UAE Consumer Staples Sector –June 2025

Seasonality expected to exert pressure on both revenue and margins

Sector Weighting: **MARKET WEIGHT**

We maintain a positive stance on Agthia and Americana Restaurants over LuLu Retail within the consumer staples sector. Agthia continued to face macroeconomic challenges, including currency devaluation in Egypt, operational disruptions in the dates segment, and the impact of last year's one-off wheat trading revenue of AED 120 Mn in 1Q25. However, excluding the effects of the EGP devaluation and wheat trading activities in 1Q24, the Company delivered a solid performance, with revenue growth of 5.2% YOY in 1Q25, which underpins the strength and stability of its core operations. Agthia's dates business experienced short-term operational challenges, which affected its performance in 1Q25. However, with a positive outlook for the global dates market, the Company is actively restructuring the segment to strengthen its position for the 2025 season, even as some challenges may pertain through 2Q25. The Company continues to execute strategic initiatives, including acquiring Riviere HOS water delivery, an increased stake in Abu Auf's snacking segment, and the ongoing Phase II expansion of its protein facility in Saudi Arabia. These efforts, along with strong innovation and disciplined cost management, position Agthia well for sustained growth. Americana Restaurants also remains attractive despite headwinds from geopolitical uncertainties, soft consumer demand, and currency fluctuations. The Company reported a double-digit revenue growth in 1Q25, owing to strong LFL (Like-for-Like) growth and expansion of new stores. Americana opened 14 new stores and added 46 additional stores from Pizza Hut Oman in 1Q25, totalling 2,630 stores across 12 countries. The Company plans to open 150- 160 net stores across its market in 2025 with continued expansion in the UAE, KSA, Kuwait and Iraq. Americana also implemented cost-cutting initiatives to improve operational efficiency and reduce expenses. The Company expects a slight improvement in gross margin in 2025 compared to 2024, supported by stable commodity prices. Americana holds a strong financial position with a debt-free balance sheet and is focused on restoring transaction volumes, increasing average customer spending, and driving market expansion through innovation and digital transformation. In contrast, LuLu Retail continues to face challenges. Despite the Company's efforts to grow its store footprint and drive revenue through private label offerings and loyalty initiatives, its LFL revenue growth remained limited to the low single digits, indicating that these strategies have yet to deliver meaningful improvements in the performance of existing stores. Moreover, LuLu Retail is also facing growing competitive pressure from quick commerce platforms, regional retailers, and delivery aggregators. However, LuLu Retail aims to strengthen its market position and drive revenue and margin growth by expanding its private label offerings, enhancing existing stores, growing its e-commerce and aggregator partnerships, and improving operational efficiencies across an expanding store network.

Stock	Target Price	Current Price	Gain	Rating	P/E[1]	EV/EBITDA[1]	Dividend Yield[1]
Agthia Group PJSC	7.50	4.19	+79%	**BUY**	21.81	11.11	5.5%
Americana Restaurants International PLC	2.70	2.30	+17%	**BUY**	26.25	8.89	3.1%
Lulu Retail Holding PLC	2.25	1.24	+81%	**BUY**	13.79	4.54	5.5%

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

Key Developments in the Consumer Sector

UAE, Saudi Arabia Maintain Modest Inflation; Egypt Sees Sharp Annual Spike

UAE's Consumer Price Index (CPI) averaged 1.4% YOY in 1Q25, primarily due to a growth in the non-tradeable income, partially offset by a decline in tradeable income. Tradable prices comprised 31.4% of the total basket and declined by 0.6% YOY in 1Q25. In contrast, non-tradable prices, accounting for the remaining share, increased by 2.3% YOY and were the primary driver of inflation during the quarter. Additionally, Abu Dhabi's inflation stood at 0.5% and Dubai's inflation stood at 3.1% in 1Q25. Moreover, the Central Bank of the UAE (CBUAE) revised down its 2025 inflation forecast to 1.9%, citing moderating energy prices, partially offset by increases in non-tradable components of the consumer basket. Additionally, the CBUAE estimate the inflation to remain at 1.9% in 2026. Saudi Arabia's annual inflation rate remained relatively stable at 2.2% in May 2025 compared to May 2024. This steady trend was primarily driven by increased prices across key sectors such as housing, water, electricity, gas, and fuels, which rose by 6.8%. Food and beverages also saw a 1.6% increase, while personal goods and services rose by 4.0%. Additionally, prices in the restaurants and hotels category increased by 1.8%, and the education sector recorded a 1.3% rise. These upward movements were partially offset by declines in other categories, including furnishings and household equipment, which fell by 2.5%, clothing and footwear by 0.9%, and transportation by 0.8%. Overall, the inflation rate reflects a balance between rising costs in essential and service-oriented sectors and easing prices in discretionary and transport-related segments. On a MOM basis, the CPI increased marginally 0.1% in May 2025 compared to April 2025, driven by a 0.3% rise in the price of housing, water, electricity, gas, and other fuels, and a 0.1% increase in the food and beverages prices. Personal goods and services rose by 0.5%, and tobacco prices increased by 0.2%. These gains were partially offset by price declines in several categories, including transportation (-0.2%), clothing and footwear (-0.4%), recreation and culture (-0.1%), furnishings and household equipment (-0.7%), and communication (-0.1%). In Egypt, the monthly urban headline CPI inflation rose by 1.9% in May 2025, compared to (-0.7%) in May 2024 and 1.3% in April 2025. On an annual basis, inflation reached 16.8% in May 2025, up from 13.9% in April 2025, according to data released by the Central Agency for Public Mobilization and Statistics.

Strong tourism spending in the UAE and KSA poised to boost the consumer sector

The sharp rise in tourism across the UAE and Saudi Arabia is expected to significantly boost the consumer sector, with higher visitor arrivals and increased travel activity driving demand across retail, hospitality, and related services. According to the Central Bank of the UAE, airports recorded robust passenger traffic in 1Q25, reinforcing the nation's status as a leading global aviation hub. Dubai International Airport (DXB) welcomed 23.4 Mn passengers in 1Q25, marking a 1.5% YOY increase. Despite the modest growth, the airport set a new record for the period, maintaining its strong momentum and reaffirming its position as one of the world's busiest international hubs. In January 2025, DXB achieved a historic milestone, handling 8.5 Mn passengers, representing the highest monthly traffic volume ever recorded at the airport. Dubai alone welcomed 5.3 Mn international visitors in 1Q25, a 3% YOY rise from 1Q24. Furthermore, the hospitality sector continued to show resilience, with the hotel average occupancy rate rising to 83% in April 2025, up from 81% in April 2024. According to preliminary data from the Department of Culture and Tourism, hotels across Abu Dhabi hosted c.531,000 guests in March 2025, driven by the emirate's rising appeal as a global tourism hub, supported by its diverse accommodation offerings and high service standards. The average revenue per available room (RevPAER) reached AED 614 during the period. In Saudi Arabia, strong tourism momentum continued, with inbound visitor spending rising 8.0%

YOY to SAR 34.9 Mn during 1Q25. The growing tourism base is expected to boost retail sales, drive higher foot traffic in malls, and enhance demand for premium and lifestyle products.

Growth slows in UAE and Egypt, while Saudi Arabia sees modest PMI Improvement

The S&P Global UAE Purchasing Managers' Index (PMI) declined from 54.0 in April 2025 to 53.3 in May 2025, indicating a slight slowdown in non-oil private sector growth. Despite this moderation, firms continued to record growth in new orders, supported by favourable demand conditions, strong client relationships, the implementation of new marketing strategies, and a diverse product portfolio. Additionally, firms expanded their output, but the level of growth slowed to its weakest level in nearly four years. Thus, a slowdown in output, coupled with high inventory levels and supply chain constraints, led several businesses to reduce purchases and rely on existing stock. On the other hand, employment levels increased as a rise in new orders resulted in heavier workloads. Additionally, input costs rose marginally in May 2025, marking the slowest pace of inflation in nearly eighteen months. Furthermore, prices charged by non-oil firms increased marginally, driven by discounts offered elsewhere. Dubai business activity continued to grow, with PMI standing at 52.9 in May 2025, driven by robust growth in new orders, which reached a four-month high. However, despite the growth in overall business activity, the pace of expansion was the slowest in nearly four years. Additionally, purchase activity declined for the first time and job creation remained modest in 2025. Furthermore, lower inventory demand contributed to easing input cost inflation to its lowest level in 17 months. In Saudi Arabia, PMI grew marginally from 55.6 in April 2025 to 55.8 in May 2025, driven by improvement in operations such as growth in new work, rise in customer demand, and enhanced business confidence. Additionally, employment levels rose in May 2025, despite a slowdown in output. Moreover, input costs increased significantly, but competitive pressures forced firms to lower selling prices. In Egypt, the PMI grew from 48.5 in April 2025 to 49.5 in May 2025, but remained lower than the threshold of 50 mark, driven by a decline in customer sales, purchasing activity, and a fall in employment levels. Additionally, cost pressure increased due to higher supplier charges and exchange rate volatility. Input prices rose at the fastest pace seen in 2025 to date, prompting a renewed increase in selling prices.

Americana restaurants considering purchasing a stake in Cravia to expand GCC reach

Americana Restaurants International confirmed that it is in the early stages of discussions to acquire a stake in Cravia Inc., a regional operator of brands including Zaatar W Zeit, Five Guys, and Cinnabon in Dubai. The company has not yet disclosed details regarding the size of the potential stake or the expected timeline for the transaction.

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2Q25 Preview: Agthia Group PJSC

Strong core segments growth to offset revenue headwinds

Current Price	Target Price	Upside/Downside (%)	Rating
AED 4.19	AED 7.50	+79%	BUY

2Q25 estimate

Agthia Group (AGTHIA/the Company) is projected to report a 3.0% YOY increase in net profit to AED 57 Mn in 2Q25. The growth is primarily driven by the anticipated rise in revenue, other income, and a decrease in research and development, decrease in S&D expenses and finance costs, partially offset by a rise in cost of sales, general and administrative expense, income tax & zakat expense and a decrease in finance income. The Company's revenue is expected to rise 5.0% YOY to AED 1,131 Mn in 2Q25, driven by the projected increase in Consumer Business segment revenue. The Consumer Business segment is anticipated to increase from AED 777 Mn in 2Q24 to AED 837 Mn in 2Q25, mainly driven by growth across the Protein & Frozen, Water & Food, and Snacking segments. The Water and Food segment is anticipated to grow 16.0% YOY to AED 307 Mn in 2Q25. Moreover, the Protein and Frozen segment is expected to increase 4.0% YOY to AED 251 Mn in 2Q25. Likewise, the Snacking segment is estimated to increase 3.0% YOY to AED 279 Mn in 2Q25. The Agri-business is expected to decline 2.0% YOY to AED 293 Mn in 2Q25. The cost of sales is projected to increase, 10.4% YOY, to AED 826 Mn in 2Q25. Hence, gross profit is expected to decline 7.3% YOY to AED 305 Mn in 2Q25. S&D are predicted to decline 12.1% YOY to AED 130 Mn in 2Q25. Alternatively, G&A expenses are anticipated to rise 1.8% YOY to AED 80 Mn in 2Q25. However, R&D costs are expected to decrease 13.3% YOY to AED 2 Mn in 2Q25. Other income is expected to increase from AED 4 Mn in 2Q24 to AED 10 Mn in 2Q25. The Company's EBITDA is likely to increase 6.0% YOY to AED 159 Mn, and the EBITDA margin is also expected to grow 13 bps YOY to 14.0% in 2Q25. AGTHIA's operating profit is estimated to decrease 1.2% YOY to AED 103 Mn in 2Q25. Similarly, operating profit margin is anticipated to decline 57 bps YOY to 9.1% in 2Q25. Finance income is expected to fall 42.7% YOY to AED 2 Mn, while finance expense is forecasted to decline 18.1% YOY to AED 30 Mn in 2Q25. Income tax and zakat expenses are predicted to significantly increase 33.6% YOY to AED 14 Mn in 2Q25. Additionally, non-controlling interest (NCI) is forecasted to fall 41.4% YOY to AED 4 Mn in 2Q25.

2025 forecast

We estimate Agthia's net profit to grow by 3.5% YOY to AED 301 Mn in 2025, supported by an anticipated increase in revenue coupled with lower share attributable to NCI and lower income tax and zakat charges. However, we expect this will be partially offset by a projected rise in cost of sales, selling and distribution expenses, research and development costs, lower other and finance income. The Company's revenue is predicted to grow 4.8% YOY to AED 5,152 Mn in 2025, supported by forecasted expansion in revenue across all segments. Revenue from the Consumer Business segment is predicted to increase 4.8% YOY to AED 3,753 Mn in 2025, due to an anticipated rise in revenue from the Protein & Frozen, Water & Food and Snacking business. Revenue from Protein & Frozen is forecasted to increase 1.0% YOY to AED 1,019 Mn in 2025. Additionally, revenue from Water & Food is anticipated to rise 10.0% YOY to AED 1,190 Mn in 2025. Furthermore, Snacking is predicted to rise 3.5% YOY to AED 1,544 Mn in 2025. Revenue from the Agri-Business segment is expected to grow 5.0% YOY to AED 1,399 Mn in 2025. However, the cost of sales is anticipated to increase 4.1% YOY to AED 3,591 Mn in 2025. As a result, gross profit is expected to rise 6.5% YOY to AED 1,561 Mn in 2025. S&D expenses are projected to grow 5.2% YOY to AED 644 Mn, while G&A expenses are expected to increase 3.2% YOY to AED 464 Mn in 2025. R&D costs are predicted to rise 35.2% YOY to AED 10 Mn in 2025. Other income is forecasted to decline 11.9% YOY to AED 41 Mn in 2025. EBITDA is projected to rise 4.8% YOY to AED 712 Mn, while the EBITDA margin is expected to remain stable at 13.8% in 2025 compared to 2024. Operating profit is estimated to increase 9.1% YOY to

AED 484 Mn in 2025. At the same time, operating profit margin is anticipated to expand 36 bps YOY to 9.4% in 2025. Finance income is expected to fall 1.2% YOY to AED 17 Mn, while finance expense is forecasted to rise 42.4% YOY to AED 116 Mn in 2025. Income tax and zakat expenses are projected to decline 5.5% YOY to AED 58 Mn in 2025. Additionally, non-controlling interest holders are anticipated to decline 2.5% YOY to AED 30 Mn in 2025.

1Q25 outturn

AGTHIA's revenue fell 11.4% YOY to AED 1,284 Mn in 1Q25, primarily due to the absence of one-off wheat trading activity worth AED 120 Mn recorded in 1Q24, significant devaluation of the Egyptian Pound, and operational challenges in the dates business within the Snacking segment. Revenue from the Protein and Frozen segment fell 15.7% YOY to AED 247 Mn in 1Q25, primarily due to EGP devaluation, weaker purchasing power, and lower export sales in Jordan. Although local sales in Jordan improved, the gains were insufficient to counter export shortfalls. Snacking business revenue declined 8.2% YOY to AED 410 Mn in 1Q25, mainly due to sharp drop in revenue from Al Foah due to oversupply of international dates varieties from the 2024 harvest, which required inventory liquidation at reduced prices partially offset by revenue growth in BMB, due to increasing exports to the US along with growth in Abu Auf segments. Water and Food business revenue grew 10.6% YOY to AED 288 Mn in 1Q25, due to an increase in UAE bottled water sales and Home & Office Services (HOS) across the UAE, Turkey and KSA, coupled with new B2B high-profile contracts such as Marriott Group in the UAE. Agri-business revenue fell 24.6% YOY to AED 338 Mn in 1Q25, primarily due to the absence of the wheat trading activity that inflated 1Q24 revenue. The Company's direct cost declined 10.7% YOY to AED 922 Mn in 1Q25. However, gross profit declined 13.2% YOY to AED 362 Mn in 1Q25. The gross profit margin declined 57 bps YOY to 28.2% in 1Q25. Total EBITDA fell from AED 233 Mn in 1Q24 to AED 186 Mn in 1Q25, owing to decreased revenue and other income. EBITDA margin declined from 16.0% in 1Q24 to 14.5% in 1Q25. Snacking segment EBITDA declined from AED 109 Mn in 1Q24 to AED 53 Mn in 1Q25, primarily due to the inventory depletion through sales at discounted rates in the Dates business, along with input cost pressures on Abu Auf, especially in coffee. Protein & Frozen segment EBITDA declined 52.8% YOY to AED 16 Mn in 1Q25, driven by cost pressures from raw materials and the lower production volumes in the KSA plant, which were insufficient to absorb the fixed cost. Consequently, Water & Food Segment EBITDA rose 17.6% YOY to AED 51 Mn in 1Q25, due to improved cost efficiencies. Agri-business EBITDA significantly grew 16.1% YOY to AED 68 Mn in 1Q25 despite a decline in revenue, mainly attributable to efficient cost management and favourable commodity cycle. Furthermore, the finance income fell from AED 4 Mn in 1Q24 to AED 3 Mn in 1Q25, whereas the finance cost increased from AED 16 Mn in 1Q24 to AED 27 Mn in 1Q25. Additionally, tax and zakat expenses rose 3.6% YOY to AED 21 Mn in 1Q25. Share of profit attributable to non-controlling interest holders fell from AED 12 Mn in 1Q24 to AED 5 Mn in 1Q25.

Target price and recommendation

We maintain our BUY rating on Agthia Group with a target price of AED 7.50, supported by the company's resilient core performance and strategic growth initiatives. The Company's underlying performance remains strong, with revenue growing 5.2% YOY to AED 1,284 Mn in 1Q25, excluding the impact of EGP devaluation and wheat trading activities in 1Q24. Agthia's focus on innovation, digital transformation, and disciplined cost management led to a robust performance across its core segments. The innovation pipeline contributed over AED 45 Mn in revenue during 1Q25, while two new SKUs in the cold cuts category further expanded its product offering. Digitally, the Company made notable progress with revamped apps, AI-powered chatbots, and enhanced direct-to-consumer platforms, driving improved customer engagement and conversion rates, particularly during Ramadan. E-commerce sales now account for over 5.6% of total revenue during 1Q25, reflecting early success in this channel. Strategic acquisitions are strengthening Agthia's market position, notably the purchase of Riviere, which expands its HOS water delivery footprint, and an increased stake in Abu Auf from 70% to 80%, deepening its presence in the high-growth snacking segment.

Additionally, Agthia is advancing Phase II of its protein production facility in Saudi Arabia, which is expected to be completed by early 2026, significantly enhancing the Company's regional manufacturing capacity. The Group also recorded AED 22.6 Mn in export revenue from Egypt, led by strong performance from Abu Auf, which opened nine new stores in 1Q25. While challenges persist in certain segments like dates and protein, the Company remains well-positioned for sustainable long-term growth, supported by strong fundamentals, continued innovation, and strategic regional expansion. Thus, considering all these factors, we maintain our BUY rating on the stock.

Agthia - Valuation

(at CMP)	2020	2021	2022	2023	2024	2025F
P/E (x)	77.86	15.48	14.35	13.57	12.73	21.81
P/B (x)	1.87	1.28	1.26	1.22	1.26	1.27
EV/EBITDA (x)	19.83	10.36	8.87	6.88	7.01	11.11
BVPS (AED)	2.284	3.321	3.385	3.501	3.377	3.366
EPS (AED)	0.055	0.275	0.297	0.314	0.335	0.384
DPS (AED)	0.165	0.165	0.165	0.176	0.210	0.231
Dividend Yield (%)	3.9%	3.9%	3.9%	4.2%	5.0%	5.5%

FABS estimate & Co Data

Agthia - P&L

AED Mn	2Q24	1Q25	2Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Revenue	1,077	1,284	1,131	5.0%	-11.9%	4,915	5,152	4.8%
Cost of sale	-748	-922	-826	10.4%	-10.5%	-3,448	-3,591	4.1%
Gross profit	**329**	**362**	**305**	**-7.3%**	**-15.7%**	**1,466**	**1,561**	**6.5%**
S&D expense	-148	-147	-130	-12.1%	-11.6%	-612	-644	5.2%
G&A expense	-79	-92	-80	1.8%	-12.5%	-449	-464	3.2%
R&D costs	-2	-2	-2	-13.3%	-12.0%	-8	-10	35.2%
Other (exp) / inc	4	8	10	145.2%	18.5%	47	41	-11.9%
EBITDA	**150**	**186**	**159**	**6.0%**	**-14.5%**	**679**	**712**	**4.8%**
Operating profit	**104**	**129**	**103**	**-1.2%**	**-20.3%**	**444**	**484**	**9.1%**
Finance income	4	3	2	-42.7%	-31.5%	17	17	-1.2%
Finance expense	-36	-27	-30	-18.1%	8.3%	-81	-116	42.4%
Share of loss from investment in JV	1	2	0	NM	NM	4	4	NM
Profit before tax and zakat	**73**	**107**	**76**	**3.4%**	**-29.2%**	**384**	**390**	**1.5%**
Income tax & zakat	-11	-21	-14	33.6%	-30.5%	-62	-58	-5.5%
Profit before NCI	**62**	**86**	**61**	**-1.9%**	**-28.9%**	**322**	**331**	**2.9%**
Non-controlling interest	-7	-5	-4	-41.4%	-12.4%	-31	-30	-2.5%
Net Profit	**56**	**82**	**57**	**3.0%**	**-29.8%**	**291**	**301**	**3.5%**

FABS estimate & Co Data

Agthia - Margins

	2Q24	1Q25	2Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Gross Profit	30.6%	28.2%	27.0%	-358	-120	29.8%	30.3%	47
Operating Profit	9.7%	10.1%	9.1%	-57	-96	9.0%	9.4%	36
EBITDA	13.9%	14.5%	14.0%	13	-42	13.8%	13.8%	0
Net Profit	5.2%	6.4%	5.1%	-10	-129	5.9%	5.8%	-8

FABS estimate & Co Data

2Q25 preview: Americana Restaurants International PLC

Strong LFL growth and store expansion to boost revenue

Current Price	Target Price	Upside/Downside (%)	Rating
AED 2.30	AED 2.70	+17%	BUY

2Q25 estimate

Americana Restaurants (the Company/ Americana) is expected to report a 17.4% YOY increase in net profit to USD 61 Mn in 2Q25. This growth is primarily driven by an anticipated rise in sales and other income, partially offset by an increase in COGS, S&M and G&A expenses, coupled with higher finance and zakat charges. The Company's revenue is projected to increase 16.9% YOY to USD 654 Mn in 2Q25, owing to an expected increase in LFL sales and store expansion. COGS is anticipated to rise 14.0% YOY to USD 294 Mn in 2Q25. Consequently, gross profit is expected to grow 19.4% YOY to USD 360 Mn in 2Q25. Thus, we expect gross margins to expand 116 bps YOY to 55.0% in 2Q25. S&M expenses are estimated to increase 20.9% YOY to USD 235 Mn, while G&A expenses are forecasted to grow 2.2% YOY to USD 50 Mn in 2Q25. Furthermore, other income is anticipated to increase from USD 2 Mn in 2Q24 to USD 6 Mn in 2Q25. As a result, total operating expenses are expected to increase 15.9% YOY to USD 279 Mn in 2Q25. EBITDA is anticipated to rise 12.9% YOY to USD 146 Mn, with the EBITDA margin anticipated to fall 79 bps YOY to 22.3% in 2Q25. As a result, operating profit is likely to rise 33.6% YOY to USD 80 Mn in 2Q25, while the operating profit margin is expected to increase from 10.7% in 2Q24 to 12.3% in 2Q25. Finance income is projected to fall 20.6% YOY to USD 3 Mn in 2Q25. On the other hand, finance cost is projected to increase 10.8% YOY to USD 9 Mn in 2Q25. Additionally, the zakat charge is forecasted to increase from USD 5 Mn in 2Q24 to USD 14 Mn in 2Q25. The Company's non-controlling interest is anticipated to rise 3.2% YOY to USD 1 Mn in 2Q25.

2025 forecast

We estimate Americana Restaurants net profit to rise 29.3% YOY to USD 205 Mn in 2025. This increase is primarily attributed to a projected growth in revenue, other income and a decline in non-controlling interest, partially offset by a rise in COGS, S&M and G&A expenses, lower finance income and higher finance cost and zakat expense. Americana's revenue is expected to grow 15.4% YOY to USD 2,535 Mn in 2025, driven by growth in revenue across all the brands. While the cost of sales is anticipated to rise 15.0% YOY to USD 1,184 Mn in 2025. As a result, gross profit is likely to boost 15.7% YOY to USD 1,351 Mn in 2025. Gross margins are expected to increase 16 bps YOY to 53.3% in 2025. S&M expenses are projected to grow 13.7% YOY to USD 892 Mn, while G&A expenses are expected to surge 14.6% YOY to USD 212 Mn in 2025. Additionally, other income is anticipated to rise from USD 7 Mn in 2024 to USD 26 Mn in 2025. As a result, total operating expenses are expected to increase 10.7% YOY to USD 1,080 Mn in 2025. EBITDA is forecasted to grow 18.4% YOY to USD 574 Mn, with the EBITDA margin expected to rise 58 bps YOY to 22.6% in 2025. As a result, operating profit is likely to grow 41.4% YOY to USD 271 Mn in 2025, while the operating profit margin is anticipated to rise from 8.7% in 2024 to 10.7% in 2025. Finance income is expected to decline 17.6% YOY to USD 13 Mn in 2025, while finance cost is expected to rise 5.5% YOY to USD 38 Mn in 2025. Additionally, zakat expenses are projected to increase from USD 21 Mn in 2024 to USD 44 Mn in 2025. Furthermore, non-controlling interest is anticipated to decrease from USD 7 Mn in 2024 to USD 3 Mn in 2025.

1Q25 outturn

Americana restaurant's revenue grew 16.2% YOY to USD 573 Mn in 1Q25, primarily driven by double-digit growth in LFL and the opening of new stores, partially offset by store closures and currency devaluation in Egypt. Revenue from the Power Brands portfolio, including KFC, Hardee's, Pizza Hut and Krispy Kreme, contributed 94% of total Revenue in 1Q25, amounting to USD 538 Mn. All power brands recorded double-digit revenue growth in 1Q25, except Krispy Kreme. Americana's ongoing digital transformation saw strong results, with self-service kiosk rollout driving a 200% increase in transactions. The Company's cost of goods sold rose 13.0% YOY to USD 270 Mn in 1Q25, which is lower than the topline growth. Thus, gross profit increased 19.2% YOY to USD 303 Mn in 1Q25. Gross margin expanded 132 bps YOY to 52.8% in 1Q25 due to stable commodity costs. Total operating expenses rose 16.9% YOY to USD 257 Mn in 1Q25, owing to higher S&M expenses. Selling & marketing expenses increased 21.4% YOY to USD 212 Mn in 1Q25, as 1Q24 marketing costs included relief of USD 7.4 Mn. Thus, Americana's EBITDA increased 17.4% YOY to USD 122 Mn in 1Q25. EBITDA margin expanded 22 bps on a YOY basis to 21.2% in 1Q25. Operating profit rose 33.7% YOY to USD 46 Mn in 1Q25 with a margin of 7.9%, growing 100 bps YOY. However, the Company's finance income fell from USD 5 Mn in 1Q24 to USD 4 Mn in 1Q25, and finance cost rose 17.4% YOY to USD 10 Mn in 1Q25. Americana's zakat expenses grew from USD 4 Mn in 1Q24 to USD 7 Mn in 1Q25 due to growth in profit before tax and additional tax impact attributable to Pillar 2.

Target price and recommendation

We maintain our BUY rating on Americana Restaurants with a target price of AED 2.70. The Company's stock price grew 11.4% since our last rating (May 2025). Americana demonstrated resilience despite facing significant geopolitical, macroeconomic, and operational challenges in 1Q25. The devaluation of currencies in markets like Egypt impacted the topline by USD 14 Mn in 1Q25. Despite these challenges, the Company reported a revenue growth of 16.2% YOY to USD 573 Mn in 1Q25 due to strong LFL and expansion of new stores. UAE and Kuwait are seeing robust demand among the key markets. In 1Q25, Americana expanded its footprint by opening 14 new stores and integrating 46 Pizza Hut outlets in Oman, bringing its total store count to 2,630 across 12 countries. The company has outlined major expansion plans in Saudi Arabia, the UAE, Iraq, and Kuwait, while actively monitoring Egypt and Oman for potential recovery and growth opportunities. Americana Restaurants plans to open 150- 160 stores across its market in 2025, focusing on operational efficiency. Americana intends to boost the sales of Pizza Hut Oman to pre-crisis levels and is already seeing some green shoots post-acquisition. The Company is also planning further expansion of loyalty programs and personalisation 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 28 Mn in 1Q25, accounting for 4.8% of revenue. The majority of this investment was directed toward new store openings, digital initiatives, and the acquisition cost related to the Pizza Hut Oman business. The Company implemented cost-cutting measures to enhance operational efficiency and reduce expenses. The Company enhanced store efficiency by implementing better inventory controls through AMR apps and expects a slight improvement in gross margin in 2025 compared to 2024, owing to stable commodity costs. However, the growing share of home delivery in the channel mix is expected to keep in check the EBITDA margins. Americana is setting up a Centre of Excellence (COE) for IT in India to streamline operations further. Thus, based on our analysis, we assign a BUY rating on the stock.

Americana - Relative Valuation

(at CMP)	2022	2023	2024	2025F
PE	20.81	20.79	33.95	26.25
PB	18.95	12.28	13.67	12.39
EV/EBITDA	9.56	9.13	10.60	8.89
BVPS (AED)	0.124	0.191	0.172	0.190
EPS (AED)	0.113	0.113	0.069	0.090
DPS (AED)	0.093	0.078	0.055	0.071
Dividend Yield	4.0%	3.4%	2.4%	3.1%

FABS Estimate & Co Data

Americana Restaurants was listed in 2022; hence, the previous years multiples are unavailable.

Americana - P&L

(USD Mn)	2Q24	1Q25	2Q25F	YOY Ch.	QOQ Ch.	2024	2025F	Change
Revenue	559	573	654	16.9%	14.0%	2,197	2,535	15.4%
COGS	-258	-270	-294	14.0%	8.8%	-1,029	-1,184	15.0%
Gross Profit	**301**	**303**	**360**	**19.4%**	**18.7%**	**1,167**	**1,351**	**15.7%**
S&M Expenses	-195	-212	-235	20.9%	10.8%	-785	-892	13.7%
G&A Expenses	-49	-48	-50	2.2%	3.1%	-185	-212	14.6%
Other Income	2	6	6	NM	2.0%	7	26	250.0%
Total Operating Exp.	**-241**	**-257**	**-279**	**15.9%**	**8.6%**	**-976**	**-1,080**	**10.7%**
EBITDA	**129**	**122**	**146**	**12.9%**	**20.0%**	**484**	**574**	**18.4%**
EBIT	**60**	**46**	**80**	**33.6%**	**75.9%**	**192**	**271**	**41.4%**
Financing income	4	4	3	-20.6%	-22.3%	16	13	-17.6%
Financing cost	-8	-10	-9	10.8%	-9.5%	-36	-38	5.5%
Profit Before ZAKAT	**56**	**39**	**74**	**33.2%**	**88.0%**	**172**	**247**	**43.3%**
Zakat	-5	-7	-14	NM	87.5%	21	44	NM
Net Profit	**51**	**32**	**60**	**17.7%**	**88.1%**	**151**	**202**	**33.6%**
Non-controlling interest	-1	-1	-1	3.2%	26.9%	-7	-3	-58.7%
Net profit	**52**	**33**	**61**	**17.4%**	**86.8%**	**159**	**205**	**29.3%**

FABS Estimate & Co Data

Americana - Margins

	2Q24	1Q25	2Q25F	YOY Ch.	QOQ Ch.	2024	2025F	Change
Gross Profit	53.8%	52.8%	55.0%	116	217	53.1%	53.3%	16
EBITDA	23.1%	21.2%	22.3%	-79	112	22.0%	22.6%	58
Operating Profit	10.7%	7.9%	12.3%	153	431	8.7%	10.7%	197
Net Profit	9.3%	5.7%	9.3%	4	363	7.2%	8.1%	87

FABS estimate and Co data

2Q25 preview: Lulu Retail Holdings PLC

Rising contribution from new stores and private labels to boost sales

Current Price	Target Price	Upside/Downside (%)	Rating
AED 1.24	AED 2.25	+81%	BUY

2Q25 estimate

Lulu Retail Holdings PLC (Lulu /the Company) is projected to report a 13.1% YOY increase in net profit to USD 64 Mn in 2Q25. The rise in net profit is mainly attributed to a forecasted increase in revenue, and a decrease in operating expenses, partially offset by an anticipated growth in cost of revenue, a decline in other operating income, and an increase in finance and income tax charges. Revenue is expected to increase 7.3% YOY to USD 2,068 Mn in 2Q25, due to the rise in LFL sales and store expansions. Revenue from the UAE is predicted to grow 5.2% YOY to USD 733 Mn, while revenue from KSA is anticipated to rise 10.3% YOY to USD 405 Mn in 2Q25. Additionally, revenue from other countries is projected to increase 7.6% YOY to USD 930 Mn in 2Q25. On the other hand, the cost of revenue is projected to increase 8.4% YOY to USD 1,613 Mn in 2Q25. As a result, gross profit is likely to boost 3.4% YOY to USD 455 Mn in 2Q25. Other operating income is predicted to fall 4.0% YOY to USD 79 Mn in 2Q25. Operating expenses are projected to decline 1.7% YOY to USD 418 Mn in 2Q25. Net finance cost is estimated to increase 30.5% YOY to USD 44 Mn in 2Q25. Lulu's EBITDA is expected to rise 0.5% YOY to USD 210 Mn in 2Q25. However, we expect the EBITDA margin to decline by 68 bps YOY to 10.1% in 2Q25. The Company's profit before tax is expected to grow 13.5% YOY to USD 72 Mn in 2Q25. Income tax expenses are forecasted to grow 16.8% YOY to USD 8 Mn in 2Q25.

2025 forecast

We estimate Lulu Retail's net profit to increase marginally 2.3% YOY to USD 255 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. Revenue is anticipated to grow 6.7% YOY to USD 8,130 Mn in 2025, supported by expected increases across all the regions. Revenue from the UAE is forecasted to rise 6.5% YOY to USD 2,923 Mn in 2025. Additionally, revenue from KSA is predicted to increase 10.0% YOY to USD 1,627 Mn in 2025. Furthermore, revenue from other countries is anticipated to grow by 5.4% YOY to USD 3,580 Mn in 2025. On the other hand, the cost of revenue is projected to increase 6.9% YOY to USD 6,260 Mn in 2025. Thus, gross profit is likely to surge 5.9% YOY to USD 1,870 Mn in 2025. Other operating income is anticipated to increase 8.0% YOY to USD 324 Mn in 2025. On the other hand, operating expenses are forecasted to increase by 4.4% YOY to USD 1,730 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 6.6% YOY to USD 839 Mn in 2025, while the EBITDA margin is anticipated to remain stable at 10.3% in 2025 compared to 2024. Lulu's profit before tax is expected to grow 20.0% YOY to USD 286 Mn in 2025. Income tax expenses are forecasted to grow from USD 22 Mn in 2024 to USD 32 Mn in 2025.

1Q25 outturn

Lulu Retail's revenue rose 7.3% YOY to USD 2,080 Mn in 1Q25, primarily supported by the growth in LFL sales driven by the strong festive season, new store openings, and higher sales volume across fresh food and lifestyle products. Fresh food category revenue grew 7.9% YOY in 1Q25 driven by consumption trends and contribution from sales through aggregators and Lifestyle product category revenue rose 6.9% YOY in 1Q25. Revenue from Oman increased 7.8% YOY to USD 322 Mn in 1Q25 driven by strong performance in electrical goods category. Additionally, revenue from UAE market grew 5.2% YOY to USD 742 Mn in 1Q25, due to strong growth in fresh food segment and e-commerce sales. Furthermore, revenue from KSA grew double-digit 10.3% YOY to USD 410 Mn in 1Q25, driven by new stores openings and strong LFL growth. Whereas, revenue from the other market like Qatar increased 6.7% YOY to USD 304 Mn in 1Q25, mainly due to good trading period during Ramadan. On the other hand, Kuwait revenue grew 4.8% YOY to USD 171 Mn in 1Q25, due to contribution from supermarket sales. Furthermore, Lulu's high-margin Private Label products increased 9.5% YOY to 29.3% as a percentage of total revenue in 1Q25, due to expanded product range tailored to the launch of Lulu Coffee Creamer, strong customer trust, and wider availability across channels. Additionally, the Company's LFL sales increased 3.6% YOY in 1Q25. The Company's cost of revenue rose 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. Thus, 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. Income tax expenses increased from USD 4 Mn in 1Q24 to USD 9 Mn in 1Q25.

Target price and recommendation

We maintain our BUY rating on LuLu with a target price of AED 2.25. LuLu demonstrated strong growth in profitability driven by higher revenue, other operating income, and lower net finance cost during 1Q25. The Company demonstrated strong strategic execution by opening five new stores in 1Q25, including key locations in Makkah and Madinah. Lulu is on track to meet its 2025 target of opening 20 new stores, with 80% of contracts already signed, particularly in KSA. Lulu also recorded robust growth across its Private labels and E-commerce channels in 1Q25. Private label contributed 29.3% to retail revenue in 1Q25, up from 28.6% in 1Q24, adding USD 581 Mn in sales during 1Q25. The Company further plans to increase its private label offerings, which is expected to support its margins and solidify its position in the retail market. Lulu's Happiness loyalty program continued to gain traction, reaching 6.3 Mn members and contributing to 65% of total sales, highlighting strong customer engagement during 1Q25. The Company continues to leverage its sourcing presence across 19 countries and a robust regional distribution network to ensure product availability and operational efficiency. Lulu is focused on enhancing its existing stores, expanding its e-commerce and aggregator partnerships, growing its store network, and improving operational efficiencies, which is anticipated to drive revenue and margin growth. In line with its medium-term guidance shared at IPO, Lulu aims to open 60 new stores by FY2028–29, primarily focusing on KSA and the UAE markets, and targets a net profit margin of 5.0–5.5% by 2028–29. Additionally, the Company signed an MOU with Awqaf Dubai to co-develop community retail spaces, providing access to exclusive locations and promoting deeper community integration. Lulu also continues its international expansion strategy, with a particular focus on underpenetrated markets in India. Moreover, the Company's shareholders also approved distributing a cash dividend of USD 84 Mn for 2H24. Given Lulu's strong execution, expanding footprint, and focus on operational efficiency, we maintain our BUY rating on the stock.

LuLu Retail - Valuation

(at CMP)	**2024**	**2025F**
P/E (x)	14.11	13.79
P/B (x)	3.54	3.29
EV/EBITDA (x)	5.27	4.54
BVPS (AED)	0.353	0.380
EPS (AED)	0.089	0.091
DPS (AED)	0.030	0.068
Dividend Yield (%)	2.4%*	5.5%

FABS estimate & Co Data

Lulu Retail was listed in 2024; hence, the previous years multiples are unavailable.

**Dividend yield for 2024 is based on the 3 fils per share, as the Company announced for 2H'24.*

LuLu Retail - P&L

(USD Mn)	2Q24	1Q25	2Q25F	YOY Ch	QOQ Ch	2024	2025F	YOY Ch
Revenue	1,928	2,080	2,068	7.3%	-0.6%	7,621	8,130	6.7%
Cost of revenue	-1,488	-1,616	-1,613	8.4%	-0.2%	-5,856	-6,260	6.9%
Gross profit	**440**	**465**	**455**	**3.4%**	**-2.1%**	**1,765**	**1,870**	**5.9%**
Other operating income	82	80	79	-4.0%	-2.1%	300	324	8.0%
Operating expenses	-425	-426	-418	-1.7%	-2.0%	-1,657	-1,730	4.4%
Finance cost, net	-34	-40	-44	30.5%	10.6%	-169	-177	4.6%
EBITDA	**209**	**214**	**210**	**0.5%**	**-2.1%**	**787**	**839**	**6.6%**
Profit before tax	**63**	**79**	**72**	**13.5%**	**-8.9%**	**239**	**286**	**20.0%**
Income tax expense	-7	-9	-8	16.8%	-10.7%	-22	-32	41.3%
Net profit from con. Ops.	**56**	**70**	**64**	**13.1%**	**-8.7%**	**216**	**255**	**17.9%**
PAT from dis. operations	0	0	0	NM	NM	33	0	NM
Net profit	**56**	**70**	**64**	**13.1%**	**-8.7%**	**249**	**255**	**2.3%**

FABS Estimate & Co Data

LuLu Retail - Margins

	2Q24	1Q25	2Q25F	YOY Ch	QOQ Ch	2024	2025F	YOY Ch
Gross Profit	22.8%	22.3%	22.0%	-82	-33	23.2%	23.0%	-16
EBITDA	10.8%	10.3%	10.1%	-68	-16	10.3%	10.3%	0
Net Profit	2.9%	3.4%	3.1%	16	-27	3.3%	3.1%	-13

FABS estimate and Co data

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