UAE Consumer Staples Sector

Stable Inflation and Steady Economy to Strengthen Consumer Sector

Sector Weighting: **MARKET WEIGHT**

We prefer Agthia and Americana Restaurants over LuLu Retail, following the recent price correction. While Agthia has faced macroeconomic headwinds such as currency devaluation in Egypt, operational disruptions, and concerns over compressed margins, there are signs of recovery, particularly as Egypt's economy stabilizes. This improving macro backdrop is expected to support Agthia's return to long-term profitability. Despite challenges, Agthia demonstrated solid growth momentum throughout 2024, particularly in its Snacking, Agri-Business, and Water & Food segments. Although operational hurdles impacted short-term performance in its dates business, Agthia's overall fundamentals remain strong. Agthia continues to diversify its product offerings and invest in innovation, recently launching new items such as instant coffee jars, espresso beans, premium beef, chicken burgers, frozen potatoes, and dairy products. Its regional presence has also expanded with the opening of a new protein manufacturing facility in Jeddah, Saudi Arabia. Notably, the snacking division and exports from Egypt have surged, with revenue from the Egyptian market rising 52% YOY during 2024. While some challenges are expected in 2025, Agthia's strategic focus on innovation and operational efficiency positions it well for long-term value creation. Americana Restaurants also remains attractive despite facing obstacles such as geopolitical tensions, weak consumer sentiment, and adverse exchange rate movements. Americana saw strong revenue growth in 4Q24, recovering after earlier setbacks due to boycotts in parts of the Middle East. In January 2025, Americana expanded its footprint by acquiring 46 Pizza Hut outlets in Oman, bringing its regional total to 456 stores. By the end of 2024, Americana expanded its total portfolio to 2,590 restaurants, opening 213 gross new stores and 155 net new stores, with 183 of these dedicated to power brands (KFC, Pizza Hut, Hardee's). Additionally, Americana plans to open 150-160 net new restaurants in FY2025, concentrating on key markets like the UAE, KSA, Kuwait, and Iraq. Americana maintains a solid financial position with a debt-free balance sheet and prioritises recovery in transaction volumes, higher average ticket sizes, and further market expansion through digital transformation and innovation. Conversely, LuLu Retail continues to struggle. Although LuLu Retail is working on expanding its store network and boosting revenue through private label and loyalty programs, it's like-for-like (LFL) revenue growth remains in the low single digits. Moreover, LuLu missed its 2024 revenue guidance provided during the IPO, partly due to underperformance in key markets and the late opening of new stores. This stagnation makes Agthia and Americana more compelling growth stories in comparison.

Stock	Target Price	Current Price	Gain	Rating	P/E[1]	EV/EBITDA[1]	Dividend Yield[1]
Agthia Group PJSC	8.00	4.20	90.5%	BUY	11.20	10.84	5.4%
Americana Restaurants	3.15	2.17	45.2%	BUY	21.69	7.96	3.6%
Lulu Retail Holding	2.25	1.23	82.9%	BUY	13.97	4.39	5.4%

Source: FABS Estimate, [1]Data refers of FY2025

Key Developments in the Consumer Sector

UAE Inflation Stays Below Global Average as Saudi and Egypt Record Moderate Price Rises
Inflation in the UAE remained well-contained at 1.7% in 2024, significantly below the global average of 5.7%, mainly due to lower inflation in tradeable goods. The Central Bank of the UAE (CBUAE) has kept its inflation forecast for 2025 unchanged at 2.0%, which remains considerably lower than the global trend. The main contributors to this expected increase are the non-tradeable components of the consumer basket. Additionally, the continuation of tight global monetary policy is expected to support contained inflation levels. For 2026, the inflation outlook remains steady at 2.1%, primarily influenced by non-tradeable goods and external factors. In line with the U.S. Federal Reserve's monetary stance, the CBUAE reduced its Base Rate by 50 basis points in Q4 2024 to 4.40% and has maintained this rate through March 2025. In Saudi Arabia, the annual inflation rate reached 2.3% in March 2025 compared to March 2024. This increase is largely due to higher prices in housing, water, electricity, gas, and other fuels (up 6.9%), as well as food and beverages (up 2.0%) and personal goods and services (up 3.9%). Conversely, transportation costs declined by 0.8%. On a MOM basis, the Consumer Price Index (CPI) showed moderate growth of 0.3% in March 2025 compared to February, driven by a 0.5% rise in housing-related costs, particularly a 0.6% increase in actual rents, and a 0.3% increase in food and beverages, boosted by a 2.0% rise in vegetable prices. In Egypt, the urban headline CPI inflation rose by 1.6% in March 2025, compared to 1.0% in March 2024 and 1.4% in February 2025. On an annual basis, inflation reached 13.6% in March 2025, up from 12.8% in February 2025, according to data released by the Central Agency for Public Mobilization and Statistics.

Robust tourism spending in UAE and KSA to drive the consumer sector
The surge in tourism across the UAE and Saudi Arabia is set to provide a significant uplift to the consumer sector, as increased visitor arrivals and travel activity generate demand for retail, hospitality, and related services. According to the UAE's General Civil Aviation Authority, UAE recorded a 10.0% YOY rise in civil aviation passenger traffic, reaching 147.8 Mn passengers in 2024, reflecting strong economic momentum and sustained global travel demand. Passenger volumes were sustained by 64.4 Mn transit passengers, 41.7 Mn departures, and 41.6 Mn inbound passengers, creating robust demand for consumer-facing services, especially within retail, food and beverage, and ground transport. Abu Dhabi Airports experienced a 28% increase in traffic to 29.4 Mn, partly due to 29 new routes launched from Zayed International Airport, while Dubai International Airport (DXB) saw traffic grow to 92.3 Mn (+6% YOY growth). Dubai's hospitality sector also benefitted, with international overnight visitors rising 9% to 18.7 Mn, lifting occupancy rates to 78.2%, and boosting revenue per available room (RevPAR) by 2% to USD 112. The uptick in tourism spend contributes directly to consumer demand across retail, dining, entertainment, and transportation. In Saudi Arabia, strong tourism momentum continued, with inbound visitor spending rising 13.8% YOY to SAR 153.6 Bn, lifting the travel account surplus to SAR 49.8 Bn in 2024. This expanding tourism base will likely support retail sales, increase footfall in malls, and strengthen demand for premium and lifestyle goods. With the UAE targeting 39.3 Mn visitors by 2030 and AED 90 Mn GDP contribution from tourism, the growing influx of tourists is set to play a key role in sustaining consumer sector growth across the region.

UAE Maintains Growth Streak as Egypt Slides into Contraction

In March 2025, the S&P Global UAE Purchasing Managers' Index (PMI) declined to 54.0, down from 55.0 in February, reflecting a slight slowdown in non-oil private sector growth. Despite this moderation, firms increased purchasing activity at the fastest pace in nearly six years to address backlogs caused by supply delays and sluggish customer payments. Business activity continued to rise, but at the slowest rate in four months. While sales volumes grew, supported by new client acquisitions, intense competition and a drop in export sales led to the weakest sales growth since October 2024. Employment trends were subdued, with job creation falling to its lowest in nearly three years as most companies held staff levels steady. However, selling prices were raised for the third consecutive month, as firms looked to protect margins amid inflationary pressures, even though input cost inflation eased. UAE PMI has stayed in expansionary territory of above 50 since pandemic, indicating resilience of UAE economy. In Dubai, non-oil business conditions improved at a slower pace for the third month in a row, with the PMI falling to 53.2 in March from 54.3 in February. Although new orders continued to rise, the rate of growth weakened compared to early 2025, leading some firms to cut jobs. In Saudi Arabia, the Riyad Bank PMI marginally declined to 58.1 in March from 58.4 in February, still indicating solid growth. Strong marketing, competitive pricing, and improved economic sentiment boosted both domestic and foreign orders. Employment expanded, driven by higher demand and increased output. In Egypt, the PMI dropped to 49.2 in March from 50.1 in February, reflecting a downturn. Firms scaled back operations, purchases, and staffing due to weak domestic and global demand. However, input costs eased, aided by a stable Egyptian pound and lower staff expenses.

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1Q25 Preview: Agthia Group PJSC

Lower revenue and higher R&D cost to impact profitability

Current Price	Target Price	Upside/Downside (%)	Rating
AED 4.20	AED 8.00	+90.5%	BUY

1Q25 estimate

Agthia Group (AGTHIA/the Company) is projected to report a 27.7.% YOY decrease in net profit to AED 84 Mn in 1Q25. This decline is primarily driven by anticipated fall in revenue and other income, partially offset by projected decline in selling and distribution expense, general and administrative expense. The Company's revenue is expected to fall 12.2% YOY to AED 1,272 Mn in 1Q25, driven by projected decline in Agri - business segment revenue and Consumer Business segment revenue. Agri - business segment is anticipated to decrease 25.0% YOY to AED 336 Mn in 1Q25. On the other hand, Consumer Business segment is anticipated to decrease 6.5% YOY to AED 936 Mn in 1Q25, due to decrease in Protein & Frozen, Snacking, partially offset by increase in Water & Food. Protein & Frozen segment is expected to decrease 14.0% YOY to AED 252 Mn in 1Q25, while Water & Food is projected to increase 5.5% YOY to AED 275 Mn in 1Q25. Likewise, Snacking segment is forecasted to fall 8.5% YOY to AED 409 Mn in 1Q25. The cost of sales is projected to decline 12.6% YOY to AED 902 Mn in 1Q25. As a result, gross profit is expected to decrease 11.2% YOY to AED 370 Mn in 1Q25. S&D are predicted to fall 14.3% YOY to AED 140 Mn in 1Q25. Similarly, G&A expenses are anticipated to decline 6.3% YOY to AED 104 Mn in 1Q25. However, R&D costs are expected to increase from AED 2 Mn in 1Q24 to AED 3 Mn in 1Q25. Other income is expected to decline 46.7% YOY to AED 10 Mn in 1Q25. The Company's EBITDA is likely to decrease 18.7% YOY to AED 189 Mn, and EBITDA margin is expected to decline from 16.0% in 1Q24 to 14.9% in 1Q25. AGTHIA's Operating profit is estimated to decline 16.2% YOY to AED 133 Mn in 1Q25. Similarly, operating profit margin is likely to fall 50 bps YOY to 10.5% in 1Q25. Finance income is anticipated to fall 3.6% YOY to AED 4 Mn, while finance expenses is forecasted to rise 92.6% YOY to AED 32 Mn in 1Q25. Income tax and zakat expenses are predicted to decrease 20.3% YOY to AED 16 Mn in 1Q25. Additionally, non-controlling interest is forecasted to fall 46.3% YOY to AED 6 Mn in 1Q25.

2025 forecast

We estimate Agthia Group's net profit to increase 12.9% YOY to AED 329 Mn in 2025, driven by anticipated increase in revenue, and decline non-controlling interest, partially offset by forecasted rise in cost of sale, selling and distribution expense, general and administrative expense, research and development costs, decrease in other income, decrease in finance income, increase in finance expense and tax expenses. The Company's revenue is predicted to grow 7.3% YOY to AED 5,272 Mn in 2025, supported by forecasted expansion in revenue from Consumer Business and Agri-Business segments. Revenue from Consumer Business segment is predicted to boost 7.0% YOY to AED 3,833 Mn in 2025, due to anticipated rise in revenue from Protein & Frozen, Water & Food and Snacking segments. Revenue from Protein & Frozen is forecasted to increase 4.0% YOY to AED 1,049 Mn in 2025. Additionally, revenue from Water & Food is anticipated to rise 7.0% YOY to AED 1,158 Mn in 2025. Furthermore, Snacking is predicted to rise 9.0% YOY to AED 1,626 Mn in 2025. Revenue from Agri - Business segment to predicted to grow 8.0% YOY to AED 1,439 Mn in 2025. However, the cost of sales is anticipated to increase 7.1% YOY to AED 3,692 Mn in 2025. As a result, gross profit is expected to rise 7.8% YOY to AED 1,580 Mn in 2025. S&D expenses are projected to grow 7.7% YOY to AED 659 Mn, while G&A expenses are expected to increase marginally 0.9% YOY to AED 453 Mn in 2025. R&D costs are predicted to rise 38.4% YOY to AED 11 Mn in 2025. Other income is forecasted to decrease 9.8% YOY to AED 42 Mn in 2025. EBITDA is projected to rise 6.4% YOY to AED 723 Mn, while the EBITDA margin is expected to fall 11 bps YOY to 13.7% in 2025. Operating profit is estimated to increase 12.4% YOY to AED 499 Mn in 2025. Whereas operating profit margin is anticipated to expand 43 bps YOY to 9.5% in 2025. Finance income is expected to fall 1.2% YOY to AED 17 Mn, while finance expense is forecasted to rise 20.2% YOY to AED 98 Mn in 2025. Income tax and zakat expenses is projected to rise 1.5% YOY to AED 63 Mn in 2025. Additionally, non-controlling interest holders is anticipated to decline 12.7% YOY to AED 27 Mn in 2025.

4Q24 outturn

AGTHIA's revenue rose marginally by 1.3% YOY to AED 1,307 Mn in 4Q24 primarily driven by growth in Snacking and Water & Food segment, partially offset by a decline in revenue of the Protein & Frozen segment as well as Agri-Business segment. Revenue from the Protein and Frozen segment fell 10.0% YOY to AED 234 Mn in 4Q24 mainly due to a devaluation of Egyptian currency. Snacking business revenue rose 15.9% YOY to AED 495 Mn in 4Q24. Water and Food business revenue grew 12.2% YOY to AED 278 Mn in 4Q24. Agri-business revenue fell by 15.5% YOY to AED 300 Mn in 4Q24. The Company's direct cost grew faster than revenue by 3.2% YOY to AED 921 Mn in 4Q24. Thus, gross profit declined 2.9% YOY to AED 386 Mn in 4Q24. The gross profit margin declined 129 bps YOY to 29.6% in 4Q24. Total EBITDA fell from AED 224 Mn in 4Q23 to AED 141 Mn in 4Q24 owing to the increase in operating expenses. EBITDA margin declined from 17.4% in 4Q23 to 10.8% in 4Q24. Snacking segment EBITDA declined from AED 103 Mn in 4Q23 to AED 7 Mn in 4Q24 owing to the inventory write offs and receivable impairments related to the dates business. Protein & Frozen segment EBITDA declined 24.2% YOY to AED 22 Mn whereas Water & Food Segment EBITDA rose 27.9% YOY to AED 46 Mn in 4Q24. Agri-business EBITDA significantly grew 20.9% YOY to AED 56 Mn in 4Q24. Furthermore, the finance income rose from AED 5 Mn in 4Q23 to AED 9 Mn in 4Q24. The finance cost declined from AED 27 Mn in 4Q23 to AED 10 Mn in 4Q24. Additionally, income tax and zakat expenses stood at AED 15 Mn in 4Q24, compared to AED 54 Mn in 4Q23. Share of profit attributable to non-controlling interest holders fell from AED 11 Mn in 4Q23 to AED 6 Mn in 4Q24.

Target price and recommendation

We maintain our BUY rating on AGTHIA with a target price of AED 8.00. AGTHIA recorded a 7.7% YOY growth in revenue in FY2024 driven by annual growth of 9.6% in the volume partially offset by 1.8% decline in pricing. Moreover, excluding EGP devaluation impact, revenue grew 16.7% YOY in FY2024. Egypt continues to be a major growth pillar, achieving a 50% growth in exports. Moreover, successful export growth strategy from Egypt contributed significantly to the overall revenue performance. AGTHIA made strategic investments, such as in the Strawberry IQF (Individually Quick Frozen) line in Egypt, which started operations in January 2025. This facility enhances their ability to export products to Europe, Asia, and the GCC. The new protein facility in Saudi Arabia began operations in mid-2024, but its ramp-up took longer than expected. Some of the production is being transferred from Jordan to Saudi Arabia, part of the ramp-up plan. The second line of the facility is expected to be operational in 2H26. There was a slowdown in the Quick Service Restaurant (QSR) volumes last year due to geopolitical factors, but AGTHIA anticipates recovery as the year moves forward, especially from 2Q25 onwards. Moreover, population stability in Saudi Arabia, the recovery of the Egyptian currency, and improved market fundamentals will support growth in the protein business in 2H25. AGTHIA is optimistic about the performance of its core business in the UAE, as the Company expects the UAE economy to remain strong, which should support their performance As a result, the Company's topline is poised to benefit from the capacity expansion and favorable macroeconomic factors. AGTHIA's margin witnessed pressure owing to the operational challenges in the dates business. The Company aims to address the dates oversupply issue in the 1H25 by selling the excess inventory. This will allow them to start fresh by the time the new date season begins in July 2025. It remains committed to long-term profitable growth by focusing on tight financial controls, margin improvement, and efficiency. The Company exited from nonperforming UAE Dairy business leading to a negative asset write off of AED 10 Mn in 4Q24. Abu Auf opened 59 new stores during FY2024. AGTHIA acquired an additional 10% stake in Abu Auf, increasing its ownership stake to 80%. The Company proposed dividend equivalent to 10.72 fils per share for 2H24. Thus, considering all these factors, we maintain a BUY rating on the stock.

Agthia - Valuation

(at CMP)	2020	2021	2022	2023	2024	2025F
P/E (x)	77.31	15.37	14.25	13.47	12.65	11.20
P/B (x)	1.85	1.27	1.25	1.21	1.25	1.27
EV/EBITDA (x)	19.68	10.30	8.83	6.85	6.98	10.84
Dividend Yield (%)	3.9%	3.9%	3.9%	4.2%	5.0%	5.4%

FABS estimate & Co Data

Agthia - P&L

AED mm	1Q24	4Q24	1Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Revenue	1,449	1,307	1,272	-12.2%	-2.6%	4,915	5,272	7.3%
Cost of sale	-1,033	-921	-902	-12.6%	-2.0%	-3,448	-3,692	7.1%
Gross profit	**417**	**386**	**370**	**-11.2%**	**-4.2%**	**1,466**	**1,580**	7.8%
S&D expense	-163	-148	-140	-14.3%	-5.2%	-612	-659	7.7%
G&A expense	-111	-166	-104	-6.3%	-37.0%	-449	-453	0.9%
R&D costs	-2	-2	-3	44.6%	22.6%	-8	-11	38.4%
Other (exp) / inc	19	16	10	-46.7%	-36.7%	47	42	-9.8%
EBITDA	**233**	**141**	**189**	**-18.7%**	**33.8%**	**679**	**723**	6.4%
Operating profit	**159**	**87**	**133**	**-16.2%**	**53.1%**	**444**	**499**	12.4%
Finance income	4	9	4	-3.6%	-50.9%	17	17	-1.2%
Finance expense	-16	-10	-32	92.6%	201.9%	-81	-98	20.2%
Share of loss from invest in JV	0	2	0	NM	NM	4	0	NM
Profit before tax and zakat	**148**	**87**	**106**	**-28.2%**	**22.0%**	**384**	**418**	9.0%
Income tax & zakat	-20	-15	-16	-20.3%	8.6%	-62	-63	1.5%
Profit before NCI	**128**	**72**	**90**	**-29.4%**	**24.7%**	**322**	**356**	10.5%
Non-controlling interest	-12	-6	-6	-46.3%	9.3%	-31	-27	-12.7%
Net Profit	**116**	**66**	**84**	**-27.7%**	**26.0%**	**291**	**329**	**12.9%**

FABS estimate & Co Data

Agthia - Margins

	1Q24	4Q24	1Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Gross Profit	28.7%	29.6%	29.1%	34	-48	29.8%	30.0%	14
Operating Profit	11.0%	6.7%	10.5%	-50	382	9.0%	9.5%	43
EBITDA	16.0%	10.8%	14.9%	-118	405	13.8%	13.7%	-11
Net Profit	8.0%	5.1%	6.6%	-141	150	5.9%	6.2%	31

FABS estimate & Co Data

1Q25 preview: Americana Restaurants International PLC

Improvement in margins to enhance net profit

Current Price	Target Price	Upside/Downside (%)	Rating
AED 2.17	AED 3.15	+45.2%	BUY

1Q25 estimate

Americana Restaurants (the Company/ Americana) is expected to report a 58.5% YOY increase in net profit to USD 44 Mn in 1Q25. This growth is primarily driven by an anticipated rise in sales, partially offset by a rise in COGS, S&M expenses, G&A expenses, a decrease in finance income, a rise in finance cost and a zakat charges. The Company's revenue is projected to increase 16.9% YOY to USD 577 Mn in 1Q25, due to an increase in revenue across all the brands except the Krispy Kreme brand, while the COGS is anticipated to rise 12.1% YOY to USD 268 Mn in 1Q25. Consequently, gross profit is expected to grow 21.4% YOY to USD 309 Mn in 1Q25. S&M expenses are estimated to increase 16.3% YOY to USD 204 Mn, while G&A expenses are forecasted to grow 2.2% YOY to USD 49 Mn in 1Q25. Other income is anticipated to boost 20.0% YOY to USD 3 Mn in 1Q25. As a result, total operating expenses are expected to increase 13.5% YOY to USD 250 Mn in 1Q25. EBITDA is anticipated to rise 30.7% YOY to USD 135 Mn, with the EBITDA margin estimated to improve by 246 bps YOY to 23.4% in 1Q25. As a result, operating profit is likely to rise significantly from USD 34 Mn in 1Q24 to USD 59 Mn in 1Q25, while operating profit margin to rise 331 bps YOY to 10.2% in 1Q25. Finance income is projected to fall substantially from USD 5 Mn in 1Q24 to USD 2 Mn in 1Q25. On the other hand, finance cost is projected to increase 10.1% YOY to USD 10 Mn in 1Q25. Additionally, zakat charge is forecasted to increase from USD 4 Mn in 1Q24 to USD 8 Mn in 1Q25. The Company's non-controlling interest is anticipated to fall 51.8% YOY to USD 1 Mn in 1Q25.

2025 forecast

We estimate Americana Restaurants net profit to surge 43.2% YOY to USD 227 Mn in 2025. This increase is primarily attributed to a projected growth in revenue, other income and decline in non-controlling interest, partially offset by an increase in COGS, S&M expenses, G&A expenses, decline in finance income, increase in finance cost and zakat expense. Americana's revenue is expected to grow 16.8% YOY to USD 2,567 Mn in 2025, driven by growth in revenue across all the brands. while the cost of sales is anticipated to rise 18.8% YOY to USD 1,223 Mn in 2025. As a result, gross profit is likely to boost 15.1% YOY to USD 1,344 Mn in 2025. S&M expenses are projected to increase 7.4% YOY to USD 843 Mn, while G&A expenses are expected to surge 25.0% YOY to USD 231 Mn in 2025. Other income is anticipated to rise 20.0% YOY to USD 9 Mn in 2025. As a result, total operating expenses are expected to increase 9.1% YOY to USD 1,065 Mn in 2025. EBITDA is forecasted to increase 20.4% YOY to USD 583 Mn, with the EBITDA margin to rise 67 bps YOY to 22.7% in 2025. As a result, operating profit is likely to grow 45.4% YOY to USD 279 Mn, while operating profit margin is estimated to rise from 8.7% in 2024 to 10.9% in 2025. Finance income is anticipated to decline from USD 16 Mn in 2024 to USD 8 Mn in 2025, while finance cost is expected to rise 6.5% YOY to USD 38 Mn in 2025. Additionally, zakat expenses are projected to increase 20.1% YOY to USD 25 Mn in 2025. Furthermore, non-controlling interest is anticipated to decrease 54.3% YOY to USD 3 Mn in 2025.

4Q24 outturn

Americana restaurant's revenue increased by 14.1% YOY to USD 589 Mn in 4Q24 primarily driven by LFL growth and newly opened stores during FY2024. Revenue from the Power Brands portfolio, including KFC, Hardees, Pizza Hut, and Krispy Kreme, rose substantially by 16.4% YOY to USD 553 Mn in 4Q24. The Company's cost of goods sold rose 11.3% YOY to USD 274 Mn in 4Q24. Thus, Americana's gross profit increased 16.7% YOY to USD 315 Mn in 4Q24 due to favourable commodity price trends, successful inventory management and various procurement initiatives. Gross profit margin improved 119 bps YOY to 53.5% in 4Q24. Americana's total operating expenses rose 14.1%

YOY to USD 266 Mn in 4Q24, owing to higher S&M expenses coupled with lower other income. Selling & marketing expenses rose 14.1% YOY to USD 209 Mn, and G&A expenses marginally reduced 0.9% YOY to USD 45 Mn in 4Q24. On the other hand, other income fell from USD 8 Mn in 4Q23 to USD 2 Mn in 4Q24. Thus, Americana's EBITDA increased 28.2% YOY to USD 134 Mn in 4Q24. EBITDA margin expanded 249 bps YOY basis to 22.7% in 4Q24 due to favourable gross margins. EBIT also rose 40.6% YOY to USD 50 Mn in 4Q24. However, the Company finance income fell 29.5% YOY to USD 4 Mn in 4Q24 and finance cost rose 18.5% YOY to USD 10 Mn in 4Q24. Hence, profit before zakat rose 35.2% YOY to USD 44 Mn in 4Q24. The Company zakat expenses stood at USD 7 Mn in 4Q24 due to the introduction of corporate tax in UAE in FY2024.

Target price and recommendation

We maintain our BUY rating on Americana Restaurant with a target price of AED 3.15. Americana has demonstrated resilience despite facing significant geopolitical, macroeconomic, and operational challenges in FY2024. Americana faced disruptions due to regional geopolitical conflicts and a devaluation of currencies in markets like Egypt, resulting in a 9.0% YOY revenue decline in FY2024. Despite these challenges, the Company showed a significant recovery in the latter part of FY2024, with a 14.1% YOY revenue growth in 4Q24, signalling positive momentum across key markets. With the end of regional boycotts, consumer engagement and sales are recovering to pre-boycott levels, particularly in high-growth markets like Saudi Arabia and the UAE. This growth is expected to be sustained during FY2025. Americana opened 213 gross new stores and 155 net new stores in FY2024, with significant expansions in Saudi Arabia, UAE, and Kuwait and further entry into new markets like Kazakhstan, Morocco, and Iraq. The Company's focus on opening stores in relatively stable markets with less geopolitical risk ensures solid growth potential. Americana crossed a significant milestone of 700 stores in Saudi Arabia, including the 100th Pizza Hut, within 30 months. Americana's total portfolio grew to 2,590 restaurants by the end of FY2024, with continued expansion of its power brands (KFC, Pizza Hut, and Hardee's). The company plans to open 150-160 new stores in FY2025, focusing on key growth markets and has a strong pipeline of new store openings. In January 2025, Americana acquired Pizza Hut Oman, adding 47 stores to its portfolio to support the Company's growth strategy and enhance its market dominance across key food brands like KFC, Pizza Hut, and Hardee's. Americana plans further expansion of loyalty programs and personalization across its core brands like KFC, Pizza Hut, and Hardee's to enhance customer retention and engagement in 2025. Americana maintained disciplined capital expenditures of USD 115 Mn in FY2024, accounting for 5.2% of revenue. Most of this investment was allocated to new store openings, digital initiatives, and selective remodels. The Company implemented cost-cutting measures, including a USD 25 Mn reduction in people costs and optimization of marketing and maintenance expenses, while maintaining a disciplined approach to Capex by prioritizing new store openings, digital initiatives, and selective remodels to support business recovery. The Company enhanced store efficiency by implementing better inventory controls through AMR apps and expects a slight improvement in gross margin in FY2025 compared to FY2024. Additionally, Americana is setting up a Center of Excellence (COE) for IT in India to streamline operations further. The management proposed a USD 127 Mn dividend for FY2024, subject to shareholder approval in the AGM. Thus, based on our analysis, we maintain a BUY rating on the stock.

Americana - Relative Valuation

(at CMP)	2022	2023	2024	2025F
PE	19.04	19.02	31.06	21.69
PB	17.34	11.23	12.50	11.09
EV/EBITDA	8.70	8.29	9.65	7.96
Dividend Yield	4.3%	3.6%	2.6%	3.6%

FABS Estimate & Co Data

Americana - P&L

(USD mm)	1Q24	4Q24	1Q25F	YOY Ch.	QOQ Ch.	2024	2025F	Change
Revenue	494	589	577	16.9%	-2.0%	2,197	2,567	16.8%
COGS	-239	-274	-268	12.1%	-1.9%	-1,029	-1,223	18.8%
Gross Profit	**254**	**315**	**309**	**21.4%**	**-2.1%**	**1,167**	**1,344**	**15.1%**
S&M Expenses	-175	-209	-204	16.3%	-2.7%	-785	-843	7.4%
G&A Expenses	-48	-45	-49	2.2%	9.5%	-185	-231	25.0%
Other Income	3	2	3	20.0%	42.8%	7	9	20.0%
Total Operating Exp.	**-220**	**-266**	**-250**	**13.5%**	**-6.0%**	**-976**	**-1,065**	**9.1%**
EBITDA	**103**	**134**	**135**	**30.7%**	**1.0%**	**484**	**583**	**20.4%**
EBIT	**34**	**50**	**59**	**73.0%**	**18.5%**	**192**	**279**	**45.4%**
Financing income	5	4	2	-59.8%	-43.5%	16	8	-49.4%
Financing cost	-9	-10	-10	10.1%	-2.1%	-36	-38	6.5%
Profit Before ZAKAT	**31**	**44**	**51**	**68.8%**	**17.9%**	**172**	**249**	**44.6%**
Zakat	-4	-7	-8	NM	18.1%	21	25	20.1%
Net Profit	**27**	**37**	**44**	**64.2%**	**17.9%**	**151**	**224**	**47.9%**
Non-controlling interest	-1	-4	-1	-51.8%	-84.6%	-7	-3	-54.3%
Net profit	**28**	**41**	**44**	**58.5%**	**7.4%**	**159**	**227**	**43.2%**

FABS Estimate & Co Data

Americana - Margins

	1Q24	4Q24	1Q25F	YOY Ch.	QOQ Ch.	2024	2025F	Change
Gross Profit	51.5%	53.5%	53.5%	199	-5	53.1%	52.3%	-80
EBITDA	20.9%	22.7%	23.4%	246	70	22.0%	22.7%	67
Operating Profit	6.9%	8.5%	10.2%	331	177	8.7%	10.9%	213
Net Profit	5.7%	7.0%	7.7%	202	67	7.2%	8.9%	163

FABS estimate and Co data

1Q25 preview: Lulu Retail Holding

Addition of new hypermarkets and supermarkets to drive top line

Current Price	Target Price	Upside/Downside (%)	Rating
AED 1.23	AED 2.25	+82.9%	BUY

1Q25 estimate

Lulu Retail Holdings PLC (Lulu /the Company) is projected to report a 35.9% YOY decrease in net profit to USD 60 Mn in 1Q25. The net profit is expected to be impacted by the decline in profit from discontinuing operations due to one-off gains in 1Q24, which are not expected to repeat in 1Q25. Additionally, the decline in net profit will be further affected by the anticipated rise in cost of revenue, operating expenses, net finance costs, and income tax expenses, partially offset by a forecasted growth in revenue and other operating income. Revenue is expected to increase 5.1% YOY to USD 2,039 Mn in 1Q25, due to anticipated rise across regions. Revenue from UAE and KSA are predicted to rise 6.0% YOY to USD 747 Mn and USD 394 Mn in 1Q25, respectively. Similarly, revenue from other countries is anticipated to increase 4.0% YOY to USD 898 Mn in 1Q25. On the other hand, cost of revenue is projected to increase 4.9% YOY to USD 1,566 Mn in 1Q25. As a result, gross profit is likely to boost 5.9% YOY to USD 473 Mn in 1Q25. Other operating income is predicted to increase 21.9% YOY to USD 82 Mn in 1Q25. Operating expenses are projected to grow 7.7% YOY to USD 438 Mn in 1Q25. Similarly, net finance cost is estimated to increase 20.5% YOY to USD 51 Mn in 1Q25. Lulu's EBITDA is expected to rise 4.5% YOY to USD 210 Mn in 1Q25. However, EBITDA margin is likely to decline 6 bps YOY to 10.3% in 1Q25. Income tax expenses are forecasted to grow 35.0% YOY to USD 6 Mn in 1Q25.

2025 forecast

We estimate Lulu Retail's net profit to increase marginally 0.1% YOY to USD 250 Mn in 2025, driven by an anticipated rise in revenue and other operating income, partially offset by growth in cost of revenue, operating expenses, finance cost and income tax expenses. The one-off gains from discounting operations during 2024, which are not expected to occur in 2025, will also impact the net profit growth. Revenue is anticipated to grow 5.5% YOY to USD 8,036 Mn in 2025, supported by expected increase across regions. Revenue from UAE is forecasted to rise 5.4% YOY to USD 2,894 Mn in 2025. Additionally, revenue from KSA is predicted to increase 8.7% YOY to USD 1,606 Mn in 2025. Furthermore, revenue from other countries is anticipated to boost 4.1% YOY to USD 3,537 Mn in 2025. On the other hand, cost of revenue is projected to increase 5.4% YOY to USD 6,173 Mn in 2025. Thus, gross profit is likely to surge 5.5% YOY to USD 1,863 Mn in 2025. Other operating income is anticipated to increase 4.6% YOY to USD 314 Mn in 2025. Whereas, operating expenses are forecasted to boost 3.4% YOY to USD 1,712 Mn in 2025. Similarly, finance cost is predicted to rise 4.6% YOY to USD 177 Mn in 2025. The Company's EBITDA is expected to grow 6.7% YOY to USD 839 Mn, while EBITDA margin to increase 12 bps YOY to 10.4% in 2025. Income tax expenses are forecasted to grow significantly from USD 22 Mn in 2024 to USD 37 Mn in 2025. As a result, profit from continuing operations is projected to grow 15.4% YOY to USD 250 Mn in 2025.

4Q24 outturn

Lulu Retail's revenue rose 1.8% YOY to USD 1,894 Mn in 4Q24, driven by strong performance in Oman with stable growth across high-growth markets such as the UAE and Saudi Arabia and broad-based expansion across key product categories. Revenue from Oman increased 4.0% YOY to USD 290 Mn in 4Q24, driven by strong festive season sales and ongoing expansion in the fresh food segment. Additionally, revenue from UAE market boosted 2.7% YOY to USD 682 Mn in 4Q24, attributed to the launched of four new stores in the region. Furthermore, revenue from KSA grew 2.1% YOY to USD 370 Mn in 4Q24, supported by an enhanced fresh food offering, to the growing demand for fresh products in the Kingdom. Whereas, revenue from the other market like Qatar increased 1.2% YOY to USD 282 Mn, driven by year-end promotional sales. On the other hand, Kuwait revenue fell 4.2% YOY to USD 159 Mn in 4Q24, impacted by weaker department store sales. In terms of product mix across categories, the Fresh Foods segment grew 5.0% YoY in 4Q24. Additionally, electrical goods experienced strong demand, especially in mobile phones, supported by year-end promotional campaigns. Furthermore, Lulu's high-margin Private Label products sales expanded 13.5% YoY in 4Q24, coupled with Private Label penetration increased significantly from 27.6% in 4Q23 to 30.8% in 4Q24. In omni-channel expansion, Lulu experienced 40.9% YOY growth in E-Commerce sales in 4Q24, driven by partnerships with Amazon and Talabat along with ongoing investments in its own platform. However, LFL sales declined 0.9% YOY in 4Q24, against 0.3% growth in 4Q23, due to lower sales in the Saudi Arabia, Oman, and Kuwait markets. The Company's cost of revenue rose 1.7% YOY to USD 1,451 Mn in 4Q24. As a result, gross profit increased 1.9% YOY to USD 443 Mn in 4Q24, while gross margin remained stable at 23.4% in 4Q24. Other operating income declined 24.3% YOY to USD 75 Mn in 4Q24, primarily due to the absence of lease modification during the quarter. Operating expenses rose marginally 0.8% YOY to USD 395 Mn in 4Q24. Lulu's finance cost surged substantially by 79.3% YOY to USD 53 Mn in 4Q24, due to higher working capital debt. Thus, EBITDA grew marginally 0.9% YOY to USD 219 Mn in 4Q24, and EBITDA margin fell 14 bps YOY to 11.6% in 4Q24. Income tax expenses declined 27.1% YOY to USD 6 Mn in 4Q24 due to a decline in profit before tax.

Target price and recommendation

We maintain our BUY rating on Lulu with a target price of AED 2.25. The Company failed to meet its revenue guidance for FY2024 provided during the IPO. It seems Lulu sacrificed topline growth to maintain profitability margins. The Company recorded softer sales across some of the countries due to the lower performance in some of the markets and the opening of the stores at the end of the year. Despite soft sales growth in FY2024, the Company maintained its guidance for FY2025 and the medium term. Lulu's expectation to meet the guidance will hinge on the addition of 20 new stores in FY2025, benefit from the maturing of stores opened in FY2024 and strong expansion of loyalty members from 2.0 Mn to 5.5 Mn in FY2024. These members are linked to c. 65% of sales. We believe the sales growth will also be driven by a modest growth in LFL, improved product mix and launch of new products, which will drive footfall in the stores. The Company managed to maintain both gross and EBITDA margins in FY2024 and expects to improve owing to growth in the share of private label products. The share of private label products as a percentage of total sales rose 110 bps YOY to 29.6% in FY2024. In addition, Lulu's free cash flow is expected to benefit from transitioning to an asset-light business model, which will lead to lower capital expenditure. The CapEx as a percentage of sales declined from 2.1% in FY2023 to 1.8% in FY2024. It generated a cash flow of USD 650 Mn, with a cash conversion ratio of 82.6% in FY2024 compared to 80.2% in FY2023. The Company proposed a total dividend amounting to USD 84 Mn, equating to 3 fils per share for the 2H24 of FY2024. Based on the above factors, we maintain our BUY rating on the stock.

LuLu Retail - Valuation

(at CMP)	2021	2022	2023	2024F	2025F
P/E (x)	461.68	248.17	15.73	14.00	13.97
P/B (x)	4.27	4.40	4.55	3.51	3.04
EV/EBITDA (x)	9.56	8.15	5.77	5.23	4.39
Dividend Yield (%)	NA	NA	NA	2.4%*	5.4%

FABS estimate & Co Data

**Dividend yield for 2024 is based on the 3 fils per share which the company announced for 2H'24 as it got listed during the same period.*

LuLu Retail - P&L

(USD Mn)	1Q24	4Q24	1Q25F	YOY Ch	QOQ Ch	2024	2025F	YOY Ch
Revenue	1,940	1,894	2,039	5.1%	7.6%	7,621	8,036	5.5%
Cost of revenue	-1,493	-1,451	-1,566	4.9%	7.9%	-5,856	-6,173	5.4%
Gross profit	**447**	**443**	**473**	**5.9%**	**6.8%**	**1,765**	**1,863**	**5.5%**
Other operating income	67	75	82	21.9%	8.3%	300	314	4.6%
Operating expenses	-407	-395	-438	7.7%	11.0%	-1,657	-1,712	3.4%
Finance cost, net	-42	-53	-51	20.5%	-3.8%	-169	-177	4.6%
EBITDA	**201**	**220**	**210**	**4.5%**	**-4.4%**	**787**	**839**	**6.7%**
Profit before tax	**65**	**71**	**66**	**1.6%**	**-7.5%**	**239**	**287**	**20.2%**
Income tax expense	-4	-6	-6	35.0%	-3.4%	-22	-37	NM
Net profit from con. Ops.	**60**	**65**	**60**	**-0.8%**	**-7.8%**	**216**	**250**	**15.4%**
PAT from dis. operations	33	0	0	NM	NM	33	0	NM
Net profit	**93**	**65**	**60**	**-35.9%**	**-7.8%**	**249**	**250**	**0.1%**

FABS Estimate & Co Data

LuLu Retail - Margins

	1Q24	4Q24	1Q25F	YOY Ch	QOQ Ch	2024	2025F	YOY Ch
Gross Profit	23.0%	23.4%	23.2%	17	-19	23.2%	23.2%	2
EBITDA	10.4%	11.6%	10.3%	-6	-129	10.3%	10.4%	12
Net Profit	4.8%	3.4%	2.9%	-187	-49	3.3%	3.1%	-16

FABS estimate and Co data

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