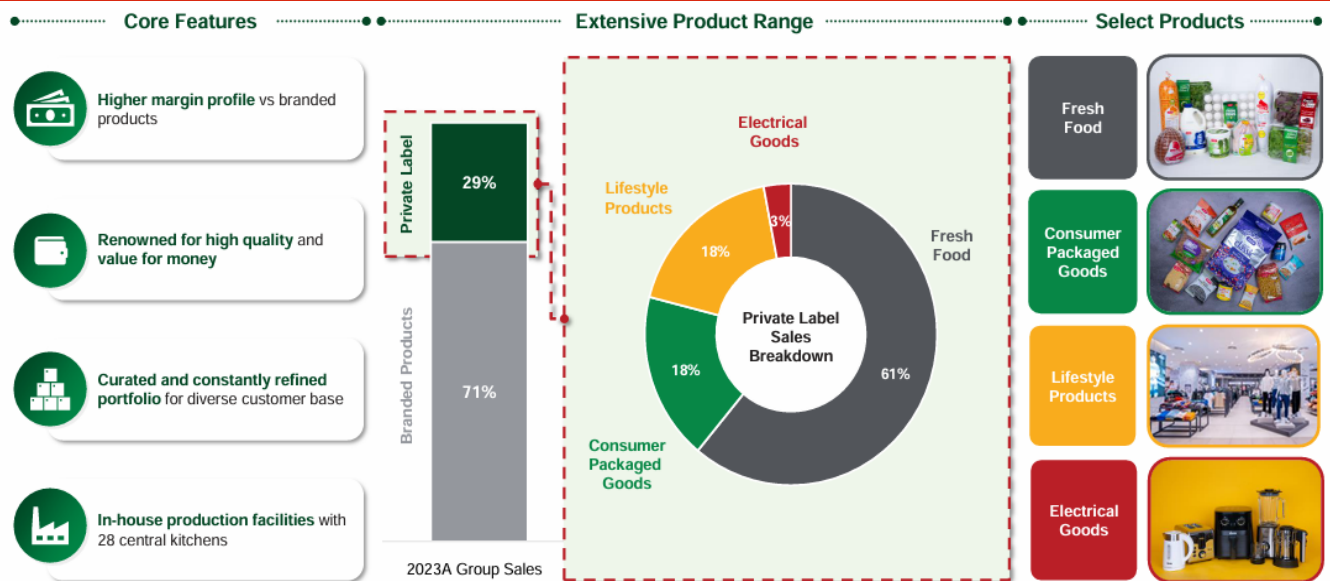
Food products generate ~61% and non-food products ~39% of the Company's revenue (FY2023)

The Company has a diverse product range that caters to various customer needs. Its products include consumer packaged goods, fresh foods, electrical goods, and lifestyle products. As of FY2023, consumer packaged goods accounted for the majority, 54% of the total revenue, followed by fresh foods at 21%, electrical goods at 14% and lifestyle products at 12%. The Company's food products generate 61% of total revenue as of FY2023, whereas the non-food segment generates 39% of the total revenue as of FY2023.

The Company plans to increase its private label offerings, which is expected to support its margins and solidify its position in the retail market

LuLu Retail also differentiates itself with high-quality private-label offerings across categories. As of FY2023, branded products accounted for 71%, while private labels contributed 29% of the total sales. The Company’s private label products offer a higher gross profit margin compared to the branded products. Its private-label products are carefully curated and regularly updated to meet the needs of a varied customer base. Furthermore, the Company’s in-house production facilities, which include 28 central kitchens, enhance its capacity to efficiently produce high-quality private labels. By expanding its private-label offerings, the Company is poised to enhance its margins and drive sustained profitability, further solidifying its competitive edge in the retail market.

Figure 34: LuLu Retail’s Private Label Offerings Across Categories



Source: Company Information

Robust Logistics & Distribution Infrastructure Driving Future Growth

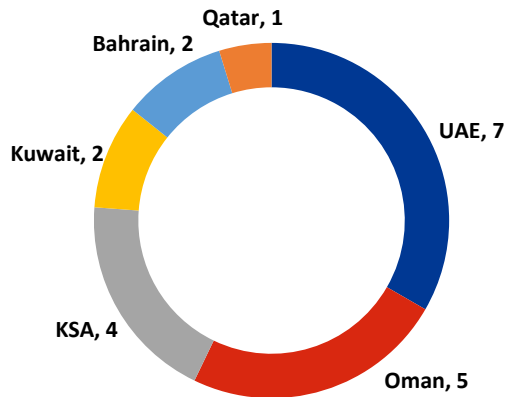
The Company operates 21 strategically located DCs, c.1,400 fleets and 28 central kitchens, which underscores its strong logistics and distribution infrastructure

LuLu Retail’s scaled logistics and distribution infrastructure position it to support its growth and create a competitive edge in the regions. The Company operates 21 strategically located, state-of-the-art distribution centers (DCs), with seven in the UAE, five in Oman, four in KSA, two each in Kuwait and Bahrain, and one in Qatar. Its facilities are designed with advanced technology to manage growth efficiently, including automated systems that minimize out-of-stocks and enhance inventory management. The Company’s DCs are strategically placed to optimize reach and proximity to surrounding outlets, enabling it to directly control the entire logistics process. The DCs also feature real-time monitoring of the order fulfillment cycle, which enhances supply chain efficiency.

LuLu Retail’s in-house last-mile delivery operations significantly enhance control and reliability. With a fleet of c.1,400 vehicles, the Company maintains comprehensive control over logistics, effectively supporting its retail operations. This integrated approach provides agile delivery solutions for diverse products, ensuring transparent order processing and real-time visibility into deliveries. Additionally, the Company’s efficient central kitchens are instrumental in delivering high-quality produce and expanding customer choice. Its central kitchens grew from 19 in FY2021 to 28 as of 2024. The Company’s central kitchens serve 184 stores and offer c.600 SKUs. This expansion enhances the Company’s margin profile compared to its branded products by maintaining consistent quality and taste across the range. The kitchens also uphold strict quality control, hygiene, and safety standards, which leads to more streamlined and cost-effective

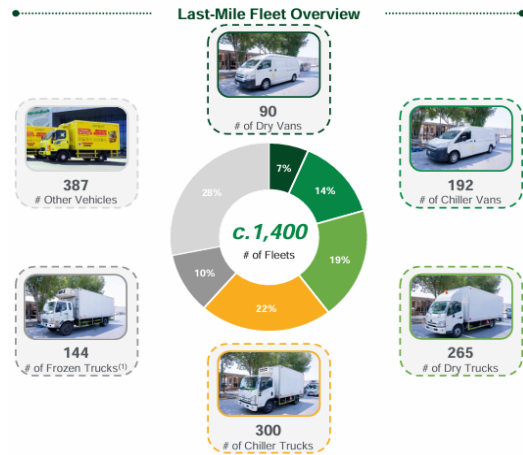
operations. Overall, the Company's robust infrastructure underpins its capability to support its store rollout plans and drive sustained growth.

Figure 35: LuLu Retail's Total Number of DCs



Source: Company Information, ¹Includes one Frozen Van

Figure 36: LuLu Retail's total fleets



Favourable Macro Trends and Strategic Transformations to Enhance Market Share

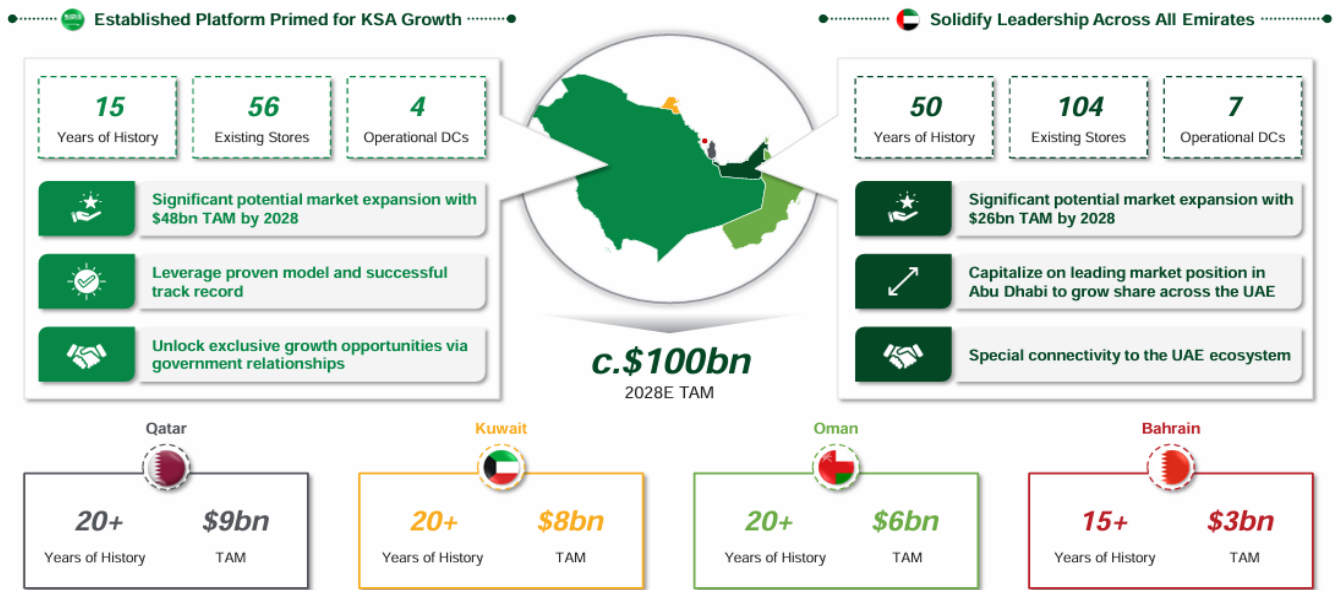
Strong Macroeconomic Opportunity and Scale Advantage Underpin Growth

LuLu Retail has a total addressable market of USD 100 Bn by FY2028 across six GCC countries, positioning it to scale its operations and reinforce its leadership in the GCC retail sector

LuLu Retail is well-positioned to benefit from the strong macroeconomic landscape in the GCC. The GCC region provides healthy macro tailwinds and is anticipated to outperform the global averages. According to Euromonitor, the GCC's GDP is anticipated to grow at a CAGR of 3.4% from FY2023-2028, outpacing the global average of 3.1%. Similarly, the region is experiencing stronger population growth, with a projected CAGR of 1.2% during FY2023-2028, compared to 0.9% globally during the same period. Additionally, increasing private consumption and growing personal disposable income in the GCC further strengthen the market potential for LuLu Retail. The GCC's private consumption is also anticipated to outpace the global average growth. Private consumption is expected to grow at a CAGR of 4.2% compared to the global average of 3.9% during FY2023-2028. The region's transformation agendas, including Saudi Vision 2030, We the UAE 2031, and the Dubai 2040 Urban Masterplan, are also set to drive further economic and retail sector growth, providing the Company additional opportunities to scale its operations. The Company is also well-positioned to capitalize on substantial market potential across the GCC, spanning both value and premium segments.

LuLu Retail is actively enhancing its presence in key GCC markets such as KSA and the UAE. In KSA, the company has a strong presence with 56 existing stores and four operational distribution centers, which are supported by 15 years of experience. The Company has significant market potential in the KSA, with a total addressable market of USD 48 Bn by FY2028. By leveraging its proven business model and strong government relationships, it is strategically positioned to take advantage of this expansion. In the UAE, the Company holds a 50-year history and has an established presence of 104 stores and seven operational distribution centres, reinforcing its leadership position. The Company's robust market position in Abu Dhabi provides a solid opportunity to increase its market share across the UAE, where the total addressable market is expected to reach USD 26 Bn by 2028. LuLu Retail is also likely to drive its future growth across other key GCC regions, such as Qatar, Kuwait, Oman, and Bahrain, with a total addressable market of USD 26 Bn by FY2028. This growth trajectory highlights the substantial opportunities available for the Company to expand its operations and strengthen its leading position in the GCC retail sector.

Figure 37: Total Addressable Market across Six GCC Countries



Strong Operational Backbone Driven by Global Sourcing Capabilities

Leading Retailer with Global Sourcing and Robust Logistics Network

LuLu Retail leverages its regional scale, direct sourcing, and long-term partnerships with global FMCG brands, backed by a strong logistics and distribution network

LuLu Retail's extensive global sourcing and logistics network is a key driver of its operational strength and competitive positioning in the GCC region. With sourcing operations across 85 countries, including offices in 19 key locations, the Company taps into long-standing supplier relationships averaging over 20 years to ensure a steady flow of quality products. This scale and direct sourcing approach eliminates intermediaries, enhancing its bargaining power and enabling a broader and more diverse product offering. The Company's fully integrated logistics network, comprising 21 DCs and c.1,400 last-mile vehicles, supports its consistent product availability and efficient store rollouts.

The Company has a strong competitive advantage over its peers due to its large-scale operation. Its localized sourcing presence significantly boosts its negotiating leverage and operational effectiveness. The Company excels in product procurement and quality control by eliminating intermediaries and leveraging in-depth market insights. This setup allows for more precise identification and acquisition of new and speciality items, ensuring rigorous quality standards and maintaining product integrity. The proximity to suppliers fosters stronger relationships, enhancing transparency, trust, and collaboration, which in turn helps align suppliers more closely with LuLu Retail's specific needs.

The Company's established relationships with global Fast Moving Consumer Goods (FMCG) brands such as P&G, Unilever, Mars, PepsiCo, and Ferrero, each with over 20 years of partnership, underscoring its strong supply chain capabilities. LuLu Retail's key sourcing offices in China, the USA, and the UK manage thousands of active SKUs and extensive supplier networks, reinforcing its efficient and effective sourcing strategy. This comprehensive and well-managed supply chain infrastructure supports LuLu Retail's expansion plans, positions it for continued growth, and strengthens its market presence.

Figure 38: LuLu Retail's Global Sourcing Network



Source: Company Information

LuLu Retail's efficient product management approach leverages data-driven strategies, supplier partnerships, and logistics management enabling the Company to maintain a competitive edge in the retail market

Effective Product Management Lifecycle Driving Operational Excellence

LuLu Retail demonstrates a robust product management approach by leveraging data-driven strategies, supplier partnerships, and logistics management. The Company continuously monitors product performance by analyzing the sales data and makes adjustments accordingly. The Company carefully evaluates sales data by tracking the top sellers and identifying underperformers. It also gathers customer feedback to understand better preferences, satisfaction levels, and areas for improvement. After reviewing the sales data and customer feedback, the Company makes inventory adjustments, aligning stock levels with sales trends and seasonality. Additionally, LuLu Retail implements targeted promotional strategies, offering discounts on underperforming products to boost sales and clear inventory.

The Company plans its assortment by considering seasonal trends and a well-defined assortment strategy. To identify seasonal trends, it conducts market research and performs trend analysis that helps identify upcoming trends and shifts in consumer preferences. The Company selects products that align with the trends to ensure relevance and appeal during the peak seasons. In addition, its assortment strategy creates a balanced product mix that includes both staple items and seasonal, on-trend products. It also implements category management to define product categories, organize items effectively, and enhance the shopping experience.

LuLu Retail focuses on efficient logistics and shelf management to optimize product delivery and presentation. The Company's logistics strategy includes coordinating with logistics partners to ensure timely transport of products from suppliers to distribution centers (DCs) and stores, while implementing strict quality control measures to verify product condition upon arrival. In addition, its shelf management practices prioritize the freshness of perishable items. The Company also emphasizes merchandising strategies highlighting seasonal products and creating visually appealing displays to drive sales.

The Company's product management lifecycle also includes a comprehensive approach to ordering and supplier negotiations. It begins by sourcing and identifying suppliers that provide quality products aligned with seasonal trends. Once suppliers are selected, the Company negotiates key terms such as pricing, delivery schedules, and payment conditions to secure competitive agreements. Following the negotiations, its focus shifts to order planning, which

LuLu Retail's strategic procurement strategy coupled with long standing relationships with local suppliers ensures operational efficiency and product quality

accurately forecasts demand and places precise orders using sales data and trend analysis. It also carefully plans order volumes and delivery schedules to align with seasonal peaks, ensuring consistent product availability. The Company's combined strategies enable it to maintain a competitive edge in the market by delivering a superior customer experience and driving consistent operational success.

Strong Supplier Partnerships with a Streamlined Procurement Process

By focusing on local sourcing and short shelf-life products such as fruits, vegetables, dairy products, fish, meat, eggs, and bakery items, LuLu Retail enhances product quality and freshness, ensures faster and more cost-effective deliveries, and reduces spoilage and waste. This approach improves food safety and handling and also lowers carbon footprints and supports local businesses, aligning with sustainable and community-focused practices. The Company's key partnerships with prominent suppliers like Almarai, Agthia, Afia, and Alsafa further strengthen its market position and operational efficiency.

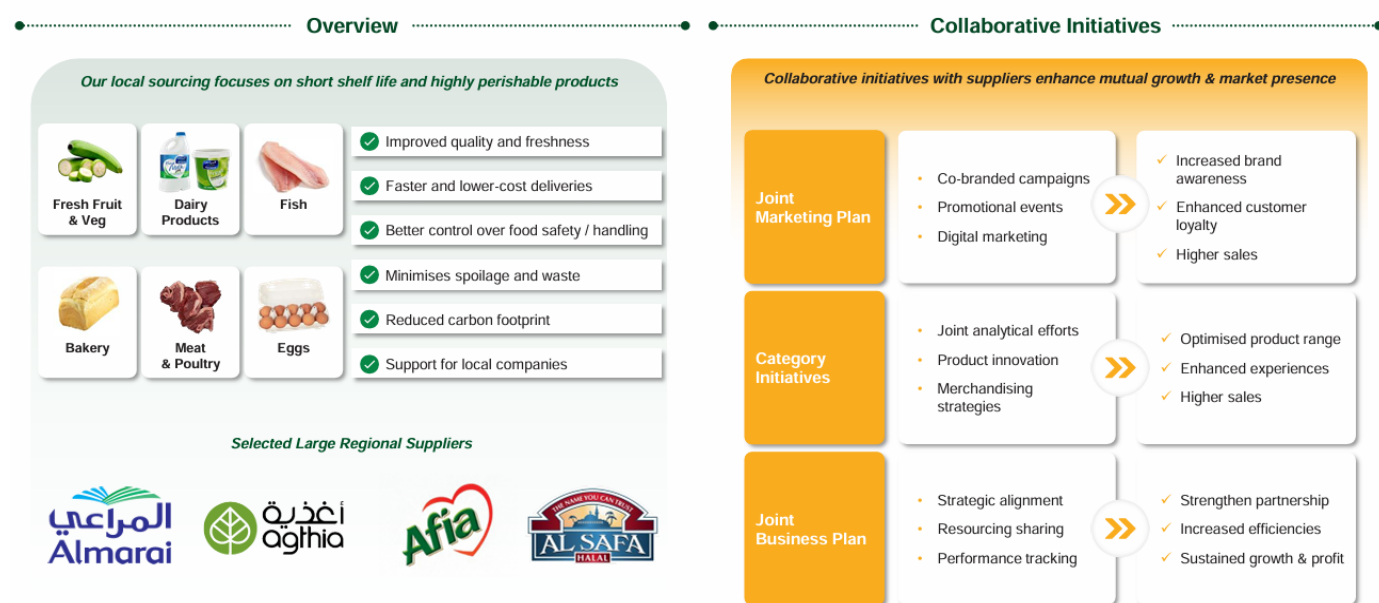
LuLu Retail's strategic initiatives, including joint marketing plans, category initiatives, and joint business plans, significantly enhance connectivity across the Company's operations. By partnering on promotional events, digital campaigns, and co-branded launches, the Company increases brand visibility and strengthens customer loyalty. Category initiatives optimize its product ranges and enhance consumer experiences. Additionally, the Company's joint business plans enhance collaboration with partners, enabling resource sharing and performance monitoring, which leads to greater operational efficiency. The Company's collaborative initiatives are expected to support long-term growth and profitability.

LuLu Retail's procurement process is designed to maximize connectivity and efficiency from product selection to distribution. The Company's central procurement process begins with rigorous product selection, involving comprehensive market research to identify market trends and consumer demand. Following this, the sourcing phase entails identifying and evaluating suppliers based on their capabilities and product standards. Additionally, the Company employs a push and pull strategy, wherein through its push strategy, it promotes products based on anticipated demand and through a pull strategy it secures in-demand items from suppliers, ensuring their availability. Furthermore, the next process is followed by supplier listing events where suppliers showcase their products, and a listing committee review evaluates and approves the products against strict criteria and LuLu Retail's standards. Once products are approved, contract negotiation & finalisation is carried out to establish formal agreements with suppliers. Finally, the logistics & distribution phase ensures products are efficiently transported to central DCs and subsequently distributed to various stores, maintaining consistent supply across the retail network.

The local procurement strategy focuses on tailoring product selections to match local market trends and seasonal demands, optimizing relevance and consumer satisfaction. This process also utilizes the push and pull strategy, which ensures efficient inventory management by anticipating demand while also responding to real-time product needs from suppliers. In the listing event & committee review, the local suppliers showcase their products, and a listing committee review evaluates and approves the products as per local preferences. Additionally, in the next process, the Company negotiates contracts for highly perishable items, such as fruits and vegetables, with a strong emphasis on seasonality. This approach ensures that the produce is sourced at its peak quality, optimizing freshness and value. In the last process, the logistics and distribution for local procurement emphasize quick turnarounds and proximity to stores, ensuring product freshness and minimizing delivery times. LuLu Retail's well-organized

procurement strategy coupled with its long-standing relationship with suppliers underpins its robust expansion and operational efficiency.

Figure 39: Overview of Collaborative Initiatives and Long-standing Supplier Relationships



Source: Company Information

Robust Strategy with Multiple Growth Levers Supporting the Next Phase of Profitability

Strategic Pillars Driving Growth and Profitability in Existing Store Operations

LuLu Retail's comprehensive strategy in its existing stores is expected to enhance both customer satisfaction and operational efficiency

LuLu Retail's growth in its existing stores is driven by a comprehensive strategy that enhances both customer satisfaction and operational efficiency. The Company follows an integrated strategy for growth, followed by an agile product and global sourcing network spanning 85 countries and 19 sourcing offices. This extensive network ensures products are tailored to regional needs, underpinned by long-standing supplier relationships. The Company also has a significant advantage through its extensive local expertise, resulting from its 50-year presence in the GCC region. LuLu Retail also has country directors with substantial tenure who deeply understand local market dynamics. This deep local insight, combined with a broad portfolio of over 200,000 active SKUs, enables it to offer the most comprehensive product coverage compared to its regional counterparts. Additionally, the Company also leverages established capabilities, including several key initiatives, which include:

Refresh and Review Program: This periodic review process, supported by its global sourcing model and data-driven insights, ensures the product mix remains relevant and competitive. The program also incorporates seasonal updates and the introduction of new products, including those from its private label.

Tailored Offering: LuLu Retail also customizes its products, tailoring them to customer needs. For instance, the Company's Karama store features a higher proportion of sub-continent product lines for the Indian demographic, while Festival Plaza offers a broader range of imported and premium products for Western expatriates. In addition, the stores in Dibba provide a diverse mix of local, imported, and premium products to meet varied consumer preferences.

Premiumization of Sales: The Company also implements a dual sales strategy that differentiates between premium and value segments. Premium products such as Sensodyne and Mantra Organic are offered along with value products like Colgate and Bayara. This strategy is supported

by targeted merchandising efforts, including regular promotions, promotional staffing, and shelf talkers.

Along with the strategies, the Company also emphasises the intense focus on growing its robust proportion of Private label products. The Company reported private-label sales of USD 2 Bn in FY2023, surpassing the gross sales of competitors like Bin Dawood and Spinneys. Its private label contribution is strongly led by fresh food and consumer packaged goods, with fresh food serving as a key segment. The Company's private label segment averaged 30% gross margins during FY2021-23, compared to its overall gross margins of 22-23% during the same period. The Company's strong focus on private-label products is anticipated to enhance the margins and strengthen its presence.

LuLu Retail's quarterly large-scale promotions, such as the 2023 Super Friday event, boosted daily sales from USD 6 Mn to USD 6.7 Mn and increased footfall from 219K to 232K during the same period.

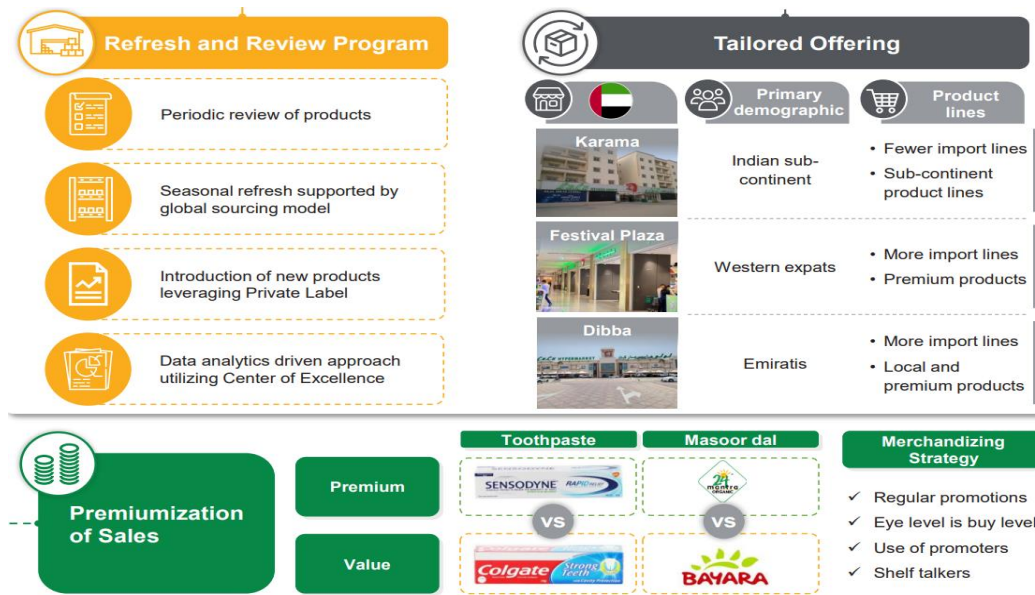
LuLu Retail also follows a comprehensive marketing strategy to increase its customer's footfall. As of FY2023, the Company hosted over 750 promotions and events and larger-scale promotions every quarter, which resulted in boosting revenue and footfall. For instance, its quarterly large-scale promotions, such as the 2023 Super Friday event, boosted daily sales from USD 6 Mn to USD 6.7 Mn and increased footfall from 219K to 232K during the same period. The Company's marketing pillars are targeted through category promotions and are leveraged by advanced marketing tools like Appsflyer and Emarsys. Its customer retention initiatives, such as the Happiness Program, enhance customer engagement and drive sustained sales growth.

LuLu Retail places a strong emphasis on delivering a unique and best-in-class customer experience, which drives customer satisfaction and strengthens brand and store loyalty. It ensures comprehensive customer support across all touchpoints, including efficient billing, packaging, and after-sales service. To enhance convenience, it has implemented self-checkouts, AI chatbots, and accessible parking and other facilities. Additionally, the Company adapts to diverse customer needs by offering products catering to all ethnicities, along with year-round availability of organic, vegan, and healthy options. LuLu Retail has also been awarded for its best-in-class operational service and quality. It has won various awards, such as the Dubai Quality Award, Dubai Service Excellence Scheme and Sheikh Khalifa Excellence Awards. This commitment to exceptional customer experience underpins its strong market position and customer retention.

The Company's happiness program significantly boosted its total sales, with 2.3 million members joining the loyalty program in the UAE and Qatar as of June 2024

The Company's widely popular happiness program has significantly boosted its total sales, with 2.3 million members joining the loyalty program in the UAE and Qatar as of June 2024. The loyalty customers contributed more than 65% of the total sales from the respective region as of June 2024. In addition, the Company's average basket size for loyalty customers has grown to USD 36 compared to USD 22 for non-loyalty customers. The Company has also successfully rolled out the program in other key regions, which is anticipated to increase its loyal customer base and boost its revenue.

Figure 40: LuLu Retail's Established Capability



Source: Company Information

LuLu Retail has a Proven Track Record of Surpassing Market Growth

LuLu Retail has outpaced regional market growth in the GCC, particularly in the UAE and KSA, demonstrating its strong strategic positioning and operational effectiveness

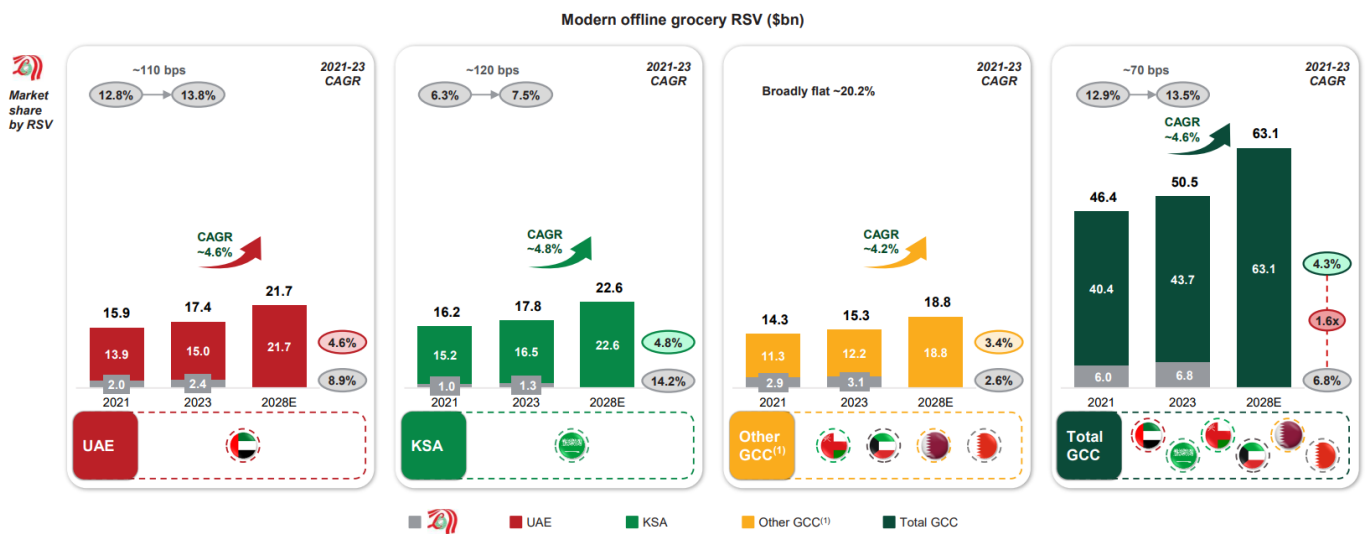
LuLu Retail's ongoing expansion is supported by robust macroeconomic tailwinds and strategic transformation initiatives. As the largest retailer in the GCC, Lulu Retail benefits from its substantial scale, operational agility, and long-standing partnerships. The Company's strong operational base is strengthened by its global sourcing capabilities, which support its consistent growth. The Company has demonstrated a robust and consistent growth trajectory across GCC markets, with a strong increase in Retail Sales Value (RSV) market share. It has significantly outperformed the market, particularly in key regions such as the UAE and KSA, where its growth has been 2-3x higher than the market average. According to Euromonitor, the Company's modern offline grocery RSV market share in the UAE grew from 12.8% representing USD 2.0 Bn in FY2021 to 13.8% representing USD 2.4 Bn in FY2023. Meanwhile, the Company's modern offline grocery RSV market share grew at a CAGR of 8.9% during FY2021-2023. The UAE's modern offline grocery market RSV is projected to grow at a CAGR of 4.6% from USD 17.4 Bn in FY2023 to USD 21.7 Bn in FY2028, which is expected to enhance the Company's market presence and support its substantial long-term growth potential. Similarly, Lulu Retail's modern offline grocery RSV market share in the KSA grew from 6.3%, representing USD 1.0 Bn, to 7.5%, representing 1.3 Bn in FY2023. The Company is the fastest-growing retailer in the KSA and has significant market potential owing to the country's higher demand for fresh foods. The modern offline grocery market RSV in KSA is projected to grow at a CAGR of 4.8% during FY2023-28, supporting future revenue growth and enhancing the Company's business prospects in the region. LuLu Retail's modern offline grocery RSV growth in other GCC countries, including Oman, Kuwait, Qatar and Bahrain, grew from USD 2.9 Bn in FY2021 to USD 3.1 Bn in FY2023. The other GCC countries, including Oman, Kuwait, Qatar and Bahrain's modern offline grocery market RSV, are expected to grow at a CAGR of 4.2% during FY2023-2028 to USD 18.8 Bn, further enhancing the Company's increasing presence and future growth potential across the GCC region.

LuLu Retail is well-positioned to capitalize on the growing grocery sector selling space across the GCC region. In the UAE, the modern offline grocery selling space has expanded from 5.2 Mn square meters in FY2021 to 5.6 Mn square meters in FY2023, with further growth expected to 6.0 Mn square meters by FY2028. LuLu Retail's modern offline grocery selling space in KSA grew at a CAGR of 12.4%, reaching 0.3 Mn square meters, significantly outpacing the KSA's overall modern offline grocery space growth of 2.4% during FY2021-2023. Furthermore, the modern

The GCC's total store space is expected to grow from 12.0 Mn square meters to 14.4 Mn square meters by FY2028, providing the Company with increased opportunities to expand its footprint and capture a larger market share

offline grocery selling space in KSA is expected to reach 5.0 Mn square meters, which is well positioned to support the Company's operations and strengthen its presence in the region. In other GCC countries, including Oman, Kuwait, Qatar and Bahrain, LuLu Retail's store space growth has significantly outpaced the market, achieving a CAGR of 6.2% compared to the overall market growth of 2.2% during FY2021-2023. The GCC's total store space is expected to grow from 12.0 Mn square meters to 14.4 Mn square meters by FY2028, providing the Company with increased opportunities to expand its footprint and capture a larger share of the growing market.

Figure 41: Modern Offline Grocery RSV (USD Bn)



Source: Company Information. ¹Other GCC includes Oman, Kuwait, Qatar and Bahrain.

Strong Macro Tailwinds and Rising TAM to Support Store Expansion

Lulu Retail is expanding its presence in the UAE and KSA with a focus on hypermarkets and express stores while also pursuing balanced growth in other GCC countries

LuLu Retail is positioned to capitalize on the expansion of store formats in the UAE and KSA, by leveraging substantial growth opportunities. According to Euromonitor, KSA is expected to add total of 474 new stores with a focus on smaller retail formats by FY2028. Out of the total 474 stores, 8% will comprise of hypermarkets, 32% express markets, and 60% mini markets. The majority of the new selling space are expected to account for hypermarket stores in the KSA. The stores are primarily expected to open in the Central, East, and West regions of KSA. LuLu Retail is well-positioned to capture this growth, as it plans to expand its presence by opening stores in these regions. The UAE market is expected to add 159 new stores by FY2028, with a strong focus on express and mini formats. The majority of the new stores are anticipated to be open in Abu Dhabi, Dubai, Sharjah, and other Emirates. The Company is concentrating its efforts on Abu Dhabi and Dubai, where a significant portion of the new stores will be located, further expanding its market reach in these key cities. LuLu Retail's targeted expansion in high-growth areas and focus on consumer preferences position it strongly for future growth.

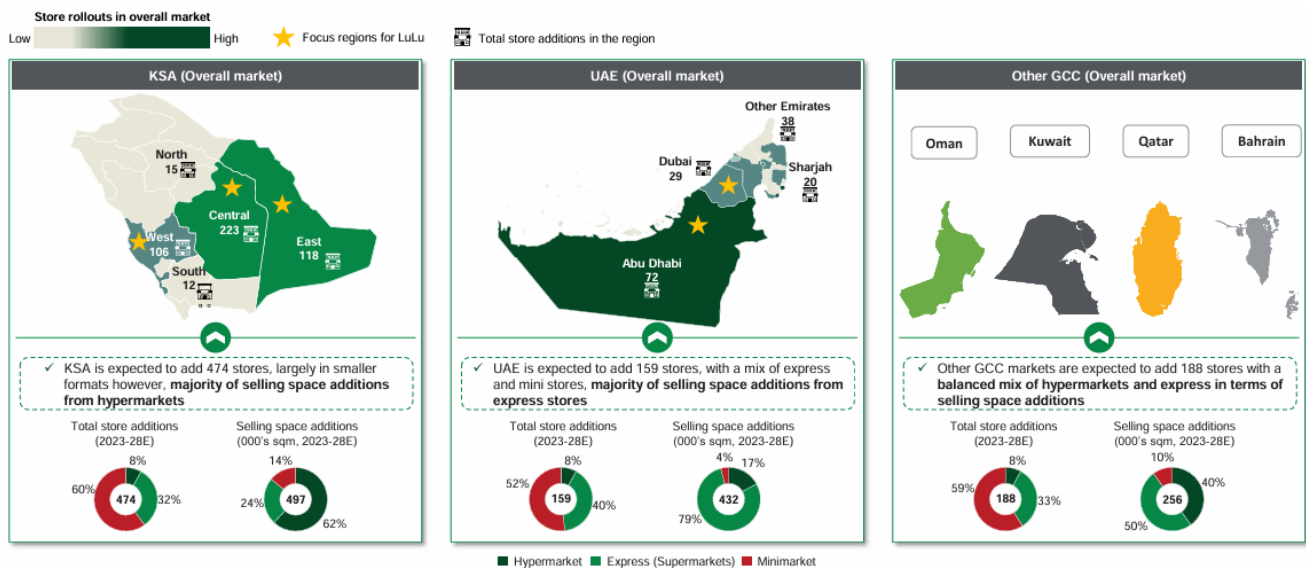
The Company is well-positioned to benefit from the increasing population growth and expanding addressable market across the GCC region. According to Euromonitor, KSA is projected to lead the region with a population growth rate of 1.4% CAGR, followed by Oman at 1.5% and UAE at 1.2% during FY2023-2028. The overall GCC population growth is expected to grow at a CAGR of 1.2% between FY2023-2028, surpassing the global average of 0.9% during the same period. Additionally, the expanding total addressable market (TAM) is set to enhance the Company's market potential and profitability. In the KSA, the grocery TAM is forecasted to

The GCC's rapid population growth and high disposable income present Lulu Retail with significant market expansion opportunities, particularly as the region's grocery market is projected to exceed USD 100 Bn by FY2028

increase from USD 39 Bn to USD 48 Bn by FY2028, while the UAE's grocery market is expected to grow at a CAGR of 4.6%, from USD 21 Bn in FY2023 to USD 26 Bn in FY2028. Other GCC countries are projected to experience a 3.6% CAGR, with the TAM growing from USD 22 Bn to USD 27 Bn by FY2028. These favorable growth trends present significant market opportunities for LuLu Retail. The Company's strategic focus on expanding its store formats and geographic footprint aligns with these positive trends, positioning it to capture a larger share of the growing market.

The robust economic environment in the GCC presents a significant opportunity for LuLu Retail, fueled by high disposable incomes and a sizable middle-class population. As of FY2023, the GCC's per capita disposable income averages USD 15,600, nearly double the global average of USD 8,500. With 22 million middle-class individuals—representing 47.7% of the region's total population—the GCC offers a lucrative market for retail expansion. The GCC's strategic economic and social transformation initiatives, such as Saudi Arabia's Vision 2030, Dubai Economic Agenda D33, Abu Dhabi Vision 2030, and the Dubai 2040 Urban Master Plan, align with LuLu Retail's expansion objectives. These plans emphasize economic diversification, urbanization, and increased foreign investment, which are set to drive consumer spending and economic development. LuLu Retail's growth strategy is expected to capitalize on these favorable market trends, offering a compelling opportunity to leverage the region's robust economic fundamentals and rising disposable incomes. This strategic approach supports the Company's expansion plans and strengthens its long-term growth prospects.

Figure 42: Total store additions in the market 2023 – 28E¹



Source: Company Information, ¹Modern offline grocery total store additions by all players in the market

Lulu Retail Opened 66 new stores and Plans 21 New Addition in FY2024

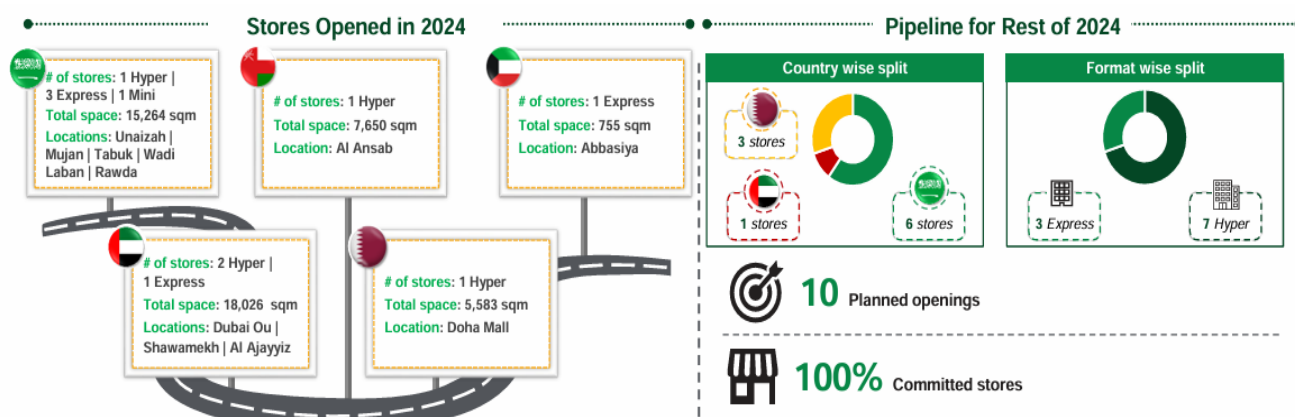
Lulu Retail has expanded across the GCC with 66 new stores from FY2021-2023 and 11 stores in FY2024 YTD with plans to open 10 more in 2024

LuLu Retail has expanded and strategically positioned itself in the GCC market by opening 66 new stores from FY2021-2023. This includes 25 hypermarkets, 32 express supermarkets, and 9 mini markets from FY2021-2023. The Company has added 274,000 square meters of retail space, demonstrating its commitment to increasing market share and addressing rising consumer demand. In the UAE, the Company operated 26 stores, comprising 8 hypermarkets and 16 express supermarkets covering 107,613 square meters from FY2021-2023. Additionally, as of 2024 YTD, the Company continued to open its new stores in Dubai Outlet Mall, Shawamekh, and Al Ajayyiz, adding 18,036 square meters, demonstrating continued growth in its major market. In KSA, the Company has opened 20 stores, including 9 hypermarkets and 6

supermarkets, covering 75,703 square meters from FY2021-2023. Additionally, as of 2024 YTD, the Company has continued its expansion in Unaizah, Mujan, Tabuk, Wadi Laban, and Rawda, by adding 15,264 square meters of retail space. This reflects the Company's strategic focus on growing its presence in the region. In the other GCC regions, including Qatar, Kuwait, Oman, and Bahrain, the Company operated 20 stores, comprising 8 hypermarkets, 10 supermarkets and 2 mini markets in FY2021-2023. As of 2024 YTD, the Company has added 1 hypermarket in Al Ansab, Oman, 1 supermarket in Abbasiya, Kuwait, and 1 hypermarket in Doha Mall, Qatar.

LuLu Retail also plans to open 10 additional stores in rest of FY2024, which will comprise 7 hypermarkets and 3 supermarkets. The Company plans to open 3 stores in Qatar, 1 in UAE and 6 in KSA. This expansion demonstrates the Company's commitment to meeting rising consumer demands and capitalizing on its growth opportunities across the key GCC markets. This strategic growth initiative further strengthens LuLu Retail position in the region and enhances its long-term market potential.

Figure 43: Total Store Opened in 2024 and Pipeline for 2024



Source: Company Information

Strategic Store Roll-out Strategy to Strengthen Market Presence

LuLu Retail's robust store rollout strategy, tailored to various markets, is anticipated to strengthen its market presence and drive strong revenue growth

LuLu Retail's tailored store rollout strategy capitalizes on the unique characteristics of key markets, ensuring optimized store formats and locations that align with local consumer needs and market dynamics. The Company has positioned itself as a top retailer in the UAE, leading the market in sales per square meter and holding a substantial 13.8% market share as of FY2023. It operates 104 stores across the UAE, comprising 41% Hypermarkets, 55% Express stores, and 4% Mini Markets as of May 2024. This diverse store portfolio enables the Company to effectively cater to consumer needs and shopping preferences, from everyday essentials to luxury goods. The UAE market offers unique opportunities to the Company, characterized by higher disposable income per capita compared to other GCC countries, a large expatriate population, and a strong demand for premium and luxury products. Additionally, ongoing government investments to expand various Emirates drive economic growth and urban development. The Company utilizes a unique rollout strategy specifically designed for the UAE market. By leveraging its extensive premium product offerings, the Company is well-positioned to meet the high demand for luxury goods among locals and expatriates. Additionally, strategic expansion into key locations closely aligns with the rapid development of new residential projects, ensuring its stores are conveniently located in high-demand areas. This approach enhances the Company's market penetration and strengthens its connectivity with emerging communities, driving long-term growth and value creation for investors.

LuLu Retail is the fastest-growing retailer in the KSA and has significant market potential in the region. The Company operates 56 stores across the KSA, comprising 45% Hypermarkets, 30%

Express stores, and 25% Mini Markets as of May 2024. As the largest market in the GCC, KSA offers substantial growth opportunities to the Company, with a diverse consumer base that includes both price-sensitive and affluent segments. Additionally, the strong uptake of e-commerce and Buy Now, Pay Later (BNPL) services in the region provides a robust platform for the Company to enhance customer engagement and drive sales. The Company's differentiated approach for the region is characterized by balanced competitive pricing and premium product offerings that effectively meet the needs of different consumer segments. It is also strategically expanding into both Tier 1 and Tier 2 cities, ensuring its presence in key urban areas and positioning itself for sustained long-term growth in the KSA market.

The Company holds a dominant leadership position in Oman, with the leading rank by RSV and the highest revenue among its competitors as of FY2023. It has a 30.4% market share in Oman, reinforcing its stronghold as of FY2023. It operates 30 stores across Oman, comprising 70% of Hypermarkets and 30% of Express stores as of May 2024. The Company has strong leadership with c.70% of the customers, demonstrating a limited impact from Omanisation. Its strong emphasis on growing market share in rural areas positions it for further growth in Oman. The Company's strong focus on affordability and value-driven promotions differentiates it from competitors in the region. Additionally, it plans to increase private labels and leverage import lines is expected to increase its share and boost the margins.

The Company holds a strong market position in Qatar with a 16.8% market share and ranks as a leading retailer by RSV as of FY2023. It operates 23 stores across Qatar, comprising 48% Hypermarkets, 39% Express stores and 13% Mini stores as of May 2024. The Company benefits from its premiumization strategy in Qatar, owing to the customer's preference for premium products and quality. This underscores the Company's strong market potential and allows it to cater to premium products as per the needs of its customers. It also has limited competition compared to the UAE and KSA, enabling it to implement higher pricing on premium goods while maintaining competitive pricing for daily essentials. In addition, the Company is increasing its focus on fresh food and consumer packaged goods, which is expected to boost sales and improve margins in the region.

LuLu Retail holds a 15.4% market share in Kuwait, demonstrating its strong presence and market leadership as of FY2023. It operates 16 regional stores comprising 50% Hypermarkets and 50% Express stores. Like Qatar, the Company benefits from its premiumization strategy, which is driven by higher disposable income and demand for imported and luxury goods. Additionally, Kuwait's growing adoption of e-commerce enables better connectivity between online and offline sales channels. LuLu Retail also aims to expand into newly developing residential areas while focusing on offering a wide range of global brands and competitive pricing, which will further strengthen its market position in Kuwait.

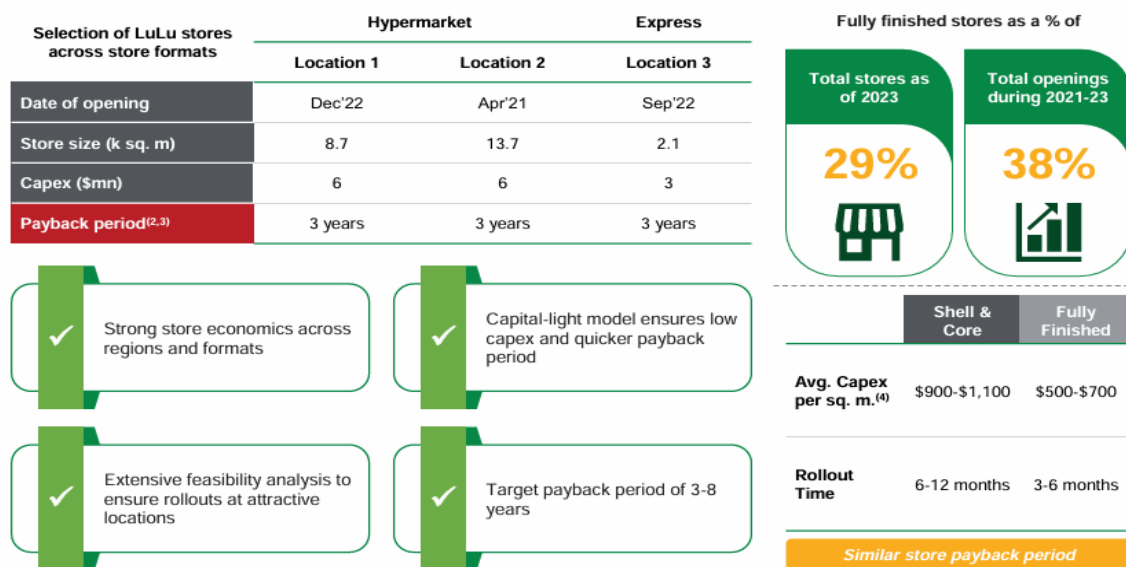
In Bahrain, the Company holds a strong 22.8% market share and stands as a leading brand with the highest RSV as of FY2023. It operates 12 regional stores, comprising 67% Hypermarkets, 25% Express, and 8% Mini stores as of May 2024. Despite a smaller market size, the region's moderate to high disposable incomes support demand for the Company's offerings. LuLu Retail focuses on expanding its footprint through smaller formats, such as convenience stores, to enhance its regional presence. Additionally, the Company plans to attract a broad consumer base through competitive pricing with frequent promotions, which is anticipated to increase its presence and boost revenue.

LuLu Retail also demonstrates strong store economics across regions and formats, with a typical store payback period ranging from 3-8 years on a cash profit basis (excluding depreciation and amortization). The Company's shift toward an asset-light, fully finished store model drives

The Company demonstrates strong store economics across regions and formats, with a typical store payback period ranging from 3-8 years on a cash profit basis

improvements in payback periods and capital efficiency. As of FY2023, fully finished stores accounted for 29% of total stores and 38% of new openings. The fully furnished stores deploy lower capex, averaging USD 500-700 per square meter across FY2021-2023, compared to USD 900-1,100 for shell stores during the same period, and have a faster rollout time of 3-6 months compared to 6-12 months for shell stores. In addition, the Company has seen a significant shift in its hypermarkets, with the percentage of smaller stores growing from 57% in FY2021 to 86% in FY2023. This shift is mainly driven by community needs, diligence site selection, and more product offerings tailored to local catchment needs. In addition, the Company's fully furnished store offers lower capex by c.40% and c.50% less time to roll out. This results in improved store roll-out efficiencies and boosts the bottom line and cash flows. This capital-light approach, combined with extensive feasibility analysis for store locations, ensures quicker payback periods and enhances the Company's overall connectivity and expansion strategy.

Figure 44: LuLu Retail's Comparison of Store Payback Period



Source: Company Information, ²Payback period is the time required for the store to generate sufficient cash flows to recover its initial investment cost. ³Profit for the year after fully costing the fixed costs, interest and other changes to individual stores. ⁴Average across 2021-23.

Leveraging Growth and Operational Efficiency to Boost Margins

LuLu Retail strategically positioned itself as the fastest-growing retailer, with a market share of 0.7% in the GCC region as of FY2021-2023

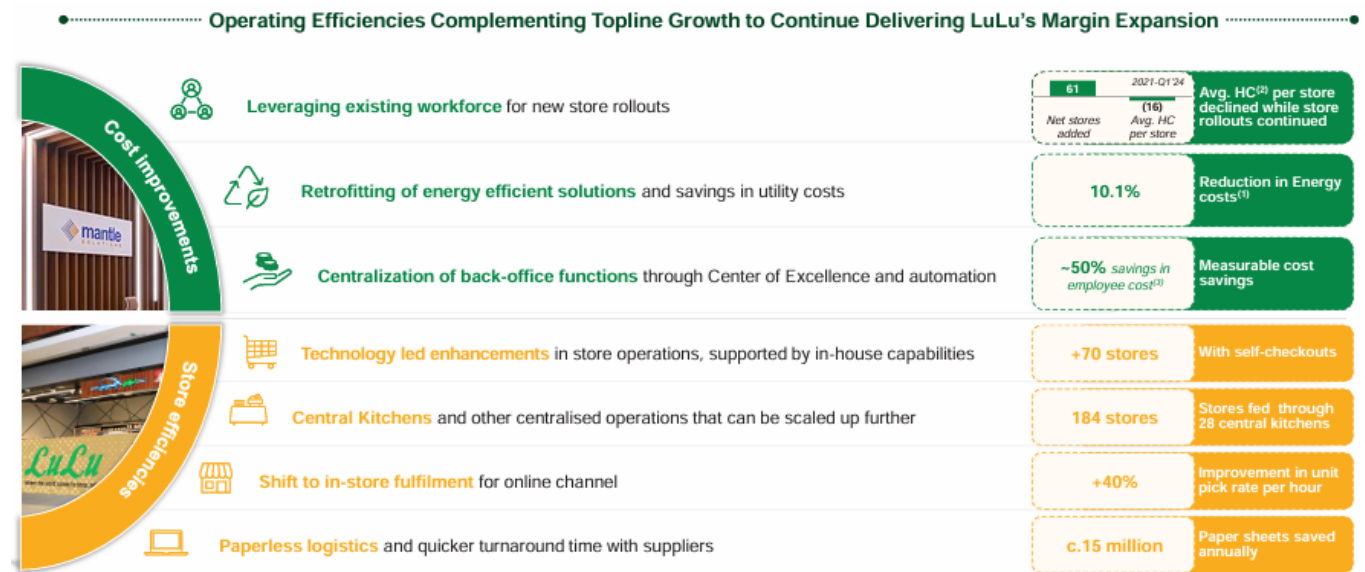
The Company operates in an industry where scale provides a significant competitive advantage. LuLu Retail has strategically positioned itself as the fastest-growing retailer, with a leading market share increase of 0.7% in the GCC region as of FY2021-2023. The Company also outperforms its peers, particularly in the UAE and KSA, with a leading market share increase of 1.1% and 1.2%, respectively, as of FY2021-2023. LuLu Retail's strong dominance in the GCC market is driven by its strategic investments in scaling operations. By leveraging its expansive presence across the GCC, the Company benefits from strategically located stores that enhance customer loyalty through close proximity. The Company's extensive operations also boost its purchasing power by taking advantage of economies of scale with suppliers. LuLu Retail's increased operational gearing enables the spreading of fixed costs over a more extensive sales base, effectively reducing its fixed cost ratio. Moreover, its higher store densities lead to improved logistics efficiency, minimizing the distance between depots and stores while optimizing the use of distribution centres and fleets. As the Company continues to grow and leverage its fixed cost base, it is well-positioned to further capitalise on operational gearing, solidifying its competitive scale advantage.

LuLu Retail has a proven track record of improving margins through a well-executed strategic approach. During FY2021-2023, the Company successfully opened 66 new stores, generating c.USD 1 Bn in revenue and of c. 80 bps in margin improvements. The Company further plans to roll out 21 new stores in 2024 and is expected to open an average of c. 18 new stores annually over the medium term (between FY2025-28), which is expected to drive scale and volume benefits. It expects its margins to improve by eliminating middlemen, strengthening supplier relationships, and securing volume-based and promotional discounts that directly contribute to improved margins. As a market leader, the Company leverages its long-standing supplier relationships to reduce shrinkage and inventory loss, highlighted by its collaboration with Lays to minimize stock variances. Additionally, the growth of private label sales, which offer robust margins, further strengthens the Company's profitability. The Company's private-label products are anticipated to achieve an average gross margin of 30% in the medium term. The Company also expects margin enhancement through its loyalty program and premiumisation efforts, driven by improved merchandising strategies.

The Company's cost improvements and store efficiencies are expected to boost margins while driving growth

LuLu Retail's operating efficiencies are further anticipated to drive margin expansion along with topline growth. Its operational efficiency is boosted by various ongoing initiatives that focus on cost improvements and store efficiencies. In terms of cost improvements, LuLu Retail has leveraged its existing workforce for new store rollouts, showcasing robust workforce optimization. Additionally, the Company has implemented energy-efficient retrofitting solutions and has saved on utility costs. The centralization of back-office functions through a Center of Excellence and increased automation has resulted in a 50% reduction in employee costs. Furthermore, in terms of store efficiency the Company emphasizes margin enhancement through advanced technology in-store operations, supported by its in-house capabilities. LuLu Retail has installed self-checkouts in 70+ stores, improving customer experience and operational efficiency. The Company's 184 stores are supplied by 28 central kitchens, which provide a scalable solution to meet growing demand. Furthermore, the shift to in-store fulfillment has led to a 40% improvement in unit pick-up rate per hour. The Company's combined efforts and ongoing initiatives are expected to boost margins further while driving growth.

Figure 45: LuLu Retail's Operating Efficiency to Drive Margins



Source: Company Information, ¹Illustrative for LuLu Hypermarket Khaburah in Oman, 10.1% reduction in electricity cost in 2023 vs 2021. ²Head count. ³From back-office centralization

Expanding Private Label Offerings and Strengthening Online Presence to Maximize Growth

LuLu Retail's private-label offerings have demonstrated strong performance with successful product launches, significantly boosting sales and margins

LuLu Retail's private-label products represent a crucial growth lever, driven by higher margins than general products. The Company's private-label growth is mainly driven by Consumer Packaged Goods and Fresh Foods products. Fresh foods and consumer packaged goods as a percentage of total private-label sales grew from 76.6% in FY2022 to 79.1% in FY2023. The Company plans to leverage several tangible growth strategies to enhance its private-label offerings, expand into new product lines and categories, identify market gaps, and foster product innovation. It is focusing on sourcing high-quality yet affordable suppliers to strengthen its offerings. It plans to expand shelf space and utilize prominent in-store displays to increase product visibility. It also emphasises marketing and promotional initiatives, such as periodic promotions and product bundling, that will further stimulate trial and repeat purchases, ensuring robust growth in the private label segment.

The Company's private label segments have demonstrated strong performance with successful product launches, significantly boosting sales and margins. For instance, the introduction of the Dairy-Free Alternatives product, such as Planet Y, saw remarkable growth due to its appeal to health-conscious consumers with its organic and speciality attributes. Following its launch, the product achieved a c.18% share in the product category and generated gross margins of c.2.5x compared to the leading brands. Similarly, the Company's Disney Shower Gel, featuring character-themed labelling and unique formulations like Lavender, Papaya, and Blueberry, created a solid consumer demand. Following its launch, the product achieved a c.10% increase in sales and a c.2.5x margin improvement compared to leading brands. The Company's successful private-label launches underpin its strategy's effectiveness in driving growth and profitability.

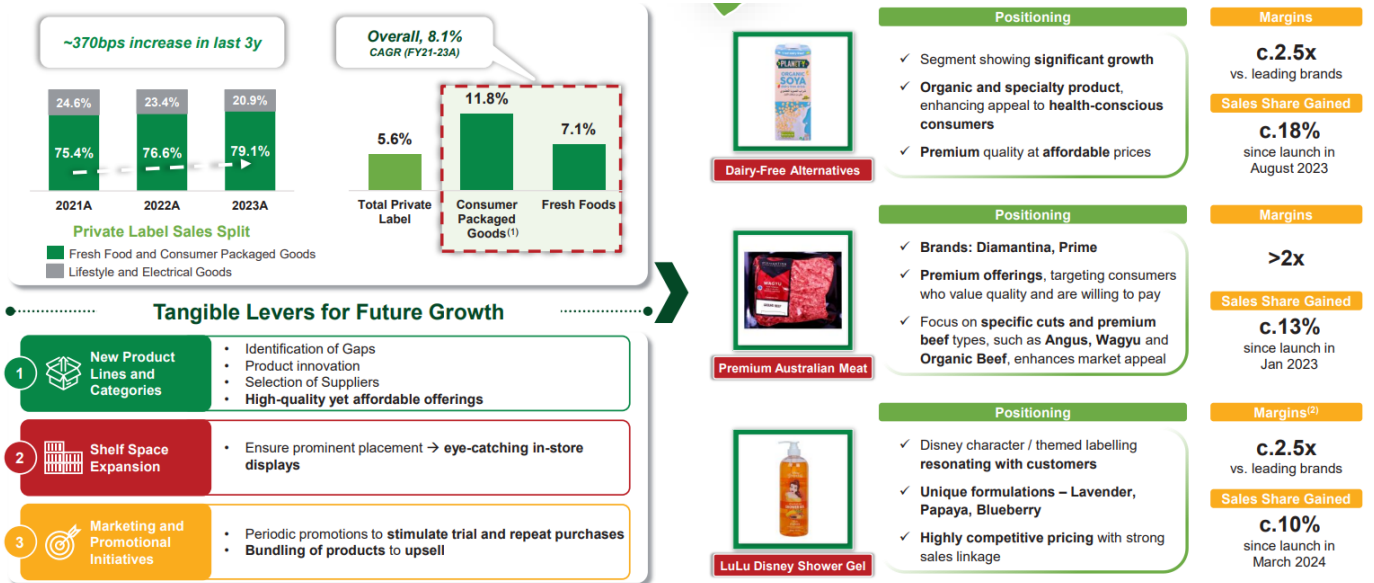
The Company has established a solid online presence, with online revenue growing significantly from USD 92

LuLu Retail has established a strong online presence, with online revenue growing significantly from USD 92 Mn in FY2022 to USD 192 Mn in FY2023. This growth has been primarily driven by increased transaction volumes across both the Company's platform and various aggregator channels. The Company generated 42% of its platform's online sales, while 58% came from aggregator platforms in FY2023. According to Euromonitor, the GCC's online grocery retail sales value is projected to grow from USD 2.0 Bn in FY2023 to USD 3.4 Bn by FY2028, with the online

Mn in FY2022 to USD 192
Mn in FY2023

grocery market anticipated to grow twice as fast as the offline channel. This growth is mainly attributable to high digital penetration, the rise of omnichannel platforms, and the demand for convenience among young consumers. To capitalize on this potential, the Company is focused on enhancing its online penetration through platform updates that enable quick commerce and improved customer engagement. It is also expanding its SKU offerings across its web, app, and aggregator platforms and increasing its in-store fulfillment network to improve online coverage. Additionally, LuLu Retail is leveraging its Happiness loyalty program to boost online sales across the GCC regions and planning further expansion through partnerships with aggregators such as Amazon, talabat, Hunger Station, and Snoonu.

Figure 46: LuLu Retail's Private Label Sales Breakdown and Tangible Growth Levers



Source: Company Information, ¹Group Consumer Packaged Category grew at 11.0% CAGR during 2021-23A. ²Margins for 1 litre Disney shower gel compared with margins for 700 ml leading brand shower gels

Robust Financial Performance with Growing Revenue and EBITDA

LuLu Retail's revenue recorded a strong growth with a CAGR of 7.4% from USD 6,312 Mn in FY2021 to USD 7,278 Mn in FY2023

Expansion of New Stores and Private Label Offerings to Drive Top-Line Growth

LuLu Retail delivered strong revenue growth, with a CAGR of 7.4% from USD 6,312 Mn in FY2021 to USD 7,278 Mn in FY2023. The Company's revenue grew 5.6% YOY from USD 6,894 Mn in FY2022 to USD 7,278 Mn in FY2023. The Company's revenue growth is primarily driven by an increase in new store openings, like-for-like (LFL) growth, robust performance in the KSA market, and the strong expansion of its private label segment. It recorded a 5.4% average LFL growth during FY2022-2023. Additionally, the Company opened a total of 12 new stores during 9M24 and a total of 3 stores in 3Q24. Out of 12 new stores opened during the period, 6 consisted of Hypermarket, 5 Express stores and 1 Mini stores during 9M24. It demonstrated solid revenue growth across all the GCC countries, with solid performance across the UAE, KSA, and Qatar. The revenue from the UAE region grew 7.4% YOY from USD 2,417 Mn in FY2022 to USD 2,595 Mn in FY2023, while the revenue from KSA rose 12.3% YOY from USD 1,248 Mn in FY2022 to USD 1,401 Mn in FY2023. The Company's strong revenue growth in the UAE and KSA is primarily driven by an expanding customer base, strategic new store openings, and favorable macroeconomic conditions in the regions. Revenue from the Oman region grew 1.5% YOY to USD 1,126 Mn in FY2023, mainly due to new store openings and the launch of its store on talabat. Furthermore, the Company delivered revenue growth of 1.2% and 4.5% YOY to USD 1,093 Mn and USD 635 Mn from the Qatar and Kuwait regions, respectively, in FY2023. In addition, the Company's total revenue grew 5.7% YOY from USD 5,417 Mn in 9M23 to USD 5,727 Mn in 9M24, mainly due to new store openings, like-for-like (LFL) growth, robust performance in the UAE, KSA and Kuwait market, and the strong expansion of its E-commerce segment. Its revenue grew 6.9% YOY and 6.7% YOY from the UAE and KSA region respectively during 9M24. We expect the revenue to grow at a CAGR of 7.6% from USD 7,278 Mn in FY2023 to USD 10,482 Mn in FY2028, supported by solid growth across the GCC countries driven by new store openings, LFL growth and growth from the private-label segment.

LuLu Retail also delivered strong revenue growth across all its channels. The Company's core channel, Brick & Mortar, grew at a CAGR of c.6.8% from USD 5,983 Mn in FY2021 to USD 6,826 Mn in FY2023. Brick & Mortar channel accounted for c.94% of the total revenue in FY2023. The revenue from the Brick & Mortar channel grew 4.9% to USD 6,826 Mn in FY2023. The revenue from E-Commerce also recorded strong growth with a CAGR of c.60% from USD 75 Mn in FY2021 to USD 192 Mn in FY2023. This growth was primarily driven by the Company's robust performance on platforms such as talabat and Amazon, coupled with the launch of LuLu stores on Hunger Station and Snoonu in 2Q23. The Company's revenue from the Wholesale channel grew at a CAGR of 4.7% from USD 237 Mn in FY2021 to USD 260 Mn in FY2023. LuLu Retail's c.50% of the Wholesale revenue is generated internally from its retail stores.

LuLu Retail's also delivered strong growth across its four key products, which include consumer packaged goods, fresh foods, electrical goods, and lifestyle products. Its consumer packaged goods accounted for the majority of 53.7% of the total revenue, followed by fresh foods at 20.9%, electrical goods at 13.7% and lifestyle products at 11.7% in FY2023. The consumer packaged goods grew 11.0% to USD 3,767 Mn in FY2023. The fresh foods segment grew 8.4% to USD 1,466 Mn during FY2023. The Company's private-label offerings contributed significantly to both segment's revenue, representing c.10% of consumer packaged goods revenue and 82.9% of Fresh Foods revenue in FY2023. The electrical goods revenue declined from USD 993 Mn in FY2022 to USD 963 Mn in FY2023, driven by promotional pricing supported by suppliers, partially offset by stable sales volumes. The lifestyle products also declined 4.2% to USD 822 Mn in

FY2023, primarily due to reduced sales in textiles and garments and lower demand for items such as masks and gloves.

We expect the Company's revenue and gross profit to grow at a CAGR of 7.6% and 8.0% respectively during FY2023-2028

The Company's gross profit grew at a CAGR of 9.4% from USD 1,400 Mn in FY2021 to USD 1,675 Mn in FY2023. The strong growth in gross profit is mainly driven by improved front- and back-end margins, supported by scale-driven increases in supplier support and enhanced direct sourcing capabilities. Additionally, the Company benefited from a solid contribution from high-margin private label products, which accounted for c.28.5% of revenue in FY2023, coupled with an improved product mix with a strong focus on consumer packaged goods and fresh foods. The gross profit grew 8.1% to USD 1,675 Mn in FY2023. The Company's margins also expanded c.80 bps during FY2021-2023 due to its large-scale operation and strong supplier relationships. Gross margins grew from 22.5% in FY2022 to 23.0% in FY2023. Furthermore, the Company's gross profit grew from USD 1,209 Mn in 9M23 to USD 1,322 Mn in 9M24. Gross margins grew from 22.3% in 9M23 to 23.1% in 9M24. We expect the Company's gross profit to grow at a CAGR of 8.0% from USD 1,675 Mn in FY2023 to USD 2,465 Mn in FY2028.

Figure 47: Total Revenue (USD Mn)

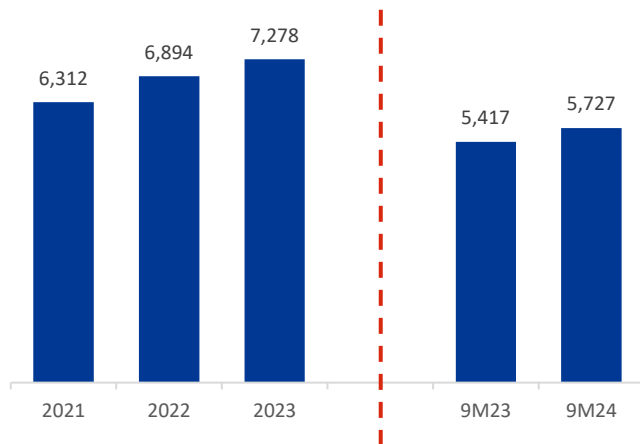
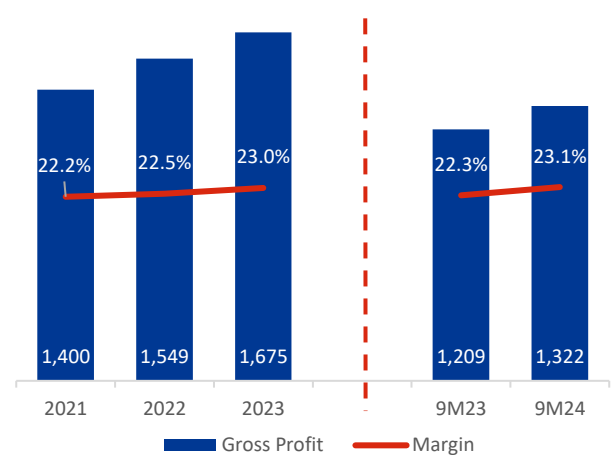
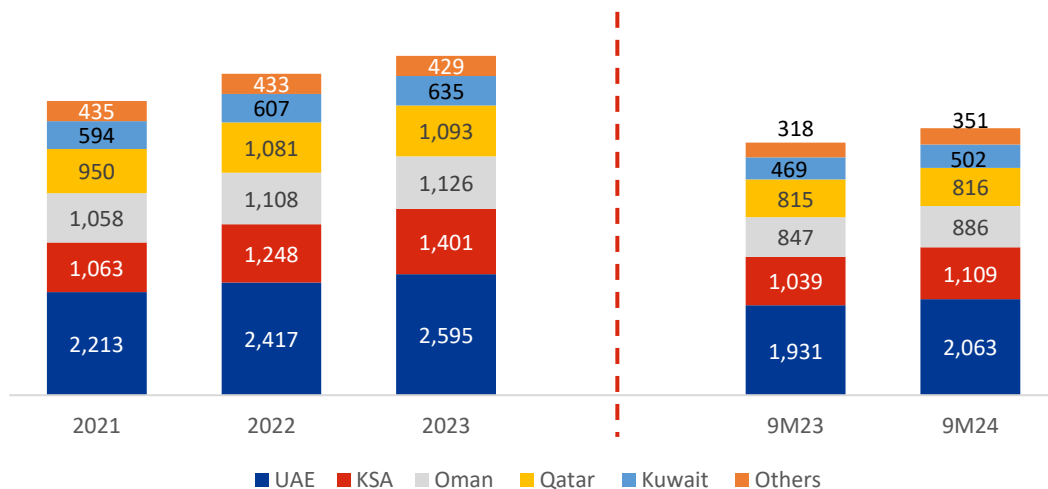


Figure 48: Gross Profit (USD Mn) and Margin



Source: Company Information

Figure 49: LuLu Retail's Revenue by Region (USD Mn)



Source: Company Information

Robust Financial Position and Disciplined Capex Strategy Underpins Growth

The Company's EBITDA is expected to grow at a CAGR of 10.3% from USD 753 Mn in FY2023 to USD 1,227 Mn in FY2028

LuLu Retail's total capex is anticipated to decline from USD 149 Mn in FY2023 to USD 106 Mn in FY2028

LuLu Retail EBITDA grew at a CAGR of 10.7% from USD 615 Mn in FY2021 to USD 753 Mn in FY2023. The Company's EBITDA also grew 7.1% to USD 753 Mn in FY2023. EBITDA margins also expanded from 10.2% in FY2022 to 10.4% in FY2023. The strong increase in EBITDA and EBITDA margins is primarily due to a growth in gross margins and efficiencies in employee cost as a percentage of revenue, partially offset by increases in utilities, vehicle costs and other operating expenses. Additionally, the Company's EBITDA grew 6.0% YOY to USD 535 Mn in 9M24. EBITDA margins remained stable at 9.9% in 9M24 compared to 9M23. However, excluding the impact of IFRS 16, EBITDA margins grew 120 bps during 9M24. We expect the Company's EBITDA to grow at a CAGR of 10.3% from USD 753 Mn in FY2023 to USD 1,227 Mn in FY2028.

The Company adheres to a disciplined capex strategy and is progressively transitioning toward a capital-light model. This involves leasing fully finished stores, which require lower capex and can be opened more quickly, and operating smaller hypermarkets with reduced sq mt. As a result, the Company has seen a decline in capex as a percentage of sales. The Company's capex as a percentage of sales declined from 2.7% in FY2021 to 2.1% in FY2023. The total capex also declined from USD 170 Mn in FY2021 to USD 149 Mn in FY2023. The Company incurred a capex of USD 149 Mn in FY2023, of which USD 111 Mn was spent on growth capex and the remaining USD 38 Mn on maintenance capex. Furthermore, the Company's disciplined capex strategy benefited well, as its capex declined from USD 104 Mn in 9M23 to USD 99 Mn in 9M24. The total capex as a percentage of sales also declined from 1.9% in 9M23 to 1.7% in 9M24. We expect the Company's capex to decline from USD 149 Mn in FY2023 to USD 106 Mn in FY2028.

Figure 50: EBITDA (USD Mn) and Margin

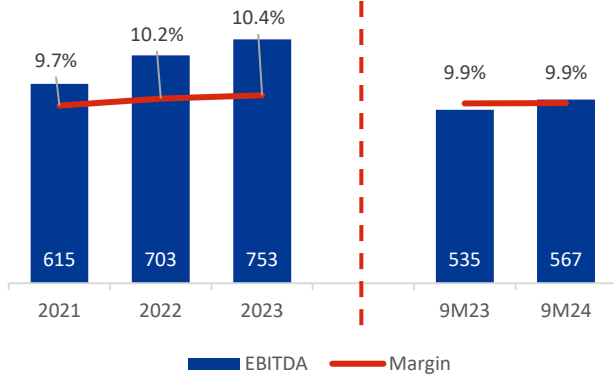
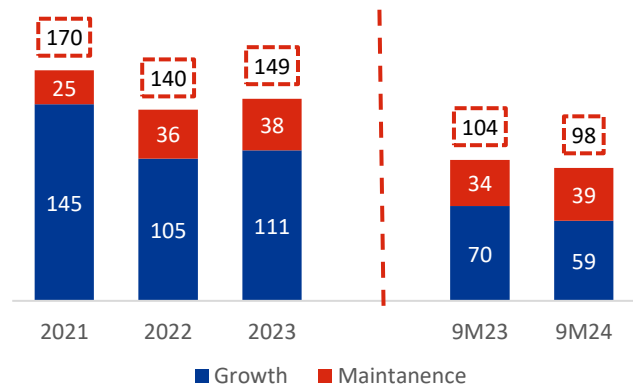


Figure 51: Capex (USD Mn)



Source: Company Information

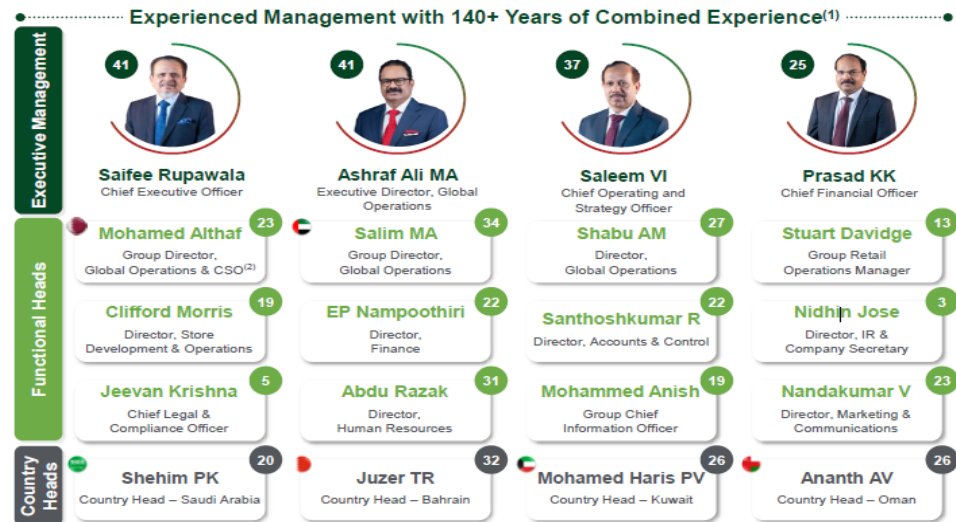
Highly Experienced Management Team

Highly experienced with a combined experience of 140+ years in business

Experienced Management Team with a Proven Track Record in the Business

The Management team of LuLu Retail comprises of Chief Executive Officer (CEO), Chief Operating and Strategy Officer, Executive Director (Global Operations), and Chief Financial Officer (CFO). The management team at LuLu Retail is highly experienced with over 140 years of combined professional experience in the industry.

Figure 52: LuLu Retail's management team



Source: Company Information

LuLu Retail - Management

Yusuff Ali MA – Founder and Chairman



Yusuff Ali MA is the founder of LuLu Group International and Non-executive Chairman of LuLu Retail. Mr Yussuff Ali Ma has over 50 years of experience with professional connections around the globe. Mr. Yusuff Ali has been the recipient of several prestigious awards, honours and recognitions, such as the Abu Dhabi Award, the highest civilian award, in recognition of his contributions in business, industries and support of philanthropic initiatives; the Queen's Award by Queen Elizabeth for his exceptional contribution to UK's trade, industry, export and economy; the highest civilian award of Bahrain "Wessam Al Bahrain" by His Majesty the King of Bahrain for his contributions in serving Bahrain and its citizens; and the "Most Influential Asian Business Leader in the MENA region" award by the Forbes Middle East Magazine.

Chief Executive Officer – Saifee Rupawala



Saifee Rupawala is the Chief Executive Officer at LuLu Group since July 2024 and as a director of the Company since September 2019. Mr. Saifee Rupawala has more than 41 years of experience. Mr. Rupawala holds a Bachelor of Commerce degree from Mumbai University and a Master of Business Administration degree specialising in Financial Management and Human Resources from Vinayaka Mission University.



Executive Director, Global Operations – Ashraf Ali MA

Ashraf Ali MA is the Executive Director - Global Operations at LuLu Group, with more than 41 years of experience. Mr Ashraf also serves as a Director on the Selling Shareholder's Board since May 2020. Mr. Ashraf first joined the LuLu Group in 1981 as a sales executive. Mr. Ashraf Ali leads the Group's retail operations, with particular focus on innovation initiatives such as the LuLu Group's expansion in e-commerce and the development of its private label offering.



Chief Operating and Strategy Officer – Abdul Saleem Valiyakath Ibrahim Kutty

Mr. Saleem is the Chief Operating & Strategy Officer of the Company since July 2024 and a Director since September 2019. Mr. Saleem also serves as a Director on the Selling Shareholder's Board since December 2017. Previously, Mr. Saleem served as the Chief Operating Officer of the LuLu Group from January 2013 until June 2024. Mr. Saleem is responsible for the development, implementation and supervision of the Group's operational policies, regulations, initiatives and objectives. Mr. Saleem first joined the LuLu Group in 1986 and has held multiple roles during his career. Mr. Saleem serves on the boards of several Group companies. Mr. Saleem holds a Bachelor of Commerce degree from the University of Calicut and a Master of Commerce degree from the University of Calicut.



Chief Financial Officer – Prasad KK

Mr. Prasad Kallingal Kuttappan served as Chief Financial Officer of the Company since July 2024. Previously, Mr. Prasad served as the Director- Audit for the LuLu Group from May 2016 until June 2024. Mr. Prasad is responsible for supporting the development of the Group's strategies by providing financial and operational insights, supporting the Chief Executive Officer in setting the revenue and profitability targets for the Group, obtaining approval of the Group's budget, approving and presenting the Group's performance analysis to the Chief Executive Officer and Board, obtaining approval of the quarterly and annual financial statements, supporting the establishment of the Group's risk management framework. He is also responsible for providing information, insight and guidance required to effectively operate the business while identifying and addressing the financial impact of business decisions and strategic initiatives. Mr. Prasad first joined the LuLu Group in 1998. Mr. Prasad holds a Bachelor of Commerce degree from the University of Calicut. He is also a Chartered Accountant.



Gil Adotevi Adotevi-Akue - Non-Executive Director

Mr. Adotevi has served as a Director (Non-Executive) of the Company since July 2024. Mr. Adotevi also serves as a Director on the Selling Shareholder's Board since January 2024. Mr. Adotevi is the Chief Investment Officer at ADQ since January 2020, where he oversees the portfolio management function, which includes investments, joint ventures and restructuring efforts in the food & agriculture, transport & logistics, financial services & tourism, entertainment & real estate sectors. Mr. Adotevi serves as Chairman of Unifrutti Group and is a member of the board of directors of Agthia Group, Louis Dreyfus and Al Dahra. Prior to joining ADQ in 2020, Mr. Adotevi was a Senior Vice President at Mubadala Investment Company, where he was responsible for the performance, development and key acquisitions of the investments in Food and Agribusiness, Metals, Mining and Utilities units. Earlier in his career, Mr. Adotevi held various roles in investment banking and investment management at RBC Capital Markets and State Street in Canada. Mr. Adotevi holds a Bachelor of Finance degree from McGill University in Montreal, Canada, and a Master of Business Administration degree from the London Business School.



Salmeen Obaid Suwaid Alsemmari Al Ameri - Non-Executive Director

Mr. Salmeen has served as a Director (Non-Executive) of the Company since July 2024. Mr. Salmeen also serves as the vice chairman of Agthia Group, an Abu Dhabi based food and beverage company, and as a board member of the Abu Dhabi Sustainable Water Solutions Company. Mr. Salmeen is the chief executive officer of Silal, an ADQ Company established to diversify food product sources and stimulate the manufactured and agri-food sectors of the UAE. Mr. Salmeen holds a Bachelor of Business Administration and Management from Eastern Washington University and a Master in Management, Communications, Marketing and Media degree from the Paris Sorbonne University in Abu Dhabi.



Reed Hamad Khamis Al-Sheryani Al-Dhaheri - Independent Non-Executive Director

Ms. Reed Hamad Khamis Al-Sheryani Al-Dhaheri has served as a Director (Independent) of the Company since July 2024. Ms. Al-Dhaheri is a chairwoman of the UAE Women's Electronic Sports Federation Committee (since 2022), partner and board member of Reed Law Firm and Legal Consultations (since 2012), board member at Mada'in (since 2007), and the First Vice President of the International Arab Federation for Women's Electronic Sports (since June 2022). Ms. Al-Dhaheri was previously a member of the board of directors of the Abu Dhabi Chamber of Commerce and Industry (from 2014 to 2022) and the chairwoman of multiple committees within the Abu Dhabi Chamber of Commerce and Industry. Ms. Al-Dhaheri holds a Bachelor of International Management and Marketing degree from Southeastern University (Washington D.C., USA) and a Bachelor of Law and Economics degree from the United Arab Emirates University.



Andre G. Sayegh - Independent Non-Executive Director

Mr. Andre has served as a Director (Independent) of the Company since July 2024. Previously, Mr. Andre served as the chairman of the board of Multiply Group (from December 2021 until July 2024). Mr. Andre was also a board member of Shuaa Capital from March 2023 to February 2024 and Mubadala Infrastructure Partners from 2010 to 2017. Mr. Andre was Abu Dhabi Area Manager for Citibank between 1990 and 2000 in the areas of Global Corporate Finance and Private Banking. He was Chief Executive Officer of First Gulf Bank (FGB) from 2006 to 2017, when it merged with the National Bank of Abu Dhabi to form First Abu Dhabi Bank (FAB). Mr. Andre also served as the Chief Executive Officer of First Abu Dhabi Bank (FAB) from 2020 to 2021, and as a board member of First Abu Dhabi Bank (FAB) between 2021 and 2023, during which time he was a member of the Audit committee and Risk & ESG committee. Mr. Andre holds a Bachelor of Business Administration degree from the American University of Beirut and a Master of Business Administration degree (majoring in Corporate Finance) from the American University of Beirut.



Abdulrahman Ibrahim Hamad Abaalkhail - Independent Non-Executive Director

Mr. Abaalkhail has served as a Director (Independent) of the Company since July 2024. Mr. Abaalkhail has been the Chief Executive Officer of Dan Company, a subsidiary of the Public Investment Fund (PIF), the sovereign wealth fund of Saudi Arabia, since 2022. Mr. Abaalkhail is also the Chairman of the board of Al Fadhili Housing Company (a joint venture between Aramco and Masic Logistics) (since August 2021), the Chairman of the board of Mumtalakat (a joint venture between Al Akaria and POSCO Korea) (since January 2022), and the Vice Chairman of AL Rajhi Ekhwan (since March 2022). Further, he serves as an independent member of the investment committee at Awj Holding (since January 2024). Previously, Mr. Abaalkhail was the chief executive officer of Masic Logistics from 2020 until 2022. Mr. Abaalkhail holds a Bachelor of Science in Finance degree from the King Fahd University of Petroleum and Minerals (KFUPM) and a Master of Business Administration degree from the University of Wales.

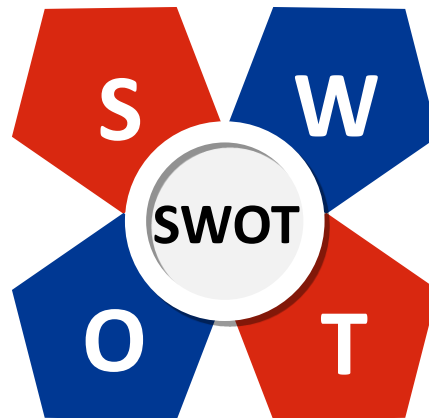
SWOT Analysis

STRENGTHS

- **Extensive Market Presence:** The Company maintains a strong market presence throughout the GCC, supported by an extensive store network and a diverse selection of SKUs sourced from multiple countries.
- **Operational Efficiency:** The Company leverages economies of scale, strategic partnerships with suppliers, and in-house logistics to enhance operational efficiency.
- **Loyalty Program:** As of June 2024, the sales from the Company's loyal customer base comprised a significant portion of total sales in the UAE and Qatar. In the UAE, loyalty sales represented 70% of the total, while in Qatar, it accounted for 66%.
- **Data-Driven Marketing:** The Company employs personalized marketing strategies, backed by AI and data analytics, to enhance customer satisfaction and boost sales.
- **Comprehensive Product Offering:** The Company serves its product to diverse customers, tailoring to their needs. For instance, it utilizes a dual sales strategy that differentiates premium and value segments.

WEAKNESSES

- **Dependence on Key Markets:** A large portion of sales is concentrated in key markets like the UAE and KSA, which could pose a risk if economic conditions in these regions change.
- **Capex Intensive Model:** Although the Company is transitioning towards a capital-light model, its previous aggressive store expansion strategy involved substantial capital expenditures, which may have restricted cash flows in the past.
- **Sourcing Capabilities:** Excluding GCC countries, the Company imports 66% of its products from its top 5 countries. This creates a significant risk for supply chain disruptions, such as political or economic instability in those regions.



OPPORTUNITIES

- **E-commerce Growth:** The Company has relatively low e-commerce penetration in the GCC, creating an opportunity for growth as more consumers increasingly turn to online shopping.
- **New Store Rollouts:** LuLu Retail has substantial potential for new store openings, especially in underrepresented regions. Additionally, its store roll-out strategy, tailored to each market, is anticipated to further enhance the success of new store openings.
- **Private Label Expansion:** The Company plans to expand its private label offerings, which may generate substantial revenue and higher margins.

THREATS

- **Competitive Pressure:** The GCC's retail sector is intensely competitive, with major players dominating both physical and online spaces, potentially putting pressure on profit margins.
- **Economic and Regulatory Risks:** Changes in economic conditions, government regulations, and taxation policies, particularly in the Company's key markets such as the UAE and KSA, could negatively impact growth and profitability.
- **Supply Chain Disruptions:** Disruptions in the global supply chain, such as logistics challenges and changes in commodity prices, could impact operational efficiency and cost management.

Industry Overview

Robust Macroeconomic fundamentals to benefit the retail industry

**Growth in Real GDP,
relatively lower inflation
rate, and government
initiatives to boost retail
sector growth**

The GCC region's robust macroeconomic fundamentals characterized by solid Real GDP growth, high purchasing power, and a relatively low inflation environment are set to fuel growth in the retail sector. LuLu Retail's key markets, particularly KSA and UAE, are expected to witness strong growth in the real GDP and population, which will likely benefit the company. According to the IMF, GCC's real GDP growth declined from 7.0% in FY2022 to 0.4% in FY2023 mainly driven by a sharp fall in UAE and KSA's growth attributable to a decline in oil activity owing to OPEC+ production cuts. KSA's real GDP growth declined from 7.5% in FY2022 to negative 0.8% while UAE's GDP growth fell from 7.9% in FY2022 to 3.4% in FY2023.

According to IMF, the GCC region is expected to witness aggregate real GDP growth of 2.4% in FY2024 and 4.9% in FY2025 mainly driven by the strong momentum in the non-oil sector supported by a rebound in the oil activity. LuLu Retail is the fastest-growing large-scale retailer in the KSA and the Company further plans to expand in the Tier 1 and Tier 2 cities, reflecting its ability to cater to the growing demand owing to the rising disposable income. Besides, the IMF estimates Qatar and Kuwait's real GDP growth at 2.0% and negative 1.4% respectively, in FY2024 while Oman and Bahrain's real GDP growth is forecasted at 1.2% and 3.6% respectively.

The GCC region boasts economies with high purchasing power, as reflected in the real GDP per capita. GCC's real GDP per capita in FY2023 stood at USD 37,000, significantly higher than the global average of USD 13,000. Qatar's real GDP per capita stood at the highest in the GCC at USD 73,000 in FY2023, followed by the UAE at USD 51,000, Kuwait at USD 36,000, KSA at USD 33,000, Bahrain at USD 28,000, and Oman at USD 20,000.

GCC region enjoys a relatively low inflationary environment. According to the IMF, the inflation rate in the GCC region declined from 3.3% in FY2022 to 2.2% in FY2023. Inflation in UAE declined from 4.8% in FY2022 to 1.6% in FY2023 whereas KSA's inflation marginally declined from 2.5% in FY2022 to 2.3% in FY2023. Qatar's inflation declined from 5.0% in FY2022 to 3.1% in FY2023 while Oman's inflation declined from 2.5% in FY2022 to 1.0% in FY2023. On the other hand, Kuwait's inflation fell from 4.0% in FY2022 to 3.6% in FY2023 whereas Bahrain's inflation declined from stood at a 3.6% in FY2022 to 0.1% in FY2023.

According to the IMF, the GCC region's inflation in FY2024 is estimated to remain at the same levels as FY2023 at 2.2%. In FY2025, the inflation is projected to decline to 2.1%. The UAE's inflation is expected to stand at 2.1% in FY2024 and decline marginally to 2.0% in FY2025. The inflation rate of KSA is projected at 2.3% in FY2024 to 2.0% in FY2025. Qatar's inflation rate is estimated to decline from 2.6% in FY2024 to 2.4% in FY2025. However, Oman's inflation rate is forecasted to increase from 1.3% in FY2024 to 1.5% in FY2025. The inflation rate of Kuwait is projected to fall from 3.2% in FY2024 to 2.7% in FY2025. The inflation rate of Bahrain is anticipated to increase to 1.4% in FY2024 and is further expected to rise to 1.8% in FY2025. A low inflationary environment will result in higher purchasing power and robust consumer confidence, boosting the Company's sales.

GDP growth, a rising affluent population, increasing disposable income, growing urbanization, and relatively lower inflation are further expected to boost consumer spending in key markets, benefitting the retail sector. Furthermore, the IMF estimates the GCC's total population to rise from 57.1 Mn in FY2023 to 62.6 Mn in FY2029 which will further support the expansion in the retail industry.

According to the IMF data, GCC's total population grew from 53.3 Mn in FY2019 to 57.1 Mn in FY2023. KSA's population grew from 30.1 Mn in FY2023 to 32.8 Mn in FY2023 while UAE's

population stood at 9.7 Mn in FY2023 compared to 9.5 Mn in FY2019. Oman, Kuwait, Qatar, and Bahrain reported a population of 5.1 Mn, 4.8 Mn, 3.0 Mn, and 1.6 Mn respectively, in FY2023.

IMF forecasts GCC's total population to grow from 57.1 Mn in FY2023 to 62.3 Mn in FY2028. UAE's population is expected to grow from 9.7 Mn in FY2023 to 10.1 Mn in FY2024 while KSA's population is anticipated to reach 36.2 Mn in FY2028 from 32.8 Mn in FY2023. Oman and Kuwait's population is estimated to reach 5.9 Mn and 5.5 Mn respectively, in FY2028 while Qatar and Bahrain's population is expected to increase to 3.1 Mn and 1.8 Mn respectively, in FY2028. The projected growth in the population is likely to benefit the retail sector. A favorable population composition with a large number of expats and a young population is likely to drive consumption in the GCC region. Additionally, GCC's demographic characteristics perfectly suit the Company's business.

The GCC region's favorable consumption environment is set to boost the retail industry, supported by a projected CAGR growth of 4.2% from FY2023-28. Oman is expected to record the highest consumption expenditure per capita growth among the GCC countries at CAGR of 6.4%, followed by the UAE with an anticipated CAGR growth of 4.7%. KSA and Qatar are expected to witness a 4.2% CAGR growth in consumer expenditure per capita during FY2023-28 while Bahrain is estimated to record a CAGR growth of 3.0%. Besides, Kuwait's consumer expenditure per Capita CAGR growth from 2023-28 is estimated at 1.9.

The retail market size across the GCC region stood USD 82 Bn in FY2023. The UAE and KSA emerged as the largest and fastest-growing markets within the region. The UAE's retail market is valued at USD 21.0 Bn, driven by increased disposable incomes, population growth, and higher digital engagement. On the other hand, KSA's retail value stands at USD 39.3 Bn as of FY2023. Additionally, Qatar's retail market is valued at USD 7.5 Bn, while Kuwait's retail market stood USD 6.8 Bn in FY2023. The retail market of Oman is valued at USD 5.3 Bn in FY2023 while Bahrain's retail market is valued at USD 2.5 Bn.

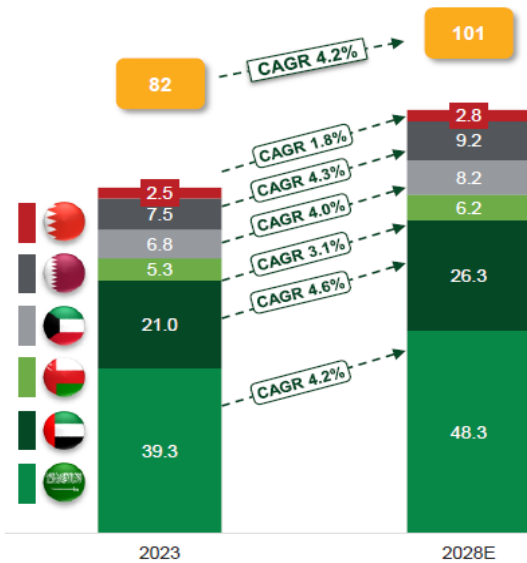
The total retail market in GCC is expected to grow a CAGR of 4.2% to USD 101 Bn during FY2023-28, driven by a solid growth in modern retail. Growing digital penetration and the emergence of omni-channel platforms are supporting the modern retail market growth. The trends are accompanied by an increased focus on convenience and improvement in customer experience. The retail market in KSA is projected to grow a CAGR of 4.2% to USD 48.3 Bn during FY2023-28. On the other hand, UAE's retail market is anticipated to grow at a CAGR of 4.6% and to USD 26.3 Bn. Furthermore, Qatar's Retail market is likely to grow at a CAGR of 4.3% to USD 9.2 Bn in FY2023-28 whereas Oman's retail market is estimated to increase at a CAGR of 3.1% to be valued at USD 6.2 Bn in FY2028. Kuwait's retail market is expected to grow by a CAGR of 4.0% to USD 8.2 Bn while Bahrain's retail market will likely experience a CAGR growth of 1.8% to USD 2.8 Bn during FY2023-28.

Modern retail market size across the GCC stood at USD 52 Bn in FY2023, with KSA and the UAE leading the market. The Modern retail market growth is driven by consistent population growth and rising urbanization, increasing disposable incomes, growth of affluent population, higher consumer spending, enhanced brand awareness, and a wide range of product offerings catering to diverse consumer preferences. UAE and KSA's modern retail markets are valued at USD 18.1 Bn each in FY2023. Qatar's modern retail market is valued at USD 6.6 Bn in FY2023 while Kuwait's modern retail sector stood at USD 4.0 Bn. In addition, Oman and Bahrain's modern retail market size stood at USD 3.5 Bn and USD 1.7 Bn respectively, in FY2024.

Modern retail market is projected to grow from USD 52 Bn in FY2023 to USD 66 Bn in FY2028, with KSA expected to contribute the largest share. The KSA modern retail market is forecasted to grow at a CAGR of 5.2%, reaching USD 23.3 Bn during FY2023-28, driven by rapid expansion in Tier-2 cities due to rising urbanization. The UAE's modern retail sector is anticipated increase

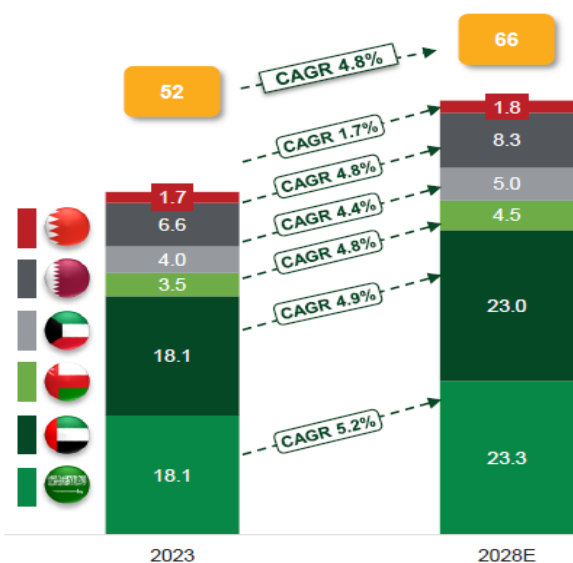
at a CAGR of 4.9% to USD 23.0 Bn in FY2023-28. Qatar's market is expected to grow at a CAGR of 4.8% to USD 8.3 Bn in FY2023-28, supported by increasing demand for premium products and international brands. Moreover, Oman's market is projected to rise at a CAGR of 4.8% to USD 4.5 Bn. Kuwait's market is anticipated to grow at a CAGR of 4.4%, reaching USD 5 Bn, while Bahrain's modern retail sector is expected to increase at a CAGR of 1.7% to USD 1.8 Bn. LuLu Retail is poised to benefit from the robust growth in the Modern Retail market owing to its Omni-channel offerings and effective channel integration making it well-positioned to capitalize on the opportunity.

Figure 53: Total Retail Market Size in GCC (USD Bn)



Source: Company Information

Figure 54: Modern Retail Market Size in GCC (USD Bn)



Source: Company Information

Online Retail to witness robust growth in the UAE

Government initiatives, the population's high purchasing power, consumer spending, and a low-inflation environment benefit the retail industry

UAE is the fastest-growing retail market in the GCC region. The UAE's total retail market, including traditional, modern offline, and online markets, stood at USD 21 Bn in FY2023. The modern offline retail market in UAE accounted for the majority market share and contributed USD 17.4 Bn in FY2023. The traditional retail market accounted for USD 2.9 Bn and the online market for USD 0.7 Bn in FY2023, of the total retail market. In terms of contribution to modern retail by region, Dubai stands at a leading position, contributing 38% to the Modern retail market, followed by Abu Dhabi with a share of 33%, and the remaining 28% is contributed by Northern Emirates. Dubai has the highest contribution to Modern Retail owing to the population's high purchasing power, consumer spending, and a low-inflation environment.

In the UAE, the government has taken multiple initiatives that are expected to support the growth of the country's retail sector. The Dubai 2033 Economic Agenda targets to expand Dubai's economy by twofold and boost foreign trade, government expenditure, and private sector investments by FY2033. The UAE Tourism Strategy 2031 announced in FY2022 consists of 25 initiatives and policies formulated by the government to foster and promote the development of tourism in the UAE by strengthening the country's tourism identity, expanding and diversifying tourism offerings, and boosting investment across all areas of the tourism industry. The growth in tourism activities is expected to boost the retail industry in the UAE. Abu Dhabi witnessed an 18% YOY increase in the number of tourists reaching 18 Mn in FY2022. The policies and initiatives are anticipated to generate robust demand and footfall in the retail stores owing to increased tourism activity. Moreover, Plan Abu Dhabi 2030 aims to develop infrastructure, foster sustainable cities, and promote the use of renewable energy sources. The primary objectives of the Dubai 2040 Master Plan include enhancing the city's urban areas,

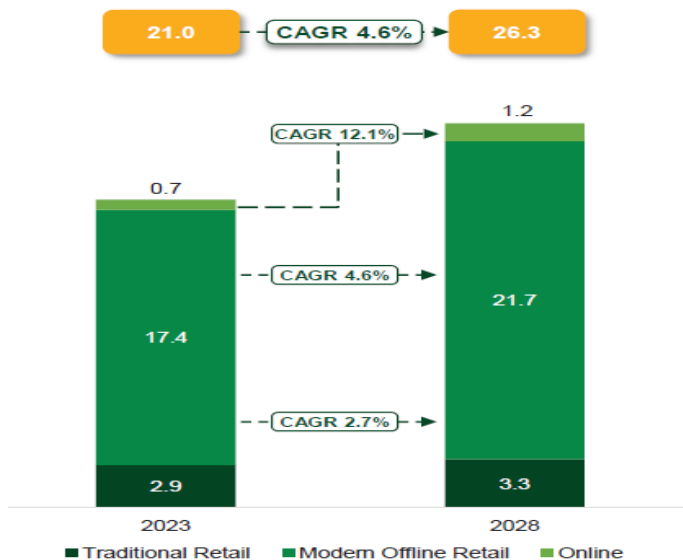
The UAE retail market features operations from multiple retailers including LuLu Retail, Carrefour (MAF), Union Coop, Nesto, West Zone, and Spinneys

fostering economic growth, and accelerating the influx of expatriates. The future economic growth in the UAE will boost disposable income and purchasing power which is forecasted to drive demand in the retail industry.

The total retail market in the UAE is expected to grow at a CAGR of 4.6% from USD 21.0 Bn in FY2023 to USD 26.3 Bn in FY2028. This growth is mainly driven by government initiatives and favorable macroeconomic conditions such as population growth, favorable population composition, and a low-inflation environment. The UAE retail market features operations from multiple retailers including LuLu Retail, Carrefour (MAF), Union Coop, Nesto, West Zone, and Spinneys. LuLu Retail possesses the second-highest market share in the UAE and plans to further expand into strategic locations, demonstrating its ability to cater to the growing consumption and tourism activity. The traditional retail market is anticipated to grow at a CAGR of 2.7% from USD 2.9 Bn in FY2023 to USD 3.3 Bn in FY2028, while the online retail market is expected to grow at a CAGR of 12.1% from USD 0.7 Bn in FY2023 to USD 1.2 Bn in FY2028. The E-commerce sector in the UAE experienced strong growth owing to increased smartphone penetration, the rise of omnichannel platforms, and the growing need for convenience among consumers. LuLu Retail has a strong online presence across multiple channels including its website, proprietary app, and marketplaces like Amazon and talabat, through which the Company can leverage the growing demand in the E-commerce sector in the UAE. The modern offline retail market is anticipated to grow at a CAGR of 4.6% from USD 17.4 Bn in FY2023 to USD 21.7 Bn in FY2028. The robust growth in the Retail market size of the UAE is likely to benefit LuLu Retail as it aims to expand its business in the UAE market by opening new stores in strategic locations and offering premium & luxury products to cater to the strong consumer demand.

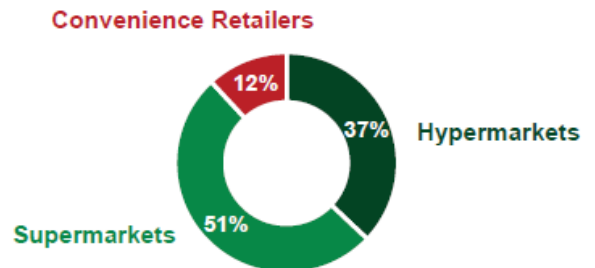
In the UAE, Large-format stores remain the leading Modern Retail Format, holding over 90% of the market share and it is projected to contribute 95% to the total sales of LuLu Retail, offering strong revenue visibility for the company. Supermarkets stand at a leading position in terms of contribution to Modern Retail by format accounting for 51%, followed by hypermarkets with a contribution of 37%, and convenience retailers accounting for only 12%. Furthermore, the market share of private labels is estimated to rise from 17% in FY2023 to 23% by FY2028. LuLu retail's private label contribution stands at 30%, significantly above the industry average owing to the brand's reputation and superior quality products.

Figure 55: Total Retail Market Size by Channels (USD Bn)



Source: Company Information

Figure 56: Contribution % to Modern Retail by Format



Source: Company Information

Modern retail to drive KSA's retail market growth

Rapid urbanization in Tier-2 cities, a wide range of products, and better customer experience drive the KSA retail industry growth

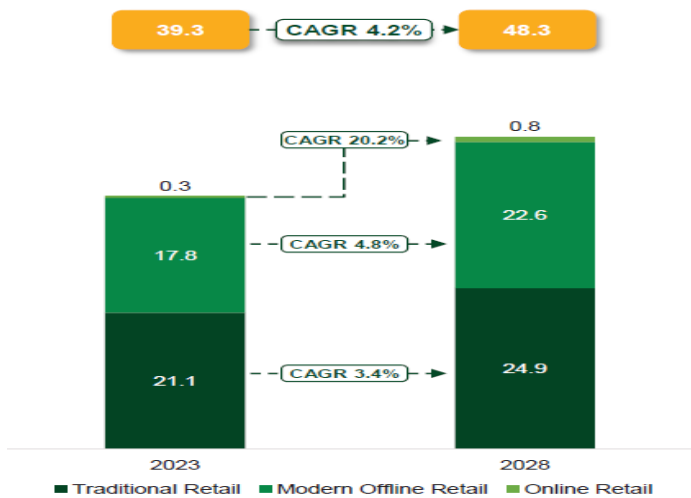
KSA is the largest retail market in GCC with a market size of USD 39.3 Bn in FY2023. The KSA retail market features operations from multiple retailers including LuLu Retail, Savola, Al Othaim, Bin Dawood, Carrefour (MAF), and Tamimi. Traditional Retail accounts for USD 21.1 Bn while Modern Offline Retail contributes USD 17.8 Bn in FY2023 supported by a broad range of product offerings, the need for convenience, and an improved shopping experience coupled with urbanization in Tier 2 cities. Online Retail accounts for the remaining USD 0.3 Bn in FY2023. The total retail market of KSA is estimated to grow at a CAGR of 4.2% from USD 39.3 Bn in FY2023 to USD 48.3 Bn in FY2028. The growth is supported by government investments in infrastructure development coupled with the creation of new communities. The Central region is in the leading position with a contribution of 55% to Modern Retail. The East region accounts for 21% while the West region accounts for 18% of Contribution to the Modern Retail. The South and North regions contributed 3% each. The Eastern and Western regions are anticipated to experience the fastest growth, driven by an increasing expatriate population. Furthermore, large-format stores are the leading format with Supermarkets and Hypermarkets contributing 60% and 31% to Modern Retail in terms of Format.

The Traditional Retail market size is anticipated to rise by a CAGR of 3.4% to USD 24.9 Bn in FY2028 owing to government initiatives and investments in developing infrastructure. The Company is poised to benefit from the growing market owing to its continuously increasing market share and strategic expansion plans in the KSA. Modern Offline Retail is projected to grow at a CAGR of 4.8% to USD 22.6 Bn in FY2028 as a result of rapid urbanization in Tier-2 cities, a wide range of products, and better customer experience. There are 20+ cities in KSA with a population of more than 200K in FY2023 with opportunities for Modern Retail with large store formats. LuLu retail is set to benefit from the urbanization in KSA owing to its plans to expand its retail footprint in these Tier-2 cities. Moreover, Online retail is estimated to grow significantly by a CAGR of 20.2% to USD 0.8 Bn in FY2028 due to increasing digital penetration, the growing need for convenience, and a rising techno-savvy population. LuLu Retail's presence across all the channels enables it to capitalize on the robust growth of the retail market. Eastern and western region retail markets of KSA are predicted to experience the fastest growth owing to a rise in the expatriate population.

The KSA retail market features operations from retailers including LuLu Retail, Savola, Al Othaim, Bin Dawood, Carrefour (MAF), and Tamimi

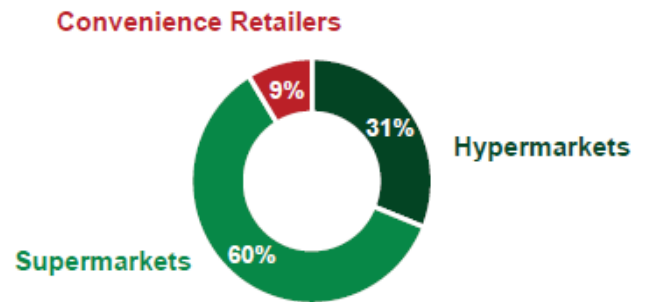
The government of KSA has implemented large-scale reforms in the country to boost economic development. The Saudi Vision 2030 strategy aims to diversify the economy of Saudi Arabia away from oil by increasing the contribution of modern trade and e-commerce from 50% to 80% by FY2030. It plans to achieve this goal by attracting regional as well as international investors and easing the restrictions on ownership and foreign investment. Moreover, it aims to increase the share of private sector contribution to GDP from 40% to 65% and become one of the top 15 largest global economies by FY2030. In line with this aim, the Government plans to increase the FDI Contribution to GDP from 3.8% to 5.7% by FY2030. The ongoing mega projects aligned with this goal include NEOM, Qiddiya, Red Sea Global, Roshn, Diriyah, etc. The Government of Saudi Arabia's efforts towards economic diversification are anticipated to attract top talent and boost the proportion of affluent residents. LuLu retail is well-positioned to cater to the demand generated as a result of higher purchasing power.

Figure 57: Total Retail Market Size by Channels (USD Bn)



Source: Company Information

Figure 58: Contribution % to Modern Retail by Format



Source: Company Information

Rapid urbanization in Tier 2 towns to boost retail industry in Oman

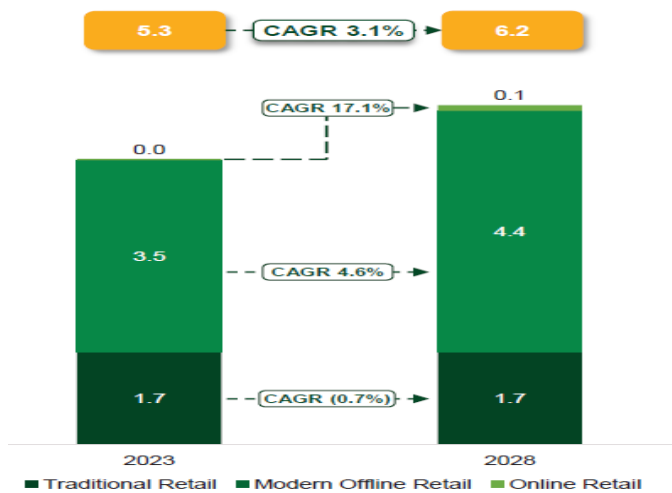
Large Households to Boost Large-Format Store Dominance in Oman

The Modern Retail Market of Oman is anticipated to be driven by Tier 2 towns. The Total Retail market size of Oman including Traditional, Modern offline, and Online retail stood at USD 5.3 Bn in FY2023. Modern Offline retail contributed USD 3.5 Bn driven by robust performance from Muscat and other regions. Muscat stood at a leading position with a 33% contribution to Modern Retail followed by AL Batinah at 21%. Dhofar and Ad Dakhliyah sultanates accounted for 10% and 9% of contributions to Modern Retail respectively. Also, other regions account for the remaining 27%. The growth in modern retail was supported by infrastructure development. Hypermarkets are leading providers of modern retail in terms of format with a 63% contribution followed by Supermarkets which accounted for a 27% contribution to Modern Retail. Large format stores are anticipated to make the highest contribution, primarily due to the vast range of product offerings. The large store formats are expected to continue their dominance supported by large household sizes in Oman with higher consumption capacity, while convenience stores account for only the remaining 9%. LuLu Retail pioneered the hypermarket sector in Oman, opening its first stores as early as FY2000. The Company is also expected to continue focusing on large format stores in Oman to capitalize on the growing market demand for hypermarkets in Oman. In addition to LuLu Retail, the Omani market includes other retailers such as Carrefour (MAF), Nesto, Shell, Sultan Center, and OOMCO.

The Omani retail market features operations from retailers including LuLu Retail, Carrefour (MAF), Nesto, Shell, Sultan Center, and OOMCO

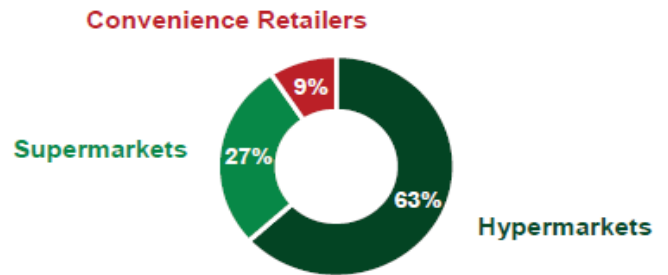
The Retail Market of Oman is anticipated to grow by a CAGR of 3.1% from USD 5.3 Bn in FY2023 to USD 6.2 Bn in FY2028 owing to faster growth in tier 2 towns, large household sizes, population growth, and lower expected inflation. The retail market of Oman is dominated by modern offline retail with a market size of USD 3.5 Bn in FY2023 which is projected to grow by a CAGR of 4.6% to USD 4.4 Bn in FY2028. LuLu Retail is poised to benefit from the growth in the Modern offline retail market as its state-of-the-art distribution infrastructure enables it to launch stores across Oman including Tier-2 towns. Traditional retail is anticipated to remain at same as FY2023 at USD 1.7 Bn in FY2028. LuLu Retail aims to open more large format stores to cater to the Oman market. Online retail is projected to grow by a CAGR of 17.1% from a negligible market size in FY2023 to USD 0.1 Bn in FY2028. Moreover, Oman's consumption expenditure per capita is projected to grow from FY2023 to FY2028 by a CAGR of 6.4%, marking the highest expected growth in the GCC region. LuLu Retail is the market leader in Oman with a market share of 30%, which makes the Company well-positioned to capitalize on the growing retail market and consumption expenditure per capita of Oman.

Figure 59: Total Retail Market Size by Channels (USD Bn)



Source: Company Information

Figure 60: Contribution % to Modern Retail by Format



Source: Company Information

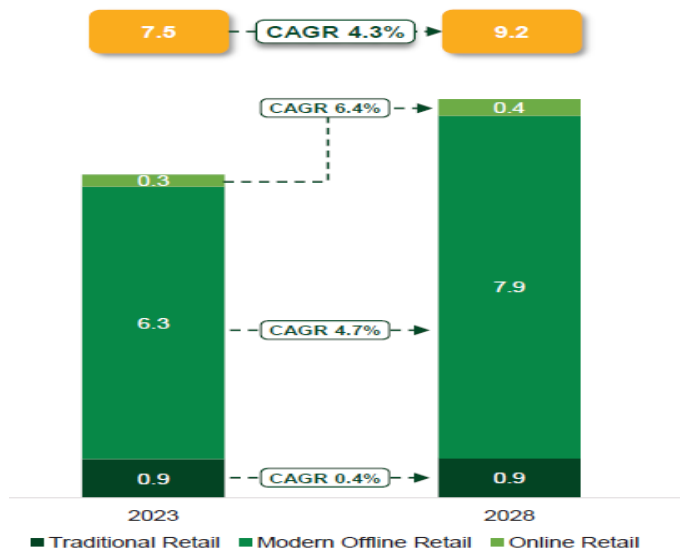
Increasing preference for international brands supported growth in Qatar

Preference for premium products and international brands boosts growth

The Total Retail market size of Qatar including Traditional, Modern offline, and Online retail channels, reached USD 7.5 Bn in FY2023 owing to rising preference for premium products and international brands among consumers. The expanding market reflects a shift towards higher-quality offerings and global brand presence, driven by evolving consumer tastes and increased spending power. LuLu Retail's global sourcing capability and its positioning as an international retailer enable it to cater to the growing demand in Qatar. Modern offline retail was the largest segment of the retail market, contributing USD 6.3 Bn in FY2023. Traditional retail accounted for USD 0.9 Bn, while online retail reached USD 0.3 Bn during a similar period. In Qatar, Supermarkets contribute 44% while Hypermarkets contribute 40% to the Modern retail market, indicating the dominance of large format stores. The remaining 16% contribution came from Convenience Retailers.

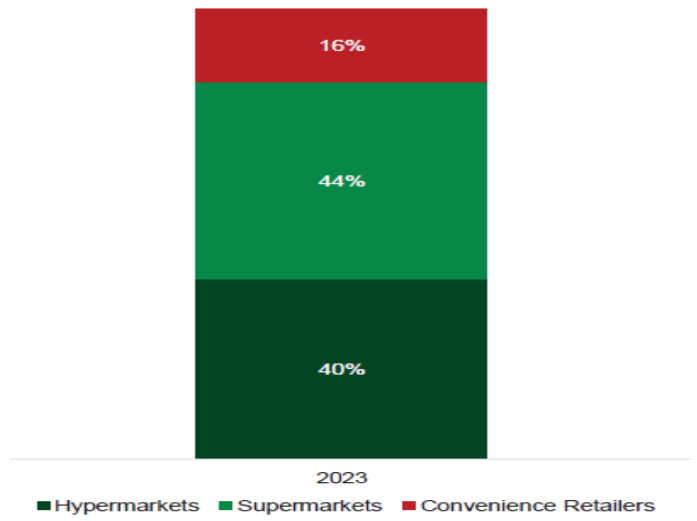
The Retail Market of Qatar is anticipated to grow by a CAGR of 4.3% from USD 7.5 Bn in FY2023 to reach USD 9.2 Bn in FY2028 owing to the steady growth of Modern Retail. Modern offline retail is projected to grow by a CAGR of 4.7% from USD 6.3 Bn in FY2023 to USD 7.9 Bn in FY2028. Furthermore, modern offline retail is expected to reach 90% of the total retail market in Oman, the highest in the GCC region. Qatar witnessed a faster growth of large format stores. Moreover, LuLu Retail records over 95% sales contribution from large format stores, indicating the Company's ability to leverage the rapidly growing market in Qatar. Online retail is expected to grow by a CAGR of 6.4% and reach USD 0.4 Bn in FY2028 from USD 0.3 Bn in FY2023, due to an increasing need for convenience and digital penetration. Traditional retail is likely to remain at the same levels as FY2023 at USD 0.9 Bn in FY2028.

Figure 61: Total Retail Market Size by Channels (USD Bn)



Source: Company Information

Figure 62: Contribution % to Modern Retail by Format



Source: Company Information

Macroeconomic Environment

IMF Provides a Waxing and Waning Outlook on Global Economy

As per the IMF estimates, the global economy grew 3.3% in FY2023 and is expected to grow at 3.2% in FY2024 and 3.3% in FY2025

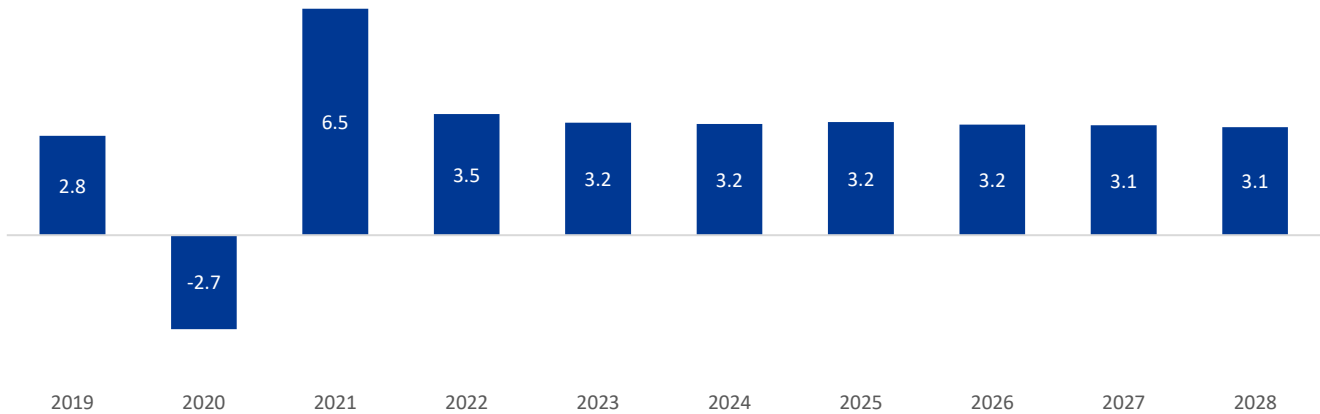
The global economy demonstrated resilience in 2023, maintaining steady growth amidst significant challenges. However, according to IMF's July 2024 World Economic Outlook (WEO) Update, the global economy stands in a sticky spot. The growth projection remains unchanged compared to April 2024 estimates. According to the IMF's World Economic Outlook released in July 2024, the global economy grew 3.3% in FY2023 and is projected to expand 3.2% in FY2024 and 3.3% in FY2025. Nevertheless, mixed momentum in the economic activities in the mid-year has decreased differences in economic performances across countries as economies become more stable. Additionally, higher service price inflation is slowing down the progress of disinflation, making it difficult for central banks around the world to adjust interest rates. Thus, rising upside risks on inflation is increasing the prospects of higher-for-longer interest rates. To overcome these risks and maintain the momentum, IMF believes that the policymakers should carefully make decisions for achieving price stability and rebuild economic reserves.

IMF provided a waxing and a waning outlook on the global economy in its July 2024 World Economic Outlook Update report. It expects commodity prices to increase, with non-oil prices increasing by 5% in FY2024. Energy prices are estimated to decline 4.6% in FY2024, lower than the previous outlook in April 2024. The projected decline in energy prices is mainly due to ongoing OPEC+ supply cuts partially offset by weak demand from China. Major central banks are expected to cut interest rates in 2H24 while the timing and extent of the cuts will depend upon the ongoing inflation situation.

IMF expects global headline inflation to decline from 6.7% in FY2023 to 5.9% in FY2024 and further fall to 4.4% in FY2025

Global inflation is declining at a slower pace as inflation in the services sector remains higher than the average levels despite a stronger decline in prices for goods. The growth in nominal wage remains higher than inflation in few countries owing to wage negotiation agreements made earlier in FY2024 and higher inflation levels expected in the short term. Furthermore, the rise in US inflation delayed prospects of interest rate cuts, resulting in higher chances of rate cuts in other advanced economies like the Eurozone and Canada where the inflation is easing in line with expectations. According to the IMF, global headline inflation is expected to decline from 6.7% in FY2023 to 5.9% in FY2024 and 4.4% in FY2025. Inflation in advanced economies is estimated to decline from 4.6% in FY2023 to 2.7% and 2.1% in FY2024 and FY2025 respectively. On the other hand, inflation in emerging markets and developing markets is estimated to fall marginally from 8.3% in FY2023 to 8.2% in FY2024 and to 6.0% in FY2025. However, a slower decline is expected in advanced economies as services prices are likely to stay high coupled with higher commodity prices. Nevertheless, a gradual decline in labor markers along with an expected decline in energy prices should bring headline inflation to target levels by the FY2025 year-end. On the other hand, inflation is anticipated to stay higher in emerging and developing markets compared to advanced economies. The median inflation levels in the emerging market and developing economy are back to pre-pandemic levels due to a decline in energy prices.

Figure 63: Annual change in World Real GDP Growth Rate – FY2019-28 (%)



Source: IMF, World Economic Outlook, April 2024

Strong hydrocarbon activity and increase in non-oil economy to drive real GDP growth in GCC countries

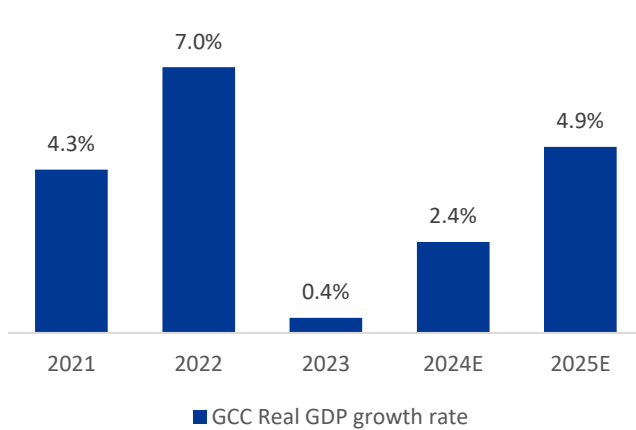
Economic growth in GCC is projected to recover from 0.4% in FY2023 to 2.4% in FY2024 and reach 4.9% in 2025

According to the IMF Regional Economic Outlook, the Gulf Cooperation Council (GCC) countries' real GDP growth is anticipated to recover from 0.4% in FY2023 to 2.4% in FY2024 and further grow to 4.9% in FY2025. This growth is mainly attributable to the expected recovery in oil output in GCC countries and increased contribution from the non-oil economy. The GCC countries experienced a decline in hydrocarbon activity, mainly due to voluntary production cuts from OPEC+ countries in FY2023. Resultantly, the real GDP rose marginally 0.4%, despite an increase in nonhydrocarbon activity coupled with higher domestic demand and gross capital inflows. The overall fiscal balance in GCC economy deteriorated from 7.6% of the GDP in FY2022 to 3.4% of the GDP in FY2023, mainly driven by decline in oil revenue owing to oil production cuts, partially offset by stable oil prices. Voluntary oil production cuts, mainly in Saudi Arabia, are expected to hinder the GCC growth in FY2024. However, economic growth is expected to increase to 4.9% in FY2025, primarily driven by a growth in hydrocarbon production. UAE's real GDP growth is anticipated to reach 3.5% in FY2024, mainly due to hike in oil production in 2H24 coupled with strong growth in non-oil economy. Saudi Arabia's real GDP is projected to grow by 2.6% in FY2024, which is mainly attributable to robust non-oil activity, especially in the private sector. Qatar's real GDP growth rate is expected to expand 2.0% in FY2024, with a rise in non-oil activity primarily attributable to strong growth in tourism sector. Oman's real GDP is expected to rise 1.2% in FY2024, mainly due to increased gas production and diversification efforts. Bahrain's economy is estimated to grow 3.6 % in FY2024, supported by higher oil output and increase in non-oil activity.

Inflation rate in GCC is expected to fall from 2.2% in FY2023 to 2.1% in FY2024 and further to 2.0% in FY2025

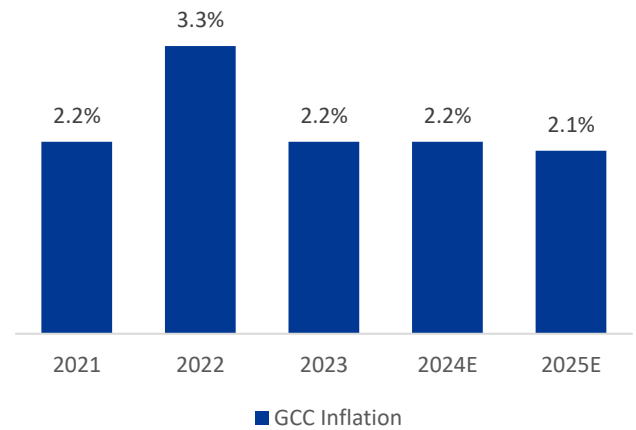
The Inflation rate in GCC countries is projected to remain constant at 2.2% in FY2024, after which it is expected to marginally fall to 2.1% in FY2025. GCC countries' inflation has remained constant at 2.2% for the last two decades (except 2022). This is mainly due to the pegged currency of GCC countries, which includes the US dollar, government subsidies, and self-sufficiency in oil production. The inflation rate in UAE is expected to rise from 1.6% in FY2023 to 2.1% in FY2024, after which it is projected to remain constant at 2.0% from FY2025-29. Saudi Arabia's inflation rate is anticipated to fall from 2.3% in FY2023 to 1.9% in FY2024 and remain stable at 2.0% in the medium term. The inflation rate in Oman is expected to rise from 0.9% in FY2023 to 1.3% in FY2024 and further to 1.5% in FY2025. Qatar's inflation rate is expected to decline from 3.1% in FY2023 to 2.6% in FY2024, after which inflation is expected to ease to 1.9% by FY2029. The inflation rate in Kuwait is anticipated to fall from 3.6% in FY2023 to 3.1% in FY2024 and 2.7% in FY2025, whereas Bahrain's inflation rate is estimated to rise to 1.4% in FY2024 and 1.8% in FY2025, post which it is expected to remain stable at 2.0% over FY2026-29.

Figure 64: GCC's Real GDP growth rate (%)



Source: IMF REO April 2024

Figure 65: GCC's Annual Inflation (%)



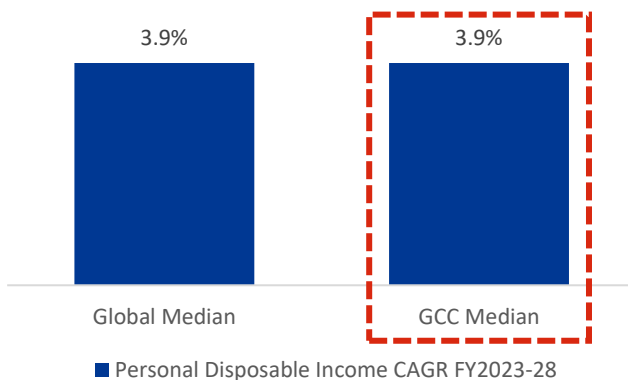
Source: IMF REO April 2024

Growth in GCC Population and Rising Disposable Income, to support LuLu Retail

GCC population is expected to grow at a CAGR of 1.8% from 57.1 Mn in FY2023 to 62.5 Mn in FY2028

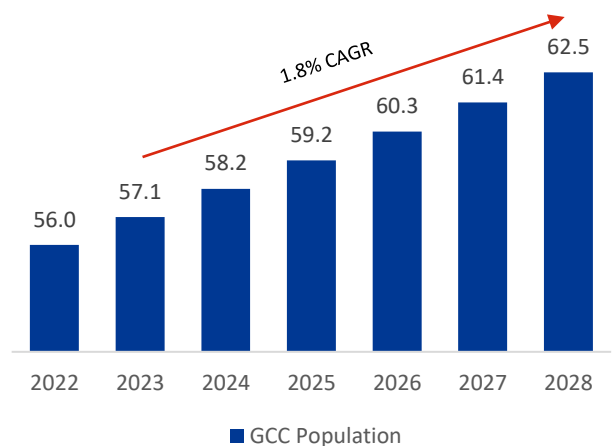
According to IMF WEO, April 2024, GCC population is projected to grow at a CAGR of 1.8% from FY2023-28. UAE's population is expected to increase from 9.7 Mn in FY2023 to 10.1 Mn in FY2028. KSA's population is estimated to grow from 32.8 Mn in FY2023 to 36.2 Mn in FY2028. Total population in Qatar is estimated to marginally increase from 2.9 Mn in FY2023 to 3.0 Mn in FY2028. Oman's total population is expected to expand from 5.0 Mn in FY2023 to 5.9 Mn in FY2028. Bahrain's total population is projected to grow at a CAGR of 2.5% from 1.5 Mn in FY2023 to 1.7 Mn in FY2028, while Kuwait's population is expected to grow at a CAGR of 2.0% from 4.9 Mn in FY2023 to 5.4 Mn in FY2028. This will provide a boost to the private consumption in GCC countries which is projected to expand at a CAGR of 4.2% over FY2023-28. Additionally, personal disposable income is also expected to grow at a CAGR of 3.9% over FY2023-28. These factors give LuLu Retail a significant market opportunity to expand its business activities further. Strong growth in total population across GCC countries and increasing private consumption are expected to drive higher volumes in LuLu Retail's operations. Additionally, transformation agendas like Dubai 2040, Saudi Vision 2030, etc. are further expected to drive LuLu Retail's growth over the long-term horizon.

Figure 66: Personal Disposable Income CAGR (%)



Source: Company Information

Figure 67: GCC's Population (Mn)



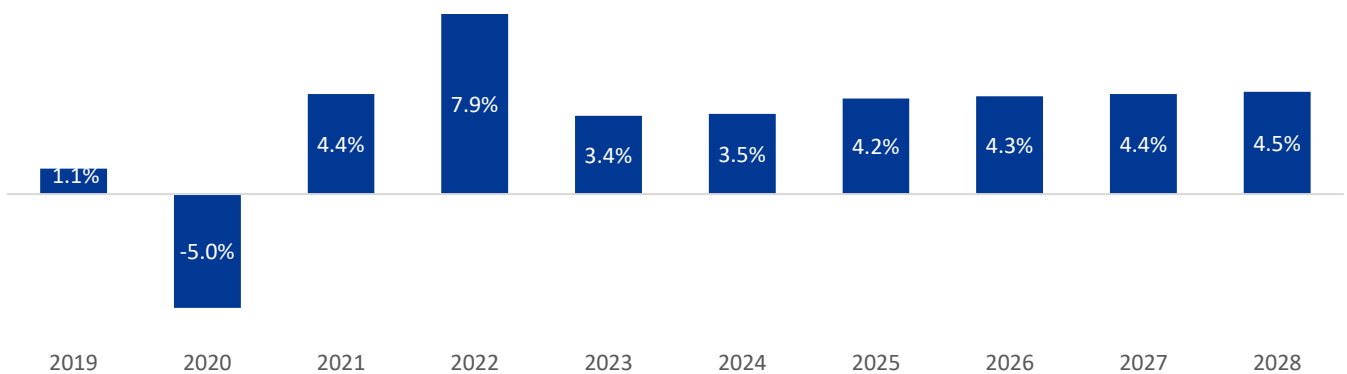
Source: IMF WEO April 2024

The UAE Economy is Projected to Record Stable Growth Supported by Solid Non-oil Activity

UAE's economy is projected to grow by 3.5% in FY2024 and further 4.2% in FY2025

The UAE economy distinguishes itself as one of the rapidly advancing economies globally, driven by a robust resurgence in tourism, real estate, and construction sector, partially offset by a decline in oil production aligning with the OPEC+ production agreements. According to the IMF World Economic Outlook April 2024, UAE's economy moderated with 3.4% growth in FY2023 compared to 7.9% growth in FY2022, mainly driven by a decline in oil activity due to the OPEC+ production cuts. However, a strong growth in the non-oil economy drove the overall growth owing to the solid performance of tourism, transport, real estate, financial & insurance, and communication sectors. Furthermore, according to the IMF, UAE's economy is expected to grow 3.5% in FY2024 and 4.2% in FY2025.

Figure 68: UAE's Real GDP (Annual growth %)



Source: IMF WEO April 2024

OPEC+ to extend oil production cuts of 2.2 Mn bpd till November 2024 and gradually phase out the cuts until November 2025

OPEC+ had announced to phase out its additional 2.2 Mn barrels per day (bpd) oil output cut from October 2024 to September 2025 in its previous meeting in June 2024. However, the eight participating countries, collectively agreed to extend this oil production cut for additional two months until November 2024. This extension is mainly attributable to weak oil demand outlook coupled with a fragile oil market sentiment due to excess supply from OPEC+. UAE is contributing a production cut of 163 thousand bpd, which is the 2.2 Mn bpd production cut. OPEC+ is currently cutting its production by 5.86 Mn barrels per day (bpd) in a series of steps agreed since FY2022 to support the oil prices amid global demand uncertainty and increasing supply of non-OPEC producers. Furthermore, the committee decided to stick to its existing policy with output cuts of 5.86 Mn bpd per day in its latest meeting held on August 2024. This oil production cut is expected to hinder UAE's economic growth in FY2024.

Rising Population and Growing Disposable Income in UAE to Benefit LuLu Retail's Operations

UAE's inflation is estimated at 2.1% in FY2024 and 2.0% in FY2025

According to IMF's WEO April 2024, UAE's inflation declined from 4.8% in FY2022 to 1.6% in FY2023. UAE's currency is pegged to the US dollar, thus, CBUAE closely follows the Fed's interest rates. A decline in inflation is beneficial to the Retail Industry as consumer demand increases. Furthermore, IMF estimates UAE's inflation to stay around 2.1% in FY2024 and 2.0% in FY2025.

UAE's population is expected to grow from 9.7 Mn in FY2023 to 10.1 Mn in FY2028

As per IMF, UAE's population stood at 9.7 Mn in FY2023 and is expected to increase to 10.1 Mn in FY2028. UAE is transforming into a global hub for businesses. Renowned companies around the globe are starting their offices and production units in the UAE owing to supportive government policies. As a result, private consumption in UAE is expected to increase, thus resulting in higher consumer demand. Additionally, personal disposable income is anticipated to

rise, further driving private demand. Resultantly, sales volumes in retail industry are expected to expand owing to strong consumer demand and increased household spending.

Figure 69: UAE's Annual Inflation (%)

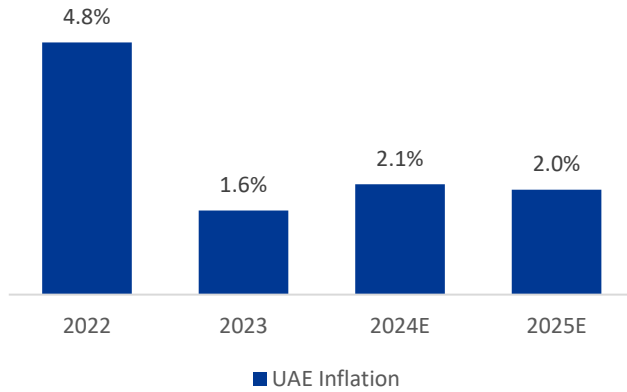
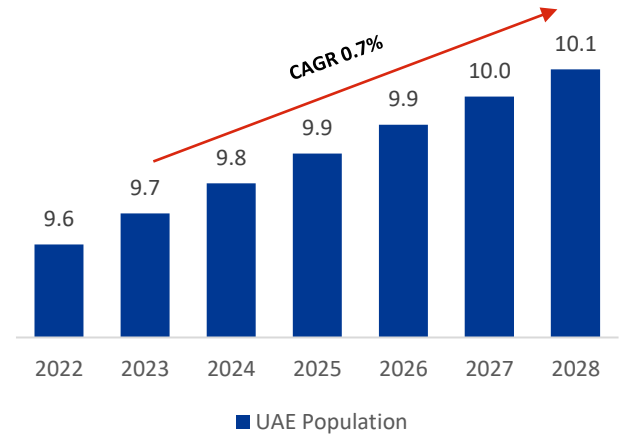


Figure 70: UAE's Population (Mn)



Source: IMF WEO April 2024

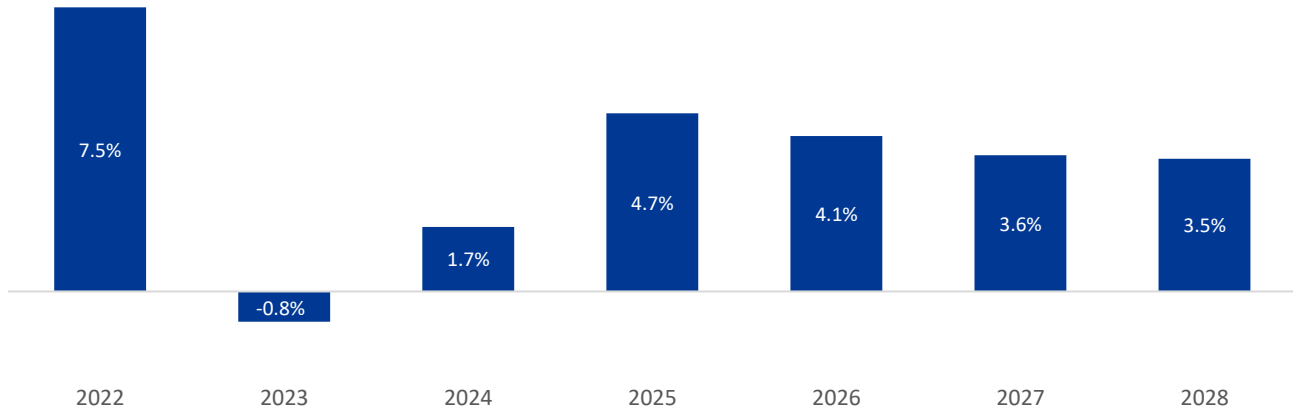
Source: IMF WEO April 2024

Saudi GDP Shrinks Amid OPEC+ Production Cuts

KSA's GDP is expected to grow 1.7% in FY2024 and 4.7% in FY2025 primarily driven by growth in non-oil activity

The Kingdom of Saudi Arabia considerably advanced in its economic transformation plan by undertaking efforts to modernize and diversify the economy. It implemented prudent macroeconomic policies, transformational changes coupled with fiscal reforms and enhancing regulatory environment with strong investment to boost non-oil growth. This led to a decline in unemployment rate below the pre-pandemic levels. According to IMF's WEO July 2024, Saudi Arabia's real GDP growth stood negative at 0.8% in FY2023 compared to 7.5% in FY2022. The decline is attributable to a fall in oil activity owing to voluntary oil production cuts agreed with OPEC+. The oil GDP fell 9% in FY2023, while non-oil activity rose 3.8% in FY2023. Furthermore, the non-oil GDP is projected to grow by 3.5% in FY2024, which is mainly attributable to strong domestic demand. Additionally, non-oil investments are estimated to rise in FY2025, which are further expected to drive growth in the non-oil economy. Saudi Arabia's real GDP is forecasted to grow by 1.7% in FY2024 and 4.7% in FY2025. The continued growth in the non-oil sector and government activities, coupled with the expected economic recovery beginning in 2025, offers a strong opportunity for the Retail industry. As non-oil reform momentum gains pace again in 2025, investments from PIF are expected to grow from USD 40 Bn per year to USD 70 Bn per year in 2025 in preparations for major upcoming events, like the 2027 Asian Cup and 2030 World Expo, the Retail industry is expected to get a boost in demand from increased tourists' flow. This growth will likely to fuel consumer confidence and spending, driven by the anticipated rise in overall GDP amid ongoing diversification efforts.

Figure 71: KSA GDP Growth (%)



Source: IMF Country Report, Saudi Arabia, September 2024

Stable Inflation Rate to Drive Consumer Demand in the Retail Industry

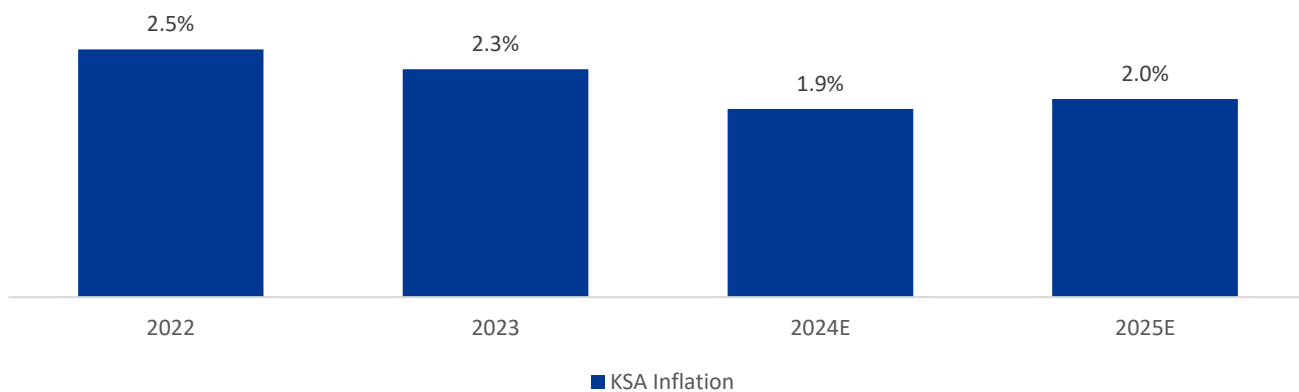
KSA's inflation is projected to remain stable at 2.3% in FY2024 compared to FY2023

As per IMF WEO, Saudi Arabia's inflation stood at 2.3% in FY2023 and is expected to further decline to 1.9% in FY2024. This decline is mainly due to restrictive monetary policy. Moreover, inflation is expected to remain stable over the medium term at 2.0%, mainly supported by consistent domestic prices and pegged currency to the US dollar. As a result, consumer demand is anticipated to rise, which will drive growth in the Retail Sector.

SAMA's interest rate increased to 6.0%, with future cuts expected in 2H24

The Saudi Central Bank (SAMA) raised its interest rate to 5.0% in FY2022 from 1.0% in FY2021, following the U.S. Federal Reserve's rate hikes in response to the highest inflation rates in 40 years and the need to stabilize prices while maintaining a strong labor market. SAMA further increased the rate to 6.0% in FY2023 and maintained the same in FY2024 in line with the Fed rates. Looking ahead, the Federal Reserve plans to lower rates to address concerns about the impact of high interest rates on the economy. As KSA's currency is pegged with the US dollar, SAMA closely follows Fed's monetary policy.

Figure 72: KSA's Annual Inflation (%)



Source: IMF Country Report, Saudi Arabia, September 2024

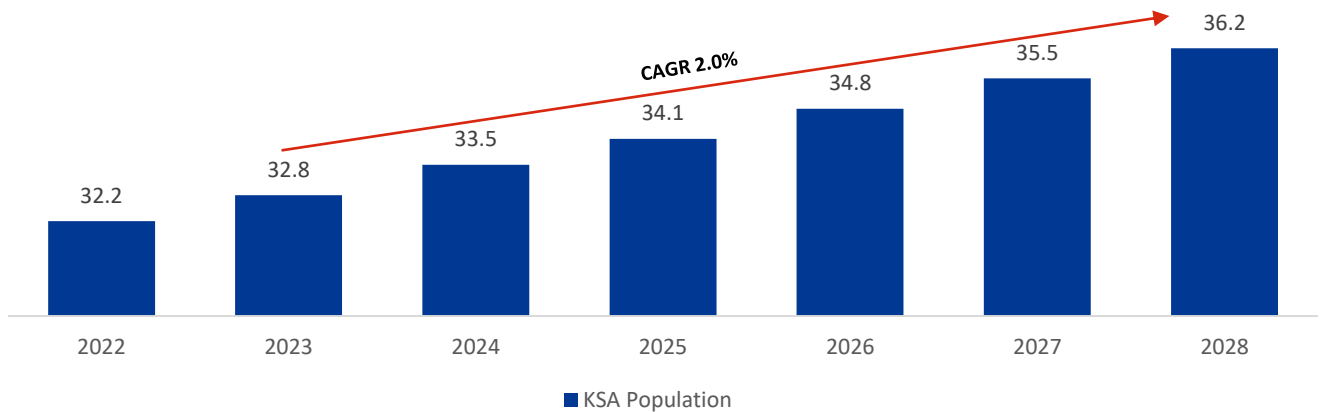
Saudi Population Boom Drives Economic Growth

Saudi Arabia's population is projected to reach 36.2 Mn by 2028

Saudi Arabia is witnessing a consistent and significant increase in its population, a trend that carries profound implications for the nation's economy, infrastructure, and social services. According to IMF's WEO April 2024, Saudi Arabia's population grew from 30.1 Mn in FY2019 to 32.8 Mn in FY2023. Saudi Arabia's population experienced fluctuations during FY2019-23, notably with a slight dip in FY2021, when the population decreased from 31.6 Mn in FY2020 to 30.8 Mn. This decline is likely attributable to the outbreak of COVID-19, which affected migration patterns. However, the population rebounded to 32.8 Mn in FY2023.

Looking forward, KSA's population is projected to increase from 32.8 Mn in FY2023 to 36.2 Mn in FY2028. The Retail industry is likely to experience growth in demand as the population grows, resultantly boosting private consumption. Additionally, personal disposable income is anticipated to grow over FY2023-28, further driving household consumption. All these factors, coupled with transformation agendas from the government like Saudi Vision 2030, NEOM, etc. are expected to drive growth in the retail industry.

Figure 73: Population of KSA (Mn)



Source: IMF WEO April 2024

Valuation Methodology

Target Fair Value Analysis

We arrive at LuLu Retail's fair value of AED 2.55 per share using a mix of valuation methods

DCF, DDM, AND RELATIVE VALUATION

We have used a mix of Discounted Cash Flow (DCF), Comparable Company Method (CCM), and Dividend Discount Model (DDM) valuation methods to arrive at the fair value of LuLu Retail. LuLu Retail Holdings PLC, headquartered in Abu Dhabi, UAE, is the largest full-line retailer in the GCC region, operating 241 stores across all GCC countries. The Company runs a diverse range of retail formats, including hypermarkets, supermarkets, minimarkets, and online platforms, offering consumer packaged goods, electrical goods, fresh foods, and lifestyle products. LuLu Retail is a wholly owned subsidiary of LuLu International Holdings Limited, which also manages multiple malls, international retail businesses, properties, and retail outlets. LuLu Retail is moving towards the capex light model by leasing fully furnished stores which requires less capex and a lower rollout period.

We have assigned a higher weight to DCF valuation based on its reliability in capturing future cash flow projections over multiple periods as opposed to other valuation methods. In CCM valuation, an average of EV/EBITDA and P/E multiple is used to value the Company as the P/E multiple allows for easy comparison with similar companies within the industry or sector, EV/EBITDA multiple allows us to compare companies of various sizes with different capital structures. LuLu Retail intends to distribute 75% of its net profit as dividends in 2H24 and FY2025. We assumed in the subsequent years the Company will also maintain its payout. Thus, we have valued the Company using the DDM valuation method. In DDM valuation, the dividend paid to shareholders is used to value the Company.

CONSOLIDATED VALUATION LULU RETAIL

Name of Entity	Valuation (USD, Mn)	Weight (%)	Total Valuation (USD, Mn)
Valuation of the LuLu Retail based on -			
Discounted Cash Flow	7,822	70.0%	5,476
Dividend Discount Model	5,095	15.0%	764
Relative Valuation (EV/EBITDA, P/E)	6,281	15.0%	942
Total Valuation (USD, Mn)			7,182
Total Valuation (AED, Mn)			26,377
Equity Value per Share (AED)			2.55

The performance of LuLu Retail is analyzed in detail to arrive at fair value estimates. We took a fair estimate across the income statements and financial positions to arrive at their valuation. The valuation brought a target value of AED 2.55 per share.

The weightage assigned to the DCF, DDM, and Relative Valuation valuation methods stood at 70%, 15%, and 15%, respectively.

We arrived at a LuLu Retail's value of AED 2.78 per share using DCF valuation

1) Discounted Cash Flow Valuation

We relied upon the guidance provided by the Company management for the next five financial years starting from FY2024 and ending FY2028 to arrive at the valuation through DCF methodology. We derived the Company's terminal value using the Gordon Model and extrapolated last year's adjusted free cash flows at a terminal growth rate of 2.0% to perpetuity. To arrive at Ke (Cost of Equity), we have used the 10-year government bond yield of 5.0%, Country risk premium of 5.0%, and average Beta of 1.0 for the retail sector. After applying all these, we arrived at the cost of equity of 10.0%. We have used a 10-year US Government Yield and further added a 10-year Abu Dhabi Government CDS spread to arrive at an appropriate risk-free rate. The debt is borrowed at 3-Month EIBOR plus a margin of 1.50% basis point. Therefore, we have used free cash flow to a firm to arrive at the valuation using the DCF methodology. The same is used to arrive at a weighted average cost of capital. We assume the cost of debt is 6.7% and adjust the tax rate to arrive after the tax cost of debt is 5.8%. We used the sector debt-to-equity ratio to calculate the weighted average cost of capital for the company.

I. DCF Valuation of LuLu Retail

	FY2024E	FY2025E	FY2026E	FY2027E	FY2028E	FY2029E
All figures in USD Mn, unless stated						
NOPAT	400	494	559	642	706	770
IFRS Rent	-317	-359	-380	-386	-412	-402
(+/-) Depreciation & amortization	383	386	400	405	437	449
(+/-) Net CAPEX	-160	-144	-140	-124	-106	-113
(+/-) Working Capital	-56	-42	-29	-31	-32	-33
Free Cash Flow to Firm	250	335	410	506	593	671
Discount factor	0.98	0.90	0.83	0.76	0.70	0.64
Present Value of FCFF	61¹	302	340	386	416	432
Total Present value of FCFF						1,937
Terminal Value						6,547
Terminal growth rate						2.0%
Weighted average cost of capital						8.8%
Enterprise Value						8,485
Net Debt						-662
Equity Value						7,822

Source: FAB Securities Research, ¹FCFF adjusted for partial year

Sensitivity analysis generates the highest valuation of USD 11.2 Bn and the lowest valuation of USD 6.0 Bn

a) Sensitivity of DCF to Key Assumptions

Our DCF valuation is based on a weighted average cost of capital (WACC) of 8.8% and terminal growth rate of 2.0%. A sensitivity analysis shows that a change of +/- 0.5% in the weighted average cost of capital and terminal growth rate will provide a valuation range of USD 11.2 Bn to USD 6.0 Bn. The table below shows the sensitivity between the change in terminal growth rate and the weighted average cost of capital.

1. DCF Sensitivity to Terminal Growth Rate and WACC

	WACC					
		7.8%	8.3%	8.8%	9.3%	9.8%
Terminal Growth	1.0%	8,139	7,487	6,920	6,423	5,983
	1.5%	8,721	7,979	7,340	6,785	6,298
	2.0%	9,404	8,549	7,822	7,197	6,653
	2.5%	10,218	9,219	8,382	7,670	7,057
	3.0%	11,203	10,018	9,039	8,219	7,521

2) Relative Valuation

We are using an average of P/E and EV/EBITDA multiples in CCM valuation to value the firm

In the CCM valuation, we have used an average of EV/EBITDA and P/E multiple to value Lulu Retail. We have used the valuation of regional companies operating in the offline retail sector to compare their business models for relative valuation. The P/E multiple allows for easy comparison with similar companies within the industry or sector, and the EV/EBITDA multiple allows us to compare companies of various sizes with different capital structures. Since offline retail companies often have significant upfront investments and varying depreciation schedules, EV/EBITDA normalizes these factors, allowing for better comparison.

II. Relative Valuation of LuLu Retail

(All Figures in Million USD, unless stated)

Based on EV/EBITDA Multiple

EBITDA (FY2024)	820
Applicable Multiple	10.9x
Premium/(Discount to Median Multiple)	0.0%
Peer Median Valuation	10.9x

Enterprise Value

8,939

Net (Debt)/Cash (as of 3Q24)

-2,536

Equity Value

6,403

Source: Company Information, FAB Securities Research

(All Figures in Million USD, unless stated)

Based on P/E Multiple

Net Income (FY2024)	246
Applicable Multiple	25.0x
Premium/(Discount to Median Multiple)	0.0%
Peer Median Valuation	25.0x

Equity Value

6,160

Source: Company Information, FAB Securities Research

III. Peers Valuation

		EV/EBITDA (x)		PE (x)	
Company. Name	Market Cap (USD, mn)	2024	2025	2024	2025
Regional Peers					
Abdullah Al Othaim Market	2,750	14.1	13.0	26.0	21.7
Savola	8,550	12.9	12.3	25.0	15.4
Bindawood Holding	2,100	10.9	10.5	23.9	21.5
Al Meera Consumer Goods	810	10.2	9.2	15.6	14.0
Spinneys	1,440	8.6	7.6	28.1	20.1
Average		11.3x	10.5x	23.7x	18.5x
Median		10.9x	10.5x	25.0x	20.1x
Max ¹ (Quartile 3)		12.9x	12.3x	26.0x	21.5x
Min ² (Quartile 1)		10.2x	9.2x	23.9x	15.4x

Source: Bloomberg, ¹ Values correspond to Quartile 3, ² Values correspond to Quartile 1

		EV/EBITDA (x)		PE (x)	
Company. Name	Market Cap (USD, mn)	2024	2025	2024	2025
Global Peers					
Carrefour SA	11,586	5.6	5.1	8.3	7.1
Dino Polska SA	8,649	14.9	12.2	23.4	18.8
Bim Birlesik Magazalar AS	8,584	9.6	6.5	12.0	7.6
Axfood AB	6,041	10.4	9.7	24.0	21.6
Kroger Co	41,029	7.4	7.4	12.5	12.7
Shoprite Holdings Ltd	9,903	10.2	9.1	22.8	20.7
Woolworths Group Ltd	27,584	9.5	9.2	24.0	23.7
Tesco PLC	32,682	7.5	7.4	15.0	14.0
Seven & I Holdings Co Ltd	39,143	8.6	8.1	23.8	20.0
Sainsbury (J) PLC	9,217	5.3	5.1	13.7	13.2
Average		8.9x	8.0x	17.9x	15.9x
Median		9.1x	7.8x	18.9x	16.4x
Max ¹ (Quartile 3)		10.0x	9.2x	23.7x	20.5x
Min ² (Quartile 1)		7.4x	6.7x	12.8x	12.8x

Source: Bloomberg, ¹ Values correspond to Quartile 3, ² Values correspond to Quartile 1

Using the DDM approach,
we arrive at a fair value of
USD 5.1 Bn

3) Dividend Discount Valuation (DDM)

LuLu Retail maintains a policy to declare regular dividends to shareholders in the forecasted period. The Company intends to distribute dividends semiannually, with the initial payment occurring in the first half of the year and the subsequent payment in the second half. The dividends are expected to be paid in cash. LuLu Retail intends to distribute 75% of its net profit as dividends in the forecasted period. The dividend is forecasted based on the management estimate. All forecasted dividends are discounted to present value using the cost of equity and details related to the cost of equity calculation are provided above.

IV. Dividend Discount Valuation

	FY2024E	FY2025E	FY2026E	FY2027E	FY2028E	FY2029E
All figures in USD million, unless stated						
Total Dividend	97	243	297	366	417	474
Discount factor	0.98	0.89	0.81	0.74	0.67	0.61
Present value of Dividend	95	217	240	269	279	288
Total Present Value of Dividend						1,389
Terminal Value						3,706
Terminal growth rate						2.0%
Cost of Equity						10.0%
Equity Value						5,095

Source: Company Information, FAB Securities Research

Key Financial Metrics

Financial Performance at a Glance

Growth Dynamics

LuLu Retail is the GCC's largest full-line retailer, with 241 stores spanning a selling area of 1.3 Mn sq.m. across all GCC countries

LuLu Retail operates as a full-line retailer across GCC, catering to various shopping experiences through its strong omnichannel presence. The Company runs a diverse range of retail formats, including hypermarkets, supermarkets, minimarkets, and online platforms, with a well-balanced product portfolio across the value-to-premium spectrum. These offerings include consumer packaged goods, electrical goods, fresh foods, and lifestyle products. LuLu Retail is the largest retailer across GCC, with over 241 stores spanning a selling area of 1.3 Mn sq.m. and 600K+ daily shoppers from 130+ nationalities as of May 2024. The Company has a robust supply chain network, with over 21 distribution centres, collectively spanning over an area of 430K sq.m. and 19 on-the-ground sourcing offices, that support its growing operations. Furthermore, the Company offers over 200K active SKUs sourced from 85 countries. LuLu Retail is a subsidiary of LuLu International Holdings Limited, which manages multiple malls, international retail businesses, properties, and retail outlets.

Founded in 1974 by Yusuf Ali MA, the Company began wholesale and distribution operations with its first single grocery store, laying the foundation for its retail empire. LuLu Retail entered the UAE's organized retail market in 1991 and later ventured into the Oman & Qatar markets in 2000 and Kuwait and Bahrain markets in 2002 and 2007, respectively. Additionally, the Company also opened a sourcing office in China in 2000. The Company continued its international expansion by entering the Saudi Arabian market in 2009, thereby establishing a presence in all GCC countries.

LuLu Retail initially started as a grocery store in UAE and later ventured into other GCC countries

In 2012, LuLu Retail ventured into digital retail with the launch of its website, marking the beginning of its omni-channel operations. The Company also opened sourcing offices in the UK, Turkey (2015), and the USA (2016) to support its growing procurement needs. The Company launched the LuLu App in 2019 to enhance its omni-channel presence and expanded its store count to over 200 by 2021. Additionally, LuLu Retail received a growth investment from ADQ, a sovereign wealth fund based in Abu Dhabi, in 2020. In 2022, LuLu Retail formed online grocery partnerships with Amazon and talabat, and in 2023, introduced the Happiness Loyalty Program as part of an aggressive marketing strategy to attract a broader customer base.

LuLu Retail primarily generates revenue through its retailing operations. These operations can be further classified based on their geographical location. The revenue from UAE operations accounts for 36% of the total revenue, followed by Saudi Arabia (KSA), which contributed 19% in FY2023. Oman and Qatar each contributed 15% of the total revenue, while Kuwait, Bahrain and third-party sales of sourcing entities accounted for the remaining revenue in FY2023. The Company's revenue grew at a CAGR of 7.4% from USD 6.3 Bn in FY2021 to USD 7.3 Bn in FY2023, mainly due to new stores opening, strong LFL growth from existing stores, solid growth of private labels and e-commerce partnership with established brands in GCC. The revenue of the UAE region grew at a CAGR of 8.3% from USD 2.2 Bn in FY2021 to USD 2.6 Bn in FY2023, while the revenue from KSA rose at a CAGR of 14.8% from USD 1.1 Bn in FY2021 to USD 1.4 Bn in FY2023. The total store count in UAE increased from 88 in FY2021 to 102 in FY2023, whereas the KSA store count grew from 46 in FY2021 to 53 in FY2023. Revenue from other GCC countries grew at a CAGR of 4.0% from USD 3.0 Bn in FY2021 to USD 3.3 Bn in FY2023 while the store count expanded from 65 in FY2021 to 78 in FY2023. We expect revenue to increase at a CAGR of 7.6% from USD 7.3 Bn in FY2023 to USD 10.5 Bn in FY2028.

Gross profit of the Company increased 8.1% YOY to USD 1.7 Bn in FY2023 with a gross margin of 23.0%

The gross profit of the Company increased 8.1% YOY to USD 1.7 Bn in FY2023 and the gross margin also grew from 22.5% in FY2022 to 23.0% in FY2023 due to better negotiating power that can improve front and back margins through better cost, target discounts and other rebates. It is also supported by direct sourcing capacity without a middleman, a strong contribution from private label products with higher margins, and favorable product mix. We expect the gross profit of LuLu Retail to grow at a CAGR of 8.0% from USD 1.7 Bn in FY2023 to USD 2.5 Bn in FY2028. Gross profit margin is also expected to grow from 23.0% in FY2023 to 23.5% in FY2028. This margin improvement is additionally supported by the upside from the loyalty program, reducing shrinkage & inventory loss with aligned business plans and leveraging supplier relationships.

LuLu Retail EBITDA grew 7.1% YOY to USD 753 Mn in FY2023 and EBITDA margin also marginally improved from 10.2% in FY2022 to 10.4% in FY2023 due to expansion in gross margins, efficiencies in employee cost, and increase in other operating revenue. We expect EBITDA to grow at a CAGR of 10.3% from USD 753 Mn in FY2023 to USD 1,227 Mn in FY2028. EBITDA margin is also anticipated to expand from 10.4% in FY2023 to 11.7% in FY2028.

Net profit of the Company from continuing operations inclined from USD 36 Mn in FY2022 to USD 192 Mn in FY2023, however, historical profit is not comparable due to different capital structure which impacted the net profit of LuLu Retail. Net profit margin of the Company also rose from 0.5% in FY2022 to 2.6% in FY2023. Net profit from continuing operations is expected to grow at a CAGR of 23.7% from USD 192 Mn in FY2023 to USD 556 Mn in FY2028.

LuLu Retail incurred the cumulative capex of USD 544 Mn between FY2021-23

LuLu Retail's net cash flow from operating activities declined from USD 203 Mn in FY2022 to USD 139 Mn in FY2023 due to investment in working capital partially offset by higher profits. Net cash flow from investing activities stood negative at USD 155 Mn in FY2023 compared to negative USD 163 Mn in FY2022. Furthermore, cash flow from financing activities stood at negative USD 146 Mn in FY2023 compared to inflow of USD 78 Mn in FY2022 due to repayments of banks borrowings in FY2023. The Company cash conversion stood at USD 604 Mn in FY2023 compared to USD 562 Mn in FY2022 with cash conversion ratio of 80.2% in FY2023. It is expected to generated a cumulative cash conversion of USD 4.4 Bn during FY2024-28 with an average cash conversion ratio of 86.3%.

LuLu Retail incurred a cumulate capex of USD 459 Mn during FY2021 to FY2023. We expect the Company to incur a capex of USD 160 Mn in FY2024 and a cumulative capex of USD 674 Mn from FY2024-28. The Company is shifting towards a capex light model, with a focus on leasing fully furnished stores to reduce growth capex.

Figure 74: Summary financials (USD, Mn)

	2021A	2022A	2023A	2024E	2025E	2026E	2027E	2028E
Revenue	6,312	6,894	7,278	7,958	8,687	9,244	9,845	10,482
Gross Profit	1,400	1,549	1,675	1,835	2,014	2,154	2,306	2,465
EBITDA	615	703	753	820	929	1,018	1,120	1,227
Net profit¹	24	36	192	246	325	395	488	556
<i>Gross Profit Margin</i>	22.2%	22.5%	23.0%	23.1%	23.2%	23.3%	23.4%	23.5%
<i>EBITDA Margin</i>	9.7%	10.2%	10.3%	10.3%	10.7%	11.0%	11.4%	11.7%
<i>Net Profit Margin¹</i>	0.4%	0.5%	2.6%	3.1%	3.7%	4.3%	5.0%	5.3%
<i>Net Debt/EBITDA</i>	3.9	3.2	1.1	0.5	0.3	0.1	0.0	-0.2

Source: Company Information, FAB Securities research FY2024E-28E, 1 Net Profit from Continuing Operations

Financials

Revenue of LuLu Retail is expected to grow at a CAGR of 7.6% from USD 7.3 Bn in FY2023 to USD 10.5 Bn in FY2028

Revenue

The Company generates revenue through its retailing operations. These operations can be further classified on the basis of their geographical locations. The revenue received from UAE accounted for 36% of the total revenue in FY2023, while KSA accounted for 19% of the total revenue. Oman and Qatar accounted for 15% each whereas Kuwait, Bahrain, and other GCC countries made up for the remaining 15% of the total revenue in FY2023. The Company's total revenue increased from USD 6.9 Bn in FY2022 to USD 7.3 Bn in FY2023, which was mainly driven by new store openings and strong e-commerce and LFL store growth, resulting in higher sales volume. Revenue from UAE grew 7.4% YOY to USD 2.6 Bn, mainly attributable to new store additions, increased customer count, like-for-like (LfL) growth in FY2023 and favorable macroeconomic factors. Revenue from KSA rose 12.3% YOY to USD 1.4 Bn in FY2023, primarily attributable to new stores additions, LfL growth of 6.9% in FY2023 and increased customer count. Revenue from Oman grew 1.5% YOY to USD 1.1 Bn, while revenue from Qatar rose 1.2% YOY to USD 1.1 Bn in FY2023. Revenue from Kuwait increased 4.5% YOY to USD 635 Mn whereas revenue from other GCC countries declined from USD 433 Mn in FY2022 to USD 429 Mn in FY2023. Additionally, the Company's revenue grew 7.4% YOY to USD 662 Mn and 5.8% YOY to USD 369 Mn in 3Q24. Revenue from Oman and Kuwait region grew 3.6% YOY and 9.9% YOY respectively during 3Q24. Moreover, based on product-split breakdown, revenue from consumer-packaged goods grew at a CAGR of 11.3% from USD 3.0 Bn in FY2021 to USD 3.8 Bn in FY2023, primarily due to growing population, higher consumption in the UAE & KSA markets and strong growth from private label offerings. Revenue from fresh foods grew at a CAGR of 8.8% from USD 1.2 Bn in FY2021 to USD 1.5 Bn in FY2023, mainly due to higher volumes. Private label accounted for 82.9% of the total revenue from fresh food products in FY2023. Revenue from electrical goods marginally declined at a negative CAGR of 1.1% from USD 983 Mn in FY2021 to USD 963 Mn in FY2023 as sales volume remained stable over FY2021-23 partially offset by promotional pricing supported by suppliers. Revenue from lifestyle products grew at a CAGR of 1.6% from USD 796 Mn in FY2021 to USD 822 Mn in FY2023, mainly driven by increased sales volume post COVID, partially offset by lower demand for textile products in FY2023.

A. UAE Operations:

The UAE revenue is anticipated to grow at a CAGR of 6.1% from USD 2,595 Mn in FY2023 to USD 3,482 Mn in FY2028

Revenue from the UAE grew 7.4% YOY to USD 2,595 Mn in FY2023 due to the favorable economic factors such as population growth and change in customer behavioral patterns, opening of 27 new stores in the UAE from FY2021 to 1Q24, continued growth in e-commerce sales, and growth in LFL sales. Furthermore, the revenue from UAE region grew 7.4% YOY to USD 662 Mn in 3Q24. Total store count in UAE increased to 103 as of September 2024. We anticipate the Company will open 10 hypermarkets and 12 express stores between FY2024 and FY2028. Total selling area of LuLu Retail in the UAE is expected to grow to 599K SQM in FY2028 from 494K SQM in FY2023. We anticipate revenue per SQM will increase from USD 5,254 in FY2023 to 5,814 in FY2028 with a CAGR of 2.0%. So, the Company revenue from the UAE is expected to grow at a CAGR of 6.1% from USD 2,595 Mn in FY2023 to USD 3,482 Mn in FY2028.

UAE KPIs & Revenue	2021A	2022A	2023A	2024E	2025E	2026E	2027E	2028E
No. of Stores								
Hyper Market	37	39	41	43	45	47	49	51
Express Stores	49	57	57	59	61	64	66	69
Mini-Market	2	2	4	4	4	4	4	4
Total Stores	88	98	102	106	110	115	119	124
Total selling Area (000, SQM)	444	481	494	515	535	557	577	599

Revenue Per SQM (USD)	4,984	5,025	5,254	5,516	5,627	5,672	5,751	5,814
Total Revenue (USD, Mn)	2,213	2,417	2,595	2,840	3,008	3,158	3,316	3,482

Source: Company Information, FAB Securities Estimates FY2024E-28E

B. KSA Operations:

Revenue from KSA increased 12.3% YOY to USD 1,401 Mn in FY2023 due to favorable economic factors such as population growth and stable economic conditions post covid crisis, an increase in customer count by 13 Mn between FY2021-23, and opening of 21 new stores in FY2021-1Q24. Furthermore, the revenue from KSA grew 5.8% YOY to USD 369 Mn in 3Q24. The Company's total stores in the KSA increased to 56 as of September 2024. We anticipate the Company to open 17 hypermarkets, 19 express stores, and 1 minimarket store between FY2024 to FY2028. Total selling area of LuLu Retail in the KSA is expected to grow to 435K SQM in FY2028 from 267K SQM in FY2023. We anticipate revenue per SQM will increase from USD 5,246 in FY2023 to USD 5,695 in FY2028 with a CAGR of 1.7%. So, the Company's revenue from the KSA is expected to grow at a CAGR of 12.1% from USD 1,401 Mn in FY2023 to USD 2,480 Mn in FY2028.

Revenue from the KSA is expected to grow at a CAGR of 12.1% from USD 1,401 Mn in FY2023 to USD 2,480 Mn in FY2028

KSA KPIs & Revenue	2021A	2022A	2023A	2024E	2025E	2026E	2027E	2028E
No. of Stores								
Hyper Market	17	21	24	30	33	36	39	41
Express Stores	12	14	16	20	24	28	32	35
Mini-Market	17	16	13	14	14	14	14	14
Total Stores	46	51	53	64	71	78	85	90
Total selling Area (000, SQM)	211	242	267	320	351	383	414	435
Revenue Per SQM (USD)	5,038	5,155	5,246	5,036	5,262	5,394	5,529	5,695
Total Revenue (USD, Mn)	1,063	1,248	1,401	1,611	1,848	2,063	2,288	2,480

Source: Company Information, FAB Securities Estimates FY2024E-28E

C. Other GCC Countries:

Revenue from other countries increased 1.6% YOY to USD 3,282 Mn in FY2023 due to the new store opening in FY2021-2023, the ramp-up of new stores opened in FY2021-22 and growth in e-commerce sales. In addition, the revenue from other GCC countries grew from USD 788 Mn in 3Q23 to USD 828 Mn in 3Q24. Total stores in the other GCC countries increased to 82 as of September 2024. We anticipate the Company opening 12 hypermarkets and 20 express stores between FY2024 and FY2028 in other GCC countries. The total selling area of LuLu Retail in the region is expected to grow to 640K SQM in FY2028 from 502K SQM in FY2023. We anticipate revenue per SQM will increase from USD 6,538 in FY2023 to USD 7,067 in FY2028 at a CAGR of 1.6%. So, the Company revenue from the other GCC countries is expected to grow at a CAGR of 6.6% from USD 3,282 Mn in FY2023 to USD 4,520 Mn in FY2028.

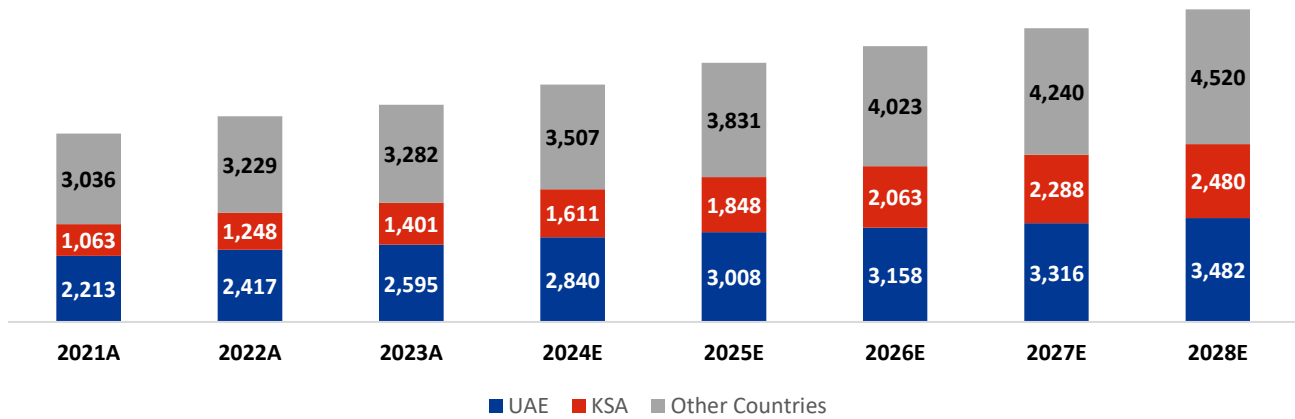
KSA is expected to be the largest contributor to revenue growth in the medium term

Other Countries ¹ KPIs & Revenue	2021A	2022A	2023A	2024E	2025E	2026E	2027E	2028E
No. of Stores								
Hyper Market	41	44	46	50	52	54	56	58
Express Stores	21	23	28	30	35	40	44	48
Mini-Market	3	3	4	4	4	4	4	4
Total Stores	65	70	78	84	91	98	104	110
Total selling Area (000, SQM)	445	472	502	536	563	590	615	640
Revenue Per SQM (USD)	6,823	7,096	6,623	6,656	6,756	6,857	6,960	7,065
Total Revenue (USD, Mn)	3,036	3,229	3,282	3,507	3,831	4,023	4,240	4,520

Source: Company Information, FAB Securities Estimates FY2024E-28E, ¹ Includes data of Kuwait Bahrain, Qatar and Oman

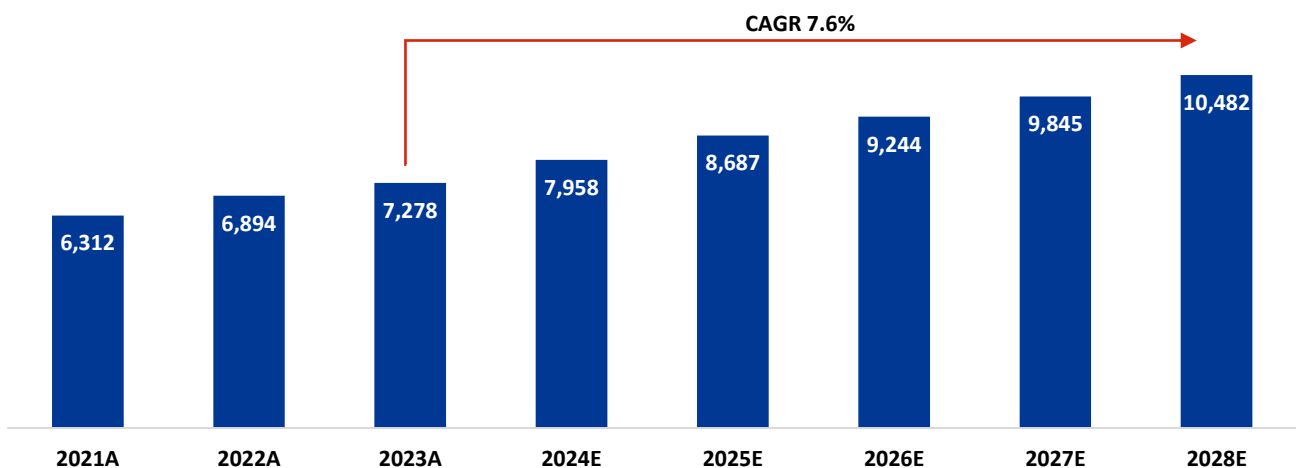
We anticipate LuLu Retail revenue to grow at a CAGR of 7.6% during FY2023 to FY2028, from USD 7,278 Mn in FY2023 to USD 10,482 Mn in FY2028. The growth in the Company's revenue will be mainly driven by favourable socio-economic factors such as rising population, growth in median income, government initiatives, increase in e-commerce sales, and opening of new stores across GCC countries. Existing stores of LuLu Retail are expected to continue to gain more customers with rising basket size due to an agile product mix strategy and loyalty programs such as Happiness for customer retention and acquisition. In KSA, LuLu Retail is the fastest-growing retailer, and we anticipate it to remain the same in the medium term. The Company is expected to further expand in the KSA due to potential sites in more than 20 cities with a population of more than 200K, opportunities in growing communities such as NEOM, faster rollout with the shift to fully furnished stores, and capacity to serve technology savvy consumer base in KSA through e-commerce.

Figure 75: Revenue by Region (USD, Mn)



Source: Company Information, FAB Securities research FY2024E-28E

Figure 76: Total Revenue (USD, Mn)



Source: Company Information, FAB Securities research FY2024E-28E

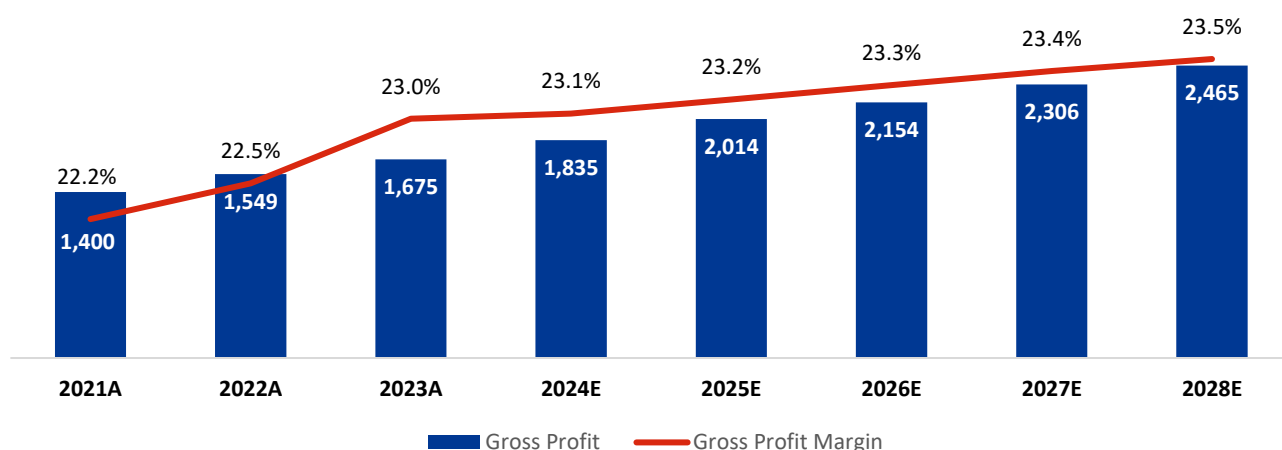
Gross Profit

We expect gross profit of the Company to grow at a CAGR of 8.0% from USD 1.7 Bn in FY2023 to USD 2.5 Bn in FY2028

The gross profit of LuLu Retail grew 8.1% YOY to USD 1,675 Mn in FY2023 due to improvement in front and back-end margins through scale-led increases in supplier support. The Company is also eliminating the middleman in the procurement process by sourcing from 85 countries and 19 ground offices. The share of private label products also increased to 28.5% of total sales in FY2023, which carries higher margins than branded products resulting in gross profit growth. LuLu Retail also improved the product mix with greater consumer packaged goods and fresh food, increasing the percentage of total retail sales to 75% in 2023. Due to these advantages, the Company's gross profit margin also increased from 22.5% in FY2022 to 23.0% in FY2023. Furthermore, the Company's revenue grew 9.3% YOY to USD 1,322 Mn in 9M24. Gross margins also expanded from 22.3% in 9M23 to 23.1% in 9M24.

We expect the gross profit of LuLu Retail will continue to grow at a CAGR of 8.0% from USD 1,675 Mn in FY2023 to USD 2,465 Mn in FY2028. Gross profit margin is also anticipated to increase from 23.0% in FY2023 to 23.5% in FY2028. We expect the Company to continue to focus on private-label products which offer higher margins than branded products. Also, increasing the scale of operations will give LuLu Retail a bargaining chip with suppliers, resulting in better gross profit margins.

Figure 77: Gross Profit (USD, Mn) and Gross Profit Margin



Source: Company Information, FAB Securities research FY2024E-28E

EBITDA

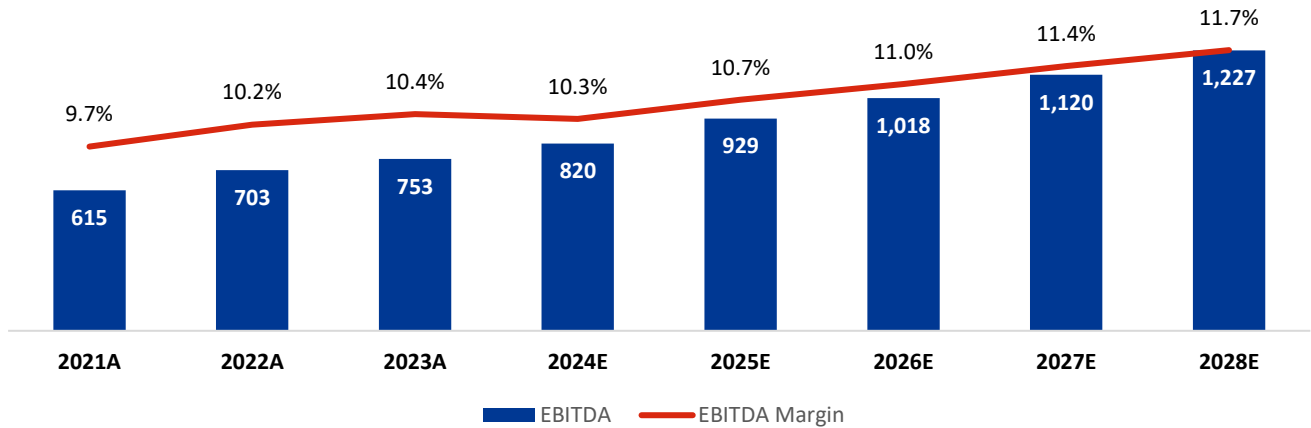
We expect EBITDA to grow at a CAGR of 10.3% from USD 753 Mn in FY2023 to USD 1,227 Mn in FY2028

LuLu Retail's EBITDA grew 7.1% YOY to USD 753 Mn in FY2023 and the margin also expanded marginally increased from 10.2% in FY2022 to 10.4% in FY2023. The growth in EBITDA margin is attributable to an increase in gross margin, efficiency in employee salaries and benefits as a percentage of revenue, and a rise in other operating revenues partially offset by an increase in utilities, vehicle costs, and other operating expenses. Utility costs rose 7.5% YOY to USD 167 Mn in FY2023, and rent expenses increased 13.8% YOY to USD 75 Mn in FY2023. In addition, the Company's EBITDA grew 6.0% YOY to USD 567 Mn, while EBITDA margins remained stable at 9.9% in 9M24 compared to 9M23.

Operating expenses of LuLu Retail include employee benefit expenses, depreciation, rent, and other operating costs. Other costs for the Company include advertisement & sales promotions, repair & maintenance charges, credit card commission, office expenses, professional and legal fees, travelling expenses, vehicle expenses, insurance charges, sponsorship fees, gifts & donations, loss allowances, and other expenses. Total operating expenses increased 4.9% YOY

to USD 1,580 Mn in FY2023. We expect the Company's operating expenses to increase at a CAGR of 5.2% from USD 1,580 Mn in FY2023 to USD 2,035 Mn in FY2028. The rent expenses of LuLu Retail are anticipated to rise at a CAGR of 21.4% from USD 75 Mn in FY2023 to USD 199 Mn in FY2028 due to lease modification in KSA and Qatar, leading rent expenses being charged to the P&L account instead of being accounted for as depreciation on ROU assets and interest on lease liabilities. So, we expect EBITDA to grow at a CAGR of 10.3% from USD 753 Mn in FY2023 to USD 1,227 Mn in FY2028. We also anticipate the EBITDA margin to expand from 10.4% in FY2023 to 11.7% in FY2028.

Figure 78: EBITDA (USD, Mn) and EBITDA Margin



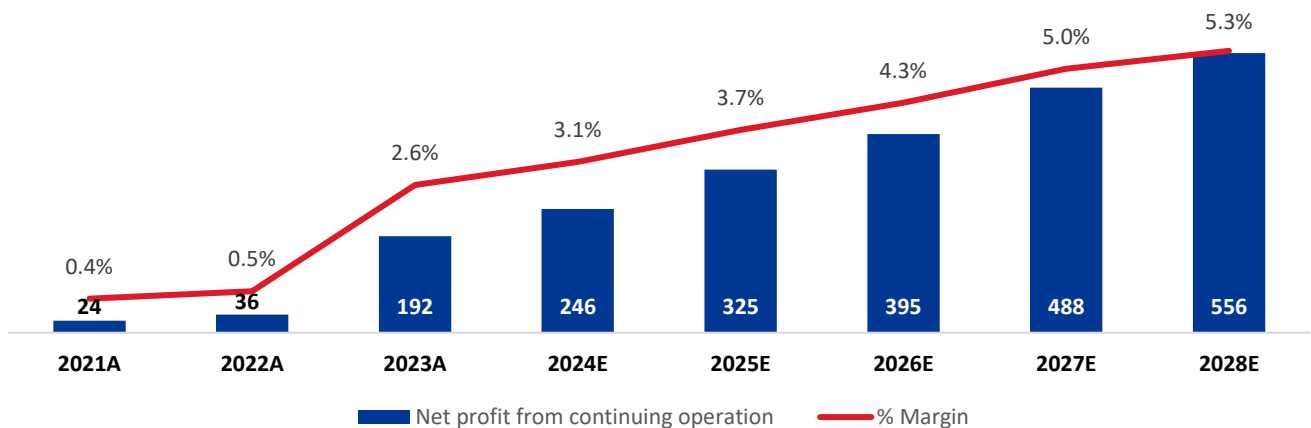
Source: Company Information, FAB Securities research FY2024E-28E

Net Profit

We expect net profit from continuing operations to rise at a CAGR of 23.7% from USD 192 Mn in FY2023 to USD 556 Mn in FY2028

LuLu Retail's net profit from continuing operations increased from USD 36 Mn in FY2022 to USD 192 Mn in FY2023. The net profit, including the profit of discontinued operation, rose from USD 14 Mn in FY2022 to USD 222 Mn in FY2023. However, historical years figures are not comparable to the profit due to pre-IPO reorganization. The Company had a different capital structure in previous years, impacting net profit. LuLu Retail now represents a clean capital structure with a net profit margin from continuing operations of 2.6% in 9M24. We expect the net profit from continuing operation of LuLu Retail to grow at a CAGR of 23.7% from USD 192 Mn in FY2023 to USD 556 Mn in FY2028. Net profit margin from continuing operations is also anticipated to grow from 2.6% in FY2023 to 5.3% in FY2028.

Figure 79: Net Profit from continuing operation (USD, Mn) and Net Profit Margin



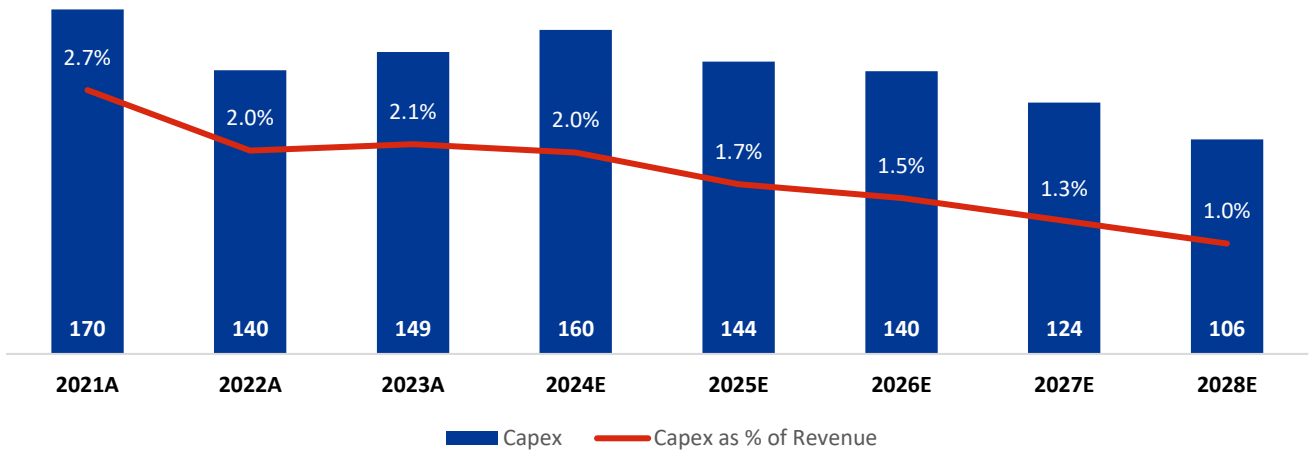
Source: Company Information, FAB Securities research FY2024E-28E

Capital Expenditure

We expect the Company to make a cumulative capex of USD 674 Mn during FY2024-28

LuLu Retail is shifting towards a capex-light model by transitioning to leasing fully furnished stores instead of traditional stores, which require higher capital expenditures. The Company will continue with previous store structures, including shell & core and constructed stores, but with less pursuit. C. 48% of LuLu retail stores are under five years old, thus requiring minimum capital expenditure for maintenance. The Company maintains high store standards, which drives lower maintenance capex, including long-standing relationships with suppliers of store equipment, use of high-quality equipment with enhanced warranty, and undertaking preventive maintenance to reduce major capex. LuLu Retail incurred cumulative a capex of USD 459 Mn (excluding capex on discontinued operations of 2021: USD 36 Mn, 2022: USD 22 Mn, 2023: USD 6 Mn) during FY2021-23, out of which USD 361 Mn was incurred on growth capex and USD 99 Mn on the maintenance capex. Additionally, in line with its capex-light model the Company's capex declined from USD 104 Mn in 9M23 to USD 99 Mn in 9M24. Capex as a percentage of total revenue also declined from 1.9% in 9M23 to 1.7% in 9M24. We expect the Company to incur a cumulative capex of USD 674 Mn during FY2024-28.

Figure 80: Capex (USD, Mn)



Source: Company Information, FAB Securities research FY2024E-28E

Cash Flow Generation

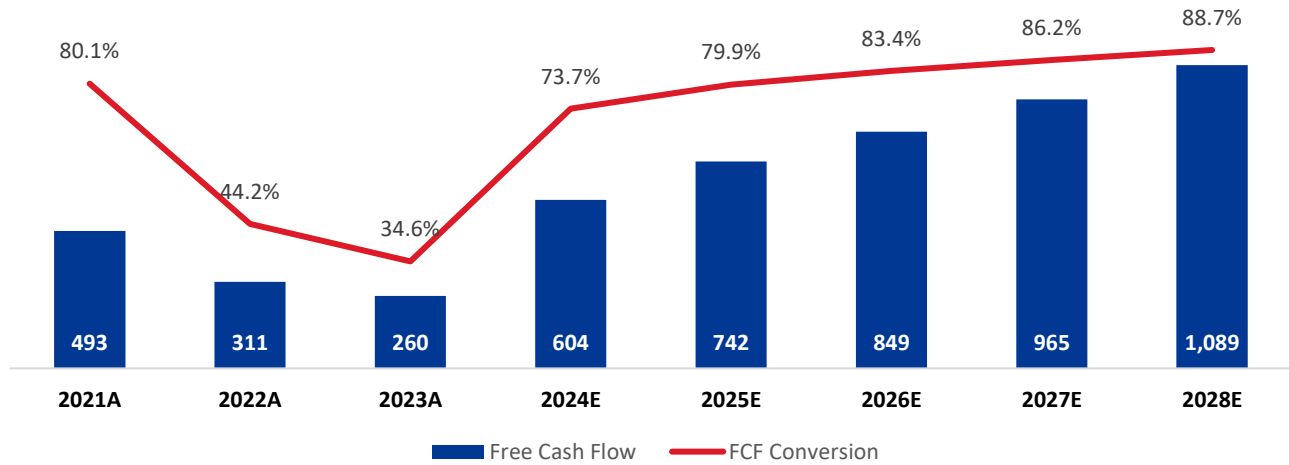
We expect LuLu Retail to generate a cumulative free cash flow of USD 4,249 Mn during FY2024-28

LuLu Retail's net cash flow from operating activities declined from USD 203 Mn in FY2022 to USD 139 Mn in FY2023 due to higher investment in working capital partially offset by higher profits. Net cash flow from investing activities stood negative at USD 155 Mn in FY2023 compared to negative USD 163 Mn in FY2022. Furthermore, cash flow from financing activities stood at negative USD 146 Mn in FY2023 compared to a cash inflow of USD 78 Mn in FY2022 due to repayments of bank borrowings partially offset by payment received from related parties in FY2023.

LuLu Retail generated a cumulative cash conversion of USD 1.6 bn from FY2021-23 with an average cash conversion ratio of 77.5%. Additionally, the Company's cash conversion grew from USD 431 Mn in 9M23 to USD 469 Mn in 9M24. The Cash conversion ratio also grew from 80.5% in 9M23 to 82.6% in 9M24. The Company is expected to create a cumulative cash conversion of USD 4.4 Bn from FY2024-28 with an average conversion ratio of 86.3%. The Company generated a free cash flow (FCF) of USD 260 Mn in FY2023 compared to USD 311 Mn in FY2022. FCF conversion stood at 34.6% in FY2023 compared to 44.2% in FY2022. FCF

conversion is defined as FCF/EBITDA. The Company's decline in free cash flow during FY2023 is mainly attributable to investment in working capital. We expect LuLu Retail to generate a cumulative free cash flow of USD 4,249 Mn during FY2024-28 with an average conversion ratio of 82.4%.

Figure 81: Free cash flows (USD, Mn), FCF Conversion



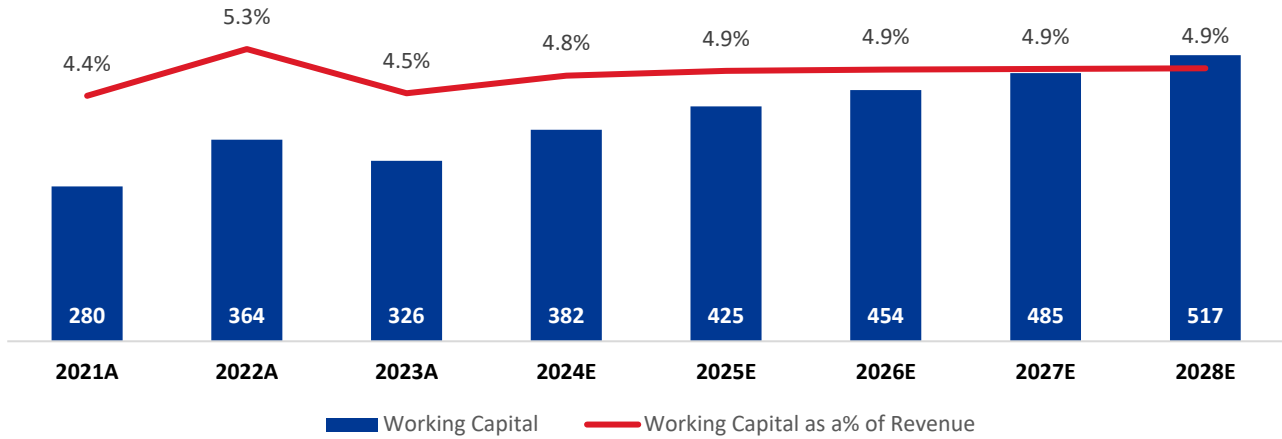
Source: Company Information, FAB Securities research FY2024E-28E

Working Capital

We expect a cumulative investment in net working capital of USD 191 Mn during FY2024-28

LuLu Retail's working capital is comprised of inventory, trade, and other receivables, as well as trade and other payables. The Company's working capital declined from USD 364 Mn in FY2022 to USD 326 Mn in FY2023 due to the optimization of inventory. LuLu Retail's inventory days stood at 90 days in FY2023 compared to 95 days in FY2022. Inventory days are affected by availability, given the large scale, the Company has to ensure food security with consistency and availability throughout the year. Non-food products of LuLu Retail are having slower turnarounds, which affects inventory days. Also, higher lead time for imported products which comprises c. 17% of purchases, leads to higher inventory days. LuLu Retail's receivable days stood at 10 days in FY2023, up from 9 days in FY2022. Receivables mainly comprise receivables from wholesale business, institutional sales, and sales generated from government initiatives. The increase in the receivable days is primarily driven by an increase in high-quality receivables from government initiatives. Payable days averaged 79 days in FY2023, marginally down from 80 days in FY2022. We anticipate receivable days to average 10 days, payable days to average 79 days, and inventory days to average 90 days during FY2024-28. We further expect a cumulative investment in net working capital of USD 191 Mn during FY2024-28.

Figure 82: Working Capital (USD, Mn)



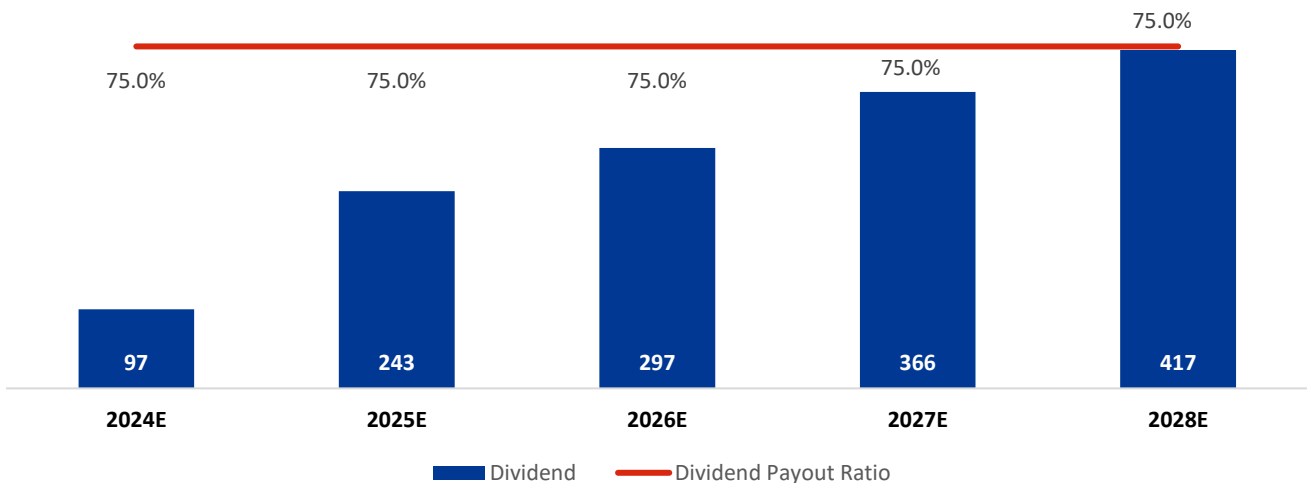
Source: Company Information, FAB Securities research FY2024E-28E

Dividend

We expect LuLu Retail to declare a cumulative dividend of USD 1,421 Mn for the period FY2024-28

The Company and its entities declared a cumulative dividend of USD 313 Mn from FY2021-23, including non-cash dividends as a part of IPO reorganization. In the forecasted period, LuLu Retail endeavors to maintain a total dividend payout ratio of 75% of annual distributable profit after tax, paid semi-annually. We expect the Company to maintain a dividend payout ratio of 75% during the forecasted period. LuLu Retail paid a non-cash dividend of USD 246 Mn to existing shareholders in FY2023. We expect the Company to declare a dividend of USD 97 Mn for the period 2H24 and anticipate declaring a cumulative dividend of USD 1,421 Mn for FY2024-28 based on the net profit from continuing operations.

Figure 83: Dividend Declared from FY2024-28 (USD, Mn)



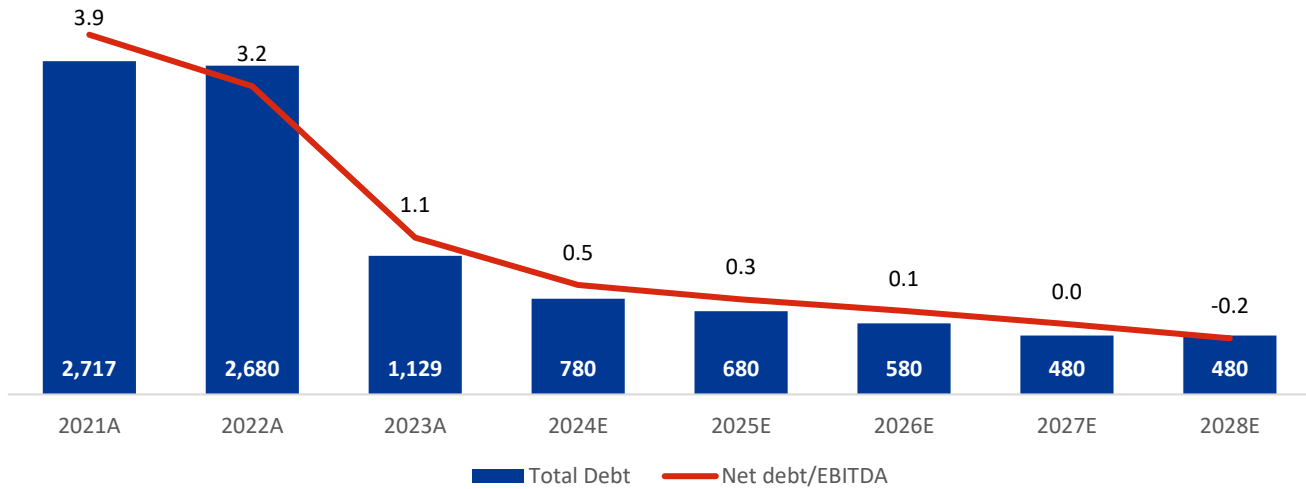
Source: Company Information, FAB Securities research FY2024E-28E

Financial Leverage

We anticipate LuLu Retail's debt to decline from USD 1.1 Bn in FY2023 to USD 0.8 Bn in FY2024 and further decline to USD 0.5 Bn by FY2028

The LuLu Retail's total debt excluding lease liabilities, declined from USD 2.7 Bn in FY2022 to USD 1.1 Bn in FY2023, and further declined to USD 964 Mn in 9M24, due to restructuring of capital structure. We further anticipate that borrowings will decline to USD 480 Mn by FY2028, which will be related to working capital. Net debt (excluding lease liabilities) to EBITDA ratio declined from 3.2x in FY2022 to 1.1x in FY2023 and stood at 1.4x in 9M24. We expect net debt to EBITDA (excluding lease liabilities) to decline further and reach negative 0.2x by FY2028.

Figure 84: Total Debt¹ and Net Debt¹/EBITDA (USD, Mn)



Source: Company Information, FAB Securities research FY2024E-28E, ¹Excluding Lease liabilities

Financial Statements:

Income Statement, (USD, Mn)

	2021A	2022A	2023A	2024E	2025E	2026E	2027E	2028E
Revenue	6,312	6,894	7,278	7,958	8,687	9,244	9,845	10,482
Cost of revenue	-4,913	-5,345	-5,603	-6,123	-6,674	-7,090	-7,539	-8,016
Gross Profit	1,400	1,549	1,675	1,835	2,014	2,154	2,306	2,465
Other operating income	223	256	273	280	297	319	339	359
Operating expenses	-1,398	-1,507	-1,580	-1,678	-1,768	-1,855	-1,930	-2,035
Finance cost, net	-189	-247	-153	-154	-170	-163	-154	-150
EBITDA	615	703	753	820	929	1,018	1,120	1,227
Profit before tax	36	51	215	283	373	454	561	640
Tax	-12	-15	-23	-37	-49	-59	-73	-83
Net profit from continuing operations	24	36	192	246	325	395	488	556
Profit/(loss) after tax from discontinuing operations	-16	-22	30	33	0	0	0	0
Net Profit/(Loss) for the Year	8	14	222	279	325	395	488	556
EPS for continuing operations	0.23	0.35	1.86	2.39	3.14	3.83	4.72	5.39

Source: Company Information, FAB Securities research (FY2024E-28E)

Key Ratios:

	2021A	2022A	2023A	2024E	2025E	2026E	2027E	2028E
YoY % Change								
Revenue		9.2%	5.6%	9.3%	9.2%	6.4%	6.5%	6.5%
EBITDA		14.2%	7.1%	9.0%	13.3%	9.6%	10.0%	9.5%
Net profit		86.0%	1478.1%	25.9%	16.2%	21.8%	23.4%	14.1%
% Margin								
Gross margin	22.2%	22.5%	23.0%	23.1%	23.2%	23.3%	23.4%	23.5%
EBITDA margin	9.7%	10.2%	10.3%	10.3%	10.7%	11.0%	11.4%	11.7%
Net profit margin	0.1%	0.2%	3.0%	3.5%	3.7%	4.3%	5.0%	5.3%
Leverage								
Net Debt/EBITDA	3.9	3.2	1.1	0.5	0.3	0.1	0.0	-0.2
Return ratios								
ROA	0.1%	0.2%	2.8%	5.1%	5.7%	6.8%	8.2%	9.0%
ROE	0.9%	1.8%	28.9%	26.7%	28.2%	31.0%	34.0%	34.8%
ROCE	4.5%	5.7%	11.2%	15.0%	17.6%	19.3%	21.4%	22.7%
Free Cash Flow								
Free cash flow (FCF) ¹	493	311	260	604	742	849	965	1,089
FCF conversion ²	80.1%	44.2%	34.6%	73.7%	79.9%	83.4%	86.2%	88.7%

Source: Company Information, FAB Securities research (FY2024E-28E), ¹Free cash flow = EBITDA – Capex – Change in WC, ²FCF Conversion = FCF/EBITDA

Balance Sheet (USD, Mn)

	2021A	2022A	2023A	2024E	2025E	2026E	2027E	2028E
Assets								
Non-current Assets								
Property & Equipment	1,856	1,881	1,461	1,466	1,456	1,442	1,415	1,366
Right-of-use assets	2,631	2,907	1,868	1,705	1,724	1,703	1,662	1,579
Investment Properties	51	47	15	14	13	13	12	12
Investments at fair value through other comprehensive income (FVTOCI)	2	1	1	1	1	1	1	1
Other non-current assets	11	14	0	0	0	0	0	0
Deferred tax assets	13	18	12	12	12	12	12	12
Total non-current assets	4,563	4,870	3,358	3,198	3,207	3,171	3,102	2,969
Current Assets								
Inventories	1,296	1,395	1,375	1,510	1,646	1,748	1,859	1,977
Trade and other receivables	257	340	332	377	403	420	437	455
Due from related parties	1,382	1,703	2,416	3	3	3	3	3
Cash and cash equivalents	327	441	278	381	411	441	527	771
Asset held for sale	0	0	247	0	0	0	0	0
Total Current assets	3,262	3,879	4,646	2,271	2,463	2,612	2,826	3,206
Total assets	7,825	8,748	8,004	5,469	5,669	5,783	5,928	6,175
Equities and Liabilities								
Equity								
Share capital	0	0	0	145	145	145	145	145
Capital reserve	65	65	65	0	0	0	0	0
Other reserves	20	20	20	33	33	33	33	33
Other equity	-2	-9	-11	-11	-11	-11	-11	-11
Retained earnings	734	717	692	880	985	1,111	1,267	1,432
Total equity	817	793	767	1,046	1,152	1,277	1,434	1,598
Liabilities								
Non-current Liabilities								
Bank Borrowings	888	841	513	0	0	0	0	0
Loans from related parties	536	497	0	0	0	0	0	0
Employees' defined benefit obligations	163	169	177	188	199	210	222	234
Lease liabilities	2,570	2,892	1,828	1,678	1,725	1,704	1,673	1,634
Deferred gain on sale and lease back	18	17	0	0	0	0	0	0
Deferred tax liabilities	5	5	5	5	5	5	5	5
Total non-current Liabilities	4,181	4,422	2,522	1,871	1,929	1,919	1,900	1,873
Current Liabilities								
Trade and other payables	1,296	1,390	1,380	1,505	1,624	1,714	1,811	1,915
Bank borrowings	1,254	1,112	616	779	679	579	479	479
Lease liabilities	193	207	173	186	192	189	186	182
Loans from related parties	39	230	0	0	0	0	0	0
Due to related parties	32	581	2,326	50	50	50	50	50
Tax payable	12	13	18	32	44	54	68	78
Deferred gain on sale and lease back	2	2	0	0	0	0	0	0
Liabilities directly associated with assets held for sale	0	0	202	0	0	0	0	0
Total current liabilities	2,827	3,533	4,715	2,552	2,589	2,587	2,595	2,704
Total Liabilities	7,008	7,955	7,237	4,423	4,518	4,506	4,495	4,577
Total equity and liabilities	7,825	8,748	8,004	5,469	5,669	5,783	5,928	6,175

Source: Company Information, FAB Securities research (FY2024E-28E)

Cash Flow Statement (USD, Mn)

	2021A	2022A	2023A	2024E	2025E	2026E	2027E	2028E
Cash flow from operating activities								
Profit before tax from continuing operations	36	51	215	283	373	454	561	640
Profit before tax from discontinued operation	-17	-22	26	33	0	0	0	0
Profit before tax	19	29	241	316	373	454	561	640
<i>Adjustments to reconcile profit</i>								
Depreciation of property and equipment	151	151	157	154	154	153	150	154
Depreciation of right-of-use-assets	265	283	281	227	231	246	253	282
Depreciation of investment properties	6	5	5	2	2	2	1	1
(Gain)/ loss on disposal of PPE	-1	0	0	0	0	0	0	0
Gain arising from lease modification	0	0	-73	0	0	0	0	0
Loss allowance	1	0	0	0	0	0	0	0
Write-off of property, plant and equipment	0	0	18	0	0	0	0	0
Interest expense	195	252	272	154	170	164	155	150
Interest income	0	0	-117	0	0	0	0	-1
Employees' defined benefit obligations	5	23	28	28	30	31	33	34
Amortisation of deferred gain on sale and lease back	-2	-2	-18	0	0	0	0	0
Operating cash flows before movement in working capital	639	741	794	881	959	1,049	1,153	1,261
Change in Working Capital								
(Increase)/decrease in due from related parties	56	-133	-319	0	0	0	0	0
(Increase)/decrease in inventories	-10	-99	21	-135	-136	-103	-111	-118
Increase in trade and other receivables	-58	-114	-82	-21	-20	-15	-16	-17
Decrease/(increase) in other receivables	-3	-3	14	-24	-6	-1	-1	0
Increase in trade and other payables	58	95	22	125	119	90	97	103
Increase in due to related parties	4	2	1	0	0	0	0	0
Cash generated from operations	686	489	450	825	917	1,020	1,122	1,228
Employees' defined benefit obligations paid	-13	-15	-20	-18	-19	-20	-21	-22
Income tax paid	-16	-19	-20	-23	-37	-49	-59	-73
Interest paid	-195	-252	-272	-154	-170	-163	-154	-150
Net Cash Inflows from Operating Activities	463	203	139	631	691	789	887	984
Cash Flows from Investing Activities								
Purchase of property and equipment	-224	-163	-155	-159	-143	-139	-123	-105
Purchase of investment properties	0	-1	-1	-1	-1	-1	-1	-1
Proceeds from disposal of property and equipment	12	1	1	0	0	0	0	0
Proceeds from disposal of investment properties	7	0	0	0	0	0	0	0
Net Cash Outflow from Investing Activities	-205	-163	-155	-160	-144	-140	-124	-106
Cash Flow from Financing Activities								
Proceeds from / (payment to) bank borrowings	-533	-190	-824	17	-100	-100	-100	0
Net funds (paid to) / received from related parties	27	357	1,016	-185	0	0	0	0
Repayment of principal portion of lease liabilities	-190	-211	-202	-200	-198	-249	-246	-242

(Repayment of) / proceeds from loans from related parties	484	152	-136	0	0	0	0	0
Dividends paid	-37	-31	0	0	-219	-270	-331	-392
Net Cash Inflow/ Outflow from Financing Activities	-248	78	-146	-369	-517	-619	-677	-633
Net Increase/(Decrease) in Cash and Cash Equivalents	9	118	-161	103	30	30	86	244
Cash and Cash Equivalents at the Beginning of the Year	320	327	441	278	381	411	441	527
Effects of foreign exchange rate changes	-2	-4	-1	0	0	0	0	0
Cash and Cash Equivalents at the End of the Year	327	441	279	381	411	441	527	771

Source: Company Information, FAB Securities research (FY2024E-28E)

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