

21 October 2024

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LULU RETAIL HOLDINGS PLC ANNOUNCES ITS INTENTION TO FLOAT ON THE ABU DHABI SECURITIES EXCHANGE (ADX)

Abu Dhabi, UAE, 21 October 2024: Lulu Retail Holdings PLC (“Lulu Retail”, or “Lulu”, or the “Company”, and together with its subsidiaries, the “Group”), the largest and fastest growing pan-GCC full-line retailer and a public company limited by shares incorporated in the Abu Dhabi Global Market (“ADGM”), today announces its intention to proceed with an Initial Public Offering (the “IPO” or the “Offering”) and to list its shares for trading on the Abu Dhabi Securities Exchange (“ADX”).

KEY HIGHLIGHTS OF THE OFFERING

- A total of 2,582,226,338 (two billion five hundred eighty-two million two hundred twenty-six thousand three hundred thirty-eight) ordinary Shares, each with a nominal value of USD 0.014 (which is equivalent to AED 0.051), representing 25% of the total issued Shares in the Company (the “Offer Shares”), are to be sold by the Company’s sole shareholder, Lulu International Holdings Limited (the “Selling Shareholder”).
- The Offering will be made available to UAE Retail Investors, including Eligible Employees of the Group, as part of the UAE Retail Offering; to Professional Investors as part of the Qualified Investor Offering; and to Eligible Senior Executives of the Group as part of the Senior Executives Offering.
- The subscription period will open on Monday 28 October and end on Tuesday 5 November for UAE Retail Investors, Professional Investors and Eligible Senior Executives.
- The final Offer Price will be determined through a book building process.

- The Company is targeting a total dividend pay-out ratio of 75% of annual distributable profits after tax, paid semi-annually. The Company targets that a dividend for the six months ended 31 December 2024 will be paid in the first half of 2025.
- Admission of the Shares to trading on the Abu Dhabi Securities Exchange (“ADX”) (the “Admission”) is expected to take place on or around Thursday 14 November.

Commenting on the Offering, **Yusuffali M.A., Chairperson of Lulu Retail**, said: *“It’s with immense pride that we announce the planned IPO of Lulu Retail on ADX, bringing to market the largest pan-GCC full-line retailer by selling space, sales and number of stores. We founded Lulu in 1974 with the ambition to introduce and embed organized retail in the UAE and a commitment to create a shopping experience that customers would love and remain loyal to. We have exceeded our own expectations and today Lulu operates more than 240 stores across six GCC countries, delivering immense value every day for new and loyal customers. Integral to our growth is the vision and ambition of the UAE, KSA and the other GCC nations where strong national leadership is enabling positive demographic and consumption trends and driving impressive economic growth. We’re looking forward to welcoming new shareholders to Lulu and are sure they will share our passion for the company and excitement for the future.”*

Commenting on the Offering, **Saifee Rupawala, Chief Executive Officer of Lulu Retail**, said: *“Lulu is a brand synonymous with retail in the GCC and we’re incredibly proud to launch our IPO today. Over the past 50 years, we have grown from one store in Abu Dhabi to the largest pan-GCC retailer by market share and the fastest-growing player of scale in the Kingdom of Saudi Arabia. Every day, Lulu serves more than 600,000 shoppers, enabled by our unmatched international sourcing network across 85 countries, ensuring we are deeply rooted in all GCC markets and able to offer over 200,000 active SKUs, catering to all our customers’ diverse needs.*

“Our scale is combined with a track record of delivering robust revenue growth, attractive profit margins and a well-defined growth strategy built around enhancing and delivering greater value from our existing stores, expanding our store network, delivering operational efficiencies and growing our high-value private label and loyalty programs. With GCC retail presenting a \$100 billion market opportunity over the next five years and our business in the Kingdom of Saudi Arabia primed for further growth, we are confident that Lulu will continue to be where the world comes to shop.”

DIVIDEND POLICY AND CAPITAL STRUCTURE

The Company endeavours to maintain a total dividend pay-out ratio of 75% of annual distributable profits after tax, paid semi-annually following the approval and publication of the results for the respective periods, subject to applicable financial parameters, internal and external circumstances, and as per applicable legal provisions.

The Group targets that a dividend for the six months ended 31 December 2024 will be paid in the first half of 2025.

- The objective of the Company’s dividend policy is to provide fairness, sustainability and consistency in distributing profits to shareholders.
- The Company’s ability to pay dividends is dependent on a number of factors and there is no assurance that the Company will pay dividends or, if a dividend is paid, what the amount of such dividend will be. Any decision to declare and pay dividends in the future will be made at the discretion of the Company’s board of directors (the “Board of Directors”, and each a “Director”).

DETAILS OF THE OFFERING

Lulu Retail expects to float 25%, or 2,582,226,338 ordinary Shares, of its total issued share capital, with the Selling Shareholder retaining the right to amend the size of the Offering at any time prior to the end of the subscription period at its sole discretion, subject to applicable laws of the UAE and the approval of the Securities and Commodities Authority (“SCA”).

The Offering will comprise:

- First Tranche: A public offering (the “UAE Retail Offering”) to UAE Retail Investors and other investors in the UAE (as defined in the UAE Prospectus) including Eligible Employees of the Group (as defined in the UAE Prospectus).
- Second Tranche: An offering to Professional Investors (as defined in the SCA Board of Directors’ Chairman Decision No.13/R.M of 2021 (as amended from time to time)), as defined in the UAE Prospectus and referred to as the “Qualified Investors Offering” subscribers.
- Third Tranche: An offering to Eligible Senior Executives of the Group (as defined in the UAE Prospectus) and referred to as the “Senior Executives Offering”.

The subscription period will open on Monday 28 October and end on Tuesday 5 November for UAE Retail Investors, Professional Investors and Eligible Senior Executives.

The offer price per Share (the “Offer Price”) will be determined through, and following, a book building process. Investors will subscribe for the Shares at the Offer Price.

The completion of the Offering and Admission is currently expected to take place on or around Thursday 14 November, subject to market conditions and obtaining relevant regulatory approvals in the UAE, including approval of admission to listing and trading on ADX.

The Offer Shares are being offered by the Selling Shareholder which, prior to the Offering, holds 100% of the share capital of Lulu Retail. The net proceeds generated by the Offering will be received by the Selling Shareholder. All expenses of the Offering will be borne by the Selling Shareholder.

Pursuant to an underwriting agreement to be entered into between Lulu Retail Holdings PLC, the Selling Shareholder and the Joint Bookrunners prior to the date of Admission (the “Underwriting Agreement”), the Shares held by the Selling Shareholder following Admission shall be subject to a lock-up period (the “Lock-up Period”), which ends 180 days after the date of Admission. Lulu Retail shall also be subject to the Lock-up Period.

The details of the Offering will be included in the English and Arabic-language prospectus (the “UAE Prospectus”) and public subscription announcement (the “Public Announcement”) with respect to the UAE Retail Offering, and in an English-language international offering memorandum (the “International Offering Memorandum”) with respect to the Qualified Investors Offering. The UAE Prospectus and the Public Announcement are published today, and the International Offering Memorandum is expected to be published on Monday 28 October. The UAE Prospectus, Public Announcement and the International Offering Memorandum will be available at www.luluretail.com/ipo.

Moelis & Company UK LLP DIFC Branch has been appointed as Independent Financial Advisor.

Abu Dhabi Commercial Bank PJSC, Citigroup Global Markets Limited, Emirates NBD Capital PSC and HSBC Bank Middle East Limited have been appointed as Joint Global Coordinators and Joint Bookrunners. Alrajhi Capital, EFG-Hermes UAE Limited acting in conjunction with EFG-Hermes UAE LLC, First Abu Dhabi Bank PJSC, Goldman Sachs International and International Securities L.L.C. have been appointed as Joint Bookrunners.

Abu Dhabi Commercial Bank PJSC, EFG-Hermes UAE Limited, Emirates NBD Capital PSC, First Abu Dhabi Bank PJSC and HSBC Bank Middle East Limited have been appointed as Joint Lead Managers.

Abu Dhabi Commercial Bank PJSC and First Abu Dhabi Bank PJSC have been appointed as the Joint Lead Receiving Banks. Dubai Islamic Bank PJSC, Emirates Islamic Bank PJSC, Emirates NBD Bank PJSC and Mashreq Bank PSC have also been appointed as Receiving Banks.

Sohar International Bank SAOG, Gulf Bank K.S.C.P., National Investments Company K.S.C.P. and SICO BSC (C) have been appointed as the Co-Lead Banks.

Neither HSBC Bank Middle East Limited nor any of its respective affiliates is responsible for participating in marketing or managing any aspect of the UAE Retail Offering to natural persons.

The Internal Sharia Supervision Committee of Emirates NBD Bank P.J.S.C. have issued a Shariah pronouncement confirming that, in their view, the Offering is compliant with Shariah principles. Investors should undertake their own due diligence to ensure that the Offering is Shariah compliant for their own purposes.

OVERVIEW OF LULU RETAIL

Lulu Retail is the largest pan-GCC full-line retailer by selling space, sales (retail sales value) and number of stores in 2023. The Group holds the top position in modern offline grocery retail in the GCC region, capturing 13.5% share of the GCC modern offline grocery market in 2023.

The Group operates retail stores under the Lulu brand in the UAE, the KSA, Oman, Qatar, Kuwait and Bahrain. According to Euromonitor International Ltd (the “Market Consultant” or “Euromonitor”), the Group was the second largest grocery retailer in the UAE and the largest retailer in Oman, Qatar, Bahrain and Kuwait¹ and the fastest growing and largest pan-GCC retailer in the KSA, in each case based on the retail sales value for 2023.

The Group has a strong omni-channel presence in the form of three formats of brick and mortar stores catering to various shopping occasions. As at 31 August 2024, the Group’s network of 240 stores comprised (i) 116 Hypermarkets, (ii) 102 Express Stores and (iii) 22 Mini Markets, with 103 stores located in the UAE, 56 stores located in the KSA and 81 stores across the other markets. The Group also operates e-commerce retailing via the Group’s website and mobile application, supported by a partnership with Amazon in the UAE, HungerStation in KSA, Snoonu in Qatar and a partnership with Talabat across all markets.

INVESTMENT HIGHLIGHTS

Large and Growing Addressable Market Supported by Strong Tailwinds and Transformation Agendas

The growth of the Group is underpinned by strong macroeconomic tailwinds in the GCC, with average real GDP growth in the GCC region projected to outpace the global average in 2023-2028, according to the Market Consultant:

- real GDP in the GCC is projected to grow at a 3.4% CAGR between 2023 and 2028, as compared to a global average of 3.1% CAGR;
- population in the GCC is projected to grow at a 1.2% CAGR between 2023 and 2028 as compared to a 0.9% CAGR during the same period on average globally;
- personal disposable income in the GCC is projected to grow at a 3.9% median year-on-year between 2023 and 2028 as compared to a 3.9% median year-on-year during the period from 2023 and 2028 on average globally, and
- private consumption in the GCC is projected to grow by 4.2% CAGR between 2023 and 2028, as compared to a 3.9% CAGR globally during the same period.

The ongoing implementation of major transformational agendas in the Group’s markets, including Saudi Vision 2030 in the KSA and Dubai 2040 Urban Master Plan in the UAE, aim to establish diversified and resilient economies, attract more people to these countries, improve the overall business environment in the region and develop quality, reliable and sustainable infrastructure, contributing to the projected growth in the GCC.

Largest Pan-GCC Retailer Distinguished by Scale, Agility and Trusted Partnerships

- The Group was the largest pan-GCC retailer by selling space, sales (retail sales value) and number of stores in 2023. The Group holds the top position in modern offline grocery retail in the GCC region, capturing 13.5% share of the GCC modern offline grocery market in 2023. This leading position in the GCC region

¹ Lulu has the largest market share by brand / company in Kuwait as cooperatives represent a consolidation of 78 independently run companies.

allows it to benefit from economies of scale, stronger negotiating power with suppliers and enhanced brand recognition.

- The Group had a total selling space of approximately 1.3 million sq.m. as at 31 December 2023, which was approximately three times larger than the average selling space of the Group's publicly listed competitors in the GCC region.
- The Group's business model benefits from local connectivity, agile approach, swift decision-making and format flexibility, which the Group believes makes it adaptable and difficult to replicate.
- The Group utilises its extensive local know-how to cater to diverse local customer demands from its base of over 200,000 active SKUs (with approximately 650,000 total SKUs) sourced from 85 countries. Existing arrangements with local governments and affiliated organisations and entities support the Group's ties with local communities and increase the Group's sales volume.
- The Group has a highly integrated supply chain based on efficient sourcing underpinned by global sourcing offices and in-house logistics and supported by active monitoring of customer trends to continuously enhance product selection. The Group benefits from a flat organizational hierarchy, a high level of buying autonomy at the regional and store level and streamlined evaluation procedures, which enable swift decision-making and tailored offering to specific community needs driven by localised decision making and procurement.
- The Group's network of stores and online channel allow for multiple customer touchpoints with diversified product offering and high-quality service. The Group has a flexible approach with respect to potential areas for expansion, which are not limited to large urban areas, but also include smaller suburban and rural areas in the Group's markets.

Compelling Customer Proposition Underpinned by a Well-Balanced Product Offering

- The Group strives to deliver exceptional customer service to its customers across all backgrounds, including ethnicity, income and lifestyle. The Group's comprehensive approach to customer service includes tailoring product selection by actively soliciting and responding to customer feedback both at the Group-wide level and at the individual store level.
- The Group launched its customer loyalty programme for customers (the "Happiness Programme") in the UAE in March 2023, with a subsequent launch in Qatar in March 2024, Kuwait in May 2024, Bahrain in June 2024, KSA in July 2024 and Oman by the end of 2024. As at 31 August 2024, the number of registered members of the Happiness Programme in the UAE was approximately 1.9 million, representing approximately 19% of the total population of the UAE in 2023, and the number of registered users in Qatar was approximately 551 thousand, representing approximately 18% of the total population of Qatar in 2023.
- According to the Group's estimates based on data as of June 2024, approximately 70% of sales in the UAE and 66% in Qatar were generated by registered users of the Happiness Programme. The average basket size for registered users of the Happiness Programme was approximately 1.7 times higher and 1.4 times higher than that of customers not registered in the Happiness Programme in the UAE and Qatar respectively, based on the June 2024 monthly information.
- The Group is focused on providing personalised customer engagement with well-staffed (with an average of approximately 290 employees per Hypermarket, approximately 55 employees per Express Store and approximately three employees per Mini Market, each in 2023) and well-organised stores that provide a quick and comfortable shopping experience.
- The Group takes great pride in being well-integrated in its local communities. For example, the Group's stores hosted more than 80 diverse special events or festivals in the UAE in 2023, which illustrates the Group's

commitment to welcoming customers from diverse backgrounds. The Group received the Sheikh Khalifa Excellence Award (in 2023), Dubai Service Excellence Scheme (in 2021) and Dubai Quality Award (in 2021) for its customer service.

- In addition, the Group continually works on enhancing its stores with advanced technology, such as by introducing self-scanners and self-checkouts in stores and running a pilot project for cashier-less and checkout-less stores.

Strong Operational Backbone Supported by Global Sourcing Capabilities

- Lulu has an extensive global sourcing network, bringing products from 85 countries to each of the Group's markets. The Group has 19 on-the-ground sourcing offices, including in the United Kingdom, the United States, China and Italy, with local sourcing capabilities enabling the Group to directly monitor and ensure quality of products and ensure high standards are maintained throughout the supply chain.
- The Group maintains strong long-term relationships with many of its key suppliers spanning over 20 years on average. Direct access to new quality products and innovations, full logistical control over sourcing operations and a broader and more diverse selection of products are all benefits of the Group's sourcing network. The Group's scale also affords it greater bargaining power when negotiating with its suppliers.
- The Group's logistics and distribution infrastructure is well-positioned to support its future growth. The Group operates 21 distribution centres, with a total inventory space of 430,000 sq.m. which currently provides sufficient capacity to support the current store rollout plans of the Group. An in-house fleet of approximately 1,400 vehicles transports the products from the distribution centres to the Group's stores.
- The Group's in-house logistics capabilities help to ensure product quality and a steady supply from distribution centres to stores. The distribution centres use advanced design and technology and an automated warehouse management service, integrated into their IT systems for real-time management to reduce the lead time for delivery to stores to 24 hours.

Robust Financial Performance with Attractive Margins and Strong Cash Conversion

- The Group has a track record of strong topline growth having delivered H1 2024 revenue of USD 3.9 billion, up 5.6% year-on-year, and full-year 2023 revenue of USD 7.3 billion, up 5.6% year-on-year. The year-on-year increase in revenue was primarily driven by sales growth from existing stores and further expansion of the Group's store network, as well as growth from its online channel.
- EBITDA in H1 2024 totalled USD 391 million, up 4.3% year-on-year. EBITDA for 2023 was USD 753 million, up 7.2% year-on-year. The year-on-year increase in EBITDA was primarily driven by an increase in gross profit and other operating income, including display income and opening contribution for new stores.
- High cash flow generation in 2023 was driven by robust profitability, supporting the Group's future growth.

Highly Experienced Stakeholder and Management Team with a Proven Track Record of Success

- The Group is led by a well-tenured senior management team, with a combined experience of over 140 years and an average of over 36 years of experience at the Group. The Group's management team is led by the Chief Executive Officer, Mr. Saifuddin Rupawala, who joined the Lulu Group in 1982 and has over 41 years of experience, who, in turn is supported by the Chief Financial Officer, the Chief Operating & Strategy Officer and Executive Director for Global Operations, who have 25, 37 and 41 years of experience at the Group, respectively.

- The Group is further supported by the founding shareholder and Chairperson, Mr. Yusuffali M.A., who is committed to the Group's ongoing success. In 2020, ADQ, a wholly-owned state development holding company established by the Government of Abu Dhabi to promote the national economy, invested in the Group and as at the date of this Prospectus indirectly holds 20% in the Selling Shareholder.

COMPANY STRATEGY

The Group's growth potential is supported by the following tangible and deliverable strategic levers:

Driving Like-for-Like Growth in Existing Stores

The Group intends to continue to drive its strong like-for-like sales growth by offering appealing and diverse products, including private label products, and by continuously monitoring, refreshing and expanding its product assortment to cater to changing customer preferences. In addition, the Company will focus on further enhancing its in-store experience by continuing to provide differentiated customer service, implementing marketing and promotional initiatives to reinforce brand awareness and expanding its loyalty programme.

Growing Market Share and Network through New Store Rollouts

The Group believes that it is well positioned to increase its market share and grow its store network, with a primary focus on the KSA and UAE. In other markets, the Group plans to grow by selectively opening stores and maintaining its market share and leadership positions. Strategically, the Group targets expansion into new urban and rural areas in its markets, thereby gaining access to relatively less penetrated areas. Additionally, the Group is gradually shifting towards an asset light model for its new stores, which will help ensure lower capital spending requirements and faster rollouts.

In KSA, the Group has maintained a presence since 2009. As at 31 August 2024, the Group operated a network of 56 stores and four distribution centres in 14 cities. Based on the Group's estimates, in 2023 it had the highest sales per sq.m. in the KSA and the highest average sales per store in the KSA. The Group believes in the significant growth potential of the grocery retail market in the KSA reaching USD 48 billion by 2028 (source: Euromonitor). The Group intends to build on its leading position and increase its market share in the KSA by leveraging its established platform and successful track record in the market. The Group sees potential to expand its footprint in over 20 cities with populations over 200 thousand, along with avenues to open multiple stores in cities with populations of 1 million or more. In addition, the Group has partnerships with a number of governmental entities in the KSA which the Group believes will unlock new opportunities and the Group believes that it is a preferred tenant in KSA, which will facilitate its expansion into prime locations, along with its expansion in growing communities and new cities.

Improving Operational Efficiencies and Leverage Driven by Scale

The Group is also improving its operations and business processes and extracting additional optimisation opportunities from its significant scale across the entire spectrum of functions from sourcing and distribution to sales and head office operations. In addition, the Group plans to utilise technology to enhance automation, build on optimisation initiatives across its logistics network, inventory management, and in-store operations, and deploy more advanced technologies such as self-checkouts (in over 70 stores) and self-scanners in stores.

Exploring Further Upside Opportunities

The Group is continually looking at further opportunities and initiatives to further grow and optimise its product range, sales channels and customer offering. The Group intends to continue to focus on increasing the contribution to sales of its private label products through marketing, SKU expansion and the introduction of new product categories. In addition, since the launch of its online store in 2012, the Group has been focusing on adapting its customer proposition and integrating its offline advantages and online opportunities to extract the maximum

benefit from the rapid growth of the online market. The Group plans to continue to grow its online channels and its existing strategic partnerships with third-party e-commerce providers.

FINANCIAL PERFORMANCE

Currency: USD million	For the twelve month periods ended 31 December			For the six month periods ended 30 June	
	2021	2022	2023	2023	2024
Revenue	6,312	6,894	7,278	3,664	3,868
Gross profit	1,400	1,549	1,675	822	887
<i>Gross Margin</i>	22.2%	22.5%	23.0%	22.4%	22.9%
EBITDA	615	703	753	375	391
<i>EBITDA Margin</i>	9.7%	10.2%	10.4%	10.2%	10.1%
Net Income ¹	24	36	192	72	116
<i>Net Income Margin¹</i>	0.4%	0.5%	2.6%	2.0%	3.0%

¹ From continuing operations

CORPORATE GOVERNANCE

The Company and its Board of Directors are committed to standards of corporate governance that are in line with international best practice. As at the date of this announcement, Lulu complies, and intends to comply, with the corporate governance requirements for listed companies in the UAE. As at Admission, the Board will consist of 9 Directors of which there are 3 Executive Directors, 6 Non-Executive Directors and 3 of whom are independent Directors (all as defined in the Chairman of SCA's Board of Directors' Decision no. (3/Chairman) of 2020 concerning Approval of Joint Stock Companies Governance Guide).

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 240 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 600,000 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. www.luluretail.com

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JOINT GLOBAL COORDINATORS

Abu Dhabi Commercial Bank PJSC

Citigroup Global Markets Limited

Emirates NBD Capital PSC

HSBC Bank Middle East Limited

JOINT LEAD MANAGERS

Abu Dhabi Commercial Bank PJSC

EFG-Hermes UAE Limited acting in conjunction with EFG-Hermes UAE LLC

Emirates NBD Capital PSC

First Abu Dhabi Bank PJSC

HSBC Bank Middle East Limited

JOINT BOOKRUNNERS (Together with the Joint Global Coordinators)

Alrajhi Capital

EFG-Hermes UAE Limited acting in conjunction with EFG-Hermes UAE LLC

First Abu Dhabi Bank PJSC

Goldman Sachs International

International Securities L.L.C.

LISTING ADVISOR

Abu Dhabi Commercial Bank PJSC

RECEIVING BANKS

Abu Dhabi Commercial Bank PJSC (Joint Lead Receiving Bank)

First Abu Dhabi Bank PJSC (Joint Lead Receiving Bank)

Dubai Islamic Bank PJSC

Emirates Islamic Bank PJSC

Emirates NBD Bank PJSC

Mashreq Bank PSC

CO-LEADS

Sohar International Bank SAOG

Gulf Bank K.S.C.P.

National Investments Company K.S.C.P.

SICO BSC (C)

FINANCIAL COMMUNICATIONS ADVISOR

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ADGM

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