

LuLu Retail Holdings

1Q25 Review

Consumers

14 May 2024

Buy

FV AED 2.60

1Q25 earnings* up 15.8% YoY (+7.7% QoQ) to USD70mn, in line with estimates

- 1Q25 earnings from continuing operations were recorded at USD70mn, up 15.8% YoY (+7.7%QoQ, in-line with estimates)
- Revenue up 7.3% YoY to USD2.1bn (+9.8% QoQ; +2.1% vs estimates)
- EBITDA up 6.5%YoY to USD214mn (-2.4% QoQ; +2.5% vs estimates)
- Gross profit up 4.0% YoY to USD465mn (+4.9% QoQ; -0.8% vs estimates)

Lulu reported a net profit of USD70mn in 1Q25, marking a 15.8% YoY increase and +7.7% rise QoQ, in line with our estimates. The profit growth was primarily driven by a 4.0% YoY increase in gross profit, reaching USD465mn. Additionally, strong EBITDA growth, supported by improved cost efficiency, contributed to the overall profitability. **The net profit margin expanded by 25 basis points in 1Q25, benefiting from higher EBITDA and lower interest expenses.**

In 1Q25, Lulu's revenue grew by 7.3% YoY to USD2.1bn. This growth was primarily driven by 3.6% LFL sales growth, supported by strong trading during the Ramadan season. Revenue was further boosted by new store openings and solid performance in key categories, particularly fresh food and lifestyle products. The Electrical Goods saw a significant 29.0% YoY increase, driven by strong sales of higher value items. The fresh food category also reported a 7.9% YoY rise, reflecting strong Ramadan demand. **Lulu delivered revenue growth across all markets. In the UAE, its largest market, revenue rose by 5.2% YoY.** In Saudi Arabia, revenue increased by 10.3% YoY, supported by recent store openings and robust LFL sales growth.

1Q25 EBITDA was up 6.5%YoY to USD214mn with an EBITDA margin of 10.3% compared to 10.4% in 1Q24, almost flat YoY. On lease adjusted basis the EBITDA margin expanded by c.8bps. **Gross profit of the group increased to USD465mn up 4.0% YoY,** however gross profit margins remained under pressure mainly on account of promotional campaigns to drive higher footfalls. In 1Q25 gross margins were recorded at 22.3% against 23% in 1Q24

The group opened five new stores in 1Q25 and targets to open 20 new stores in 2025. Private label and e-commerce segments also experienced strong growth, presenting additional upside potential for the group. Lulu maintains a robust balance sheet, with a net debt-to-EBITDA ratio of 2.9x as of Q1 2025.

Our view on LuLu: LuLu Group is well-positioned to capitalize on the sustained growth of the consumer sector in the GCC, underpinned by several key drivers: i) favorable macroeconomic conditions, ii) government-led transformational initiatives, and iii) a growing population. 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** 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 are in the process of updating our forecasts for LuLu Retail and we will share the update in the due course.

LuLu Retail Holdings (LuLu): 1Q25 result summary

USD mn	1Q24	4Q24	1Q25a	YoY	QoQ	1Q25e	VsEst	FY23	FY24	YoY
Revenues	1,940	1,894	2,080	7.3%	9.8%	2,037	2.1%	7,278	7,621	4.7%
Cost of Revenue	(1,493)	(1,451)	(1,616)	8.2%	11.3%	(1,568)	3.0%	(5,603)	(5,856)	4.5%
Gross Profit	447	443	465	4.0%	4.9%	468	-0.8%	1,675	1,765	5.4%
Other Operating Income	67	75	80	20.0%	6.6%	74	7.9%	273	300	9.8%
Operating Expenses	(407)	(395)	(426)	4.7%	8.0%	(431)	-1.1%	(1,580)	(1,657)	4.8%
EBITDA	201	219	214	6.5%	-2.4%	209	2.5%	753	786	4.4%
EBITDA Margin (%)	10.4%	11.6%	10.3%	-0.1%	-1.3%	10.3%	0.0%	10.4%	10.3%	0.0%
Net Finance Cost	(42)	(53)	(40)	-4.7%	-23.9%	(37)	8.9%	(153)	(169)	10.4%
Profit Before Tax*	65	71	79	21.6%	10.8%	75	4.7%	215	239	11.1%
Tax	(4)	(6)	(9)	101.4%	44.1%	(10)	-9.7%	(23)	(22)	-1.6%
Profit for the Period *	60	65	70	15.8%	7.7%	65	6.8%	192	216	12.6%

Source: Company Data, IS Research * From Continuing Operations

Ticker	LuLu UH
Market Cap (AED bn)	14.0
Stock Price (AED)	1.36
Fair Value (AED)	2.60
52W High (AED)	2.06
52W Low (AED)	1.10
3M ADTV (AEDmn)	17

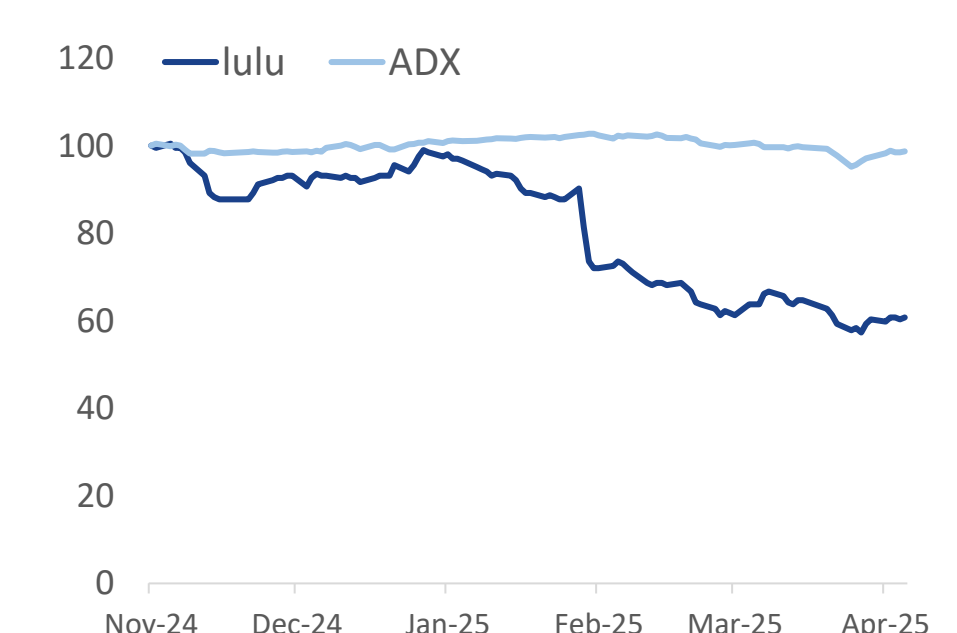
LuLu Retail Financials

USDmn	2023	2024
Revenue	7,278	7,621
Gross Profit	1,675	1,765
EBITDA	753	786
EBITDA Margin	10.4%	10.3%
Profit For period*	192	216

Total Assets	8,004	5,451
Total Equity	767	993

Source: Company Data, IS Research. * continuing operations

Lulu vs ADX



Source: Refinitiv, IS Research, *both rebased to 100 as of 14th-Nov-2024

Asjad Hussain, CFA
ahussain@intlsecurities.ae
+971 2 494 2618

Recommendation History

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

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Contact:

Research
research@intlsecurities.ae | +971 2 494 2612

