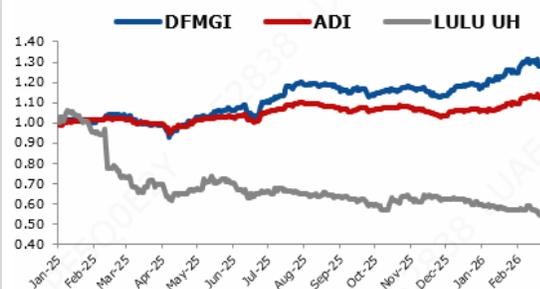


LuLu Retail Holding PLC

Higher staff, rent and commission costs weighed on profitability

Current Price	Target Price	Upside/Downside (%)	Rating
AED 1.03	AED 1.50	+46%	BUY

- Added seven new stores in 4Q25, comprising two hypermarkets, four express stores and one mini market, increasing the total store count to 267 and adding 23,498 sqm of retail space.
- The Company's average daily shoppers increased 26k YOY to 675k in 4Q25.
- Cash conversion expanded from 82.6% in 2024 to 82.9% in 2025, due to disciplined capex management.
- Targeting 4%–5% revenue growth along with a flat EBITDA margin expected on a YOY basis in 2026.
- The Company proposed a dividend of 3.5 fils per share for 2H25, taking the 2025 total dividend to 7.0 fils per share (equivalent to USD 196.9 Mn), subject to shareholder approval.



4Q25 Net Profit in line with our estimate

Lulu Retail's ("Lulu" or the "Company") net profit declined 35.7% YOY to USD 42 Mn in 4Q25, in line with our estimate of USD 43 Mn. The decline in net profit was primarily driven by higher operating expenses, higher cost of revenue, lower other operating income, partially offset by growth in revenue and a decline in finance costs.

P&L Highlights

Lulu Retail's revenue rose 2.4% YOY to USD 1,940 Mn in 4Q25, primarily driven by resilient performance in the UAE and Kuwait partially offset by a decline in KSA and Oman. Private label sales continued to support revenue performance in 4Q25, contributing USD 549.2 Mn in retail sales, with penetration at 29.8% in 4Q25 compared to 30.8% in 4Q24. LuLu continues to position private label as a higher-margin category across Fresh, CPG, Lifestyle and Electrical segments. E-commerce remained a key growth driver in 4Q25, with revenue increasing 51.8% YOY underscoring sustained digital momentum throughout the year. Digital sales accounted for 6.0% of total retail revenue for 2025, reflecting continued traction in omni-channel adoption. Growth was supported by strong Lulu e-commerce traffic in KSA and high penetration in Kuwait, aided by aggregator platforms. The Fresh segment recorded growth of 3.5% YOY in 4Q25 supported by favorable consumption trends and stronger e-commerce demand, resulting in higher volumes. Lulu's like-for-like (LFL) sales declined 1.1% YOY in 4Q25, primarily impacted by temporary softness in the Electrical and Lifestyle categories, along with moderate performance in KSA and Oman. Lulu recorded mixed performance across key markets in 4Q25, with revenue from the UAE expanding 5.7% YOY to USD 721 Mn. In contrast, KSA revenue declined 2.3% YOY to USD 361 Mn, as growth in CPG and fresh category sales was offset by softer electrical goods sales. Kuwait delivered robust growth, with revenue

Stock Information

Market Cap (AED, Mn)	10,638.77
Paid Up Capital (Mn)	143.42
52 Week High	1.43
52 Week Low	1.01
3M Avg. daily value (AED)	15,853,840

4Q25 Result Review (USD, Mn)

Total Assets	5,440
Total Liabilities	4,435
Total Equity	1,005
EBITDA	184
Net Profit	42

Financial Ratios

Dividend Yield (12m)	6.19
Dividend Pay-out (%)	0.00
Price-Earnings Ratio(x)	14.15
Price-to-Book Ratio (x)	2.98
Book Value (AED)	0.09
Return-on Equity (%)	23.96

Stock Performance

5 Days	-3.74%
1 Months	-5.50%
3 Months	-13.45%
6 Months	-15.57%
1 Year	-25.90%
Month to Date (MTD%)	-5.50%
Quarter to Date (QTD%)	-9.65%
Year to Date (YTD%)	-9.65%

rising 8.8% YOY to USD 173 Mn, primarily supported by strong supermarket performance and higher e-commerce penetration supported by aggregator platforms. Meanwhile, Qatar's revenue increased marginally 0.1% YOY to USD 282 Mn, aided by resilient CPG demand but weighed down by weaker Electrical and Lifestyle segments. Revenue from Oman declined 1.9% YOY to USD 284 Mn, reflecting stable volumes but softer basket sizes amid value-focused consumer trends. The Company's cost of revenue rose 3.3% YOY to USD 1,499 Mn in 4Q25. Thus, gross profit declined marginally 0.5% YOY to USD 441 Mn, while gross profit margins contracted 66 bps YOY to 22.7% in 4Q25. Other operating income declined 8.1% YOY to USD 69 Mn, whereas operating expenses grew 7.2% YOY to USD 423 Mn in 4Q25. Net finance costs declined 25.9% YOY to USD 39 Mn in 4Q25. EBITDA declined 16.3% YOY to USD 184 Mn in 4Q25, with EBITDA margin contracting to 9.5% in 4Q25 from 11.6% in 4Q24, mainly due to higher staff costs and incremental rent associated with new store openings, along with increased aggregator commission payments. The Company's income tax expenses increased marginally 0.6% YOY to USD 6 Mn in 4Q25.

Balance Sheet Highlights

Lulu's cash and cash equivalents increased from USD 261 Mn in 3Q25 to USD 330 Mn in 4Q25. Company's capex decreased from USD 137 Mn in 2024 to USD 134 Mn in 2025, driven by the transition to a capital light model. Free cash flows remained stable at USD 648 Mn in 2025, compared to USD 650 Mn in 2024 with the conversion ratio increasing marginally from 82.6% in 2024 to 82.9% in 2025, supported by disciplined capex management. The company's net debt declined from USD 703 Mn in 3Q25 to USD 534 Mn in 4Q25. However, lease liabilities increased marginally from USD 1,906 Mn in 3Q25 to USD 1,972 Mn in 2025, driven by new store openings. Excluding lease liabilities, leverage stood at 1.1x in 2025.

Target Price and Rating

We maintain our BUY rating on LuLu Retail with a revised target price of AED 1.50. LuLu reported a decline in net profit in 4Q25, primarily driven by higher operating expenses, reflecting additional staff costs, incremental rent from new store openings and increased aggregator commission payments. Despite margin pressures, the Company continued to execute its expansion strategy, opening 20 new stores in 2025, including seven in 4Q25, bringing the total network to 267 stores with 123 hypermarkets, 118 express stores and 26 mini markets. The 2025 rollout included six hypermarkets, 11 express stores and three mini markets, expanding total selling space by 5.6% YOY to 1.38 Mn sqm, with c.70% of new openings concentrated in smaller express and mini formats. Network expansion remains a core growth driver, with the UAE and KSA expected to account for c. two-thirds of planned store openings between 2026 and 2028. For 2026, the Company plans to open 18–20 new stores, with the three-year pipeline broadly split one-third each across the UAE and KSA and the balance across the wider GCC. The GCC retail sector is expected to remain resilient, underpinned by population growth, tourism momentum and steady consumer demand, despite a competitive landscape and increasing price sensitivity across certain markets. Customer engagement metrics remain strong. The Lulu Happiness loyalty programme expanded to c.8.4 Mn members in 2025 compared to 5.5 Mn in 2024, with loyalty-linked sales contributing c.67% of total revenue. Overall customer count increased to c.675k in 4Q25, with 26k customers added in 4Q25. Management continues to leverage loyalty data to enhance retention, targeted promotions and basket optimisation across existing stores. Private label remains a key strategic lever, with penetration increasing to 29.8% in 2025 compared to 29.6% in 2024, supported by expansion across food, non-food, health & beauty, baby and pet care categories. The focus on premium and health-led SKUs, selective entry into higher-margin segments and GCC-wide rollout of proven products is expected to support mix improvement over time. Digital and omni-channel capabilities were strengthened through the rollout of quick commerce services across GCC markets, offering 45–90-minute delivery. The omni-channel enabled store network is expected to expand from 128 to 200+ locations, with a focus on improving productivity and digital penetration. Growth in 2026 is expected to be supported by scaling quick commerce capacity, optimising last-mile delivery and accelerating customer acquisition through performance marketing and first-party data personalisation. Operational efficiency remains a priority, with AI-led demand planning, assortment optimisation and targeted measures in KSA, including wastage reduction, data-led promotional discipline and supplier renegotiations, aimed at supporting medium-term margin recovery. Strategic MOUs with suppliers, government entities and developers further strengthen sourcing capabilities and support expansion plans. For 2026, management has guided for 4%–5% revenue

growth with broadly stable EBITDA margins on YOY basis. Net profit is projected to grow by c.10%, outpacing EBITDA growth despite flat margin guidance, supported by lower finance costs as leverage declines and fixed depreciation from maturing stores. As a result, net margin expansion is expected to exceed EBITDA margin progression. Capex is guided at c.1.2%–1.5% of sales, aligned with the Company’s disciplined capital allocation framework and long-term growth strategy. The Board has proposed a dividend of 3.5 fils per share for 2H25 subject to shareholder approval, bringing total 2025 dividends to 7 fils per share (equivalent to USD 196.9 Mn). Thus, based on these factors, we maintain our BUY rating on the stock.

LuLu Retail - Relative valuation

(at CMP)	2024	2025	2026F
PE (x)	11.85	14.44	12.99
PB (x)	2.97	2.94	2.85
EV/EBITDA	4.55	4.19	4.06
BVPS	0.353	0.357	0.368
EPS	0.089	0.073	0.081
DPS	0.030	0.070	0.077
Dividend yield (%)	2.9%	6.8%	7.5%

FABS Estimates & Co Data

Note – LuLu Retail listed on ADX in 2024. Thus, the financial multiple for the prior period is unavailable

LuLu Retail – P&L

USD mn	4Q24	3Q25	4Q25	4Q25F	Var.	YOY Ch	QOQ Ch	2024	2025	YOY Ch
Revenue	1,894	1,896	1,940	1,929	0.6%	2.4%	2.3%	7,621	7,934	4.1%
Cost of revenue	-1,451	-1,447	-1,499	-1,489	0.7%	3.3%	3.6%	-5,856	-6,111	4.4%
Gross profit	443	449	441	440	0.1%	-0.5%	-1.8%	1,765	1,823	3.3%
Other operating income	75	73	69	93	-25.3%	-8.1%	-5.8%	300	303	0.9%
Operating expenses	-395	-440	-423	-429	-1.4%	7.2%	-3.8%	-1,657	-1,731	4.5%
Finance cost, net	-53	-42	-39	-54	-27.8%	-25.9%	-7.3%	-169	-162	-4.2%
EBITDA	220	180	184	190	-3.2%	-16.3%	2.2%	787	782	-0.6%
Profit before tax	71	40	48	50	-3.8%	-32.6%	19.6%	239	232	-2.7%
Income tax expense	-6	-4	-6	-7	-8.5%	0.6%	54.5%	-22	-27	23.3%
Profit from cont operat	65	36	42	43	-3.1%	-35.7%	15.7%	216	205	-5.4%
Profit from disc. operation	0	0	0	0	NM	NM	NM	33	0	NM
Net Profit	65	36	42	43	-3.1%	-35.7%	15.7%	249	205	-17.9%

FABS estimate & Co Data

LuLu Retail - Margins

	4Q24	3Q25	4Q25	YOY Ch	QOQ Ch	2024	2025	YOY Ch
Gross Profit	23.4%	23.7%	22.7%	-66	-95	23.2%	23.0%	-18
EBITDA	11.6%	9.5%	9.5%	-211	-1	10.3%	9.9%	-46
Net Profit	3.4%	1.9%	2.1%	-127	25	3.3%	2.6%	-69

FABS estimate & Co Data

Key Developments:

- 26 December 2025:** Lulu Retail opened a 24,378 sq. ft. Express store in Khor Fakkan, Sharjah, marking its 20th store opening in 2025 and aligning with its annual expansion plan. The Company now operates 116 stores in the UAE and 267 across the GCC, serving over 690,000 daily shoppers from 130 nationalities.
- 15 December 2025:** Lulu Retail opened a new 108,469 sq. ft. hypermarket at Aziz Mall in Jeddah, marking its 65th store in Saudi Arabia. The store offers groceries, fresh food, household essentials and lifestyle products, supporting the Company's GCC expansion strategy and strengthening its omnichannel presence in the Kingdom.
- 29 November 2025:** Lulu Retail opened a new 18,706 sq. ft. Express store in Abu Dhabi, offering fresh food, groceries, bakery items, ready-to-eat meals and household essentials. This marks the Company's 18th store opening in 2025, in line with its ongoing expansion strategy.
- 20 November 2025:** Lulu Retail opened a 3,556 sq. ft. Mini Market in Oud Metha, Dubai, featuring a grab-and-go concept with fresh food, snacks, beverages and ready-to-eat options. This marks the Company's 17th store opening in 2025, with plans to add three more before year-end.
- 14 November 2025:** LuLu Retail's liquidity provision agreement with BHM Capital will expire on 14 November 2025 and will not be renewed. The Company has appointed Al Ramz Capital as its new liquidity provider for ADX-listed shares under a 12-month mandate effective 17 November 2025, aimed at enhancing trading liquidity and bid-ask efficiency.
- 10 November 2025:** Lulu opened six new stores across the UAE, KSA, and Kuwait, adding 18,047 sqm of retail space and bringing total 2025 additions to 49,428 sqm in 3Q25. The company targets 20 openings for the year and plans around 50 new stores over the next three years across the GCC.
- 07 November 2025:** Lulu Retail announced a strategic partnership with Beyout Holding to open a 6,650 sqm flagship hypermarket at Beyout Plus Mall in Al Mutlaa, Kuwait — part of the country's largest residential project in November 2025. The partnership reinforces Lulu's expansion strategy in Kuwait and its commitment to delivering greater value and convenience to customers.
- 20 October 2025:** Lulu Retail opened a new 63,995 sq. ft. hypermarket in Tuwaiq, Riyadh, reinforcing its expansion strategy in Saudi Arabia in October 2025. The store offers a wide range of products across categories, enhancing customer convenience and strengthening Lulu's omnichannel presence and leadership as the GCC's leading full-line retailer.
- 09 October 2025:** Lulu Retail expanded its UAE presence with a new 4,736 sq. ft. Express Store in Al Ain, offering a curated selection of groceries, fresh produce, and daily essentials. The launch reinforces the company's 2025 expansion strategy and strengthens its omnichannel presence and leadership as the GCC's top full-line retailer.

- **01st October 2025:** Lulu expanded its GCC presence with the launch of its first Lulu Mini Market in Kuwait, located at Al Bahar Complex, Hawally. Spanning 4,844 sq. ft., the store enhances Lulu’s network to 17 outlets in Kuwait and underscores its focus on accessible, high-quality, and convenient shopping experiences across the region.
- **19th August 2025:** Lulu expanded its GCC footprint with the opening of its 260th store, a new Lulu Express outlet in Nad Al Hammar, Dubai. Spanning 22,000 sq. ft., the store strengthens Lulu’s UAE network to 112 outlets and reinforces its commitment to high-quality, affordable retail offerings amid continued growth momentum following 1H25 revenues of USD 4.1 Bn.
- **27th May 2025:** Lulu will be included in the FTSE Global Equity Index Series (FTSE GEIS) effective 23 June 2025, marking a significant milestone following its successful IPO in 4Q24. The inclusion in FTSE Mid Cap, All-World, All-Cap, and Total-Cap indices is expected to enhance global visibility and attract deeper engagement from international investors.

Valuation:

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

Valuation Method	Target	Weight	Weighted Value
DCF Method	1.53	70.0%	1.07
DDM Method	1.40	15.0%	0.21
Relative Valuation (Average of PE & EV/EBITDA)	1.46	15.0%	0.22
Weighted Average Valuation (AED)			1.50
Current market price (AED)			1.03
Upside/Downside (%)			+46%

1) DCF Method:

Lulu Retail is valued using free cash flow to the firm. We have discounted the cash flow using the weighted average cost of capital of 9.2%. It is arrived at after using the cost of equity of 9.5% and the after-tax cost of debt of 5.0%. Equity cost is calculated using a 10-year government bond yield of 4.9%, a beta of 1.0 and an equity risk premium of 4.6%. Government bond yield is calculated after adding Abu Dhabi's 10-year spread over the 10-year US risk-free rate. Also, assumed a terminal growth rate of 2.0%.

Sum of PV (USD, Mn)	1,314
Terminal value (USD, Mn)	3,533
Cash/(Net Debt) (as of Dec 2025)	-534
FV to Common shareholders (USD, Mn)	4,313
No. of shares (Mn)	10,329
Current Market Price (AED)	1.03
Fair Value per share (AED)	1.53

DCF Method

(All Figures in USD Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
NOPAT	398	430	437	449	480
IFRS Rent	-355	-350	-366	-355	-342
Depreciation & Amortization	380	378	404	411	400
Capex	-125	-121	-125	-125	-129
Change in Working Capital	-14	-13	-13	-11	-25
Free Cash Flow to Firm (FCFF)	284	325	338	369	384
Discounting Factor	0.93	0.85	0.78	0.71	0.65
Discounted FCFF	263	276	263	263	250

Source: FAB Securities

2) Relative Valuation:

We have used regional peers to value Lulu Retail, and it is valued using the average of EV/EBITDA and PE multiple. It is valued at an EV/EBITDA and P/E multiple of 8.2x and 17.7x, respectively, in line with peers.

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2026F	2027F	2026F	2027F
Integrated & Marine peers					
Abdullah Al Othaim Market	1,687	9.9	9.2	20.3	17.0
Savola	2,180	4.9	4.7	11.3	10.2
Bindawood Holding	1,655	8.2	7.8	21.1	19.5
Al Meera Consumer Goods	823	12.6	NA	17.7	16.7
Spinneys	1,568	7.2	6.6	14.6	14.1
Average		8.6x	7.1x	17.0x	15.5x
Median		8.2x	7.2x	17.7x	16.7x
Max		9.9x	8.2x	20.3x	17.0x
Min		7.2x	6.1x	14.6x	14.1x

Source: FAB Securities

3) DDM Method:

Lulu Retail plans to maintain a dividend payout ratio of 75% of annual distributable profit after tax, paid semi-annually. It recorded a payout ratio of 96.3% in 2025. Going forward, we expect to maintain a similar payout ratio in the forecast period. The dividend is discounted at the cost of equity of 9.4%.

Sum of PV (USD, Mn)	1,061
Terminal value (USD, Mn)	2,878
FV to Common shareholders (USD, Mn)	3,939
No. of shares (Mn)	10,329
Current Market Price (AED)	1.03
Fair Value per share (AED)	1.40

(All Figures in USD Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2028E	FY 2029E
Dividend Paid					
Dividend	219	264	278	296	332
Total Dividend	219	264	278	296	332
Discounting Factor	0.93	0.84	0.77	0.70	0.64
Present Value of Dividend	203	223	214	208	213

Source: FAB Securities

