LuLu RETAIL

Management Discussion & Analysis

10 February 2025

Lulu Retail Reports Preliminary FY 2024 Results
Revenue of $7.6 Billion, up 4.7% YoY, Dividend of $84.4 Mn (3 fils per share) equating to an 85% payout ratio, with 21 New Stores Opened in 2024

Lulu Retail ("Lulu" or the "Company"), the largest and fastest growing pan GCC full line retailer's preliminary and unaudited financial results for the three-month and twelve-month periods ended 31 December 2024 ("Q4 2024" and "FY 2024").

Operational Highlights

Opened 21 New Stores
9 stores opened in Q4 2024
Operating a total of 250 stores

$325.6 Mn E-com sales
+70% YoY
4.5% of total retail sales

5.5 Mn
Happiness Loyalty Members

FY 2024 Financial Highlights

Revenue: $7.6 Bn
+4.7% YoY
LFL growth +2.3%

EBITDA: $786.3 Mn
+4.4% YoY
FY Margin of 10.32%

Net Profit: $249.2 Mn
+12.4% YoY; Margin 3.3%
Net Profit from Continuing Operations: $216.3 Mn
+12.6% YoY; Margin 2.8%

Dividend: $84.4 Mn
0.82 cents (3 fils) per share
85% pay-out ratio on net profit from continuing operations

Key Highlights:

- FY 2024 revenue growth of 4.7% YoY, with LFL growth increasing by 2.3% in period, mainly driven by higher footfall across stores. Q4 2024 Revenue totaled $1.9 billion, up 1.8% YoY
- FY 2024 EBITDA increased by 4.4%, with margins of 10.32%; Q4 2024 EBITDA totaled $219.2 million with stable margins of 11.6%, driven by improved gross profit which was partially offset by higher lease expenses in KSA and Qatar due to lease modifications.
- Net profit from continuing operations totaled $216.3 million in FY 2024, up 12.6% YoY, with margins expanding by 20bps; Q4 2024 Net profit from continuing operations totaled $64.7 million, with net profit margin of 3.4%
- Good progress on new store rollouts, having opened a total of 21 new stores in 2024, including nine in Q4 2024, with the Company operating a total of 250 stores as at 31 December 2024
- Contribution from higher-margin Private Label products reached 29.6% of total retail revenue in FY 2024, a 110 bps increase YoY, with e-commerce sales up 70% YoY, representing 4.5% of total retail sales
- Lulu Happiness Loyalty program membership now live across all GCC countries, with approximately 5.5 million members, driving improved customer engagement
- The Board of Directors has recommended a dividend of USD 84.4 million, equating to 3 fils per share, reflecting Lulu Retail's commitment to delivering shareholder value while maintaining financial flexibility to support future growth initiatives, in line with the Company's dividend policy
- Lulu is pleased to reiterate its medium-term targets and outlook
- Record IPO on ADX in November 2024 raised $1.72 billion with total aggregate demand of $37 billion - an oversubscription level of 25 times; Lulu also achieved numerous industry awards in the 2024 period

Yusuffali MA, Chairman of Lulu Retail, commented: *"2024 has been a year of historic achievements for Lulu Retail, highlighted by our record-breaking IPO on the ADX, which marked a significant milestone in our journey of growth. This year, we demonstrated the strength of our business model through disciplined expansion, strategic partnerships, and an unwavering focus on innovation. The vision of the GCC continues to inspire and enable businesses like ours to thrive, and we are proud to be an integral player in the region's growth story. Looking ahead, we are committed to delivering sustainable value for all our stakeholders and solidifying Lulu's position as a trusted shopping destination for communities across the region and beyond."*

Saifee Rupawala, Chief Executive Officer of Lulu Retail, commented: *"It has been a transformative year for Lulu Retail, underpinned by robust growth across all aspects of our business. Our focus on expanding our store network and investing in higher-margin categories, coupled with the rapid evolution of our e-commerce platform, has delivered remarkable results. The Happiness Loyalty Program continues to elevate customer engagement, fostering deeper connections with our communities. As we look toward 2025, we remain confident in our ability to build on this momentum, leveraging our operational strength and market leadership to capture new opportunities and create lasting value for our investors and customers alike."*

Operational Highlights

Store Network

Lulu Retail continued to expand its store footprint in 2024, making good progress on its strategic growth pillar, having opened a total of 21 new stores in FY 2024. This was supported by the launch of nine new stores in Q4 2024 alone, made up of seven express stores and two mini-markets, adding a total of 12,980 square meters of selling space.

Over the twelve-month period, Lulu introduced a total of six hypermarkets, 12 express stores, and three mini-markets, increasing total selling space by 5% YoY to 1.3 million square meters. Notably, the Group recently celebrated a key milestone following the opening of its 250th store in Jabal Omar, a key religious landmark in Makkah in the Kingdom of Saudi Arabia. Another landmark store in Madinah is expected to open in Q1 2025. Approximately 70% of Lulu stores opened in FY 2024 are within the express and mini-market store format, further supporting the Company's transition to an asset-light model.

As at the end of December 2024, Lulu operates a total of 117 hypermarkets, 109 express stores and 24 mini markets. New store rollouts remain a key focus area for Lulu, particularly across key high-growth focus markets such as the UAE and the Kingdom of Saudi Arabia.

	As at 31 December 2023	As at 31 December 2024
Total Store Network	**233**	**250**
UAE	102	107
KSA	53	59
Oman	29	32
Qatar	22	24
Kuwait	15	16
Bahrain	12	12

Loyalty

Lulu's Happiness Loyalty Program continued to gain strong traction throughout the year, expanding across all GCC countries and reaching approximately 5.5 million members by the end of 2024, a remarkable achievement following its launch in January 2023, and compared to 5.0 million at 9M 2024 and 1.1 million at the end of 2023. The program has been instrumental in driving higher average basket sizes and enhancing customer retention, with approximately 65% of revenue linked to loyalty members during the month of December 2024. Lulu remains focused on leveraging loyalty data to drive customer retention across its existing stores, with the Happiness program providing valuable data insights that are driving sales and repeat purchase across the Company.

Financial Highlights

$'000	Q4 2023	Q4 2024	%Δ	FY 2023	FY 2024	%Δ
Revenue	**1,861,029**	**1,894,089**	**+1.8%**	**7,277,956**	**7,620,802**	**+4.7%**
EBITDA	**217,917**	**219,185**	**+0.6%**	**753,350**	**786,346**	**+4.4%**
EBITDA Margin	*11.71%*	*11.57%*	*-14bps*	*10.35%*	*10.32%*	*-3bps*
EBITDA post leases[1]	118,950	142,167	+19.5%	372,570	480,299	+28.9%
EBITDA margin post leases	***6.4%***	***7.5%***	***+111 bps***	***5.1%***	***6.3%***	***+118 bps***
Net Profit from continuing operations	**104,586**	**64,744**	**-38.1%[2]**	**192,044**	**216,280**	**+12.6%**
Profit from discontinued Operations	45,546	-	-	29,722	32,916	+10.7%
Net Profit for the year	**150,132**	**64,744**	**-56.9%**	**221,766**	**249,196**	**+12.4%**

1.Higher operating expenses from lease modifications in KSA and Qatar, where lease costs for the year 2024 were recognized as Operating Expenditure rather than Depreciation on Right-of-Use Assets and Interest on Lease Liabilities.
2.Excluding one-off gain of USD 31 million from lease modifications in Q4 2023, Q4 2024 net profit from continuing operations was down 12% YoY.

Group Revenue

Lulu Retail delivered solid revenue growth in Q4 2024, with revenue reaching $1.9 billion in the period, up 1.8% YoY. FY 2024 revenue increased by 4.7% YoY to $7.6 billion, with revenue growth driven by particularly strong performance in Oman and high-growth markets such as the UAE and the Kingdom of Saudi Arabia, alongside broad-based growth across key product categories. The Company continued to see strong growth across a number of categories, with the Fresh Foods segment growing by 5.0% YoY in Q4 2024 and 10.3% in FY 2024 compared to the prior year. Additionally, electrical goods saw strong demand, particularly in mobile phones, supported by year-end promotional campaigns.

Omni-channel remains a key focus area for Lulu, with e-commerce sales increasing to $325.6 million in FY 2024, growing by an impressive 70% YoY. E-commerce sales increased by 40.9% YoY in Q4 2024, a continuation of the strong growth momentum seen throughout the year. E-commerce sales now represent 4.5% of total retail revenue, reflecting a 20 bps improvement since 9M 2024 and a 180 bps increase compared to 2023.

Lulu's higher-margin Private Label products category continued to perform strongly, increasing by 13.5% YoY in Q4 2024. Private Label penetration increased significantly from 27.6% in Q4 2023 to 30.8% in Q4 2024. For the full year, Private Label products contributed 29.6% of total retail revenue, marking a significant 110 bps increase over FY 2023.

Like-for-like (LFL) sales reached $159.7 million in FY2024, up 2.3% YoY, with growth supported by initiatives to boost footfall and Lulu's strong focus on optimizing the product mix across stores to align with customer preferences alongside a strong uptick in Private Label revenue and e-commerce sales. Q4 2024 LFL sales declined marginally by 0.9% YoY, compared to growth of 0.3% YoY in Q4 2023, primarily due to softer sales in Saudi Arabia, Oman, and Kuwait.

Market Highlights

- **UAE:** Revenue grew by 2.7% YoY in Q4 2024, primarily driven by the opening of four new stores. For the full year, the UAE delivered revenue growth of 5.8% YoY, supported by strong LFL sales growth of 5.1%.

- **KSA:** Revenue growth in Saudi Arabia was fueled by an enhanced fresh food offering, catering to the increasing demand for fresh products in the Kingdom. FY 2024 revenue grew by 5.5% YoY, driven by LFL growth of 1.4% and the addition of eight new stores during the year.

- **Oman:** Revenue increased by 4.0% YoY in Q4 2024, supported by strong sales throughout the

festive season and continued expansion in the fresh food segment. For FY 2024, Oman achieved 4.5% YoY growth, with the region leveraging Private Label offerings and import strategies to attract new customers.

- **Qatar:** Revenue remained stable throughout both Q4 and the full year. The Happiness Loyalty Program, launched in March 2024, demonstrated strong growth, reinforcing the company's market leadership. Q4 2024 revenue increased 1.2% YoY, driven by year-end promotional sales, with 0.5% YoY growth for FY 2024.

- **Kuwait:** Revenue increased by 4.1% in the full year period, supported by strong growth in the region's e-commerce and aggregator partnerships offering. Q4 revenue declined due to weaker department store sales.

- **Other Operating Segments:** Other operating segments mainly comprise of retail operations in Bahrain with 19 on-the-ground sourcing centers. The Bahrain retail operation performed strongly in 2024, with revenue increasing by 7.8% YoY.

Revenue Performance

$mn	Three-month period ended 31 December			Twelve-month period ended 31 December		
	2024	2023	%Δ	2024	2023	%Δ
UAE	682	665	*+2.7%*	2,745	2,595	*+5.8%*
KSA	370	362	*+2.1%*	1,478	1,401	*+5.5%*
Oman	290	279	*+4.0%*	1,176	1,126	*+4.5%*
Qatar	282	279	*+1.2%*	1,099	1,093	*+0.5%*
Kuwait	159	166	*-4.2%*	661	635	*+4.1%*
Other	111	111	*+0.1%*	462	429	*+7.8%*
Lulu Retail	**1,894**	**1,861**	***+1.8%***	**7,621**	**7,278**	***+4.7%***

EBITDA

FY 2024 EBITDA increased by 4.4% YoY to $786.3 million, with stable margins of 10.32%, driven by an improvement in gross margins which were slightly offset by higher operating expenses from lease modifications in KSA and Qatar, where lease costs are now recognized as Operating Expenditure rather than Depreciation on Right-of-Use Assets and Interest on Lease Liabilities. On a lease-adjusted basis, EBITDA margin post leases expanded by 118 bps to 6.3%, driven by strong underlying operational performance.

Lulu's strong EBITDA performance in FY 2024 was supported by a c.20 bps Gross Margin expansion in the period, driven by an improvement in Lulu Retail's product mix and an increase in sales across higher-margin categories, including Private Label products, which represents 29.6% of total retail revenue. Lulu's Private Label products span across fresh food, consumer packaged goods, lifestyle products, and electrical goods.

Q4 2024 EBITDA totaled $219.2 million, up 0.6% YoY, with an EBITDA margin of 11.57%, compared to 11.71% in Q4 2023. EBITDA margins adjusted for post-lease expenses expanded by 111 bps YoY to 7.5%, underscoring robust operational efficiency.

Segment Adjusted EBITDA

$'000	Three-month period ended 31 December			Twelve-month period ended 31 December		
	2024	2023	%Δ	2024	2023	%Δ
UAE	102,867	88,107	*+16.8%*	346,678	287,888	*+20.4%*
KSA*	10,917	40,562	*-73.1%*	74,111	128,977	*-42.5%*
Oman	40,081	22,977	*+74.4%*	131,715	91,486	*+44.0%*
Qatar*	40,700	42,755	*-4.8%*	138,167	154,325	*-10.5%*
Kuwait	27,844	24,528	*+13.5%*	98,857	86,429	*+14.4%*
Others	13,092	15,723	*-16.7%*	69,311	61,989	*+11.8%*
Lulu Retail	**235,502**	**234,652**	***0.4%***	**858,840**	**811,094**	***+5.9%***

** Higher operating expenses from lease modifications in KSA and Qatar, where lease costs for the year 2024 were recognized as Operating Expenditure rather than Depreciation on Right-of-Use Assets and Interest on Lease Liabilities*

Net Profit

Net Profit from Continuing Operations saw strong double-digit growth of 12.6% YoY to $216.3 million in FY 2024, with net profit margin improving by 20 bps to 2.8%, driven by an improvement in operating profit and enhanced performance in EBIT margin. Q4 2024 Net Profit from Continuing Operations totaled $64.7 million, down 38.1% YoY, mainly due to slower revenue growth and higher interest charges resulting from increased working capital debt. Excluding the one-off gain of USD 31 million from lease modifications in Q4 2023, Q4 2024 net profit from continuing operations was down 12% year-on-year.

Capital Expenditure

Capital expenditure for continuing operations totaled $136.7 million in FY 2024, representing 1.8% of total revenue compared to $149.5 million, or 2.1% of revenue in FY 2023. The lower capital expenditure reflects Lulu's gradual transition to an asset-light model, which requires lower capital investment, with the Company continuing to make good progress on its more focused investments and expansion plans.

Cash Flow and Balance Sheet

Cash Flow (excluding discontinued operations) totaled $649.7 million in FY 2024, reflecting a healthy cash conversion ratio of 82.6% which improved 245 bps compared to FY 2023. The strong performance was also supported by continued EBITDA expansion alongside Gross margin improvements and growth in other operating income.

Cash conversion was further aided by lower capital expenditure in FY 2024, where c.70% of the stores opened in the year were smaller express and mini-market formats, further supporting the Company's gradual transition to an asset light model.

As of December 31, 2024, Net Debt stood at $2.5 billion, with a Net Debt/EBITDA ratio of 3.2x on an IFRS-16 basis, compared to 3.2x at 9M 2024. Excluding leases, Net Debt/EBITDA improved to 1.3x in December 2024 from 1.4x in the nine-month period, positioning the Company well to continue investing in future growth.

Dividend

Lulu Retail's Board of Directors have proposed a dividend of 0.82 cents (3 fils) per share for FY24, subject to shareholder approval at the upcoming Annual General Meeting (AGM). This represents a total payout of $84.4 million, equating to 85% of the semi-annual distributable profit after tax from continuing operations, in line with the company's dividend policy.

The strong financial results achieved in FY24, underpinned by healthy cash flows and disciplined capital management, have enabled the Board to recommend this payout. Going forward, Lulu Retail endeavours to maintain a total dividend payout ratio of 75% of annual distributable profit after tax, paid semi-annually. This policy reflects the company's commitment to rewarding shareholders while ensuring sufficient retained

earnings to support future growth and operational resilience.

Continued Progress on Strategic Growth Pillars delivering resilient performance in FY 2024

Lulu Retail's growth strategy is focused on four key pillars: Enhancing its existing store network, expanding its store network, driving operational efficiencies and delivering revenue upside through private label and loyalty program expansion.

The FY 2024 operational and financial performance is evidence of Lulu's strong operating model and the Company's continued progress on its strategic growth pillars.

Lulu remains confident in delivering on its medium-term outlook, reinforcing its position as a growth-oriented, customer-centric market leader, maintaining its position as the largest full-line pan-GCC retailer.

Earnings conference call:

Lulu Retail will host an earnings conference call followed by a Q&A session for investors and analysts on Tuesday 11th February 2025, at 2:00 pm UAE time / 10:00am GMT time. Interested parties can join the call by clicking here.

Summary Financials

Income Statement

$'000	Q4 2024	Q4 2023	FY 2024	FY 2023
Revenue	1,894,089	1,861,029	7,620,802	7,277,956
Cost of Revenue	(1,451,132)	(1,426,418)	(5,855,917)	(5,602,829)
Gross profit	442,958	434,611	1,764,885	1,675,127
Other operating income	75,297	99,474	299,869	273,167
Operating Expenses	(394,750)	(391,753)	(1,656,799)	(1,580,173)
Finance cost, net	(52,651)	(29,367)	(169,375)	(153,403)
Profit before tax from continuing operations	70,853	112,965	238,580	214,718
Income tax expense	(6,109)	(8,379)	(22,300)	(22,674)
Profit for the period from continuing operations	**64,744**	**104,586**	**216,280**	**192,044**
Profit from discontinued operations	-	45,546	32,916	29,722
Net profit for the period	**64,744**	**150,132**	**249,196**	**221,766**

Cash Flow Statement

$'000	FY 2024	FY 2023
Cash and cash equivalents at beginning of the period	278,870	441,399
Net cash generated from operating activities	358,129	139,384
Net cash used in investing activities	(136,753)	(155,004)
Net cash used in financing activities	(151,386)	(145,753)
Effects of foreign exchange rate changes	(2,652)	(1,156)
Cash and cash equivalents at end of the period	**346,208**	**278,870**

Balance Sheet

$'000	As at 31 December 2024	As at 31 December 2023
Non-current assets	3,204,281	3,358,045
Current assets	2,246,231	4,646,106
Total assets	5,450,512	8,004,151
Total equity, net	992,856	766,907
Total non-current liabilities	1,935,726	2,522,470
Total current liabilities	2,521,930	4,714,774
Total liabilities	4,457,656	7,237,244
Total equity and liabilities	**5,450,512**	**8,004,151**

About Lulu Retail

Founded in 1974, Lulu Retail, together with its subsidiaries, is the largest pan-GCC full-line retailer by selling space, sales and number of stores, operating more than 250 hypermarket, express and mini-market stores across the six GCC countries. The Group also operates a growing e-commerce presence through its mobile app, webstore and partner channels. To serve more than 650,000 shoppers from 130 nationalities every day, the Group sources products from 85 countries, enabled by an on-the-ground sourcing presence in 19 countries. The Group's strong brand recognition and trust among consumers in the GCC is enabling the growth of its existing stores, expansion of its store network and elevated loyalty across its customer base.

Contact Investor Relations

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