International Securities
an IHC company

LuLu Retail Holdings | Consumers

Initiation of Coverage 17 Dec 2024

BUY: AED2.60 (Upside 37%)

Largest Pan- GCC retailer poised for growth in strong GCC market, initiate with a Buy and a fair value of AED2.60/share

- LuLu is the largest and the fastest-growing full line retailer with retail operations across 6 GCC countries, wholesale business as well as a network of 19 on-the ground sourcing offices
- New store rollouts (average c.18 in 2025-2028) and modest same stores growth shall drive the revenue growth for the company. We expect the revenue of the company to grow at a 2023-2028e CAGR of 7.5% reaching USD10.4bn by 2028
- We value LuLu group at USD7.3bn using a blend of DCF and relative valuation approach. Our valuation implies FY25 EV/EBITDA of 10.3(x) and a dividend yield of 3.3%

We initiate coverage on LuLu Retail Holdings PLC with a Fair Value of AED2.60/sh. At current valuation LuLu is trading at a FY25 P/E (x) of 14.2x and FY25 EV/EBITDA of 8.2(x) implying a discount of 25% and 20%, respectively to the FY25 Peer average. **We value LuLu Retail Holdings at USD7.3bn, using a combination of DCF (70% weight) and relative valuation multiple EV/EBITDA (30% weight).** The management has guided on a semi-annual dividend policy with a payout ratio of 75% of the distributable profit. We expect a dividend of USD242mn in the next 12months, implying a dividend yield of 4.5% at the current price and 3.3%, on our fair value of AED2.60/share.

LuLu Retail Holdings PLC is a 100% owned subsidiary (pre-IPO) of LuLu International Holdings Limited (parent company). ADQ invested in the parent company in 2020. LuLu has retail operations across 6 GCC countries and it has the largest pan-GCC retail footprint with a network of 241 stores and a total selling area of over 1.3mn Sqm (Square meters), 3x higher vs listed peers. The group serves over 130 nationalities with daily shoppers cumulatively over 600k, on top of over 300k visitors across their online channels. UAE and KSA are the key markers for the group , with over 5-decade long history of operations in the UAE it is the second largest grocery retailer in the country with a market share of 14%. The group is also the largest retailer in Kingdom of Saudi Arabia (KSA) Kuwait, Bahrain, Qatar and Oman.

LuLu group revenue grew by 15.3% over the past 3 years reaching USD7.3bn by FY23, depicting a CAGR of 7.4% . The growth in revenue was led by robust LFL growth which averaged 5.4% for 2022-23 along with contribution from opening of new stores. Between 2021-1Q24 the Group opened 70 total new stores. KSA has emerged as a strong growth market for the group where the group revenue grew at a CAGR of 14.8% from 2021-2023 reaching USD1.4bn by the end 2023 against USD1.06bn in 2021.

In 2024 the group intends to open c.21 new stores comprising of 12 hypermarket, 8 express stores and 1 Mini Market where 12 stores have already been opened in 9M24. As of august, group planned 10 additional store openings in 2024 with 6 expected in KSA (4 Hypermarkets & 2 Express Store), 1 in UAE (Express store) and remaining 3 in Qatar (2 HyperMarkets and 1 ExpressStores). So far the group has opened a total 18 new stores in 2024 and is on track to deliver on its guidance. Between 2025-2028, the group intends to rollout a total of c.25-30 HyperMarkets and 40-45 express stores with no closures expected. **Future growth in the revenue is expected to be driven by modest LFL growth over the period which is expected to be around c.2.5-3.0%** supported by improvements in the products mix, marketing and promotions, introduction of the loyalty programs and, launch of new products which should drive the higher traffic in stores. **We expect the group revenue to grow at a 2023-2028e CAGR of 7.5% with revenue reaching USD10.4bn by 2028.**

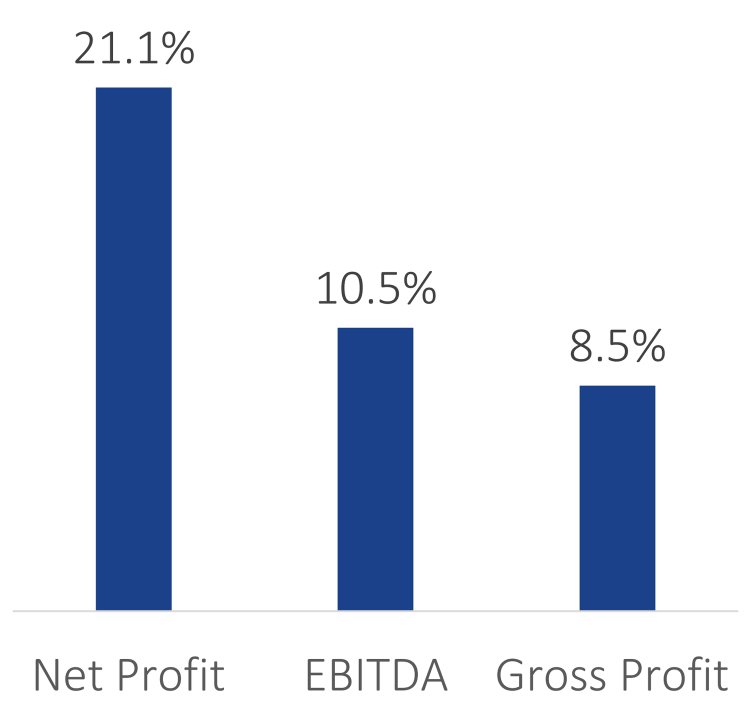
LuLu Group is well positioned to benefit from the continued growth of the consumer sector in GCC where key drivers include, i) Favorable macro economic indicators ii) Government transformational initiatives and iii) Increasing Population etc. Further to capitalize on the growing market the group has four-pronged strategy which includes **, 1) growth of existing stores 2) roll out of new stores 3) efficiencies and operating leverage from current business and, 4) growth of online e-commerce channel and private label**

LuLu Retail Holdings financials

USDmn	FY23	FY24e	FY25e
Revenue	7,278	7,961	8,622
EBITDA	753	839	967
Net Profit	192	269	375
Total Assets	8,004	5,903	6,215
Total Equity	767	1,135	1,269
Total Liabilities	7,237	4,768	4,946
EBITDA Margin	10.4%	10.5%	11.2%
Net Margin	2.6%	3.4%	4.4%
Gross Margin (%)	23.0%	23.0%	23.5%
ROE %	NA	23.7%	29.6%
ROA%	2.3%	3.9%	6.2%

Source: Company Data, IS Research

CAGR (2023-2028F)



Source: Company Data, IS Research

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Executive Summary

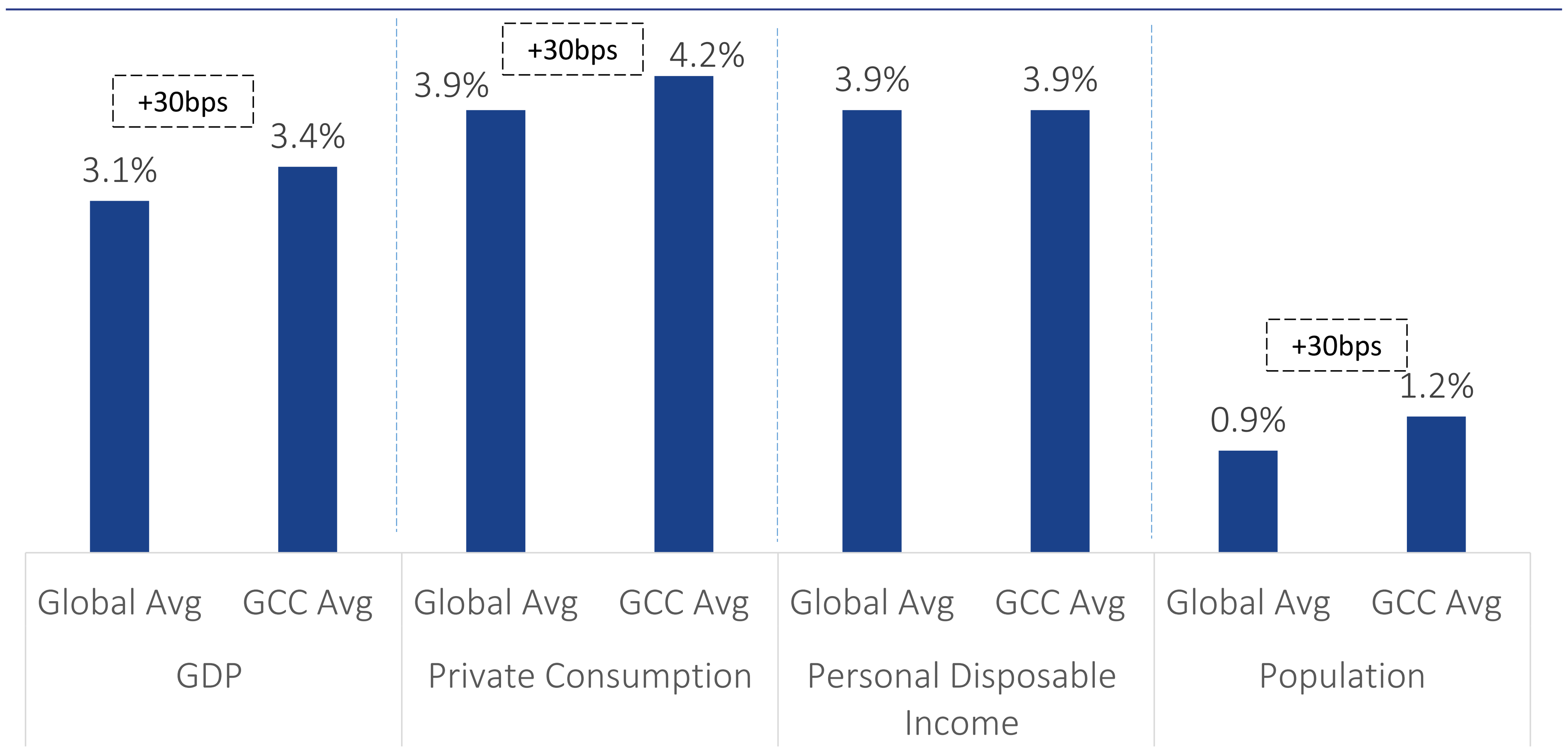
LuLu is the largest and Fastest growing full-line retailer in the GCC

LuLu Retail Holdings PLC is a 100% owned subsidiary (pre-IPO) of LuLu International Holdings Limited (parent company). Abu Dhabi champion, ADQ, invested in the parent company in 2020. The group has retail operations across all six GCC countries, wholesale business as well as a network of 19 on-the ground sourcing offices. As of May 2024, the group has the largest pan-GCC retail footprint with a network of 241 stores and a total selling area of over 1.3mn Sqm (Square meters), 3x higher vs listed peers. The company serves over 130 nationalities with daily shoppers cumulatively over 600k, on top of over 300k visitors across their online channels.

Sourcing products from 85 countries with 19 on-the-ground sourcing offices to cater to over 130 nationalities

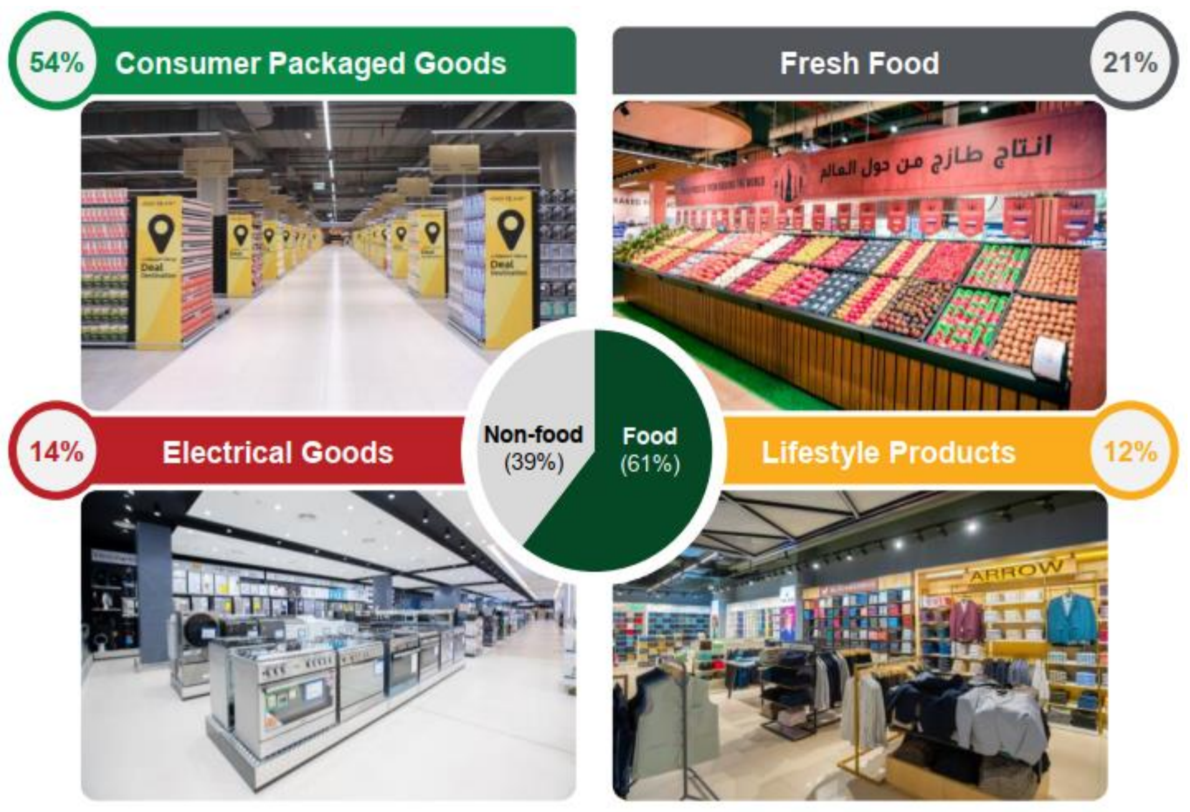
Economic tailwinds and Transformation agendas in GCC provides significant market opportunity for LuLu Group. Key retail macro-drivers in the GCC are expected to outperform the global averages.

Economic backdrop to drive significant market opportunity in GCC



Source: Company Data, IS Research

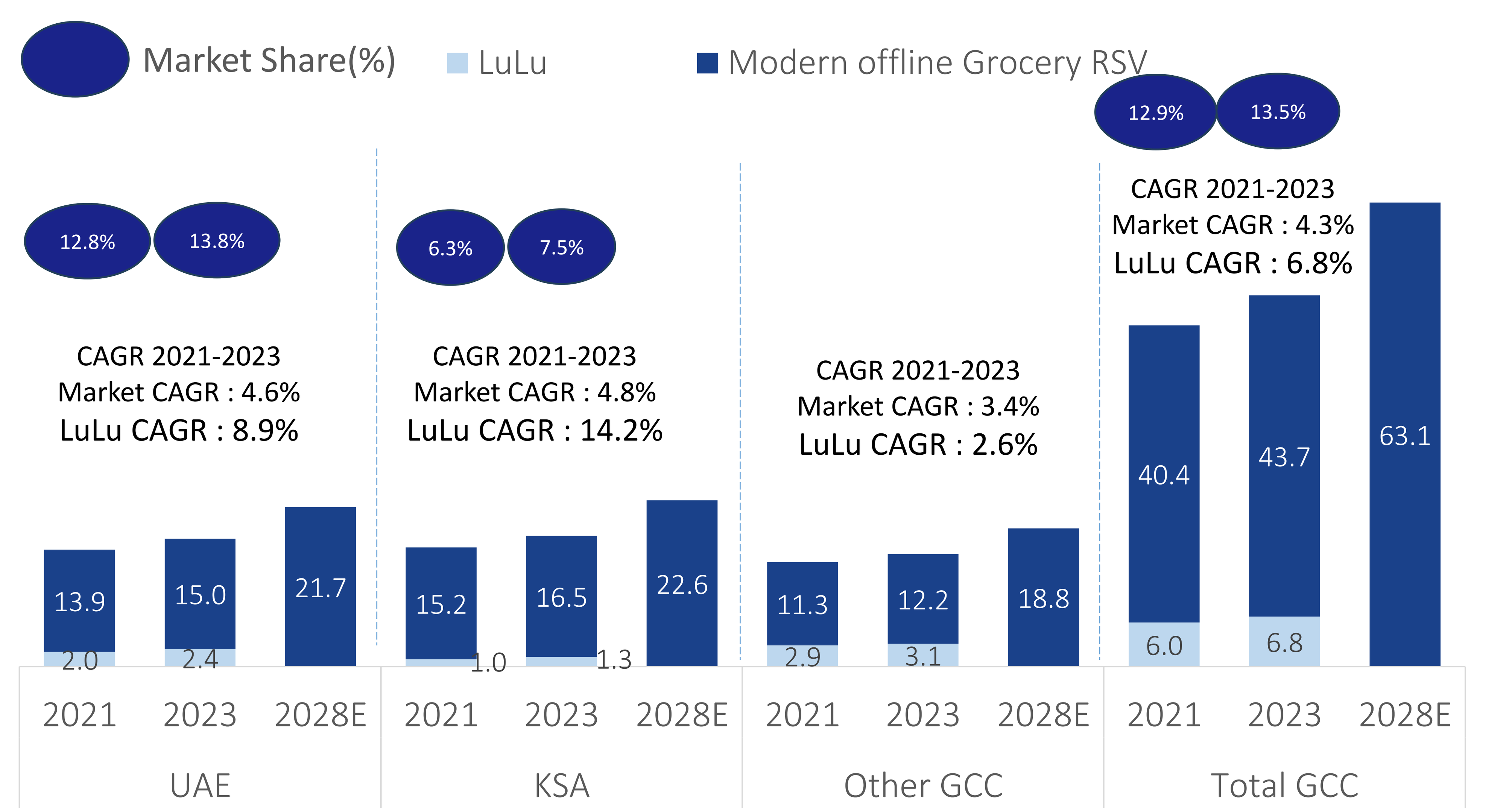
Diverse product range for various customers



Source: Company Data, IS Research, Percentages pertain to 2023A sales split by main product categories, brick and mortar and e-commerce sales excluding wholesale and other revenue

LuLu is the biggest retail player in each of the six GCC markets and has increased its market share over time in terms of retail sales value. Supported by the faster store space additions compared to the market, LuLu group has grown ahead of the Market, particularly in key markets, KSA and UAE where the group has outperformed by 2-3x. **Overall in the GCC the group has delivered a strong track record of growth and has outperformed the market by 1.6x.**

LuLu's 2021-2023 growth in RSV (USDbn) outperformed the GCC by 1.6(x)



Source: Company Data, IS Research

New store rollouts and Modest LFL growth to enable revenue growth

To capitalize on the significant market opportunity across the GCC market the group aims to 1) roll out new stores to capture the growing market and 2) maintain a modest Like for Like (LFL) same stores sales growth.

New Store Rollout: Group has demonstrated strong track record of successful store rollouts with addition of 70 new stores from 2021 to 1Q24 and cumulative 284sqm to the total selling space. **In 2024 the group intends to open c.21 new stores comprising of 12 hypermarket, 8 express stores and 1 Mini Market** where 12 stores have already been opened from 9M24. As of august, 10 additional store openings were planned in 2024 with 6 expected in KSA (4 Hypermarkets & 2 Express Store), 1 in UAE (Express store) and remaining 3 in Qatar (2 HyperMarkets and 1 ExpressStores). So far the group has opened a total 18 new stores in 2024 and is on track to deliver on its guidance. Between 2025-2028, the management has guided to rollout a total of c.25-30 HyperMarkets and 40-45 express stores with no closures expected. **In our forecasts we have assumed cumulative addition of 29 Hypermarkets and 44 Express stores between 2025-2028 with average blended per store revenue of USD32mn/annum**.

Modest LFL same stores sales growth: The existing stores revenue growth **is expected to be driven by modest LFL uptick of c.3.0%,** supported by improvements in the products mix, marketing and promotions, introduction of the loyalty programs and, launch of new products which should increase the store footfall. **As per management guidance the same stores sales growth for the group is expected to remain between 2.5% to 3.0%** in 2024e and 2025e, respectively, while in the medium term the growth is expected to remain in the range of 2-3%.

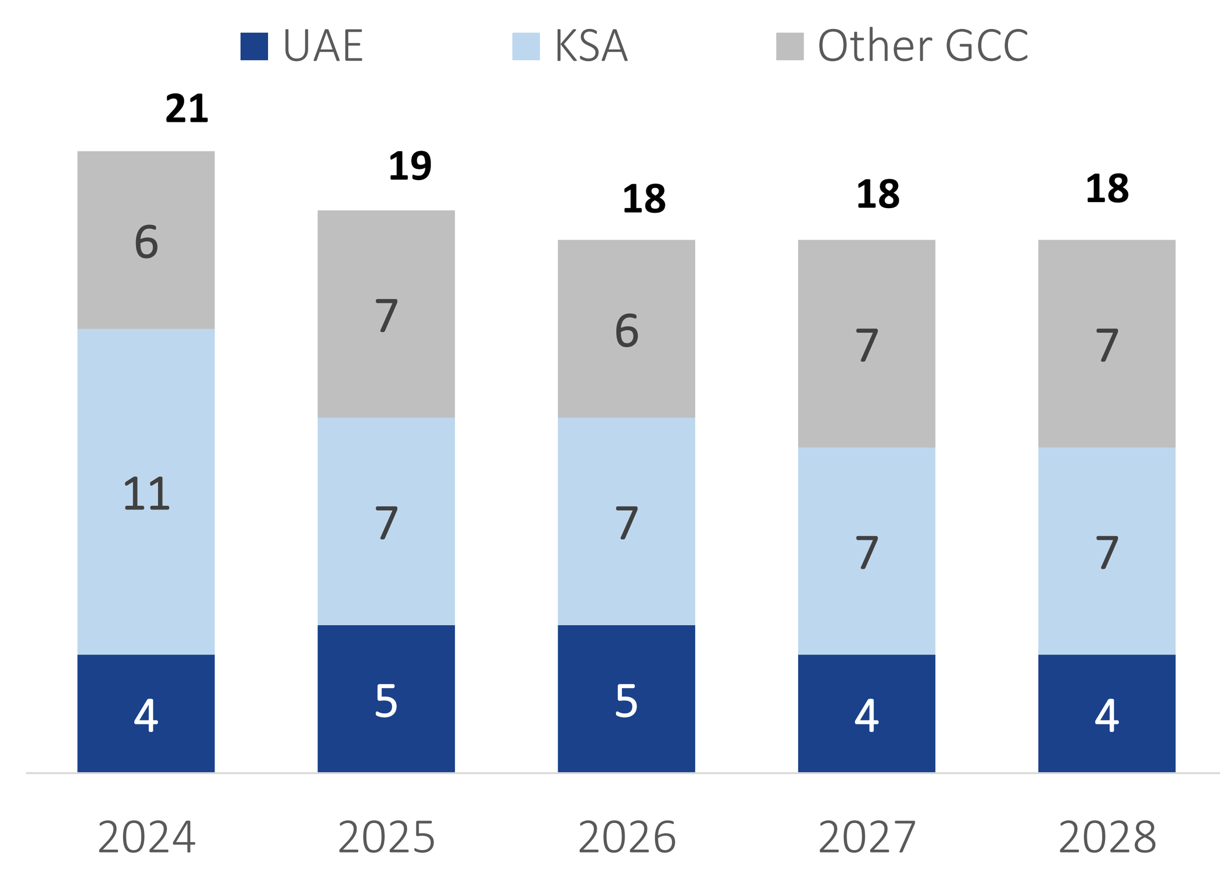
Overall, KSA market is expected to lead the growth with revenue expected to reach USD2.5bn by 2028. Economic tailwinds along with infrastructure projects undertaken by the kingdom are expected to support strong growth for the group. In KSA the group has already opened 5 stores in 2024 with 6 (5 Hyper Markets & 1 Express Stores) new openings planned before the end of the year, while LuLu targets 7 stores per year on average in the medium term. **We expect revenue in KSA to depict a YoY growth of 15.3% and 14.5% in 2024 and 2025, respectively.** In UAE the group has already opened 2 Hypermarkets and 1 express while one more store will be opened by the end of the year. New store rollouts together with modest LFL growth should drive the revenue for the company going forward.

Same Store sales growth guidance by the group (%)

	LuLu Group	UAE	KSA
Same Store Sales Guidance	1) 2.5%- 3.0% YoY in 2024e and 2025e 2) 2%-3% in the medium term	1) 2% to 3% in the short and medium term	1) 2.5% to 3.5% in the short and medium term

*Source: Company Data, IS Research * Same Stores sales growth considering the stores are open for the full year in the current year and prior year*

Group plans to open c.18 stores p.a in Medium Term



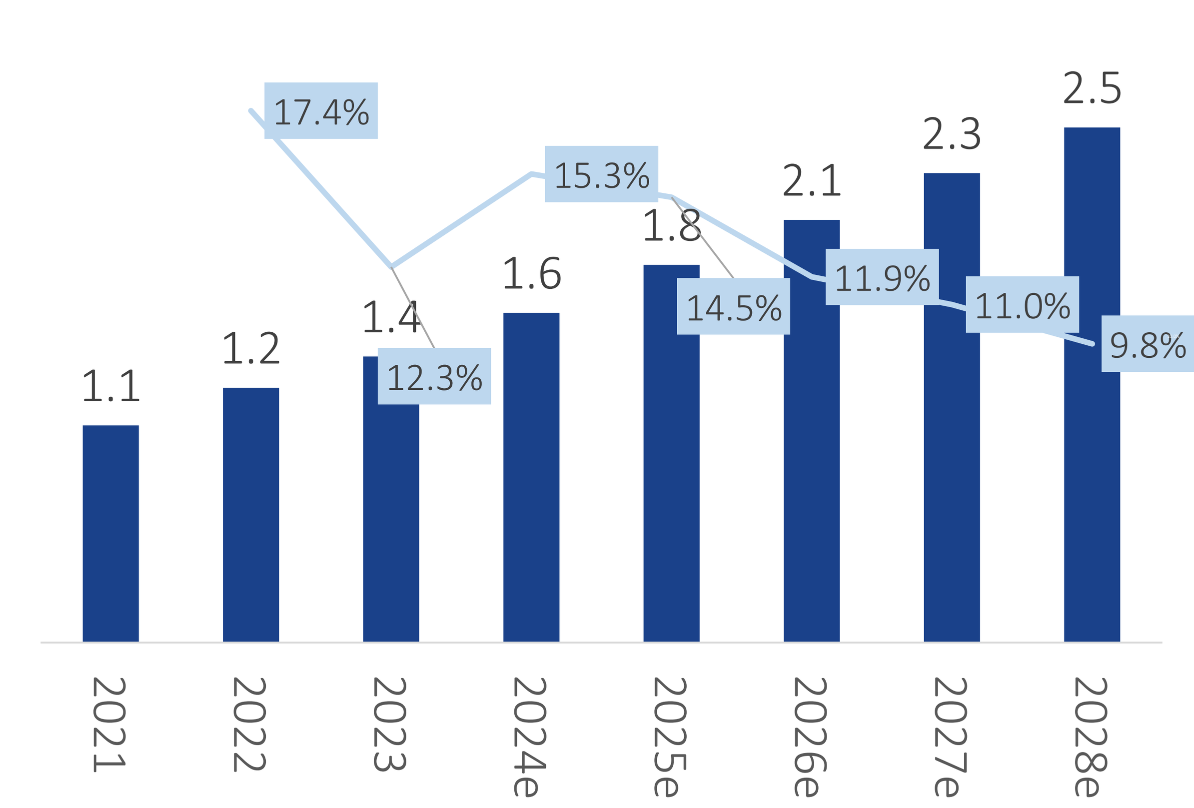
Source: Company Data, IS Research

Targeted Stores in 2024 as per Guidance

Country	Target	*Opened YTD	Remaining
KSA	6 Hyper 4 Express 1 Mini	2 Hyper 2 Express 1 Mini	4 Hyper 2 Express
UAE	2 Hyper 2 Express	2 Hyper 1 Express	1 Express

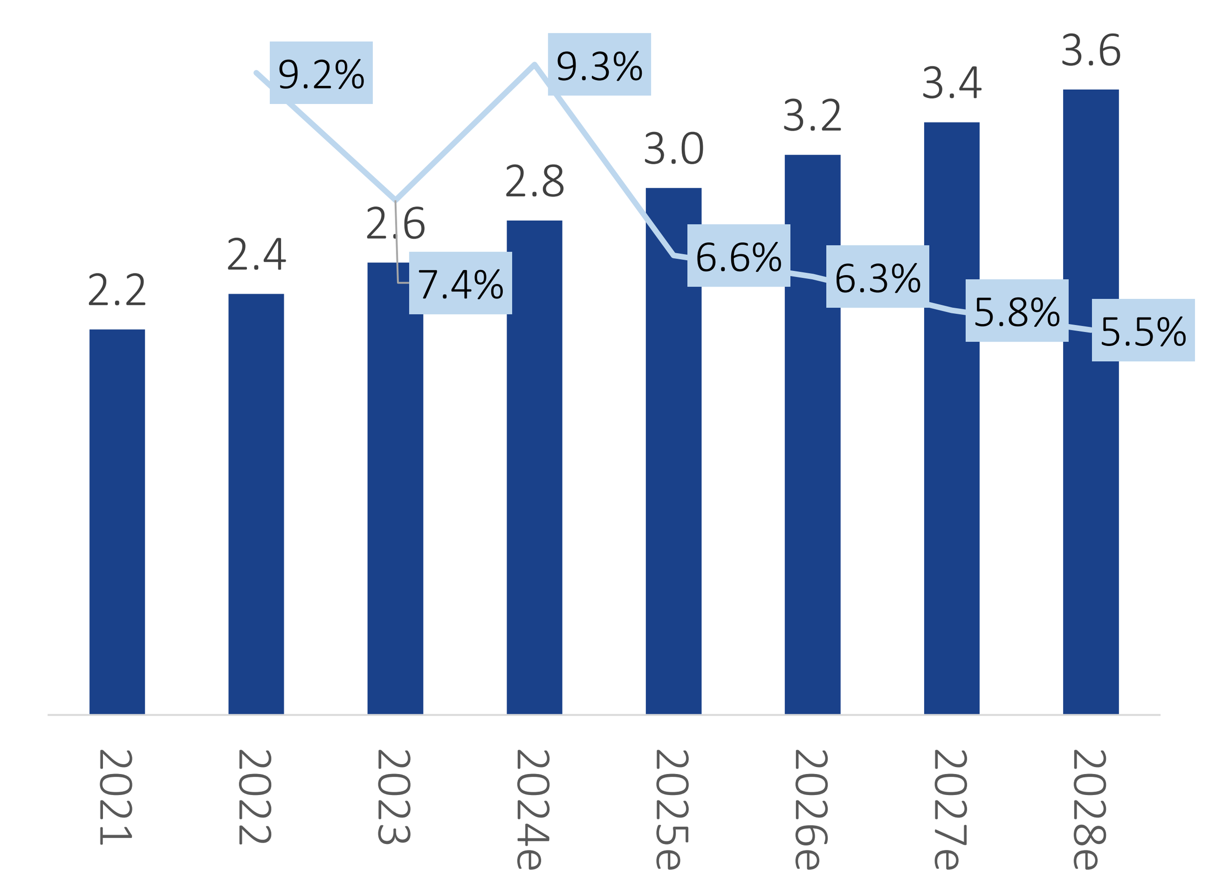
*Source: Company Data, IS Research * opened stores are as of 9M24. So far the Group has opened 18 stores in 2024*

KSA to lead the growth for the Group (USDbn)



Source: Company Data, IS Research

UAE revenue and YoY Growth (%)



Source: Company Data, IS Research

Revenue growth and margin expansion to push profits higher

We expect the group revenue to grow at a 2023-2028e CAGR of 7.5% with revenue reaching USD10.4bn by 2028. In line with the management guidance, total revenue is expected to grow by 9.4% and 8.3% in 2024 and 2025, respectively, while medium term growth is expected to be in mid-single digits.

LuLu Management : Total revenue guidance

LuLu Group	UAE	KSA
8%-10% in 2024e and 2025e	9%-10% in 2024e and 5% -7% growth in 2025e	Mid-teens growth in 2024e and 2025e
5%-7% growth over the medium term	Mid single digit growth in the medium term	Low double digit growth trending to high single digit growth over medium term

On gross margins we foresee a consistent improvement to 24.1% by 2028 against 23% in 2023, led by, 1) better souring capabilities, 2) improved product mix, and 3) various pricing and product strategies including premiumization and cross selling. Benefiting from its strong supplier relationships and economies of scale, the group has witnessed c.80bps expansion in gross margins from 2021-2023. We believe that superior sourcing capabilities, strong contribution from private labels and improved product mix will contribute to margin improvement.

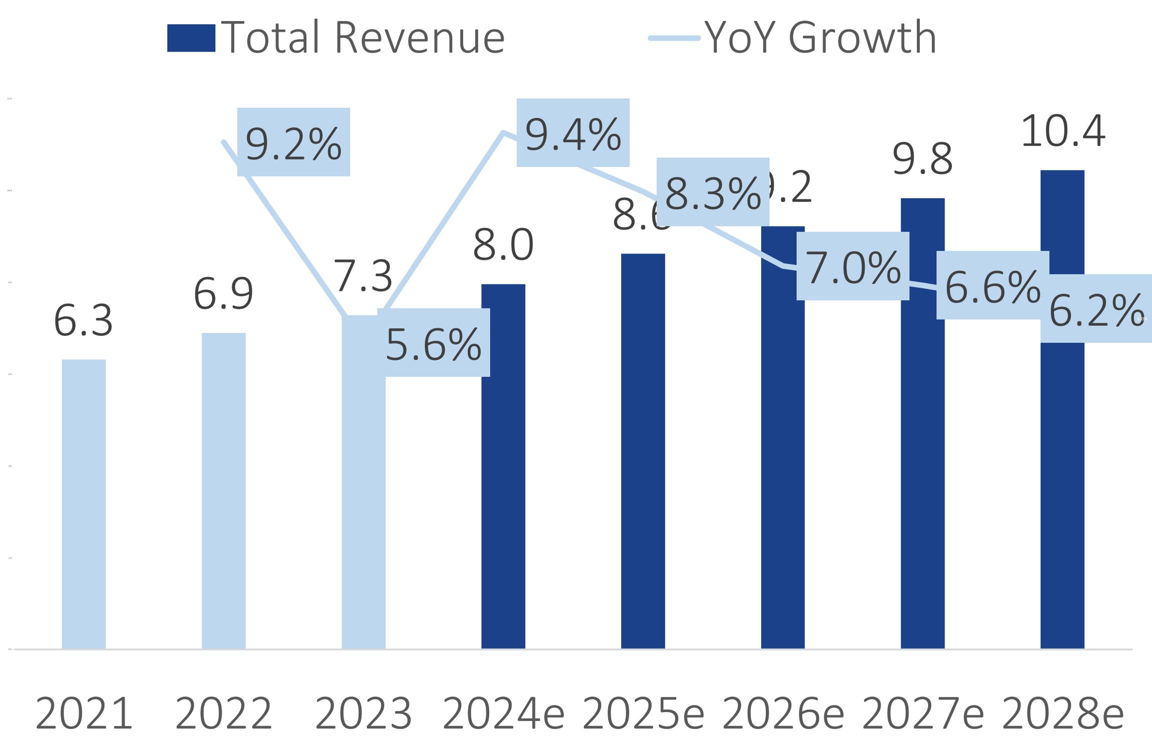
Accordingly, EBITDA margins are likely to improve to 11.9% by 2028 from 10.4% in 2023. However, in 2024, margins are likely to be flattish YoY following changes in lease terms in KSA and Qatar where certain long-term leases were converted to short and variable. As a result, conversion will now allow these expenses to be expensed through the P&L and impact the company's EBITDA compared to previously where lease expenses were recorded in depreciation and financial charges, not impacting the company's EBITDA.

The Group's leverage profile is mainly dominated by the longer-term lease liabilities. With **lease length of c.15 years, the group** can secure favorable lease terms. As of 9M24 the group has net debt/EBITDA of 3.2x (including lease Liabilities). Financial debt amounted to USD964mn as of 9M24 **which is mainly related to working capital. Amid strong cash generation and transition towards capex light (Fully furnished) stores structure.,** the group is expected to have a net debt to EBITDA (ex. leases) **of -0.4x by 2028 versus 1.4x in 9M24.**

We foresee the effective tax to be around 13% for the group, within the management's guided range of 12-14%. Accordingly, tax expense is expected to clock in at USD40.2mn in FY24, up from USD22.7mn in 2023, following implementation of corporate tax in UAE, while we expect USD86.2mn by FY28.

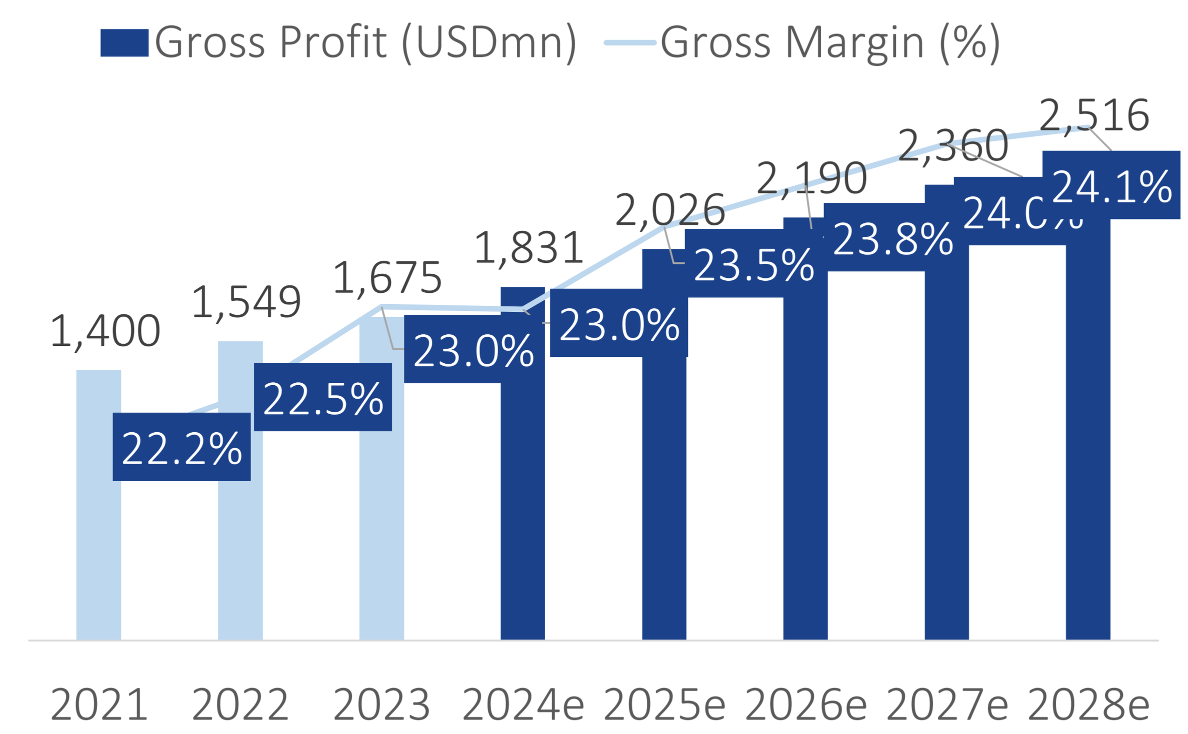
The Group's net profit is expected to increase at a 2023-2028e CAGR of 21.1% to reach USD577mn in 2028 with net profit margin of 5.5% in 2028 versus 2.6% in 2023. The group has guided on a **semi-annual dividend policy** where we expect dividends of USD242mn in the next 12 months, implying a yield of 4.5% and 3.3% on the current price and our fair value of AED2.60/sh, respectively.

Total Revenue (USDbn) to grow at a CAGR of 7.5% from 2023-2028e



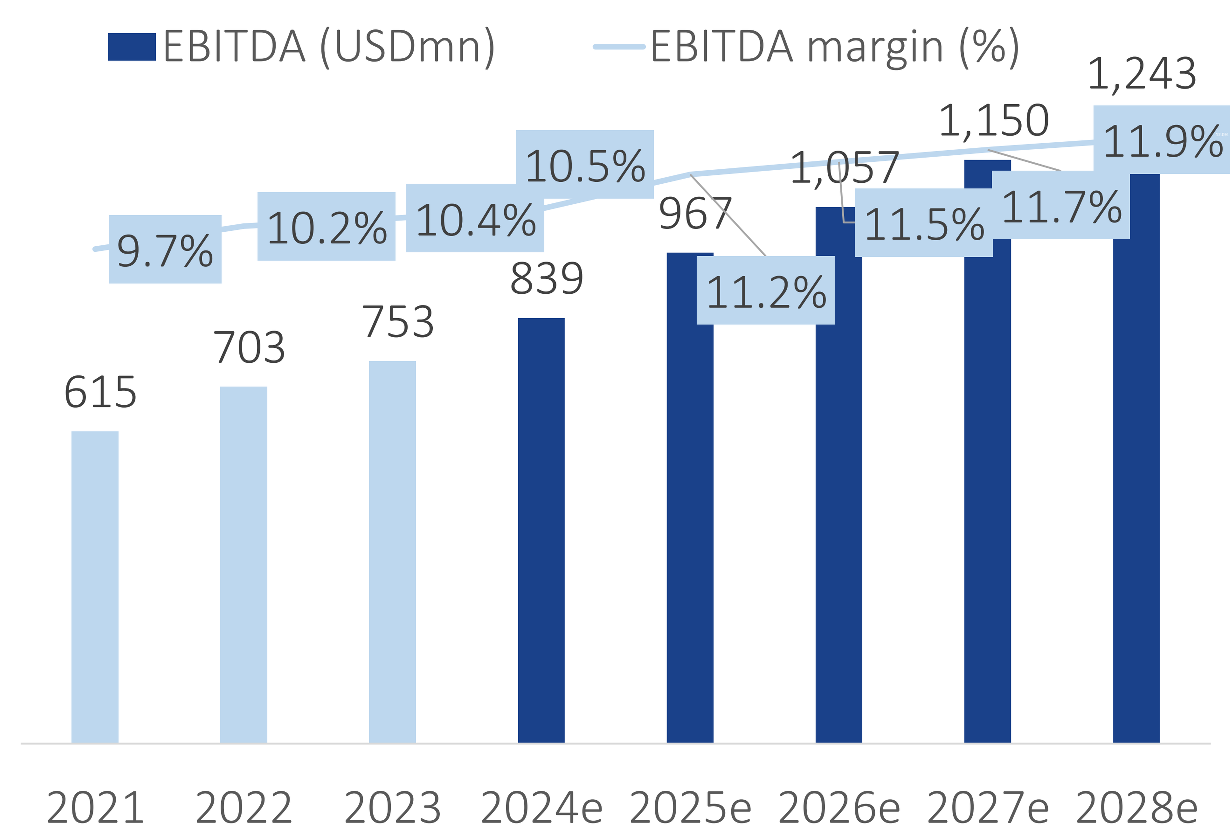
Source: Company Data, IS Research

Gross Margins to improve to 24.1% by 2028



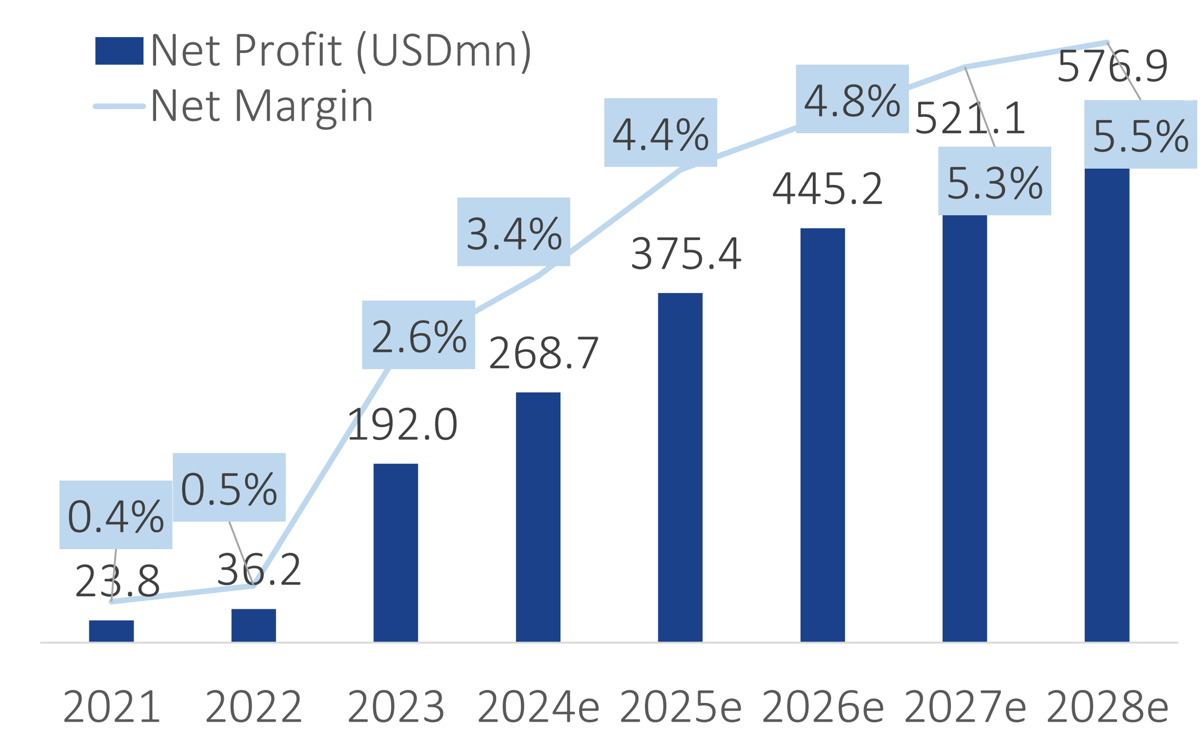
Source: Company Data, IS Research

EBITDA Margins to improve to 11.9% by 2028



Source: Company Data, IS Research

Net Profit (USDmn) and Margin (%)



*Source: Company Data, IS Research *2024 doesn't includes any profit from Discontinued operations*

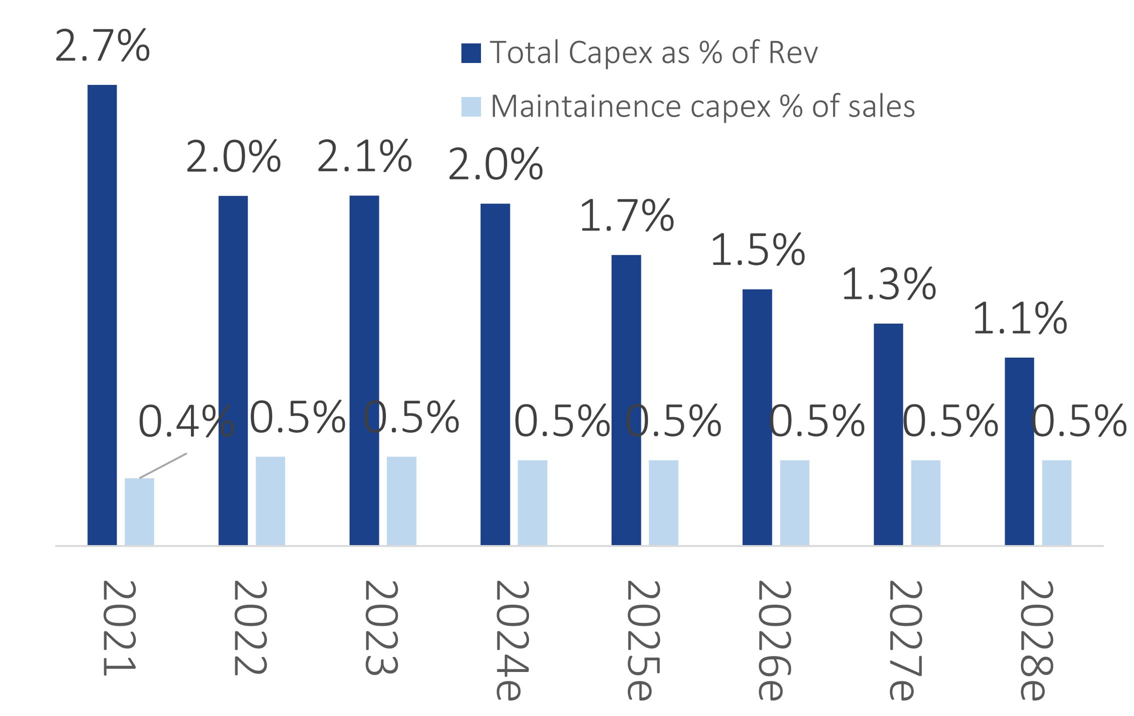
LuLu Group: Capital light model to drive value for the group

Going forward, the Group intends to adapt a capital light model with aim to increase the proportion of fully furnished stores to >60% (from 29% currently) while also reduce the size of hypermarkets by 2-3sqm. Compared to shell and core structure, fully furnished stores require lower capex as well as allow quicker store roll outs. As per the management, **both shell & core and fully furnished structures offer same payback periods.** Amid gradual shift towards fully furnished stores, we expect cash generation abilities of the group to improve. The cash generation in 2023 stood at a robust 80%, which we believe would increase further to 91% by 2028.

Maintenance capex is likely to stay around 0.5% of revenues in the foreseeable future as 48% of the store estate is less than 5-years old with low maintenance requirements. The Group also efficiently aims to minimize the maintenance costs by ensuring stores are fitted with high-quality equipment and preventive maintenance is timely done to avoid any major capex needs.

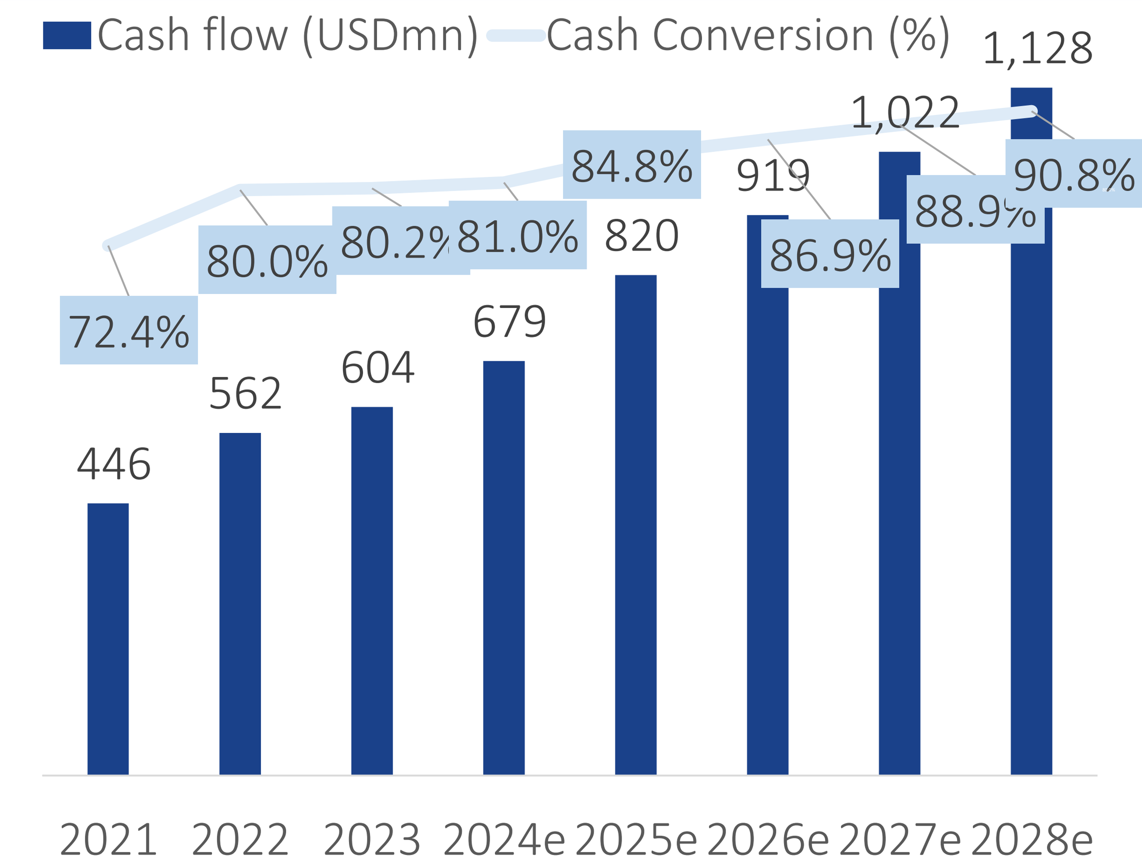
The Group has a clear focus on ESG with clearly defined sustainability priorities and objectives spanning community initiatives, circular economy objective and environmental management as well as focus on training and retention of employees. Some of the strategic outcomes include, i) Targeted 90% local procurement as of FY2023 ii) 5.3MW planned and installed potential solar capacity, iii) USD2.3mn community initiatives in FY2023, iv) c.11.7mn bottles and cans collected as of May 2024, v) 15% nationals in the workforce as of 2023 and vi) 11% YoY increase in employee training hours in 2023.,

Capex as % of Sales



Source: Company Data, IS Research

Cash generation to reach c.91% by 2028 against 80% in 2023



*Source: Company Data, IS Research * Cash conversion = EBITDA – Capex*
Capex excluding discontinued operations

LuLu group is focusing on asset light model for lower capex and faster rollouts

Key Metrics	Shell and Core [1]	Fully Furnished [2]
New Stores Rollout Split L3Y (66 stores)[3]	Highest no of Rollouts in UAE 55% UAE: 42% Qatar : 19% KSA: 14% Kuwait: 14% Oman : 6% Bahrain: 6%	Highest no of Rollouts in KSA 38% KSA: 52% UAE: 36% Oman : 4% Qatar: 4% Bahrain: 4% Kuwait - >60% Share of Fully furnished stores in Future
Avg. Capex/ Sqm (USD)	~900-1,100	~500-700
Avg. Rollout time	6-12 months	3-6 months

Source: Company Data, IS Research (1) First stage of building fit-out, usually excluding components like painting, tiling, plumbing, and electrical features
(2) Fully finished stores refers to the advanced structure of the property with interior work such as lighting, flooring etc., requires minimal adjustments and hence lower capex needs
3) (3) 8% of new store rollouts came from constructed stores (4) Based on management targeted rollouts

LuLu Group: We value LuLu Retail at USD7.3bn with a FV of AED2.60/sh

We value LuLu group at USD7.3bn using a weighted average of DCF and the relative valuation approach. We have assigned a 70% weight to the Discounted cashflow (DCF) and 30% weight to the EV/EBITDA valuation. We believe a higher weight to DCF is justified since LuLu has superior operational metrics and strong growth prospects as compared to peers. LuLu group has guided to maintain a payout ratio of 75% of annual distributable profit after tax which will be paid semi annually. **With an expected dividend of USD242mn in the next 12months, the implied dividend yield at the current price is 4.5%. At our Fair value of AED2.6/sh the implied dividend yield is 3.3%**

DCF valuation suggests a valuation range of USD7.3bn. For valuation, we have assumed a WACC of 9.5% with Cost of Equity of 10.0% (Risk free rate :4.5%, Market Risk Premium: 5.5% and Beta : 1.0) and Terminal growth rate of 1.75%.

For relative valuation we have used simple average of the peer EV/EBITDA multiples (EV/EBITDA valuation). The simple average of the peer FY24 EV/EBITDA(x) is 11.0, which we have used to value LuLu Group using our EBITDA of USD839mn for 2024. Our relative valuation suggests an Enterprise value (Inc Lease) of USD9.2bn and an equity value of USD6.6bn.

For Fair value calculation, we have assigned 70% weight to the DCF and 30% weight to the relative EV/EBITDA valuation which provides **a weighted average Equity value of USD7.3bn**

Key investment risks: Competition risk, risk of inventory management, E-commerce and any delays in the store role out plan.

DCF Valuation (USDmn)	
Sum of Discounted FCFF	2,408
Discounted Terminal Value	5,586
Enterprise Value	**7,994**
Less: Adj Net Debt (Excl. Lease)	383
Add: Other Adjust	16
Equity Value	7,628

Source: Company Data, IS Research

DCF WACC assumptions	
Risk Free Rate	4.5%
Market Risk Premium	5.5%
Beta	1.0
Cost of Debt	6.0%
Tax	13%
Weight of Debt (%)	10%
WACC	9.5%
Terminal Growth rate	1.75%

Source: Company Data, IS Research

FY24 EV/EBITDA (x) Valuation (USDmn)	
FY24 EV/EBITDA peer Avg (x)	11
LuLu Group FY24e EBITDA	839
Enterprise Value	**9,226**
Less: Net Debt (Incl. lease)	2,613
Add: Other Adjustment	16
Total Equity	**6,628**

Source: Company Data, IS Research

Lower Range Valuation (USDmn) – Weighted Average (70:30)

Valuation Method	Valuation	Weight	Weighted Value
DCF	7,628	70%	5,339
Peer Average FY24 (EV/EBITDA)	6,628	30%	1,989
Weighted Average Valuation (FV)		**100%**	**7,328**
No of Shares (mn)			10,329
Price Per Share (USD)			0.71
Fair Value/Share (AED)			**2.60**
Current Price			1.90
Potential Upside (%)			**37%**

Source: Company Data, IS Research

Valuation & Risks

Discounted Cashflow (DCF) Valuation

We have forecasted the financials for LuLu group till 2029 which we have used as our terminal year. LuLu Group is expected to open 73 new stores from 2025-2028e and we expect the revenue of the group to reach USD10.4bn by 2028e with a net profit of USD577mn and a net profit margin of 5.5%.

Our DCF valuation suggests a valuation of USD7.6bn

In our DCF model we have discounted our Free Cash Flow to Firm using a WACC of 9.5% (Risk Free Rate 4.5%, Market Risk Premium:5.5% Beta 1.0, Cost of Debt 6.0%) and terminal growth rate of 1.75%.

We have assigned a **70% weight** to the DCF based valuation, whilst the remaining 30% to relative peer valuation.

DCF Valuation suggests a valuation of USD7.6bn

USDmn	2024e	2025e	2026e	2027e	2028e
FCFF (See Below)	423	379	426	565	616
Discounting Period	0	1	2	3	4
Discounted FCFF	423	346	355	430	428
Terminal Cashflow	672				
Sum of Discounted FCFF	2,408				
Discounted Terminal Value	5,586				
Enterprise Value	7,994				

*Source: Company Data, IS Research * FCFF is adjusted for the lease rental payments*

DCF WACC assumptions

Risk Free Rate	4.5%
Market Risk Premium	5.5%
Beta	1.0
Cost of Debt	6.0%
Tax	13%
Weight of Debt (%)	10%
WACC	9.5%
Terminal Growth rate	1.75%

Source: Company Data, IS Research

FCF Calculation : (USDmn)

	2024e	2025e	2026e	2027e	2028e
EBITDA	839	967	1,057	1,150	1,243
D&A	(359)	(388)	(417)	(426)	(457)
EBIT	480	579	641	724	786
NOPAT (EBIT*(1-TAX))	440	523	574	646	700
NCC	359	388	417	426	457
Working Capital Change	95	(43)	(60)	(11)	(32)
Capex	(162)	(150)	(141)	(131)	(118)
IFRS 16 Rent *	(309)	(340)	(363)	(366)	(391)
FCFF	423	379	426	565	616

*Source: Company Data, IS Research * *(Depreciation of ROU + Interest on Lease Liabilities)*

DCF Valuation (USDmn)

Sum of Discounted FCFF	2,408
Discounted Terminal Value	5,586
Enterprise Value	**7,994**
Less: Adj Net Debt (Excl. Lease)	383
Add: Other Adjust	16
Equity Value	7,628

Source: Company Data, IS Research

DCF Valuation sensitivity to WACC and Terminal Growth Rate

		Terminal Growth rate				
		1%	1.5%	2.0%	2.5%	3%
WACC (%)	9.0%	7.4	7.8	8.3	8.8	9.4
	9.5%	7.1	7.5	7.9	8.3	8.8
	10.0%	6.8	7.1	7.5	7.9	8.3
	10.5%	6.6	6.9	7.2	7.5	7.9
	11.0%	6.4	6.6	6.9	7.2	7.5

Source: Company Data, IS Research

Relative Valuation Sensitivity to EBITDA and Multiple

		EV/EBITDA(x)				
		8x	10x	12x	14x	16x
EBITDA FY24 (USDmn)	775	3.6	5.2	6.7	8.2	9.8
	800	3.8	5.4	7.0	8.6	10.2
	825	4.0	5.7	7.3	8.9	10.6
	850	4.2	5.9	7.6	9.3	11.0
	875	4.4	6.2	7.9	9.7	11.4

Source: Company Data, IS Research

Relative valuation based on FY24 EV/EBITDA (x)

We have assigned a weight of **30% to the EV/ EBITDA relative valuation**. We have valued LuLu Group on simple average peer EV/EBITDA multiples (see next page)

Our relative valuation suggests a EV/EBITDA Valuation of USD6.6bn

The simple average of the peer FY24 EV/EBITDA(x) is 11.0, which we have used to value LuLu Group using our EBITDA of USD839mn for 2024. Our relative valuation suggests an Enterprise value (Inc Lease) of USD9,226mn.

FY24 EV/EBITDA (x) Valuation (USDmn)	
FY24 EV/EBITDA peer Avg (x)	11
LuLu Group FY24e EBITDA	839
Enterprise Value	**9,226**
Less: Net Debt (Incl. lease)	2,613
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Source: Company Data, IS Research

Relative Valuation Sensitivity to EBITDA and Multiple

		EV/EBITDA(x)				
		8x	10x	12x	14x	16x
EBITDA FY24 (USDmn)	775	3.6	5.2	6.7	8.2	9.8
	800	3.8	5.4	7.0	8.6	10.2
	825	4.0	5.7	7.3	8.9	10.6
	850	4.2	5.9	7.6	9.3	11.0
	875	4.4	6.2	7.9	9.7	11.4

Source: Company Data, IS Research

Assuming a dividend of **USD242mn in the next 12months (factoring in 2H24 and the 1H of 2025)** the group implies a dividend yield of 4.5% at the current price and 3.3% at our Fair value of AED2.60/sh. This compares to average 2.3% dividend yield for Global peers and 2.9% for peers in MENA region.

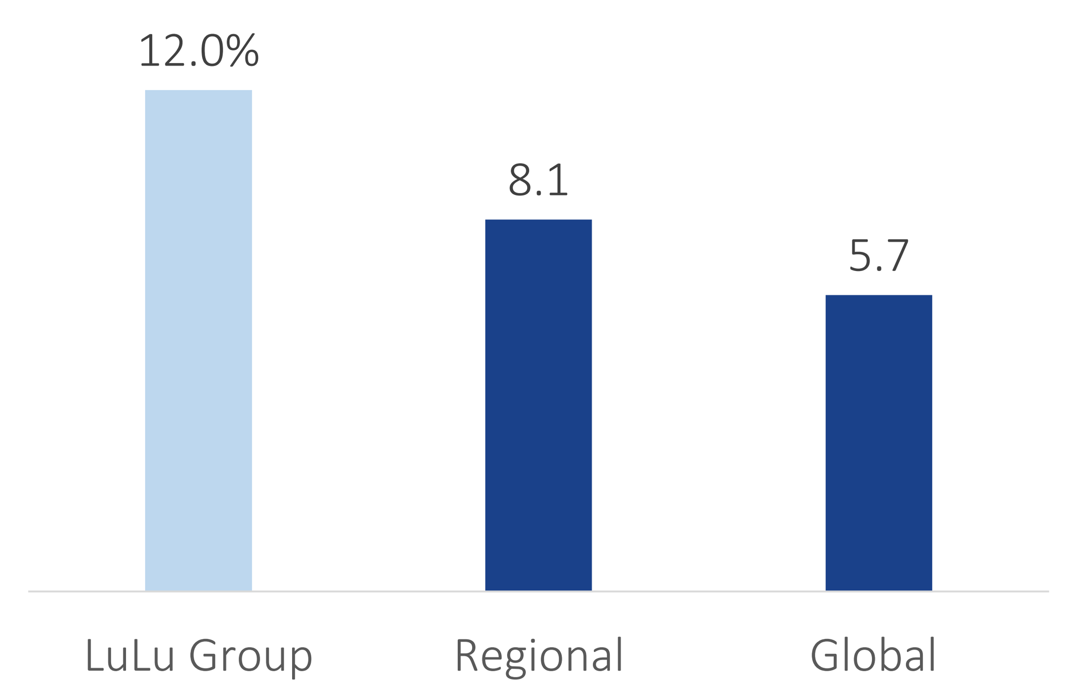
Relative Peer Valuation – Selected Peers

At our fair value of AED2.60/sh LuLu implies a FY25 EV/EBITDA of 10.3x and FY25 P/E of 19.5x, whereas at the current valuation LuLu is trading at a FY25 P/E (x) of 14.2x and FY25 EV/EBITDA of 8.2(x) implying a discount of 25% and 20%, respectively to the FY25 Peer average. We believe comparisons on book value are not accurate as the group has an asset light model with majority of its stores leased.

We believe LuLu should command a valuation premium against peers based on superior operational metrics and strong growth prospects. LuLu group is expected to outperform its peers in terms of EBITDA CAGR where we expect the group to post 2023-2026E EBITDA CAGR of 12% against the GCC sample average of 8.1% and Global Average of 5.7%. The Strong growth in EBITDA for the group is supported by robust revenue growth and expected margins expansion in the near term. Being a Pan-GCC and full line retailer, GCC demographics characterized by increasing population and higher per capita income provides ample headroom for revenue growth. Moreover, strong sourcing capabilities coupled with strong contribution from private labels and improved product mix are expected to lead the expansion in margin.

The Group operates at a Net Debt to Equity (x) ratio (Excl Lease) of 76.6% with current Net Debt to EBITDA of 3.2x (including Lease) and 1.4x (Excluding Lease) as of 9M24.

EBITDA Growth CAGR (FY23-26e)



Source: Refinitiv, IS Research

Company	Country	Market Cap USDmn	P/Revenue (x)			P/E (x)			EV/EBITDA (x)			EBITDA (CAGR FY23-FY26)	Div Yld (%)	EBITDA Margin FY24e (%)	ROE (%) FY24e
			FY23	FY24e	FY25e	FY23	FY24e	FY25e	FY23	FY24e	FY25e				
Walmart	US	755,861	1.2	1.2	1.1	46.4	43.6	37.9	22.7	20.9	18.9	9.3%	0.6	5.9	20.1
Costco WS	US	437,929	1.8	1.7	1.6	70.3	60.5	54.9	41.1	37.7	33.8	9.9%	0.4	4.5	29.4
Target	US	61,991	0.6	0.6	0.6	24.4	16.2	15.7	11.8	9.2	9.0	11.1%	3.3	7.5	31.2
Kroger	US	45,829	0.3	0.3	0.3	15.3	13.9	14.3	7.5	7.0	7.1	2.7%	-	5.3	28.0
Tesco	UK	31,680	0.4	0.4	0.4	18.0	15.6	13.9	7.9	7.4	7.2	4.0%	3.4	6.7	13.8
Metro	Canada	14,685	1.0	1.0	0.9	21.4	21.9	19.7	12.6	12.7	11.9	3.7%	1.0	9.4	14.0
Carrefour	France	10,024	0.1	0.1	0.1	8.2	8.1	6.8	5.9	5.8	5.3	6.0%	6.2	5.5	10.3
Savola	KSA	7,831	1.1	1.1	1.1	30.4	30.2	18.9	11.7	11.4	10.6	4.8%	-	11.6	9.0
Americana	UAE	5,321	2.1	2.4	2.1	18.3	30.1	20.8	9.5	12.4	9.3	6.6%	2.4	20.6	43.0
AlOthaim	KSA	2,620	0.9	0.9	0.8	21.6	24.6	22.4	14.4	13.8	12.6	7.3%	5.5	8.4	32.4
BinDawood	KSA	2,050	1.4	1.3	1.2	37.6	26.7	24.0	13.0	11.4	10.8	10.1%	3.0	14.2	19.6
Agthia	UAE	1,568	1.3	1.1	1.0	20.9	15.4	13.3	10.5	9.3	8.2	11.9%	2.8	15.1	16.3
Spinneys	UAE	1,539	-	1.8	1.6	-	20.1	18.7	-	10.3	9.3	-	1.8	19.0	161.8
AlMeera	Qatar	821	1.0	1.0	1.0	14.9	16.1	14.7	10.9	11.8	11.0	-	5.9	10.5	11.3
7-Eleven	Malaysia	508	0.6	0.8	0.7	27.7	33.1	25.5	7.7	8.9	8.2	-0.9%	1.4	12.2	16.9
Simple Average MENA			1.3	1.4	1.3	24.0	23.3	19.0	11.7	11	10.2	8.1%	2.9	14.2	41.9
Simple Average Global			0.8	0.8	0.7	29.0	26.6	23.6	14.6	13.7	12.7	5.7%	2.3	7.1	20.4
LuLu Group (Current Price)		5,347	0.7	0.7	0.6	27.8	19.9	14.2	10.5	9.5	8.2	12.0%	4.5	10.5	28

Source: Refinitiv, IS Research

Risks

Rise of e-commerce: e-commerce adoption has increased over time and the trend is still evolving. Customers shift in spending toward e-commerce and other channel may result in a decrease in customer traffic in the stores. Decrease in the stores traffic may not be accompanied by the equal or any increase in the sales through the Group's e-commerce channel which could aversely impact the business. As e-commerce sector is growing it might see potential introduction of new regulatory restrictions especially with regards to the consumer date protection and privacy concerns. Regulation in different markets can impact the operations of the business and any failure to comply with the new laws and regulations may expose the company to sanctions and fines.

Macro economic factors like interest rate and level of unemployment may impact customer demand

Customers shift in spending toward e-commerce and other channel may result in a decrease in customer traffic

Risks of inventory management: optimal inventory management is important for the group's business. If the group is unable to address the new trends in consumer demand it might face issues with the appropriate stocking of the inventory which could adversely impact the business operations.

Appropriate inventory management is required to ensure that the customer demand is properly addressed

Competition risk: In order to maintain its competitiveness, the group needs to maintain competitive commercial terms with its suppliers. Any adverse change in the commercial terms can compromise the competitive ability of the company. Furthermore, in the market where the group operates the intensity of the competition may increase in the future. For its existing and new stores, any change in the competitive landscape can adversely impact the business. Moreover, entry of new competitors into the existing markets along with competitive pricing strategies and merchandise mix by new players may affect the business.

The group needs to maintain competitive commercial terms with the suppliers

Intensity of competition might increase if new players enter the market with better pricing strategies and merchandise mix

Lease risk: as the group leases most of its sites for the stores, offices and distribution centers, inability to continue leases on competitive terms may adversely impact operations

To remain competitive the group needs to maintain the continuity of its lease contracts on favorable terms

Risk of opening new stores: ability to open new stores in a favorable location is dependent on identifying and leasing/potentially buying the desired land at the suitable locations. The group needs to agree on commercially reasonable terms for successfully opening the stores. As the property market in GCC is highly competitive. Inability to identify and lease/buy suitable properties may adversely impact operations.

Identifying suitable locations for new stores and getting commercially reasonable lease terms are important for new stores

Risk of marketing: to enhance its brand recognition, the group uses various marketing channels tailored to different target markets . However, the marking efforts might not always be well received by the customer and may not result in higher sales as intended by the group.

Marketing efforts may not benefit the company as intended

Financial Statements

Income Statement (USDmn)

USD mn	2021	2022	2023	9M24	2024e	2025e	2026e	2027e	2028e
Revenues	6,312	6,894	7,278	5,727	7,961	8,622	9,223	9,833	10,441
Cost of Revenue	(4,913)	(5,345)	(5,603)	(4,405)	(6,130)	(6,596)	(7,032)	(7,473)	(7,925)
Gross Profit	**1,400**	**1,549**	**1,675**	1,322	**1,831**	**2,026**	**2,190**	**2,360**	**2,516**
Other Operating Income	**223**	**256**	**273**	**225**	**292**	**320**	**342**	**364**	**397**
Operating Expenses	**(1,398)**	**(1,507)**	**(1,580)**	**(1,262)**	**(1,643)**	**(1,768)**	**(1,892)**	**(1,999)**	**(2,127)**
EBITDA	**615**	**703**	**753**	**567**	**839**	**967**	**1,057**	**1,150**	**1,243**
Total Depreciation	(387)	(405)	(416)	(283)	(359)	(388)	(417)	(426)	(457)
Net Finance Cost	(189)	(247)	(153)	(117)	(171)	(147)	(129)	(125)	(123)
Profit Before Tax	**36**	**51**	**215**	**168**	**309**	**431**	**512**	**599**	**663**
Tax	(12)	(15)	(23)	(16)	(40)	(56)	(67)	(78)	(86)
Profit for the Period *	**24**	**36**	**192**	**152**	**269**	**375**	**445**	**521**	**577**

Balance Sheet

	2021	2022	2023	9M24	2024e	2025e	2026e	2027e	2028e
Property, Plant & Equipment	1,856	1,881	1,461	1,444	1,475	1,470	1,452	1,417	1,366
Right to use Assets	2,631	2,907	1,868	1,720	2,098	2,242	2,218	2,190	2,135
Others	76	81	28	34	31	16	16	16	16
Total Non Current Assets	**4,563**	**4,870**	**3,358**	**3,197**	**3,604**	**3,729**	**3,686**	**3,623**	**3,517**
Inventories	1,296	1,395	1,375	1,483	1,511	1,626	1,734	1,822	1,932
Trade and other Receviable	256.8	339.6	331.5	399.8	359.5	402.3	422.3	451.0	481.4
Cash and Equilvalents	327	441	278	302	425	454	470	625	825
Others	1,382	1,703	2,662	4	3	3	3	3	3
Total Current Assets	**3,262**	**3,879**	**4,646**	**2,189**	**2,299**	**2,486**	**2,630**	**2,901**	**3,242**
Total Assets	**7,825**	**8,748**	**8,004**	**5,386**	**5,903**	**6,215**	**6,316**	**6,525**	**6,759**
Liabilities and Equity									
Trade and other Payable	1,295.9	1,389.5	1,380.0	1,345.5	1,513.1	1,628.3	1,695.5	1,801.7	1,910.7
Bank Borrowing	1,254.2	1,111.8	615.6	956.4	779.6	679.6	579.6	529.7	519.7
Lease Liabilities	192.7	207.0	173.4	173.8	193.3	205.8	203.8	201.3	196.5
Others	84.5	825.1	2,545.7	77.3	58.4	58.4	58.4	58.4	58.4
Total Current Liabilities	**2,827**	**3,533**	**4,715**	**2,553**	**2,544**	**2,572**	**2,537**	**2,591**	**2,685**
Bank Borrowing	888	841	513	8	0.3	0.3	0.3	0.2	0.2
Lease Liabilities	2,570	2,892	1,828	1,700	2,037	2,169	2,147	2,121	2,071
Others	723	689	181	196	186	204	225	247	272
Total NonCurrent Liabilities	**4,181**	**4,422**	**2,522**	**1,904**	**2,224**	**2,374**	**2,372**	**2,368**	**2,343**
Share Capital	**-**	**-**	**-**	**145**	145	145	145	145	145
Retained Earnings	**734**	**717**	**692**	**779**	961	1,095	1,232	1,391	1,556
Others	**83**	**76**	**75**	**6**	30	30	30	30	30
Total Equity	**817**	**793**	**767**	**929**	1,135	1,269	1,406	1,565	1,730
Total Equity and Liability	**7,825**	**8,748**	**8,004**	**5,386**	**5,903**	**6,215**	**6,316**	**6,525**	**6,759**

Key Ratios

	2021	2022	2023	9M24	2024e	2025e	2026e	2027e	2028e
Gross Margin	**22.2%**	**22.5%**	**23.0%**	**23.1%**	**23.0%**	**23.5%**	**23.8%**	**24.0%**	**24.1%**
EBITDA Margins	**9.7%**	**10.2%**	**10.4%**	**9.9%**	**10.5%**	**11.2%**	**11.5%**	**11.7%**	**11.9%**
Net Margins	**0.4%**	**0.5%**	**2.6%**	**2.6%**	**3.4%**	**4.4%**	**4.8%**	**5.3%**	**5.5%**
Net Debt / EBITDA	8.43	8.42	6.87	3.2	3.1	2.7	2.4	2.0	1.6
Net Debt / EBITDA (Excluding Lease)	9.58	9.22	9.07	1.4	0.7	0.4	0.2	-0.1	-0.3
ROA (%)	0.3%	0.4%	2.3%	3.8%	3.9%	6.2%	7.1%	8.1%	8.7%
Revenue Growth (%)		**9.2%**	**5.6%**	**5.7%**	**9.4%**	**8.3%**	**7.0%**	**6.6%**	**6.2%**
EBITDA Growth (%)		14.3%	7.2%	6.0%	11.3%	15.3%	9.3%	8.8%	8.0%

*Source: Company Data, IS Research * Profit for FY24e excludes the profit from discontinued operation amounted to USD33mn in 9M24.*

**From FY21-23, the profit figures represents the profit from the continuing operations*

Cash Flow	2021	2022	2023	2024e	2025e	2026e	2027e	2028e
Depreciation and Amortisation	422	440	444	359	388	417	426	457
Net Cash flow from Operations	**463**	**203**	**139**	**821**	**826**	**906**	**1,040**	**1,104**
Net Cash flow from Investing	(205)	(163)	(155)	(163)	(134)	(140)	(129)	(116)
Net Cashflow from Financing	(248)	78	(146)	(510)	(663)	(750)	(756)	(788)
Dividends	(37)	(31)		-	(242)	(308)	(362)	(412)
IFRS 16 Rent *	(362)	(397)	(403)	(309)	(340)	(363)	(366)	(391)
Net Change in Cash	9	118	(161)	147	29	16	155	200

*Source: Company Data, IS Research *(Depreciation of ROU + Interest on Lease Liabilities)*

FCF Calculation (USDmn)	2024e	2025e	2026e	2027e	2028e
EBITDA	839	967	1,057	1,150	1,243
D&A	(359)	(388)	(417)	(426)	(457)
EBIT	480	579	641	724	786
NOPAT (EBIT*(1-TAX))	440	523	574	646	700
NCC	359	388	417	426	457
Working Capital Change	95	(43)	(60)	(11)	(32)
Capex	(162)	(150)	(141)	(131)	(118)
IFRS 16 Rent *	(309)	(340)	(363)	(366)	(391)
FCFF	423	379	426	565	616

*Source: Company Data, IS Research *(Depreciation of ROU + Interest on Lease Liabilities)*

Key Broad Assumptions	2024e	2025e	2026e	2027e	2028e
Total Revenue Growth (%)	9.4%	8.3%	7.0%	6.6%	6.2%
UAE Revenue Growth	*9.3%*	*6.6%*	*6.3%*	*5.8%*	*5.5%*
KSA revenue Growth	*15.3%*	*14.5%*	*11.9%*	*11.0%*	*9.8%*
D&A (excl RoU) (% of Revenue)	*1.8%*	*1.8%*	*1.7%*	*1.7%*	*1.6%*
IFRS 16 Rent* (% of Revenue)	-3.9%	-3.9%	-3.9%	-3.7%	-3.7%
Total Capex (% of Revenue)	2.0%	1.7%	1.5%	1.3%	1.1%
Maintenance Capex (% of Revenue)	0.5%	0.5%	0.5%	0.5%	0.5%
Cash Conversion cycle (Days)	20	20	20	21	21

*Source: Company Data, IS Research *(Depreciation of ROU + Interest on Lease Liabilities)*

About LuLu

LuLu: The largest Pan-GCC full line retailer

LuLu Retail Holdings PLC is a 100% owned subsidiary (pre-IPO) of LuLu International Holdings Limited (parent company). Abu Dhabi champion, ADQ, invested in the parent company in 2020. The group has retail operations across 6 GCC countries, wholesale business as well as a network of 19 on-the ground sourcing offices. As of May 2024, the group has the largest pan-GCC retail footprint with a network of 241 stores and a total selling area of over 1.3mn Sqm (Square meters), 3x higher vs listed peers. The company serves over 130 nationalities with daily shoppers cumulatively over 600k, on top of over 300k visitors across their online channels.

LuLu has become a household name given its 5-decade long history of operations in the UAE and is the second largest grocery retailer in the country with a market share of 14%. The group is also the largest retailer in Kingdom of Saudi Arabia (KSA) Kuwait, Bahrain, Qatar and Oman, a testament to the retailer's strong positioning throughout the GCC.

Within the total network of 241 stores, LuLu offers various shopping experiences with 116 hypermarkets, 103 express supermarkets and 22 mini markets. On top of this, it also has a growing online presence and partnerships with Amazon in UAE, HungerStation in KSA, Snoonu in Qatar and Talabat across all markets. LuLu's own private label sales are also a prominent business area with 29% contribution to FY2023 revenue.

LuLu truly lives up to its slogan, "where the world comes to shop", with customers from over 130 different nationalities as well products sourced from over 85 countries. The product range is diverse and caters to a wide array of customers with food products accounting for 61% of the total product mix while non-food makes up 39%. Within this, packaged consumer goods is the largest segment accounting for 54%, followed by fresh food (21%), electrical goods (14%) and lifestyle products (12%).

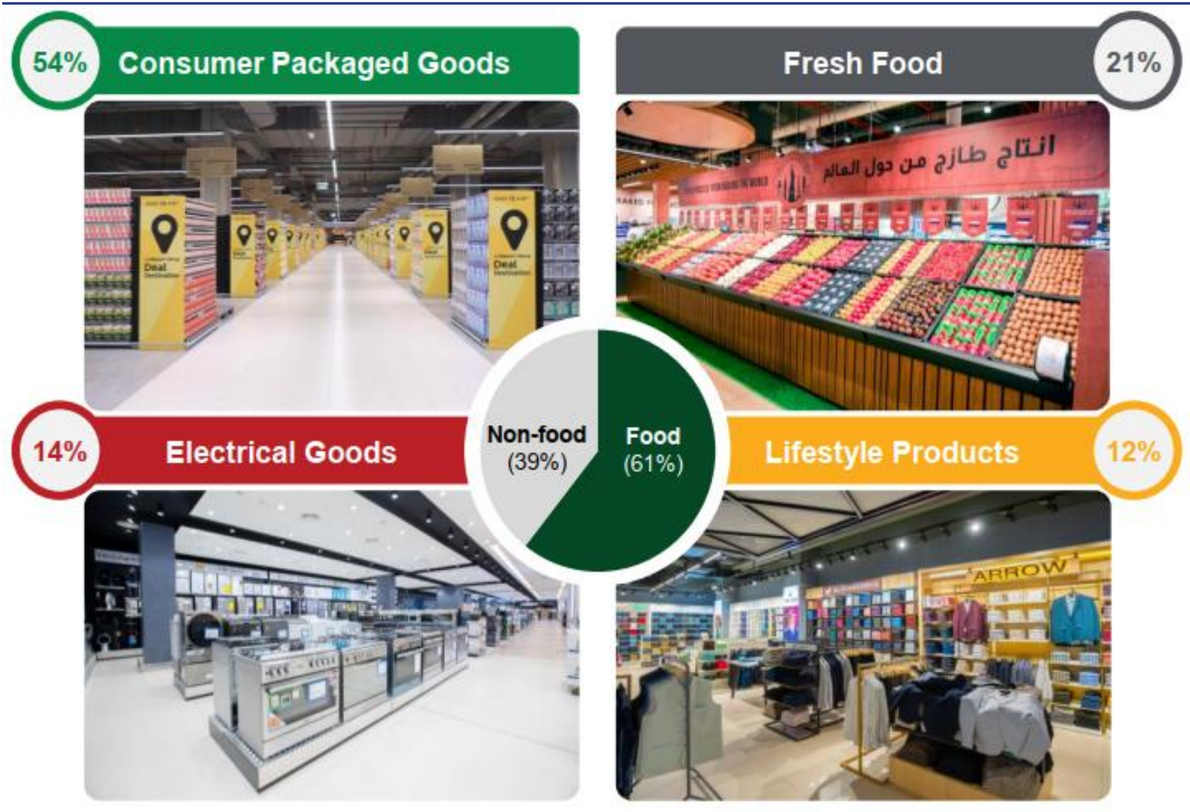
Largest Pan-GCC retail footprint with a network of 241 stores as of May 2024

Total selling area of 1.3mn sqm, >3x higher vs listed peers

Sourcing products from 85 countries with 19 on-the-ground sourcing offices

LuLu private label sales contributed 29% to the 2023 revenue

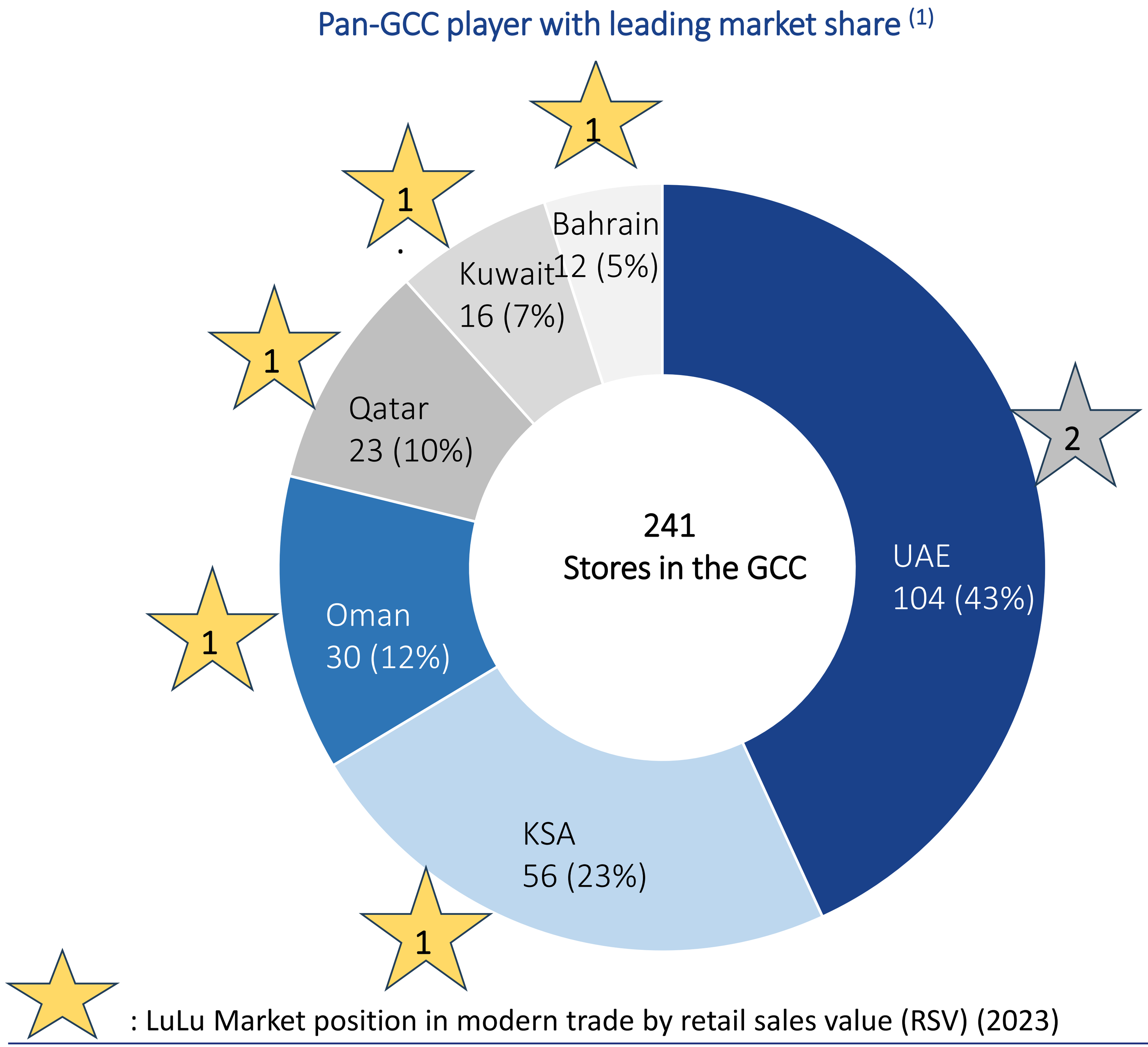
Diverse product range for various customers



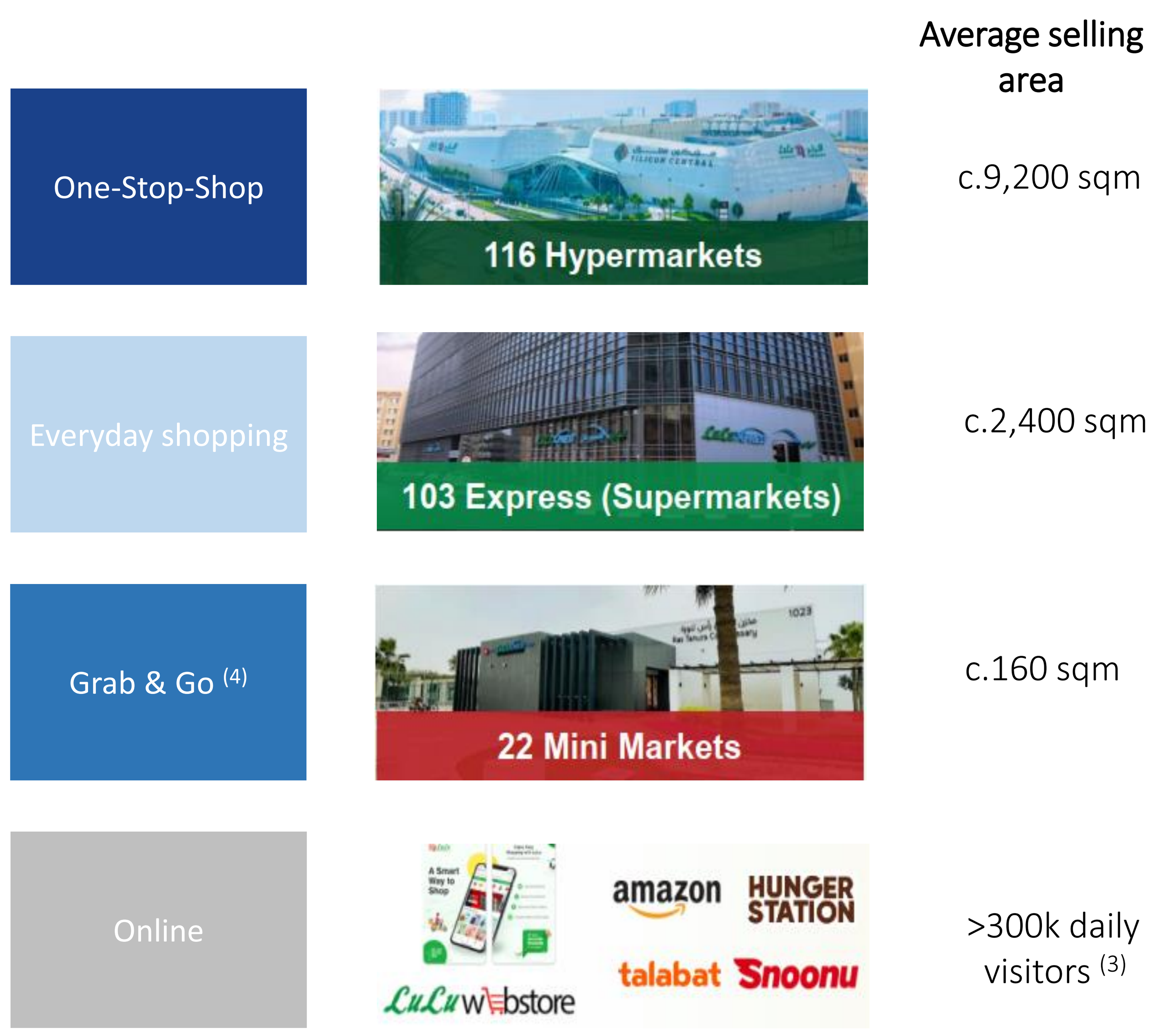
Source: Company Data, IS Research, Percentages pertain to 2023A sales split by main product categories, brick and mortar and e-commerce sales excluding wholesale and other revenue

Deeply rooted in all GCC markets with strong omni-channel presence

Pan-GCC player with leading market share [1]



Catering to various shopping experiences [2]



Source: Company Data, IS Research. Notes: (1) in terms of total RSV of the modern trade segment, including hypermarket, supermarket & convenience store formats. (2) As of May 2024. (3) daily visitors across LuLu's mobile app and website combined. (4) mini markets branded as LuLuXpress in respective locations.

Home grown champion with proven track record of over 50 years

LuLu group's presence in the UAE dates as far back as 1974, nearly as old as the country itself. The founder and current Chairman, Mr Yussuf Ali MA, opened the first grocery store with wholesale and distribution operations in 1974. Capitalizing on UAE's fast paced growth, the group entered organized retail in 1991, followed by entry in Qatar and Oman markets in 2000. Shortly after, the group expanded its GCC reach further with entry in Kuwait (2002), Bahrain (2007) and Kingdom of Saudi Arabia (KSA) (2009).

LuLu imports 17% of its product offerings from over 85 countries and maintains 19 on-ground sourcing offices with presence in China (since 2000), United Kingdom (since 2012), Turkey (since 2015) and United States of America (since 2016). The group has remained at the forefront of technological advancement and tapped into the online retail market with its webstore launching in 2012 and mobile application in 2019. They further enhanced the online presence with strategic partnerships with Amazon and Talabat in 2022 and the launch of LuLu loyalty program, "happiness", in 2023.

The store network as of 2023 stood at 233 stores (241 stores in May 2024), increasing from 199 stores in 2021 with stores in UAE increasing by 16% to 102 during the period. In KSA, the group is the fastest growing player of scale, measured in terms of increase in market share between 2021-2023 while store network increased to 53 in 2023 from 46 in 2021. The group has opened 11 new stores between January – August 2024 across GCC including KSA (5 stores), UAE (3 stores), Qatar (1 store), Oman (1 store) and Kuwait (1 store). LuLu further plans to open 10 additional stores in 2024 with 6 planned in KSA followed by 3 in Qatar and 1 in UAE.

LuLu – store metrics over the years (no. of

Region	Hypermarket	Express	Mini	Total
2021				
UAE	37	49	2	88
KSA	17	12	17	46
Other GCC	41	21	3	65
Total	**95**	**82**	**22**	**199**
2023				
UAE	41	57	4	102
KSA	24	16	13	53
Other GCC	46	28	4	78
Total	**111**	**101**	**21**	**233**

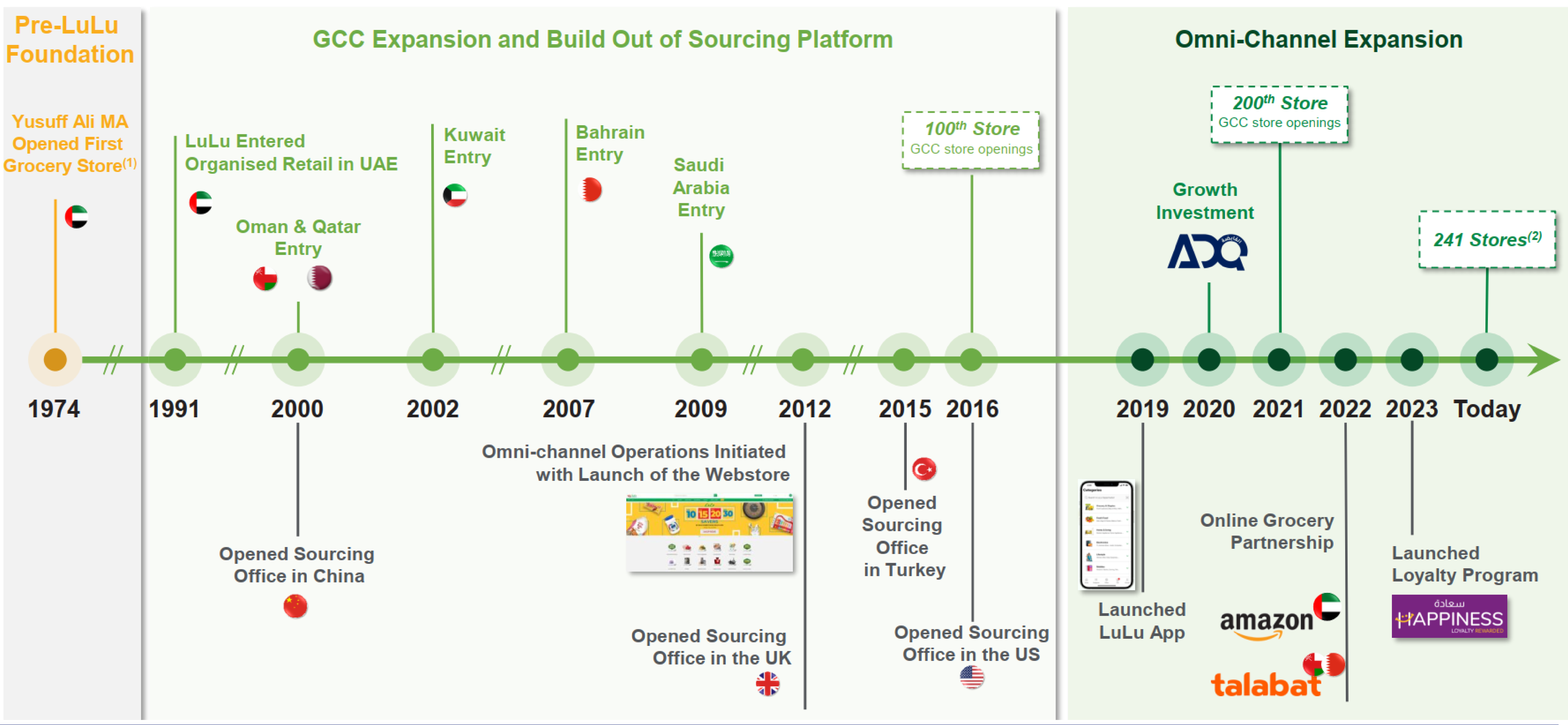
Source: Company Data, IS Research

LuLu – store metrics over the years ('000 sq.m.)

Region	Hypermarket	Express	Mini	Total
2021				
UAE	340	104	0.5	444
KSA	188	21	2	211
Other GCC	378	66	0.5	445
Total	**906**	**191**	**3**	**1,100**
2023				
UAE	371	123	1	494
KSA	237	27	2	267
Other GCC	413	88	0.6	502
Total	**1,021**	**238**	**4**	**1,263**

Source: Company Data, IS Research

LuLu's journey over the years; A long history of operations in the GCC and on-ground presence across the world

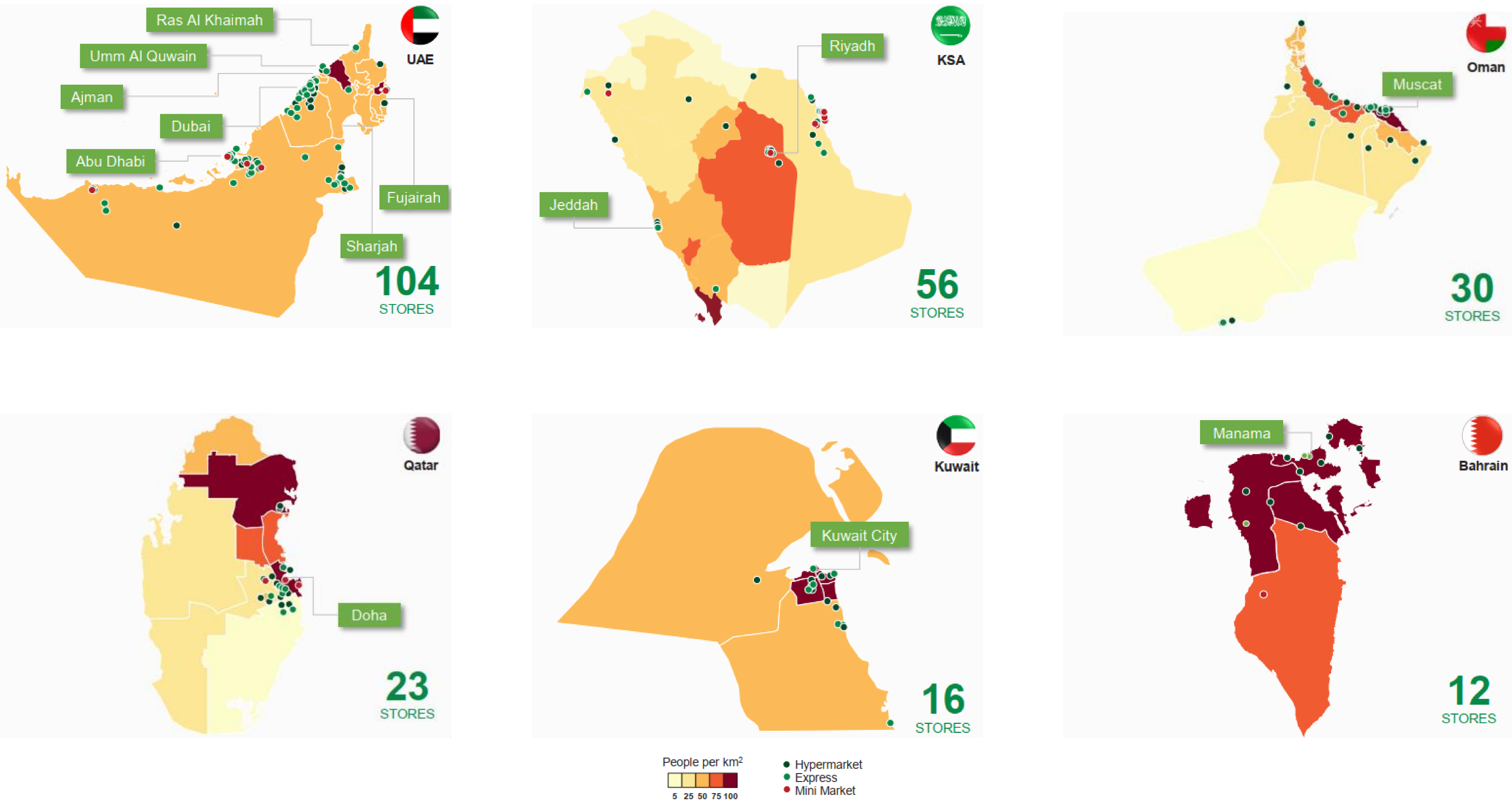


Source: Company Data, IS Research.

General

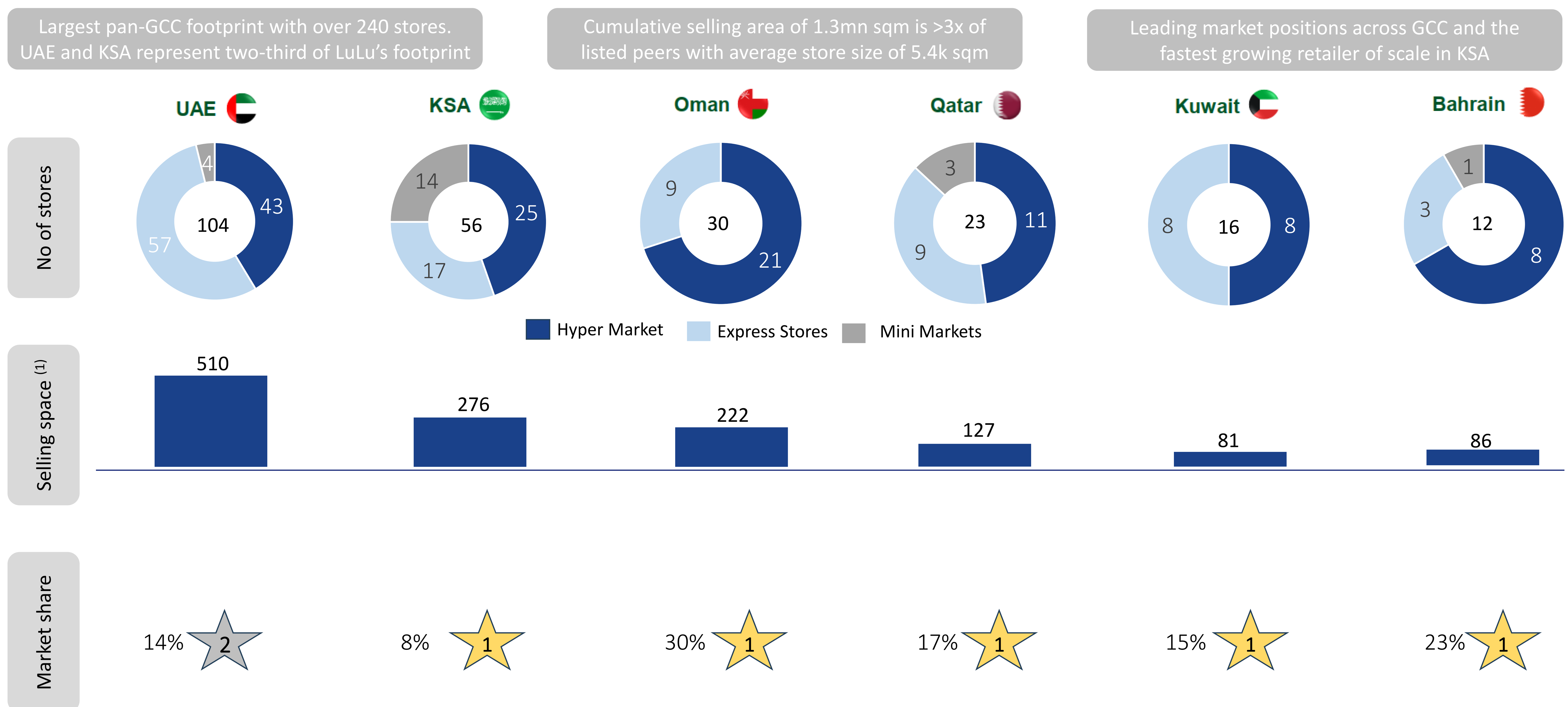
LuLu's deep penetration in GCC; Overview of operations by country

Geographically penetrated beyond major urban areas and into sub-urban and rural areas



Source: Company Data, IS Research, Euromonitor as of 31st May 2024

LuLu Retail Holdings: Overview of operations by country



Source: Company Data, IS Research. As of May 2024*

Largest Pan-GCC retailer: over 4x revenue vs listed competitors

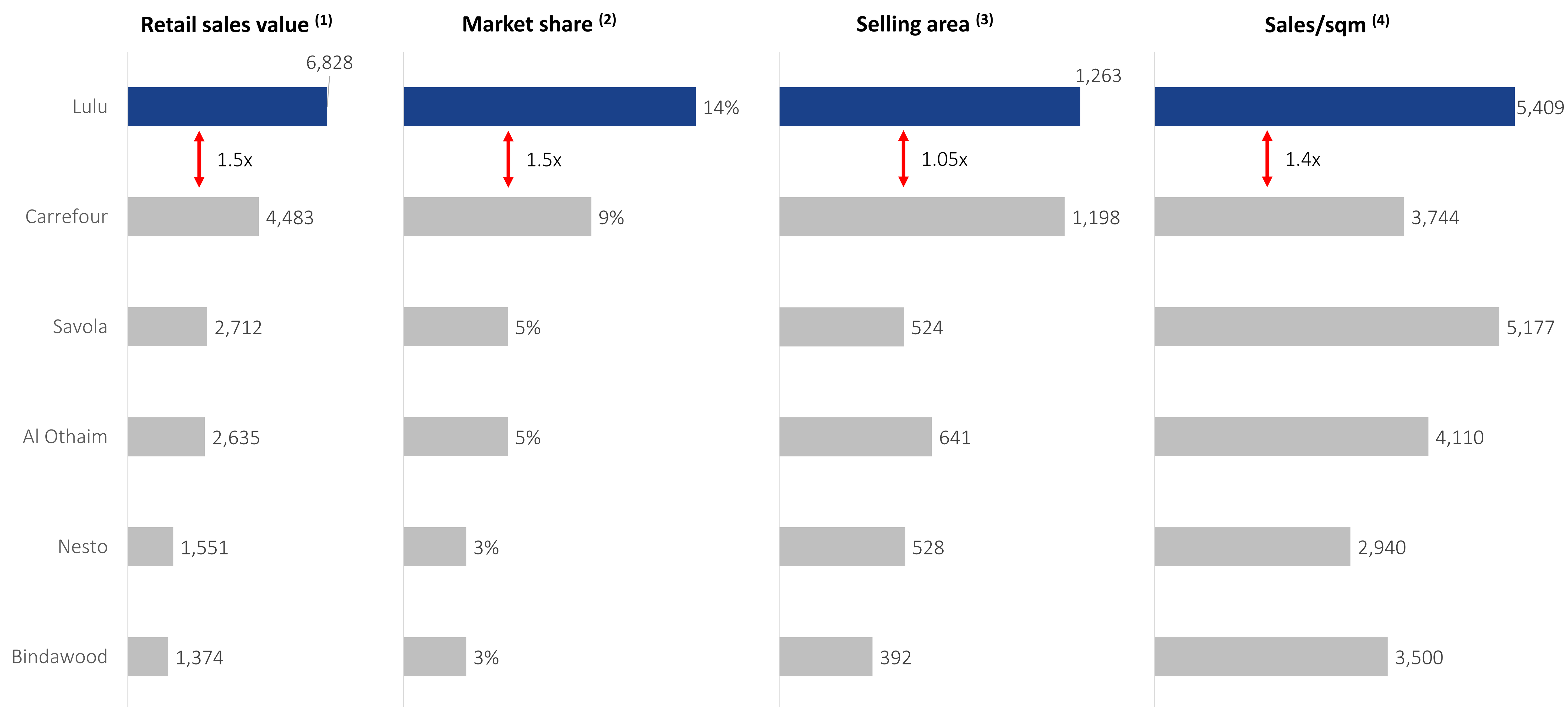
The largest Pan-GCC retailer with a network of 241 stores; LuLu's revenue is >4x vs listed peers while selling space is >3x

	Pan-GCC Players		Single Country Focused Player					Niche Player
Retailer	LuLu	Majid Al Futtaim (Carrefour)	Othaim	Savola (Panda)	Farm	Bin Dawood	Al Meera	Spinneys
Presence	Pan- GCC - Presence across 6 Countries	Pan- GCC (skewed towards UAE)	Saudi Arabia	Saudi Arabia	Saudi Arabia	Saudi Arabia and Bahrain	Saudi Qatar and Oman	UAE and Oman
Selling Space (mn, sqm)[1]	1.3 (>3x area vs listed peers[(4)])	1.2	0.6	0.5	N/A	0.4	0.1	0.1
2023A Sales (USDbn)[2]	7.3 (>4x sales vs listed peers[(4)])	5.2	2.8	2.8	0.5	1.5	0.8	0.8
No of Stores[3]	241 (48% / 43% / 9%)	188 (43% / 57%)	355 (78% / 20%)	188 (32% / 68%)	96 (89% / 11%)	87 (63% / 29% / 8%)	68 mix of hypermarkets, supermarkets and convenience stores	75 (64% / 36%)

Hypermarkets / Express/supermarket / Mini market

Source: Company Data, IS Research. Notes: Largest Pan-GCC retailer by Modern Trade RSV. Presence in the GCC only. Number of stores and selling space per latest reporting: as of May 2024 for LuLu, as of YE 2023 for Majid Al Futtaim Retail (Carrefour), Farm Superstores, Bindawood and Al Meera, as of Q1 2024 for Al Othaim and Savola (Panda), per prospectus for Spinneys. (1) Selling space for LuLu, total area for Al Othaim (retail only), net selling area for Savola's Panda retail unit and Al Meera, selling area for Bindawood, gross selling area for Spinneys. (2) Include only sales from Panda retail operations for Savola. Retail Sales Value for Majid Al Futtaim Retail (Carrefour) in the GCC. USD/SAR exchange rate of 3.75, USD/QAR exchange rate of 3.65, USD/AED exchange rate of 3.67. (3) Format breakdown include stores outside of the GCC for Panda. For Spinneys, market stores are counted as Mini Markets. Only include retail stores for Al Othaim. Al Othaim format breakdown estimated by broker, counted corner stores as Mini Markets. For Farm Superstores, counted foodstuff stores as supermarkets. For Bindawood, counted express stores as mini markets. (4) Average of listed peers comprise Al Othaim, Al Meera, Bindawood, Farm Superstores, Panda and Spinneys. Selling space excluding Farm Superstores due to lack of data.

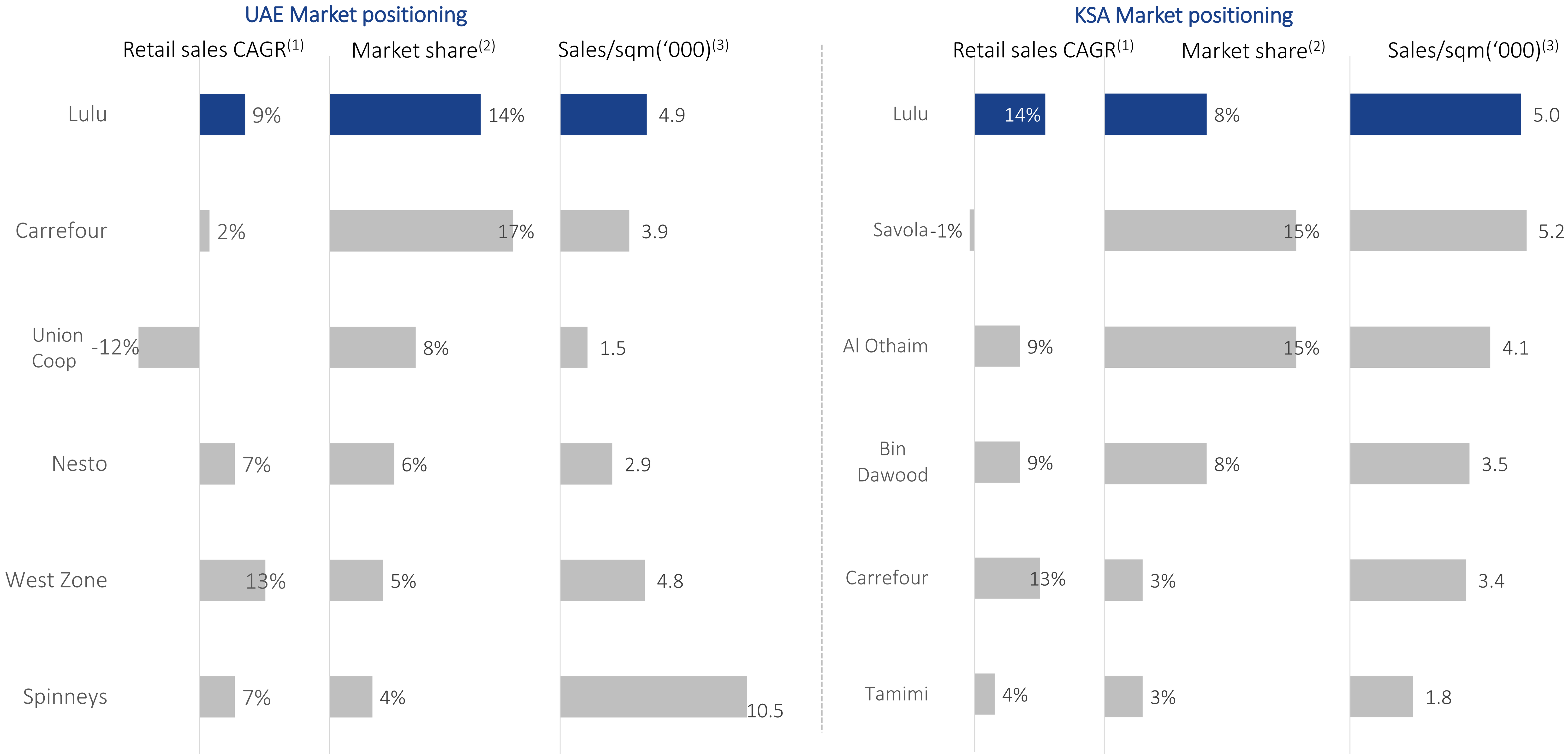
Amongst full line retailers, LuLu is the largest full-line retailer across sales value, market share, selling area and sales/sqm in GCC



Source: Company Data, IS Research. Notes: (1) retail sales value in USD for 2023 excluding e-commerce revenue. (2) Market share for 2023 in terms of retail sales value. (3) selling area as of Dec 2023 in thousand sqm. (4) in USD computed as retail sales for 2023 excluding e-commerce revenue as of Dec 2023.

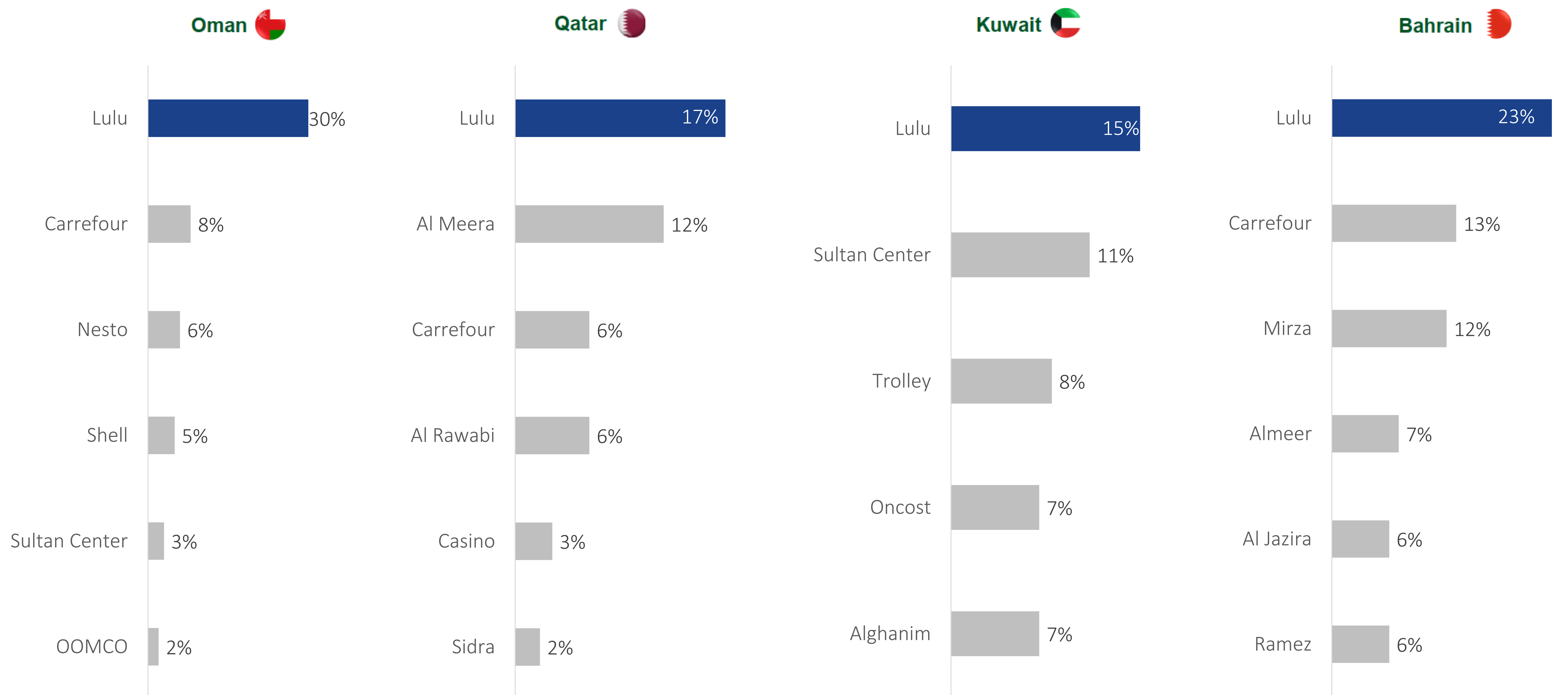
Leading position vs peers across all markets

In its largest markets of UAE and KSA, LuLu is the fastest growing retailer



Source: Company Data, IS Research. Notes: (1) for the period 2021-2023. (2) Market share for 2023 in terms of retail sales value. (3) in USD computed as retail sales for 2023 excluding e-commerce revenue/selling area as of December 2023

LuLu is the only retailer in GCC with double digit market share[1] in Oman, Qatar, Kuwait & Bahrain with market leadership in all countries



Source: Company Data, IS Research. Notes: (1) Market share for 2023 in terms of retail sales value. Only private players considered for Kuwait

Global sourcing network underpins resilience and competitiveness

LuLu has over 200,000 active SKUs, sourced from over 85 countries across the world. Imported sales contribute 17% to the groups total sales with most imports coming from India (20%), followed by China (20%), USA (10%), UK (9%) and Turkey (7%). Within imports, the largest category is fresh foods which made up 25% of the total imports in 2023. With a focus on providing for preferences of over 130 nationalities, LuLu has over two decades long partnerships with prominent FMCG brands including, Procter & Gamble, Unilever, Mars, Pepsico and Ferrero. In GCC, some of the prominent partners include Almarai, Agthia, Afia and Al Safa.

LuLu maintains 19 on-the-ground sourcing offices across the world with over 1,500 sourcing office employees. On-ground presence is spread across continents with offices in China, United Kingdom, United Stated of America, South Africa and Australia, amongst others. Localized sourcing presence has key advantages for LuLu, including:

- **Increased negotiation leverage** by eliminating intermediaries and exploiting understanding of local markets
- **Larger and more diverse product assortment:** improved identification and procurement of products, particularly new, unique and specialty items
- **Enhanced logistics and supply chain efficiency**: better coordination and management of the supply chain resulting in enhanced operational efficiency
- **Improved quality control:** direct oversight supports maintaining product integrity and consumer trust, underpinned by rigorous quality checks and ensuring certification standards are met
- **Strengthened supplier relationships**: closer and more personal relationship results in collaborative initiatives such as joint marketing plan, combined analytical efforts and resource sharing.

Selected sourcing offices

Country	Years of history	Active SKUs	No. of suppliers
China	24+	5k+	760+
United States	8+	5k+	430+
United Kingdom	11+	3k+	250+

Source: Company Data, IS Research.

Selected regional supply partners

Source: Company Data, IS Research.

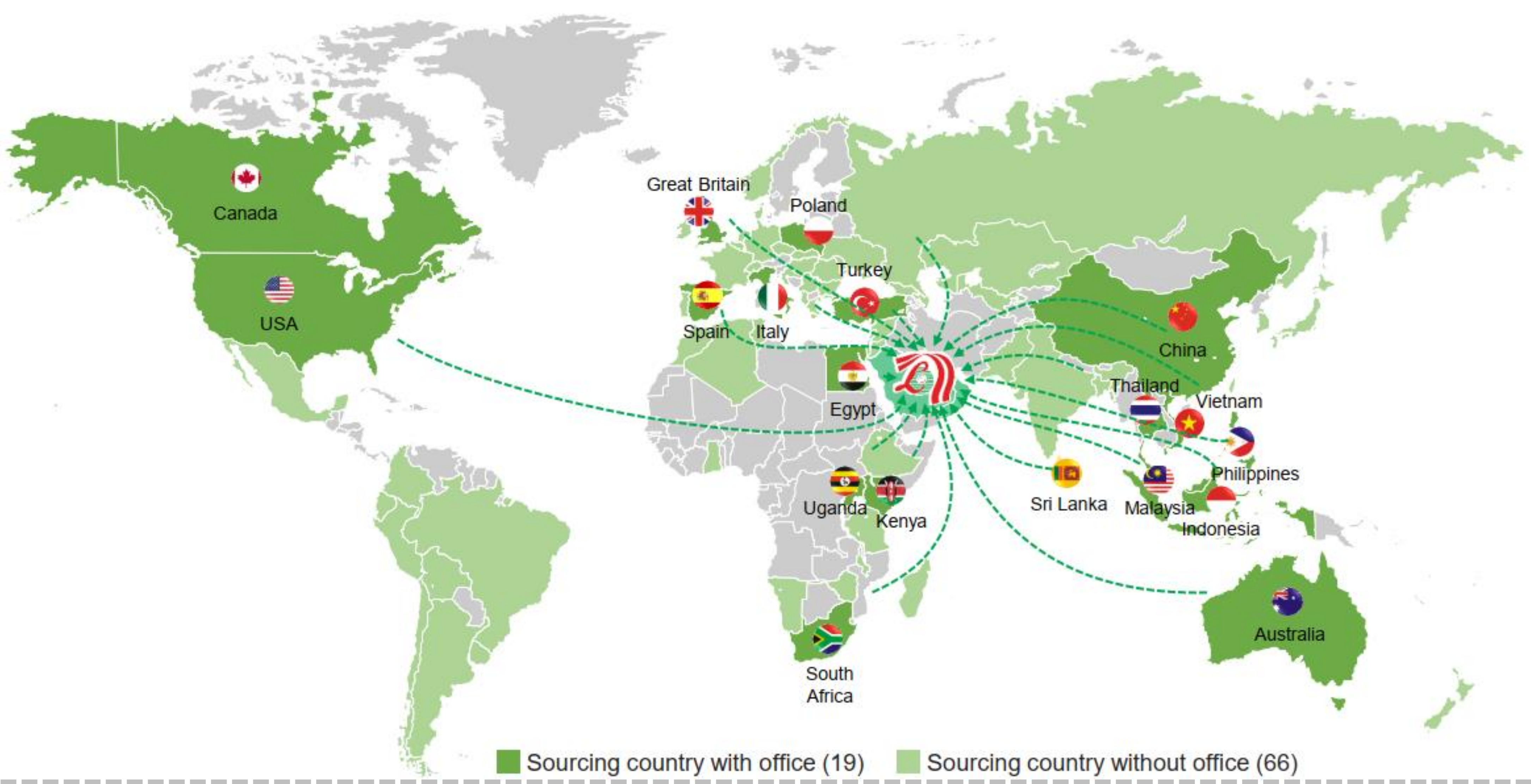
LuLu utilizes its close relationships with suppliers to collaborate on joint marketing plans with co-branding campaigns and promotional events as well as engages in resource sharing and joint analytical efforts.

Imports make up 17% of total sales; 85 sourcing countries with on ground presence in 19 countries

17% imported sales

25% fresh food out of imports

1,500+ sourcing office employees



Selected global FMCG partnerships since over 20 years

Top 10 sourcing countries (1)

Country	% of imports (1)
India	20%
China	20%
USA	10%
UK	9%
Turkey	7%
Norway	4%
Thailand	4%
South Africa	3%
Philippines	3%
Spain	3%

Source: Company Data, IS Research. Notes: (1) excludes GCC countries, (2) % of total imports purchased outside of GCC in 2023

Streamlined product procurement process and management lifecycle

Streamlined procurement process from product selection to distribution

Central Procurement

Product Selection	Push & Pull Strategy	Committee Review	Contract Negotiation & Finalisation	Logistics & Distribution
Research: study broad market trends and consumer demand **Sourcing**: identifying suppliers, evaluating their capabilities, product quality and standards	**Push Strategy**: push products based on anticipated demand **Pull Strategy**: pulling in-demand products from suppliers to ensure availability	**Supplier Listing Events:** suppliers invited to showcase products **Listing Committee**: products evaluated and approved based on LuLu's standards	**Negotiation:** post approval, team negotiates with suppliers **Finalization:** formal contracts signed	**Central Distribution:** transported to Distribution centers (DC) then to various stores, ensuring consistent supply to all stores

Local Procurement

Product Selection	Push & Pull Strategy	Committee Review	Contract Negotiation & Finalisation	Logistics & Distribution
Research: study local market trends and seasonal demand Ability to tailor offering to local demand and preferences	**Push Strategy**: push products based on anticipated demand **Pull Strategy**: pulling in-demand products from suppliers to ensure availability	**Supplier Listing Events:** local suppliers showcase products **Listing Committee**: evaluates products primarily based on local preferences	**Fruit and Vegetables:** heavily focused on seasonality of fresh produce Sourced from farmers at peak season ensuring best quality	**Local Distribution:** distribution to nearby stores ensuring quick turnarounds and freshness

Source: Company Data, IS Research

Overview of product management lifecycle

Continuous Evaluation
- **Sales Data Analysis:** tracking product performance, identifying top sellers and underperformers
- **Customer Feedback:** understanding preferences, satisfaction levels, and areas for improvement

Adjustments
- **Inventory Management:** adjusting levels based on sales and seasonal trends
- **Promotional Strategies**: targeted promotions/ discounts for underperforming products to boost sales and clear inventory

Supplier Engagement
- **Sourcing**: identifying suppliers of quality products matching seasonal trends
- **Negotiation**: pricing, delivery schedules, payment, among other terms to ensure competitive agreements

Order Planning
- **Demand Forecasting**: using sales data and trend analysis to understand demand and place accurate orders
- **Volume and Timing**: planning order volumes and delivery timings to align with seasonal peaks ensuring product availability

Seasonal Trends
- **Trend Analysis**: conducting market research to identify upcoming seasonal trends and consumer preferences
- **Product Selection**: selecting products that align with identified trends, ensuring relevance and appeal during peak seasons

Assortment Strategy
- **Product Mix**: creating a balanced product mix that includes both staple items and in trend/seasonal products
- **Category Management**: defining categories to organise products effectively and enhance shopping experience

Logistics Management
- **Coordination**: coordinating with logistics partners to ensure timely transport of products from suppliers to DCs and stores
- **Quality Control**: implementing quality control measures to check the condition and quality of products upon arrival

Shelf Management
- **Stocking**: promptly stocking shelves with particular attention to freshness of perishables
- **Merchandising**: effective strategies to highlight seasonal products and create attractive displays

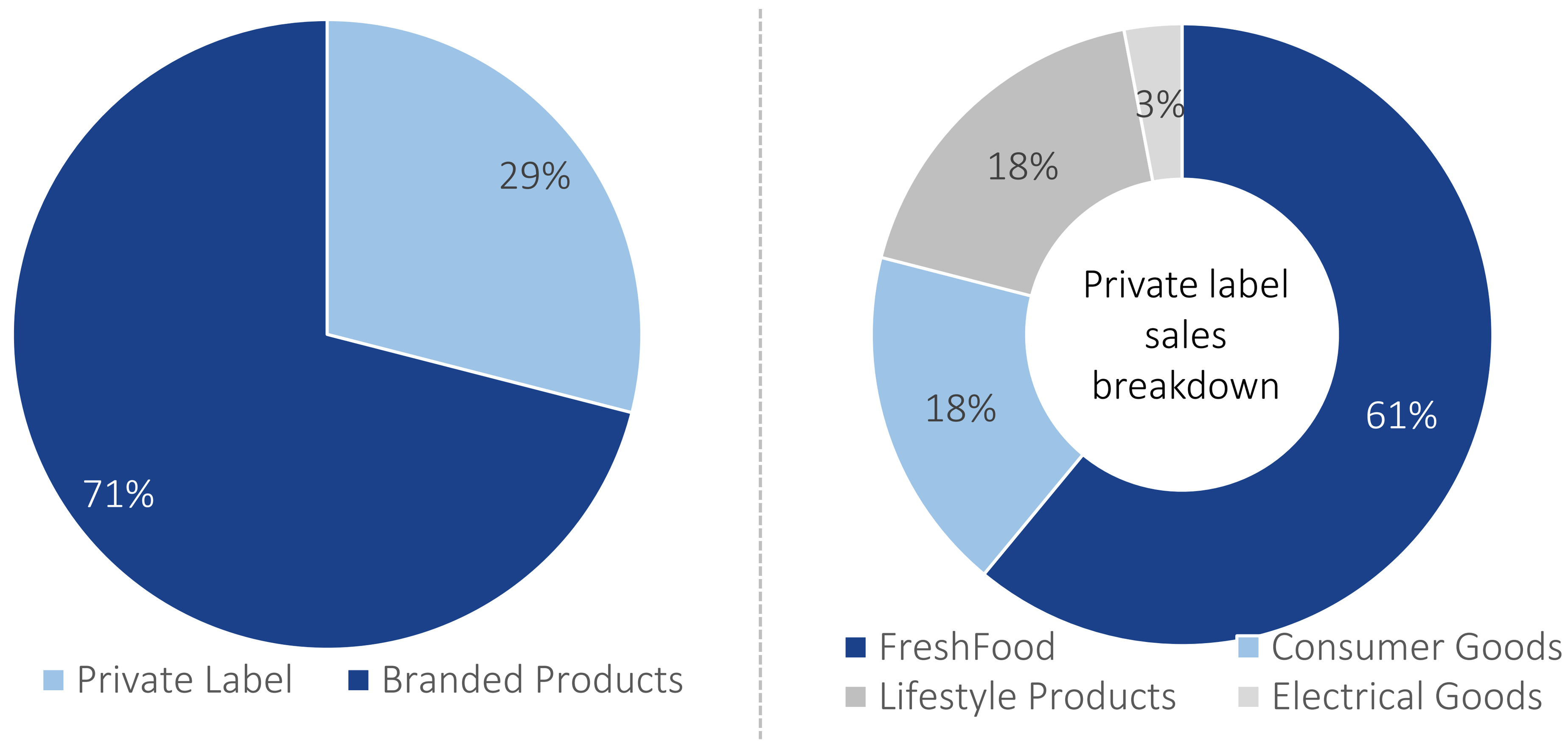
Source: Company Data, IS Research.

Margin accretive private label sales contributed 29% to the 2023 topline

LuLu's private label segment has expanded to several product ranges and contributed 29% to the company's topline in 2023 where the segment's revenue of USD2.0bn was higher than gross sales of some competitors, including BinDawood and Spinneys. 61% of the private label sales come from the fresh food segment, followed by consumer-packaged goods (18%), lifestyle products (18%) and electrical goods(3%). Approximately 70% of the company's private labels is produced in-House. Private label sales are a key growth area for the business as it offers several key benefits, including:

- **Superior margins:** the segment averages gross margins of 30% versus total group margins of 22-23%.
- **Brand recognition:** renowned for high quality and value for money
- **Market reach:** curated and constantly refined portfolio for diverse customer base

Private label contributed 29% to 2023 revenue; fresh food makes 61% of segment

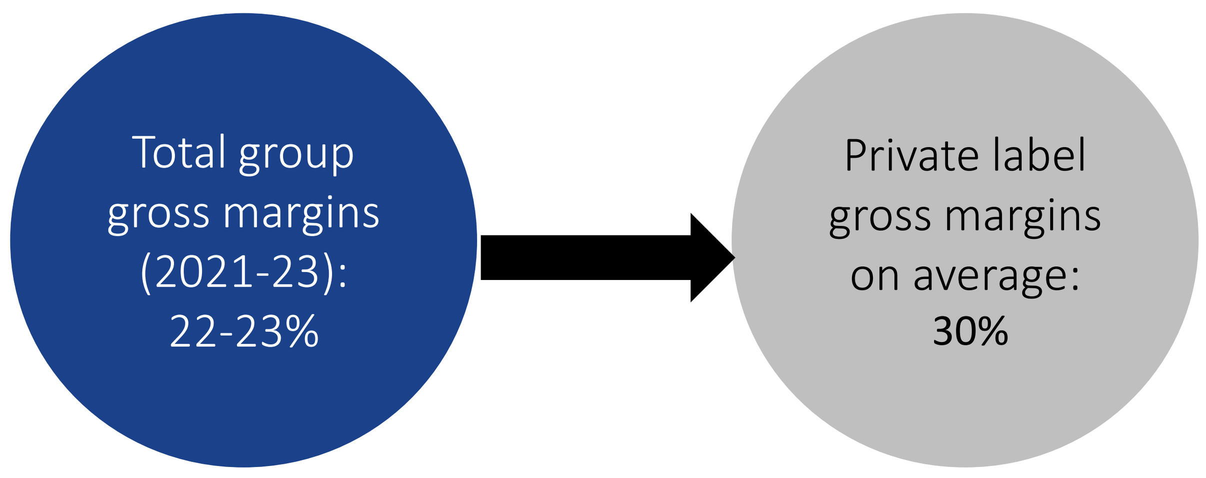


Source: Company Data, IS Research

To cater to the private label's largest food category, fresh foods, LuLu maintains a network of 28 central kitchens with 400+ employees, average 600 SKUs/store and 170+ served stores. This network has grown rapidly, rising from 19 central kitchens in 2021 to 28 currently. In house kitchens allows LuLu to generate higher margins by removing intermediaries, maintain the taste and quality of the products, ensure high quality control and hygiene, ensure product availability and continually introduce new products in line with changing consumer preferences.

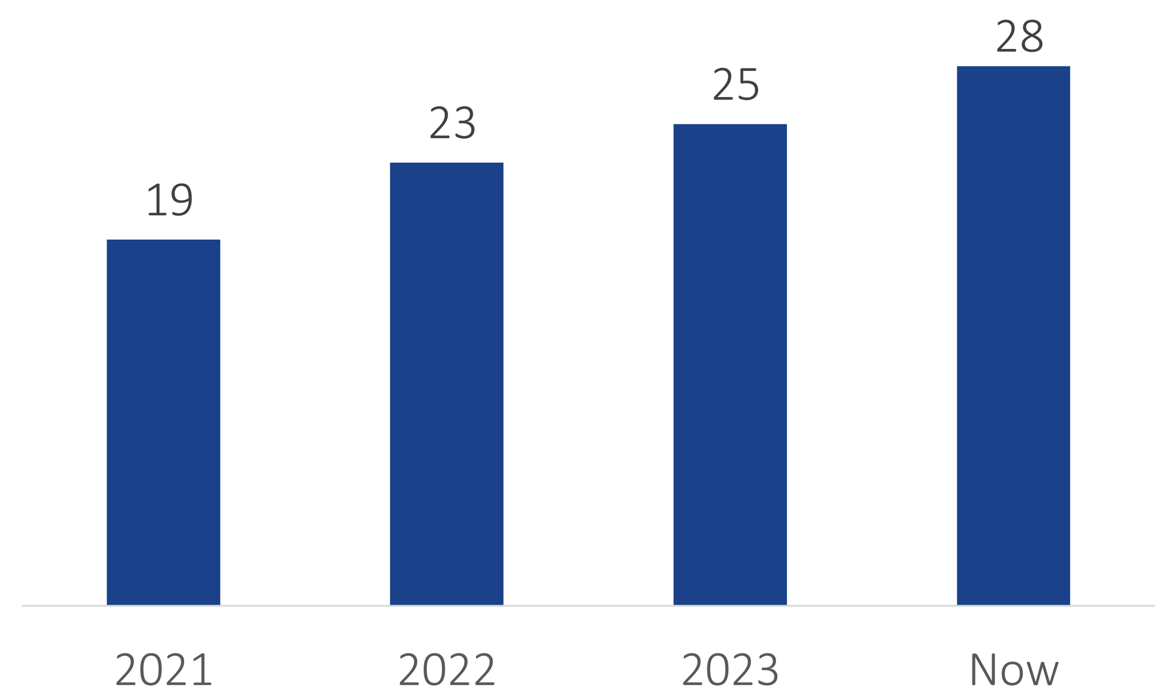
Consumer packaged goods and fresh foods have remained at the forefront of private label growth with a FY21-FY23 CAGR of 11.8% and 7.1%, respectively, vs 5.6% for the overall private label sales. Cumulatively, consumer packaged goods and fresh foods contributed 75.4% of the total private label sales in 2021 which has increased to 79.1% in 2023. LuLu's outlook for private label remains positive with the management identifying the segment as one of the key growth areas where some of the plans include, i) introduction of new product lines and categories, ii) prominent product placement to increase attention and iii) marketing and promotional initiatives.

Private label segment is margin accretive



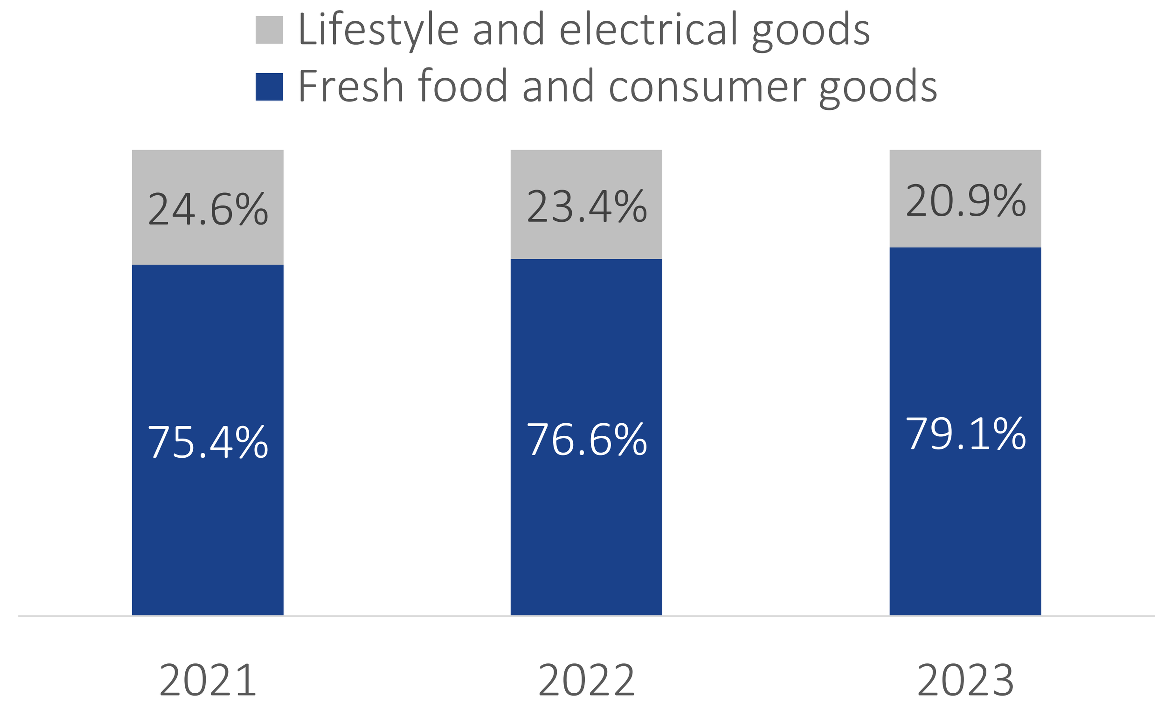
Source: Company Data, IS Research.

No. of central kitchens has rapidly expanded



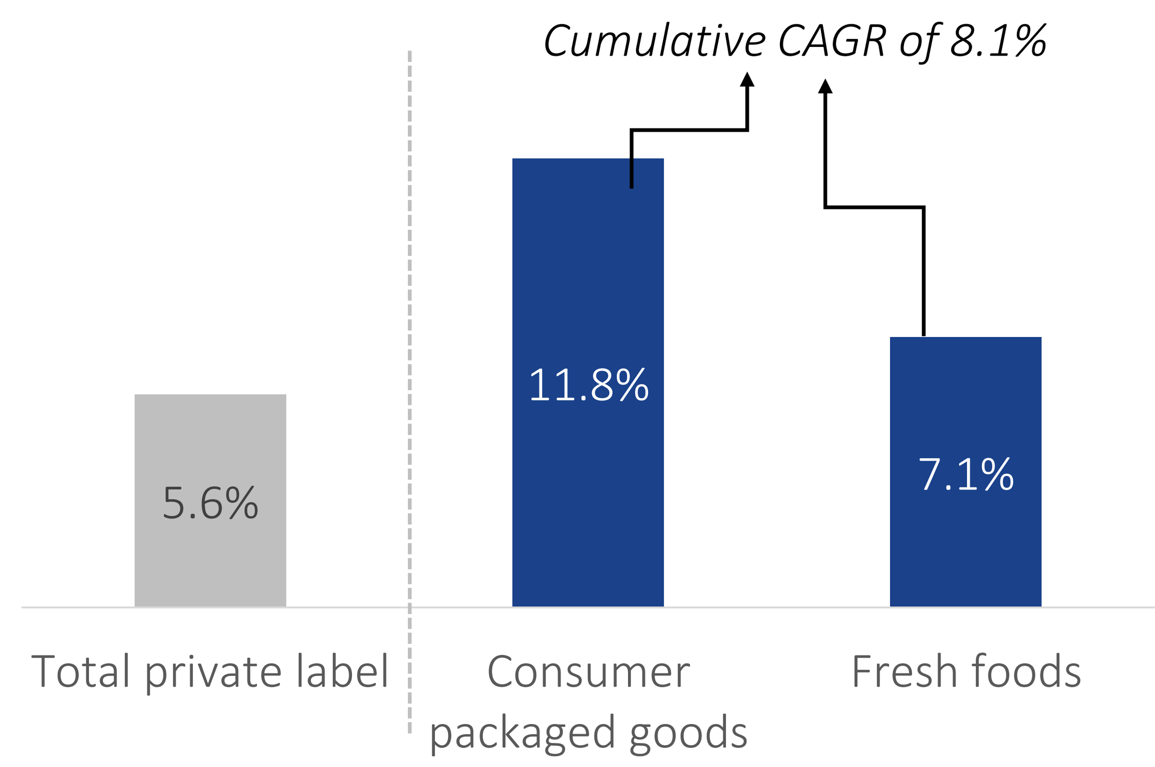
Source: Company Data, IS Research.

Private label sales split



Source: Company Data, IS Research.

2021-2023 revenue CAGR



Source: Company Data, IS Research.

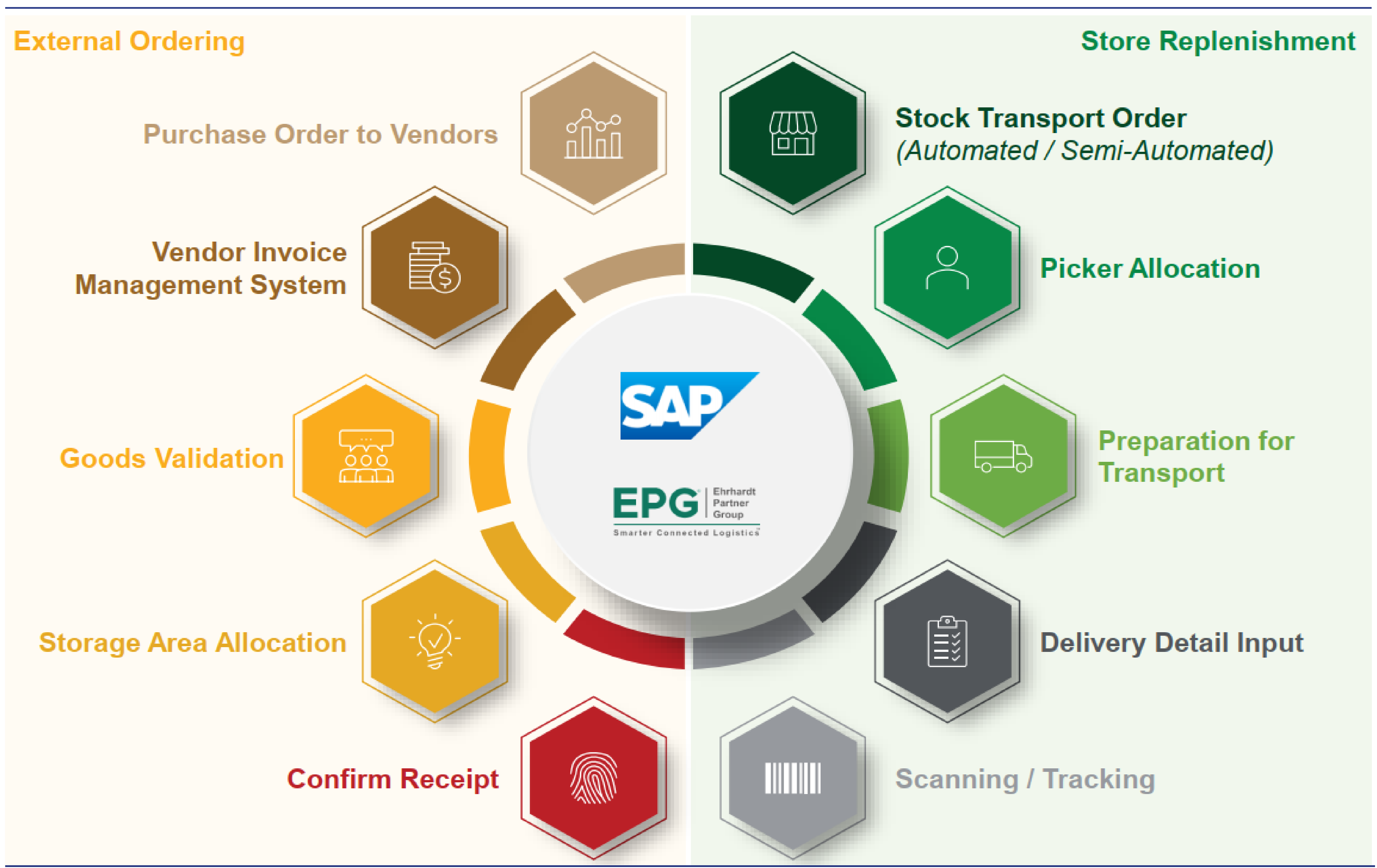
Agile distribution and logistics network enabled by technological adoption

LuLu Group is future-ready with scalable logistics and distribution infrastructure. The group maintains 21 Distribution Centers (DCs), spread across GCC with 7 DCs in UAE, 5 in Oman, 4 in KSA, 2 in Kuwait and Bahrain each and 1 in Qatar. Dedicated DCs, owned and managed by LuLu, allows the company to ensure direct control over the entire logistics process with average lead time to stores of less than 24 hours. The DCs are strategically located based on proximity of reach and number of surrounding outlets and stock levels are continually monitored to maintain an efficient supply chain. The DCs are also equipped with technologically advanced features to enable efficient sorting and dispatch of products as well as automated orders to maintain an efficient inventory management system. Cumulatively, LuLu boasts an expansive DC space of 430k sqm, while also has sufficient spare capacity to support medium term store roll out plans.

LuLu maintains a fleet of c.1,400 vehicles which allowed the retailer to complete 54% of the deliveries in 2023 using own fleet while 46% of the deliveries were completed through third parties. Maintaining own fleet ensures control of logistic operations, agile and efficient delivery.

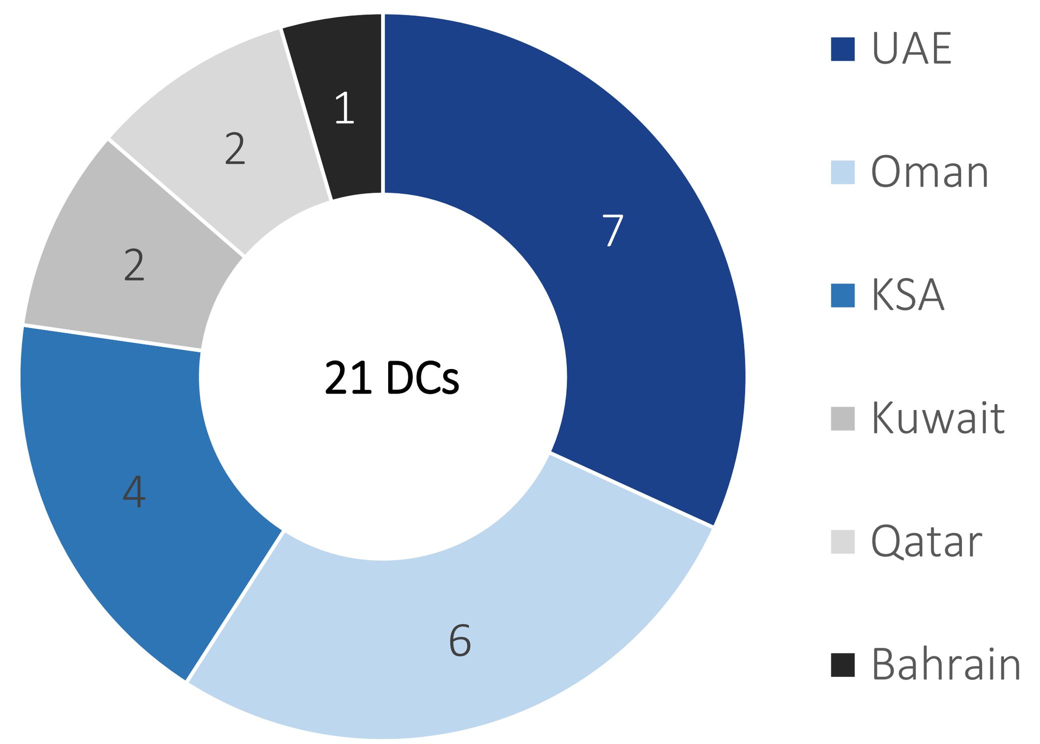
Efficiency in logistics and business operations is supported by a strong focus on technology adoption. LuLu has remained the front runner in adopting latest technology in the Middle East and was the first retailer to implement SAP IS-Retail (a specific retail industry solution) as well as an early adopter of SAP HANA. The adoption of SAP solutions allows LuLu to efficiently manage inventory, sales order processing, order shipping and billing, warehouse management, logistical support, financial accounting and consolidation as well as human resources and payroll. Further, the group has also been on the forefront of introducing advanced technology in-store including initiatives such as self-checkouts/self-scanning, integrated loyalty & personalized promotions as well as introducing a pilot autonomous store in Qatar. These features not only enhance customer experience but also are cost effective and help in managing customer traffic in the stores.

Structured technological backbone to support smooth supply chain operations



Source: Company Data, IS Research.

21 Distribution Centres spread across the GCC



Source: Company Data, IS Research.

430k sqm DC space with sufficient spare capacity for medium term store rollout

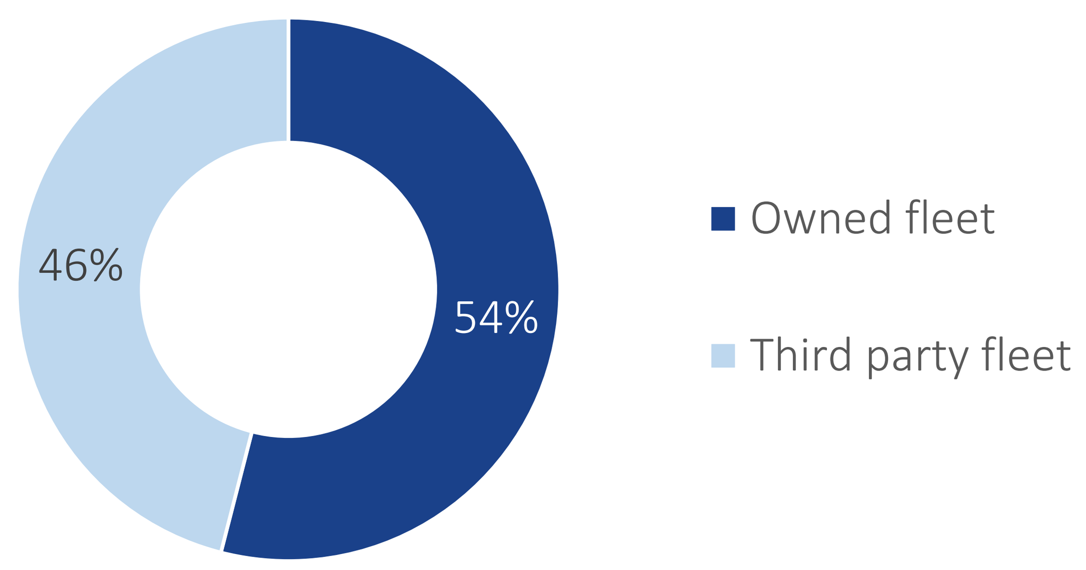
Strategic DC locations ensuring <24hr lead time to stores

Network of over c.1,400 vehicles

Type of vehicle	Quantity	% of total fleet
Chiller trucks	300	22%
Dry trucks	265	19%
Chiller vans	192	14%
Frozen trucks (1)	144	10%
Dry vans	90	7%
Other vehicles	387	28%
Total	**1,400**	**100%**

Source: Company Data, IS Research. Notes: (1) includes one frozen van.

Majority deliveries are using owned fleet



Source: Company Data, IS Research.

LuLu was one of the first retailers to implement SAP IS-Retail, a retail industry specific solution

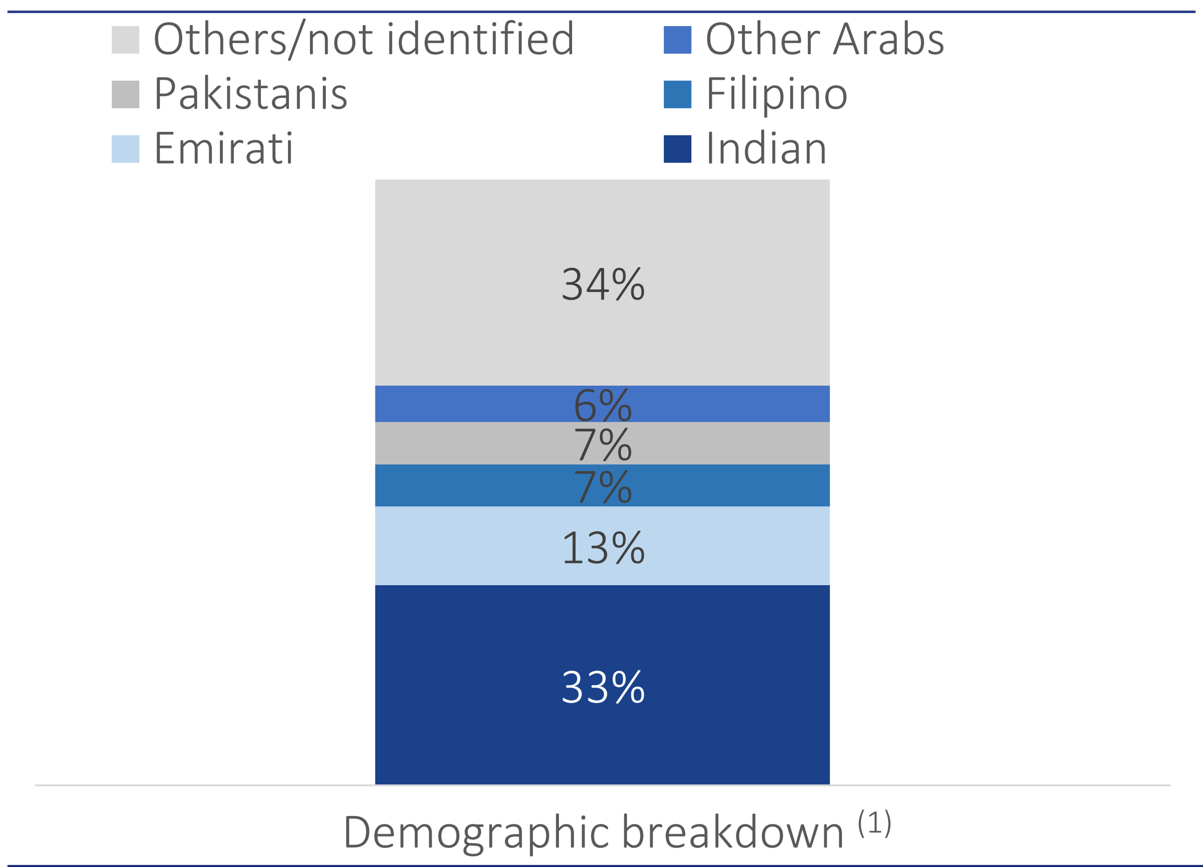
One of the first to deploy Scale-Out architecture of SAP HANA as well as an early adopted of ERP suite on HANA

Strategic product allocation and pricing to cater to diverse customer base

LuLu group's success comes from its ability to cater to customers from all ethnicities and income brackets. The retailer has over 200,000 active SKUs sourced from over 80 countries. The company caters to the diverse needs of over 130 nationalities with Indians the largest consumer with 33% contribution, followed by Emiratis (13%), Filipinos (7%) and Pakistanis (7%). **LuLu follows a detail-oriented marketing strategy, targeting key religious/cultural events** to attract the masses towards the company's products as well as actively monitors customer trends to enhance product selection. The product offerings at each store location are also carefully strategized based on the nationalities prominent in each area.

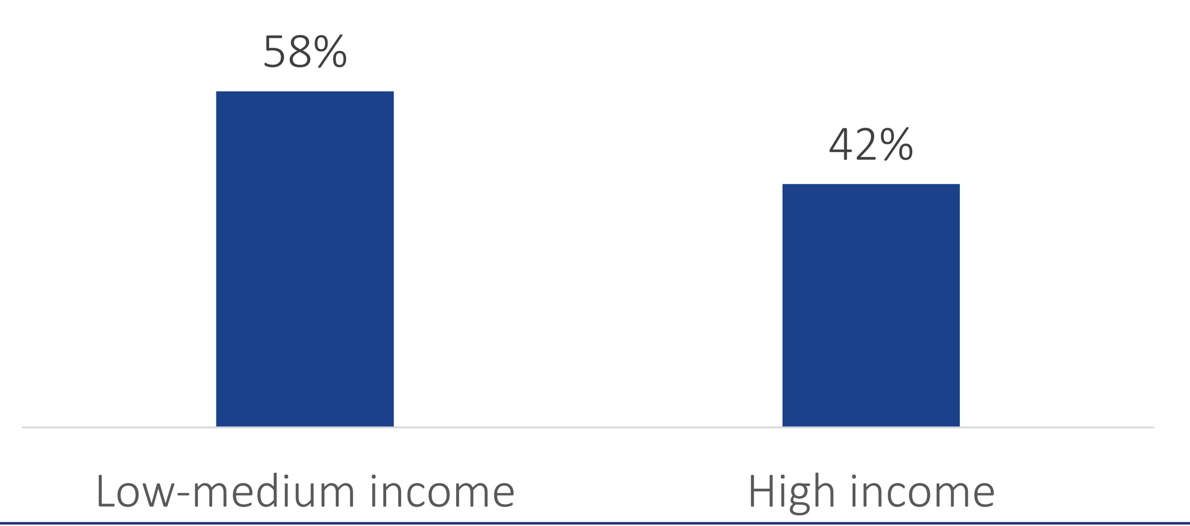
The pricing strategy is efficient with multiple variants of the same product available to cater to consumers from all different income groups, resulting in a relatively even split between sales from low-medium income (58%) and high-income (42%). The company maintains a multi-faceted pricing strategy with active monitoring of prices of the top 100 SKUs, field surveys to stay up to date on competitors' pricing and promotions, internal data analytics to assess optimal relationship between price/volume, as well as actively collects data from customer feedback and 3rd party market intelligence reports. **With long history in the GCC region, LuLu has identified key consumer behavioral patterns** and preferences for each individual country and utilizes their understanding to ensure suitable product options at market optimal prices.

LuLu caters to over 130+ nationalities



Source: Company Data, IS Research. Notes: (1) breakdown for loyalty customers in UAE and Qatar

Strategic pricing targeting all income groups



Source: Company Data, IS Research. Notes: low-medium represents household below AED16k monthly income; high income represents household with over AED16k monthly income

Long history in each market allows LuLu to implement market specific strategies

Region	Market dynamics	LuLu's strategy
UAE	Competitive market with demand for premium products	Breadth of premium offerings
KSA	Mix of price sensitive and affluent customers with a focus on quality	Balanced pricing to cater to a wider audience
Qatar	Preference for premium products and willingness to pay for quality	Competitive pricing for daily essentials while premium for high-end products
Oman	Value- oriented customers	Emphasis on affordability and value-driven promotions
Kuwait	High demand for imported/premium goods	Focus on providing a wide range of international brands
Bahrain	Small market with diverse income levels	Frequent offers to attract a broad consumer base

Source: Company Data, IS Research

Product offerings strategized across locations

Store location in UAE	Primary demographic	Product lines
Karama	Indian sub-continent	• Fewer import lines • Sub-continent product lines
Festival Plaza	Western expats	• More import lines • Premium products
Dibba	Emiratis	• More import lines • Local and premium products

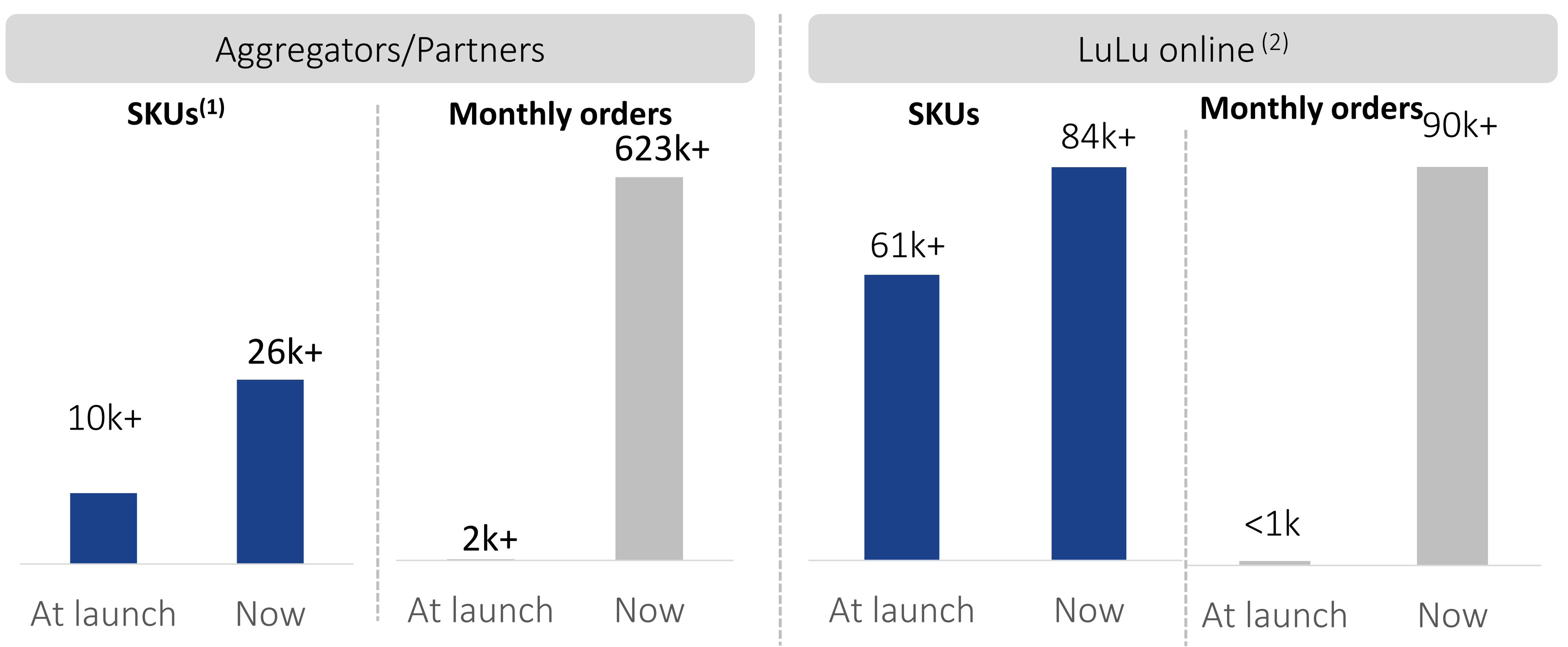
Source: Company Data, IS Research.

Omni-channel offering provides customers with 24/7 access

LuLu covers all areas of e-commerce including mobile application, webstore and sales through partners/aggregators which include Amazon, Talabat, Hunger Station and Snoonu. While e-commerce sales currently represent just 3% of the company's total revenue, we believe this will be a key growth avenue going forward backed by rising digital footprint, higher convenience and availability of larger number of SKUs online. LuLu's expansive fleet, agile logistics and advanced information technology systems provide the key infrastructure for higher contribution of online sales going forward.

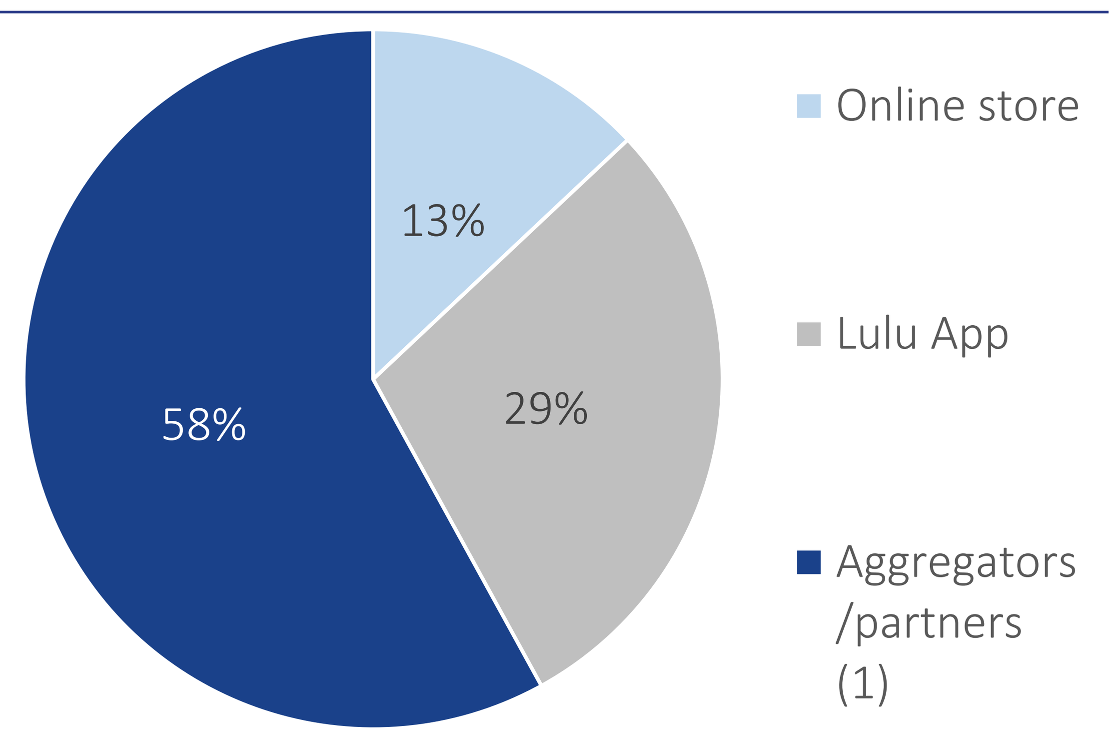
LuLu's omni channel operations initiated with the launch of its webstore in 2012, followed by LuLu mobile application launch in 2019 and strategic partnership with Amazon and Talabat in 2022. Since launch, the scale of Omni channel has expanded sharply with total SKUs increasing from 71K at launch to over 104k currently while total online orders have increase from c.3k at launch to over 700k currently. The operations are highly streamlined ensuring a seamless order flow with options for both on-demand 60-120minutes deliveries via partner/aggregators or order scheduling for later deliveries via LuLu's app or online store.

SKUs and monthly orders have grown exponentially since launch of Omni channel



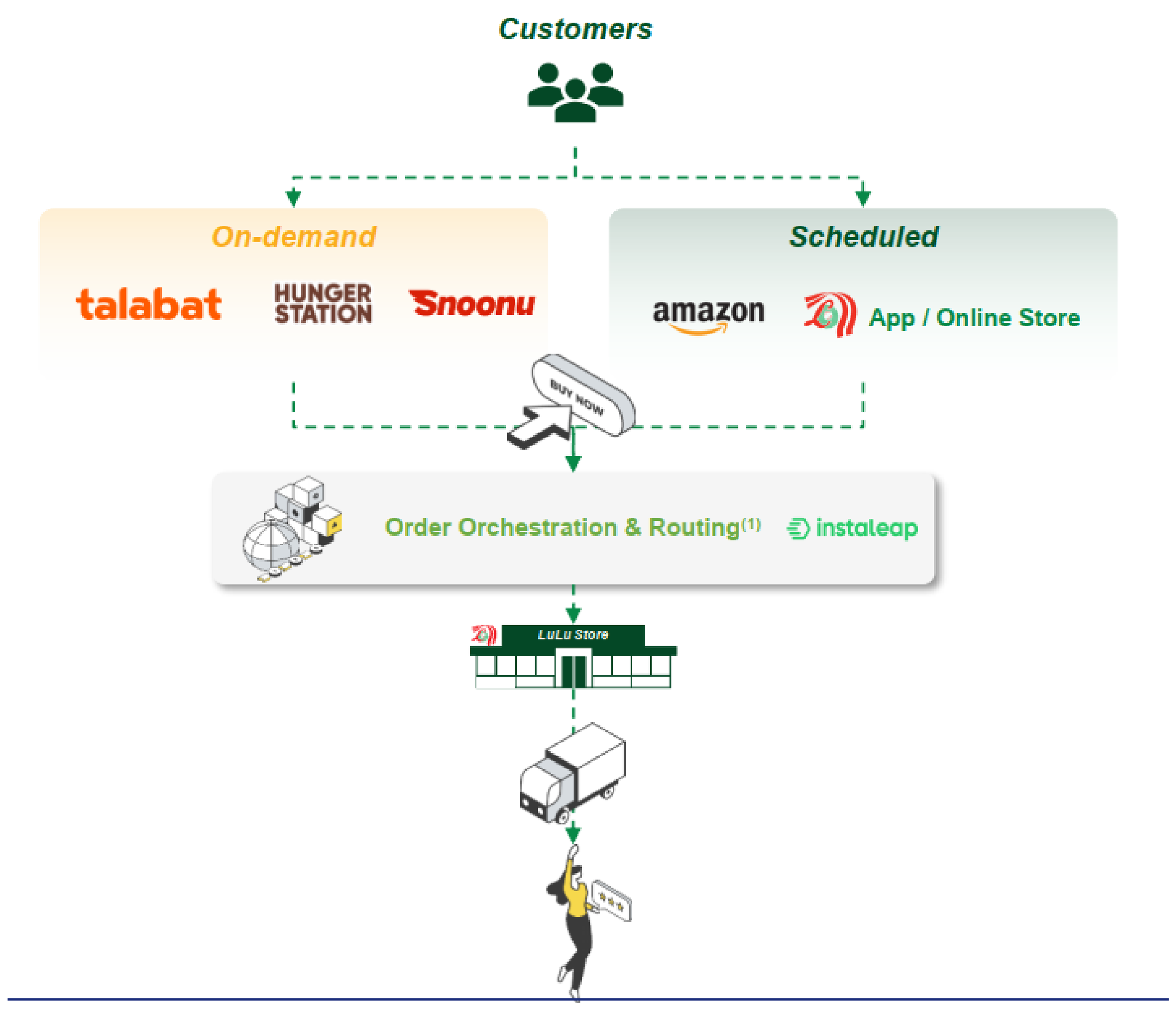
Source: Company Data, IS Research. Notes: (1) SKUs on Amazon only. (2) includes website + mobile app

E-commerce sales breakdown



Source: Company Data, IS Research. Notes: 1) Aggregators/partners include Amazon, Talabat, Hunger Station and Snoonu

E-commerce sales breakdown



Source: Company Data, IS Research. Notes: 1) Order orchestration is handled individually by the respective parties

Online platforms make up 3% of sales but host the highest number of active SKUs and the largest average basket size

116 Hypermarkets

200k+ active SKUs | $36 avg. basket size | 81% of revenue(1) | 48% of stores

22 Mini markets

8k+ active SKUs | $6 avg. basket size | <1% of revenue(1) | 9% of stores

103 Express (Supermarkets)

35k+ active SKUs | $20 avg. basket size | 16% of revenue(1) | 43% of stores

Online – 300,000+ daily visitors (2)

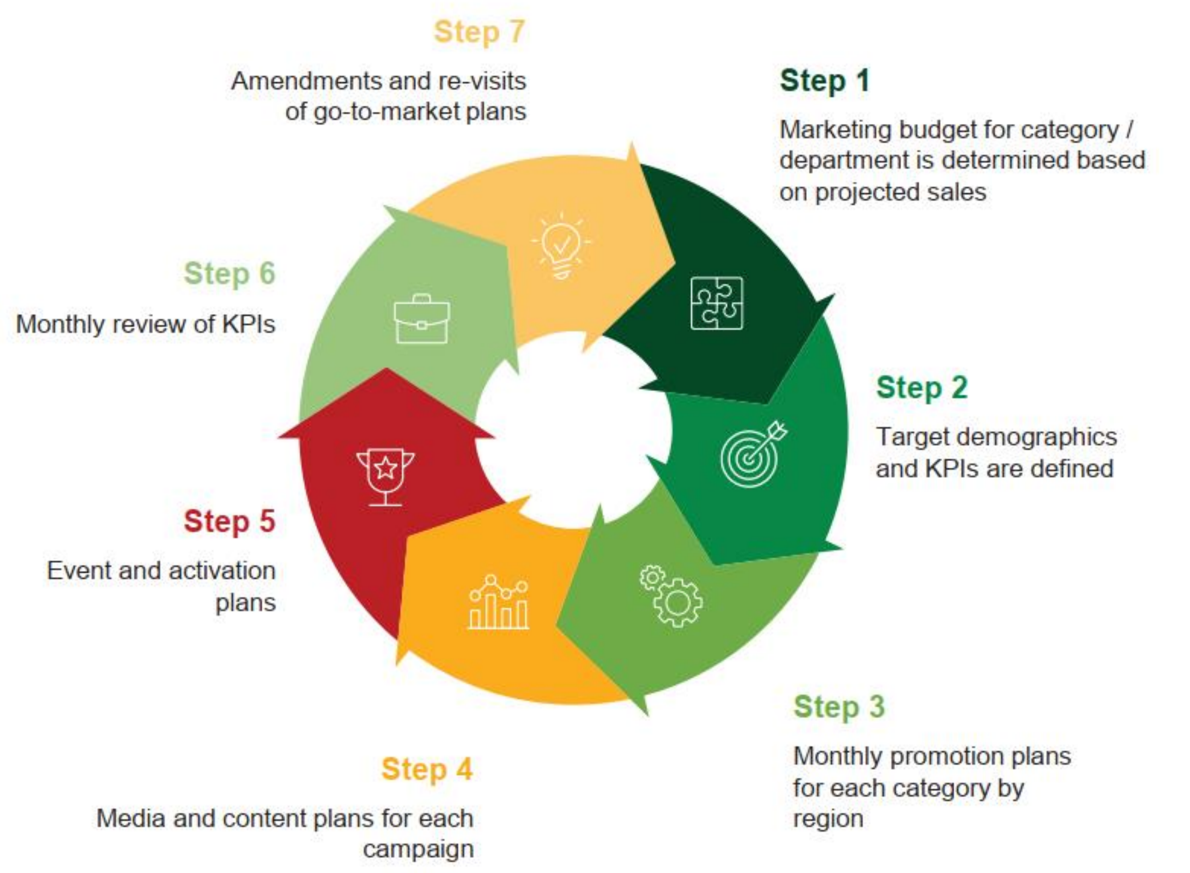
104k+ active SKUs(3) | $40 avg. basket size | 3% of revenue(1) | 3rd party partners (5)

Source: Company Data, IS Research. Notes: (1) 2023 sales value split by store formats. (2) daily visitors across LuLu's mobile app and website combined, 3) Number of SKUs across platforms. (4) mini markets branded as LuLu express in respective locations. (5) third party partners include Amazon, Talabat, Hunger Station and Snoonu.

A customer-centric, clearly defined market strategy with active campaigns

The understanding of the individual customer requirements of each market also allows the company to focus on a targeted marketing strategy, relevant to the respective residents. The marketing strategy is four-pronged with focus on, i) monitoring of shopping habits and market trends to drive targeted promotions, ii) driving customers towards new products through diverse promotion types, iii) creating an engaging in-store atmosphere to drive footfall and iv) running campaigns in widely spoken languages in each market to ensure broad reach. **The marketing plan within each market is developed with clearly defined goals** and regular KPI reviews to ensure the adequate impact is being achieved or if amendments and re-visits are required.

Marketing plan strategy lifecycle



Source: Company Data, IS Research.

KPIs tracked and post-campaign evaluation

Tracking retail store campaigns	
Sales growth	Tracking overall increase in sales during campaign months versus previous periods
Footfall	Leveraging footfall data to assess a campaigns' ability to drive engagement
Promotion effect	Comparing sales data during promotion months versus similar months without promotions
Loyalty program and sales linkage	Analysis sales linkage within loyalty program to derive insights into customer behaviour
Tracking e-commerce campaigns	
Advertisement metrics	Utilising analytical tools to track post click behaviour across platforms (Google AdWords, Meta, TikTok, etc,)
Web metrics	Tracking web traffic, users, orders, revenue, session duration and bounce rate to gauge user engagement
App metrics	Tracking app opens, app revenue and app orders to derive insights for user behaviour within the app
Decision making methodology	Utilising data collected from various platforms to approach to tailoring campaigns

Source: Company Data, IS Research

Multiple promotion categories to increase reach

Type	Campaigns per annum	Selected examples	
Category	238		
Seasons	76		
Festivals	65		
Country	63		

Source: Company Data, IS Research.

LuLu's marketing campaigns are clearly defined and are of four different types, i) **Category:** focus on individual product types, ii) **Season:** targeting either different weather conditions in GCC or seasonal events such as "back to school" campaign, iii) **Festivals:** a diverse customer base allows the company to launch campaigns all year-round targeted to cultural/religious festivities including Ramadan and Christmas, and iv) **Country:** specific campaigns targeted to specific nationals, such as the "British food week". The retailer utilizes all relevant marketing channels including print media, TV commercials, radio, outdoor advertisements, in-store branding & activations as well as digital media.

LuLu also meticulously designs its store layout to enhance customer shopping experience. Apart from ensuring full range of product availability under one roof, the retailer also strategically designs in-store layout with promo products near entrance, fresh foods near checkouts and wide aisles enabling easier product display and access. These measures are carefully designed to enhance customer experience and footfall while also ensuring the customer traffic is adequately managed, particularly during peak hours and seasons. LuLu also hosts several in-store engagement experiences including live cooking stations, live entertainment, product demonstrations, cultural education and interactive product displays.

Case study: result of Super Friday campaign

	Before promotion [1]		During promotion [2]
Daily sales (USD mn)	6.0	c.11%	6.7
Daily footfall (k)	219	c.6%	232

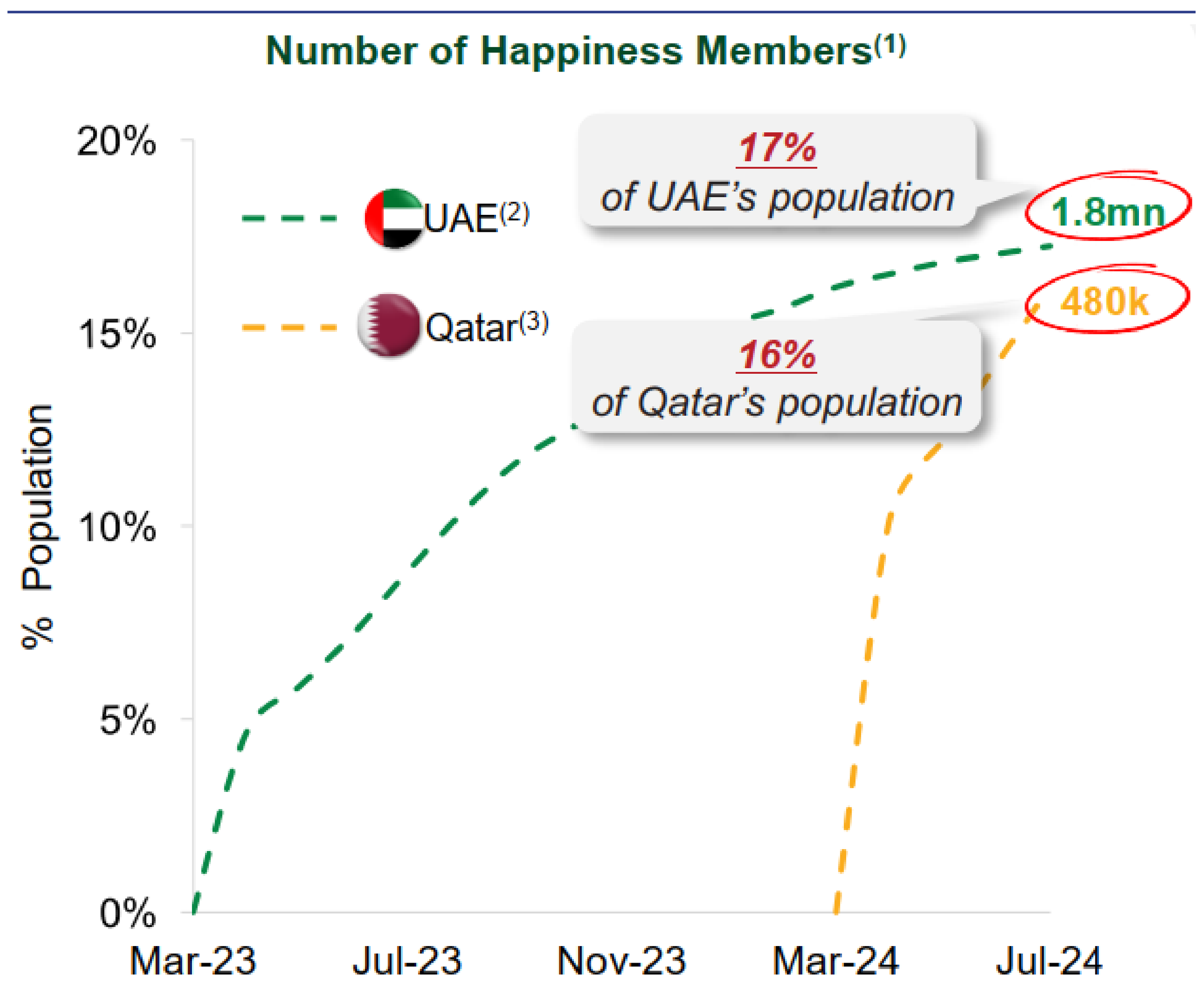
Source: Company Data, IS Research. Notes: (1) During 6 months before promotion. (2) During 13 days of promotion.

LuLu's loyalty program, "happiness", has delivered outstanding results

LuLu launched its loyalty program, "happiness" in 2023 which rewards loyal customers on future purchases, solidifying LuLu as their preferred retail destination. Since its launch in UAE in 2023, the program has delivered excellent results with total members in UAE increasing to 1.8mn in June 2024, 17% of the UAE's population. Considering that usually one person from each family shops on behalf of the family, this is an outstanding feat as the true penetration amongst UAE families is much higher than reflected by the date on an overall population basis. Similar results were witnessed in Qatar where the program was launched in March 2024 and just in 3 months, the total members increased to 480k, 16% of Qatar's population. LuLu has now launched the program in KSA, Bahrain and Kuwait in 2Q24 and intends to launch in Oman by end of 2024.

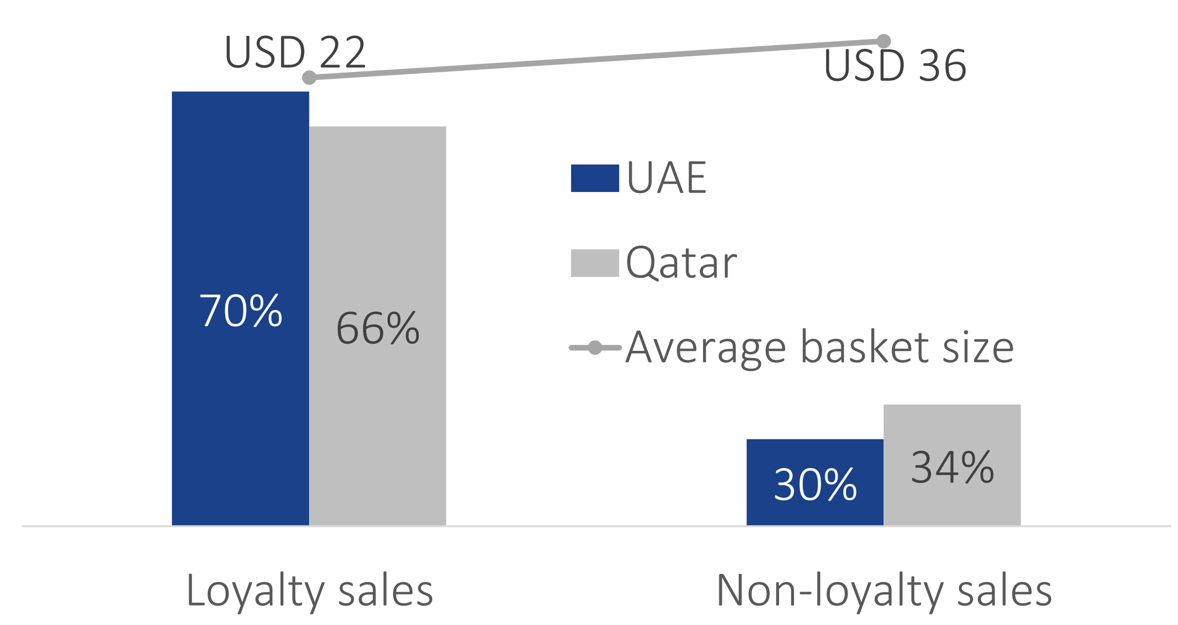
The happiness program offers attractive benefits for the customers which has boosted its adoption. Some of the key benefits include, i) points on every purchase which are redeemable towards further purchases or as vouchers, ii) instant discounts on selected products and accelerated points accumulation on certain product ranges, iii) personalized offers based on customer preferences and purchase history and, iv) partner benefits in terms of LuLu points earned for spending at cinemas, Zee5 etc. The program, while attractive for customers, has several benefits for LuLu as well with the main advantage being customer retention while availability of data and insight into customer's preferences and spending habits are utilized for targeted marketing. This type of marketing increases likelihood of conversion into sales as the promotions closely resonate with customers' individual interests.

Happiness program delivered excellent results



Source: Company Data, IS Research. Notes: 1) as of June 2024, 2) Launched in March 2023, 3) Launched in March 2024

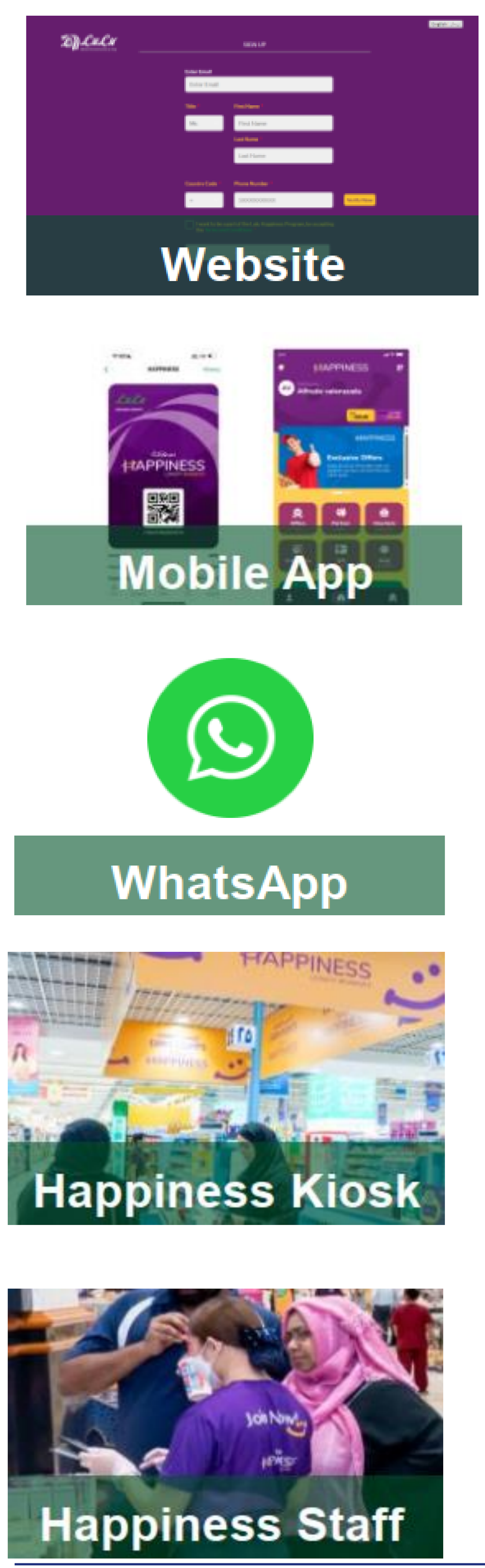
Happiness program delivered excellent results



Source: Company Data, IS Research.

LuLu loyalty Happiness program: value proposition for customers and advantages for LuLu

Enrolment methods



Value proposition for customers

Points
- Earn points on every purchase
- Redeem points as credit towards purchases or as vouchers

Instant discounts
- Instant discounts on selected products
- Accelerated points on availed selected promotions

Personalised offers
- Tailor made relevant offers for each customer
- Targeted marketing of new category launches

Partner benefits
- LuLu points on spending at partners including cinemas, Zee5
- Special offers at partner stores by simply being a Happiness member

Advantages for LuLu

Data insights
- Valuable data on customer habits, preferences and shopping behaviour
- Better customer segmentation and optimisation for marketing campaigns
- Improves inventory management by anticipating demand patterns
- Building relationships with suppliers with data collaboration

Targeted marketing
- Increases average basket size by suggesting complimentary products
- Effective allocation of marketing budgets
- Automated marketing through push promotions
- Increases likelihood of conversion with offers aligned with customer interests
- Improves customer satisfaction

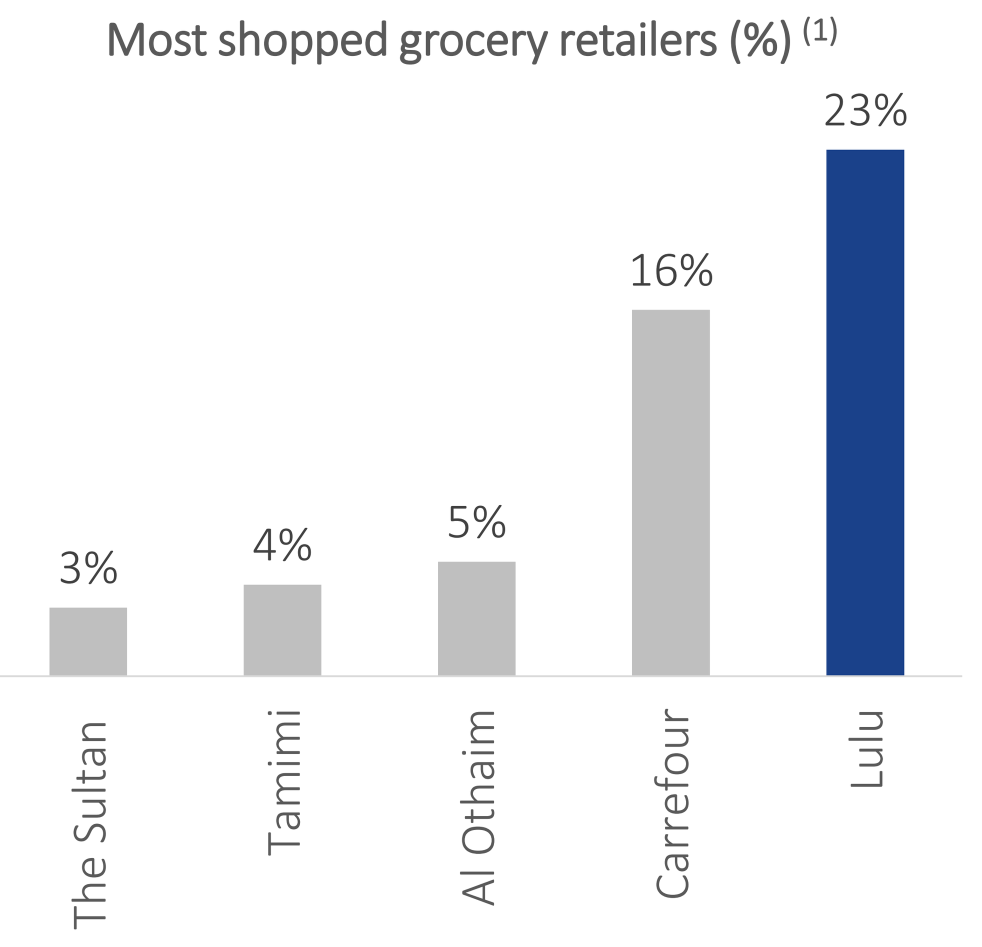
Source: Company Data, IS Research.

Survey results: LuLu ranks highest on brand awareness and quality

The most frequently visited grocery retailer within GCC

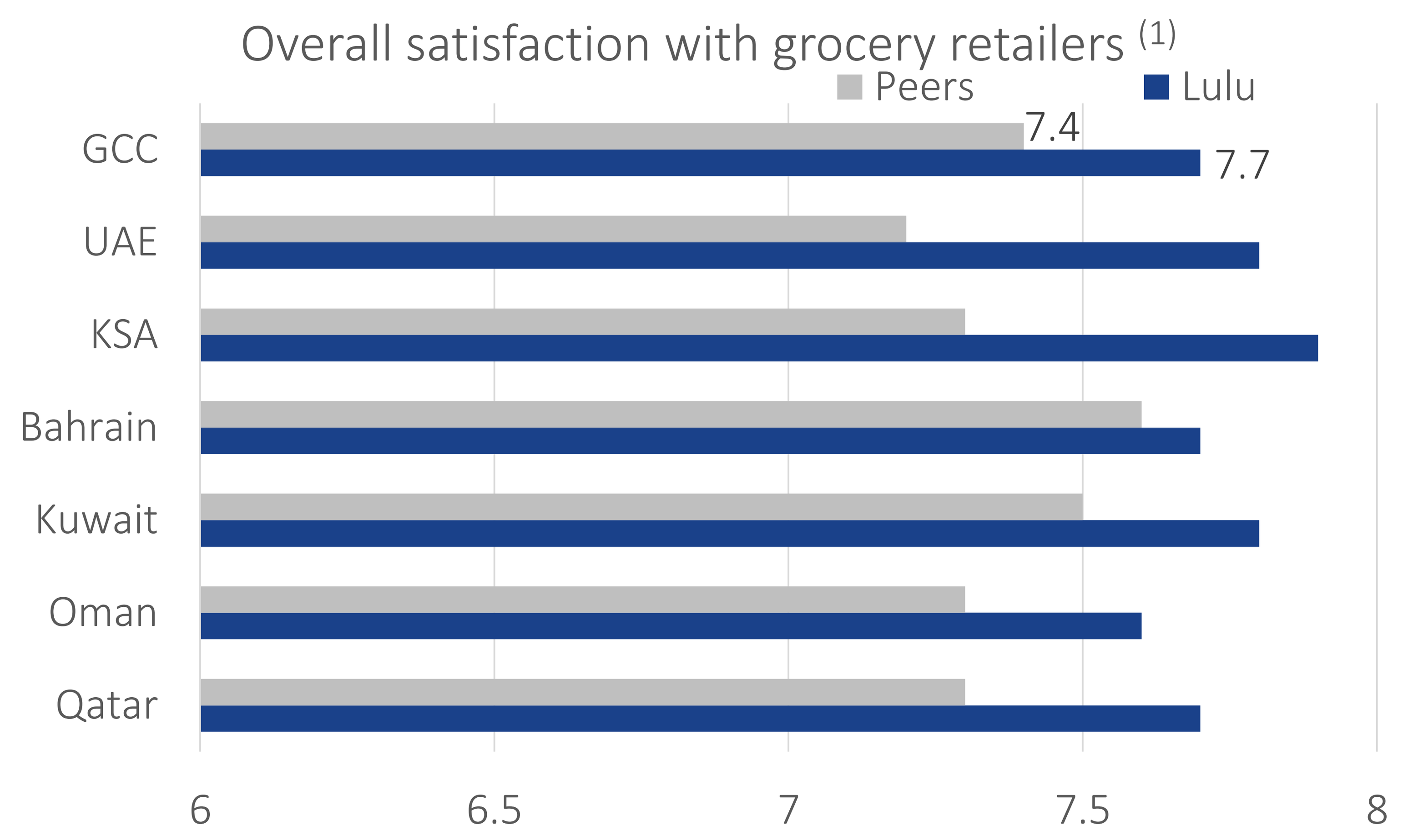
Survey highlights[1]

- 52% shopped at LuLu in the past 3 months
- 23% have LuLu as their go-to for groceries
- LuLu #1 most visited grocery retailer in GCC
- LuLu #1 preferred grocery retailer across GCC



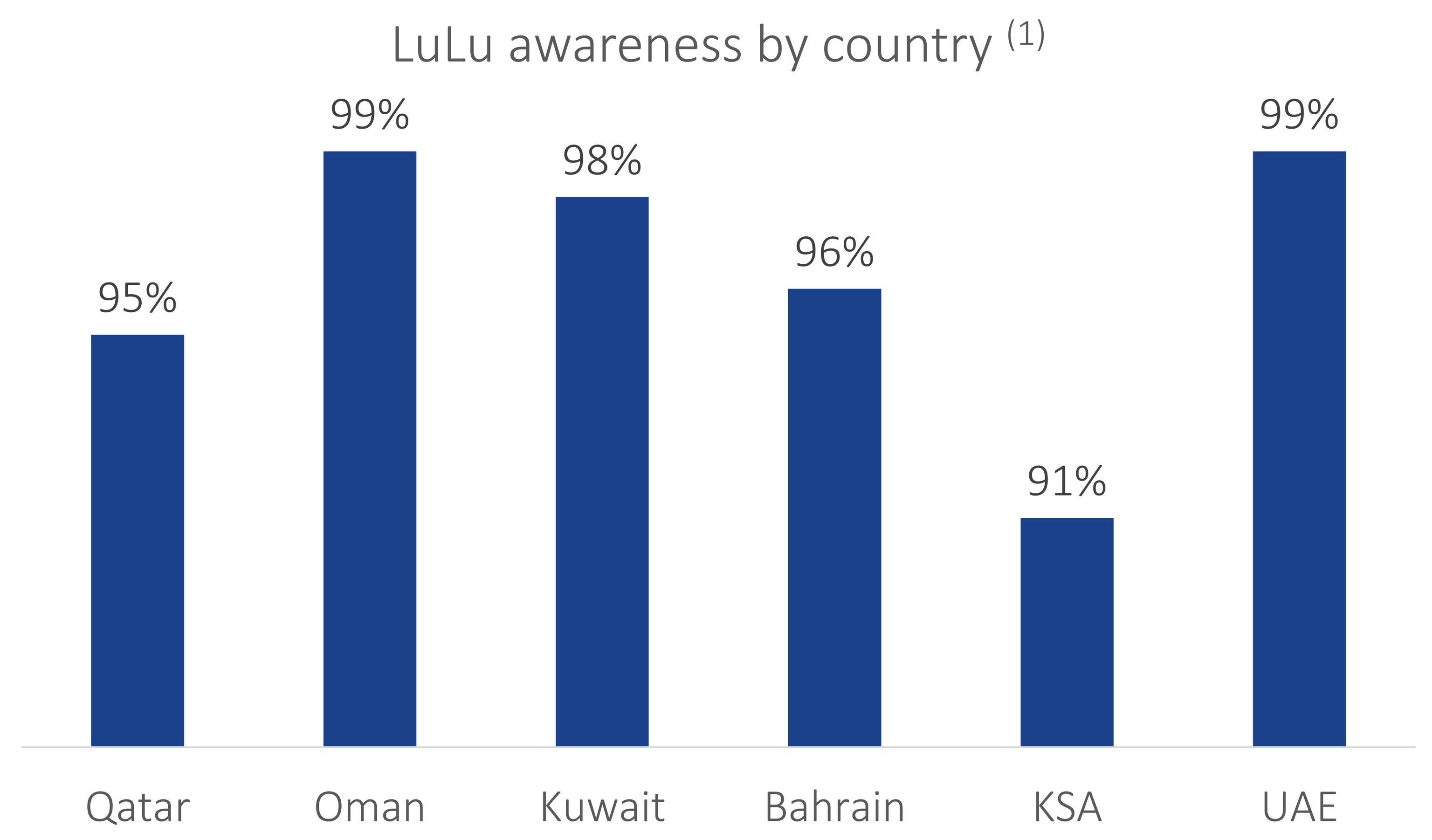
Source: Company Data, IS Research. (1) Survey participants were asked in which grocery retailers they have shopped within the last three months and their most frequently visited shop for buying groceries

Outperforming GCC players in customer satisfaction



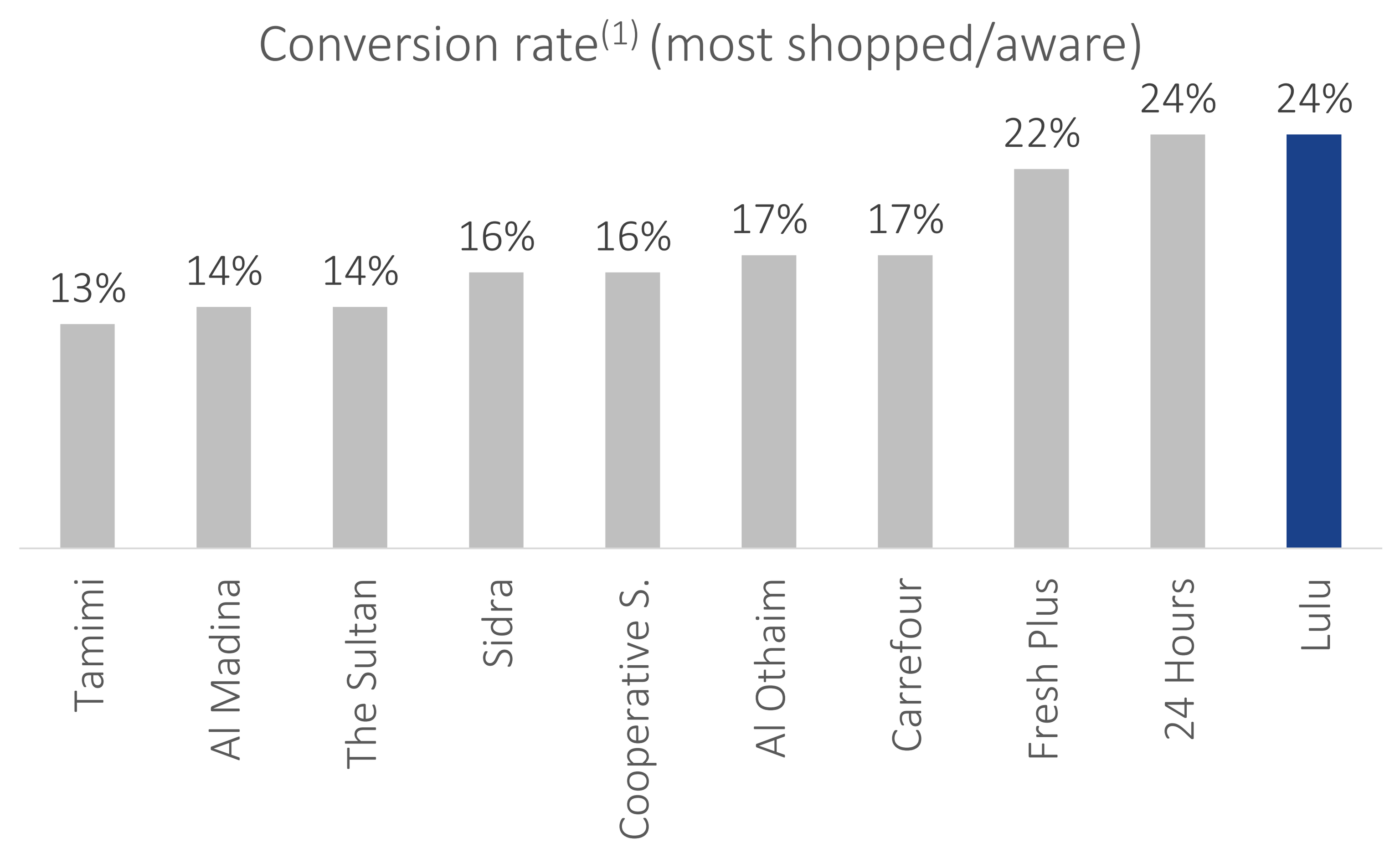
Source: Company Data, IS Research. (1) Survey participants were asked about their overall satisfaction with the grocery retailers they use within a scale where 1= not at all satisfied and 10 = extremely satisfied

Widely recognised for its robust brand across GCC



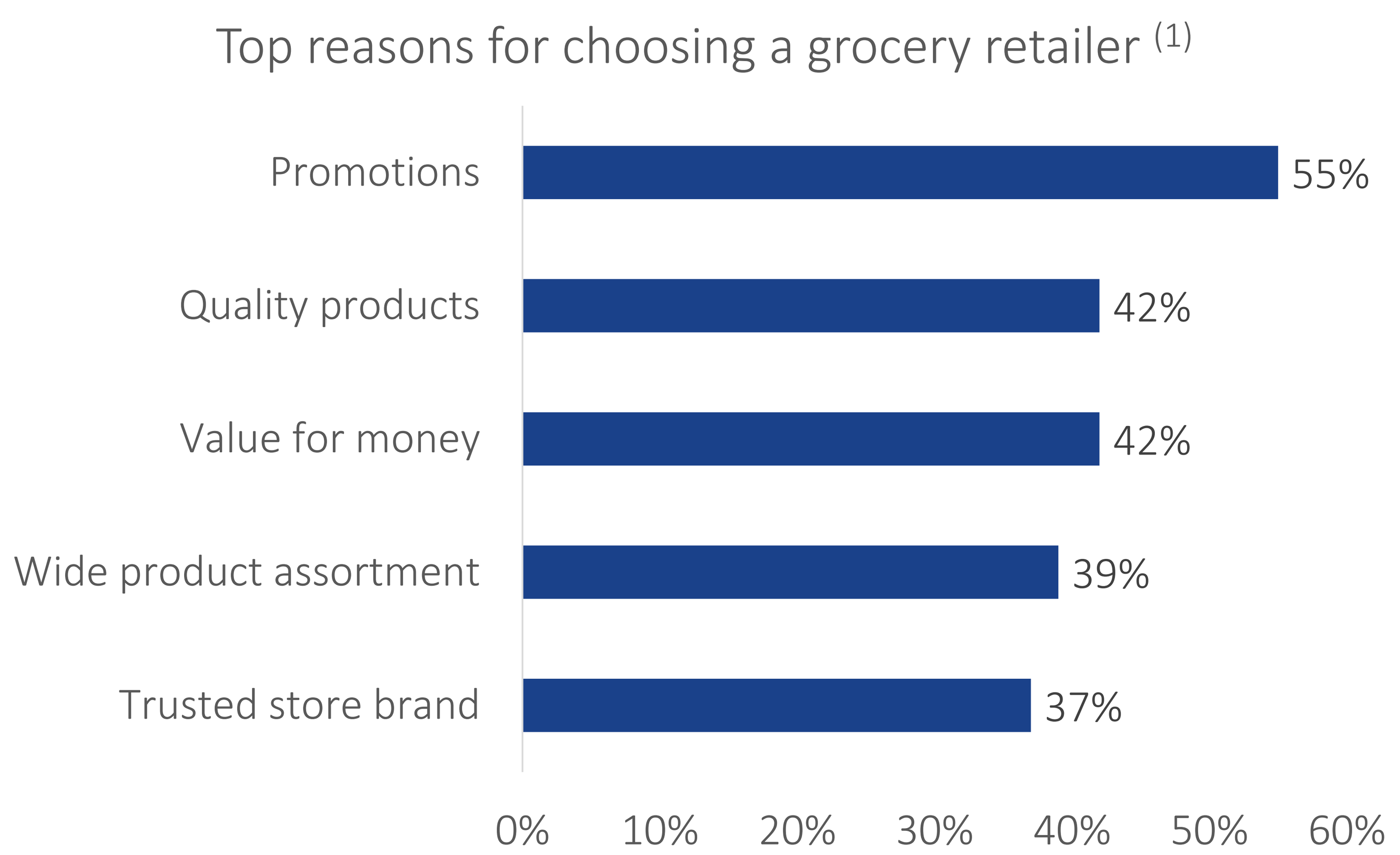
Source: Company Data, IS Research. (1)Survey participants were asked if they are aware of LuLu as grocery retailer.

Highest conversion rates versus competitors



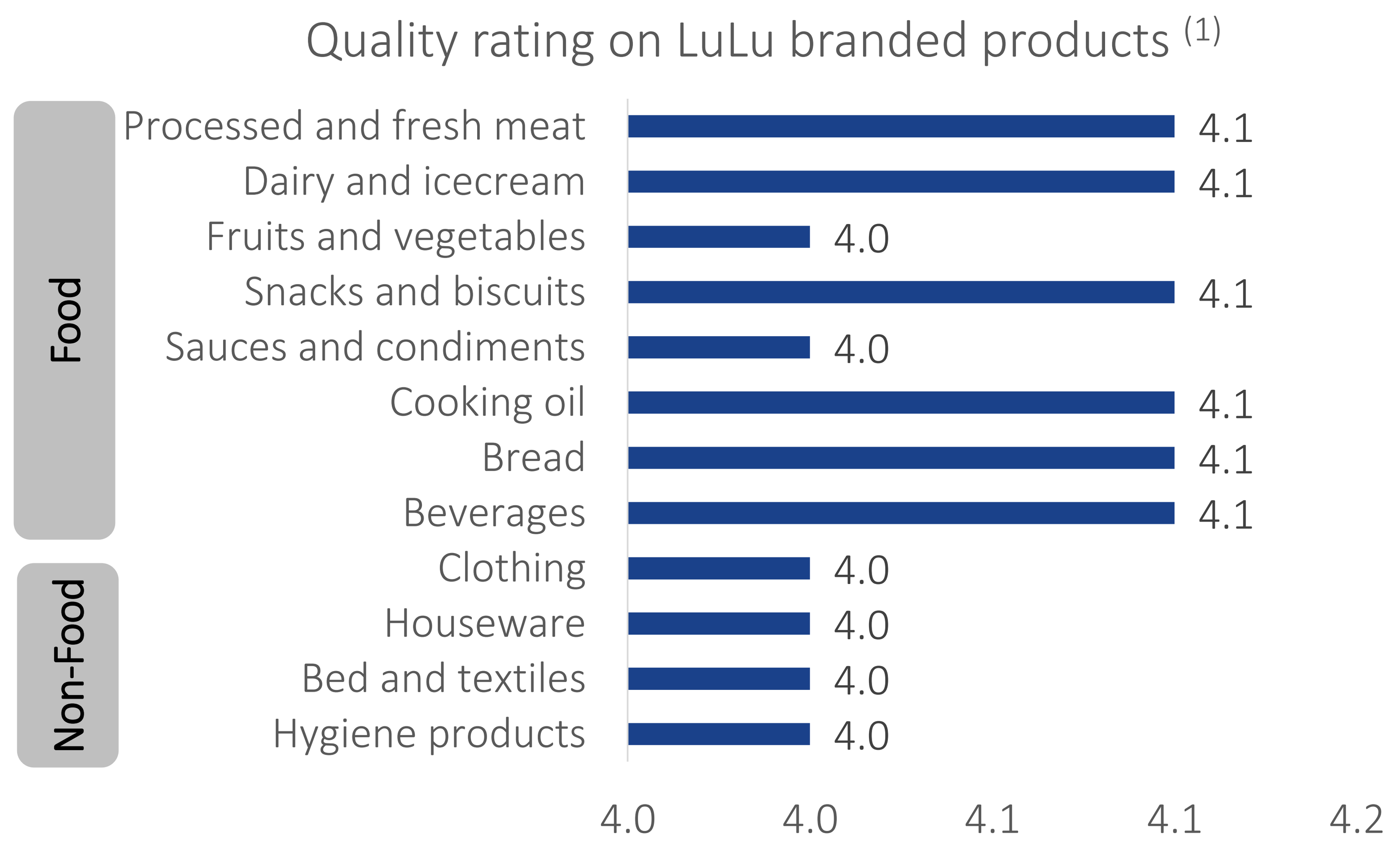
Source: Company Data, IS Research. (1) This ratio was calculated based on the survey questions on brand awareness and the most frequently shopped grocery retailers among survey participants.

LuLu recognised for quality, product offering & value for money



Source: Company Data, IS Research. (1) Survey participants were asked their key reasons to choose grocery retailers (up to 5 choices maximum)

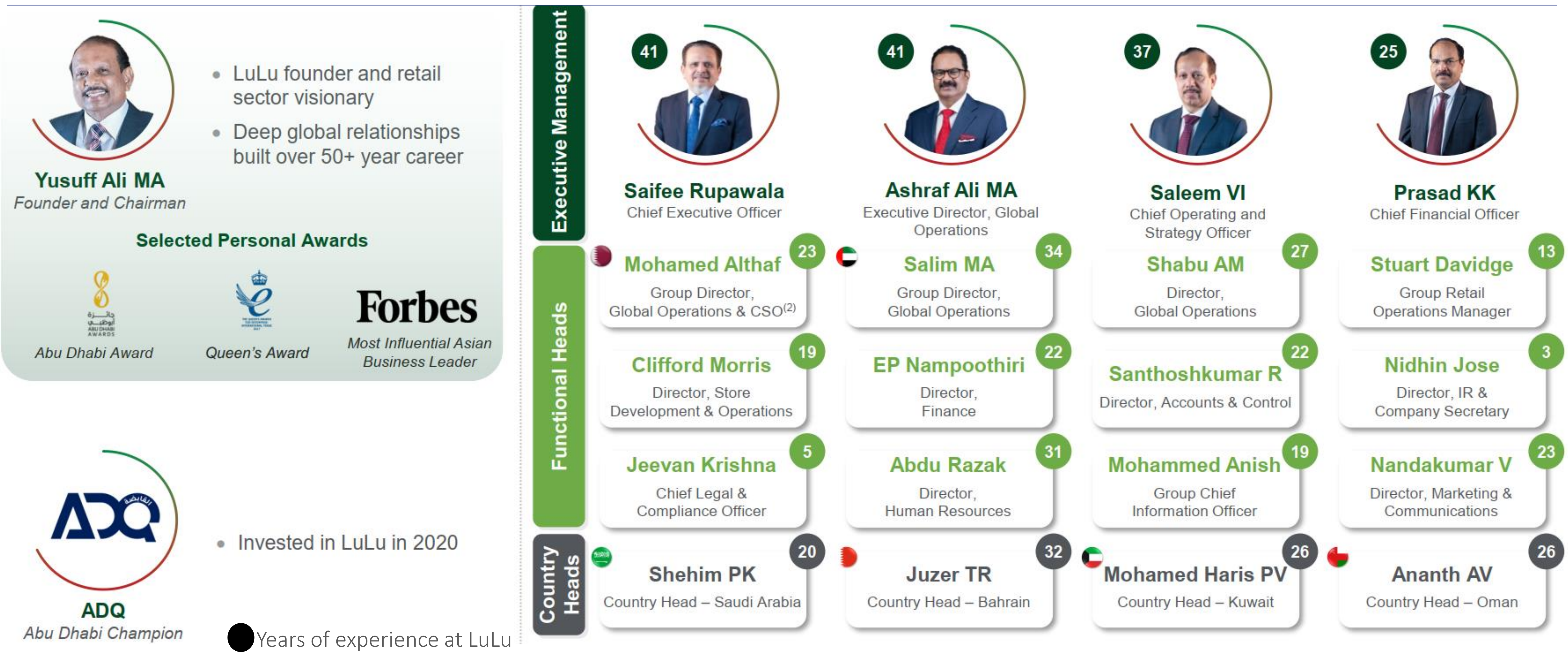
LuLu products are highly rated by customers



Source: Company Data, IS Research. (1) Survey participants were asked to rate the quality of each different private label categories as follows: 1 = terrible, 2 = poor, 3 = average, 4 = good, 5 = excellent

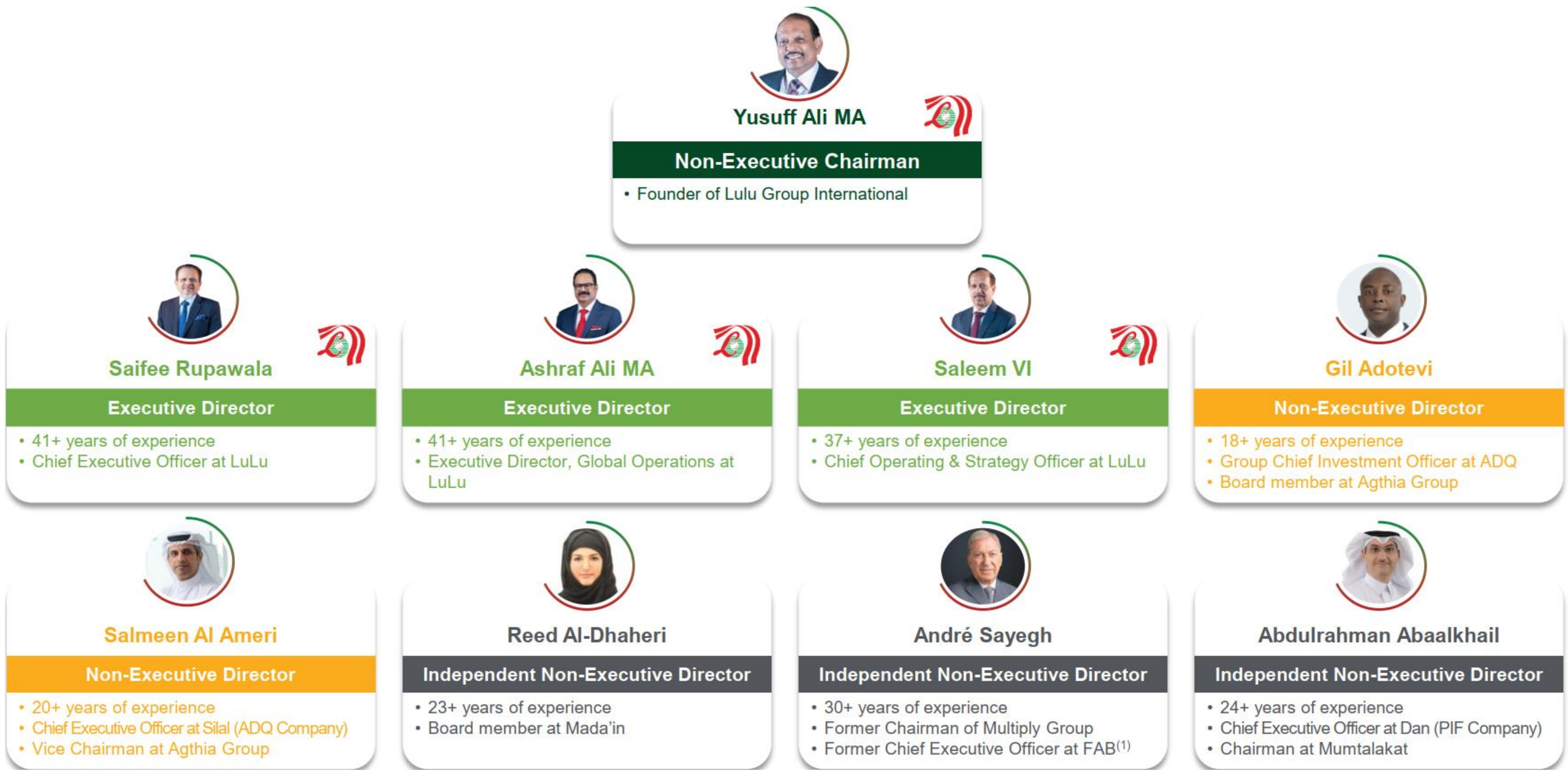
Led by seasoned management with cumulative experience of 140+ years

Committed shareholders with Yussuf Ali MA and ADQ; led by seasoned management with cumulative experience of 140+ years



Source: Company Data, IS Research. Note: Country flag denotes country head.

Seasoned Board of Directors with decades of leadership experience



Source: Company Data, IS Research. Note: (1) First Abu Dhabi Bank

Financial performance and projections

Robust growth supported by Strong LFL growth and new stores openings

LuLu group revenue grew by 15.3% over the past 3 years reaching USD7.3bn by FY23, depicting a CAGR of 7.4% . The growth in revenue was led by robust LFL growth which averaged 5.4% for 2022-23 along with contribution from opening of new stores. Between 2021-1Q24 the Group opened 70 total new stores. KSA has emerged as a strong growth market for the group where the group revenue grew at a CAGR of 14.8% from 2021-2023 reaching USD1.4bn by the end 2023 against USD1.06bn in 2021.

LuLu group has demonstrated strong track record of growth with robust increase in the number of customer transactions. Over the past 3 years the group witnessed an increase of 39mn in customer count. This supported the strong growth in the fresh food and Consumer packaged goods products which grew at a CAGR of 8.8% and 11.3% from 2021-2023. In addition, the e-commerce segment has delivered solid results with a 3-year CAGR of 60%, which was supported by strong partnerships with famous brands which includes Amazon, Talabat, Hunger Station and Snoonu, etc. Further, LuLu's own webstore, mobile application and loyalty program also supported the growth.

We expect the group revenue to grow at a 2023-2028e CAGR of 7.5% with revenue reaching USD10.4bn by 2028. We believe that the growth in the revenue will be led by

1) Modest LFL same stores sales growth
2) New store roll outs

Same store sales growth (like for like (LFL))

The Group has witnessed a strong average LFL growth of c5.4% during 2022-2023 . **Future growth in the revenue is expected to be driven by modest LFL growth over the period which is expected to be around c3.0%** supported by improvements in the products mix, marketing and promotions, introduction of the loyalty programs and, launch of new products **which should drive the higher traffic in stores**. As per management guidance the same stores sales growth for the group is expected to remain between 2.5% to 3.0% in 2024e and 2025e, respectively, while in the medium term the growth is expected to remain in the range of 2-3%. UAE and KSA are the key markets for the group where **UAE is expected to witness a same stores sales growth of 2-3%, whereas KSA, being a high growth market, is expected to witness a slightly higher same sales growth of 2.5% -3.5%.**

Same Store sales growth guidance by the group (%)

	LuLu Group	UAE	KSA
Same Store Sales Guidance	1) 2.5%- 3.0% YoY in 2024e and 2025e 2) 2%-3% in the medium tTerm	1) 2% to 3% in the short and medium term	1) 2.5% to 3.5% in the short and medium term

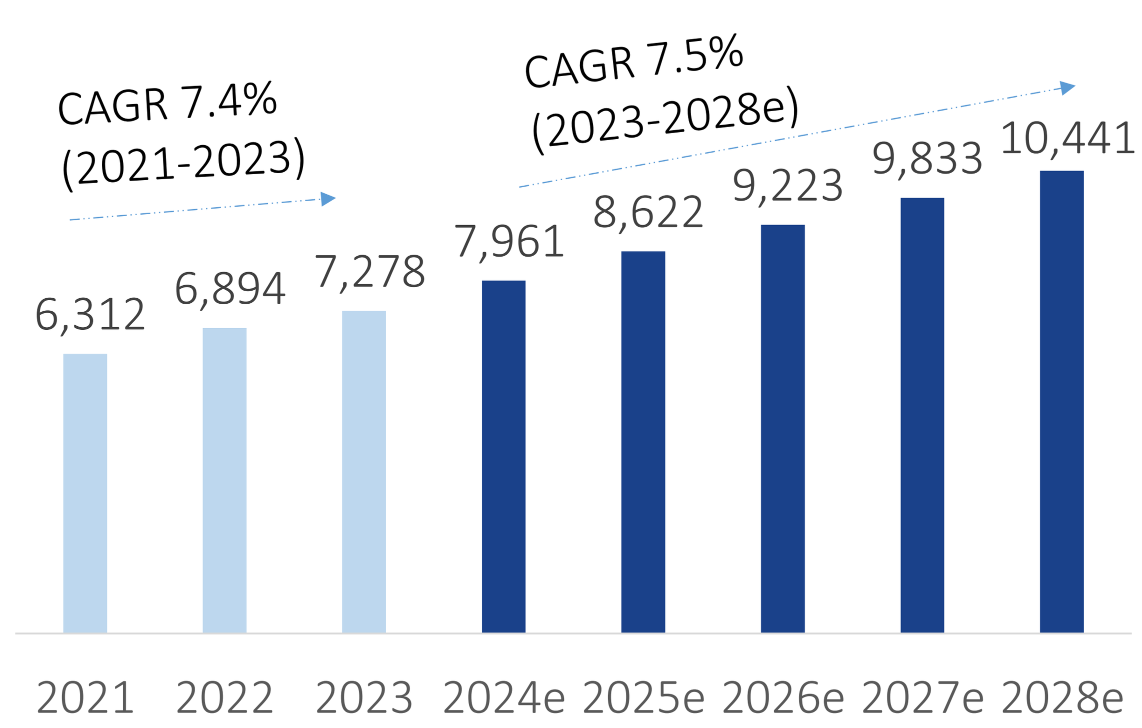
*Source: Company Data, IS Research * Same Stores sales growth considering the stores are open for the full year in the current year and prior year*

Key revenue drivers for the Group

- Robust LFL growth which average at 5.4% for 2022-2023
- Group Opened 70 total new stores from 2021 to 1Q24
- KSA emerging as the Key growth Market for the Group. Revenue grew at a CAGR of 14.8% (2021-2023)
- +39mn increase in the Customer Count*
- Private label segment witnessed strong growth with CAGR of 5.6% (2021-23)
- Strong Growth witnessed by the Consumer packaged and Fresh goods
- Ecommerce segment delivered a resilient growth with a growth CAGR of c60% (2021-2023)

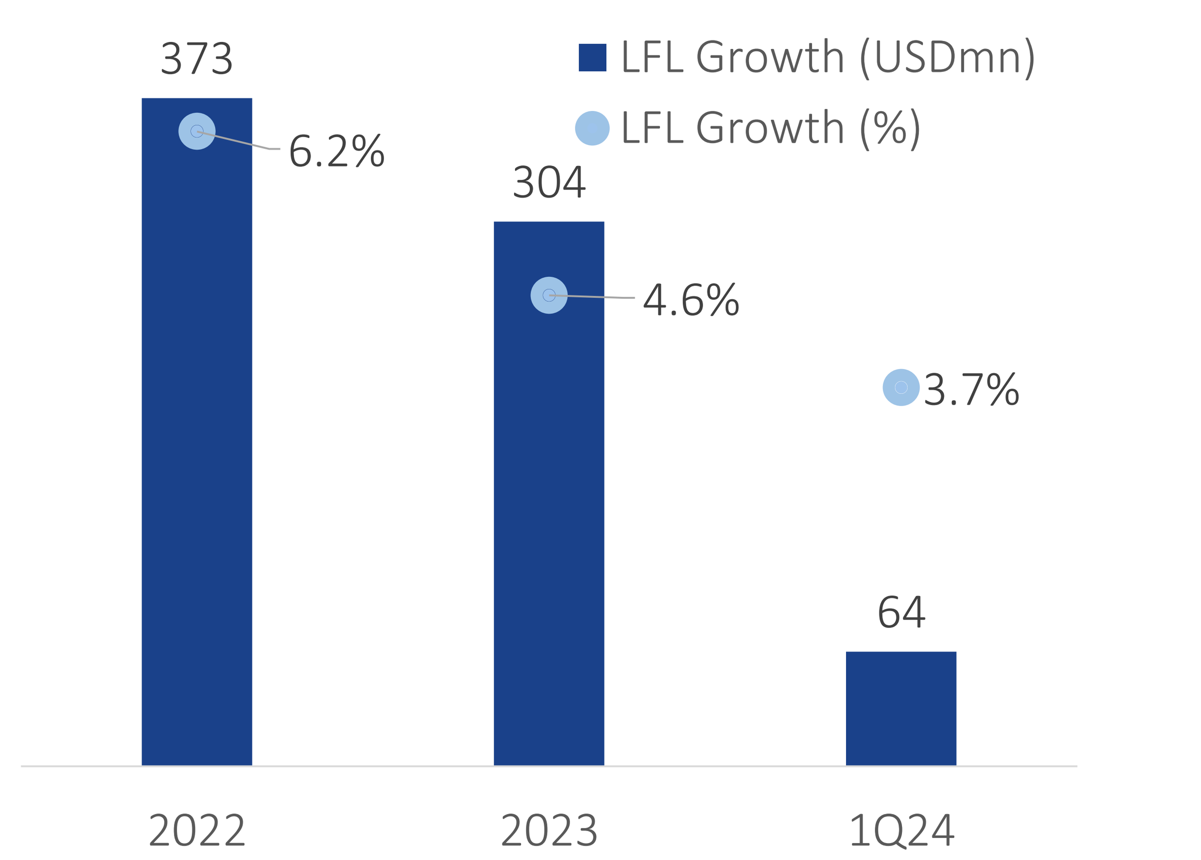
*Source: Company Data, IS Research * Customer Count defined as number of customer transactions*

Group revenue to grow at a CAGR of 7.5% (2023-2028e) reaching USD10.4bn



Source: Company Data, IS Research

LFL growth average at c5.4% (2022-2023)



Source: Company Data, IS Research

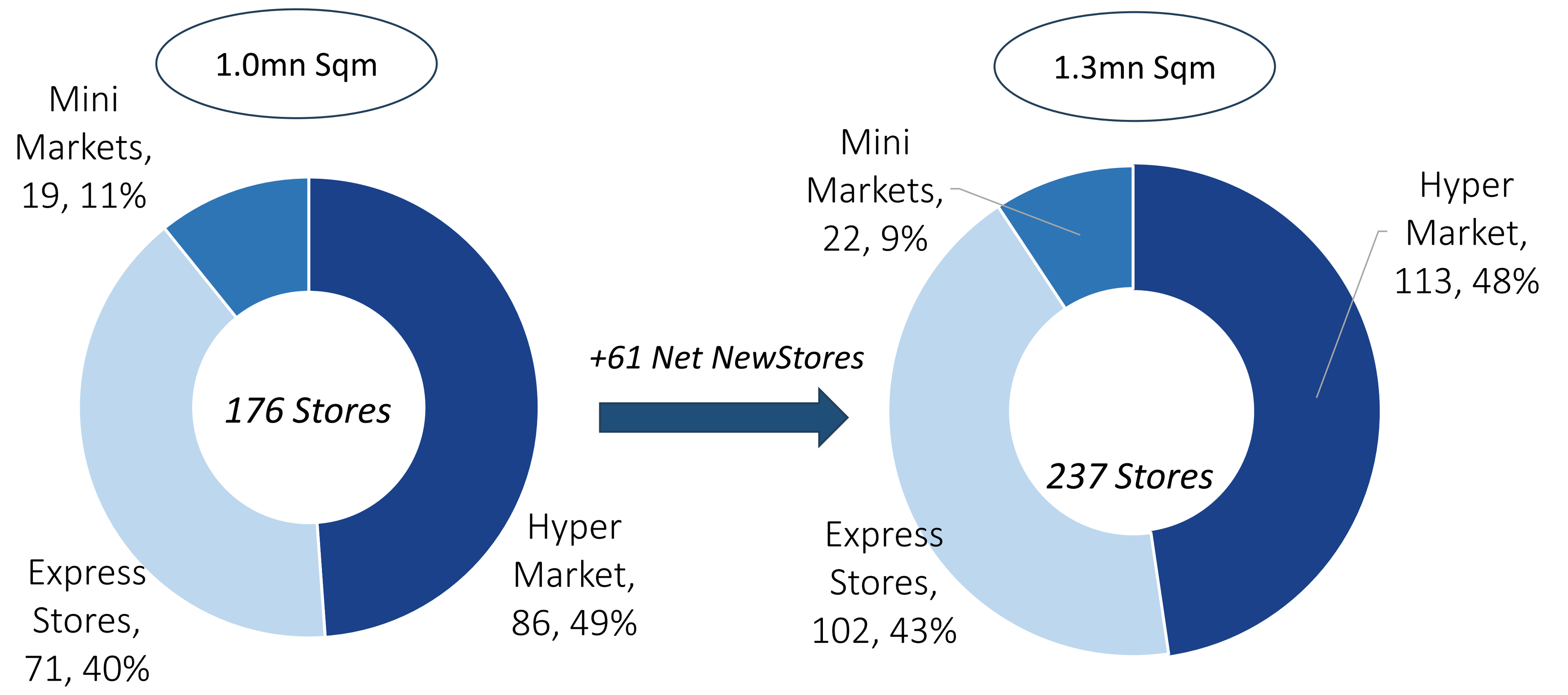
Group to open 21 new store in 2024 with 12 openings completed in 9M24

New Store roll outs

Group has demonstrated strong track record of successful store rollouts. **LuLu added 70 new stores from 2021 to 1Q24 with an addition of 284sqm to the total selling space**. As of March-24 the group has a total selling space of 1.3mn sqm which grew at a CAGR of c.8% against 1.0mn in Dec'20. As of March-24 the group has a total of 237 stores constituting of 113 (48%) hyperstores, 102 (43%) Express stores and 22 (9%) Ministores. Over the period from 2021 to 1Q24 the group added 27 Hypermarkets, 33 Express stores and 10 Mini Markets. Approximately 69% of the new stores were opened in the UAE and KSA which are the key markets for the group. In 2023, Hyper-Markets contributed 83% of the Brick and Mortar revenue while 17% came from the express stores.

The group witnessed 9 stores closures during 2021-1Q24. These nine-closure included 7 Mini Markets and 2 Express stores.

Evolution of Store Portfolio (61 net stores added from Dec-20 to Mar24)



Source: Company Data, IS Research

In 2024 the group intends to open c.21 new stores comprising of 12 hypermarket, 8 express stores and 1 Mini Market where 12 stores have already been opened from 9M24. As of august, Group planned 10 additional store openings in 2024 with 6 expected in KSA (4 Hypermarkets & 2 Express Store), 1 in UAE (Express store) and remaining 3 in Qatar (2 HyperMarkets and 1 ExpressStores). So far the group has opened a total 18 new stores in 2024 and is on track to deliver on its guidance.

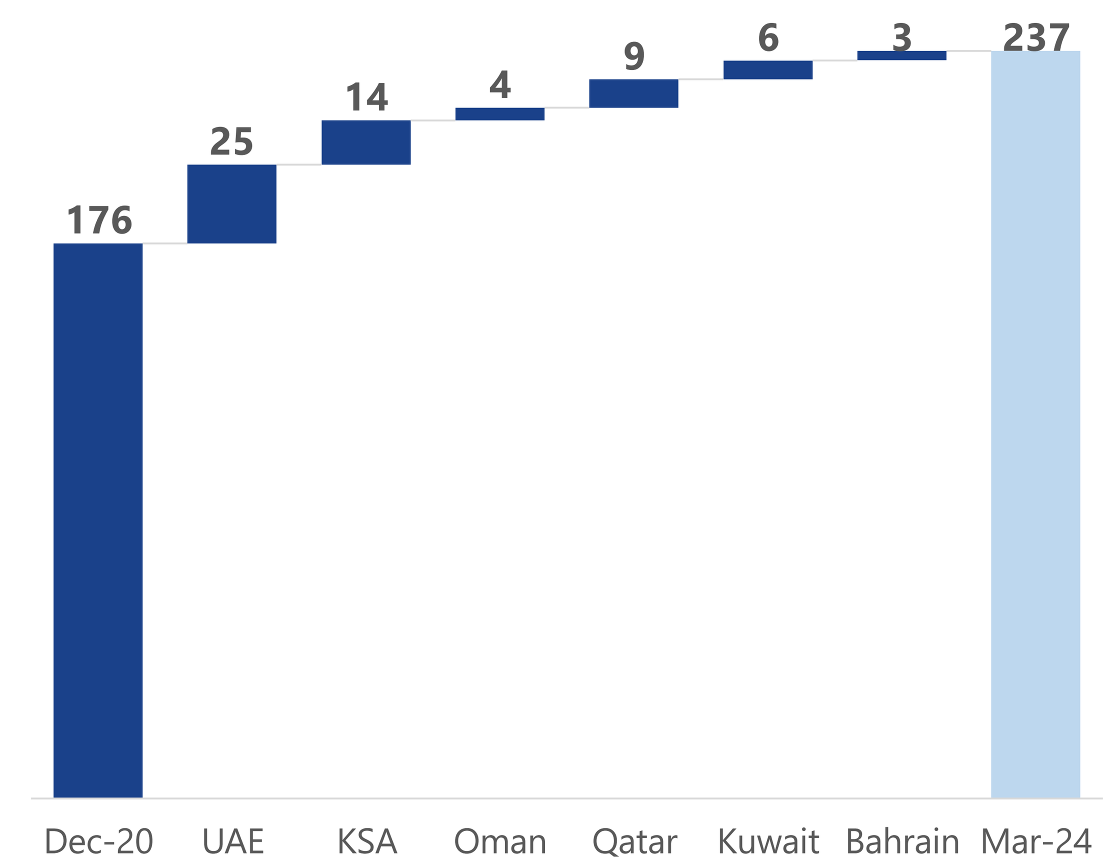
Between 2025-2028, the group intends to rollout a total of c.25-30 HyperMarkets and 40-45 express stores with no closures expected. **In our forecasts we have assumed cumulative addition of 29 Hypermarkets and 44 Express stores between 2025-2028**. New store rollouts together with modest LFL growth should drive the revenue for the company going forward where we foresee a 2023-2028 revenue CAGR of 7.5%.

Targeted Stores in 2024 as per Guidance

Country	Target	*Opened YTD	Remaining
KSA	6 Hyper 4 Express 1 Mini	2 Hyper 2 Express 1 Mini	4 Hyper 2 Express
UAE	2 Hyper 2 Express	2 Hyper 1 Express	1 Express

*Source: Company Data, IS Research * opened stores are as of 9M24. So far the Group has opened 18 stores in 2024*

LuLu Store Evolution (Net additions by Country)



Source: Company Data, IS Research

Stores Opened in 2024*

Country	Description
KSA	1 Hyper Market 3 Express Stores, 1 Ministore Total Space : 15,264sqm Location: Unaizah| Mujan| Tabuk| Wadi| Laban| Rawda
Oman	1 Hyper Market **Total Space:** 7,650 sqm **Location:** Al Ansab
Kuwait	1 Express Stores Total Space: 755sqm Location: Abbasiya
UAE	2 Hyper Markets 1 Express Stores **Total Space:** 18,026sqm **Location:** Dubai Ou| Shawamekh| Al Ajayyiz
Qatar	1 HyperMarket **Total Space** :5,583sqm Location: Doha Mall

*Source: Company Data, IS Research * as of Aug-24, so far the group has opened 18 stores in 2024*

LuLu plans to open 18 stores per annum in the medium term

Assumptions regarding store Roll-out plan

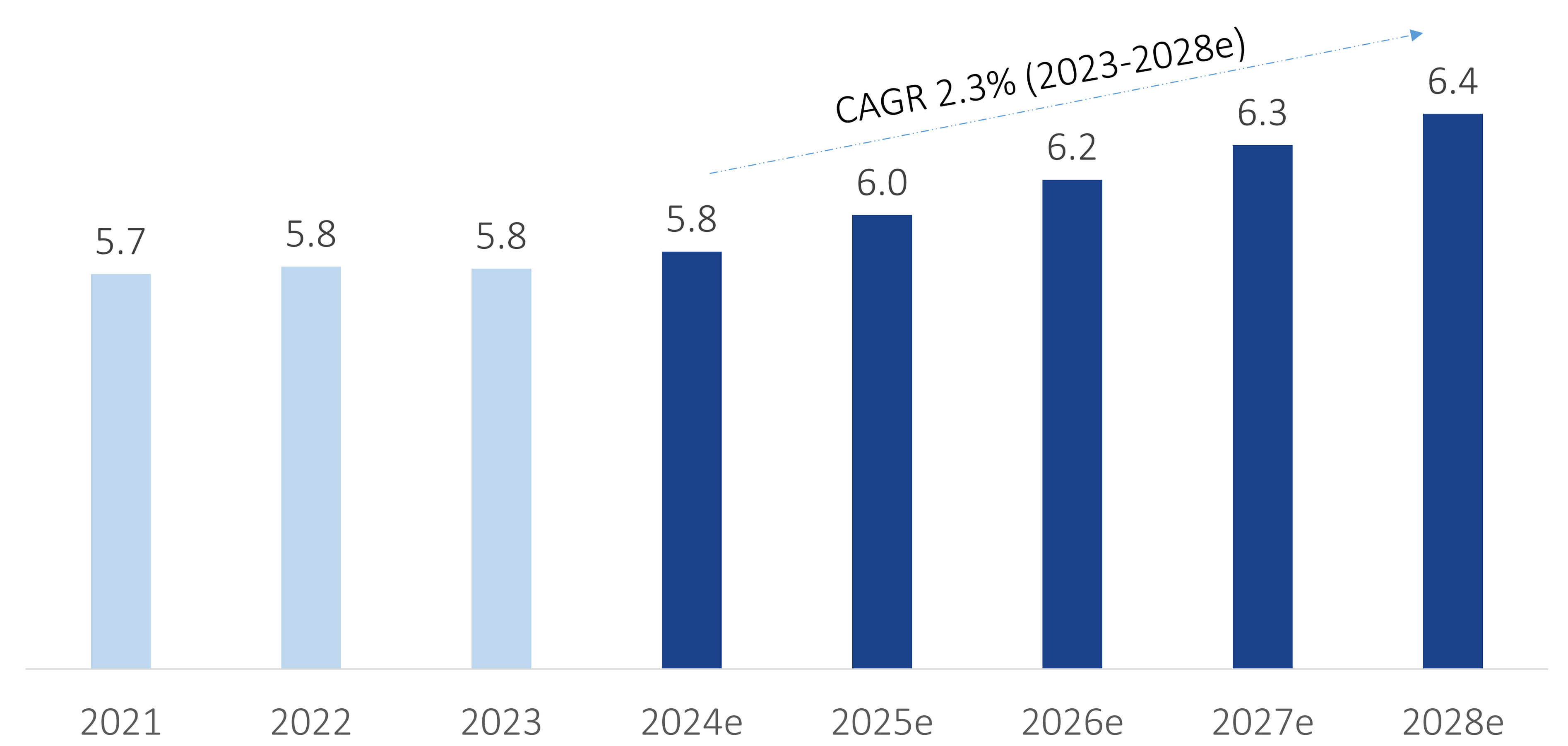
	2024e	2025e	2026e	2027e	2028e
UAE	4	5	5	4	4
HM	2	2	2	2	2
Express	2	3	3	2	2
Mini	-	-	-	-	-
KSA	11	7	7	7	7
HM	6	3	3	3	3
Express	4	4	4	4	4
Mini	1	-	-	-	-
Other GCC	6	7	6	7	7
HM	4	3	2	2	2
Express	2	4	4	5	5
Mini	0	-	-	-	-
Total Store Rollouts					
HM	12	8	7	7	7
Express	8	11	11	11	11
Mini	1				
Total	21	19	18	18	18

Source: Company Data, IS Research

Out of the total 21 openings planned for the year, 15 are planned for UAE and KSA which are the key markets for the group and the remaining 6 are planned for the other GCC markets. Between 2025 to 2028 we expect the group to open 29 and 44 new HyperMarkets and Express stores, respectively. With the roll out of new stores we expect the total selling space of the company to reach 1.6mn sqm by 2028. Further we expect the revenue per sqm for the group to reach USD6.4K by 2028 against USD5.8K in 2023, growing at a CAGR of 2.3%. The revenue/sqm growth is expected to remain robust supported by the improvement in the offering mix, transitions towards small size Hypermarkets and marketing efforts including the loyalty program undertaken by the company to boost overall revenue growth.

Going forward, for new stores the group intends on having lower sales area per store compared to historical period. As guided the average size of the HyperMarkets will be lower on avg. by 2-3K sqm in the medium term as compared to historical average size of 7-10k sqm previously. In 2023 the average blended revenue per store was USD31mn which we expect would remain relatively stable around USD32mn in the medium term.

Blended revenue/ Sqm (USD' 000) to increase at a CAGR of 2.3%



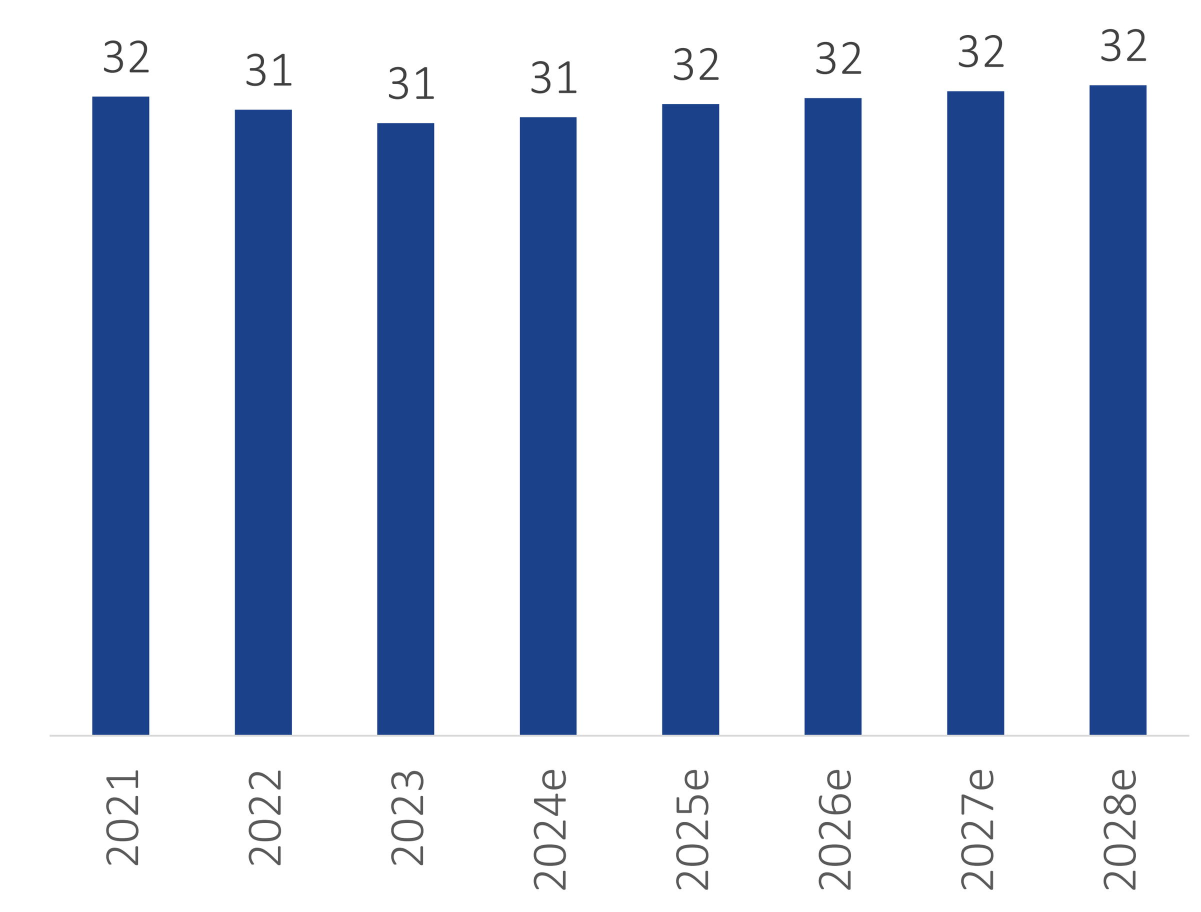
Source: Company Data, IS Research

LuLu Mgmt Guidance: New Store Rollouts

Period	LuLu Group	UAE	KSA
2024	21 New Openings (12Hyper Market, 8 Express Stores, and 1 Mini Market)	4 New Stores (2 Hypermarkets and 2 Express Stores)	11 new stores (6 Hyper Markets, 4 express stores and 1 mini Market)
2025-2028	C25-30 HyperMarkets and c40-45 Express Stores in Total with no closure	C7-9 Hyper Markets and 9-11 Express Stores with no closure envisaged	C10-12 HyperMarkets and 14-16 Express Stores with no closure envisaged

Source: Company Data, IS Research

Blended revenue/ Store to remain Flat



Source: Company Data, IS Research

LuLu Mgmt : Total Revenue Guidance

LuLu Group	UAE	KSA
8%-10% in 2024E and 2025e	9%-10% in 2024E and 5% -7% growth In 2025e	Mid-Teens Growth in 2024E and 2025E
5%-7% growth over the medium Term	Mid single digit growth in the Medium Term	Low double digit growth trending to High single digit growth over Medium Term

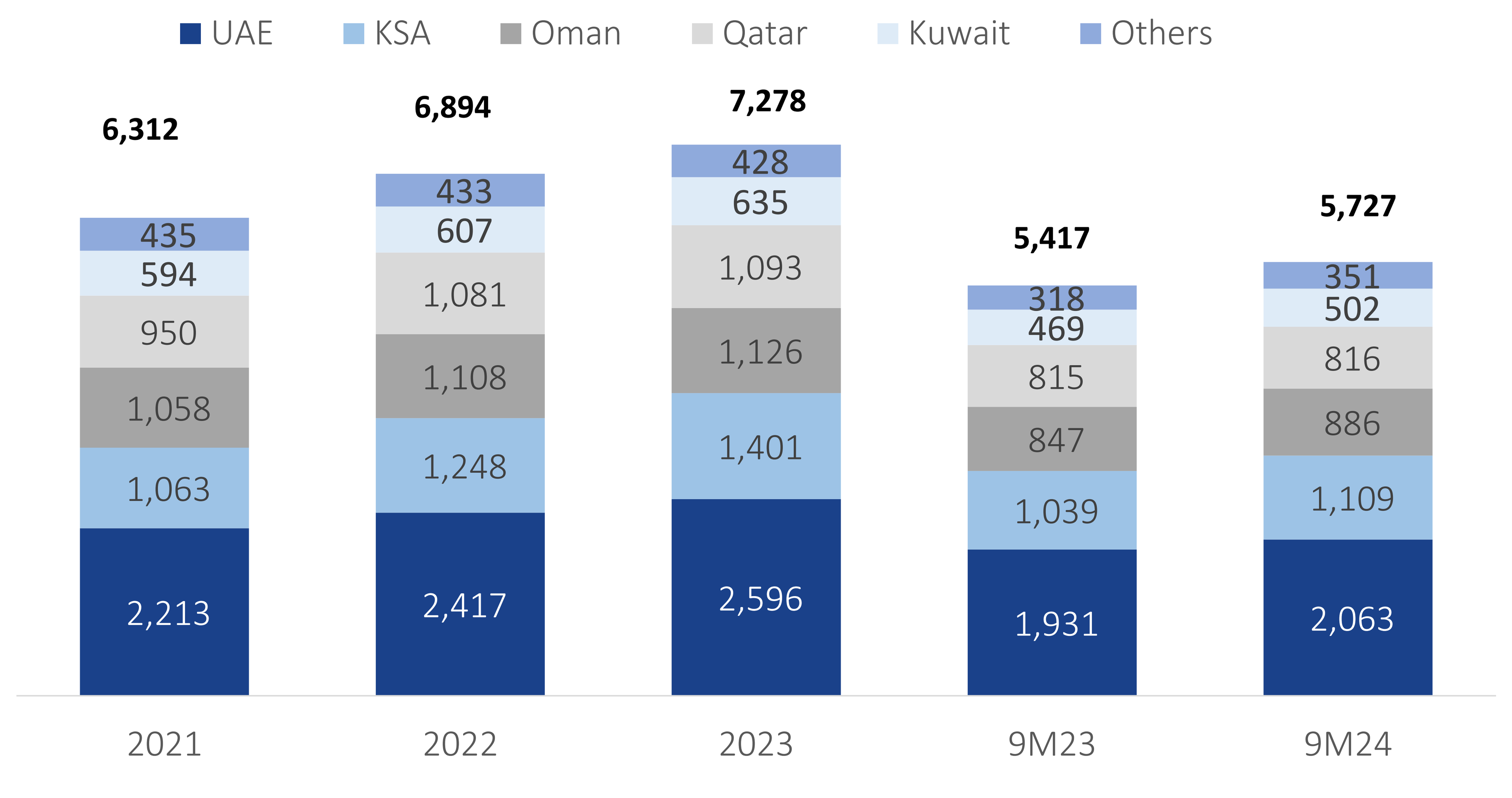
Source: Company Data, IS Research

General

KSA and UAE to remain the key markets for the Group

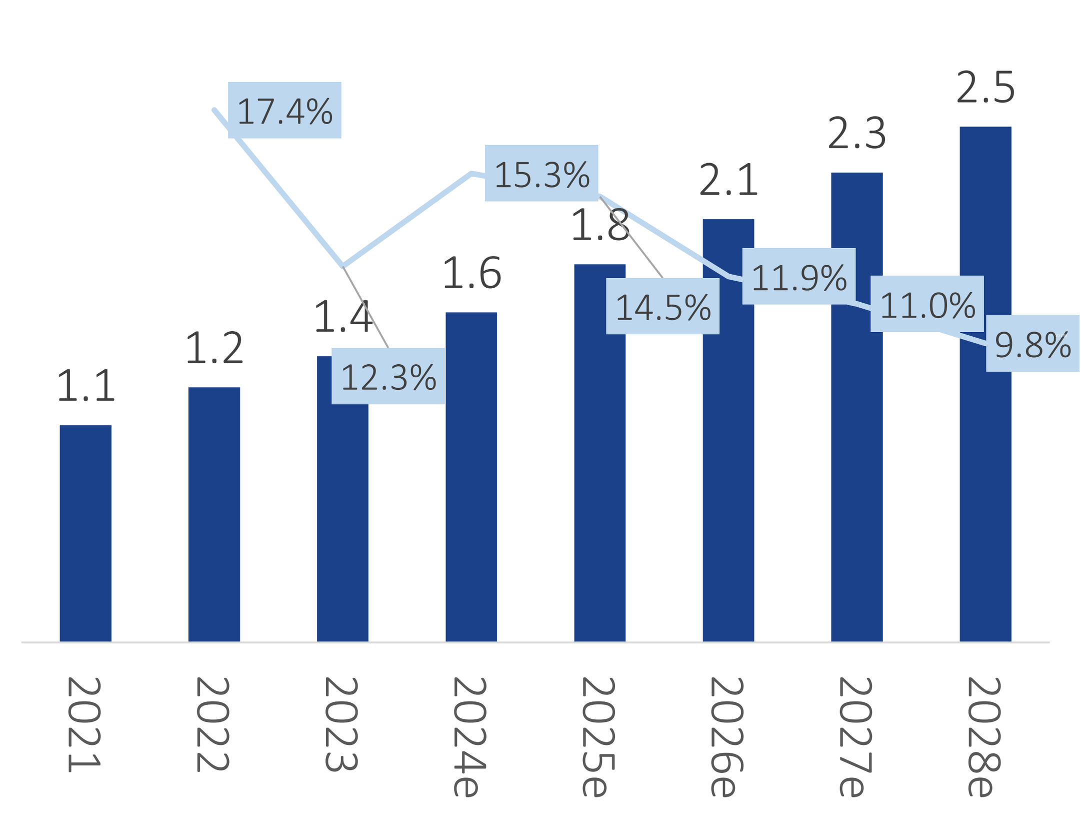
UAE being the home market for the group has the highest contribution in the group's revenue and represented 35.7% of the group revenue in 2023. KSA has the second largest contribution in the group's revenue and contributed 19.2% of the group revenue in 2023. From 2021 to 2023 revenue in the UAE and KSA markets grew at a CAGR of 8.3% and 14.8%, respectively.

Country wise revenue breakup (USDmn)



Source: Company Data, IS Research

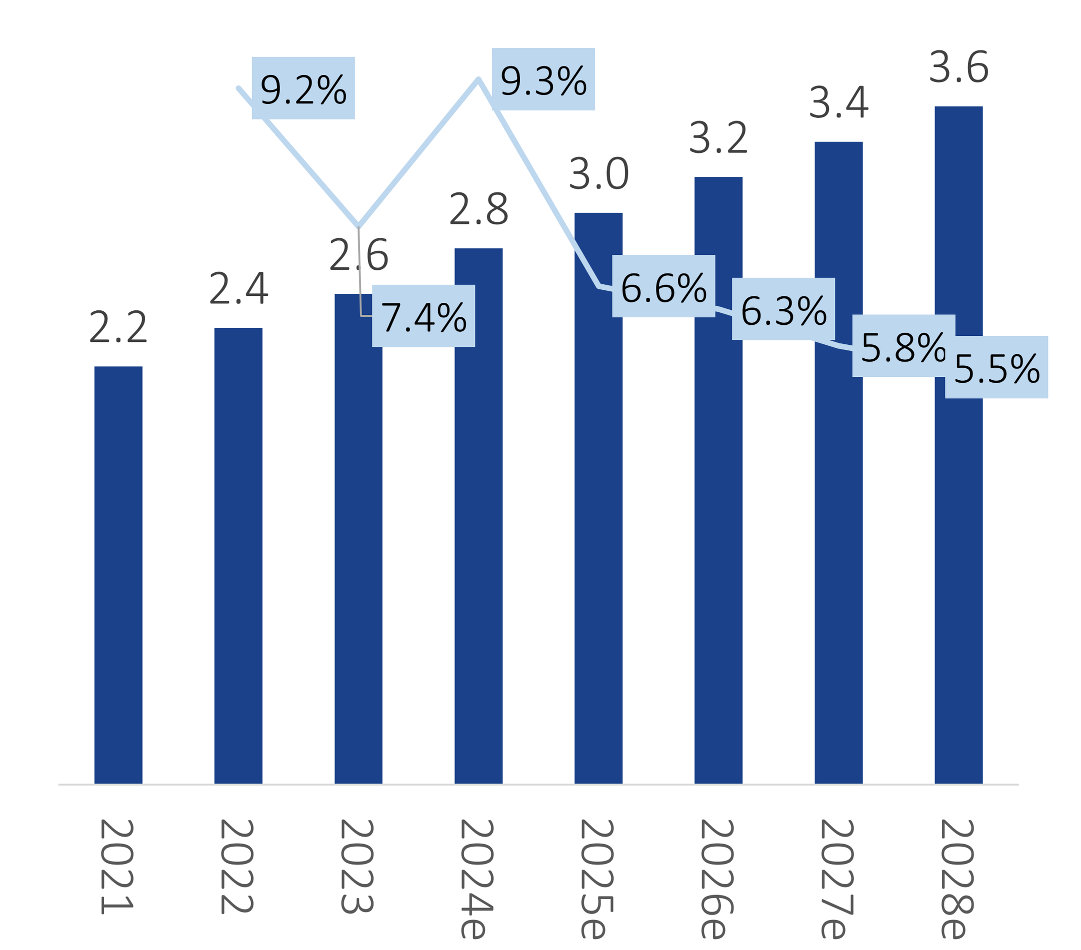
KSA to lead the growth for the Group (USDbn)



Source: Company Data, IS Research

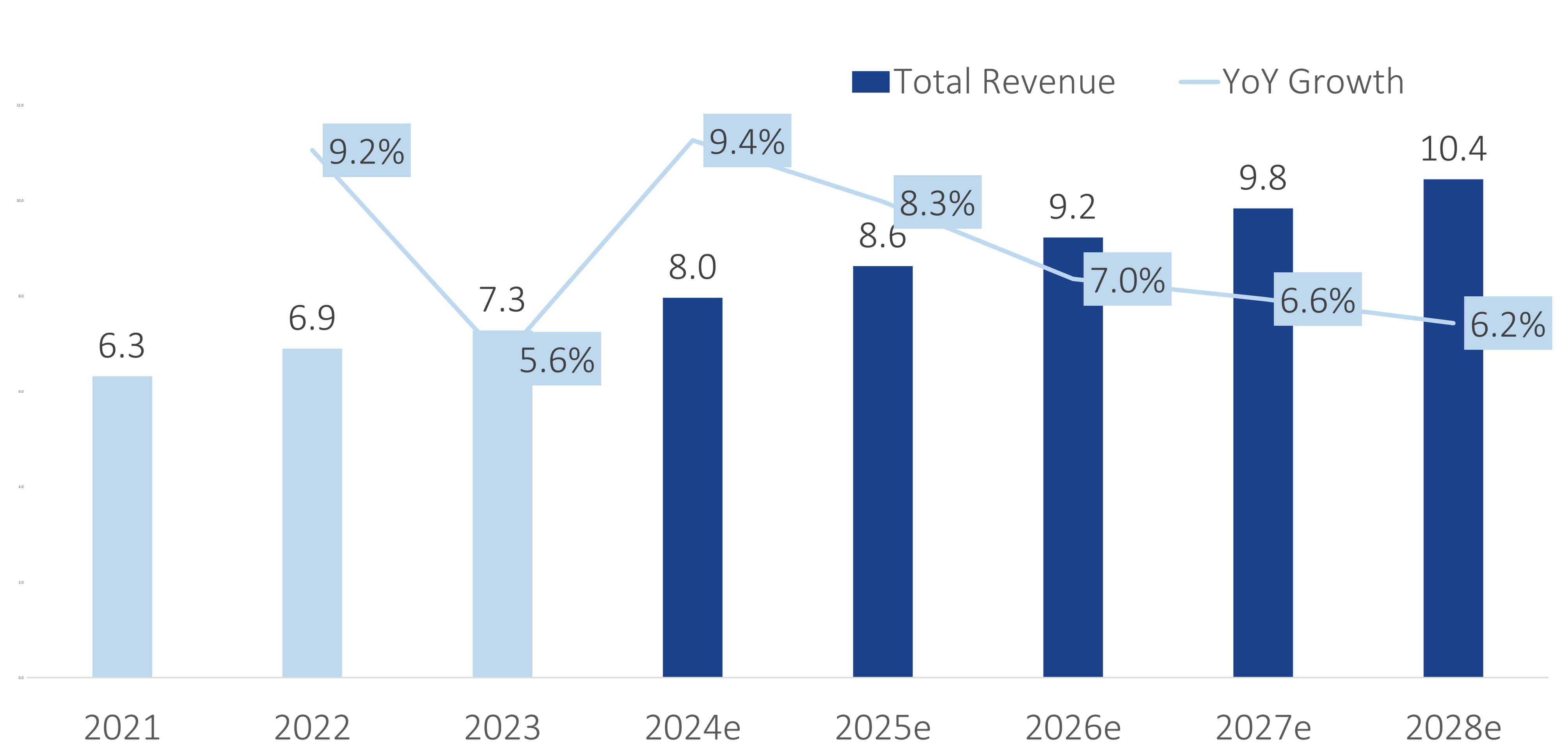
KSA market is expected to lead the growth for the group with revenue expected to reach USD2.5bn by 2028. Economic tailwinds along with infrastructure projects undertaken by the kingdom are expected to support strong growth for the group. **We expect revenue in the KSA to depict a YoY growth of 15.3% and 14.3% in 2024 and 2025, respectively. Mid teens growth in the short-term is also expected to be supported by new store roll outs and modest same stores sales growth.** Further in UAE, the group has already opened 2 Hypermarkets and 1 express store which should support strong growth until August 2024 while additional 1 store is expected to be opened this year. We expect revenue in UAE to increase by 9.3% YoY in 2024 and 6.6% in 2025 while medium term growth is expected to be in mid-single digits. Supported by growth in key markets, overall total revenue of the group is expected to grow at a 2023-2028e CAGR of 7.5% reaching USD10.4bn by 2028.

UAE revenue and YoY Growth (%)



Source: Company Data, IS Research

Total Revenue (USDbn) to grow at a CAGR of 7.5% from 2023-2028e



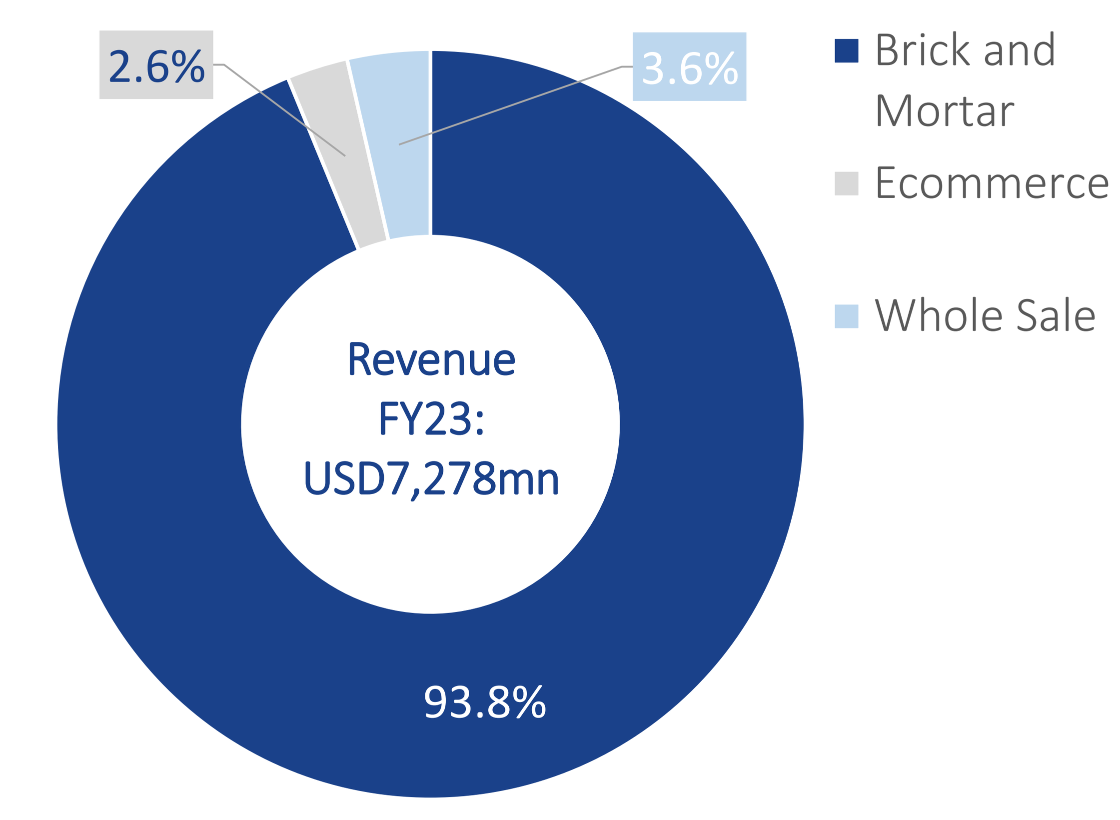
Source: Company Data, IS Research

Revenue Split by Channel and Product Categories

Brick and mortar contributed about 94% of revenue in 2023. From 2021-2023 the brick and motar channel has witnessed a CAGR of 6.8% reaching USD6.8bn in 2023. Wholesale contributes around 4% of the total revenue where sales to HORECA (Hotels, Restaurants and Catering Industry) clients, cafes and other institutional clients are made directly from the distribution centers. Wholesales revenue increased in 2022 amid signing of new HORECA clients and strong demand from existing customers.

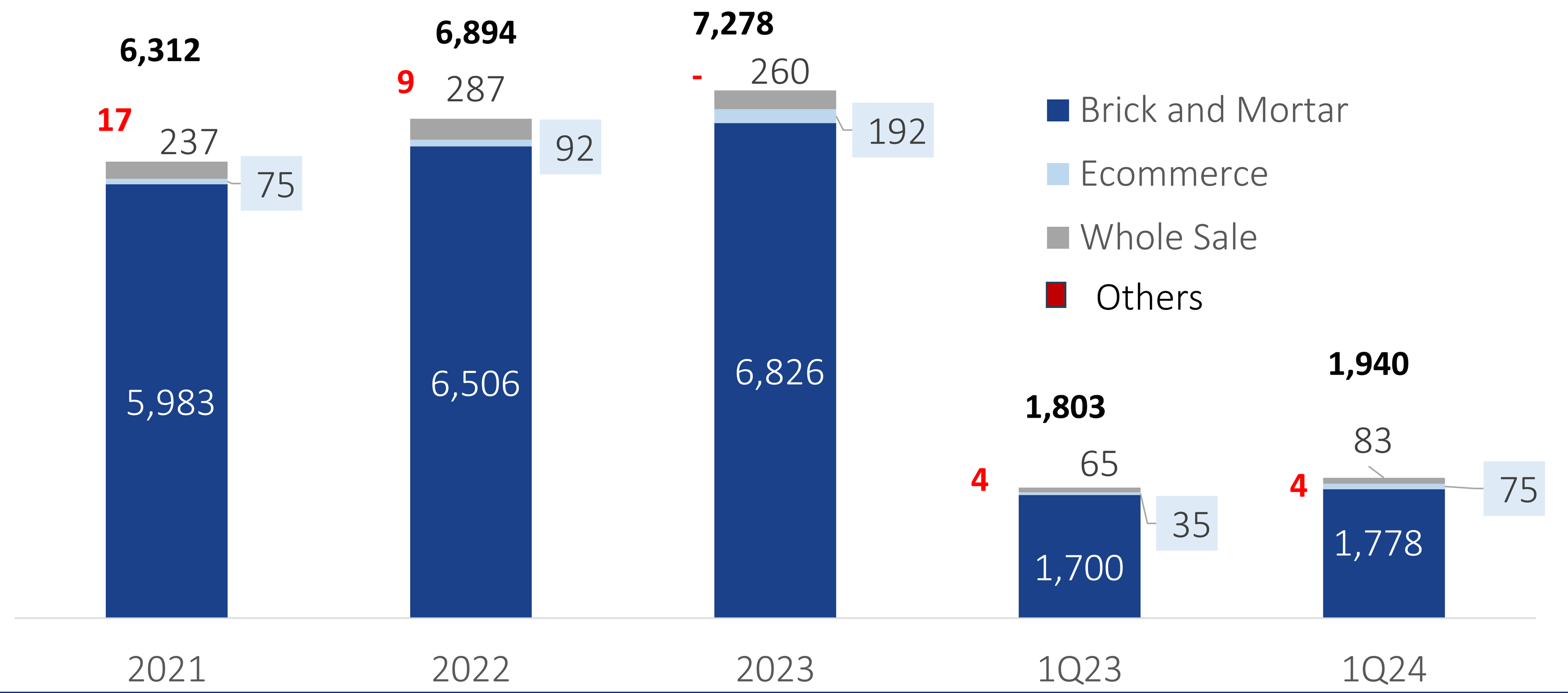
E-commerce has emerged as the fastest growing channel for the group and contributed 3% to the revenue in 2023. Revenue from the e-commerce channel increased at a CAGR (2021-2023) of c.60% backed by partnership with strong platforms including Amazon, Talabat, Hungerstation and Snoonu.

FY23 revenue Split by Channel



Source: Company Data, IS Research

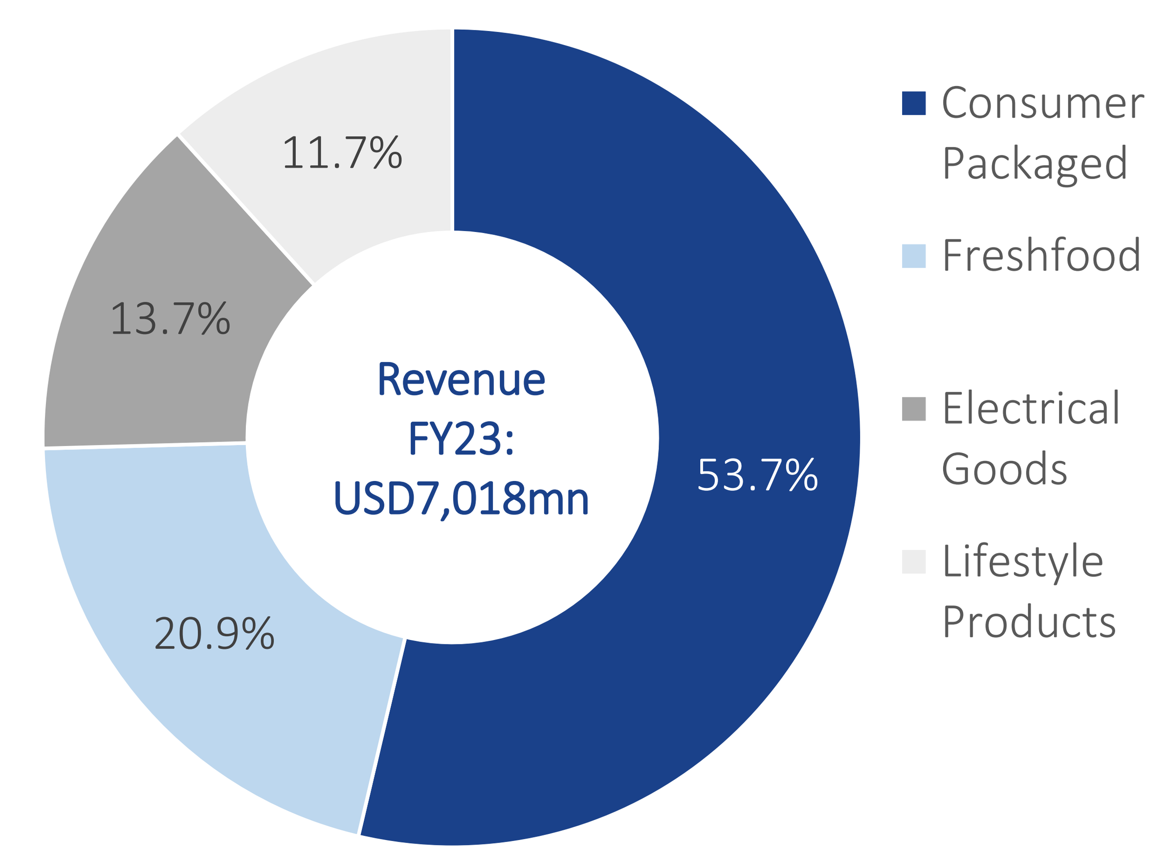
Group Revenue Breakup by Channel



Source: Company Data, IS Research

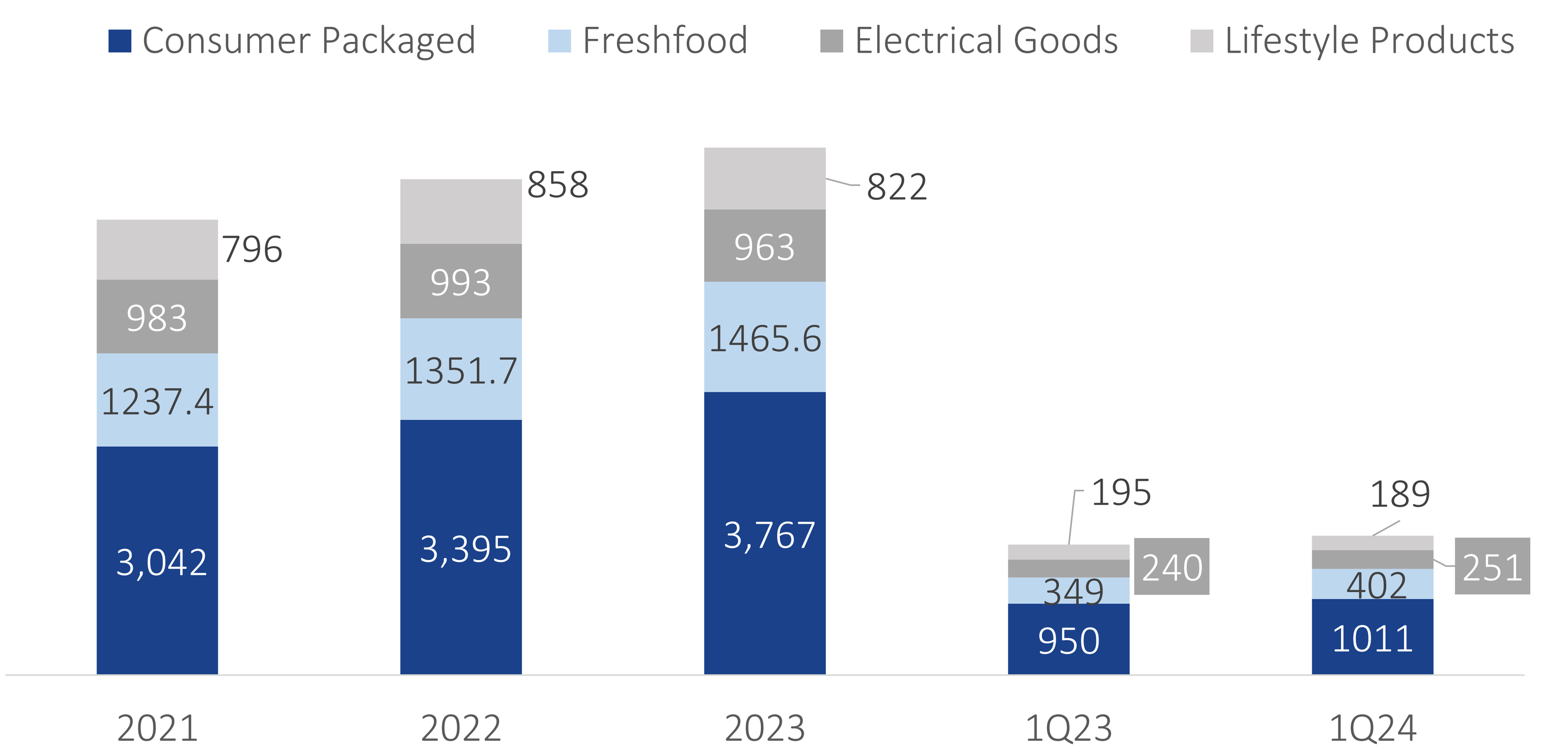
Consumer Packaged goods contributes the highest in the revenue (54%) followed by Fresh foods (21%), Electrical Goods (13%) and lifestyle products (12%). **Group offers almost 160K SKUs in the consumer-packaged goods category with a revenue of USD3.8bn in 2023** which has grown at a 2021-2023 CAGR of 11.3%. Driven predominately by the volume increase, the Fresh Foods sales also grew at 2021-2023 CAGR of 8.8% with USD1.5bn in revenue in 2023.

FY23 revenue Split by Products



Source: Company Data, IS Research

Group revenue breakup by products



Source: Company Data, IS Research

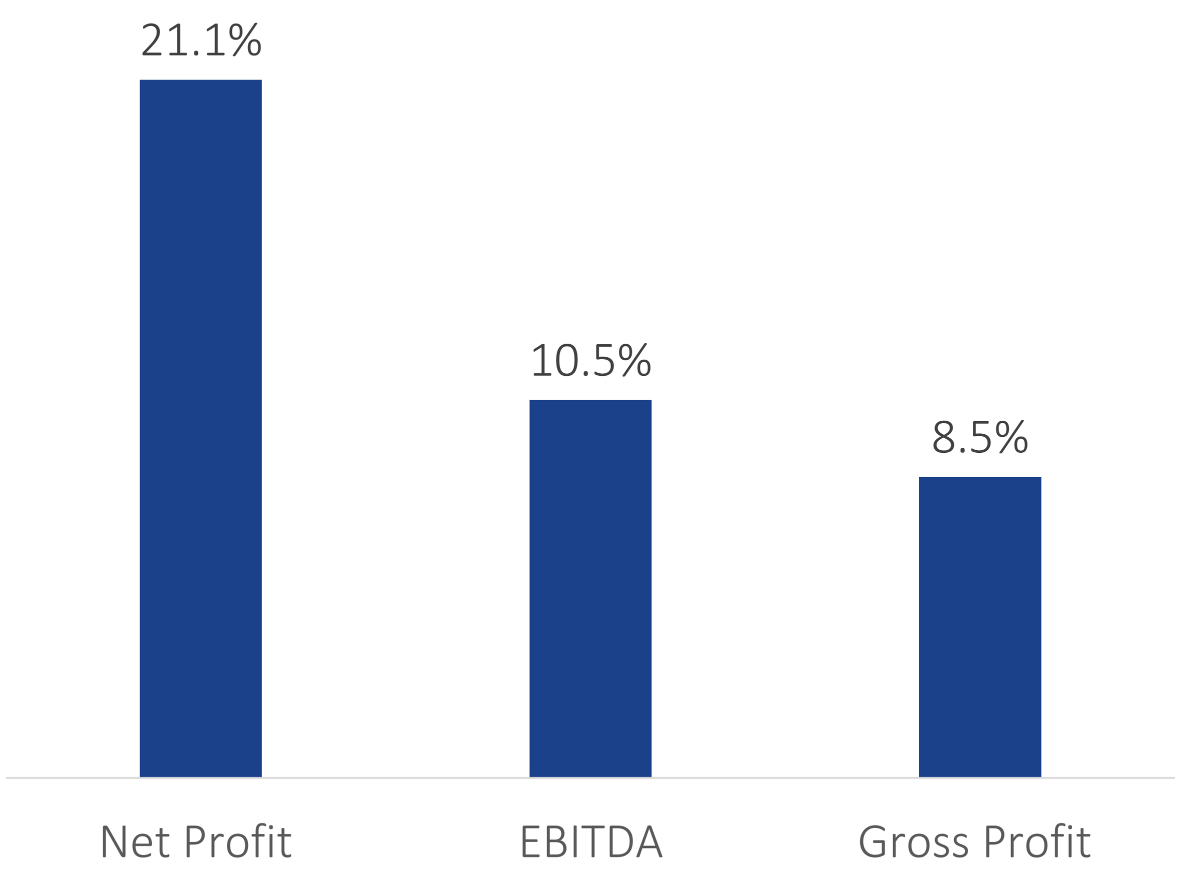
Expansion in margins to improve profitability for the group

On gross margins we foresee a consistent improvement to 24.1% by 2028 against 23% in 2023, led by, 1) better souring capabilities, 2) improved product mix, and 3) various pricing and product strategies including premiumization and cross selling. Benefiting from its strong supplier relationships and economies of scale the group has witnessed c.80bps expansion in gross margins from 2021-2023. We believe that superior sourcing capabilities, strong contribution from private labels and improved product mix will lead to improvement in the margins. Currently, the group has sourcing capabilities from 85 countries with 19 on the ground offices. The group is also keen on introducing new products in the high-margin private label category which can lead to potential improvement in margins.

Accordingly, EBITDA margins are likely to improve to 11.9% by 2028 from 10.4% in 2023. However, in 2024, margins are likely to be flattish YoY following changes in lease terms in KSA and Qatar where certain long-term leases were converted to short and variable. As a result, conversion will now allow these expenses to be expensed through the P&L and impact the company's EBITDA compared to previously where lease expenses were recorded in depreciation and financial charges, not impacting the company's EBITDA.

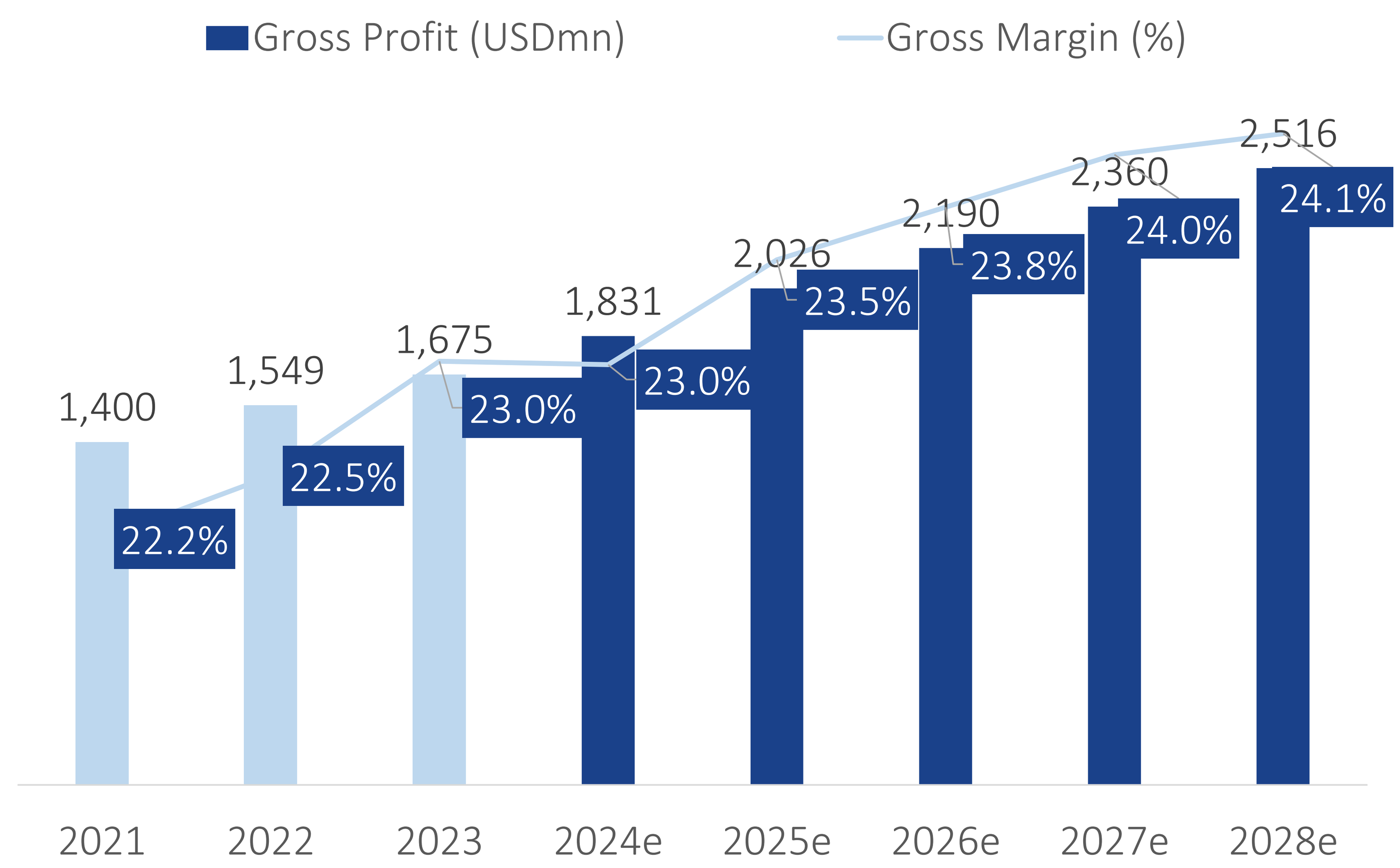
The Group's net profit is expected to increase at a 2023-2028e CAGR of 21.1% to reach USD577mn in 2028 with net profit margin of 5.5% in 2028 versus 2.6% in 2023.

CAGR (2023-2028F)



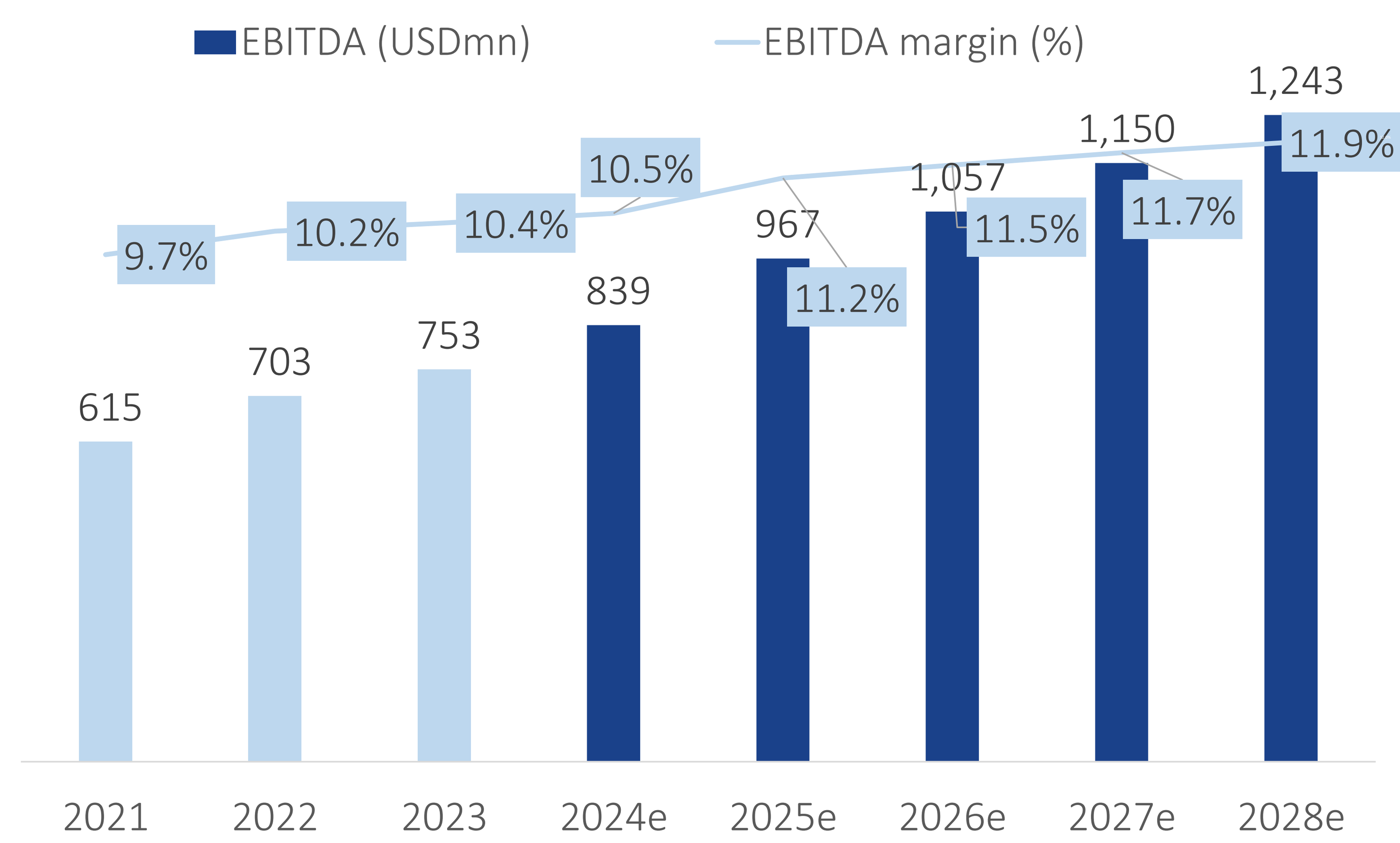
Source: Company Data, IS Research

Gross Margins to improve to 24.1% by 2028



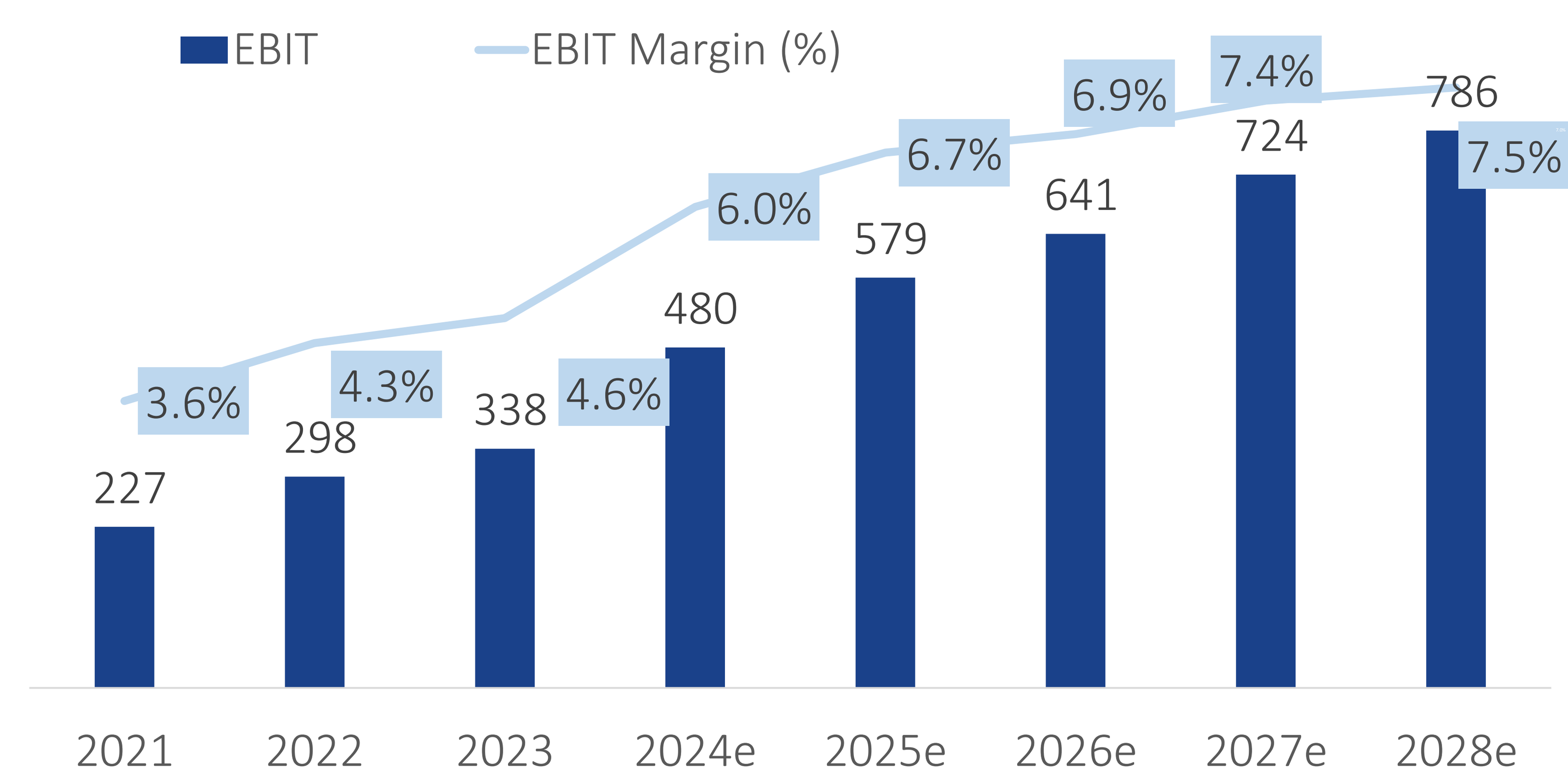
Source: Company Data, IS Research

EBITDA Margins to improve to 11.9% by 2028



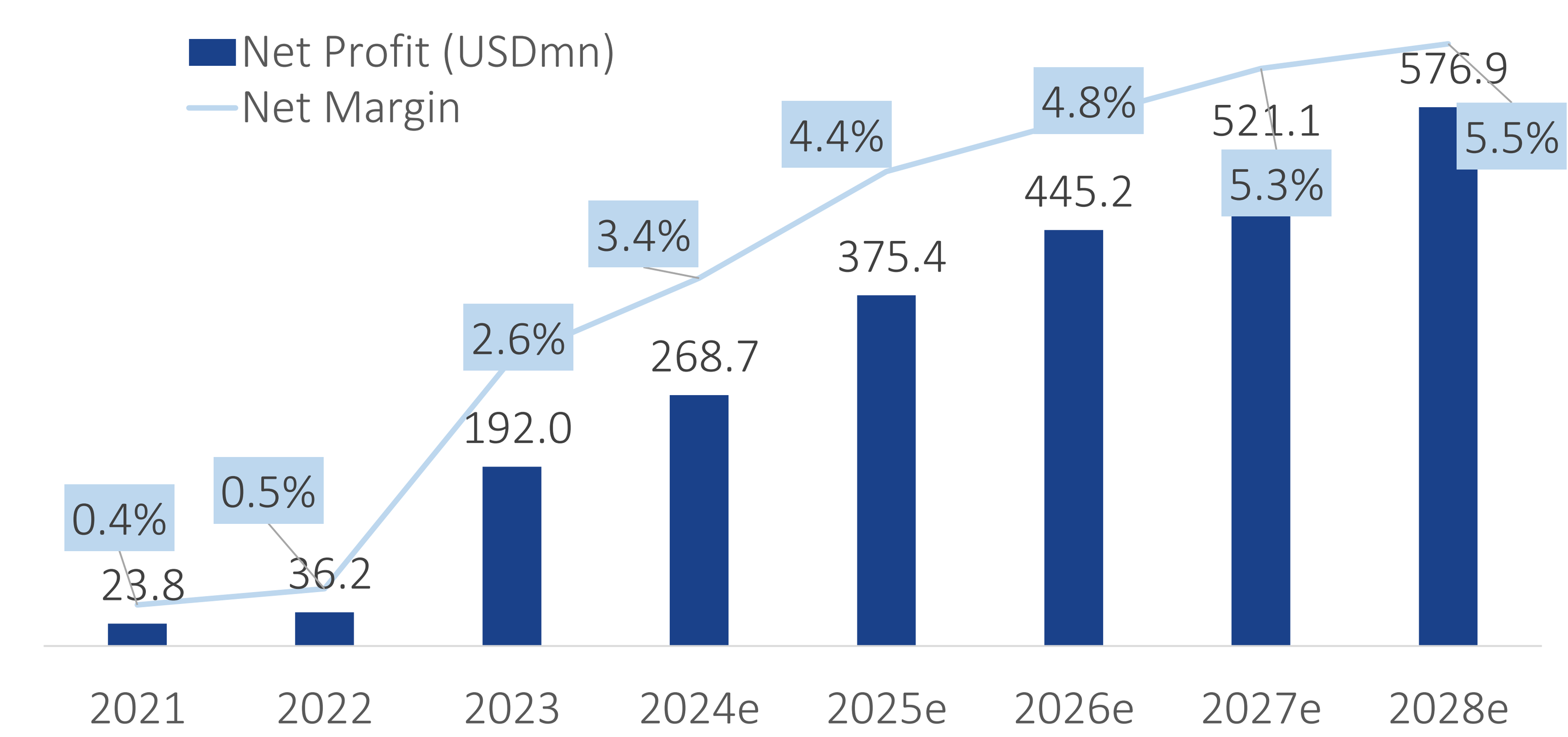
Source: Company Data, IS Research

EBIT (USDmn) and Margin (%)



*Source: Company Data, IS Research * Historical years not comparable due to Pre IPO restructuring*

Net Profit (USDmn) and Margin (%)

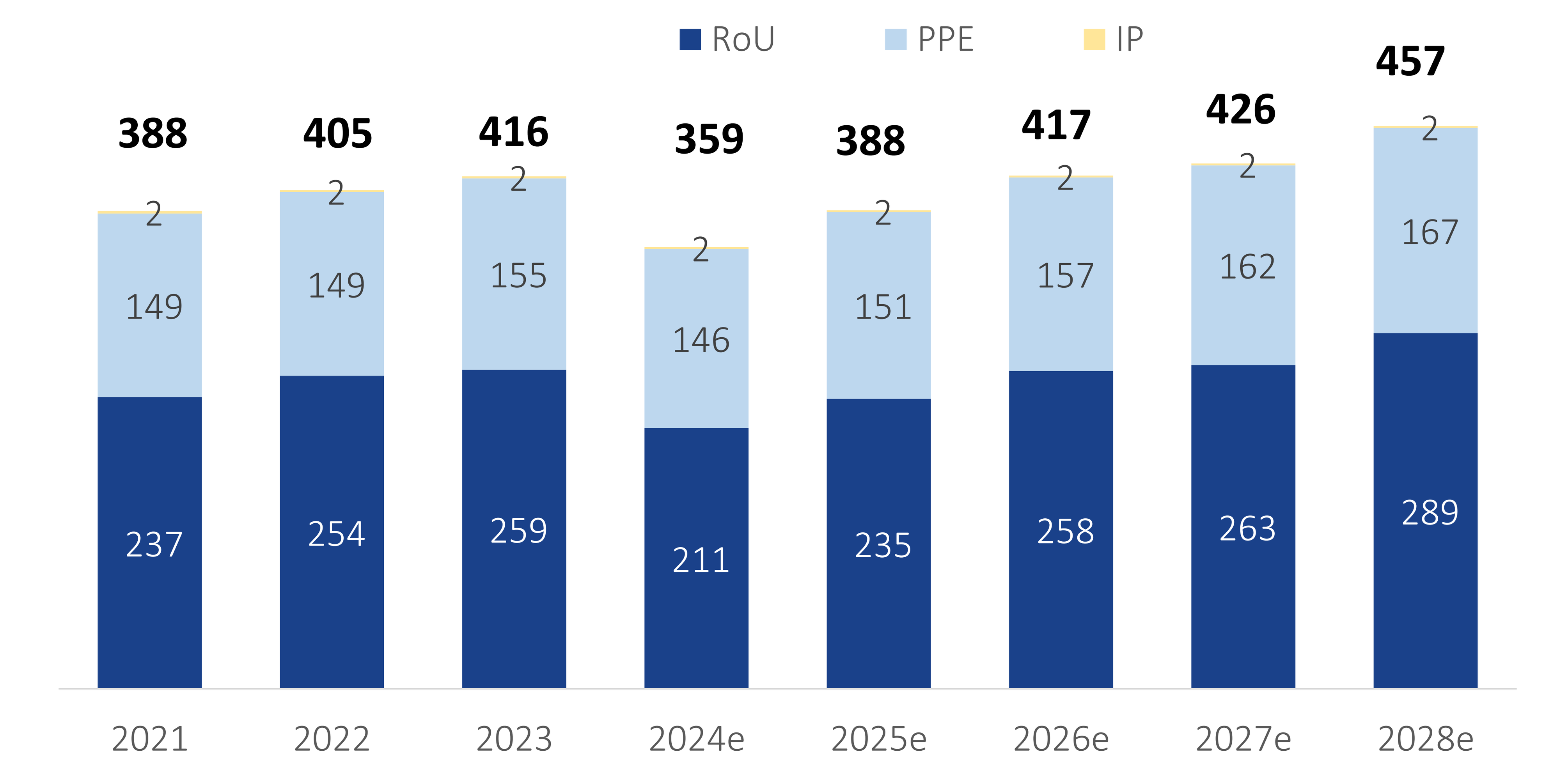


*Source: Company Data, IS Research *2024 doesn't includes any profit from Discontinued operations. For FY21-23 profit figures represents only continuing operations*

We expect operating expenses to average 20.5% of revenue over the period of 2024-2028 compared to average of 21.9% between 2021-2023, to reach USD2.1bn by 2028. Within this 83.1% of the expense was contributed by salaries & benefits, depreciation, utilities and advertising/promotions in 2023.

We expect depreciation (excluding right of use assets) to reach c.1.8% of revenue amounting to USD147mn in 2024. By 2028, we expect depreciation expense to revenue to decline to 1.6%, mainly owing to lower capex going forward as the company continues to focus on the capital light model for new store roll-outs.

Total depreciation breakdown (USDmn)



*Source: Company Data, IS Research * doesn't includes depreciation from Discontinued operations*

The parent company, LuLu International Holdings, approved the reorganization of the Group in May 2023 where GCC retail business of the parent company was combined under LuLu Retail Holdings . As a part of reorganization, LuLu Retail Holdings disposed some of the non-retail businesses and assets to related parties at an agreed consideration. The disposed assets includes certain mall and property businesses and land parcels.

Largely because of reorganization, the Group's Right to Use assets (RoU) and Property Plant and Equipment (PPE) declined to USD1.9bn and USD1.46bn in 2023 from USD2.9bn and USD1.88bn in 2022, respectively, which would result in lower depreciation charge of USD359mn in 2024 versus USD416mn in 2023.

Finance cost for the group comprises mainly of the finance charge pertaining to the lease liabilities and interest on bank borrowings. We expect the net finance cost for the company to arrive at USD171mn in 2024 and then decrease slightly in the near term. The overall financial charges in the medium term are expected to stay stable as the impact of higher finance cost from lease additions following store rollouts, would likely offset the impact from lower borrowings and declining interest rate.

We foresee the effective tax to be around 13% for the group, within the management's guided range of 12-14%. Accordingly, tax expense is expected to clock in at USD40.2mn in FY24, up from USD22.7mn in 2023, following implementation of corporate tax in UAE while we expect USD86.2mn by FY28.

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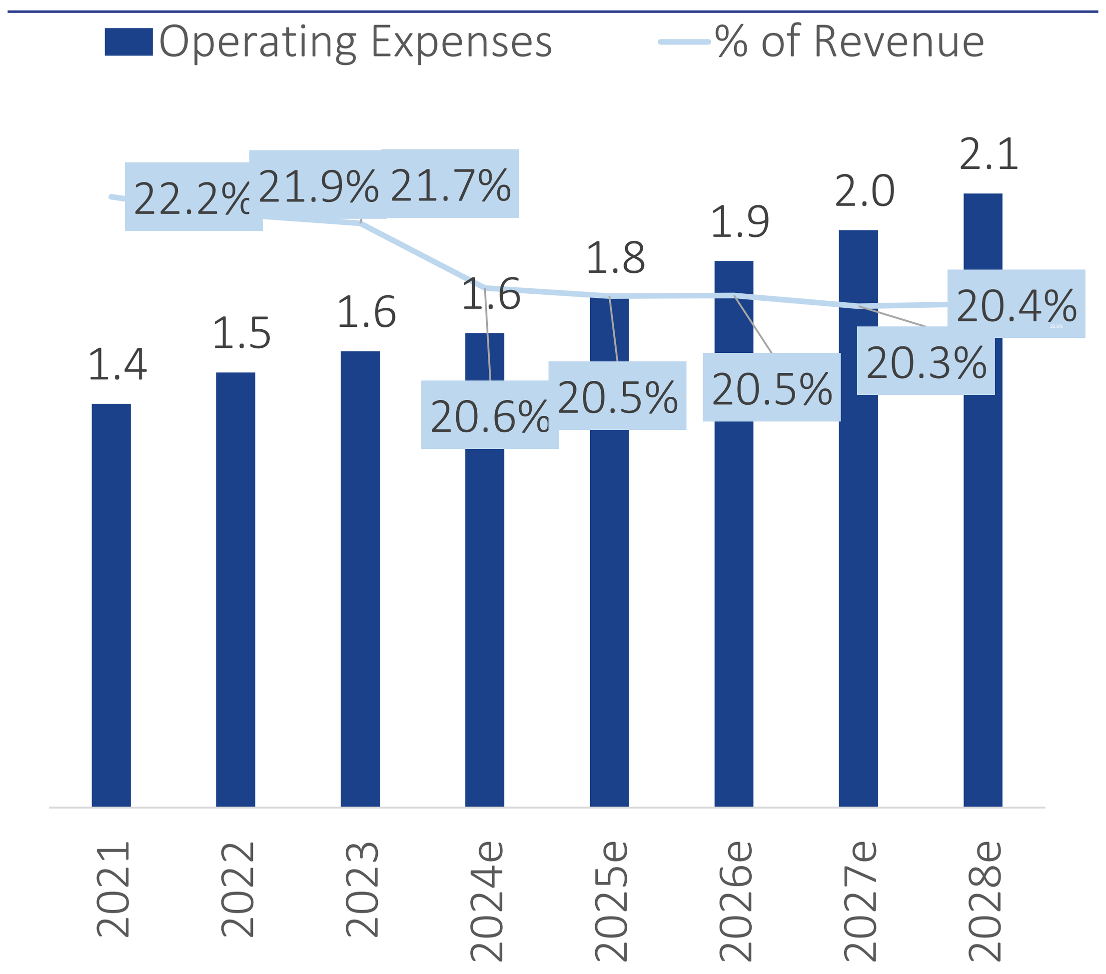
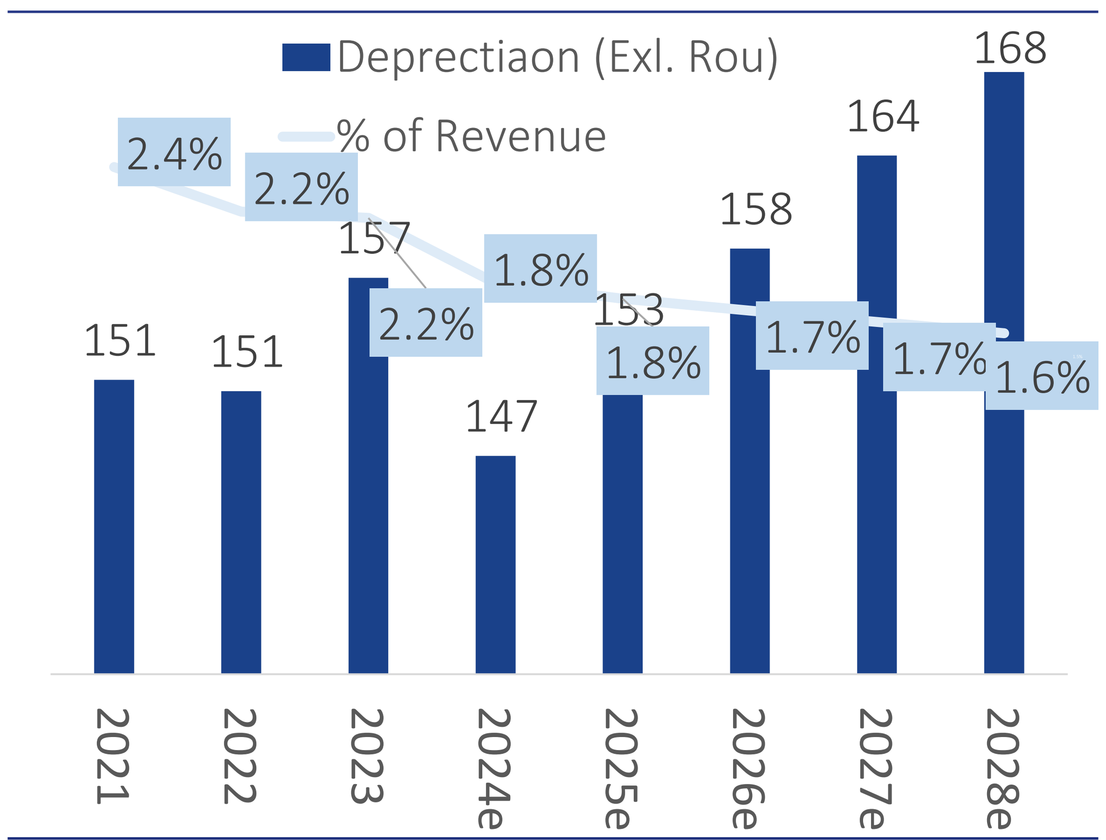
Operating Expenses (USDmn) & of Revenue



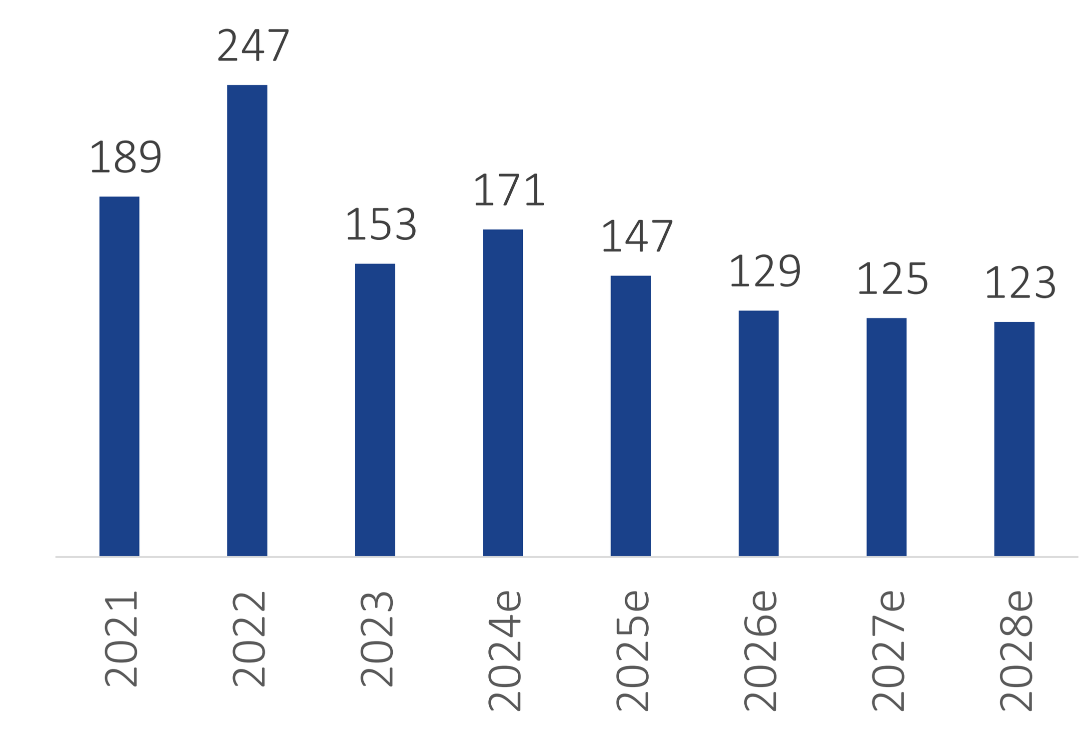
Source: Company Data, IS Research

D&A (Excl. RoU) USDmn & % of Revenue



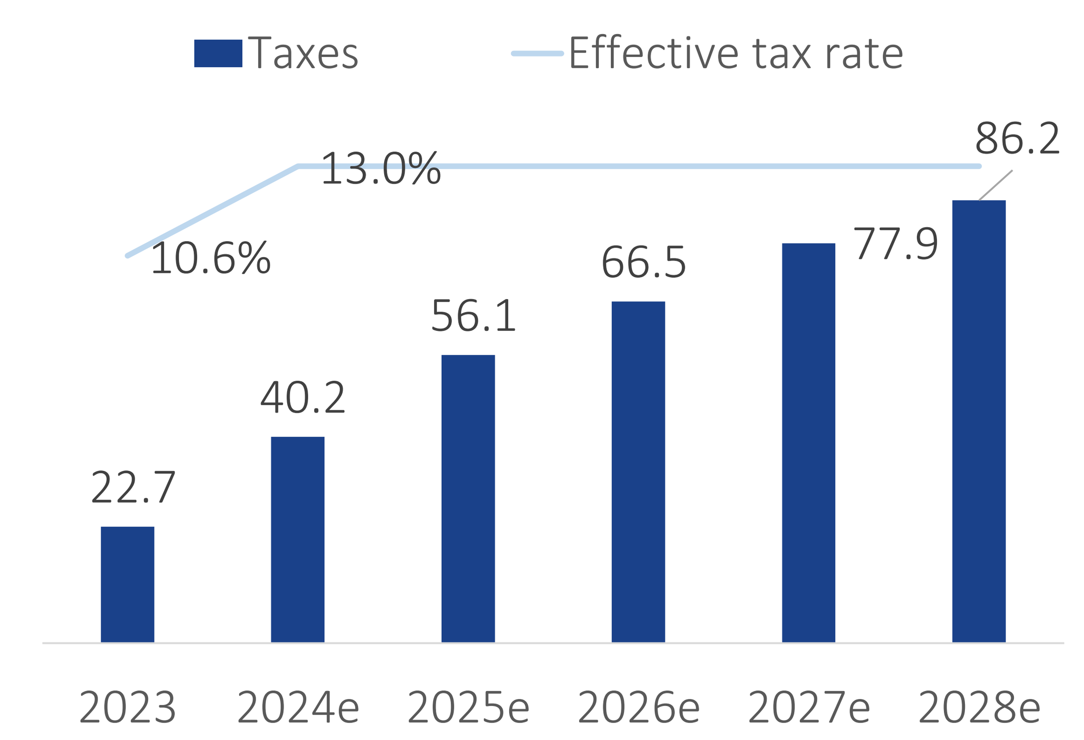
Source: Company Data, IS Research

Finance Cost (USDmn)



Source: Company Data, IS Research

Taxes (USDmn) and Effective tax rate (%)



Source: Company Data, IS Research

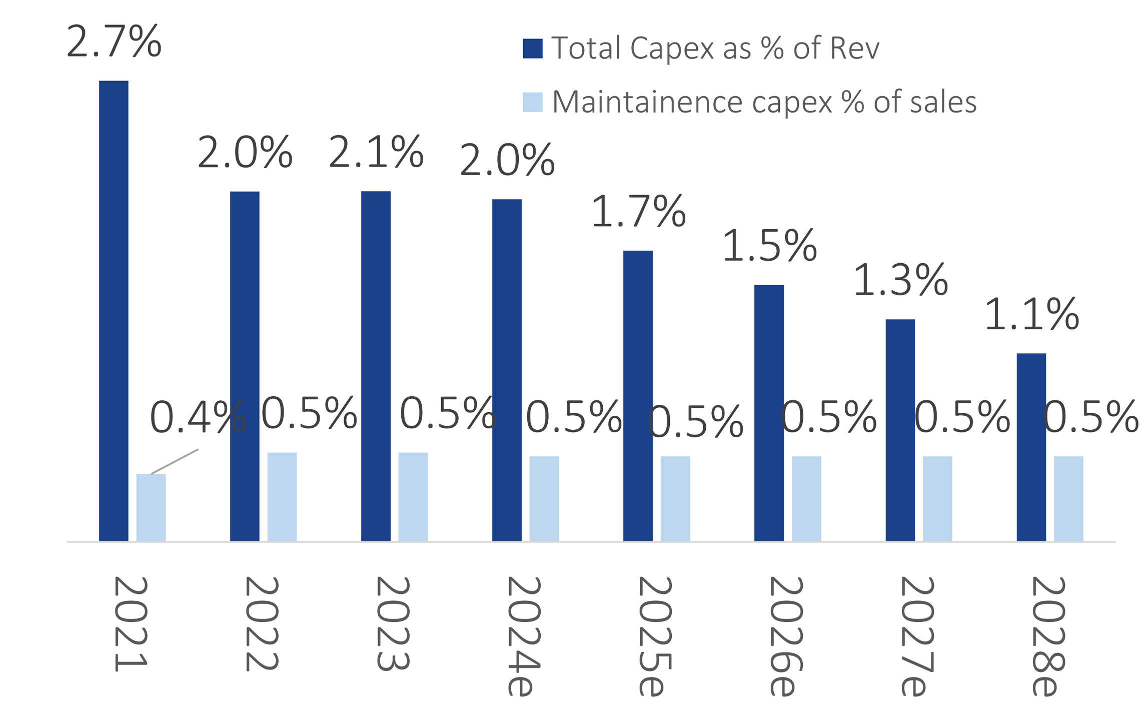
Gradual shift towards capital light model will drive the capex lower

The group has a very disciplined capex plan with increasing focus on capital light model which would reduce the capex requirements, and the time required to open a new store. The group intends to achieve this by, i) focusing on fully furnished stores as against shell and core previously and, ii) reducing the size of new hypermarkets by on avg. 2-3K sqm as compared to a total size of between 7-10k sqm, previously.

Maintenance capex is likely to stay around 0.5% of revenues in the foreseeable future as 48% of the store estate is less than 5-years old with low maintenance requirements. The Group also efficiently aims to minimize the maintenance costs by ensuring stores are fitted with high-quality equipment and preventive maintenance is timely done to avoid any major capex needs. LuLu also benefits from long-standing relations with the suppliers of store equipment, allowing better negotiations to fulfill requirements.

The group has a typical payback period of 3-8 years on a cash profit basis, which is also the target for new stores.

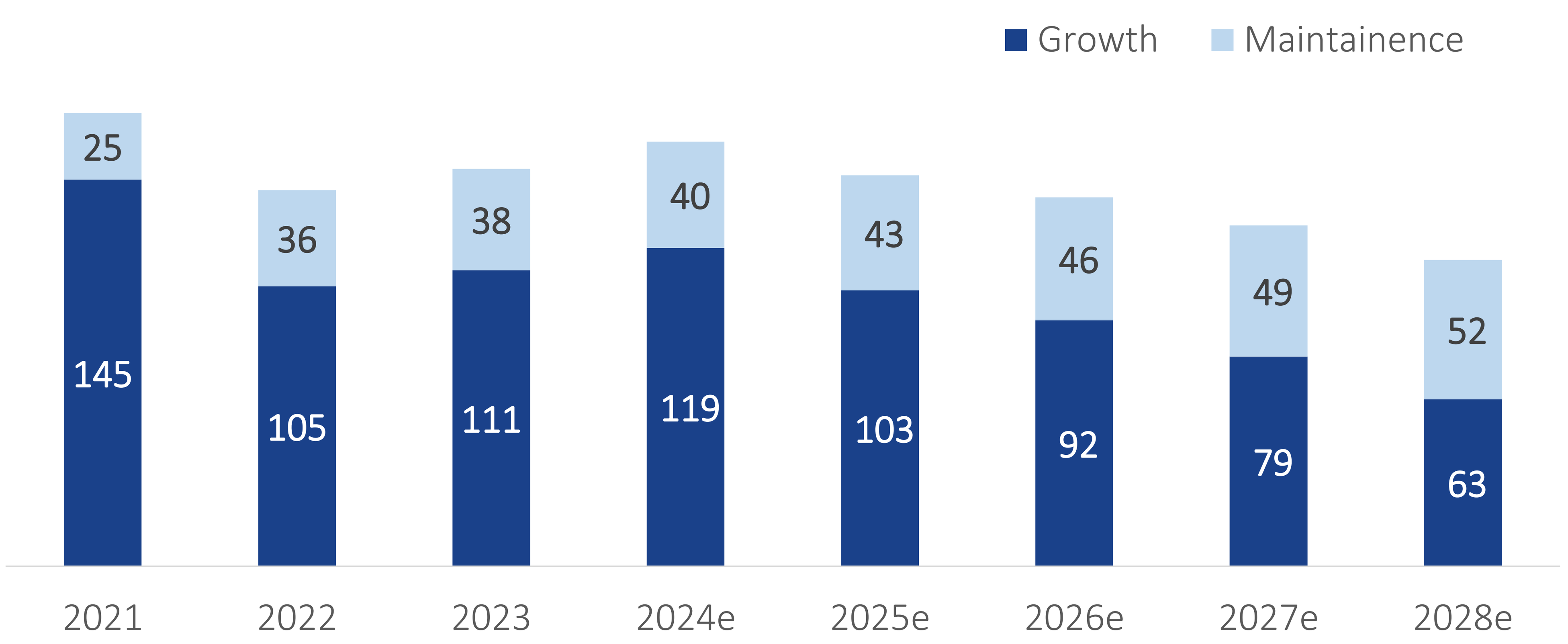
Capex as % of Sales



Source: Company Data, IS Research

Capex light model would likely lead to quicker paybacks on average

Capex light model to drive down total capex



Source: Company Data, IS Research

Store Payback: Selection of LuLu Stores across Formats

	Hypermarkets		Express
	Location 1	Location 2	Location 3
Date of Opening	Dec'22	Apr'21	Sep'22
Store Size (K sq.m)	8.7	13.7	2.1
Capex (USDmn)	6	6	3
Payback Period	3 Year	3 Year	3 year

*Source: Company Data, IS Research * Payback period is the time required for the store to generate sufficient cash flows to recover its initial investment cost. **Cash Profit = Profit for the period excluding Depreciation & Amortizations*

Fully furnished structures shall lead to faster rollouts and better cash generation

In line with its capex light model the group is increasing the proportion of fully furnished stores which represented 29% of the new stores in 2023 38% between 2021 and 2023, respectively. **Fully furnished stores have on average 40% lower capex per sqm compared** to Shell and Core with average rollout time of 3-6 months (c.50% lower) versus 6-12months for the shell and core structure, while both formats have similar payback periods. LuLu's plan to shift to hypermarkets with lower average store area and higher focus on fully furnished stores would lead to faster roll outs, lower capex and comparatively better cashflows, in our opinion.

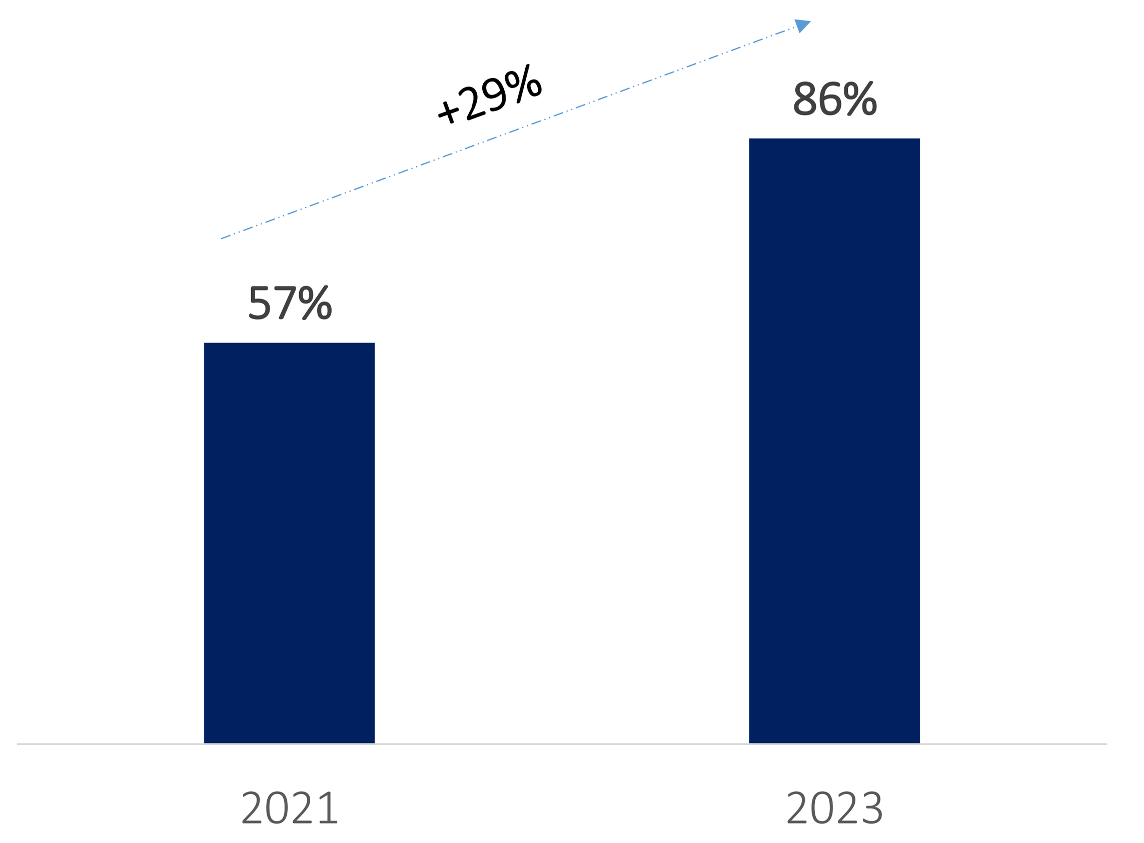
Fully furnished stores represented 29% of the of the total store in 2023

Shell & Core and Fully Furnished Format Comparison

	Shell & Core	Fully Furnished
Avg. Capex per Sqm*	USD900-1,100	USD500-700
Rollout Time	6-12Months	3-6Months

*Source: Company Data, IS Research * Average across 2021-23*

HyperMarkets<7.5Ksqm as a % of total HyperMarkets



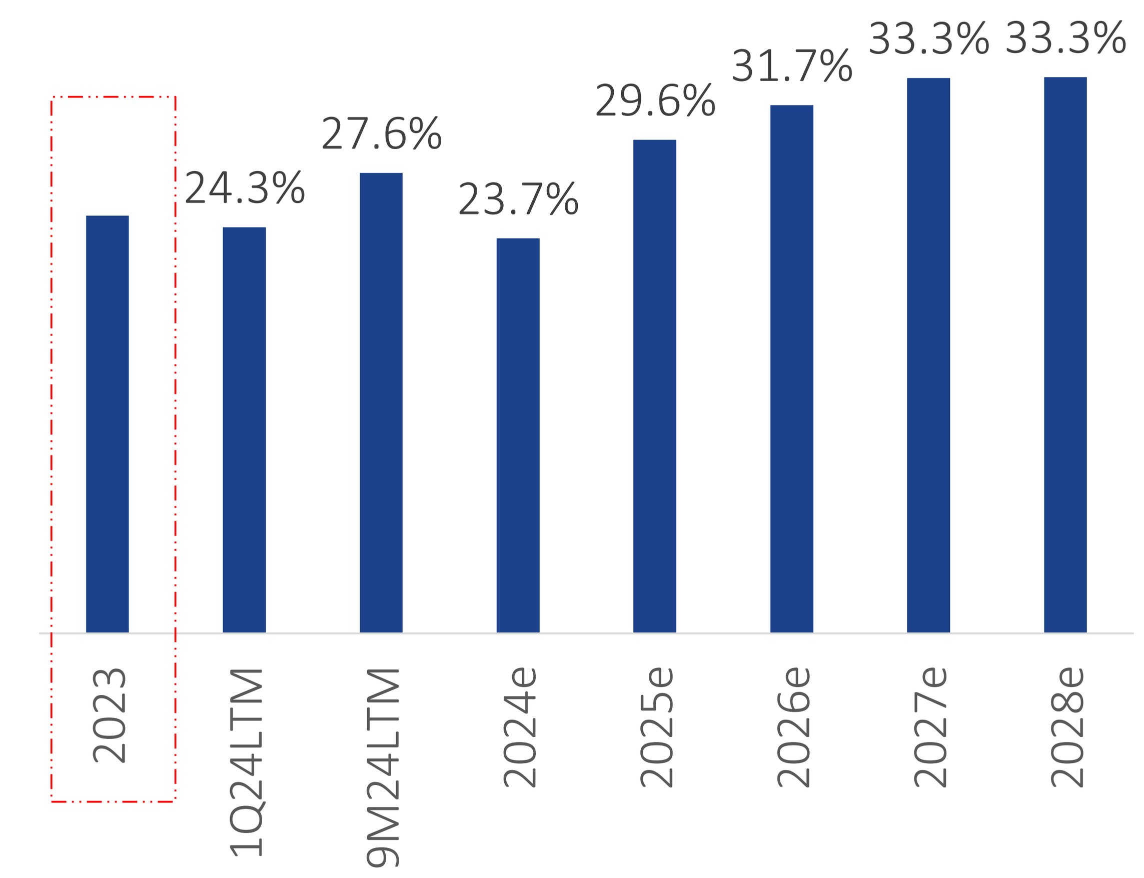
*Source: Company Data, IS Research * Average across 2021-23*

The cash generation in 2023 stood at a robust 80.2%, which we believe would increase further to 90.8% by 2028, backed by capex light asset model and faster expected store rollouts.

Cash generation = (EBITDA – Capital expenditure) / EBITDA

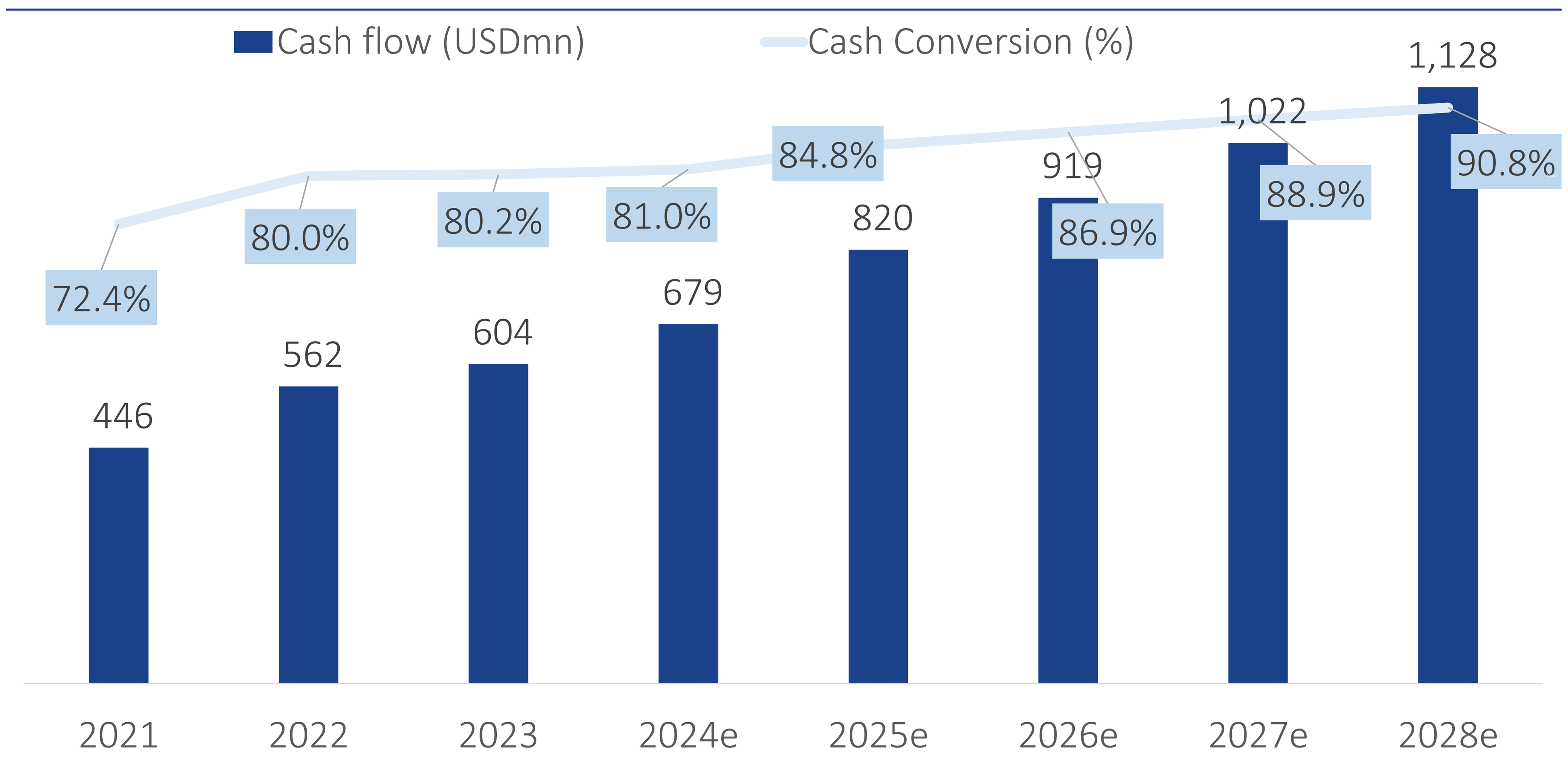
We expect the ROE to reach 33.3% by 2028m compared to 27.6% in 9M24 LTM (June 2023 – June 2024). This is expected to be led by revenue growth from existing stores, new store rollouts, expected increase in margins as well as calibrated approach towards capital deployment. The ROE from historical periods is not comparable as the company was restructured for the IPO.

ROE to remain strong



*Source: Company Data, IS Research * Profit for the year/Total Equity ** Pre 1Q24 Period not comparable due to Pre IPO reorganization*

Cash generation to reach c.91% by 2028 against 80% in 2023



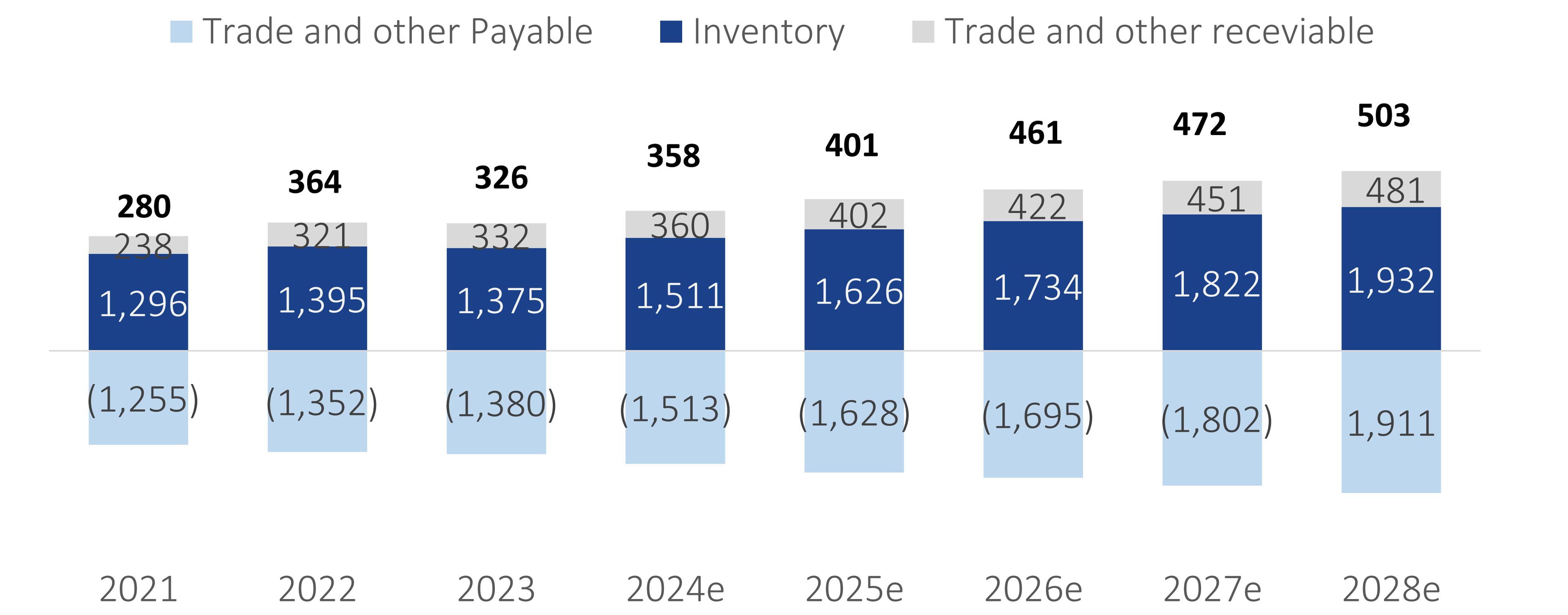
*Source: Company Data, IS Research * Cash conversion = EBITDA – Capex Capex excluding discontinued operations*

Cash Conversion Cycle to remain stable in the Medium term

LuLu ensures optimal working capital management, with a cash conversion cycle of 20 days in 2023 which is expected to remain stable for the group in the near term. The group maintains adequate inventory averaging around 90 days as the retailer plays a prominent role in the food security in respective markets. Out of the total 200k+ SKUs, **imports comprise c.17% of the total purchases and have a higher lead time which also results in higher inventory days.** Payable days of the company are broadly inline with the inventory days and group typically pays its supplier in 60-90 days

As of 2023, trade and other receivable for the group amounted to USD332mn which **mainly comprises of institutional sales, wholesale business and sales related to government related initiatives**. In 1Q24, receivables increased to USD407mn from USD332mn in 2023, owing to certain Government receivables which have normalize to USD358mn in 1H24 as dues were received from the government institution.

Well Disciplined working capital management



Source: Company Data, IS Research

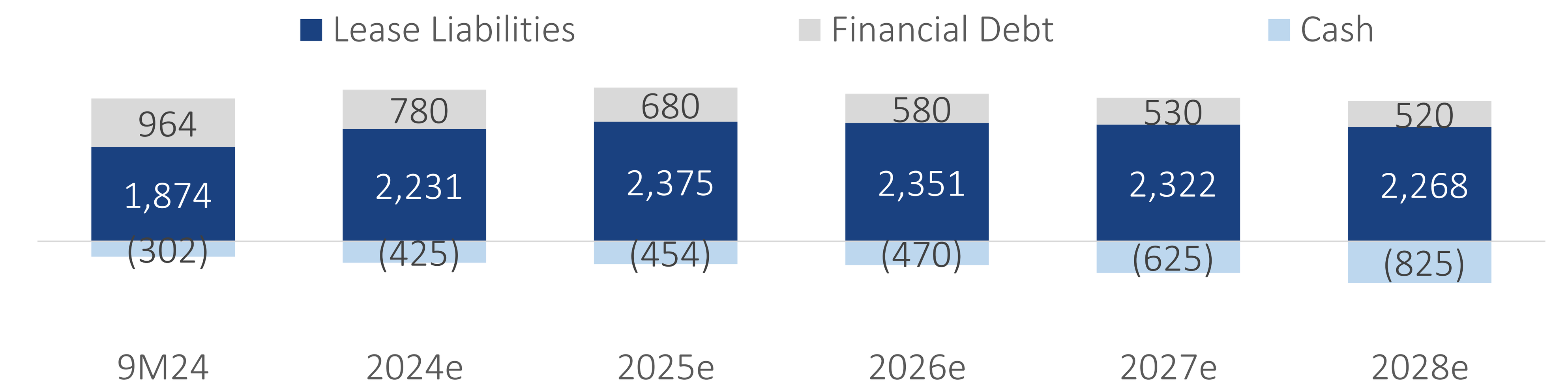
Cash conversion cycle expected to remain stable at 20-21days

	2021	2022	2023	2024	2025	2026	2027	2028
DIO	96	95	90	90	90	90	89	89
DSO	5	9	10	10	10	10	10	10
DPO	84	80	79	79	79	79	78	78
*Cash Conversion Cycle**	**17**	**24**	**20**	**20**	**20**	**20**	**21**	**21**

*Source: Company Data, IS Research * Excluding other receivables and Payable*

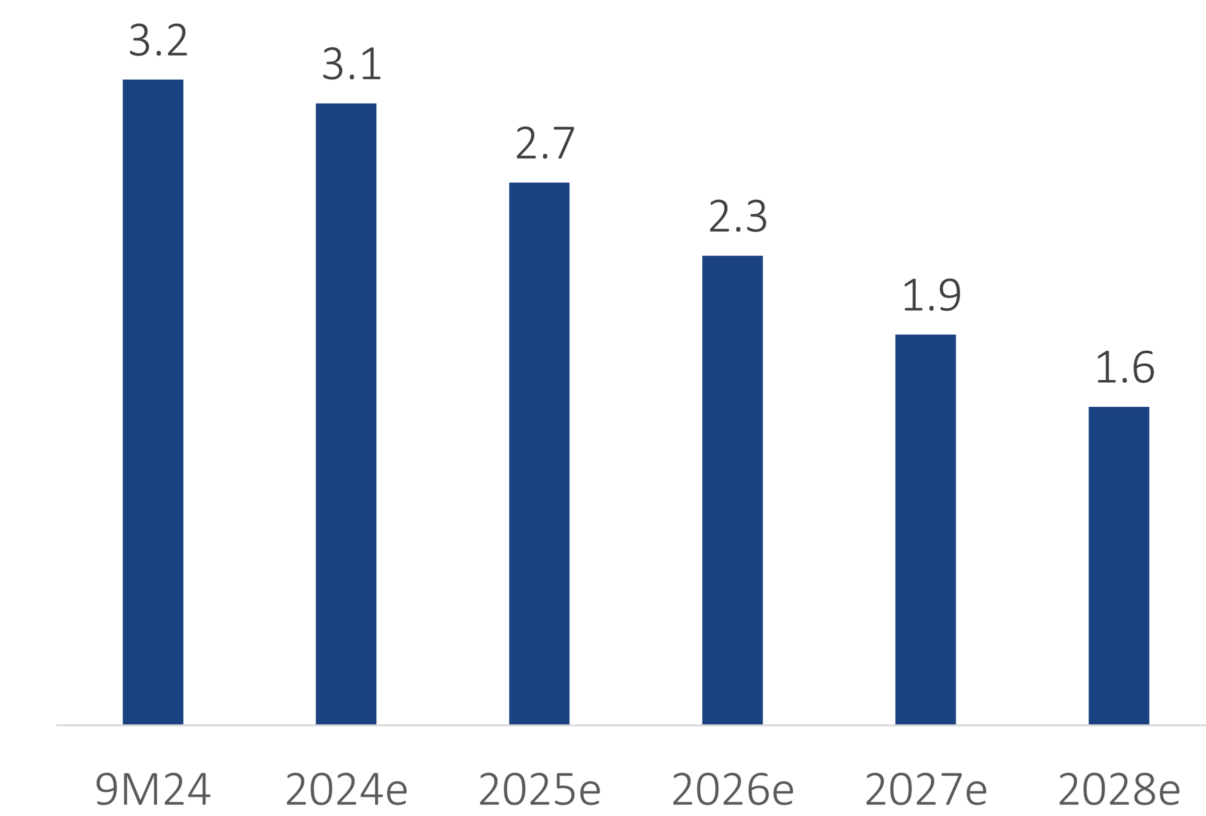
LuLu's leverage profile is mainly dominated by the longer-term lease liabilities. **With lease length of c.15 years, the group can secure favorable lease terms**. As of 9M24 the group has net debt/EBITDA of 3.2x (including lease Liabilities). Financial debt amounted to USD964mn as of 9M24 **which is mainly related to working capital.** The Group's financial debt mainly includes bank trust receipts, bank overdrafts and short-term loans.

Group Leverage Profile



*Source: Company Data, IS Research * Excluding other receivables and Payable*

Net Debt to EBITDA(x)



*Source: Company Data, IS Research * Net Debt = Bank Borrowing + Lease - Cash*

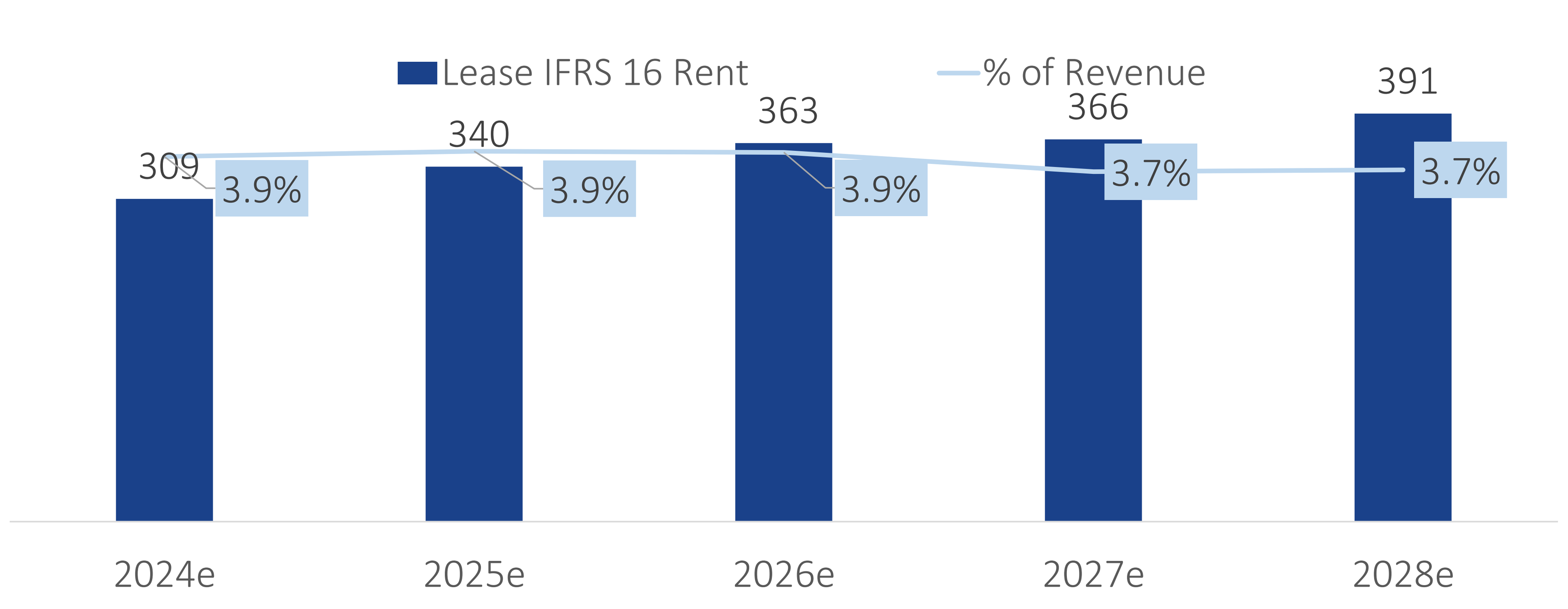
General

Capital structure mainly includes lease liabilities and working capital financing

LuLu utilizes bank trust receipts for working capital to secure favorable repayment periods. The group as at 1H24 does not have any outstanding long-term loans and has an unutilized bank facility of c.USD1.3bn. With respect to its leverage profile, the management has guided that the current net debt/EBITDA will reach a net cash position in the medium-term led by cash generation and repayment of debt. **As per our forecasts, the group is expected to have a net debt to EBITDA (ex. leases) of -0.4x by 2028 versus 1.4x in 9M24.**

Lease liabilities for the group amounted to USD1.9bn as at 9M24, with the addition of 73 new store along with focus on capital light model, we expect the total lease liabilities to reach USD2.3bn by 2028e. IFRS 16 rent payments amounted to USD380.8mn in 2023 which we expect would reach USD391mn by FY28, stable at c.3.7% of revenue, in line with management's guidance.

Lease IFRS 16 Rents (USDmn) and % of revenue

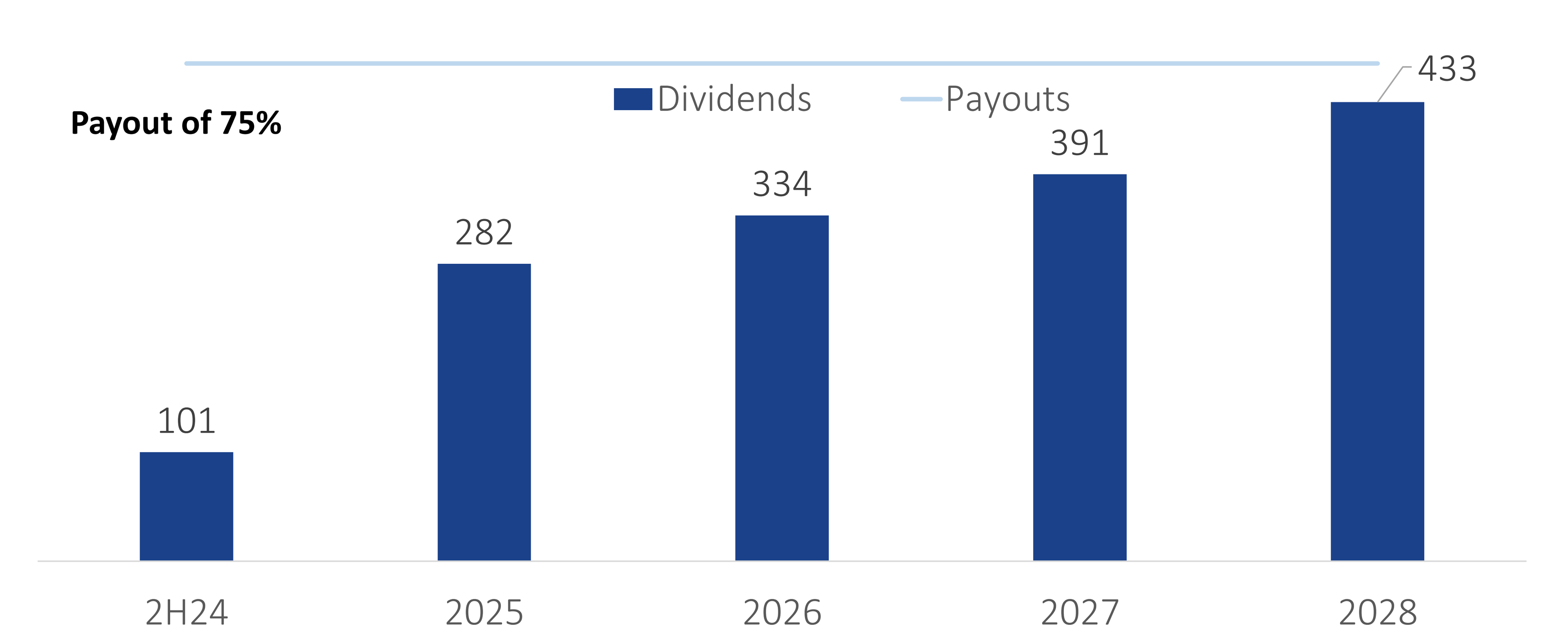


*Source: Company Data, IS Research * IFRS 16 Lease Rent – Depreciation of ROU+ Interest on lease liabilities*

Dividend

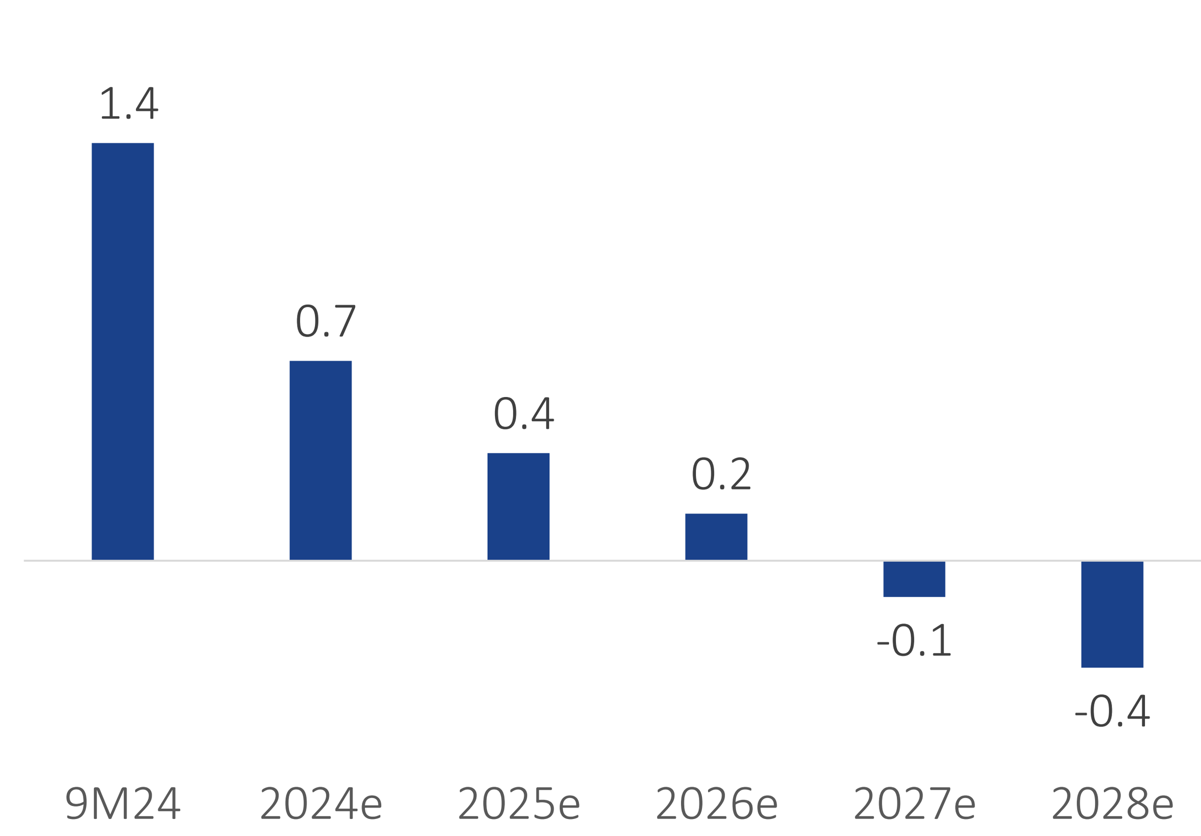
LuLu has guided to maintain a total dividend payout ratio of 75% of the annual distributable profit after tax, which will be paid semi-annually. Based on our FY25 net profit of USD375mn, we expect a dividend of USD282mn in FY25, which is expected to increase to USD433mn by 2028 at a payout ratio of 75%. However, if we adjust the profits for Capex ,Depreciation & Amortization and IFRS16 rent, the company has strong FCF generation which could lead to potential higher payouts. The company also expects to pay dividend for 2H24 which will be paid in 2Q25. We expect a dividend announcement of USD101mn for 2H24.

Expected Dividend announcement (USDmn) and Payout ratios (%)



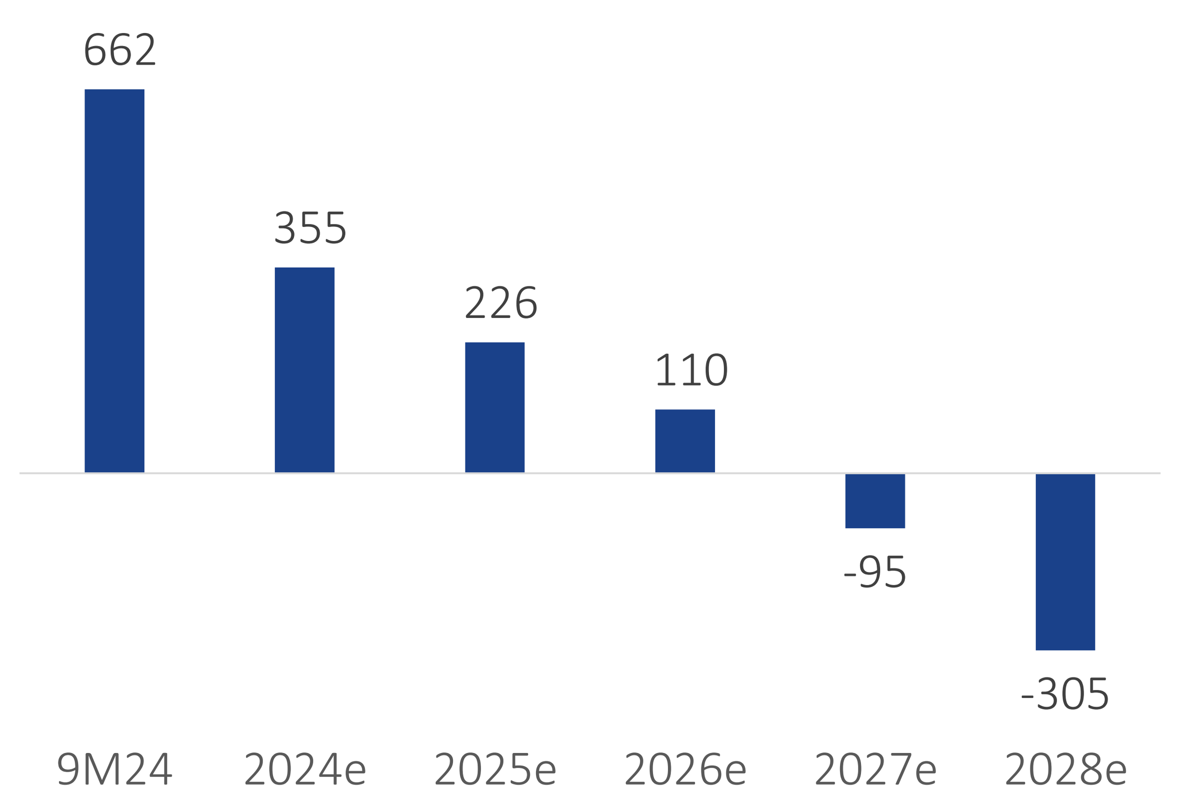
Source: Company Data, IS Research

Net debt to EBITDA excl Lease liabilities



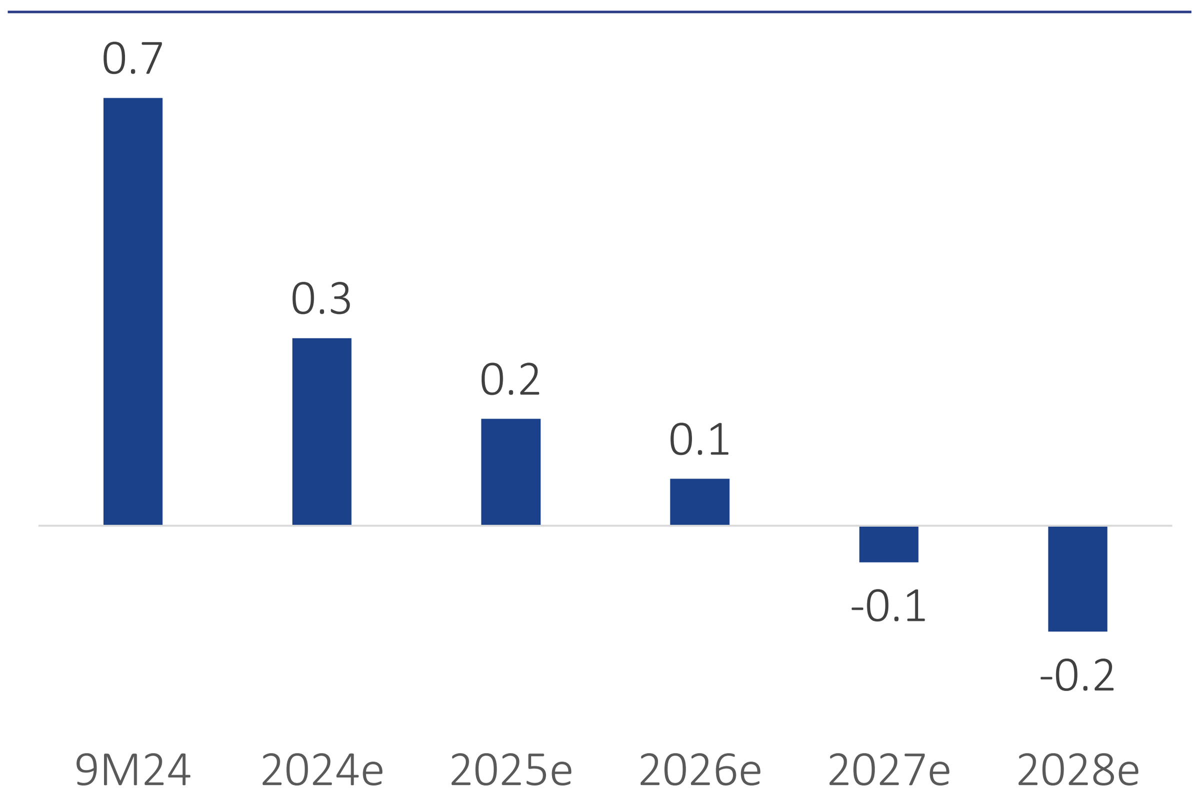
Source: Company Data, IS Research

Net Debt Excluding lease liabilities (USDmn)



Source: Company Data, IS Research

Net Debt excluding lease to Total Equity (x)



Source: Company Data, IS Research

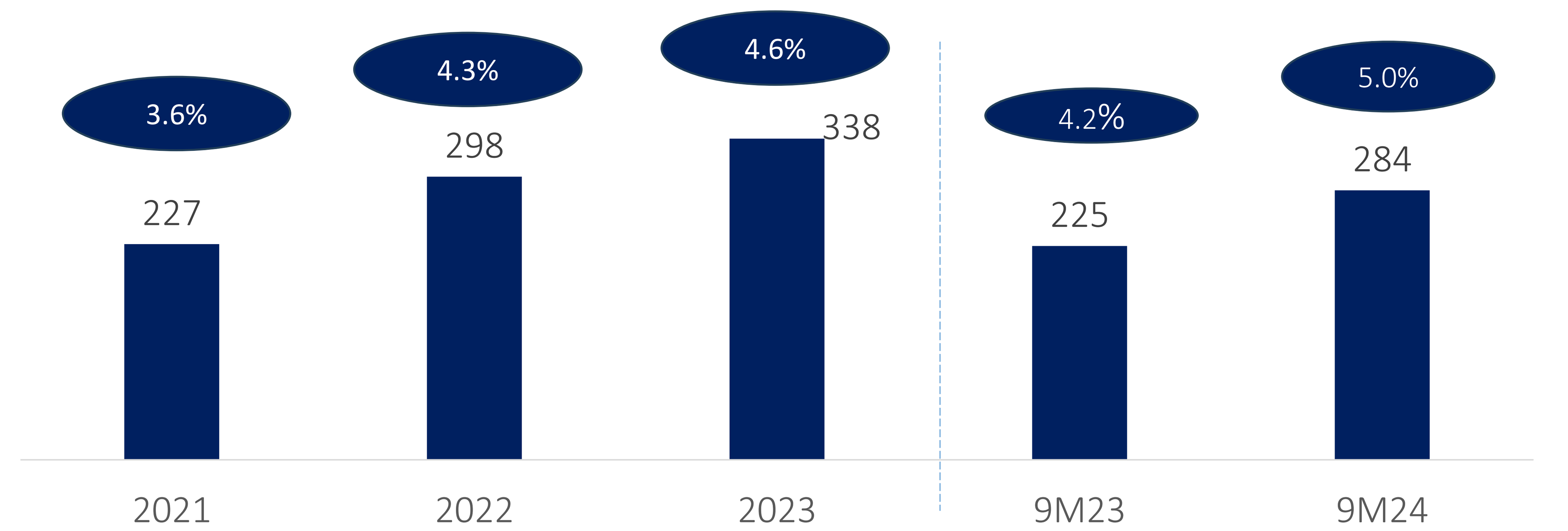
9M24 - Financial Performance

LuLu group registered a revenue of USD5.7bn in 9M24 with a steady revenue growth of 5.7% YoY. KSA and UAE continued to remain key markets for the group and delivered a YoY growth of 6.7% and 6.9%, respectively. Overall, for the year the group aims to grow between 8-10% in 2024 which seems reasonable given the growth trajectory and new planned opening before year end which should support revenue growth. So far the group has opened a total of 18new stores FY24 and is on track to meet its guidance.

Gross profit margins for the group clocked in at 23.1% in 9M24, higher compared to 22.3% in 9M23. Strong supplier relationships and further scale led increases resulted in margin improvement for the group. During 3Q24, Margin accretive Private label segment contributed 29.3% in revenue against 28.6% in 3Q23. Furthermore, improvement in product mix resulting from higher contribution of Consumer-packaged goods and fresh foods along with improvement in Wholesale margins also supported the margin expansion for the group.

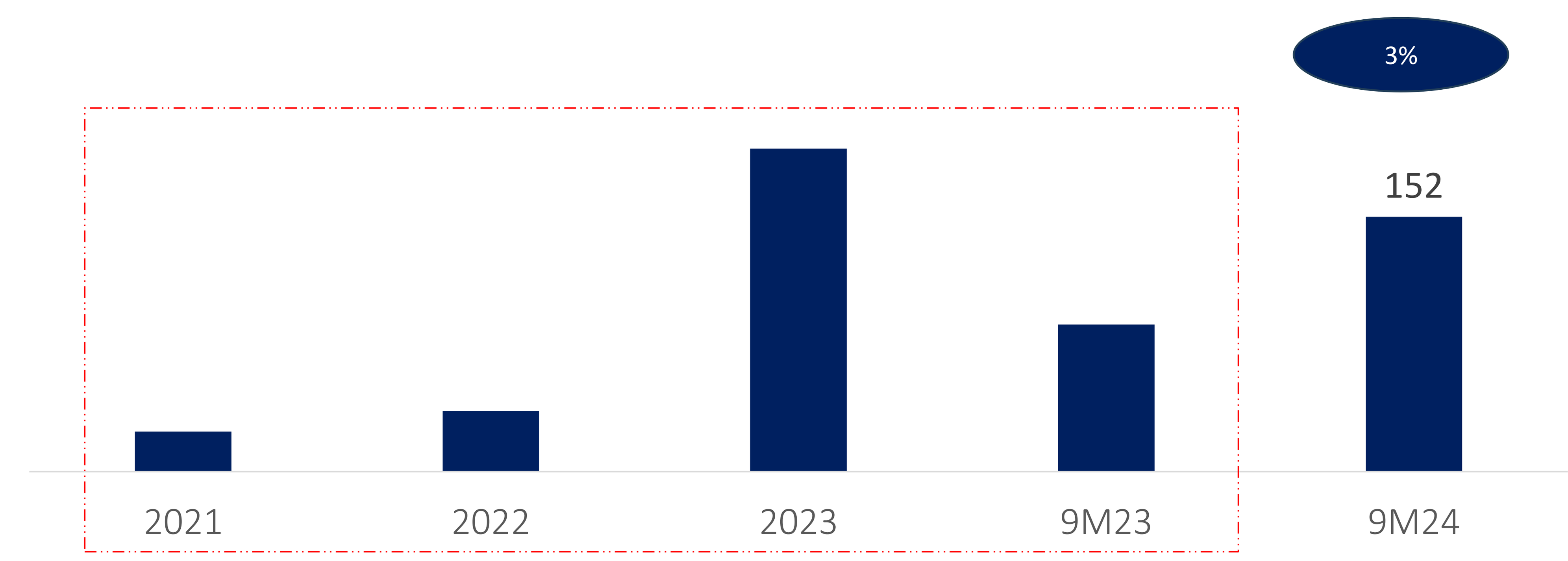
EBITDA margins diluted marginally in 9M24 owing to lease adjustments in KSA and Qatar, led by regulatory and operational requirements. For 9M24 EBITDA margins clocked in at 9.9%. Excluding the impact of leases EBITDA margin in 9M24 improved by c24bps. **EBIT margins also improved by c80bps YoY over 9M24.** Improvement in the EBIT margins was primarily driven by gross margin improvement 9M24. Consequently, Net profit margins (continued operations) of the groups improved to 2.6% in 9M24 against 1.6% in 9M23 which were also supported by the changes in capital structure amid Pre-IPO restructuring which resulted in lower finance cost. For Net profit comparison Historical periods are not comparable due to different capital structure and Pre-IPO reorganization.

EBIT margins expanded c80bps in 9M24YoY



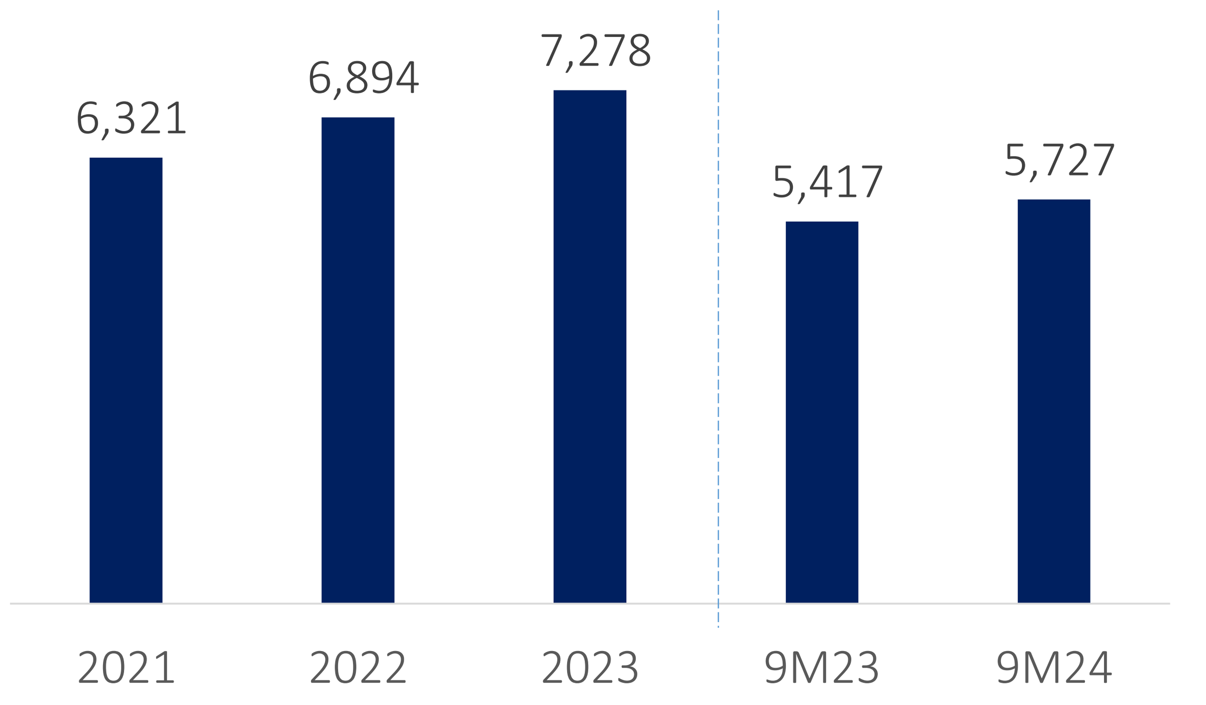
Source: Company Data, IS Research

Net Profit improving post IPO restructuring



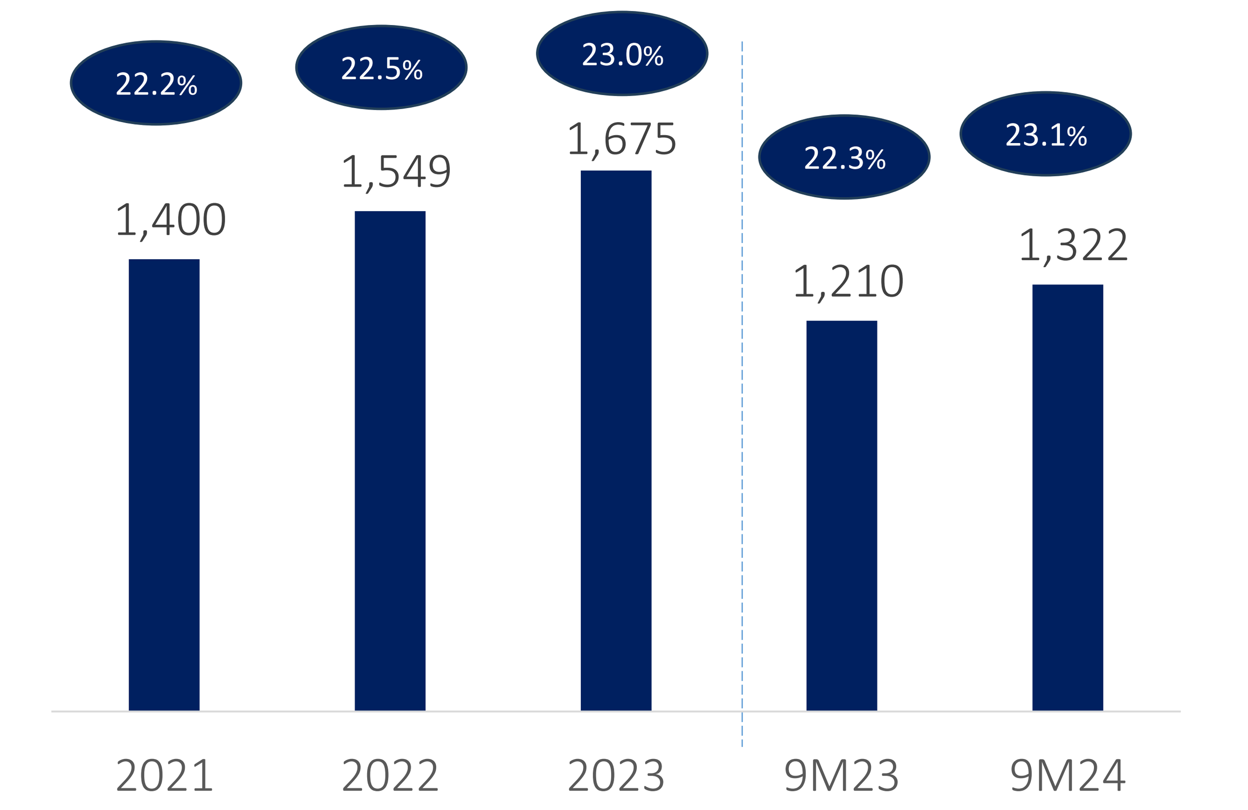
Source: Company Data, IS Research

9M24 revenue grew by 5.7% YoY



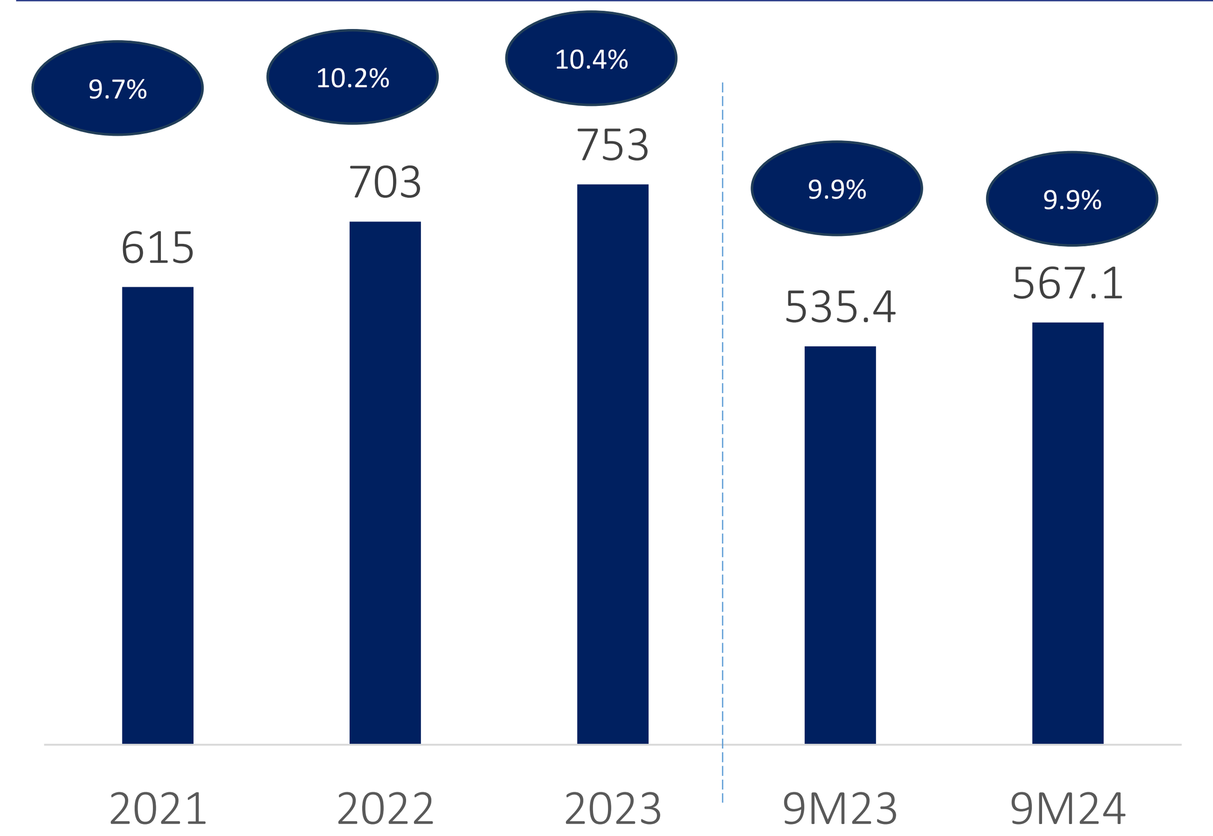
Source: Company Data, IS Research

9M24 Gross Profit grew by 9.3% YoY to USD1,322mn



Source: Company Data, IS Research

9M24 EBITDA grew 6% YoY to USD567.1mn



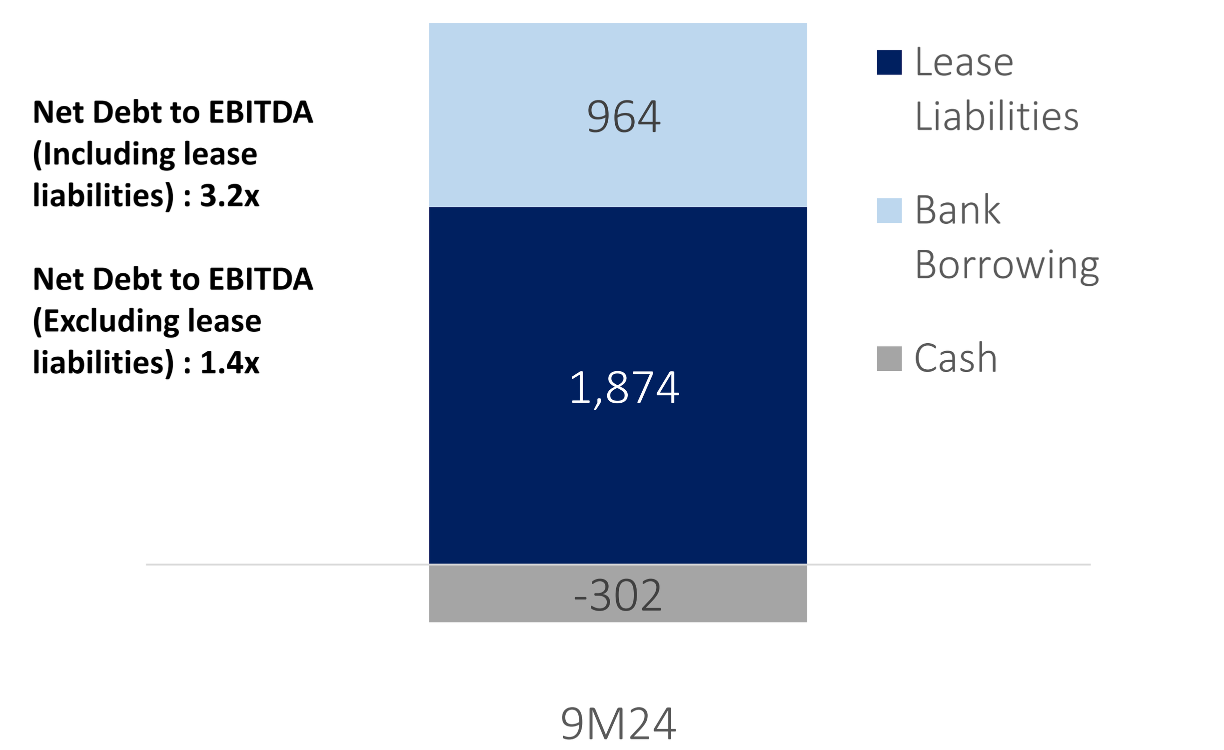
Source: Company Data, IS Research

9M24 - Financial Performance

As of 9M24, the group has a Net Debt to EBITDA (x) (including lease liabilities) of 3.2(x) . Net debt is mainly dominated by the lease liabilities. Excluding lease liabilities, the group has a net debt to EBITDA (x) 1.4x. As of 9M24 the group has a financial debt of 964mn which has increased compared to 1Q24 (USD780mn) amid working capital needs. Financial debt of the company is mainly related to the working capital of the company. **As per our forecasts, the group is expected to have a net debt to EBITDA (ex. leases) of -0.4x by 2028 versus 1.4x in 9M24.**

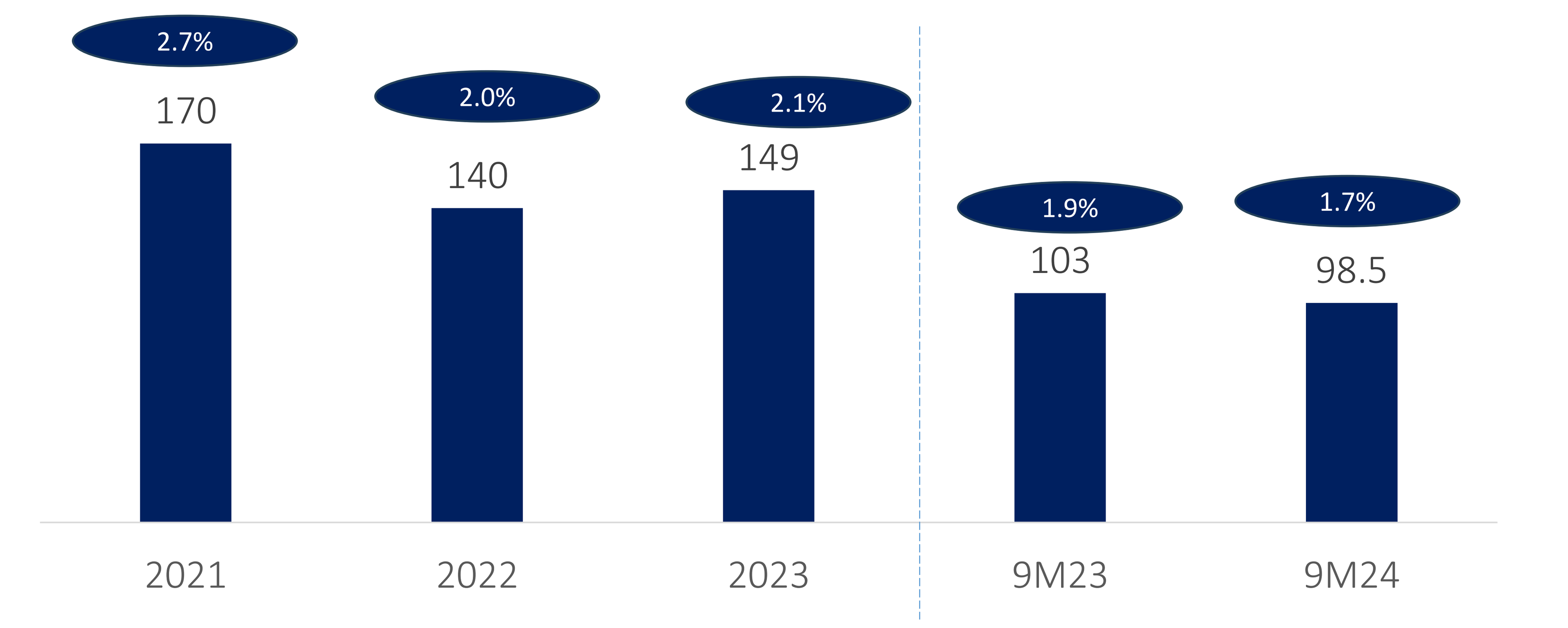
For 9M24 total capex for the group was USD98.5mn representing 1.7% of the revenue versus 1.9% in 9M23. As group is transitioning towards capital light model with increasing focus on fully furnish stores, total capex as % of sales is expected to remain low.

Lease liabilities dominates the Capital structure



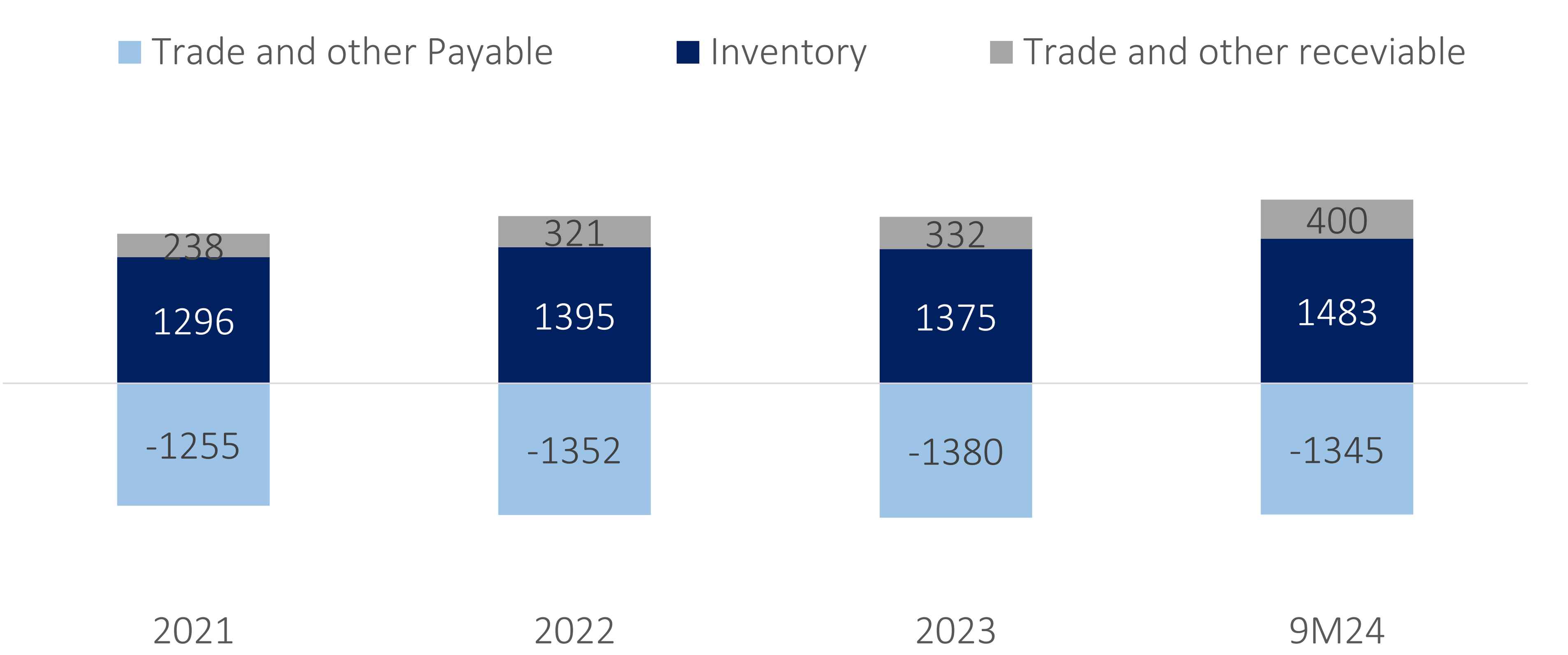
Source: Company Data, IS Research

9M24 capex came in at USD98.5mn (-4.3% YoY)



Source: Company Data, IS Research

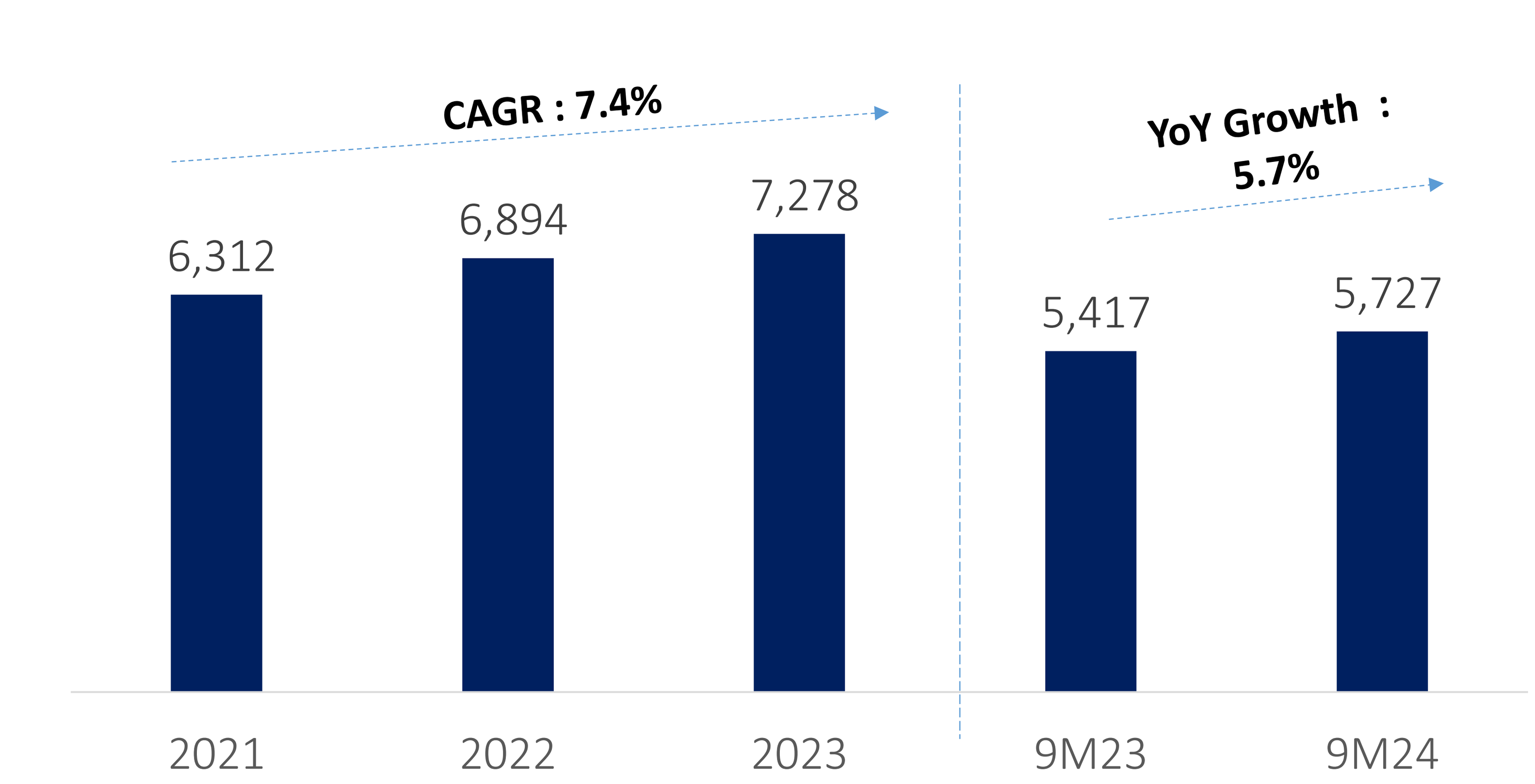
NWC for the group increased to USD538mn



Source: Company Data, IS Research

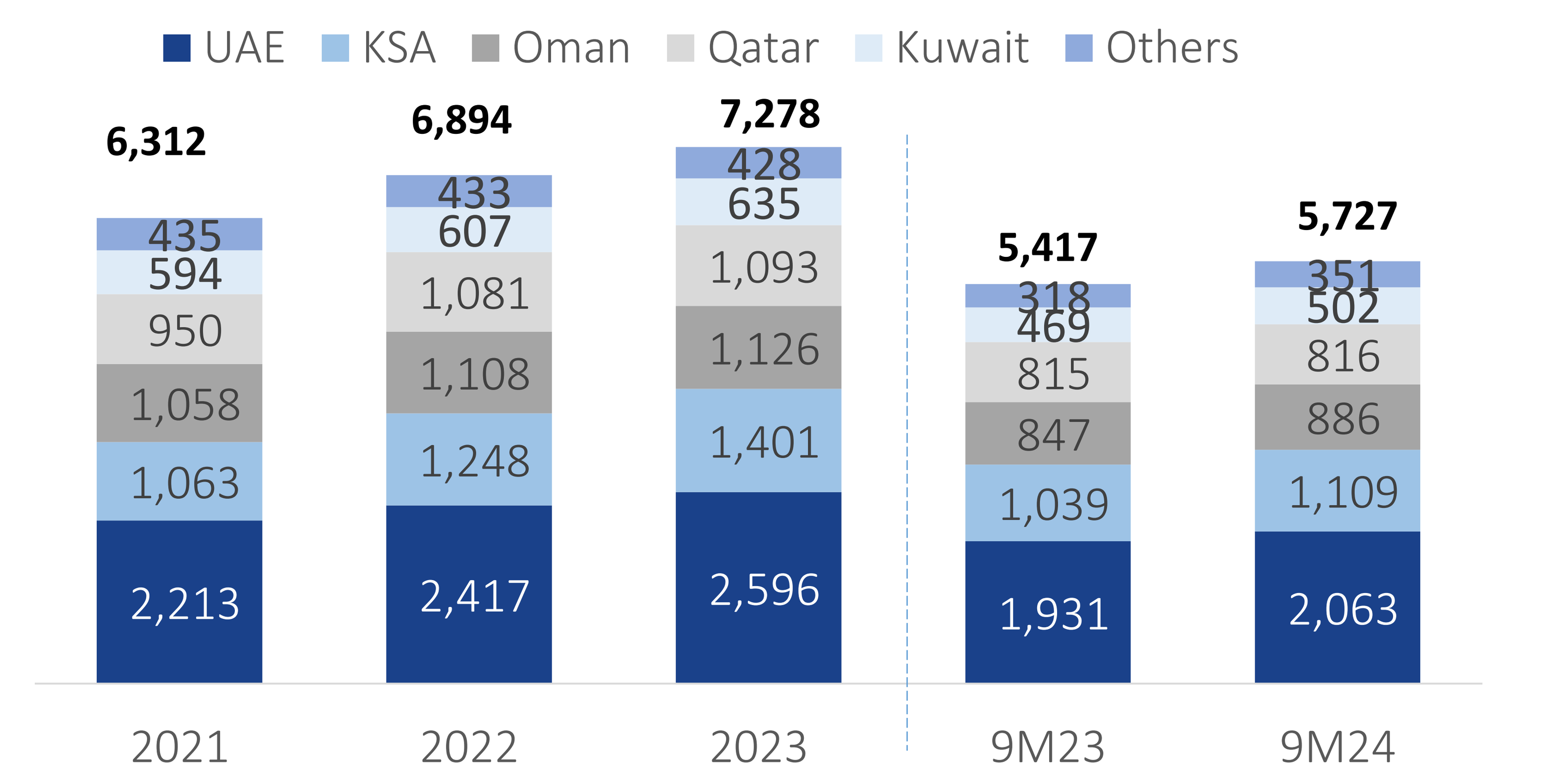
Historical Charts

LuLu has demonstrated robust topline growth ….



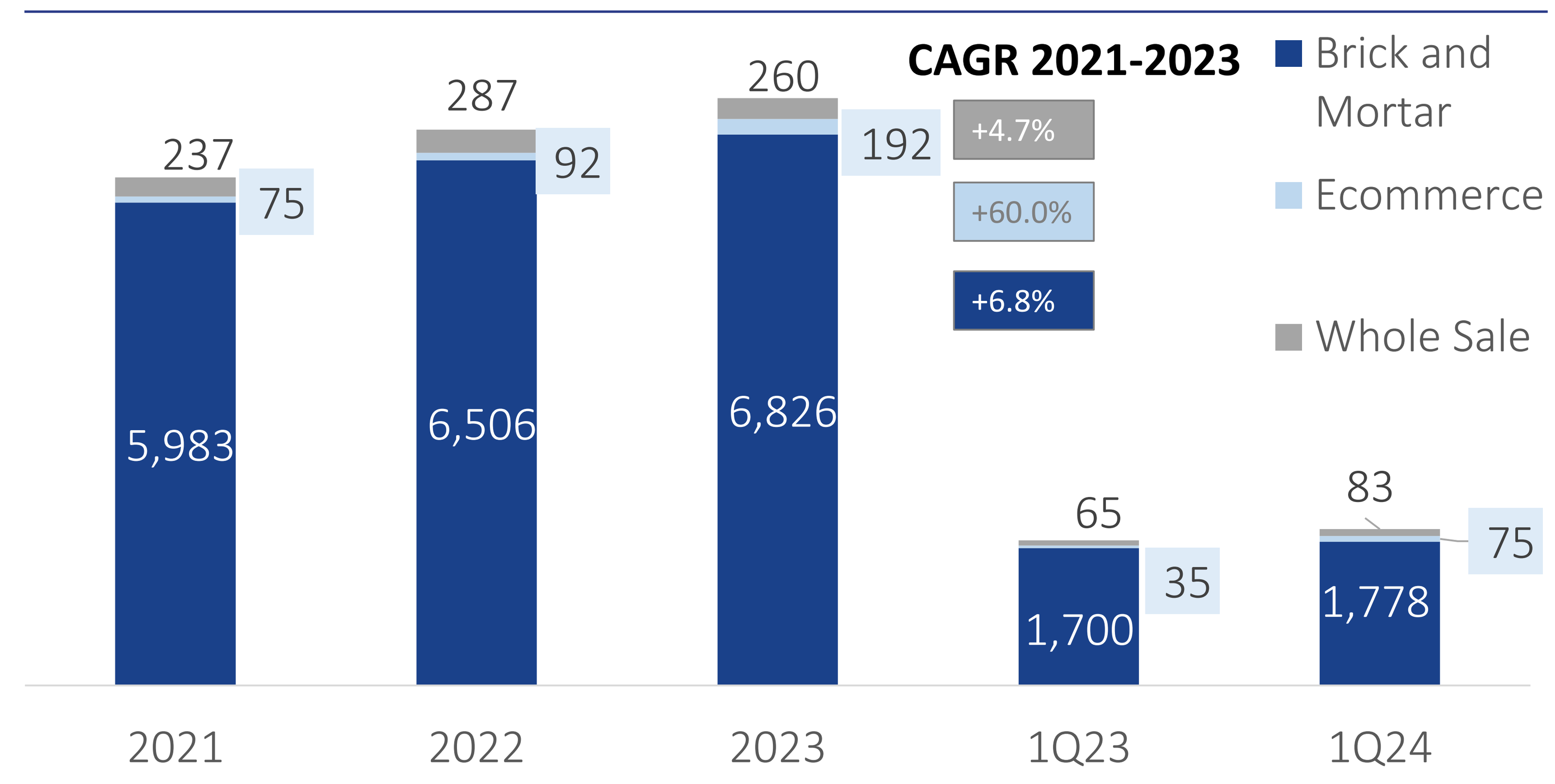
Source: Company Data, IS Research

….. across all markets



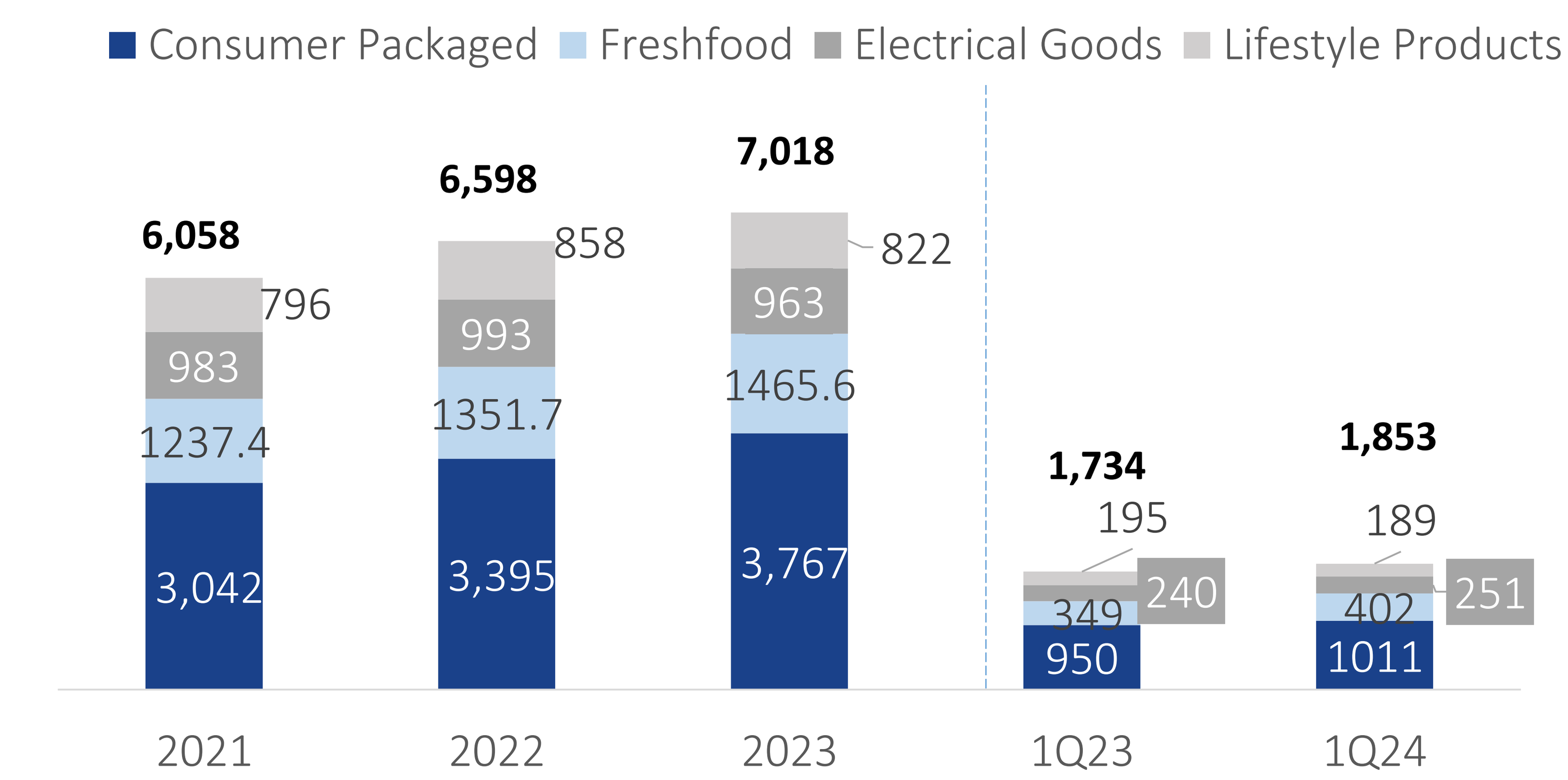
Source: Company Data, IS Research

Revenue Breakdown by channel



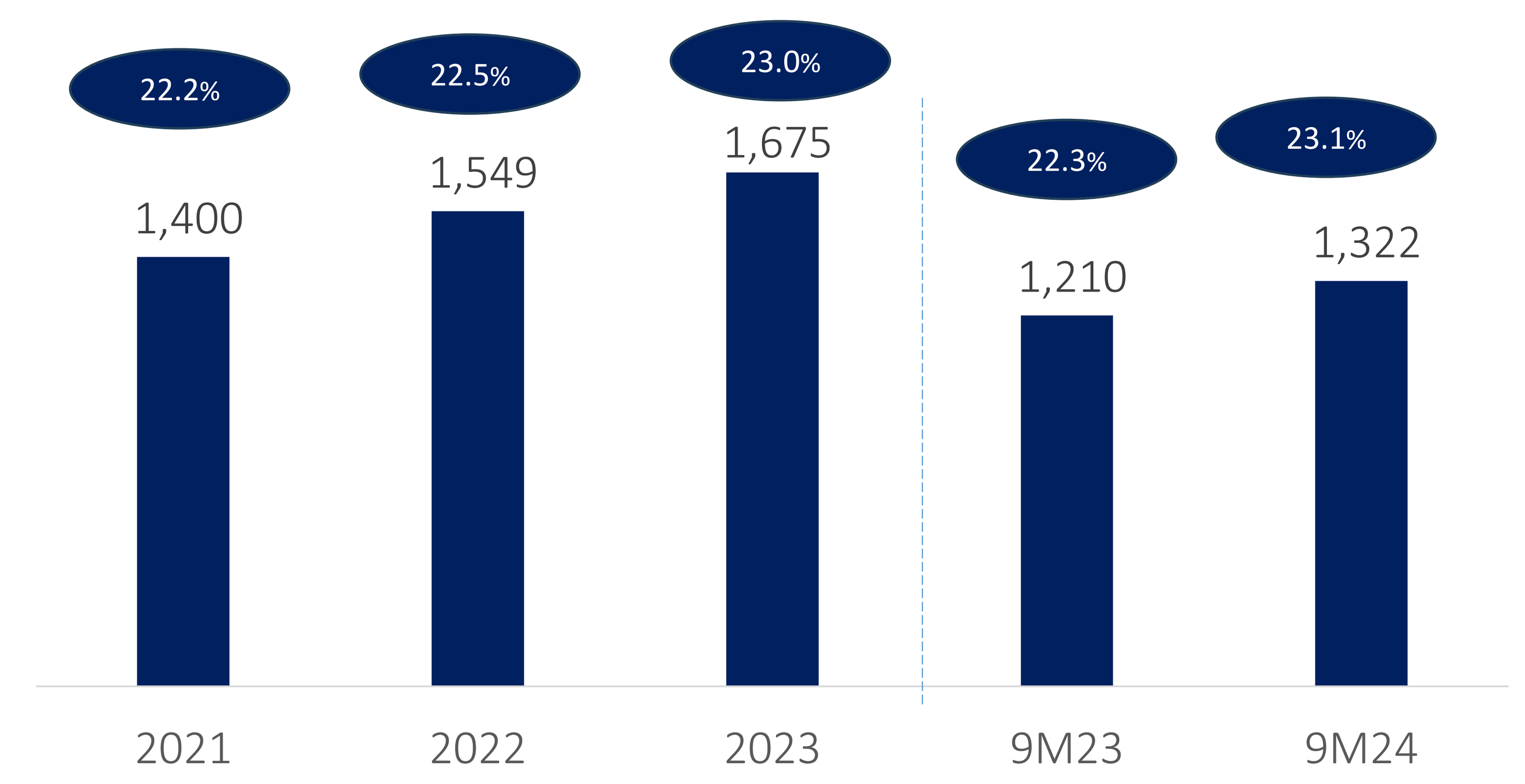
Source: Company Data, IS Research

Revenue Breakdown by Product Category



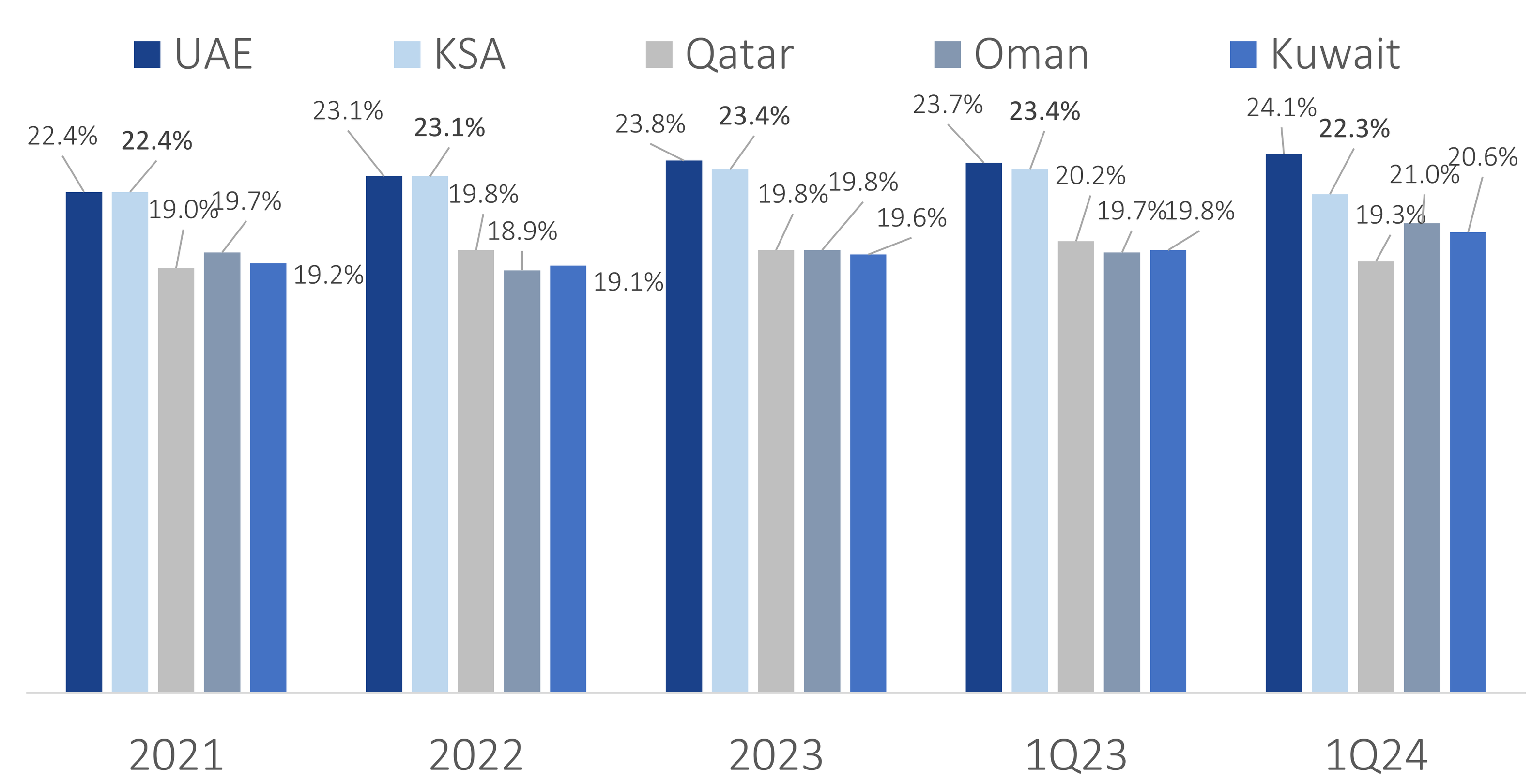
Source: Company Data, IS Research

Gross margins improved by 80bps during 2021-2023



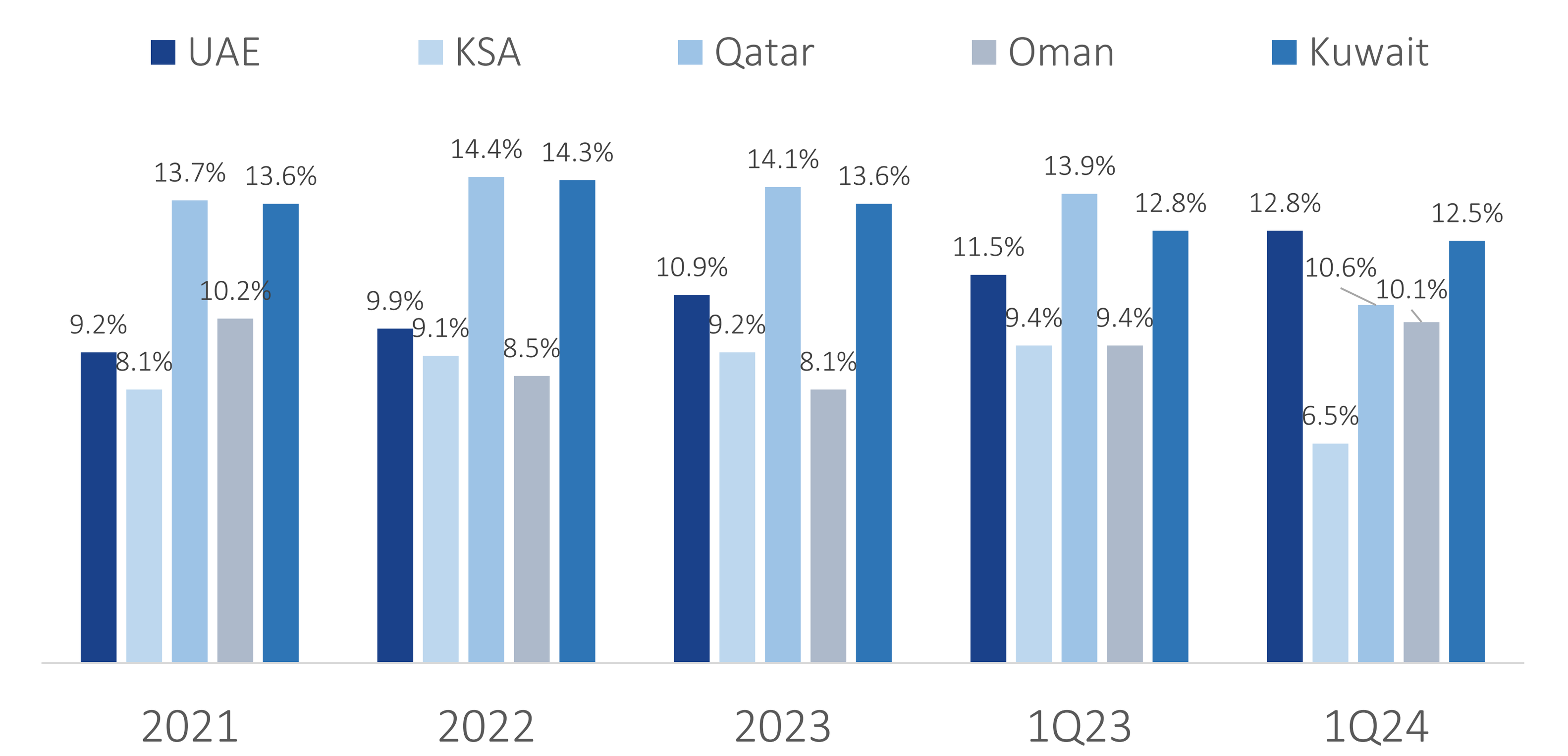
Source: Company Data, IS Research

LuLu has profitable operations across all markets (Gross Margin%)



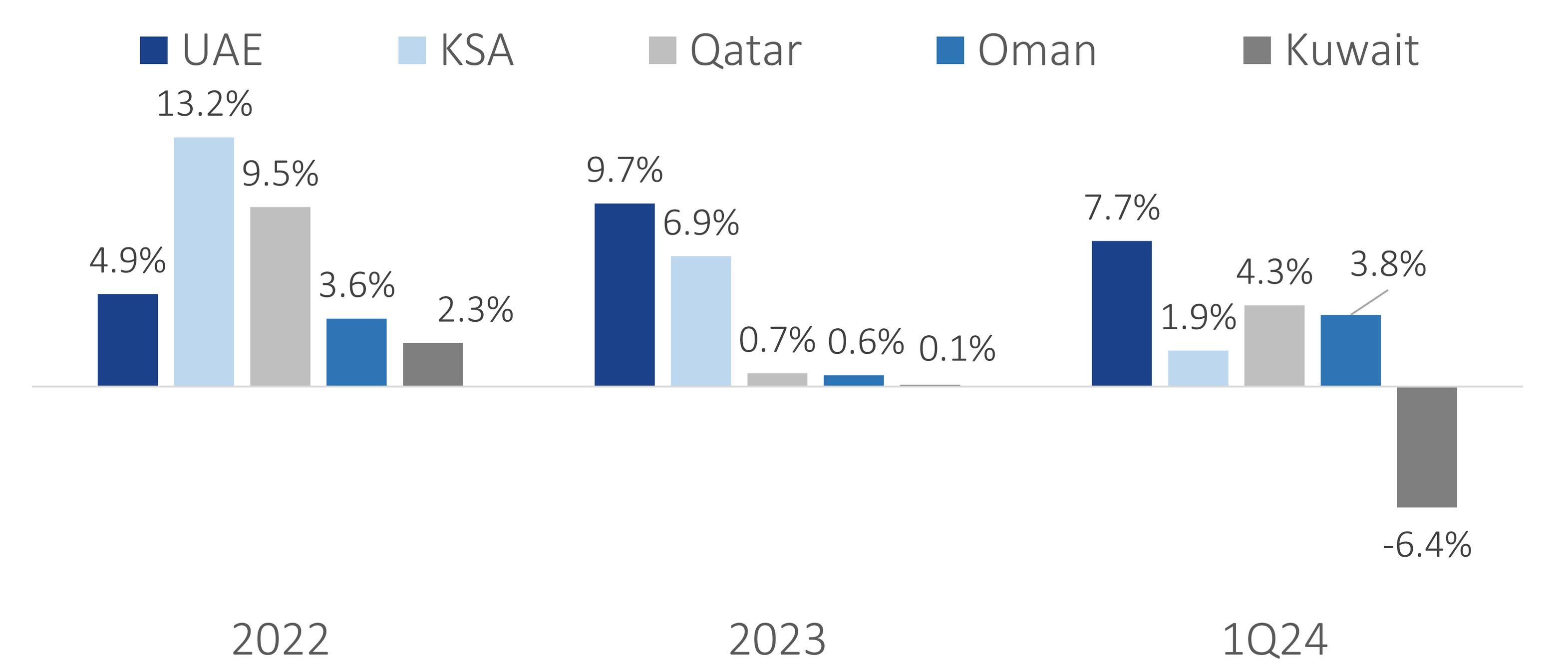
Source: Company Data, IS Research

Adj EBITDA margins across LuLu's markets



Source: Company Data, IS Research

Like for Like Stores growth by country



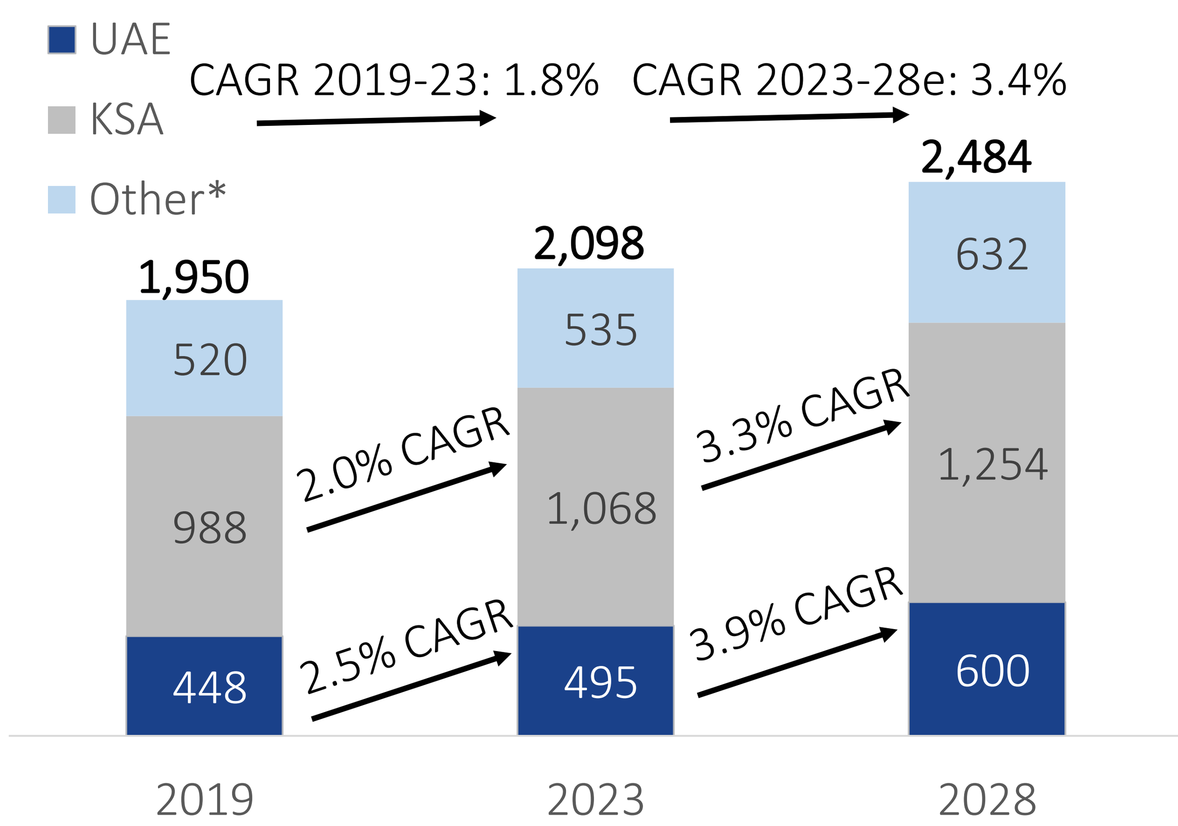
Source: Company Data, IS Research * LFL stores as stores with more than 12 full months of operations from there launch day

Growth Strategy

Favorable macro trends to drive GCC retail growth

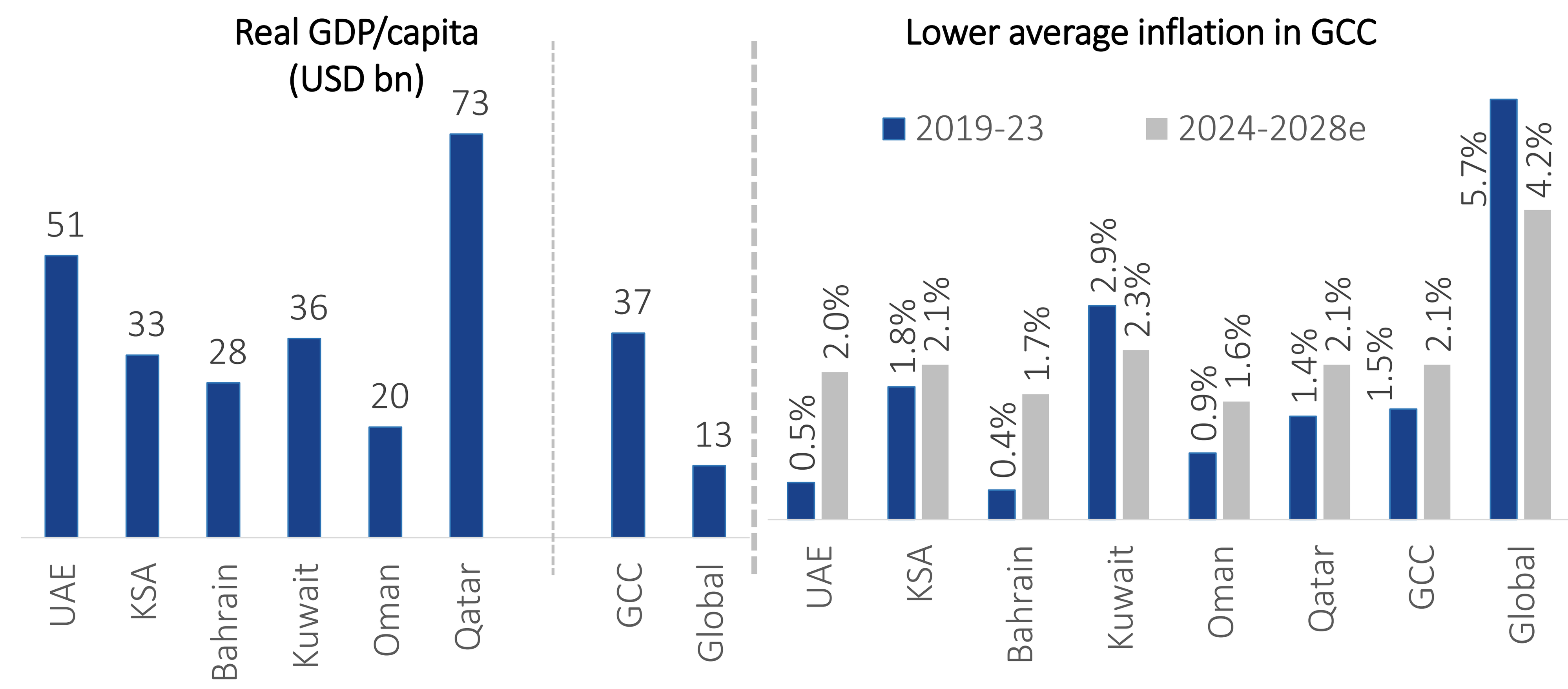
LuLu's positioning across the fast-growing GCC segment is a prime benefit and a key component for future growth. The GCC region outperforms on both higher purchasing power and lower average inflation against average global readings. Within LuLu's markets, Qatar ranks the highest on real GDP per capita with USD73k followed by UAE (51k), Kuwait (36k) and KSA (33k) while the average for GCC stands at 37k, 2.8x of Global average of 13k. Similarly, on forecasted average inflation for 2024-2028e for the GCC region is expected at 2.1% versus global average of 4.2%, implying higher price stability. The GCC region is also expected to post higher GDP growth of 3.4% between 2023-2028 versus 1.8% between 2019-2023. **We believe the favorable macroeconomic indicators are a major benefit and would directly impact the growth of the retail segment, with LuLu expected to be a key beneficiary given its widespread network and proven expertise.**

2023-28e real GDP (USDbn) CAGR of 3.4%



*Source: Company Data, IS Research. *Other includes Kuwait, Omar, Qatar, Bahrain*

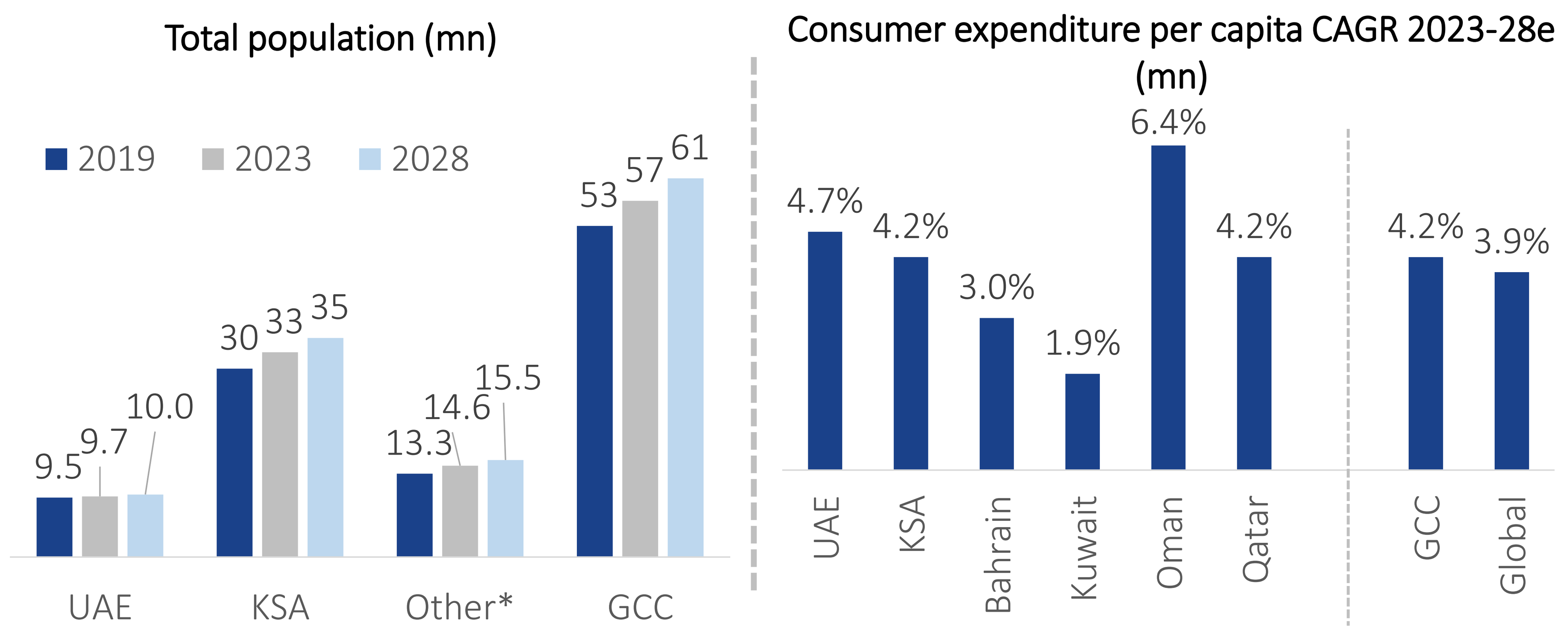
Higher purchasing power and lower average inflation in GCC vs Global average



Source: Company Data, IS Research

Favourable Demographic coupled with solid economic performance are expected to boost consumer spending outpacing inflation rates. As of end of 2023 the **GCC foreign population contributed to 54%** of total population and 46% for the national while the **median age** of population in 2028 is expected to be **36 years in the GCC** versus 44 years globally. Younger population is usually more interested in higher quality, premium and innovative products which are margin accretive, boding well for the retail segment, including LuLu. GCC segment also has sustained population growth as well as higher consumer spending per capita, both which are expected to further support the growth of the retail sector.

Expected population growth and higher than average consumer expenditure in GCC



Source: Company Data, IS Research

GCC consumer expenditure per capita CAGR for 2023-28e is expected at 4.2% vs 3.9% global average

GCC population CAGR from 2023-28e is expected at 1.2% versus 0.9% global average

GCC Government initiatives are favorable for the retail sector

We believe LuLu will be a key beneficiary of the growth in the GCC region, backed by supportive Government initiatives and reforms across the key markets. UAE Government has several initiatives including Dubai 2040 Master Plan, Plan Abu Dhabi 2030, Dubai 2033 Economic Agenda and UAE Tourism Strategy 2031. While each plan has a different purpose, the commonality is the focus on development of the country, upgradation of urban areas and infrastructure, accelerating expat migrations, increase in government spending and higher tourism. **The retail segment is primed to be a direct beneficiary of these measures with higher population, increased tourism and higher government spending all expected to contribute to increased demand for retail sales**, with LuLu to be one of the top beneficiaries given its vast network and active presence in UAE.

Beyond UAE, KSA (Vision 2030), Qatar (National vision 2030), Kuwait (New Kuwait 2035), Oman (Vision 2040) and Bahrain (Vision 2030) are all focusing on long-term development of the nations which would bode well for the retail segment, in our view. LuLu is the largest Pan-GCC retailer and is set to be a direct beneficiary of these measures and the expected growth of the GCC region.

Solid macro fundamentals and demographics are well supported by GCC governments initiatives

Dubai 2040 Master Plan - Objectives
- Upgrade Dubai's urban areas
- Support growth of economy
- Accelerate expat migration

+52% and +63% YoY increase in issued Golden & residency visas in 1H23

Plan Abu Dhabi 2030 - Objectives
- Sustainable cities
- Infrastructure development
- Renewable energy sources

18m visitors recorded in 2022 +17% YoY

Dubai 2033 Economic Agenda - Objectives
- 10-year Economic Plan launched in 2023
- Targets to double the size of Dubai's Economy by 2033
- Aims to make Dubai one of top 3 global cities
- Increase foreign trade, government spending and private sector investments

UAE Tourism Strategy 2031
Announced in 2022, the strategy contains 25 initiatives and policies to support & promote development of UAE's tourism:
- Strengthening the unified national tourism identity
- Developing and diversifying specialized tourism products
- Increasing investments in all tourism sector

Saudi Vision 2030
Strive to create a more dynamic and appealing environment through economic diversification, which in turn is expected to attract top talent and increase share of affluent population

Modern retail growth:
Increase contribution of Modern Retail from 50% to 80% by 2030 by:
- Attracting regional and International Investors; and
- Easing restrictions on ownership and foreign investment

Private Sector Contribution
Increase share of private sector contribution to GDP from 40% to 65%

Become a Top-15 Economy
Move from being the 19th largest global economy into the top 15

Foreign direct investments
Increase FDI contribution to GDP from 3.8% to 5.7%

Women in force
Increase women's workforce participation to 30% (18.9% in 2022A from 14.3% in 2017A)

Other GCC government initiatives
- Qatar's National Vision 2030
- New Kuwait 2035
- Oman Vision 2040
- Bahrain Economiv Vision 2030

Source: Company Data, IS Research

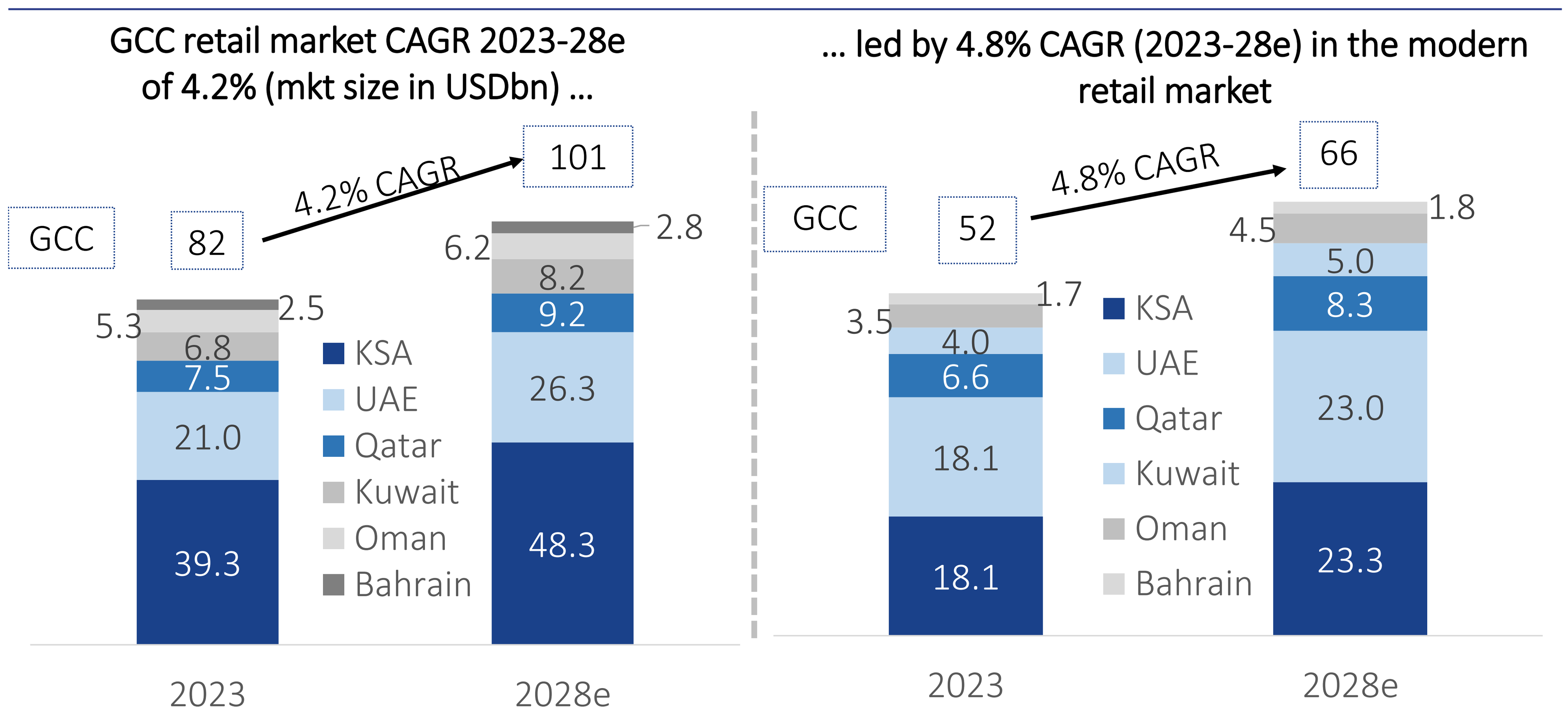
GCC retail market is set to grow at 2023-28e CAGR of 4.2% to USD100bn

The strong retail market growth in the GCC is mainly driven by the modern retail market with the UAE and KSA the largest (**contributes to 35% each of the modern retail GCC market**) and fastest growing (4.6% and 4.2% for UAE and KSA respectively) within the GCC. **Key drivers for the growth in modern retail market are:**

1- Steady population growth and rising urbanisation
2- Increasing disposable income and rise of affluent population
3- Increasing brand awareness and breadth of offerings
4- Higher convenience and better customer experience
5- Rising digital penetration & emergence of omni-channel platforms

GCC retail market is expected to increase to USD100bn by 2028e, 5-year CAGR of 4.2%, led by growth in modern retail market to USD66bn at a 5-year CAGR of 4.8%.

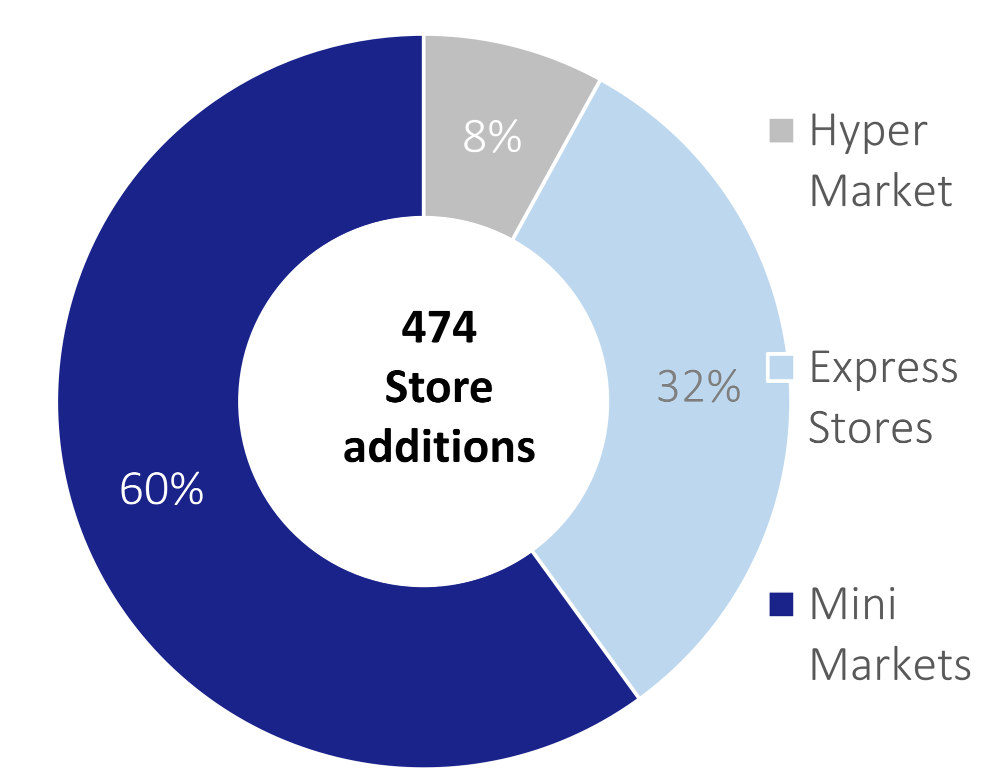
Modern retail market to lead the overall GCC retail market growth



Source: Company Data, IS Research

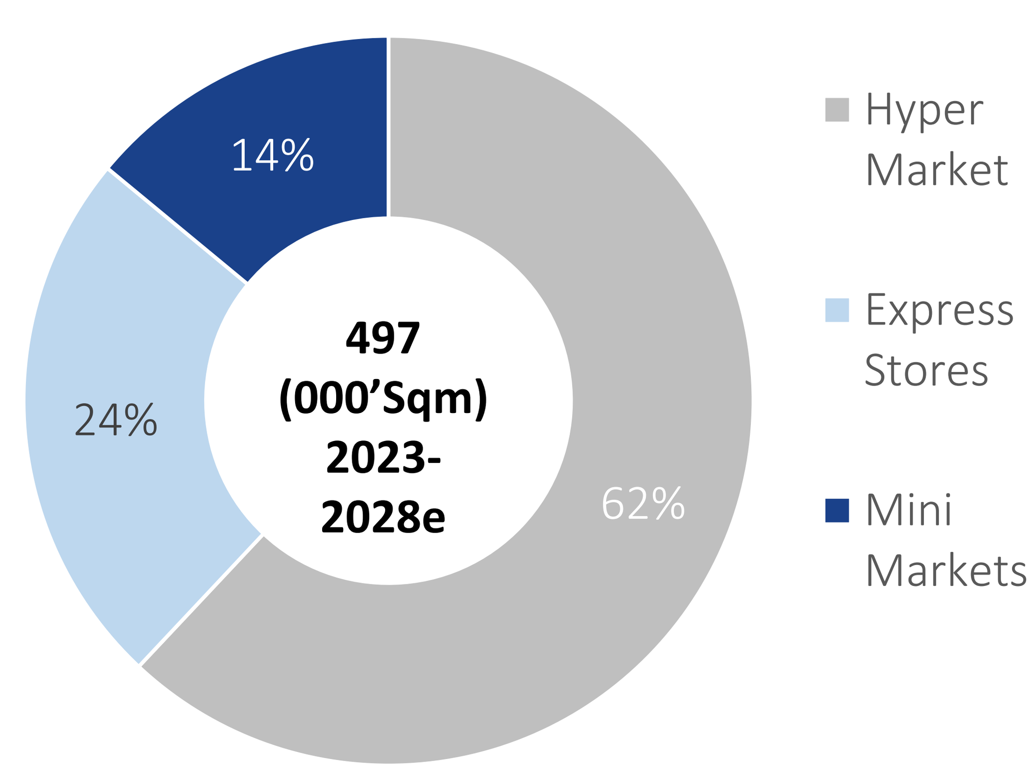
KSA is expected to lead the overall store additions in GCC between 2023-2028e with 474 stores to be added in the period, followed by 159 stores in UAE and 188 stores in other GCC nations combined. On store selling space, KSA is expected to add 497k sqm while UAE and other GCC nations are expected to add 432k sqm and 256k sqm, respectively.

KSA total expected store additions (2023-2028e)



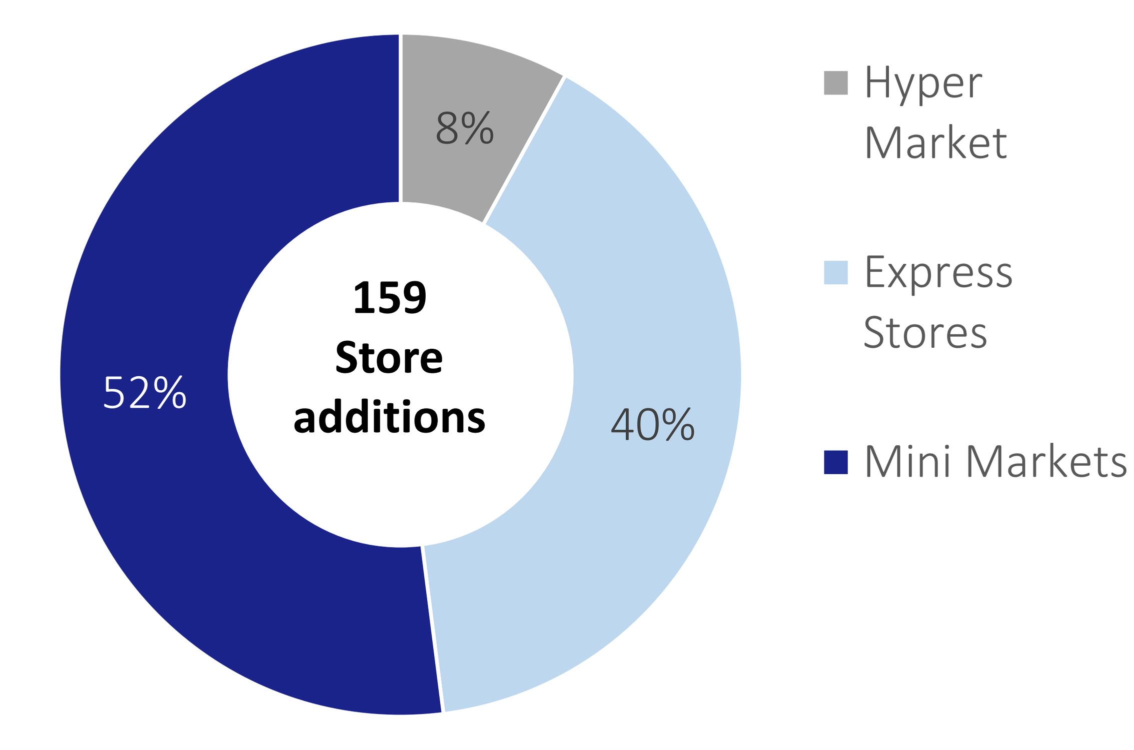
Source: Company Data, IS Research

KSA selling space addition (2023-2028e)



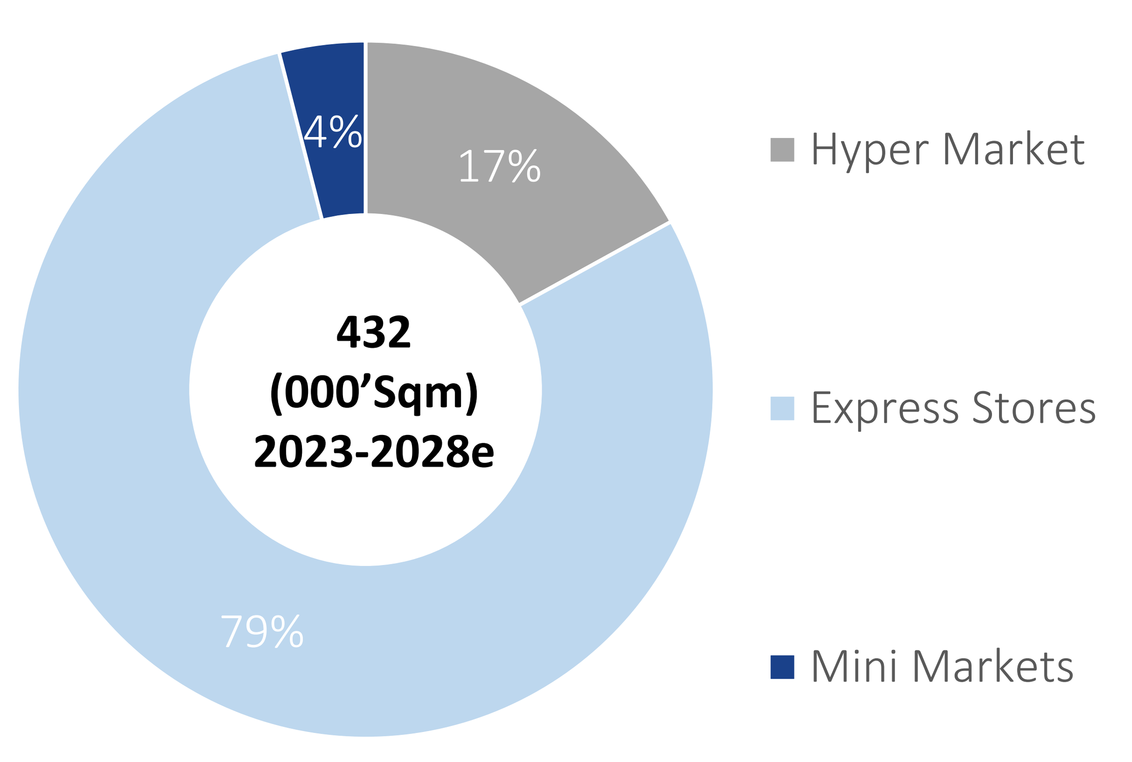
Source: Company Data, IS Research

UAE total expected store additions (2023-2028e)



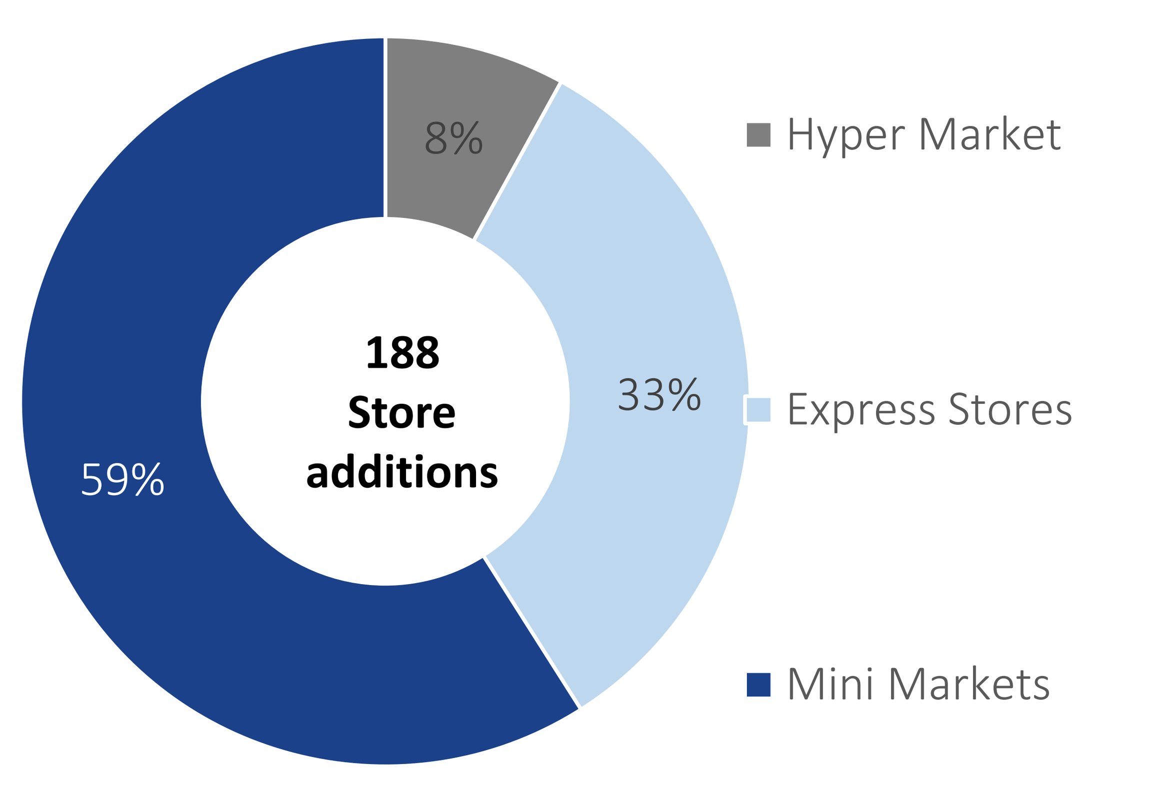
Source: Company Data, IS Research

UAE total expected selling space additions (2023-2028e)



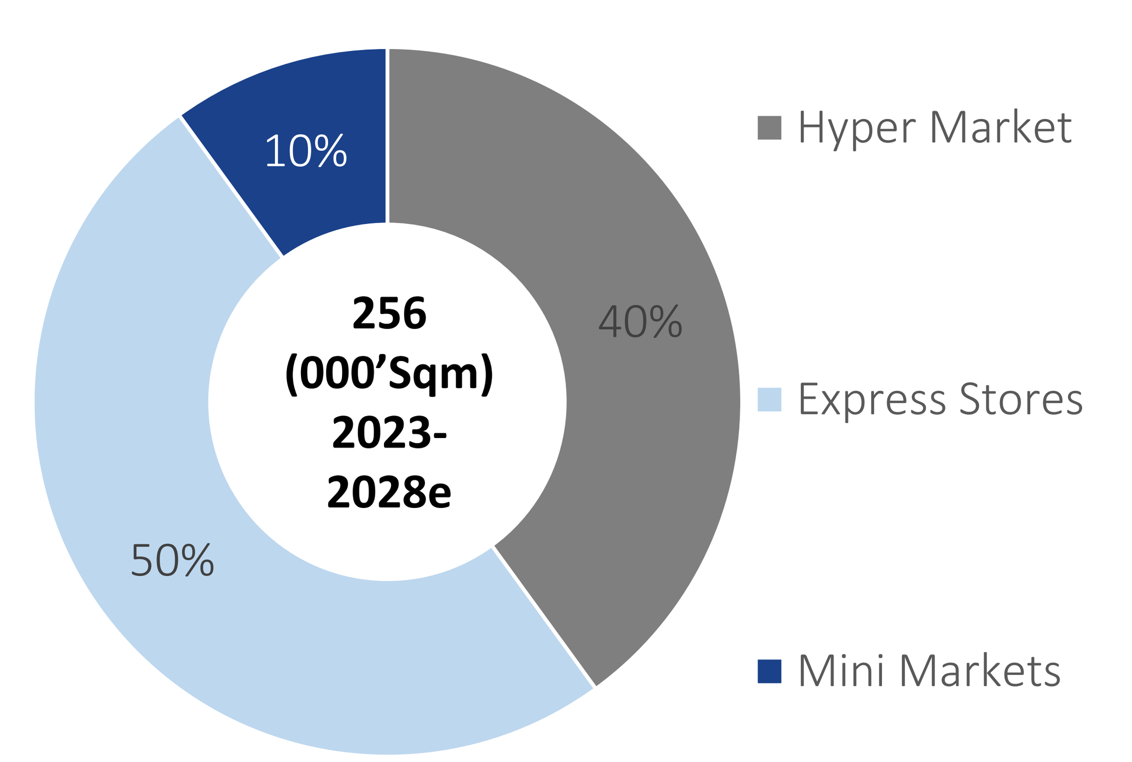
Source: Company Data, IS Research

Other GCC market store additions (2023-2028e)



Source: Company Data, IS Research

Other GCC market Selling space additions (2023-2028e)

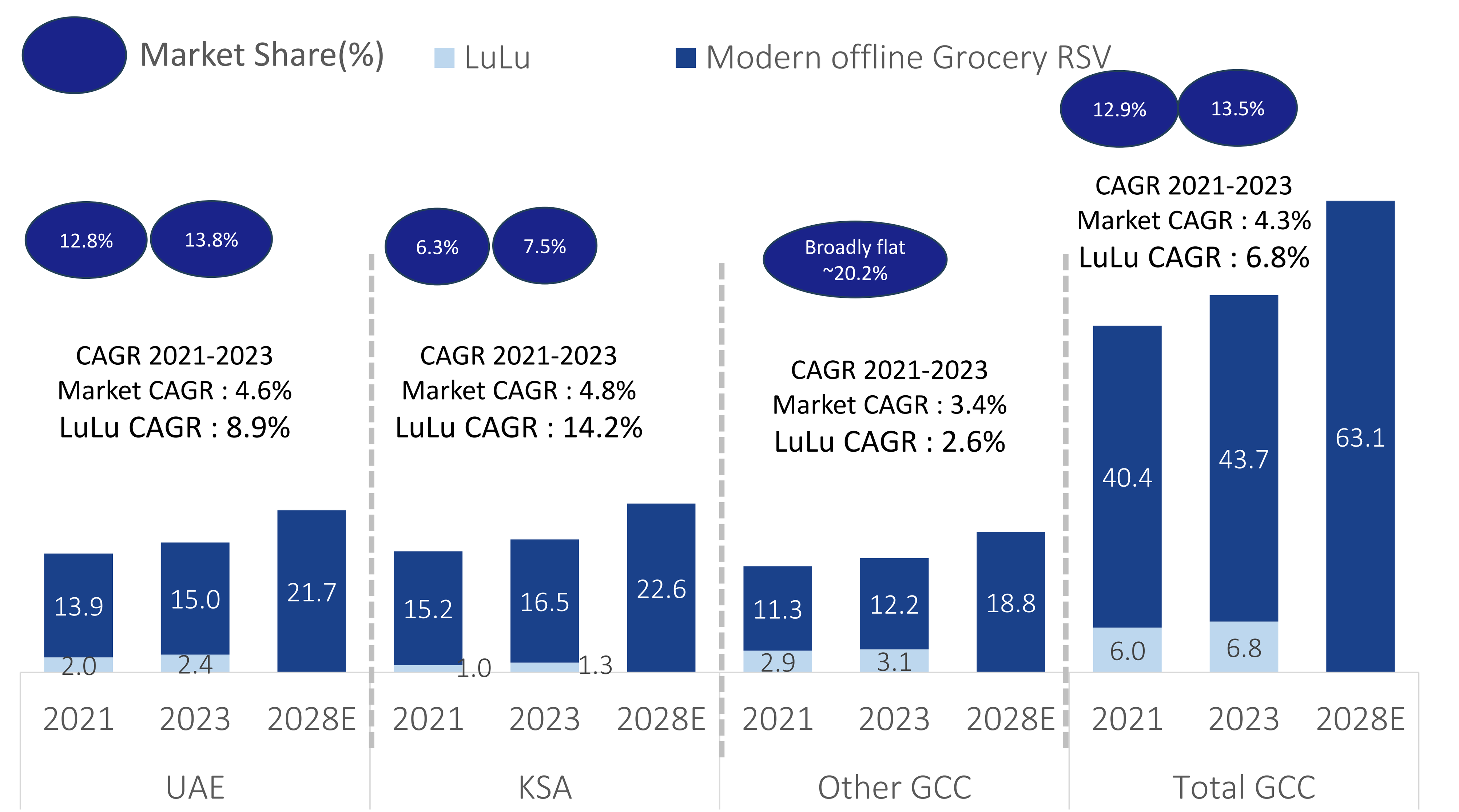


Source: Company Data, IS Research

LuLu has outpaced the GCC market growth by 1.6x

LuLu has presence across the GCC markets with increasing market share in terms of retail sales value. Supported by the faster store space additions compared to the market, LuLu group has grown ahead of the Market. In the Key markets KSA and UAE LuLu group has outperformed the market growth by 2-3x. Overall in the GCC the group has delivered a strong track record of growth and has outperformed the market by 1.6x.

LuLu's 2021-2023 growth in RSV (USDbn) outperformed the GCC by 1.6(x)



Source: Company Data, IS Research

The group has also outperformed the market across all GCC countries in terms of faster store space addition compared to the Market. Overall, in GCC the selling space for group has increased from 1.1mn in 2021 sqm to 1.3mn sqm in 2023 depicting a CAGR of 8.0% against a CAGR of 2.8% for the overall market over the same period (LuLu outperformed by more than 2.5x)

LuLu delivered robust store space* growth across the GCC countries

*Source: Company Data, IS Research * Modern Offline grocery selling space evolution (m sqm)*

Presence across the GCC market offers tremendous whitespace potential. UAE and KSA the largest markets for the group are expected to witness the most stores addition with 474 stores expected to be opened in KSA between 2023-2028E with focus towards smaller formats. Hypermarkets will however contribute to the major selling space additions. Similarly, in UAE 159 stores are expected to be added with majority of selling space additions coming from the Express stores.

LuLu's growth strategy is four-fold with focus on all verticals

LuLu group's growth strategy comprises of 4 main levers which include, 1) growth of existing stores 2) roll out of new stores 3) efficiencies and operating leverage from current business and, 4) growth of online e-commerce channel and private label.

200K+ Active SKUs

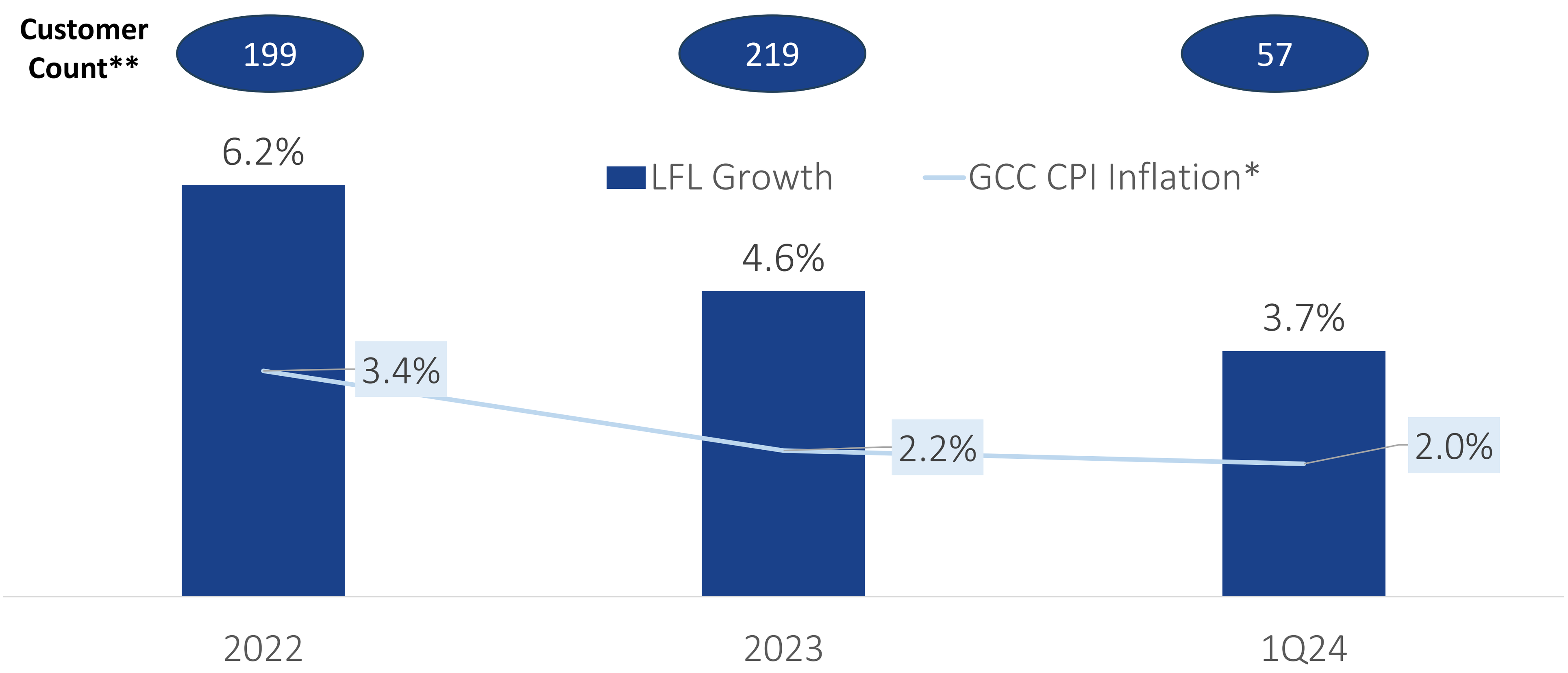
The growth of the existing stores is backed by an agile product strategy with over 200k+ active SKUs that are carefully selected for each market as well as each location within the market. LuLu's extensive experience in the GCC region allows it to gauge consumer interest and spending patters in the specific market. Efficient product selection is backed by extensive and widespread global sourcing capabilities, allowing the company to procure the required products at competitive rates. Product sales are pushed through active marketing campaigns as well as highly ranked customer service and incentives through the loyalty program, Happiness. We believe a clearly defined product strategy would continue to support the growth of LuLu's business from existing stores.

Private Label contributes 29% of the retail revenue

Large in store employee base across nationalities

The Group has a successful track record of new store rollouts in the past with careful site selection enabling the retailer to maximize the impact from new stores. A key benefit in the retail business space is that of scale where the bigger a business becomes, the more cost effective the operations are. LuLu maintains spare logistics and storage capacities while also has 21 distribution centers which would be utilized for managing the new stores. **We believe the group will benefit from product synergies as well as cost efficiencies which would support margins.** Expansion of the margin accretive private label offering would also support the business growth, in our opinion.

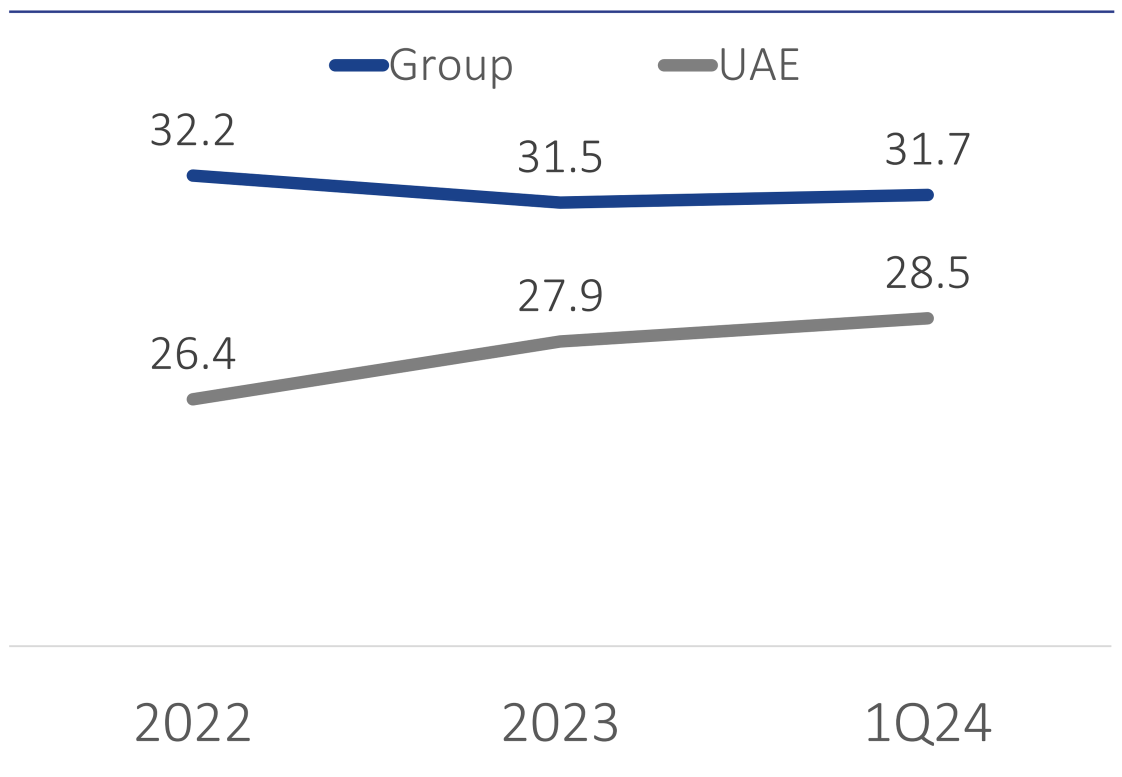
Historical LFL growth and Customer Count for the Group



*Source: Refinitiv, IS Research * Estimated inflation for 2024 ** Customer Count defined as the number of customer transactions*

Over the last 18 months, average basket size for the Like for Like (LFL) stores has remained stable. UAE has witnessed a rising trend whereas for KSA the basket size evolution is in line with the group. Going forward, with focus on e-commerce, growth of the loyalty program and active marketing campaigns, we expect the basket size of the group to gradually increase. **The loyalty program, Happiness, has over 2.3mn members with average basket size for a loyalty customer at USD36 vs USD22 for non-loyalty customer in UAE.** LuLu has only recently launched the loyalty program in Qatar and intends to launch in other GCC nations by end of 2024, which we believe will be a key growth trigger.

Avg. Basket Size for LFL stores is stable



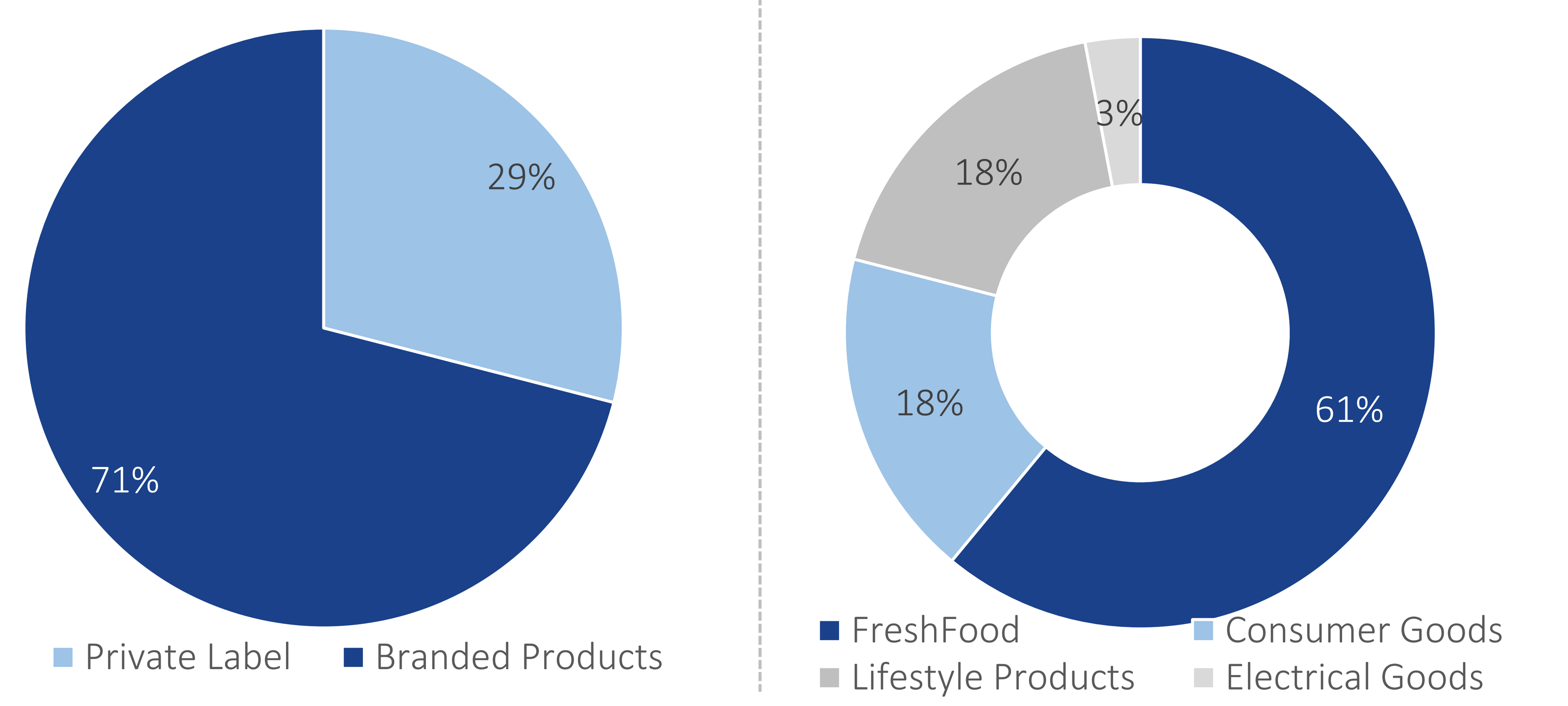
Source: Company Data, IS Research

Margin accretive private label is expected to drive the growth forward

Margin accretive private label segment is expected to drive the growth forward. The segment contributed USD2.0bn in sales in 2023 which was higher than the gross sales of some competitors including BinDawood and Spinneys.

Private label segment average margins of 30% are accretive for the overall group's margins of 22-23%. The key reason behind this is the reduced reliance on intermediaries, economies of scale in sourcing and flexibility to offer tailored products. The group is also able to maintain a customized product offering while also ensuring high quality using the in-house kitchens. According to the customer survey done by Euromonitor (EMI), 50% of the customer prefer LuLu for Affordability while 58% expressed satisfaction on the quality.

Private label contributed 29% to 2023 revenue; fresh food makes 61% of segment



Source: Company Data, IS Research

The group has customer-centric, clearly defined market strategy with active campaigns to drive the footfalls for the stores. LuLu group has hosted over 750 promotions including 315 general promotions in 2023. Promotions usually have immediate impact as was seen in the Super Friday sale which increased daily sales by c.11% and footfall by c.6%.

The happiness program offers attractive benefits for the customers which has boosted its adoption. Using the loyalty program data groups offers targeted promotions thereby creating cross selling and up selling opportunities hence driving growth for the existing stores.

Case study: result of Super Friday campaign

SUPER FRIDAY	Before promotion (1)		During promotion (2)
Daily sales (USD mn)	6.0	c.11%	6.7
Daily footfall (k)	219	c.6%	232

Source: Company Data, IS Research. Notes: (1) During 6 months before promotion. (2) During 13 days of promotion.

Private Label: Catalyst for Future Growth

New Products Lines and Categories	• Identification of Gaps • Product Innovation • Selection of Supplier • High Quality and affordable offerings
Shelf space Expansion	• Ensure prominent placement (eye catching displays)
Marketing and Promotional initiatives	• Periodic promotions to simulate trail and repeat purchases • Bundling of products to upsell

Source: Company Data, IS Research

Revenue CAGR (FY21-23A)

Source: Euromonitor, IS Research

General

LuLu plans to open 10* additional stores in 2024 with focus on KSA

Between 2021-23 LuLu group has opened 66 stores in GCC

UAE — 26 Stores (39%)
- 8 Hyper Markets
- 16 Express (Supermarkets)
- 2 Mini Markets
- 107,613sqm

KSA — 20 Stores (30%)
- 9 Hyper Markets
- 6 Express (Supermarkets)
- 5 Mini Markets
- 75,703sqm

Qatar — 8 Stores (12%)
- 5 Hyper Markets
- 1 Express (Supermarkets)
- 2 Mini Markets
- 45,549sqm

Kuwait — 5 Stores (8%)
- 1Hyper Markets
- 4 Express (Supermarkets)
- 16,502 sqm

Oman — 4 Stores (6%)
- 2 Hyper Markets
- 2 Express (Supermarkets)
- 19,553 sqm

Bahrain — 3 Stores (5%)
- 3 Express (Supermarkets)
- 9,237 Sqm

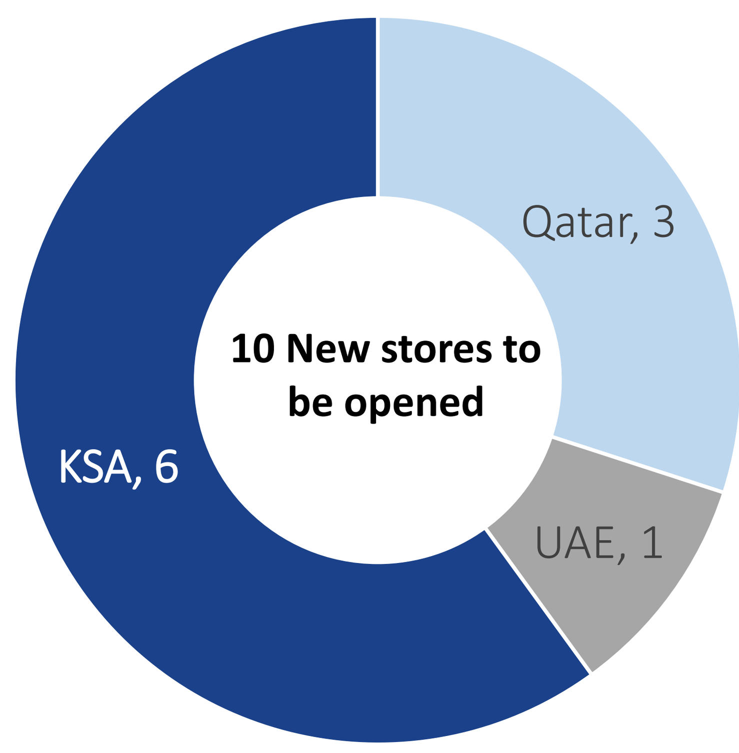
Source: Company Data, IS Research

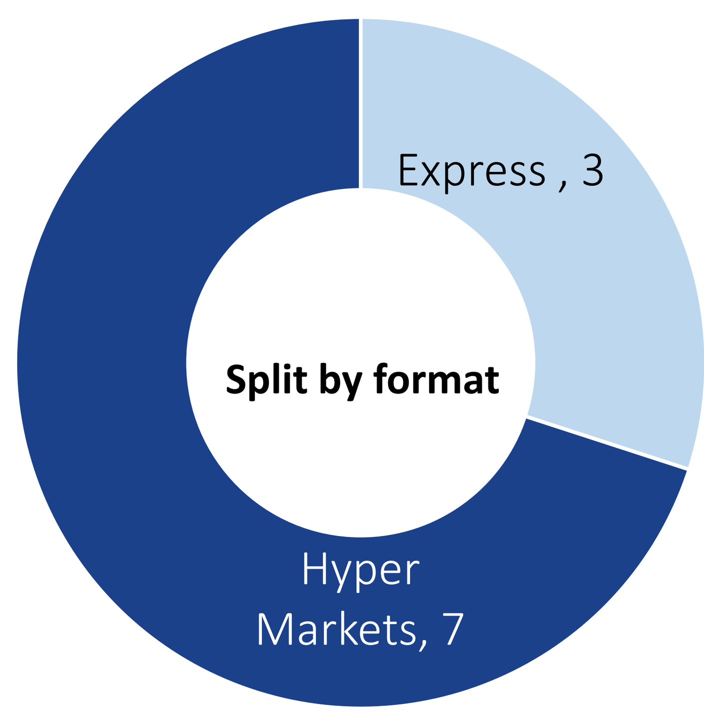
Stores Opened in 2024*

Country	Description
KSA	1 Hyper Market 3 Express Stores 1 Mini Store Total Space : 15,264sqm Location: Unaizah| Mujan| Tabuk| Wadi| Laban| Rawda
Oman	1 Hyper Market Total Space: 7,650 sqm Location: Al Ansab
Kuwait	1 Express Stores Total Space: 755sqm Location: Abbasiya
UAE	2 Hyper Markets 1 Express Stores Total Space: 18,026sqm Location: Dubai Ou| Shawamekh| Al Ajayyiz
Qatar	1 HyperMarket Total Space :5,583sqm Location: Doha Mall

Source: Company Data, IS Research as of aug-24, so far the group has opened 18 stores in 2024*

10 Stores to be opened further in 2024





*Source: Company Data, IS Research *Source: Company Data, IS Research*
** Data above is till Aug-24. In 9M24 the group has opened 12 new stores. In FY24 the group intends to open a total of 21 new stores.*

KSA will be a key focus market for the Group with multiple catalysts which will support LuLu's expansion in the country

- Potential to Expand footprint in >20 cities with 200K+ population
- Avenues to open multiple stores in cities with + 1mn population
- Preferred tenant in KSA allowing expansion in prime locations
- Expansion into growing communities % new cities (e.g Neom)
- Faster Roll outs through shift to fully furnished stores
- Leverage online channel to tap digital savvy consumer base in KSA

Source: Company Data, Euromonitor

**as of aug-24, so far the group has opened 18 stores in 2024, In FY24 the group intends to open a total of 21 new stores*

New stores to be asset light with lower capex and faster rollouts

For new store rollouts the group is focusing on gradually shifting towards asset light model. Over the last 3 years 2021-2023 the group opened 66 new stores, 55% of the rollouts were under the shell and core category, 38% of the rollouts were under the Fully furnished category and the remaining rollouts came from the constructed stores. Within the Shell and Core category the highest number of rollouts were in the UAE market (42%) followed by Qatar (19%) and KSA (14%). In the Fully furnished category, the Highest number of rollouts were in KSA (52%) followed by UAE (36%) ,Oman (4%) and other markets. **In the future management targets to have a greater that 60% share of fully furnished stores .**

LuLu group is focusing on asset light model for lower capex and faster rollouts

Key Metrics	Shell and Core [1]	Fully Furnished [2]
	Highest no of Rollouts in UAE	Highest no of Rollouts in KSA
New Stores Rollout Split L3Y (66 stores)[3]	55% — UAE: 42%, Qatar : 19%, KSA: 14%, Kuwait: 14%, Oman : 6%, Bahrain: 6%	38% — KSA: 52%, UAE: 36%, Oman : 4%, Qatar: 4%, Bahrain: 4%, Kuwait -
		>60% Share of Fully furnished stores in Future
Avg. Capex/ Sqm (USD)	~900-1,100	~500-700
Avg. Rollout time	6-12 months	3-6 months

Source: Company Data, IS Research (1) First stage of building fit-out, usually excluding components like painting, tiling, plumbing, and electrical features (2) Fully finished stores refers to the advanced structure of the property with interior work such as lighting, flooring etc., requires minimal adjustments and hence lower capex needs 3) (3) 8% of new store rollouts came from constructed stores (4) Based on management targeted rollouts

Fully furnished stores have 40% lower capex requirement upfront compared to the comparable shell and core structure. Avg capex requirement for Shell and core structure is USD900-1,100/sqm compared to USD500-700/sqm for the Fully furnished stores. Moreover, **average rollout time within the fully furnished category is 3-6months which is 50% lower compared to the avg rollout time for Shell and core structure** which is 6-12months.

Although Fully furnished stores have slightly higher rents but group generally secures long-term leases with favorable terms which helps to manage the margins. **Both Shell & Core and Fully furnished structures offer same payback period**. However, Fully Furnished stores offer rapid opening with lower upfront capex. Management targets to have greater than 60% share of fully furnished stores in the future to ensure lower capex and faster roll-outs

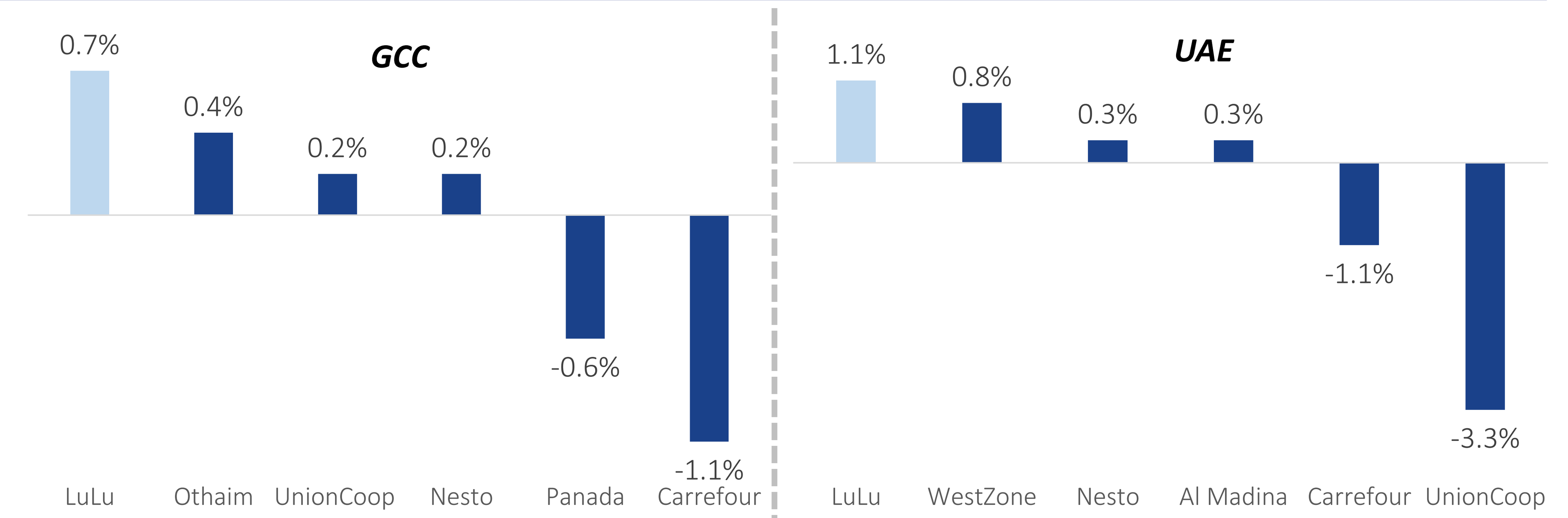
Selected Fully Furnished HyperMarket

Source: Company Data, IS Research

Operational efficiencies to support margin expansion for the group

LuLu group has emerged as the fastest growing retailer in the GCC in terms of market share with an increase of 0.7% in GCC between 2021-2023. Similarly, over the same period in UAE LuLu Group's market share increased by 1.1% followed by Westzone (0.8%). In KSA market share for LuLu increased by the highest amount of 1.2% followed by Othaim (1.1%).

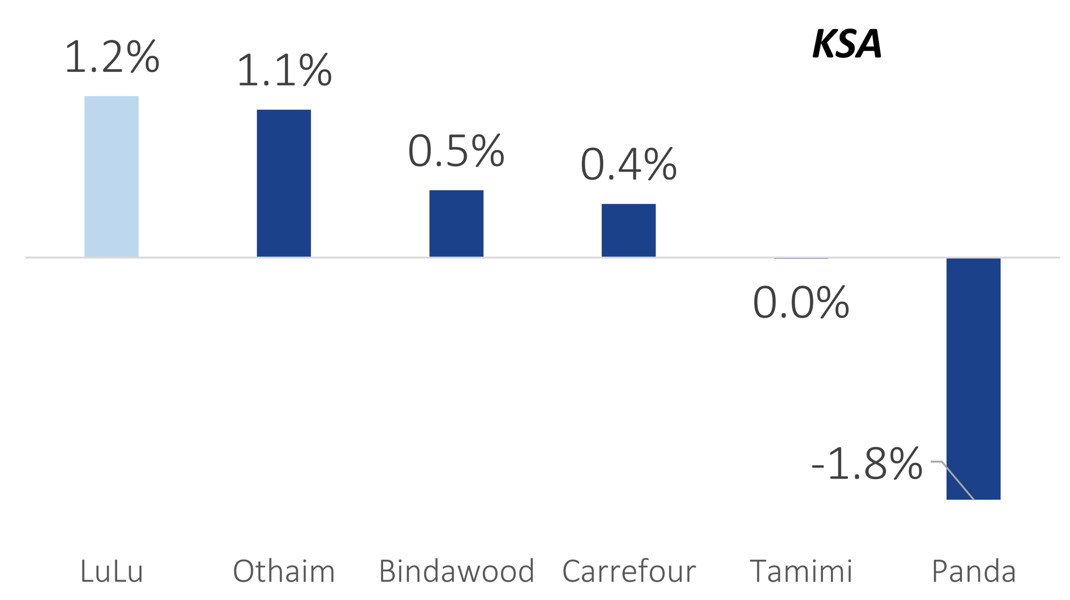
LuLu is the fastest growing retailer in GCC based on Market Share (Market Share Change 2021-2023A)



Source: Euromonitor, IS Research

The group has a proven track record of improving gross margins with expansion of 80bps since 2021 to 23% in 2023. This is achieved by several factors where the main driver being the scale of the company's business and the mutually beneficial relationship with suppliers. The group has also collaborated with various brands to reduce shrinkages and inventory losses which resulted in better inventory management. In addition, **robust private label sales together with strong private label margins have supported the overall margins for the group.** Targeted promotions with the introduction of loyalty program and premiumization of products through improved merchandising has also contributed to the margin uptick. With plans of opening 18 new stores per annum in the medium term, we believe the benefit of scale would continue to be visible and expect Gross margins to reach 24.5% by 2028e.

Market Share Change (2021-2023A) KSA



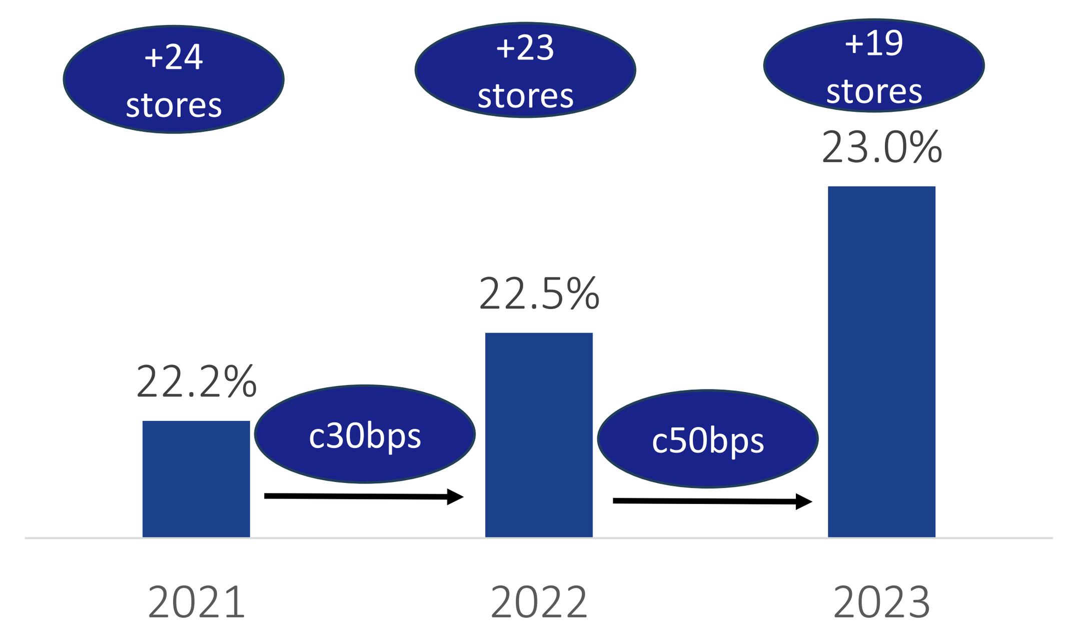
Source: Euromonitor, IS Research

Benefits of Scale for the LuLu Group

- Customer: Proximity improves customer Loyalty
- Buying Power: Economies of Scale with the Suppliers
- Operational Gearing : As the group grows it can allocate its fixed cost over large-scale base which will help in reducing the fixed cost ratio
- Logistics Benefits: Greater store densities leads to fall in the average distance between the depots and stores and hence improves utilization of DCs and Fleet

Source: Company Data, IS Research

Group witnessed 80bps improvement in Gross Margins



Source: Company Data, IS Research

Operational efficiencies to support margin expansion for the group

Cost Improvement	Leveraging existing Workforce for new store rollouts	Avg. Head Count per store declined while store rollouts continued
	Addition of energy efficient solutions and savings in Utility Cost	10.1% reduction Energy Cost [1]
	Centralization of back-office functions	~50% saving in the employee cost [2]
Store efficiencies	Technology led enhancements in store operations	+70 Stores with self check outs
	Central kitchen and other centralized operations	184 stores fed through 28 central Kitchen
	Shift to in-store fulfilment for online channel	+40% improvement in unit pick rate per hour
	Paperless logistics and quicker turnaround time	C15mn Paper sheets saved annually

Source: Company Data, IS Research 1)Illustrative for LuLu Hyper Market Khaburah in Oman 2) From Back-office centralization

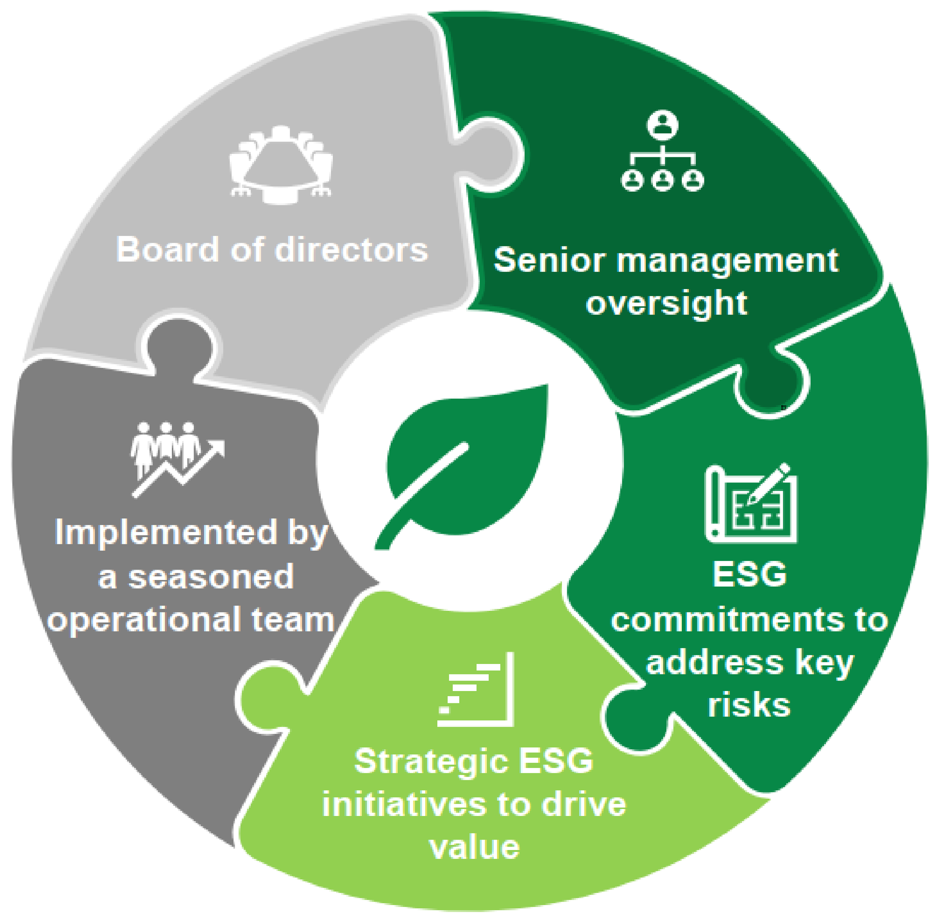
ESG

Sustainability is at the heart of LuLu

LuLu has clearly defined sustainability priorities and objectives spanning community initiatives, circular economy objective and environmental management as well as focus on training and retention of employees. Some of the strategic outcomes include, i) Targeted 83% local procurement as of FY2023 ii) 5.3MW planned and installed potential solar capacity, iii) USD2.3mn community Investment initiatives in FY2023, iv) c.11.7mn bottles and cans collected as of May 2024, v) 15% nationals in the workforce as of 2023 and vi) 11% YoY increase in employee training hours in 2023.

Clearly defined governance policy and regular sustainability updates to the board are embedded in LuLu's business. The retailer has outlined several key sustainability initiatives and incorporates them in their ongoing business practices.

Integrated approach to addressing sustainability



Source: Company Data, IS Research.

Broad sustainability initiatives

Community initiatives
Promoting locally made products and supporting local small and medium-sized enterprises
Pledge to support children in the community
Food donations and iftar meal distribution
Circular economy
Extensive recycling and waste reduction initiatives across different regions
Environmental management
Implemented decarbonization initiatives across operations
Ongoing energy and resource efficiency enhancements

Source: Company Data, IS Research.

Ethical and responsible governance

Board of directors

Senior management team

Group-level sustainability department led by Chief Sustainability Officer

33 "sustainability champions" delegated from each region

Oversight on ESG

Annual review of group business plan

Regular sustainability updates to board

Manages organization's impact on the economy, environment and people

Incorporating sustainability into strategic decision making

Reports sustainability issued from each region to the sustainability department

ESG policy

Anti-bribery and corruption policy

Code of conduct

Human rights policy

Data privacy and security policy

Employee wellbeing policy

Source: Company Data, IS Research.

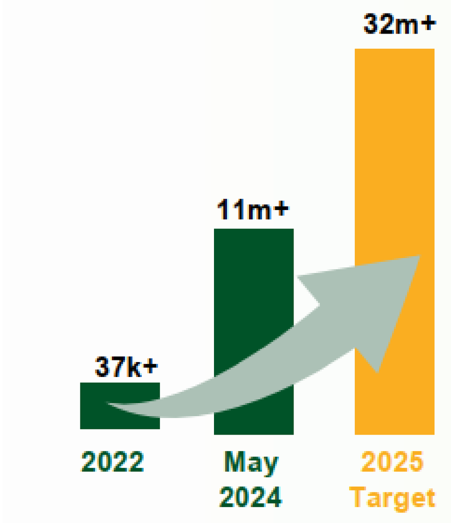
Sustainability is at the heart of LuLu

Circular economy practices embedded into operations

Key Initiatives

- Embedding circular economy practices into business operations
- Recycling used cooking oil
- Spreading awareness around eco-friendly packaging
- Reverse Vending Machines (RVM) tackling improper waste disposal
- Utilization of ORCA digesters converting food waste to liquid
- In-store refill stations to encourage reuse of packaging

RVM collections



Total No. of Installed RVMs

20 Qatar

30 UAE

Single use plastics phase-out

Successful phase out of all single-use plastics across Abu Dhabi & Dubai

Strategic Collaboration

NORTHLADDER

Partnership to increase e-waste recycling and to promote a circular economy

Customers trade-in used electronics and receive discounts on new purchases(1)

Sparklo

Partnership for the successful launch of Lulu's initiative, enhancing recycling efforts and sustainability practices(2)

Textile Circularity Pilot Project

Collecting used school uniforms and reducing textile waste going to the landfills

Currently scaled to 17 stores across the UAE

Source: Company Data, IS Research. Note: (1) includes smartphones & tablets only. (2) across selected stores in UAE and Qatar

Environmental management and reducing reliance on natural resources

Sustainable Store Fit Outs

Investing in energy efficiency to reduce consumption and costs, spending SAR4m in KSA alone in 2022

- LED lighting upgrades
- Centralised refrigeration systems in new outlets
- Efficient HVAC systems
- Smart monitoring devices

Implementing initiatives to reduce water consumption:

- Low-flow water taps
- Water-softening system
- Reusing water for landscaping

Targeting Environmental Efficiency

Lulu is committed to achieving environmental efficiency and is currently developing its decarbonisation plan. To date, the strategic initiatives supporting its decarbonisation efforts include:

- Energy efficiency upgrades
- Renewable energy procurement
- Refrigerant leak detection mechanisms

Currently undergoing the process of baselining scope 1 and 2 emissions to determine a credible target

1. 12 Stores achieved GSAS – Green Building Certification
2. ISO 14001 certification in Thailand
3. Collaboration with Riyadh municipality for 'Green Riyadh' in line with KSA's 'Vision 2030'
4. Green Corner Initiative, partnership with Abu Dhabi Distribution Company (ADDC)

Certification & Collaboration Driving Environmental Outcomes

Expanding solar power capacity

304kWp capacity rooftop solar panels supporting the UK sourcing office installed in 2022
530kWp planned solar power capacity for Riyadh warehouse
4,418kWp planned solar power capacity in Bahrain

First carbon-neutral certified store in the GCC(1)

Proactive steps to document and report current emissions and identify opportunities to improve performance

Tangible Steps to Reduce Carbon Emissions

Source: Company Data, IS Research. Note: (1) As of FY2022

Sustainability is at the heart of LuLu

Investing into community, workforce & healthy food offerings

Community Initiatives & Outcomes

Backing local farmers and fish markets ✓
Boost local economies, reduce the carbon footprint of our supply chain, and ensure fresh, locally sourced produce for customers

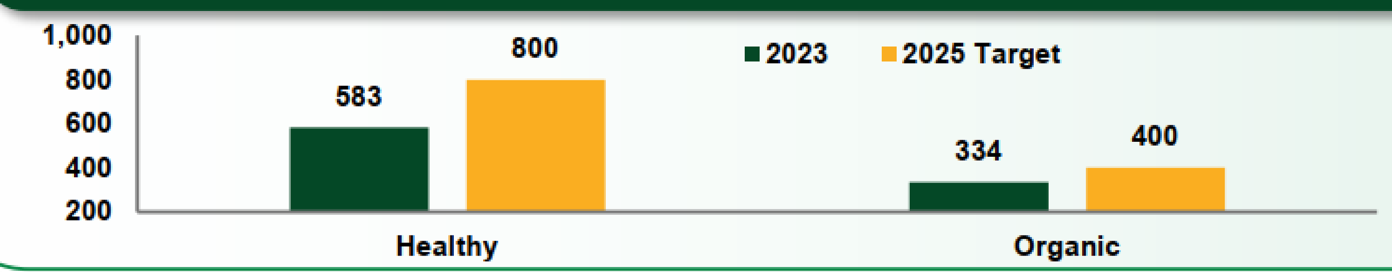
Provision of Iftar meals during Ramadan ✓
Meal distribution programmes across several locations[2]

Health Campaigns to drive awareness ✓
Blood donation drives & raising awareness around breast cancer

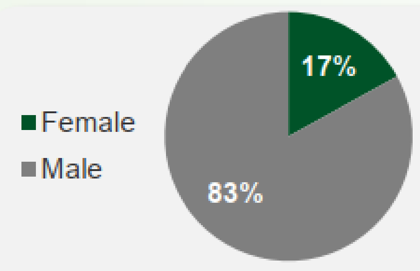
Supporting entrepreneurship ✓
Supporting local start up's across the hypermarket network and sharing best practices

Promoting Sustainability ✓
Active involvement during Qatar Sustainability Week, promotion of reusable bags, re-fill stations, e-waste collection, etc.

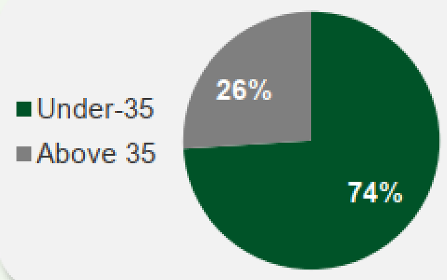
Safe & Healthy Food Offering
✓ 583 own brand products promoting a healthier diet[1]
✓ 334 organic products
✓ Commitment to promote healthier and more sustainable lifestyle



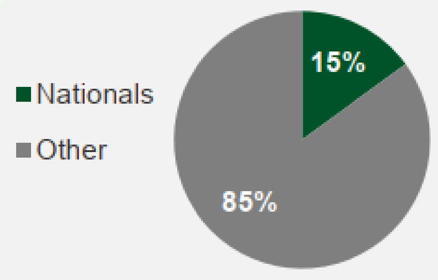
Workforce Initiatives & Outcomes



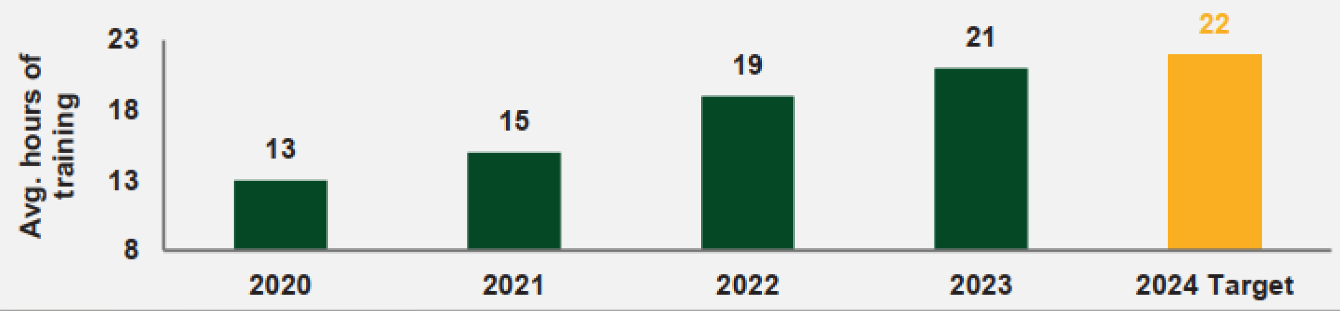
✓ Established a mentorship programme pairing female employees with experienced mentors
✓ 38% increase in female middle managers (between 2021 and 2023)



✓ 74% of MENA workforce under-35 years of age[3]
✓ Strong engagement activities to ensure job satisfaction
✓ Supporting personal growth of employees



✓ 15% Nationalization
✓ Focus on DEI & ensuring a safe and inclusive workplace



Source: Company Data, IS Research. Note: (1) Less sugar, salt, saturated fatty acids, free from additives. (2) KSA, UAE, Bahrain amongst others. (3) As of FY2022.

Appendix

Reorganization details

Parent company approved the reorganization in May 2023, As part of the reorganization certain non-retail businesses and assets contained which were contained in the entities transferred to the group were disposed to the related party.

Details of the non-retail business and assets disposed

- Mall business of LuLu HyperMarket LLC (20-Dec-2023 and 31-Dec-2023)
- Mall business of LuLu Saudi Hyper Markets LLC and property business of Al Shroq Al Tayeb trading company (31 Dec 2023)
- Mall Business of LuLu Bahrain HyperMarket WLL (7 March 2024)
- Mall Business and Land parcels of LuLu Muscat Hypermarket LLC (6 March 2024)

Source: Company Financials , IS Research.

Assets and associated liabilities of the mall business pertaining to LuLu Bahrain HyperMarkets WLL and the mall business and land parcels of LuLu Muscat Hyper Market LLC were reported as held for sale at 31 Dec 2023.

Discontinued Operations Details

USDmn	1Q24	2023
Revenue	7.3	50.3
Other Operating income	34.1	64.7
Profit Before Tax	32.98	26.26
Profit related to Discontinued Operations	32.92	29.7

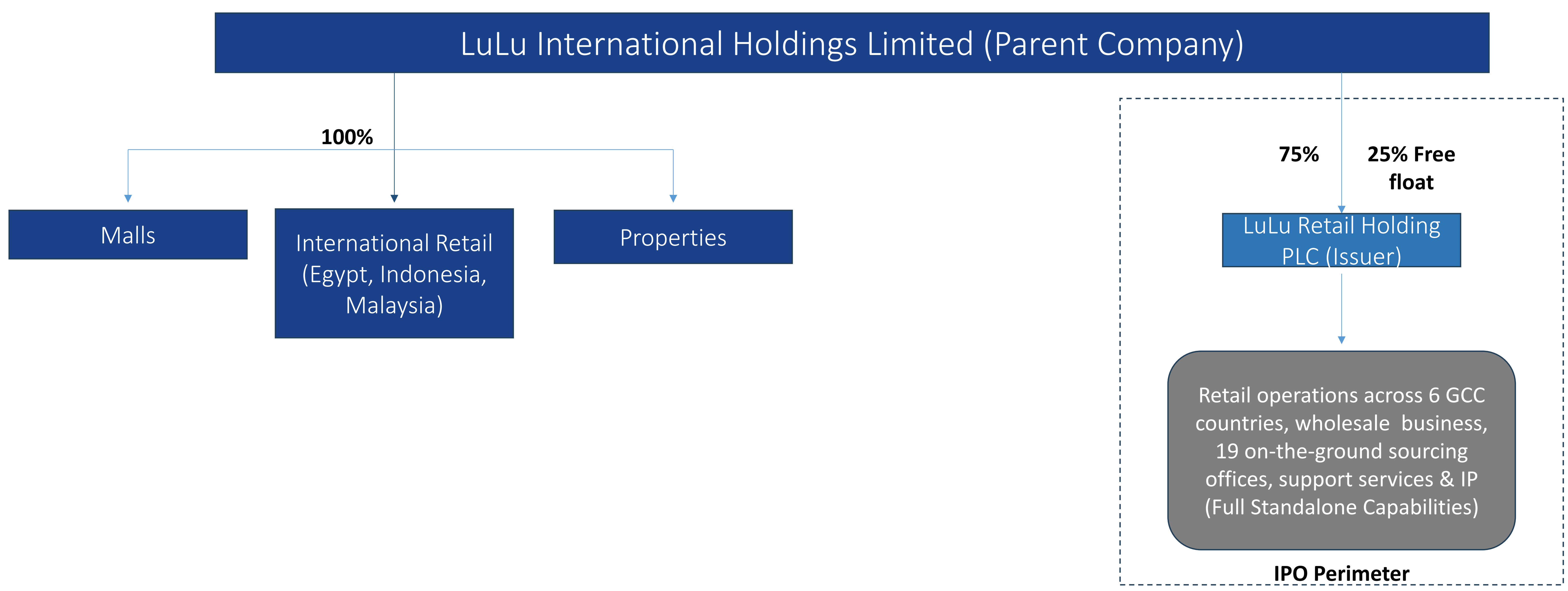
Source: Company Data, IS Research.

Details of operations held for sale

USDmn	1Q24
PPE	43.6
Right to Use Assets	168.1
Others	34.9
Total Assets held for sale	246.6
Lease liabilities – Non-Current	176.9
Lease Liabilities –Current	5.8
Trade and other payables	18.6
Others	
Total Liabilities directly associated with assets held for sale	202.1
Net assets of disposal group	44.6

Source: Company Data, IS Research.

Parent Company Structure



Source: Company Data, IS Research.

Case studies: product roll outs and partnership with Morrisons

Case studies: Select successful product roll-outs tailored to consumer preferences

Case Study: PRIME

Identified significant shift towards energy drinks with low calories

- *Leveraged influencers and targeted online advertising to build anticipation*
- *Phased distribution, feedback through surveys / social media to refine roll-out*

Sales – Month of Launch vs. Jan 2024($k)

Case Study: Diamantina

Identified considerable demand for premium, value-for-money beef products

- *Introduced a brand known for its consistent quality and high standards*
- *Higher quality offering meant minimal impact on sales of existing beef cuts*
- *Shelf ready products allows distribution to more stores than otherwise possible*

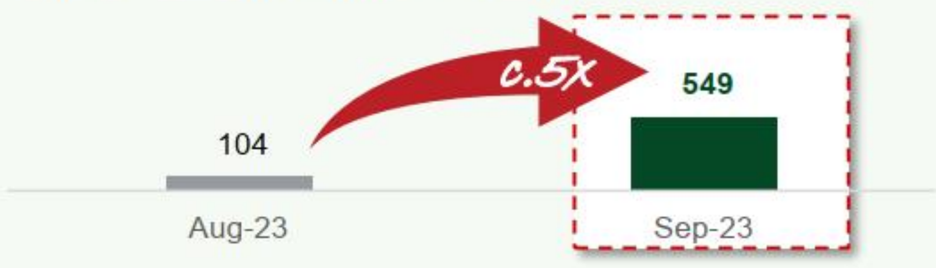
Sales – Month of Launch vs. Dec 2023($k)

Case Study: Dream Cake

Identified rising demand for cakes with unique flavours

- *Collaborated with in-house pastry chefs to develop recipe*
- *Soft launch and formula adjustment post customer feedback*
- *In-store tastings and targeted marketing campaign across different channels*

Sales – First Two Months Post-Launch ($k)



LuLu's Agile and Nimble Business Model is Built on Active Social Listening – Swift Adaption to Markets Trends & Customer Preferences

Source: Company Data

Case study: exclusive partnership with Morrisons

Partnership Overview

- Exclusive export wholesale partnership for the Middle East signed with our UK-based sourcing office in 2019
- Agreement entails exclusive supply of Morrisons-branded products, including "The Best" and "Free From" ranges
- Over time offering has increased beyond grocery to chilled and frozen, personal care & beauty, paper and petfood products
- Initially stocked at our Qatar stores and following its success was expanded to other GCC markets
- Beyond supply of private-label products, the partnership also allows LuLu to leverage Morrisons' buying process for UK branded products

Selected Consumer Packaged Goods Products

Highly regarded and trusted brand in the UK resonates strongly with British expats and helps drive footfall from this demographic

Source: Company Data. Note: (1) by sales in brick-and-mortar channel.

Case studies: successful store rollouts

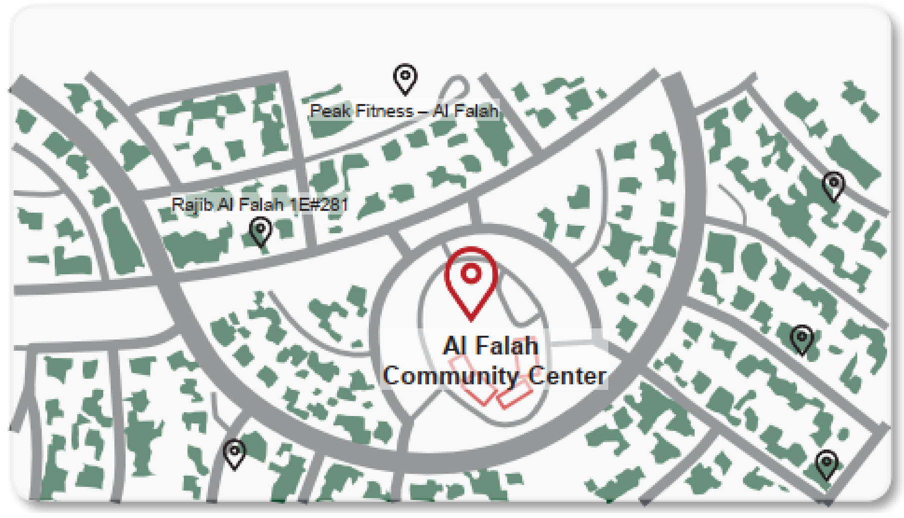
Case study: successful store rollouts – Al Falah Hypermarket

Growing Through Expansion in New Communities

Store Details

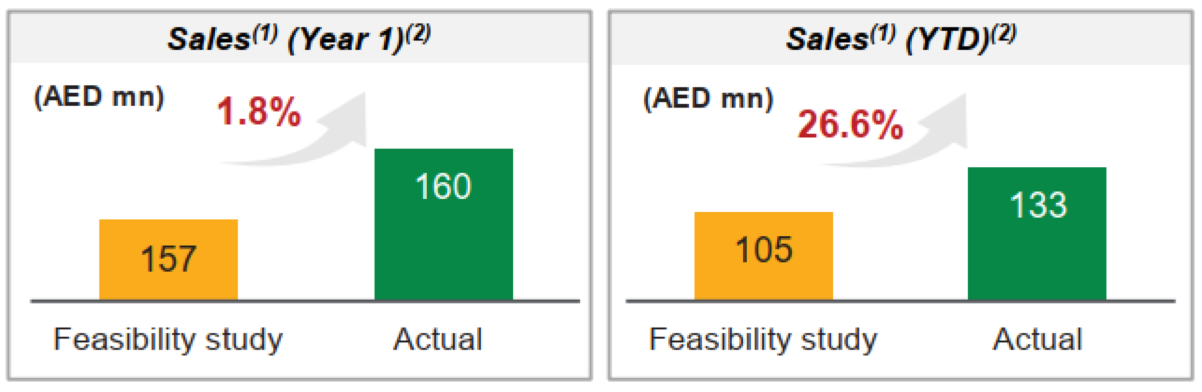
Al Falah Community Center, UAE

93,108 sq ft.	Dec'22
Area	Launched date

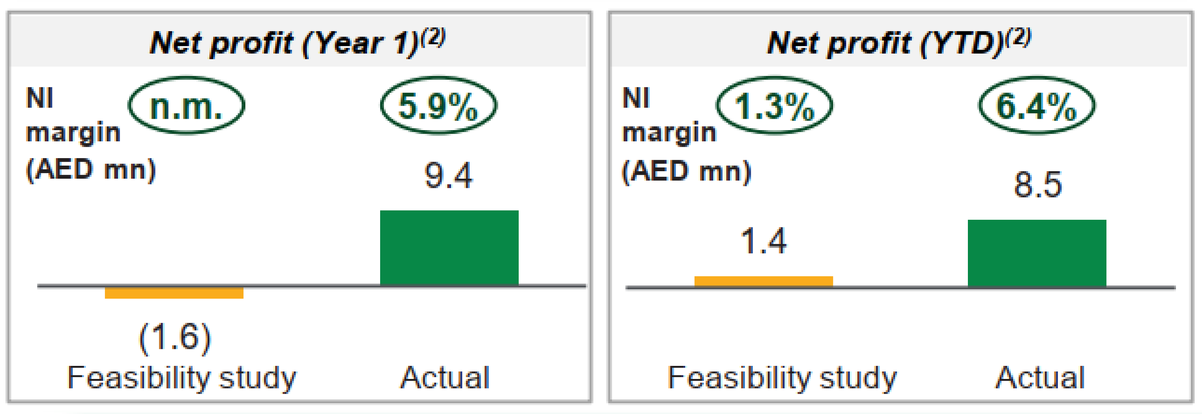


Financial Performance

Actual Sales Well Ahead of the Feasibility Study Estimates…

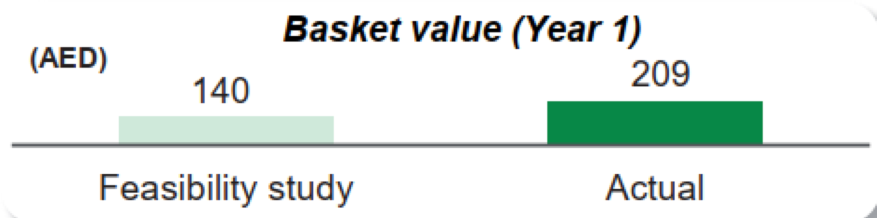


…with Profits Realized from Year 1 Itself



Drivers

- Higher than expected contribution of online sales
- Increase in basket size led by focus on high income Emirati customers



- Higher opening contribution(3) from suppliers in Year 1

Payback Expected by Year 3 vs Year 5 as per Feasibility Study

Source: Company Data. Notes (1) sales calculated based on average daily sales. (2) year 1 is 14 Dec 2022 to 30 Nov 2023 and YTD is 01 Dec 2023 to 30 Jun 20224. (3) Opening contribution is a component of other income provided by suppliers upon opening a new store in year 1.

Case study: successful store rollouts – Maqam Hypermarket

Growing Through Expansion in New Communities

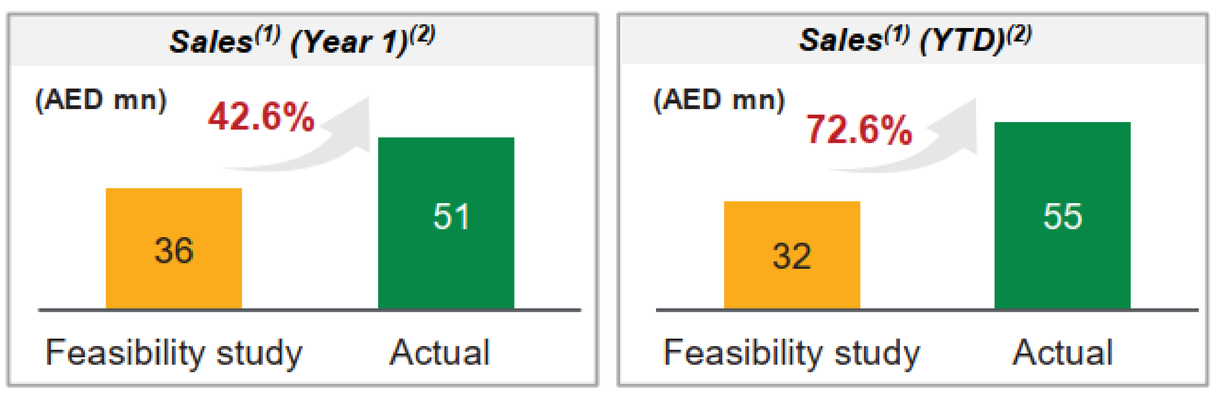
Store Details

Maqam, Al Ain, UAE

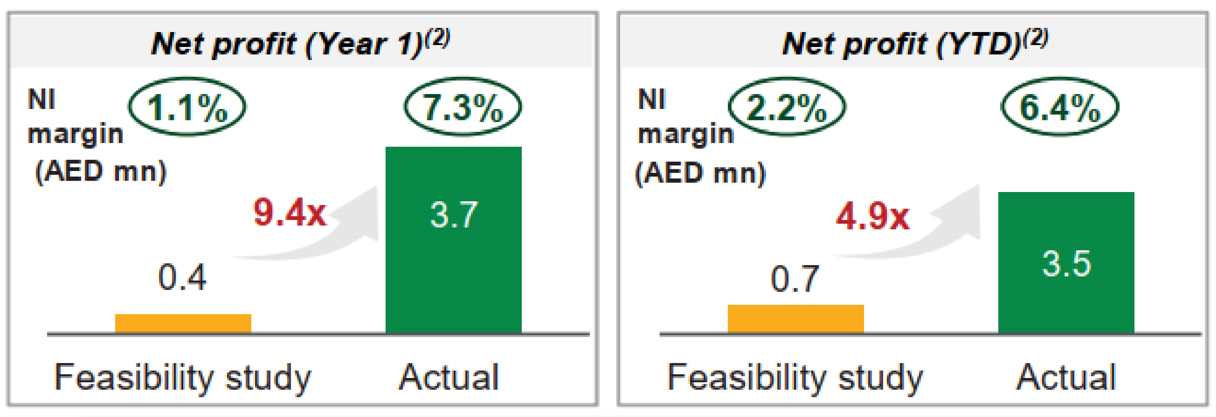
22,195 sq ft.	Sep'22
Area	Launched date

Financial Performance

Actual Sales Outperforming Feasibility Study Estimates…



…with Realized Profits Significantly above the Feasibility Estimates



Drivers

- Optimal site selection within a high demand Emirati community
- Location was further improved by development of nearby infrastructure leading to higher footfall and increase in profitability

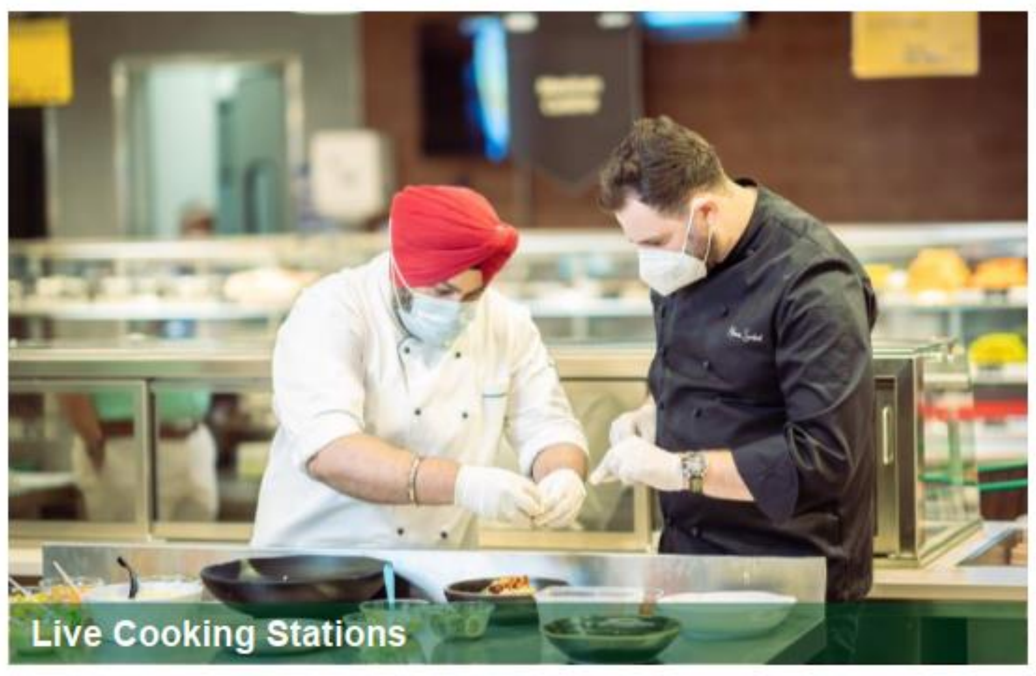
Payback Expected by Year 3 vs Year 6 as per Feasibility Study

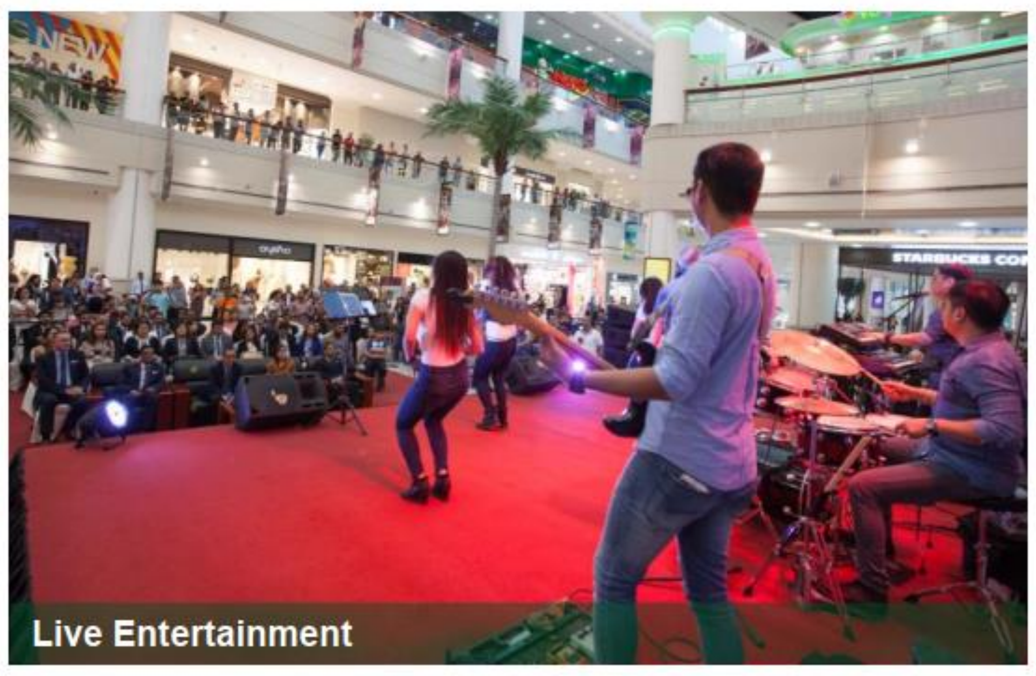
Source: Company Data. Note: (1) Sales calculated based on average daily sales. (2) year 1 is 08 Sep 2022 to 31 Sug 2023 and YTD is Sep 2023 to Jun 2024

Elevating the customer experience through vibrant in-store experiences

LuLu employs various methods to create an engaging and lively atmosphere for promotions


Vibrant Store Shelves


Live Cooking Stations


Live Entertainment


Product Demonstrations


Cultural Education

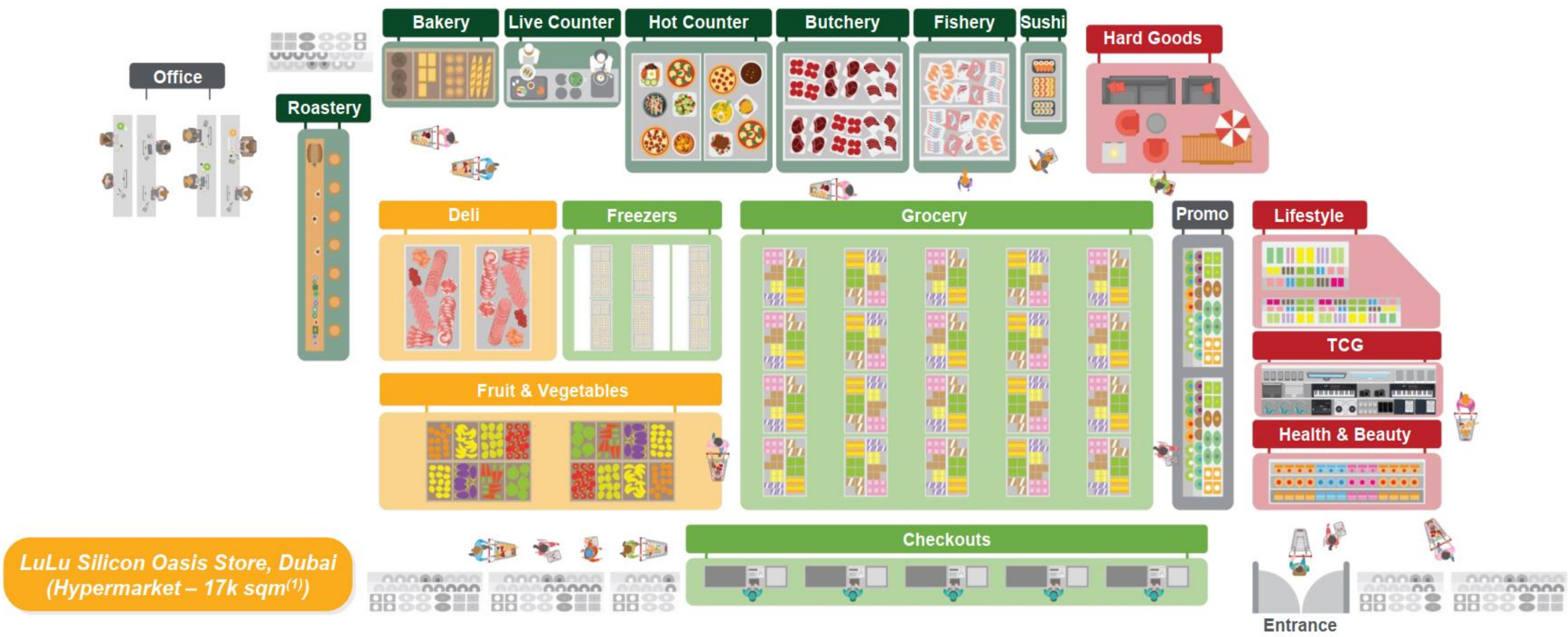

Interactive Displays

Source: Company Data

Store layout meticulously designed to enhance customer shopping experience

Full-spectrum product assortment assuring customers can purchase everything they need under one roof

Strategically designed in-store layout, e.g. promo products near entrance, fresh food near checkouts, and wide aisles enabling better product display and easier access



Source: Company Data. Note: (1) total area

LuLu is at the forefront of technology adoption

Analytics centre of excellence is a unique tool for LuLu

Overview of Key Capabilities

20+ Dashboards | **75+** KPIs | **1.5m** Files | **30+** Data Scientists / Engineers

DASHBOARDING & REPORTING

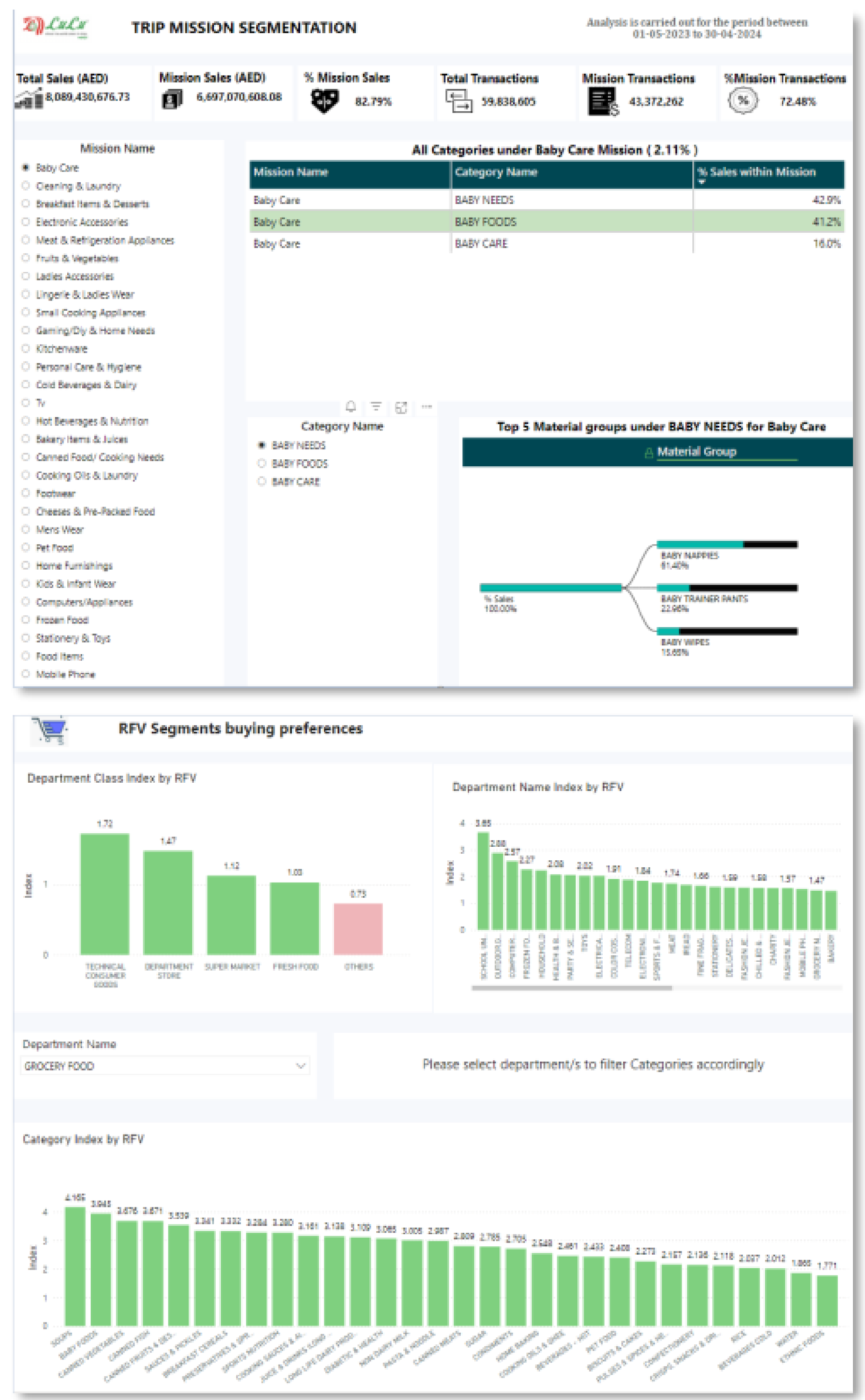
- **Real-Time Dashboards** – *Design and implement of interactive dashboards with real-time visibility into performance and KPIs*
- **Customized Reporting** – *Develop tailored reports for different departments ensuring actionable insights are easily accessible*

DATA ENGINEERING

- **Data Pipeline** – *Build and maintain efficient data pipelines to ensure the seamless flow of data from various sources*
- **Data Integration** – *Integrate data from internal and external sources*
- **Data Quality** – *Implement robust data quality frameworks to ensure data reliability and integrity*
- **Scalability / Optimisation** – *Design scalable data architectures and optimise data processing workflows*

DATA SCIENCE

- **Predictive Analytics** – *Develop predictive models to predict customer behaviour*
- **Machine Learning** – *Segment customers across various behavioural and demographic attributes*
- **Advanced Analytics** – *Conduct in-depth analyses to uncover customer patterns and insights*
- **Personalisation** – *Personalise customer experiences enhancing customer engagement and satisfaction*



Source: Company Data, IS Research.

Enhancing LuLu's online channel to maximize growth

Favourable Trend

GCC online grocery market is poised to grow at a CAGR of 11.2%

Retail sales value ($bn)

c.1.7x

2023A	2028F
2.0	3.4

- **Online grocery** set to **grow 2.7x** offline channel...
- ...with **high digital penetration**, and emergence of omnichannel platforms
- ...as young **consumers seek convenience**

+

Growing Capability

LuLu's online channel is experiencing significant growth...

Group Online revenue ($mn)

60% CAGR

2021A	2022A	2023A
75.0	92.0	192.0

...supported by increasing transaction volumes on LuLu's own and aggregator channels

2021A	2022A	2023A
0.85mn	1.29mn	4.73mn

# of Total transactions

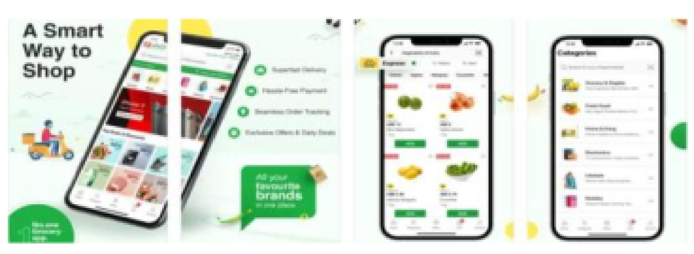
LuLu	Aggregators
42.0%	58.0%

% Online sales ($mn), FY23A

=

Increasing Penetration

- **Platform updates** to allow quick commerce and improved customer engagement



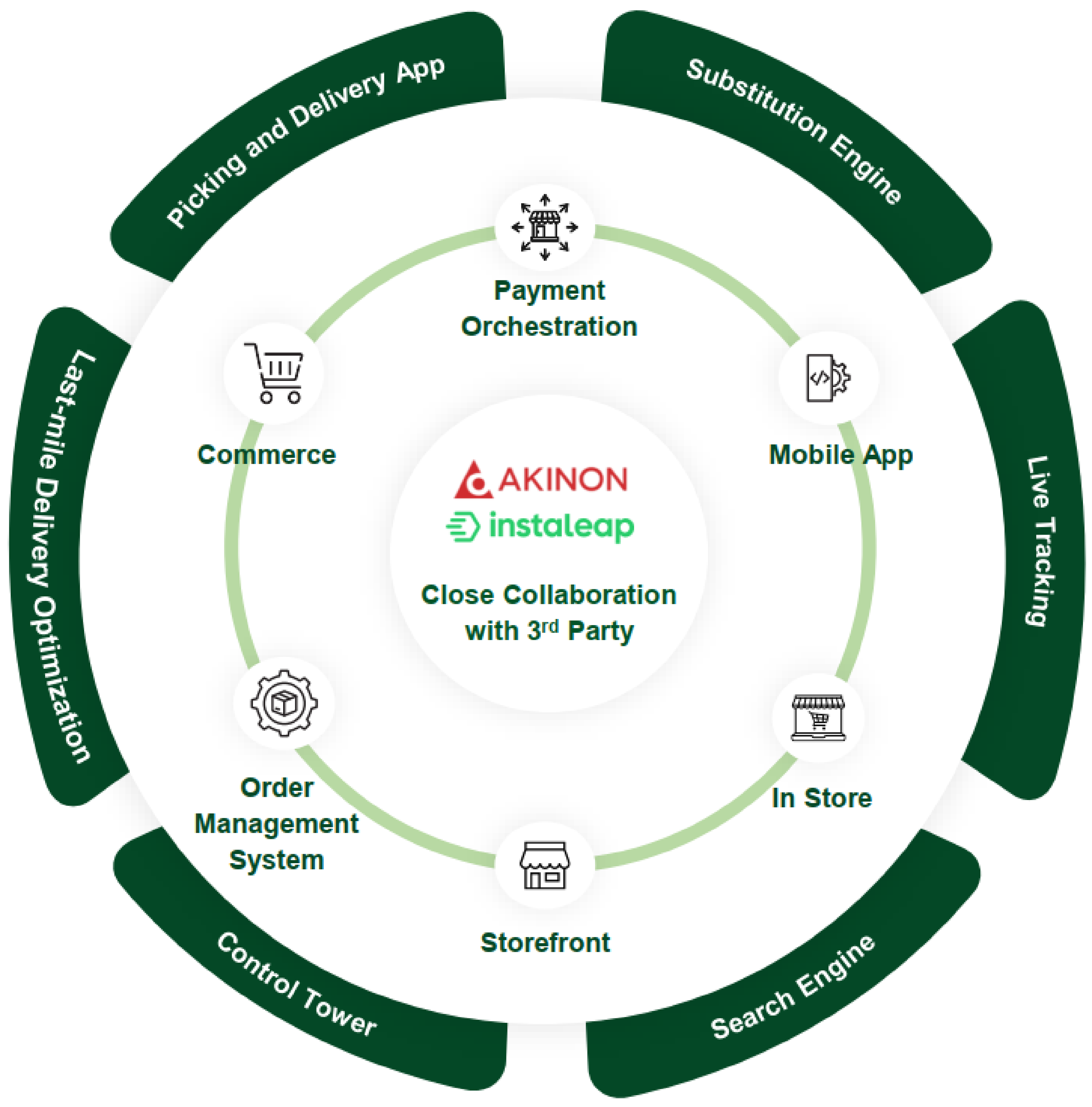
- **Increase SKUs** offered through web, app and aggregators
- **Increase in instore fulfilment** network improving online coverage
- **Leverage** HAPPINESS to boost online sales
- **Expansion** through **aggregators**

amazon talabat HUNGER STATION Snoonu

Source: Company Data.

Well invested and continuously growing digital platform

Modular digital commerce platform in place to optimize processes and enhance customer experience



Front End — AKINON

- **Customisable front-end experiences** – user-friendly and engaging online store fronts creating personalised shopping experiences
- **Channel integration** – seamless integration across various sales channels ensures consistent shopping experiences
- **Performance optimisation** – quick and efficient website loads, reducing bounce rates and improving user engagement

✓ Enhanced Customer Experiences ✓ Increased Conversion Rates

Back End — instaleap

- **Fulfilment centre management** – streamlining operations to ensure efficient processing, picking, packing and shipping of orders
- **Order Management Systems (OMS)** – end-to-end order processing, ensuring timely and accurate order processing
- **Last Mile Delivery Solutions** – route optimisation, real-time tracking and delivery scheduling, ensuring timely and cost-effective deliveries

✓ Efficient Fulfilment Processes ✓ Optimised Last Mile Delivery

Source: Company Data

Offering customers payment flexibility and rewards via BNPL, credit and gift cards

Card Partnerships

- **Seamless card enrolment process** via contact centre, SMS, or by visiting any bank branch
- **Attractive discounts** on eligible transactions that meet the minimum spend requirement
- **Earn redeemable points on every purchase** using LuLu co-branded card
- **Rewards on daily spends** (instore, online, fuel spends, utility bill payments, etc.)
- **Complimentary rewards and services** such as airport lounge access and free cinema tickets
- **Exclusive privileges and offers** at LuLu stores
- **Zero-interest payment plans** on card purchases(1)

x mastercard

300,000+ Co-branded Cards

Partners across countries

UAE	Oman	Qatar	Kuwait	Bahrain
ADCB, Emirates NBD	bank muscat	DOHA BANK	GULF BANK	CrediMax

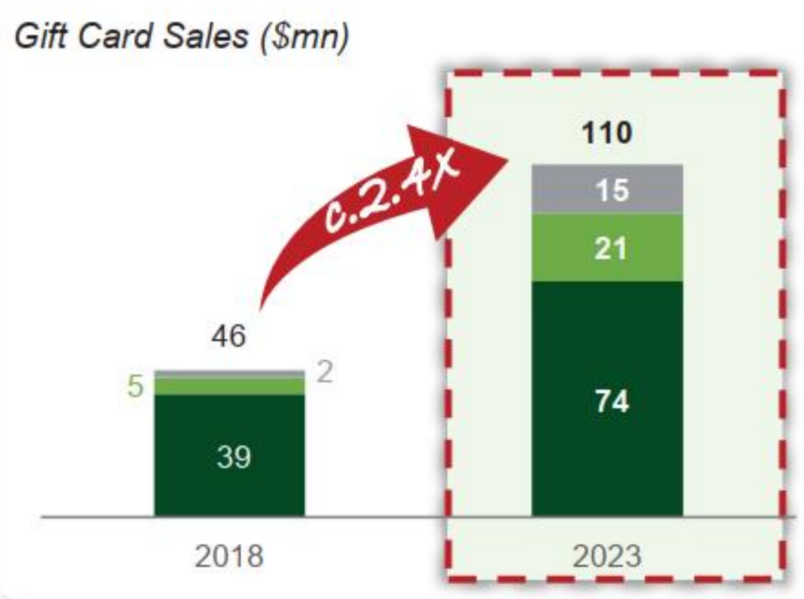
tabby Partnership

- In December 2023, LuLu launched a partnership with Tabby, **one of the region's leading BNPL service providers**, to offer customers installment-based purchases
- Currently available in **UAE, KSA, Kuwait and Bahrain**
- Our goal is to **encourage / facilitate impulse buying and purchase high-value goods** from LuLu by providing flexible payment options
- **Customers do not make any down payments or pay interest**
- Offering customers 4 **interest-free instalments**

25,000+ Average Transactions per Month(2)

$100+ Average Transaction Value(2) — *+3x average basket value in UAE*

Gift Card Program Delivering Strong Sales



- Launched the revamped gift card program with a successful marketing campaign in 2018
- Identify and obtain new customers with higher basket value

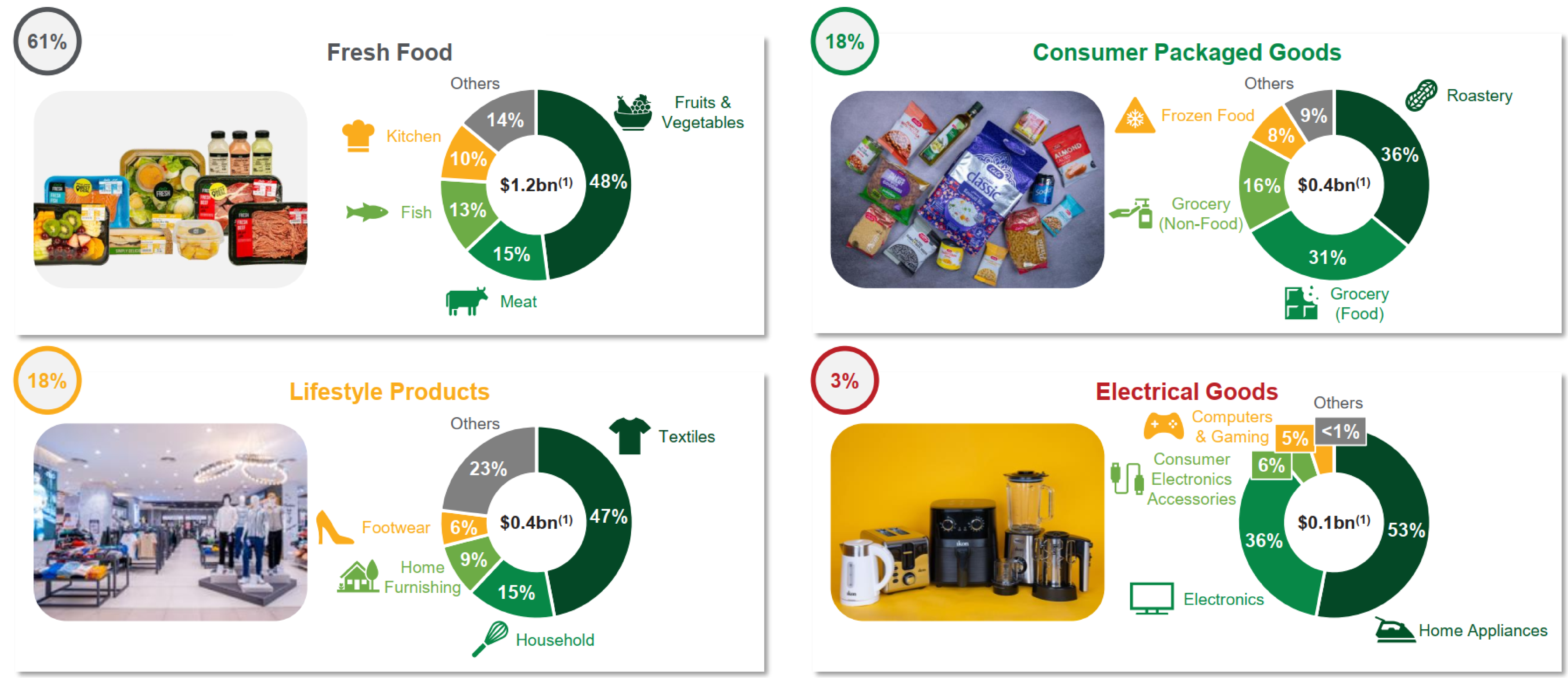
Key Partners

G42, ZAYED, Emirates, ETIHAD, ADNOC

Source: Company Data. Notes: (1) offered through some co-branded cards. (2) based on UAE sales data since launch in December 2023.

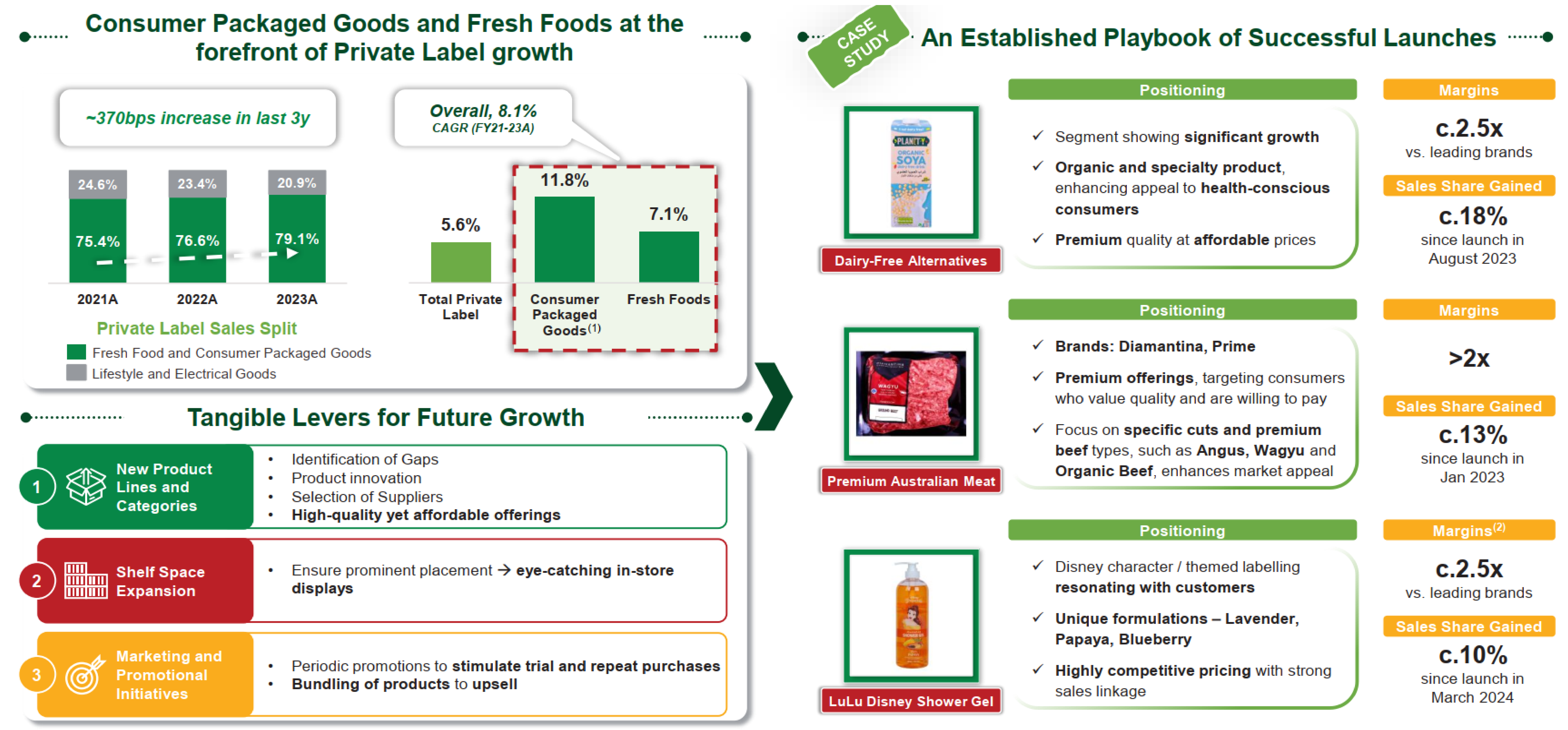
Private label: high margin differentiated products poised for growth

Differentiated and high-quality private label offering across categories



Source: Company Data. Notes: top 4 sub-categories by 2023 sales. (1) 2023 sales, breakdown as a % of category sales

Private label: key growth lever with regular successful launches

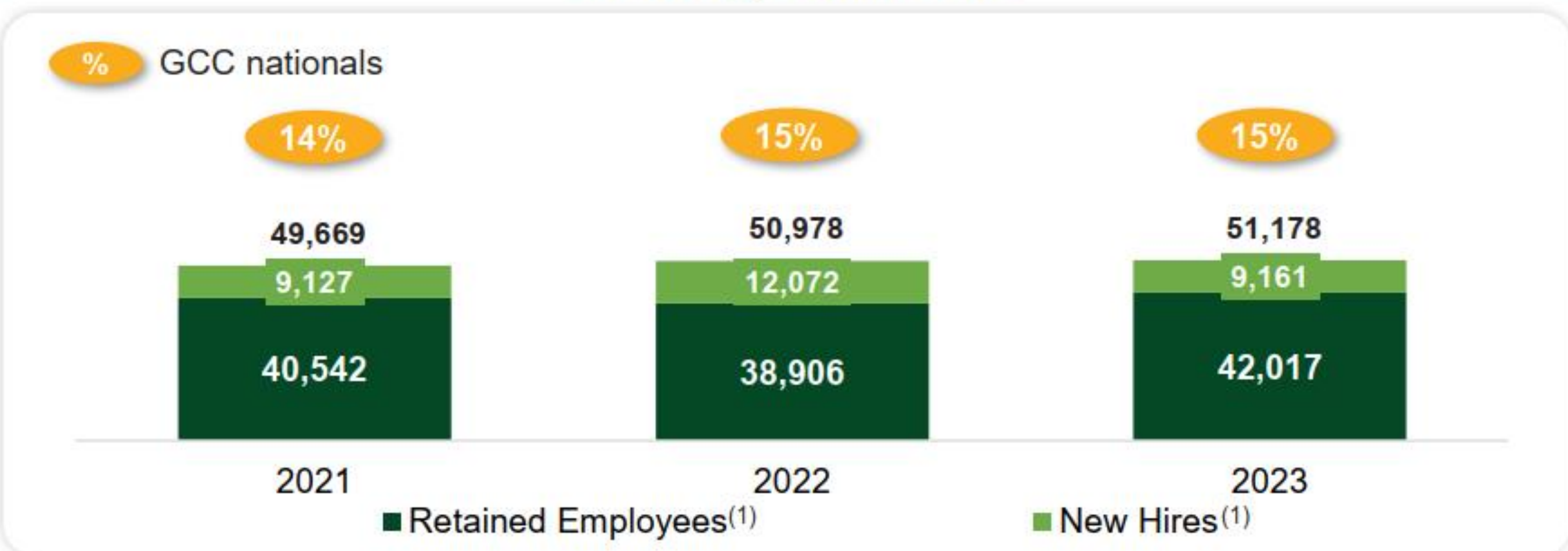


Source: Company Data. Note: (1) Group consumer packaged category grew at 11.0% CAGR during 2021-23. (2) margins for 1 litre Disney shower gel compared with margins for 700ml leading brand shower gels

Ability to retain top talent and focus on customer service underpin success

Ability to attract and retain talent underpins LuLu's success and organisation stability

Growing Workforce



Employees are at the centre of LuLu

Multiple initiatives are in-place to create a supportive, engaging, and rewarding work environment

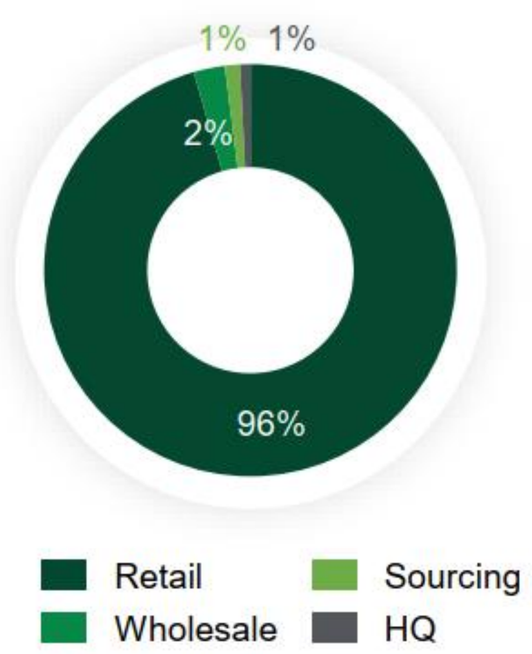
Orientation and Training
- Mentorship programme
- Tailored training

Engagement and Wellbeing
- Employee feedback forums
- Wellness workshops
- Flexible scheduling

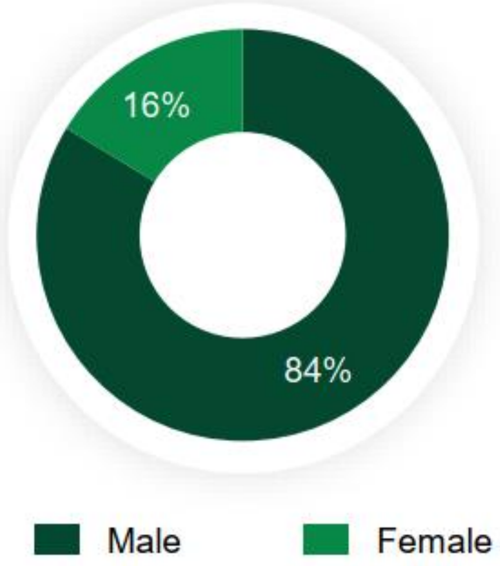
Performance and Rewards
- Goal setting and regular appraisals
- Recognition programs
- Performance based bonus

Career Development
- Training management system
- Industry workshops and seminars
- Leadership programme

Breakdown by Functions



Breakdown by Gender



Source: Company Data. Notes: (1) includes all employees on the payroll of the company and does not include contract staff, staff servicing notice period, and staff on long leaves

Unique and best in class customer experience is core to LuLu's strategy

Customer Support across Touch Points

- ✓ 225[1] avg. employees per store across 48+ nationalities
- ✓ Ensuring a best-in class customer coverage metric
- ✓ Employee visibility and promptness
- ✓ Happiness kiosks
- ✓ Billing and packaging
- ✓ After sales support

Customer Retention

Most Shopped[2]
retailer in the last 3 months[3]

Customer Convenience

- ✓ One stop shop – across online and offline
- ✓ In-store dining areas
- ✓ Self checkouts and scanners
- ✓ Piloting checkout less stores
- ✓ AI chatbots
- ✓ Store formats – clean & wide aisles
- ✓ Parking accessibility

Positive Customer Reinforcements

Outperforming[2]
peers on customer satisfaction

Adapting to Customers

- ✓ Products for all ethnicities – *"where the world comes to shop"*
- ✓ Data analytics – customer segmentation / behaviour analysis
- ✓ Eco-friendly & Refill stations
- ✓ Organic, Vegan & Healthy
- ✓ Round-the-year products availability

Customer Coverage

95%[2]
respondents in survey aware of LuLu

Selected Awards for Operational Excellence, Service and Quality

جائزة دبي للجودة
Dubai Quality Award

برنامج دبي للخدمة المتميزة
DUBAI SERVICE EXCELLENCE SCHEME

SHEIKH KHALIFA EXCELLENCE AWARD

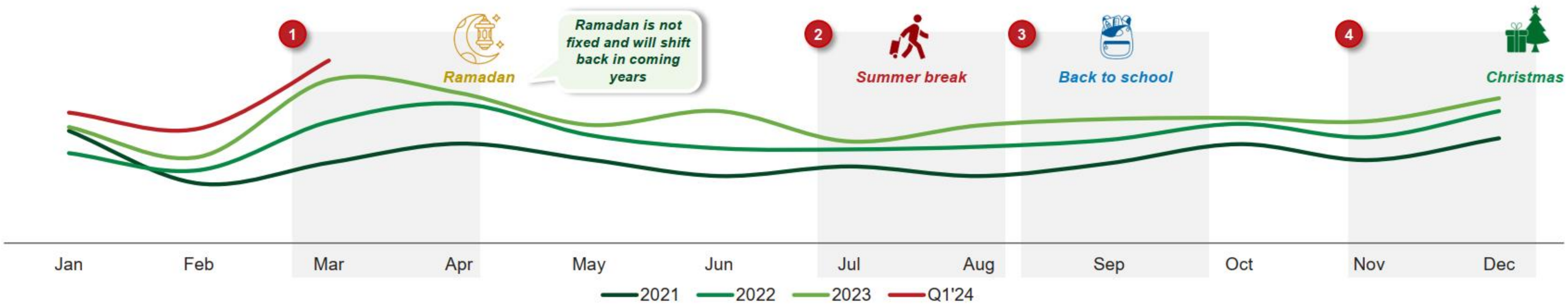
Source: Company Data. Note: (1) 1Q24. (2) LuLu Group recorded an average score of 7.74, while other retailers averaged 7.42 across GCC. Customer survey done by EMI. (3) Feb 2024 to April 2024.

Seasonality in financials during Ramadan and year-end season

LuLu observes a peak in revenue during Ramadan and the year-end trading period and generally stable growth in other periods

Retail Sales Seasonality[1]

As a full line retailer, LuLu's extensive offering of c.200k active SKUs allows them to effectively tap into all seasonal trends and capitalise on them



Key trends

1. Peak during March-April driven by increased demand during Ramadan and Eid

2. Marginal softening in trading is witnessed during the summer months of July-August driven by people traveling outside the region

3. Seasonality of revenue is also impacted by cultural events and exhibitions, back-to-school season during August-September

4. Increase witnessed during holiday period driven by seasonal promotions and influx of tourists in the region

Source: Company Data, IS Research. Note: (1) including showroom and e-commerce sales

International Securities
an IHC company

Recommendation History

Date	Recommendation	Fair value target – AED/sh
17 Dec 2024	BUY	2.60

Disclaimer:

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