FAB SECURITIES أبوظبي الأول للأوراق المالية

Earnings Call Insight | 3Q25

UAE Equity Research   Sector: Consumer Staples   Market: ADX

LuLu Retail Holding PLC

Current Price	Target Price	Upside/Downside (%)	Rating
AED 1.22	AED 1.80	+48%	BUY

3Q25 Net Profit lower than our estimate

- LuLu Retail's revenue rose 2.0% YOY to USD 1,896 Mn in 3Q25, primarily supported by the stable performance in the UAE and Kuwait.
- The Company opened six new stores in the UAE, KSA and Kuwait during 3Q25, which include one Hypermarket, three Express stores and two Mini markets.
- Private label sales, the Company's higher-margin segment, grew 6.2% YOY and contributed 30.6% to total retail revenue in 3Q25.
- Direct cost grew 1.7% YOY to USD 1,447 Mn in 3Q25.
- Gross profit rose 3.1% YOY to USD 449 Mn, with an increase in gross margins from 23.4% in 3Q24 to 23.7% in 3Q25, driven by stronger margins in fresh food and supermarket categories, coupled with strong benefit from a higher mix of private-label products.
- EBITDA rose 2.3% YOY to USD 108 Mn in 3Q25. EBITDA margins remained stable at 9.5% in 3Q25, compared to 3Q24, supported by expansion in gross margins and stable operating expenses.
- Net profit rose 2.4% YOY to USD 36 Mn in 3Q25, mainly due to higher revenue, and lower income tax expense, partially offset by lower other operating income, higher net finance cost and operating expenses.
- The Company's capex declined from USD 41 Mn in 3Q24 to USD 29 Mn in 3Q25, owing to its capex light model.

Earnings Call Summary

- The Company opened six new stores in 3Q25, bringing the total store count to 260, partially offset by selective closures.
- The Company's average daily shoppers increased 37k YOY to 668k in 3Q25.
- The Company's revenue in Saudi Arabia declined in 3Q25 due to a strong 3Q24 base, higher promotional activity, and increased costs from new store openings. Additionally, the Company expect the performance in Saudi Arabia to remain under pressure amid softness in non-food segments and continued down-trading, with a full recovery anticipated in 2026.
- Loyalty-linked sales accounted for 71.8% of total sales in 3Q25, reflecting stronger customer stickiness and engagement.
- Lulu Retail's leverage increased marginally to 1.4x, mainly due to dividend payments, while free cash flow rose 9.9% YOY to USD 515 Mn in 9M25, supported by strong operating discipline.
- Capex declined from USD 99 Mn in 9M24 to USD 83 Mn in 9M25, reflecting efficiency gains and a continued shift toward an asset-light model.
- Cash conversion improved from 77% in 3Q24 to 84% in 3Q25, due to strong cash discipline and operational efficiency.
- Saudi Arabia's retail landscape remains highly competitive, characterized by more frequent but smaller shopping trips and increased price sensitivity, while the rapid expansion of online and quick-commerce platforms continues to intensify competition.
- In Saudi Arabia, the Company aims to expand its network in high-potential catchment areas while strengthening e-commerce capabilities through proprietary digital platforms to enhance omnichannel reach.
- LuLu Retail expanded its omnichannel network to 102 stores as of 9M25, including 60 Express stores that offer 30–45 minute delivery, further enhancing customer convenience and accessibility.

- The Company plans further to expand its omnichannel-enabled store network to over 150 locations while enhancing the user interface and delivery speed to improve customer experience.
- LuLu Retail aims to launch in-store digital brand activation campaigns and leverage its CRM system along with a base of over 8 Mn loyalty members to strengthen online engagement and drive profitability.
- The Company expects revenue growth of around 4% YOY for 2025, reflecting resilient performance across markets despite softness in Saudi Arabia, with an EBITDA margin of c.9.8% and a net income margin of c. 2.5%.
- In 2026, Lulu Retail expects 4–5% YOY revenue growth driven by new store openings and e-commerce expansion, with a broadly flat EBITDA margin, c.10% net income growth, and 18–20 planned store additions.
- The Company expects 4Q25 revenue to grow by around 2%, in line with 3Q25 trends; however, profitability is projected to decline due to higher staff costs from wage inflation and recent store openings, as well as increased rent and aggregate payments, particularly in Qatar.

LuLu Retail - P&L

(USD Mn)	3Q24	2Q25	3Q25	3Q25F	Var.	YOY Ch	QOQ Ch
Revenue	1,859	2,017	1,896	1,998	-5.1%	2.0%	-6.0%
Cost of revenue	-1,424	-1,549	-1,447	-1,528	-5.3%	1.7%	-6.6%
Gross profit	**435**	**468**	**449**	**470**	**-4.4%**	**3.1%**	**-4.2%**
EBITDA	**176**	**204**	**180**	**186**	**-3.2%**	**2.3%**	**-11.7%**
Profit before tax	**40**	**66**	**40**	**46**	**-12.9%**	**-0.7%**	**-39.3%**
Income tax expense	-5	-9	-4	-6	-27.7%	-21.7%	-53.6%
Net profit from cont. operations	**35**	**57**	**36**	**40**	**-10.9%**	**2.4%**	**-37.2%**
Profit/(loss) after tax from disc op	0	0	0	0	NA	NA	NA
Net profit	**35**	**57**	**36**	**40**	**-10.9%**	**2.4%**	**-37.2%**

FABS estimate & Co Data

Lulu Management Guidance:

Financial Metrics	FY 2025e	FY 2026e
Revenue Growth (%)	4% YoY	4 – 5 % YoY
EBITDA Margin (%)	c.9.8%	Flat YoY
Net Profit	c.2.5% margin	10% YoY growth
# of Stores	20 Stores	18 – 20 Stores

Research Rating Methodology:

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

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