

## LuLu Retail Holding PLC

Current Price	Target Price	Upside/Downside (%)	Rating
AED 1.37	AED 2.25	+64%	BUY

### 1Q25 Net Profit higher than our estimate

- LuLu Retail's revenue rose 7.3% YOY to USD 2,080 Mn in 1Q25, primarily supported by the growth in LFL sales supported by strong festive season, new store openings and higher sales volume across certain product categories.
- The Company opened five new stores in the UAE, Bahrain and KSA in 1Q25, which include two Hypermarkets and three Express markets.
- Private label sales increased 9.5% YOY to 29.3% of retail revenue in 1Q25 increased due to expanded product range tailored to the launch of LuLu Coffee Creamer, strong customer trust, and wider availability across channels.
- Direct cost grew 8.2% YOY to USD 1,616 Mn in 1Q25 due to higher staff expenses, store expansion, and intensified promotional activities during the festive season.
- Gross profit rose 4.0% YOY to USD 465 Mn in 1Q25. However, gross profit margins declined from 23.0% in 1Q24 to 22.3% in 1Q25 primarily due to promotional campaigns aimed at increasing footfall during the festive season.
- Other operating income rose 20.0% YOY to USD 80 Mn in 1Q25, mainly due to supplier contributions driven by higher scale and improved negotiations.
- EBITDA rose 6.5% YOY to USD 214 Mn in 1Q25, whereas EBITDA margin declined marginally from 10.4% in 1Q24 to 10.3% in 1Q25.
- Net profit from continuing operations rose 15.8% YOY to USD 70 Mn in 1Q25, mainly due to strong revenue growth, high other operating income, and lower net finance cost, partially offset by higher cost of sales, operating expenses and higher taxes.

### Earnings Call Summary

- LuLu Retail's revenue in 1Q25 benefited from an earlier Ramadan and a 4% increase in gross property rates, though margins saw slight dilution due to intensified promotions.
- Gross margins dipped due to promotional activity and product mix, but the Company expects the margins to rebound in the coming quarters.
- The Company's Loyalty program reached 6.3 Mn members, reflecting growing customer engagement.
- LuLu Retail focuses on penetrating new markets in India, aiming to establish a presence in regions with untapped potential.
- The Company is on track to meet its 2025 target of opening 20 new stores, with 80% of contracts already signed, particularly in KSA.
- The Company is enhancing efficiency by redeploying its existing workforce for new roles, reducing onboarding costs, centralizing back-office operations through technology and automation, upgrading store operations with technology, and shifting more procurement online to improve cost-effectiveness and speed.
- LuLu Coffee Creamer has captured an 8% market share since October 2024, establishing itself as a high-quality yet affordable choice in the coffee creamer category.
- The Company aims to open 60 new stores in the medium term, with most new openings concentrated in KSA and the UAE.
- E-Commerce channel grew 25.3% YOY to USD 93.4 Mn in 1Q25, primarily driven by fresh food and the consumer package, as aggregators contributed the majority share over LuLu's digital platform.

- The Company plans to expand Private label products, as it remains an important contribution to LuLu's Retail margin performance.
- Historically, for every 100 bps increase in private label mix, about 20 bps were added to gross margin, and the Company expects to improve its margins in the forecasted periods.
- The Company aims to achieve a net profit margin between 5-5.5% by FY2028–29. This target aligns with its medium-term guidance provided during the IPO.
- The Company notes that traditional trade continues to have a strong presence in KSA and remains an effective channel for market entry. It sees substantial growth potential in expanding into tier 2 and tier 3 cities across the Kingdom.

**LuLu Retail - P&L**

(USD Mn)	1Q24	4Q24	1Q25	1Q25F	Var	YOY Ch	QOQ Ch
Revenue	1,940	1,894	2,080	2,039	2.0%	7.3%	9.8%
Cost of revenue	-1,493	-1,451	-1,616	-1,566	3.2%	8.2%	11.3%
<b>Gross profit</b>	<b>447</b>	<b>443</b>	<b>465</b>	<b>473</b>	<b>-1.8%</b>	<b>4.0%</b>	<b>4.9%</b>
<b>EBITDA</b>	<b>201</b>	<b>220</b>	<b>214</b>	<b>210</b>	<b>2.0%</b>	<b>6.5%</b>	<b>-2.5%</b>
<b>Profit before tax</b>	<b>65</b>	<b>71</b>	<b>79</b>	<b>66</b>	<b>19.7%</b>	<b>21.6%</b>	<b>10.8%</b>
Income tax expense	-4	-6	-9	-6	49.2%	NM	44.1%
<b>Net profit from cont. operations</b>	<b>60</b>	<b>65</b>	<b>70</b>	<b>60</b>	<b>16.8%</b>	<b>15.8%</b>	<b>7.7%</b>
Profit/(loss) after tax from disc op	33	0	0	0	NM	NM	NM
<b>Net profit</b>	<b>93</b>	<b>65</b>	<b>70</b>	<b>60</b>	<b>16.8%</b>	<b>-25.1%</b>	<b>7.7%</b>

*FABS estimate & Co Data*

## Research Rating Methodology:

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

## FAB Securities Contacts:

### Research Analyst

Ahmad Banihani +971-2-6161629 [ahmad.banihani@Bankfab.com](mailto:ahmad.banihani@Bankfab.com)

### Sales & Execution

Abu Dhabi Head Office

Trading Desk +971-2-6161700/1 Online Trading Link

+971-2-6161777

Institutional Desk +971-4-4245765

## DISCLAIMER

This report has been prepared by FAB Securities (FABS), which is authorized by the UAE Securities and Commodities Authority, licensing registration number 604002, and is a member of the Abu Dhabi Securities Exchange and Dubai Financial Market. The information, opinions and materials contained in this report are provided for information purposes only and are not to be used, construed, or considered as an offer or the solicitation of an offer or recommendation to sell or to buy or to subscribe for any investment security or other financial instrument. The information, opinions and material in this report have been obtained and derived from publicly available information and other sources considered reliable without being independently verified for their accuracy or completeness. FABS gives no representation or warranty, express or implied, as to the accuracy and completeness of information and opinions expressed in this report. Opinions expressed are current as of the original publication date appearing on the report only and the information, including the opinions contained herein, are subject to change without notice. FABS is under no obligation to update this report. The investments referred to in this report might not be suitable for all recipients. Recipients should not base their investment decisions on this report and should make their own investigations, and obtain independent advice, as appropriate. Any loss or other consequences arising from the uses of material contained in this report shall be the sole and exclusive responsibility of the recipient and FABS accepts no liability for any such loss or consequence. The value of any investment could fall as well as rise and the investor may receive less than the original amount invested. Some investments mentioned in this report might not be liquid investments, which could be difficult to realise in cash. Some investments discussed in this report could be characterised by high level of volatility, which might result in loss. FABS owns the intellectual property rights and any other material contained in this report. No part of this report may be reproduced, utilised or modified in any form either in whole or in part or by any electronic, mechanical or other means, now known or hereafter invented, including photocopying and recording, or stored in any retrieval system without the prior consent of FABS in writing. While utmost care has been taken to ensure that the information provided is accurate and correct, neither FABS, nor its employees shall, in any way, be responsible for the contents. By accepting this document, the recipient agrees he/she has read the above disclaimer and to be bound by the foregoing limitations/restrictions.