GCC Retail Industry

May 22, 2017

ALPEN CAPITAL

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"We are very optimistic on the GCC Retail Industry and despite some slowdown presently, we remain very positive for the future. As a matter of fact, we are investing huge in the infrastructure, acquiring new brands, building our digital platform, transforming our supply chain and so on.

Overall, the retail sector seems to be going through a metamorphosis. E-commerce remains the number one area of opportunity for the retailers in the GCC. Prestigious projects by reputed landlords and efforts from the Government to attract tourists will continue to fuel growth in the industry. Rentals will need to be corrected to justify the business case and keep the cost of doing business under check as margins continue to be under pressure due to e-commerce and globalization.

Given the global scenario and the fluctuation in oil prices, the retail industry's biggest challenge is luring the customer into the store and command the same margin. Over a period of time, cost of doing business has become exorbitant which has negatively impacted the profitability of the business. This is a time when all stakeholders right from brand owners to landlords and retailers need to come together and find a way to address this challenge and modify/amend the business model to reflect the new paradigm shift.

Simultaneously, we will see a great deal of consolidation amongst the organized retail industry and as a matter of fact, Apparel Group acquired seven brands locally from other operators in the year 2016. We will also see that with ever increasing supply of the retail space coming in, the rents will be normalized and will make more meaningful and economic viability for the retailers.

We expect the sector to remain strong and expand in the year ahead across the GCC, particularly in UAE, KSA and Qatar. In addition, many companies are navigating the new digital divide and facing an increasingly competitive landscape; thus it is vital for retailers to keep up with evolving technologies and consumer behavior. Omni channel is the best way to move forward. Retailers now need to map the customer's journey and ensure a seamless and consistent experience at every touch point. Lastly, we believe that data analytics and personalized customer experience is way to go for every retailer in the days to come."

Nilesh Ved, Chairman,

Apparel Group, UAE

"The retail stage has been changing in Qatar particularly over the last year and we expect it is going to be a very crowded retail market in the next two years with an oversupply of malls. We also see a surge in e-commerce activities with the Amazon acquisition of Souq.com as well as the launch of noon.com. Online retail is fast gaining in popularity and in Qatar we see the landscape transforming to accommodate e-tailers. We have taken initiatives to prepare ourselves as retailers to match up with developed markets such as USA and learn from these advanced markets with an objective to create a balance between online and offline retail as well as handle the support services."

Ashraf A.R Abu Issa, Chairman and CEO,

Blue Salon WLL, Qatar

"The Retail Industry in the Middle East, and particularly in the personal luxury goods sector, is going through challenging, yet exciting and promising times.

Challenging surely: since 2015, the Retail Industry in the Middle East has somehow been stagnating because of two short-term phenomena: on the one hand, fiscal adjustments made necessary by low oil prices dampened the appetite for personal luxury goods consumption and on the other hand, the increase of USD pegged GCC currencies have made local prices less competitive versus Europe for both tourists and well-travelled local consumers.

Most importantly, the Retail Industry has had to adapt to what we are calling the 'New Norm'. Now, Middle Eastern consumers – being more demanding, educated, price-savvy and connected – increasingly require memorable shopping experiences, access to the latest products and expect brands to offer curation, personalization and storytelling. This New Norm has led to specific market shifts: first, a shift in categories with for example vibrant make-up brands, super-active on social media and gaining traction versus fragrance; secondly, a shift in retail formats with standalone stores taking shares from statutory and established multi-brand retailers by strongly showcasing their brand identities and offering exclusive experiences to customers.

Exciting times also as we experience a new disruption in the region with the rise of everything digital. It surely isn't new to the region but it will drastically change the face of the retail industry over the years to come. E-commerce and m-commerce are exponentially growing with the entry of home-grown giants (such as noon.com) or with their acquisition by international giants (such as souq.com by Amazon).

In the likes of industries such as music, banking, hospitality or transportation, Retail is one of the last frontier for the digital disruption as agile start-ups develop new business models and participate in the reshuffling of the business environment. As such, retailers need to embrace this disruption. Digital will push traditional retailers to build hybrid journeys allowing customers to live seamless Offline-to-Online brand experiences. It may also contribute to bring the off-price channel, already increasingly successful, to another level.

Finally, a promising future ahead with a young, growing population full of dreams and aspirations and an increase of employment in the local workforce, especially women, the Middle Eastern middle-class is growing and young entrepreneurs are rapidly burgeon across the region so new consumers are arising, eager to stand out."

Patrick Chalhoub, CEO,

Chalhoub Group, UAE

"Generally speaking 2016 was a challenging year for the retail sector in the GCC and like most other retailers, Dubai Duty Free has felt the effect of a strong dollar and corresponding weakness in both developed market currencies (such as sterling and euro) and emerging market currencies, together with the associated drop in the number of Russian passengers and the changing buying habits of Chinese visitors. The introduction of restricted hand baggage allowances on both low cost and other airlines is another factor that has contributed to uncertainty in duty free shopping and we are working with the airlines on this issue.

On the positive side, we have seen an increase in spend by other nationalities, including the African passengers and the GCC and Indian travellers.

There are also opportunities in E-commerce and in 2016 our online platform resulted in sales of US$ 18 million. We therefore plan to build a stronger digital presence with a wider range and assortment than the 5,000 items on offer at the present time.

Despite all these combined strains for the retail environment, we were pleased with our sales performance of US$ 1.85 billion in 2016, especially with the opening of the 7,000 sq m retail space in Concourse D in February, which is doing quite well. We have also opened a new area in the Control Tower area between Concourse C and B, which is very attractive and which is doing very well.

So far in 2017 our sales have shown a slight increase on last year and there is a lot to look forward to in the coming months, including the improvement of our retail offer both in Dubai International Airport's Concourse C and the expansion of Al Maktoum International Airport's Passenger Terminal Building."

Colm McLoughlin, Executive Vice Chairman and CEO,

Dubai Duty Free, UAE

"The overall outlook for the GCC Retail Industry looks positive especially for UAE. We have seen a successful DSF 2017, the biggest retail event in UAE, followed by a successful Gitex. The consumer electronics industry in the UAE is expected to grow by around three per cent in 2017 to $11.8 billion. Though the past couple of years have been very challenging, we are now seeing momentum and the various initiatives of the Government such as EXPO 2020, focus on non-hydrocarbon sectors such as Aviation, Infrastructure, Healthcare, Entrepreneurship as well as making UAE a hub for innovation will go a long way in attracting the best talent from across the world and help grow the UAE economy. The shoppers in this region are tech-savvy with high spending power hence impacting the replacement cycle which in the region is shorter than the global average. This also acts as a catalyst for our line of business. The nascent E-commerce industry is going through a change, with most retailers focusing on an Omni Channel experience & adopting digital as the strategy; e-commerce is poised for major investments and growth from other businesses and retailers as consumers increasingly accept the online retail as a concept."

Nadeem Khanzadah, Head – Omni Channel Retail,

Jumbo Electronics Co. Ltd. LLC, UAE

"Our outlook for the GCC Retail industry is very positive and I believe the region has great future potential. Governments across the GCC have always been forward thinking and supportive of retail, tourism and hospitality and this will play a very important role in ensuring that the retail sector continues to grow. Over our decades of experience in the region, we have seen it become a global powerhouse, thanks to the vision and passion of the region's leadership. This remarkable leadership will continue to bolster growth in the retail sector across the GCC, especially with the expected influx of tourism due to upcoming large scale regional events. Technology will play an important role in aiding growth in the sector. If retailers can use retail technology, big data, social media and omni-channels to engage shoppers and create differentiated and exceptional experiences, connected shoppers will want to shop at their stores both online and in brick and mortar.

Today retailers are expanding their footprint, to reach previously underserved parts of the region to gain a competitive advantage. Businesses are using a mix of online and brick and mortar stores to strengthen their customer base. However, the way retail is being practiced is seeing change. Businesses that are willing to renew and reinvent themselves by prioritizing customer focus, new technology, and are willing to reimagine shopping experiences will continue to succeed in the years to come.

A major demographic swing is underway, with Millennials replacing Baby Boomers as the dominant generation. Millennials, and other digital native generations that will follow, bring with them a high-degree of technological savvy — as well as a host of new expectations for retailers. Customers, today are more connected to devices and data, more comfortable moving seamlessly across multiple media channels, and generally more informed than ever before. For possibly the first time in history, shoppers are in the driver's seat, not retailers. Retailers must learn to respond to the demands and needs of these consumers to survive and thrive in the coming years. These new connected shoppers will be focused on experience — and expect shopping to be personalized and tailored to them. More and more, shoppers will expect one-on-one connections and interactions with brands. Businesses need to learn to operate in this new seamless world, and create engaging customer-centric experiences.

We are going to see retail evolve quite rapidly in the region in the coming years. Change, while potentially challenging, brings opportunities for any retailer brave enough to move ahead of the wave. Retailers can implement solutions now to become more shopper-focused, and bring the future of retail to their stores today."

Renuka Jagtiani, Vice Chairperson,

Landmark Group, UAE

"We see the GCC Retail Sector display strong long term fundamentals which support the growth of the sector despite recent slowdown. The sector is poised to grow at a moderate pace in light of economic revival, favourable demographics, higher spending power, increase in tourist arrivals, governments' push towards economic diversification and a growing e-commerce market. . Other than the UAE, retail markets in the other GCC countries are under penetrated which provides attractive opportunities to retailers interested in expanding in the region. Mega events such as Expo 2020 in Dubai, FIFA World Cup 2022 in Qatar as well as the surge of religious tourism to Saudi Arabia will provide the much needed boost and fuel the growth of the sector.

The sector continues to face some challenges especially in the last two years given the economic slowdown. Despite a subdued business environment, the M&A sphere in the GCC retail sector has remained active over the past two years. We continue to see several intra-regional and cross border acquisitions in the market and we believe these will continue as retail companies look towards expanding their market base and size. Regionally, we also see a trend were business houses are looking to consolidate their operations and focus on their core business activity. All these factors will play an important role in reforming the region's retail landscape and contribute to its growth."

Rohit Walia, Executive Chairman,

Alpen Capital (ME) Limited

1. Executive Summary

The GCC retail sector continues to remain an active contributor to the region's economic development. A favorable demography, a high per capita income and an active tourism industry have attracted renowned international retail brands to the GCC. Changing consumer preferences and proliferation of digital devices are further reforming the region's retail landscape. Although the sector is experiencing a slowdown due to unfavorable economic conditions and currency movements, the long-term fundamentals of the sector remain strong. The numerous mall developments in the pipeline and growing penetration of supermarkets and hypermarkets are a testament to immense opportunities in the sector. Furthermore, government efforts to encourage foreign investments, to strengthen tourism infrastructure and prevent entry of counterfeit products are lending impetus to the GCC retail sector.

1.1 Scope of the Report

As an update to the Alpen Capital's GCC Retail Industry report dated January 27, 2015, this report presents a synopsis of the demand-supply dynamics of the retail industry across the GCC countries. The report also covers recent trends, growth drivers and challenges in the industry. It profiles some of the renowned retail companies in the GCC.

1.2 Sector Outlook

- Size of the GCC retail sector is forecasted to grow at a CAGR of 4.6% from US$ 250.5 billion in 2016 to US$ 313.2 billion in 2021. After witnessing a drop in 2016, retail sales are likely to grow at a slow pace in 2017, in view of the prevailing economic environment. Nevertheless, the sector is expected to recover in 2018 and grow steadily through 2021 driven by the anticipated rise in population, international tourist arrivals and per capita income.
- During the forecast period, total retail sales in the GCC nations are projected to grow by 3.3%-5.0%, with that in Saudi Arabia and Bahrain growing the fastest.
- Between 2016 and 2021, non-food retail sales are anticipated to grow at a CAGR of 5.3% led by the increasing number of youngsters and expatriates, who are propelling demand for innovative, trendy and international consumer products. During the period, food retail sales are likely to grow at an annualized rate of 3.5%, driven by the expanding consumer base and demand for health foods.
- Sales at supermarkets and hypermarkets are forecasted to grow at a CAGR of 4.3% between 2016 and 2020. A faster growth rate than food retail sales indicate the rising penetration of such stores.
- During the period, airport-based duty free sales in the Middle East are projected to grow at an annualized average of 7.9%, in anticipation of an increase in passenger traffic at the international airports. At the same time, sale of personal luxury goods in the region are expected to witness a steady growth of 3.2%, as the markets recover from economic downturn.
- At 80% occupancy, 6.2 million square meters (sq m) of retail space is likely to come up in the GCC in the five years to 2021, taking the total organized retail gross leasable area (GLA) to 18.6 million sq m. The rapid rise in supply amidst the economic slowdown may create an oversupply in the UAE, Qatar and Oman.

1.3 Key Growth Drivers

- The GCC population is expected to grow at an annualized rate of 2.3% between 2016 and 2021. An expanding consumer base, comprising a high proportion of young and working-class, is the major growth driver for the retail sector.
- GDP per capita (at current prices) in the GCC is projected to expand at a CAGR of 4.3% during the forecast period. Going ahead, an anticipated recovery in economic conditions is likely to boost consumer sentiments and spending.

- Tourist inflow will continue to rise, as the region is witnessing a spate of infrastructure and tourism-related developments. The mega events of World Expo 2020 in Dubai and 2022 FIFA World Cup in Qatar coupled with an anticipated rise in religious tourist arrivals in Saudi Arabia are likely to boost tourism activity.
- Increase in mall space is likely to attract several retailers to the region. Many large-scale and small neighborhood malls are under development in the GCC. About 85% of the projects are in Saudi Arabia, the UAE and Qatar.
- The retail e-commerce market in the GCC is expanding, given the increasing use of internet and social media, better access to secure payment gateways and gradual improvement in the delivery system.

1.4 Key Challenges

- The fall in oil prices have widened fiscal deficits of the GCC nations in the last couple of years. As a result, the governments have been introducing austerity measures, which on one hand are curtailing the spending power of consumers; while on the other hand increasing the operating costs of retailers.
- With expanding organized mall space and entry of several regional and international retailers, competition in the GCC retail sector is increasing.
- Rising penetration of retailers and subsequent demand for retail space have increased the lease rates in most of the GCC nations. Being a major cost component, high rents at shopping centers are affecting profitability of retailers.
- The ongoing expansion of the retail space will need a large number of workers. The employers may face a challenge in recruiting the right set of candidates, in view of high attrition rates and an increasing emphasis on nationalization of jobs.
- Counterfeiting has remained an area of concern for major retail brands in the GCC, as it has an impact not only on the brands' revenue but also on their image.
- With high dependence on import of consumer goods and growing e-commerce market, it is vital to have an efficient logistics system to reduce wastage and delays in delivery. Shortage of transport infrastructure coupled with inadequate cold storage and warehousing facilities may impair the sector growth.
- The currency peg of most of the GCC nations to the appreciating US Dollar has made the region an expensive tourist destination. Moreover, the peg has forced the member nations to increase interest rates in line with the rate hikes by the US Federal Reserve, creating an unfavorable credit environment.

1.5 Key Trends

- With spread of digital devices and increasing number of people connected over the internet, several retailers in the GCC are exploring the omnichannel business model, mainly in the grocery, apparel and footwear segments.
- The local business groups, who have master franchises of international brands, are adopting the sub-franchising model to focus on consolidating existing operations, while expanding geographic footprint without investing own capital.
- Changing consumer perception on the quality of private labels is increasing the demand for such products. In response, regional retailers are raising their investments in expanding the portfolio of store brands.
- High incidence of chronic diseases has prompted people in the GCC to adopt a healthier lifestyle. To benefit from this trend, modern retail stores are introducing health food products, increasing their visibility and running health campaigns.
- Some of the GCC cities are witnessing an increase in the number of community malls, as residents prefer to experience a relatively hassle-free shopping at such malls and stay away from crowds at prime malls.

Though the GCC retail sector has been under pressure for the last couple of years, it is poised to grow at a moderate pace in light of economic revival, expanding consumer base, increase in tourist arrivals, mega international events and a growing e-commerce market.

2. The GCC Retail Industry Overview

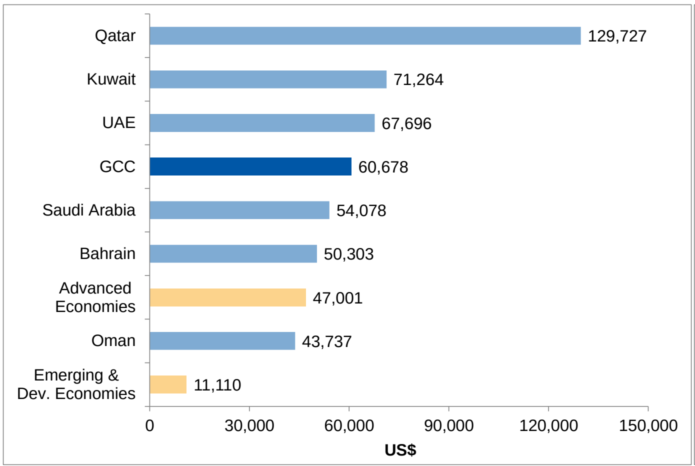
The GCC retail sector has remained attractive, owing to an expanding population base, high income levels and rising tourist arrivals, among others

The GCC retail sector has remained attractive, owing to an expanding population base, high income levels, rising tourist arrivals, evolving consumer preferences and the government push towards economic diversification. A low penetration of modern retail stores in the region compared to the developed nations, presents a significant growth potential for retailers. Moreover, the region has an active airport retail market, with Dubai being counted amongst the world's leading airports. Increasing number of tourist arrivals, in view of the regional governments' long-term tourism development plans, will aid growth.

High income levels and the resultant spending power have prompted a plethora of international companies to set up retail establishments across the region

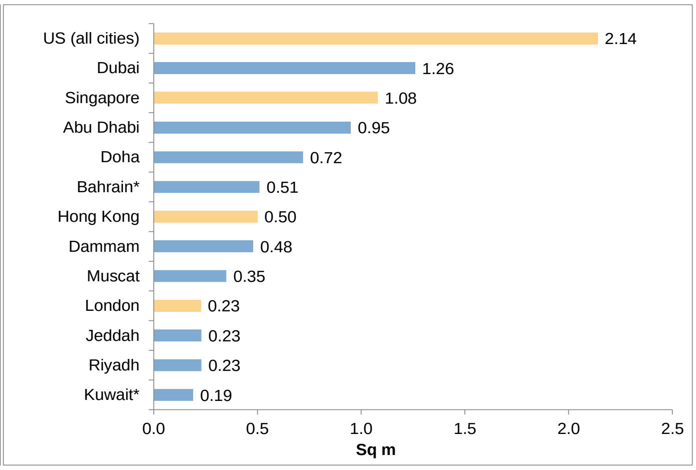
Presence of vast hydrocarbon reserves has positioned most of the GCC countries as the wealthiest nations in the world. Government focus on expanding the non-oil sector has further supported the economic growth. Measured by GDP per capita (in PPP terms), Qatar is ranked as the wealthiest nation in the world[1]. Kuwait, the UAE and Saudi Arabia also feature among the top ten richest countries. The per capita income of the GCC region stood at US$ 60,678 in 2016, higher than that of the advanced economies[2] (see Exhibit 1). Not just creating opportunities for the local retailers, high income levels and the resultant spending power have also prompted a plethora of international companies to set up retail establishments across the region. Nevertheless, retail GLA per capita in most of the major GCC cities remains well below that in the US and Singapore (see Exhibit 2), signifying the untapped potential of the region's retail industry.

Exhibit 1: GDP Per Capita (PPP) in the GCC (2016)



Source: IMF – October 2016

Exhibit 2: Retail GLA Per Capita in the GCC (2015)



Source: Colliers International, Real Estate Association of Kuwait, KAMCO Research, RHB Research, Cushman & Wakefield

**GLA of Manama and Kuwait City are not available, hence used country average*

The UAE and Saudi Arabia featured in AT Kearney's Global Retail Development Index 2016 as being among the world's top 10 retail investment destinations

The UAE and Saudi Arabia featured in AT Kearney's Global Retail Development Index (GRDI) 2016 as being among the world's top 10 retail investment destinations (see Exhibit 3). The overall index methodology has been changed in 2016 to include only the countries with population above five million[3]. While the UAE maintained its position in 2016, Saudi Arabia jumped from 17th to 8th position, due to an increase in its market attractiveness. The retail market in the Kingdom is riding on the back of growing inflow of pilgrims and its favorable demographics. A young demography is creating the need for housing, and hence, the demand for household goods, furniture and consumer electronics. On the other

[1] Source: "The Richest Countries in the World", Global Finance, February 13, 2017
[2] Source: "World Economic Outlook Database", IMF, October 2016
[3] Source: "The 2016 Global Retail Development Index", AT Kearney

hand, market saturation score in the UAE has dropped significantly, highlighting the increasing penetration of retailers from across the globe. A low-risk environment and demand for consumer goods from growing number of expatriates and tourists have been attracting retailers to the country.

Exhibit 3: GCC Country Rankings as per GRDI (2016)

Country	Market Attractiveness (0=low, 100=high)	Country Risk (0=high risk, 100=low risk)	Market Saturation (0=saturated, 100=not saturated)	Time Pressure (0=no time pressure, 100=urgency to enter)	GRDI Score	World Ranking
UAE	95.2	100.0	1.3	18.0	53.6	7
Saudi Arabia	91.2	64.9	21.3	31.5	52.2	8

Source: AT Kearney

While the GCC certainly offers a whole gamut of opportunities for retailers, the present environment is under pressure. A round of oil price meltdown has led to fiscal consolidation in the region, with regional governments announcing various austerity measures. Wage cuts, subsidy reduction, weak job market, inflation and the forthcoming introduction of value-added tax (VAT) have affected buying sentiments of the GCC consumers. Further, strengthening of the US Dollar has made the region an expensive destination for tourists from countries that have witnessed the currency depreciation. Against this backdrop, retail sales in most of the GCC markets have slowed down in recent years. However, the retail real estate pipeline appears strong in most of the markets and the average rents at prime malls have remained stable.

2.1 Country-wise Retail Market Overview

Non-food retail sales accounted for more than half of the retail sales in the region's largest markets

Saudi Arabia and the UAE are the largest retail markets in the GCC, accounting for 71.0% of the GCC retail market in 2016[4]. Retail sales of these countries contributed above 17% to their economy in 2016. Non-food retail sales accounted for more than half of the retail sales in the region's largest markets and grew at a ~5% CAGR between 2012 and 2016. Food retail sales grew at a relatively slower pace during the period. The UAE is the most developed and mature retail market in the GCC, with Dubai showing signs of saturation. While prime malls in Dubai are enjoying high occupancy and stable rents, secondary malls are facing the heat of slowdown in demand. Excluding the UAE, retail market in the other GCC countries remain under penetrated. However, occupancy and rents are coming under pressure as several projects are nearing completion, particularly in Oman and Qatar, amidst the dampened consumer spending. The retail sector is also undergoing changes in terms of increase in opening of convenience stores, adoption of online retail and use of technology to remain competitive.

UAE

Increasing number of expatriates, ultra high net worth individuals[5], fashion-conscious young population and international passenger arrivals coupled with a friendly business environment have shaped the retail ecosystem in the UAE. The industry contributed 17.8%

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[4] Source: "Consumer goods and retail report UAE", Economist Intelligence Unit (EIU), February 2017; "Consumer goods and retail report Saudi Arabia", EIU, January 2017; Alpen Capital
[5] People with investable assets of at least US$ 30 million; Source: "The Wealth Report 2017", Knight Frank

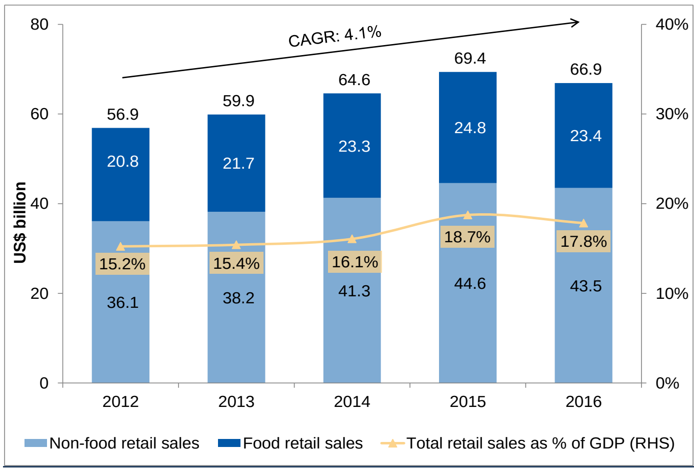
The retail industry contributed 17.8% to the UAE's GDP during 2016 and remained a dominant force behind economic diversity

to the country's GDP (at current prices) during 2016[6] (see Exhibit 4) and remained a dominant force behind economic diversity. Dubai is one of the most appealing international shopping destinations, and its month-long annual shopping festival attracts hordes of tourists from all over the world. Abu Dhabi is also fast gaining prominence with proliferation of retail establishments. Presence of nationalities from various countries has carved a demand for international foods and retail brands in the UAE. In response, many international retailers have established a foothold in the country. The UAE also has an enticing luxury market, offering a plethora of renowned apparel, cosmetic and watch brands, among others. The airports at Dubai and Abu Dhabi are major transit hubs and witness strong duty free sales each year, due to the extensive global network of the world-class airlines such as Emirates Airlines and Etihad Airways.

Measured over a period of four years to 2016, value of retail sales in the UAE grew at a CAGR of 4.1% to US$ 66.9 billion

Measured over a period of four years to 2016, value of retail sales in the UAE grew at a CAGR of 4.1% to US$ 66.9 billion[6]. Non-food retail sales, accounting for over 64% of the total retail market, increased at an annual average of 4.8% during the period, while food retail sales grew by 3.0%. Although the UAE retail market remained resilient to economic slowdown in 2015, it came under pressure in 2016 due to a subdued consumer spending. Consequently, retail sales volume declined by ~5% y-o-y and value dropped by 3.6% during the year (see Exhibit 5). Spending by locals may continue to remain muted in view of reduction in subsidies on energy and utilities[7], imposition of municipal fees on housing rent[8] and the planned introduction of VAT. Nevertheless, growth will be supported by an active tourism industry, a chief driver of retail sales in the country. Despite the appreciation of the US Dollar to which the local currency is pegged, tourist arrivals to the UAE increased by over 5% y-o-y in 2016 to nearly 18 million[9]. The growth was supported by a 14% y-o-y increase in tourist arrivals to Dubai from Russia, as the Ruble began to appreciate in the second half of 2016. In 2014 and 2015, the devaluation of Ruble had resulted in a respective 23.5% and 50% drop in Russian visitors to the city[10]. The tourism sector will continue to expand, as the country unveils new tourist attractions ahead of the World Expo 2020 and grants visa on arrival to the Chinese and Russians.

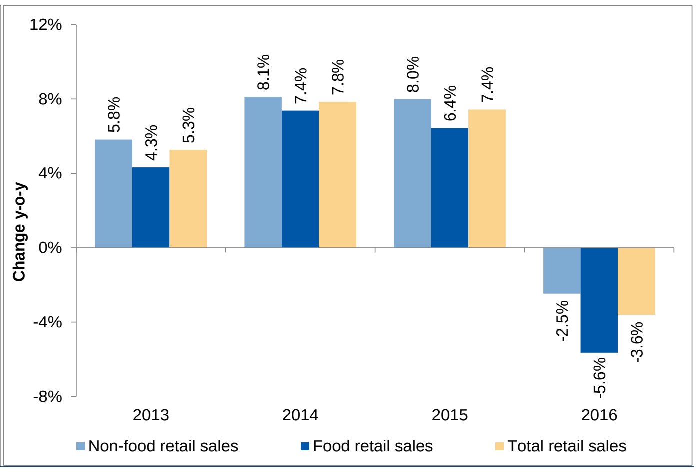
Exhibit 4: Retail Sales in the UAE



Source: EIU, IMF – October 2016

Note: The above mentioned proportion to GDP is at current prices

Exhibit 5: Change in Retail Sales in the UAE



Source: EIU

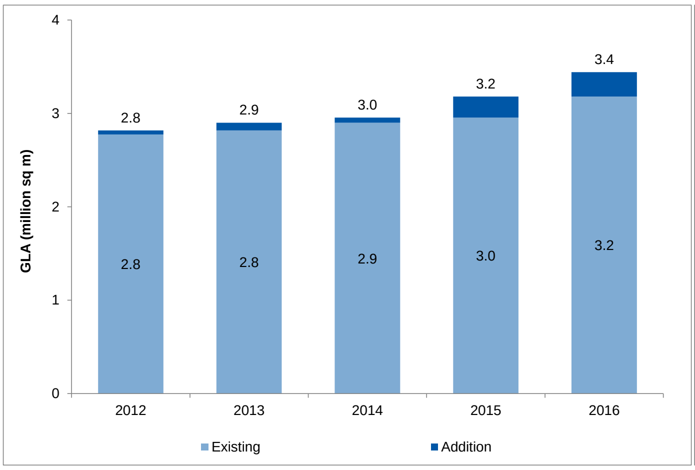
Note: As the food and non-food sales data for 2011 is not available, the above chart does not present growth in 2012

6 Source: "Consumer goods and retail report UAE", EIU, February 2017; IMF
7 Source: "Subsidy reforms to spur development in UAE", Khaleej Times, July 23, 2015
8 Source: "Abu Dhabi sets 3% of annual rent as fee for companies and expats", Emirates 24/7, April 14, 2016
9 Source: "Dubai Tourism 2016: Performance Report", Dubai Corporation of Tourism & Commerce Marketing, January 23, 2017; Abu Dhabi Tourism & Culture Authority
10 Source: Dubai Department of Tourism and Commerce Marketing

As of end-2016, retail GLA in Dubai and Abu Dhabi was 3.4 million sq m and 2.6 million sq m, respectively

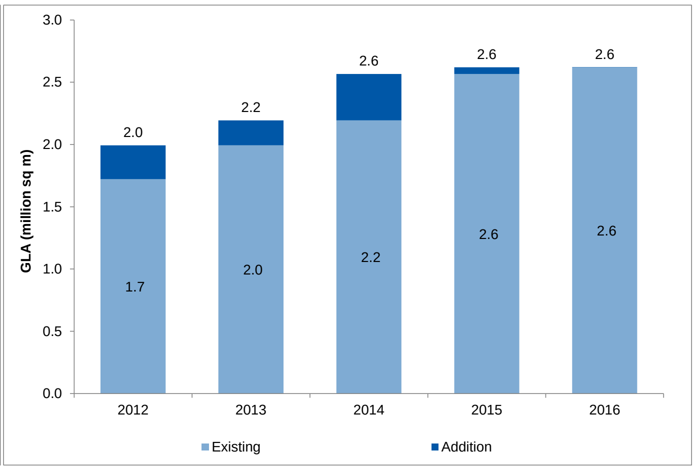
On the supply side, the retail market in the country is saturating[11]. Nonetheless, several retail projects are still under development phase. The developments are planned to cater to the anticipated rise in population and tourist arrivals, as the country is set to host the World Expo 2020 and continues to diversify its revenue base. Dubai accounts for nearly half of the retail space in the UAE, followed by Abu Dhabi at 36%[12]. As of end-2016, retail GLA in the two cities was 3.4 million sq m and 2.6 million sq m, respectively[13] (see Exhibits 6 and 7). Nearly 90% of the retail space in Dubai is managed by large business groups of Emaar, Nakheel, Majid Al Futtaim, Meraas and Al-Futtaim[12]. Some of the prominent mall developers in Abu Dhabi include Aldar Properties and Al Farwaniya. In terms of additions in the five years to 2016, Abu Dhabi witnessed the largest addition of over 900,000 sq m, most of which came during 2012–2014[13]. Dubai has also seen a large increase in GLA in recent years, as properties are being delivered ahead of the expo event. Despite the increase in supply at a time of slowdown, average rents at retail outlets in Abu Dhabi and Dubai remained almost unchanged at US$ 662 and US$ 1,336 per sq m (psm), respectively, during 2016. In Dubai, one of the largest developer, Emaar Malls, increased base rents at its properties by 25% in 2015 and 29% in 2016[14]. Such high rentals are likely to affect the profitability of retailers. Despite the high rents, demand for space at prime malls continues to remain strong. This is evident from the fact that the occupancy rate at Mall of Emirates, Dubai Mall and Ibn Battuta Mall was nearly 100% in 2016[15]. However, some of the other malls in Dubai are witnessing store closures. Overall, the vacancy rates in Dubai increased slightly to 9% at the end of 2016, while that in Abu Dhabi remained stable at 2%. With a raft of retail spaces expected to come on stream, retail rents particularly at secondary malls in Dubai may see a correction.

Exhibit 6: Supply of Retail Space in Dubai



Source: JLL

Exhibit 7: Supply of Retail Space in Abu Dhabi



Source: JLL

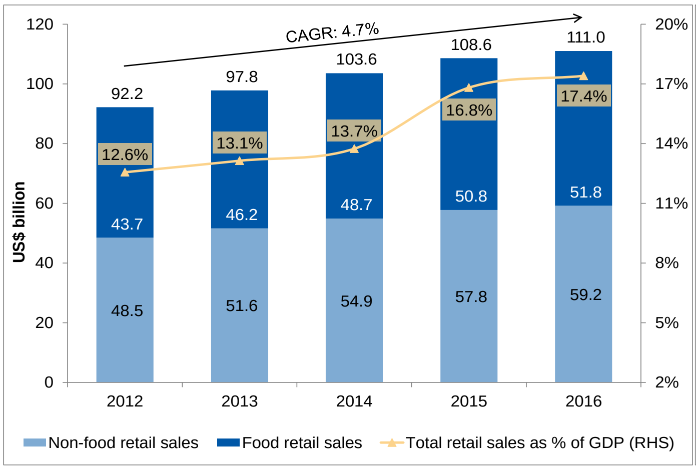
[11] Based on the market saturation score in the GRDI 2016
[12] Source: "Do Buy Dubai", Press Reader, March 7, 2017
[13] Source: UAE Real Estate Market Overview reports, JLL
[14] Source: Results Presentations, Emaar Properties
[15] Source: "Widespread fragmentation in a mixed market environment", CBRE, January 17, 2017

Saudi Arabia

Retail sales value in Saudi Arabia grew from US$ 92.2 billion in 2012 to US$ 111.0 billion in 2016, a CAGR of 4.7%

Increasing urbanization, growing young population and westernized consumption patterns are transforming the retail market in Saudi Arabia. There is an increasing exposure of the young to global trends and social media, which has propelled the demand for contemporary brands. Additionally, an increasing number of pilgrims to the holy cities of Makkah and Madinah are supporting retail sales in the country. Retail sales value in the Kingdom grew from US$ 92.2 billion in 2012 to US$ 111.0 billion in 2016, a CAGR of 4.7%[16] (see Exhibit 8). Non-food retail sales accounted for 53.3% of the retail market in Saudi Arabia in 2016. The overall retail sales value growth was much slower at 2.2% y-o-y in 2016, compared to a steady growth of around 5%-6% in the previous years (see Exhibit 9). This underlines the sales volume decline of 1.4% during the year on the back of cuts in subsidies and public sector allowances as well as higher unemployment.

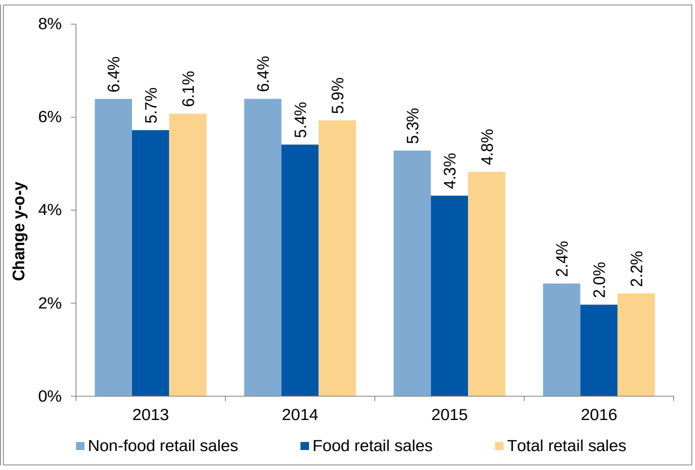
Exhibit 8: Retail Sales in Saudi Arabia



Source: EIU, IMF – October 2016

Note: The above mentioned proportion to GDP is at current prices

Exhibit 9: Change in Retail Sales in Saudi Arabia



Source: EIU

Note: As the food and non-food sales data for 2011 is not available, the above chart does not present growth in 2012

While dampened consumer confidence and the forthcoming introduction of VAT are likely to weigh on the retail sector, an anticipated stability in oil prices and increase in tourist arrivals can restore industry growth, going ahead. Moreover, the government's recent decision to allow 100% foreign direct investment in retail and wholesale businesses is expected to bolster the sector further[17]. Entry of new players will bring along technology advancements, improve customer experience and create jobs. In addition, intensification of competition may lead to lower prices, which will support consumption.

Although the traditional store formats form a large segment of retail, the organized mall space is growing in urban cities of Riyadh, Jeddah and Dammam

The retail ecosystem of Saudi Arabia comprises of organized shopping malls and traditional store formats (souqs and bakalas[18]). Although the traditional store formats form a large segment of retail, the organized mall space is growing in urban cities of Riyadh, Jeddah and Dammam. With a larger land area and population compared to all its GCC counterparts, the country offer retailers a substantial room for expansion. As of end-2016, the three major cities collectively had a retail GLA of 3.7 million sq m, an increase of about 470,000 sq m over 2013[19]. During the period, Riyadh saw the largest addition of 230,000

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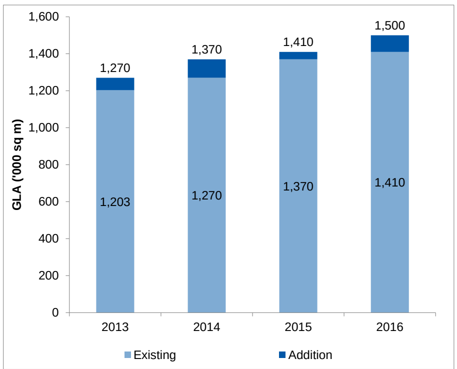
[16] Source: "Consumer goods and retail report Saudi Arabia", EIU, January 2017
[17] Source: "KSA opens retail sector to more foreign investment", Arab News, June 15, 2016
[18] Small grocery stores located at the corners of neighborhood
[19] Source: KSA Real Estate Market Overview reports, JLL

The retail landscape in Riyadh has developed swiftly, with malls mostly concentrated in the central and northeast areas

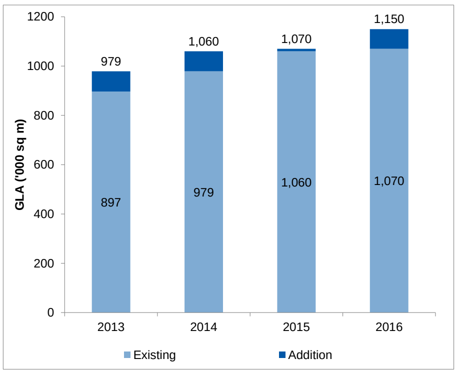
sq m, followed by 171,000 sq m in Jeddah (see Exhibits 10 and 11). The retail landscape in Riyadh has developed swiftly, with malls mostly concentrated in the central and northeast areas. The city's limited entertainment options are drawing increasing number of people to the malls. The recent additions in the city were small convenience and neighborhood centers. The average occupancy rate in the shopping centers in Riyadh remained stable at 93% and the average rent grew by 3.0% y-o-y to US$ 773 psm in 2016[20]. Although rent increased on a y-o-y basis, it has declined in the last two quarters of 2016 on account of subdued household spending. Jeddah also witnessed a similar consumer sentiment coupled with an increase in supply of retail space. As a result, the average rent declined by 6.2% y-o-y to US$ 727 psm in 2016. Vacancies at the city's retail establishments increased in the second half of 2016, with the occupancy rate averaging 91% in 2016. In view of the slowdown, the developers are putting their retail expansion plans on hold. The retail market in Dammam competes with that in Bahrain, due to the proximity via King Fahd Causeway. Shopping centers in the city have a high occupancy rate of 97% (2016), due to limited supply of quality shopping malls. The city has over 1.0 million sq m of mall-based retail GLA (see Exhibit 12), commanding an average lease rate of US$ 618 psm. While weakness in consumer spending is affecting retailers in Riyadh and Jeddah, the retailers in Dammam may benefit as the inhabitants are likely to shop locally rather than spending on travelling to Bahrain for shopping.

Exhibit 10: Supply of Retail Space in Riyadh



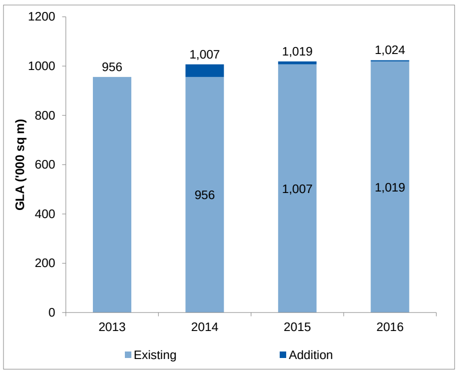
Source: JLL

Exhibit 11: Supply of Retail Space in Jeddah



Source: JLL

Exhibit 12: Supply of Retail Space in Dammam



Source: JLL

Note: The addition during 2013 is not available

Qatar

Size of wholesale and retail trade in Qatar grew at a CAGR of 11.7% between 2012 and 2016 to US$ 15.3 billion, accounting for ~10% of the GDP

Revenue diversification efforts and the consequent development of massive infrastructures and tourist attractions are drawing migrant workers and tourists. In the last five years, population and international tourist arrivals in the country have risen at the respective CAGRs of 8.6% and 7.2%[21]. Qatar's growing population is also the wealthiest in the world, with the country's GDP per capita (in PPP terms) recorded at US$ 129,727 in 2016[22]. Such favorable macroeconomic factors have enticed several international and regional retailers to establish presence in Qatar. Size of its wholesale and retail trade[23] grew at a CAGR of 11.7% between 2012 and 2016 to US$ 15.3 billion, accounting for ~10% of the

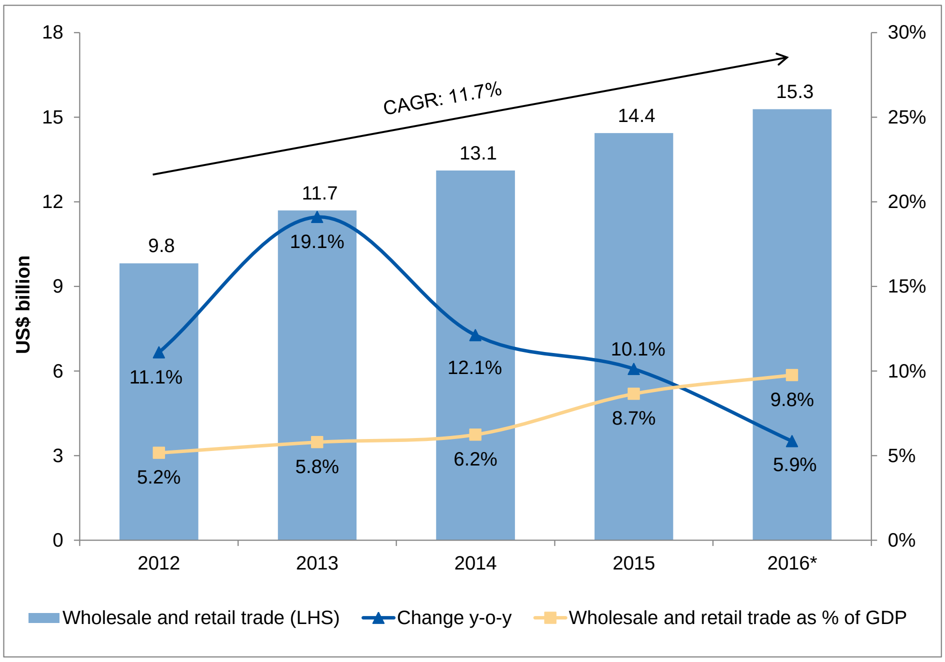
[20] Source: KSA Real Estate Market Overview reports, JLL
[21] Source: IMF, Qatar Tourism Authority, Qatar Ministry of Development Planning and Statistics
[22] Source: "The Richest Countries in the World", Global Finance, February 13, 2017; IMF
[23] Since retail trade value is not available consistently across the GCC countries, we have used wholesale and retail trade to depict the trend in demand for consumer products

GDP[24] (see Exhibit 13). Although the pace of growth decelerated in 2016 owing to an adverse economic climate, the wholesale and retail trade contribution to GDP has increased over the years, indicating the growing prominence of the industry.

Presence of an affluent consumer base, particularly in Doha, has attracted luxury retailers to the city

Presence of an affluent consumer base, particularly in Doha, has attracted luxury retailers to the city. Despite the economic slowdown, spending on luxury goods by people in Qatar has remained strong. With more organized retail space coming on-stream ahead of the 2022 FIFA World Cup, several premium international brands are likely to enter the market. The recently-opened Mall of Qatar, spread over 5.4 million square feet (sq ft), signed an agreement with Doha-based Abu Issa Holding to rent out shops for 15 high-end brands including Godiva Cafe, Yves Delorme, Hartmann, Samsonite, Voulez Vous and Bugatti[25].

Exhibit 13: Wholesale and Retail Trade in Qatar



Source: Qatar Ministry of Development Planning and Statistics, Bloomberg, IMF

*Note: Local currency figures are converted into US$ using the annual average exchange rate, * Preliminary figures, The above numbers are based on current prices*

At the end of 2016, 15 malls spread over an area of 838,000 sq m were operational in Doha, the retail hub of Qatar

Even as traditional souqs and standalone outlets form a major part of the retail landscape in Qatar, the space occupied by organized retail malls is growing rapidly. Doha remains the retail hub of the country. At the end of 2016, 15 malls spread over an area of 838,000 sq m were operational in the city[26] (see Exhibit 14). Nearly half of the GLA was added in the last five years, with the significant addition coming from the Mall of Qatar in 2016. Demand for retail space appears to be robust, with most of the retail space being occupied and the premium malls having a wait list. As a result, retail rents at prime malls are rising. The monthly rents at existing malls in Doha range between QAR 170 and QAR 300 (US$ 47 and US$ 82) psm. Nine new malls are under construction in the city, which once delivered, will add over one million sq m of GLA[26].

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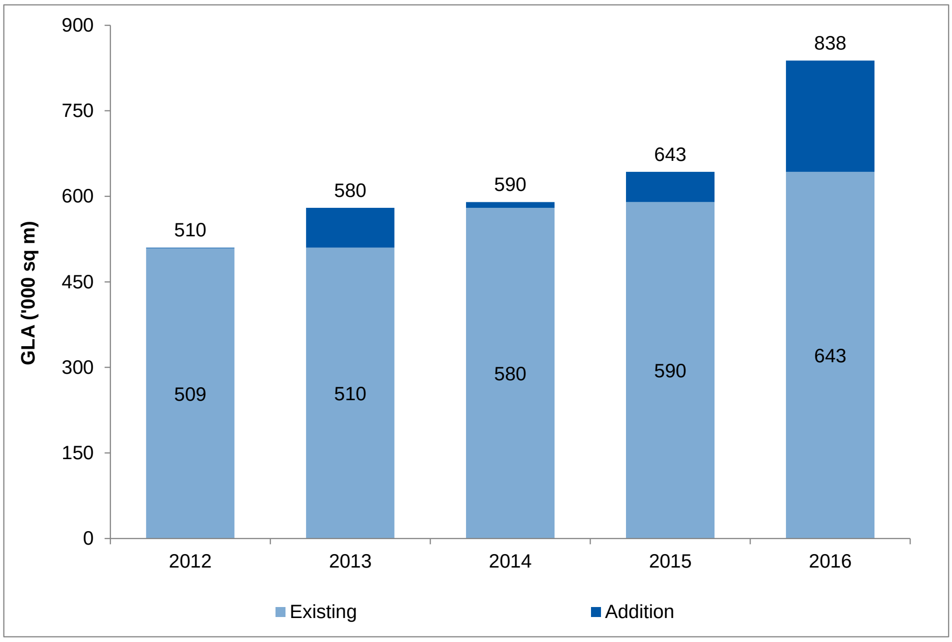
[24] Source: Qatar Ministry of Development Planning and Statistics, Bloomberg, IMF;
[25] Source: "Mall of Qatar to add 15 luxury retail stores", Arabian Business, May 22, 2016
[26] Source: "Property Times", DTZ Research, December 31, 2016

Exhibit 14: Supply of Retail Space in Qatar



Source: DTZ Research

Kuwait

The retail market in Kuwait is driven by rapid urbanization, growing population, relatively high purchasing power and increase in the number of organized shopping centers

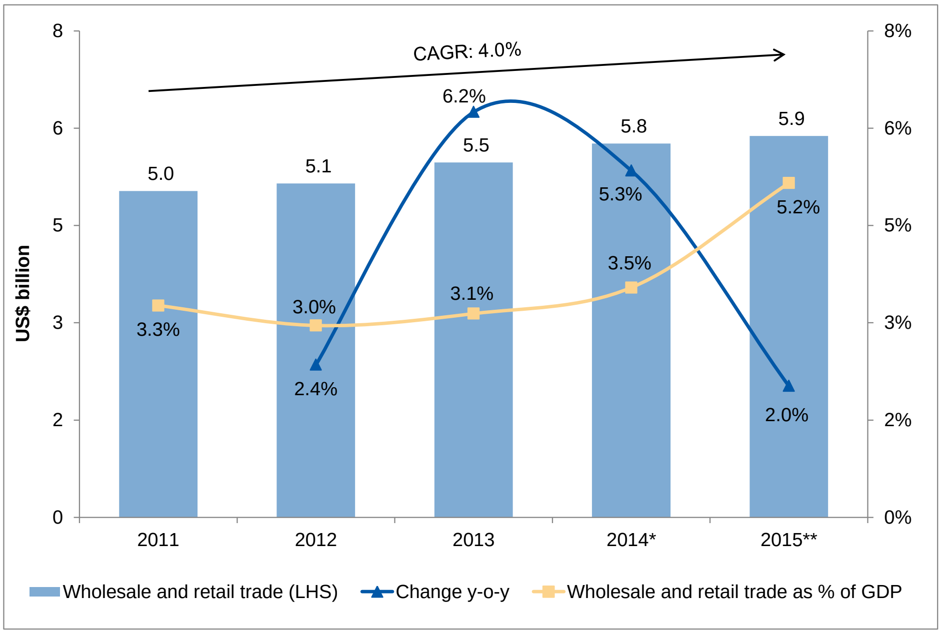
The retail market in Kuwait is driven by rapid urbanization, growing population, relatively high purchasing power and increase in the number of organized shopping centers. With a GDP per capita (in PPP terms) of US$ 71,264, fourth highest in the world[27], the country has a high standard of living, and hence, is a key destination for luxury retailers. Like some of the other GCC nations, Kuwait is home to luxury brands like Burberry, Chanel, Christian Dior, Louis Vuitton and Prada. Presence of a young and diverse consumer base is enabling growth of the modern retail store formats, alongside development of large and community malls. While large supermarket and hypermarket operators like Geant, Carrefour and LuLu have established foothold in the country, the modern retail segment is still under-penetrated. The retail market is dominated by Sultan Center and the Kuwaiti Union of Cooperative Societies, who operate small convenience stores that offer less variety compared to the hypermarkets.

Wholesale and retail trade in Kuwait grew at an annualized average of 4.0% to US$ 5.9 billion between 2011 and 2015

Wholesale and retail trade in Kuwait grew at an annualized average of 4.0% to US$ 5.9 billion between 2011 and 2015[28] (see Exhibit 15). Growth slowed in 2015 due to fall in consumer spending, in tandem with the drop in oil prices. Moreover, the growth in value of point of sale transactions slowed during 2016[29], suggesting a decrease in household spending. Consumer sentiments continue to remain muted, as they are facing challenges pertaining to inflation and subsidy reforms[30].

[27] Source: "The Richest Countries in the World", World Atlas
[28] Source: Kuwait Central Statistical Bureau, Bloomberg
[29] Source: "Kuwait Credit Growth Averages 7% in 2016", Kuwait Times, February 15, 2017
[30] Source: "Kuwait Retail Report", BMI Research, January 1, 2017

Exhibit 15: Wholesale and Retail Trade in Kuwait



Source: Kuwait Central Statistical Bureau, Bloomberg, IMF

*Note: Local currency figures are converted into US$ using the annual average exchange rate, * Revised ** Provisional, The above numbers are based on current prices*

In terms of retail supply, the country has the region's lowest GLA per capita of 0.19 per sq m, thus offering ample room for new entrants

In terms of retail supply, the country has the region's lowest GLA per capita of 0.19 per sq m, thus offering ample room for new entrants. Total retail space in Kuwait is estimated to be above 770,000 sq m[31], and the organized segment is increasing its penetration. Thirteen key retail properties together covered a GLA of 546,208 sq m at the end of March 2016[32]. These properties had an average occupancy of 99.1% and quoted an average monthly rent of KWD 25.2 (US$ 83.4[33]) psm. One of the key properties, The Avenues Mall, is the largest mall in the country and is being developed in four phases at an estimated cost of US$ 2 billion[34]. Having an existing GLA of 270,000 sq m[35], the mall is undergoing the last phase of construction that will add 95,000 sq m. Other prominent retail spaces include 360 Kuwait (82,000 sq m), Marina Mall (35,379 sq m) and Al Hamra Luxury Centre (24,000 sq m).

Oman

Increasing population and international tourist arrivals have been the vital driving forces of the retail market in Oman

Increasing population (+5.7% CAGR between 2011 and 2016) and international tourist arrivals (+16.8% between 2011 and 2015) have been the vital driving forces of the retail market in Oman. A high composition of young and working class has led to a shift in consumer preferences towards international foods and western products. This is further supported by an increase in household spending power over the years on account of the economic diversification and government-mandated pay hikes for nationals. Such favorable factors have allured several retailers to Oman.

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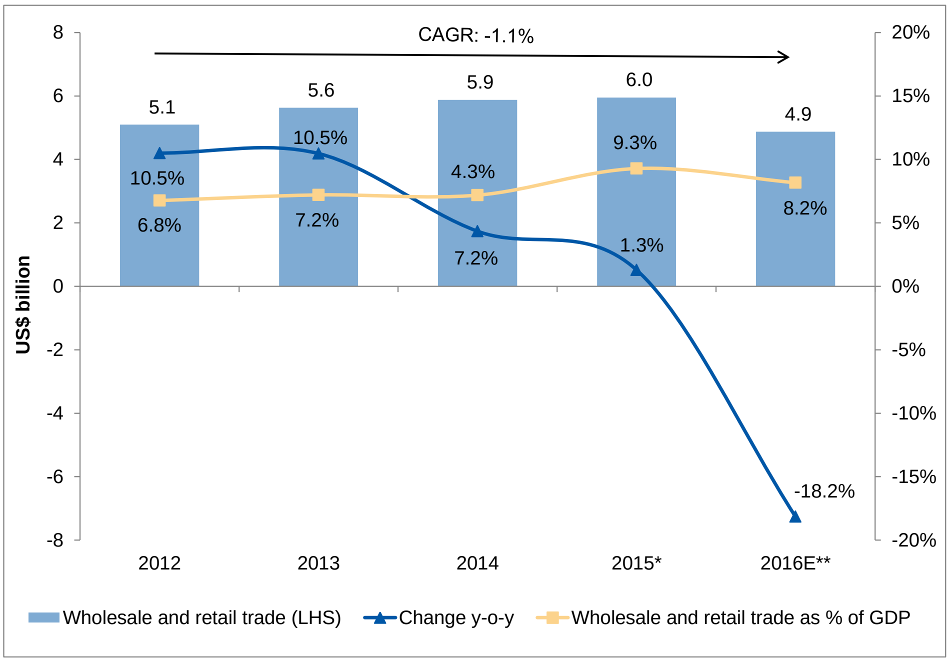
[31] Source: "Mabanee – Growth not priced in!", KAMCO Research, January 2016
[32] Source: "Kuwait Retail Space Report", Real Estate Association, April 2016
[33] Converted at exchange rate of 3.315
[34] Source: The Avenues
[35] Source: "Kuwaiti luxury retail market thrives", Oxford Business Group,

Oman's wholesale and retail trade stood at US$ 4.9 billion in 2016 compared to US$ 5.1 billion in 2012

While the long-term fundamentals remain strong, the retail market is presently under pressure due to economic slowdown. The impact on the retail sector has been higher compared to its GCC counterparts. The country's wholesale and retail trade stood at US$ 4.9 billion in 2016 compared to US$ 5.1 billion in 2012[36] (see Exhibit 16). Growth decelerated since 2014 and slumped by 18.2% in 2016. Weak consumer sentiments, on account of subsidy cuts, are the major factor behind the drastic decline in retail sales. Consumers are becoming cautious and focusing on buying essential items. Their spending power may further come under pressure, as the government plans to introduce selective taxes in 2017[37].

Exhibit 16: Wholesale and Retail Trade in Oman



Source: National Centre for Statistics & Information – Oman, Bloomberg, IMF

*Note: Local currency figures are converted into US$ using the annual average exchange rate, * Provisional, ** Annualized based on trade value during nine months 2016, E – Estimated, The above numbers are based on current prices*

The country's retail landscape is concentrated in the hands of standalone retail outlets and has only a few regional and international retailers

The country's retail landscape is concentrated in the hands of standalone retail outlets and has only a few regional and international retailers. As consumers look for a wholesome shopping experience combined with entertainment, the retail market in the country is transforming to accommodate large leisure shopping complexes. Supply of retail space has gained steam in the last two years, which saw addition of large shopping centers like Avenues Mall (GLA of 80,000 sq m), Oasis Mall (GLA of 35,600 sq m) and Panorama Mall (GLA of 21,000 sq m), among others[38]. The organized malls and standalone retail outlets are largely concentrated in Muscat. Overall, the city has about 345,000 sq m of leased mall space. There are many retail projects underway, including Palm Mall Muscat (105,000 sq m at a cost of US$ 234 million), Mall of Oman (137,000 sq m at a cost of US$ 715.2 million) and some community centers. The UAE-based Majid Al Futtaim plans to invest US$ 1.3 billion on retail developments in Oman by 2020[38].

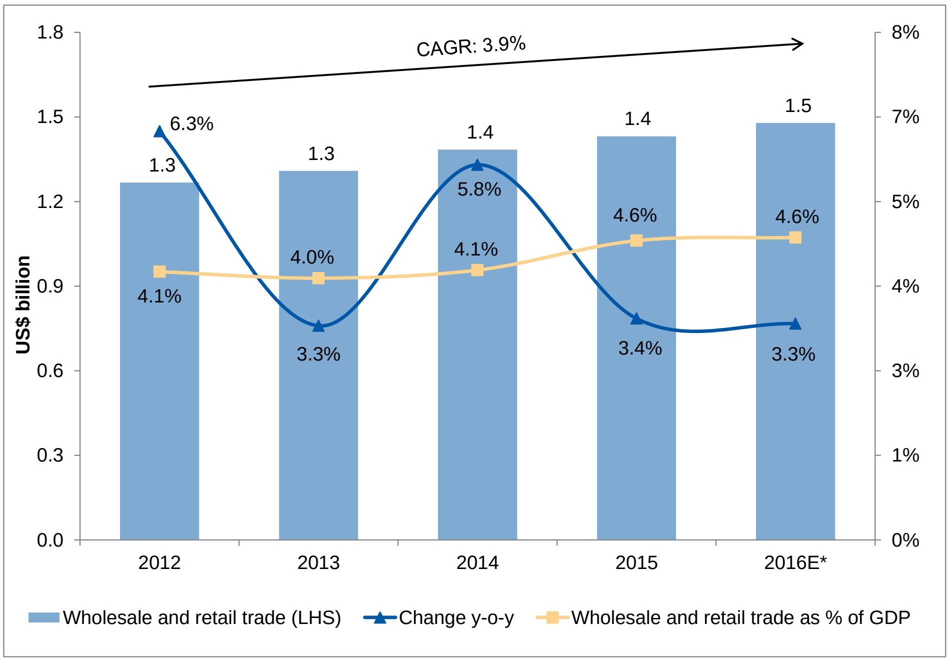
[36] Source: National Centre for Statistics & Information – Oman, Bloomberg
[37] Source: "Oman introduces set of measures to face sharp decline in revenues", Gulf News, January 2, 2017
[38] Source: "Omani retail space set for rapid expansion", Zawya, December 23, 2016

Bahrain

Wholesale and retail trade in Bahrain grew at a compounded annual average of 3.9% between 2012 and 2016 to US$ 1.5 billion

Despite being a small country by size and population, Bahrain's retail market is growing, largely driven by tourism. The retail market in Bahrain is a shopping hub for tourists from Saudi Arabia, who arrive during the weekends via the King Fahd Causeway. The country hosted 11.6 million tourists in 2015, of which over 80% arrived via this road link[39]. Wholesale and retail trade in the country grew at a compounded annual average of 3.9% between 2012 and 2016 to US$ 1.5 billion[40] (see Exhibit 17). Although the trade value continued to increase, the growth has slowed down in last couple of years because of the economic slowdown. Nevertheless, the growing tourism sector is likely to lend support. With the government promoting the country as a tourism destination, Bahrain is set to witness an increasing flow of visitors from across the globe.

Exhibit 17: Wholesale and Retail Trade in Bahrain



Source: Information & eGovernment Authority – Bahrain, Bloomberg, IMF

*Note: Local currency figures are converted into US$ using the annual average exchange rate, * Provisional, The above numbers are based on current prices*

A major trend observed in Bahrain in the last few years has been the development of community shopping centers with dining options

International retailers such as Geant and Carrefour, along with the regional player, LuLu Hypermarket, are expanding presence in the Kingdom. A major trend observed in the last few years has been the development of community shopping centers with dining options. People in Bahrain prefer to visit such centers for entertainment and shopping, while avoiding traffic congestion on the way to large malls in the city[41]. Nevertheless, the organized mall space also continues to increase to cater to the rising tourist arrivals. Retail rents have remained steady in the last one and half years[42], with the monthly rents averaging BHD 28 (US$ 73.2[43]) psm at sub-regional malls and BHD 12 (US$ 31.4) psm at

[39] Source: "Bahrain witnesses 10% surge in tourist arrivals", Bahrain News Agency, October 19, 2016
[40] Source: Information & eGovernment Authority – Bahrain, Bloomberg, IMF
[41] Source: "Bahrain Retail – Changing Expectations", BizBahrain, April 12, 2016
[42] Source: "Bahrain Property Market Outlook Winter 2016/17", Cluttons
[43] Converted at exchange rate of 2.613

neighborhood shopping centers[44]. The rents are expected to stay muted in 2017, in view of dampened consumer sentiments and only few upcoming retail developments.

2.2 GCC Supermarket/Hypermarket Overview

The region's modern retail landscape is dominated by hypermarkets that are mainly located within large shopping centers

A high composition of expatriates from different parts of the world has led to demand for international foods and other consumer products in the GCC. Alongside, rapid urbanization and high income levels are the other major factors enabling modernization of the retail market in the region. Modern retail outlets include supermarkets, hypermarkets, discount stores and convenience stores. Consumers find it hassle-free to shop at such organized establishments, as they offer a wide range of products at competitive prices in a convenient set-up. The region's modern retail landscape is dominated by hypermarkets that are mainly located within large shopping centers. Grocery sales account for the largest part of revenue of such modern stores. During 2014, groceries accounted for over 60% of total hypermarket sales and 81% of supermarket sales in the UAE, the largest retail market in the GCC[45].

Penetration of the modern grocery outlets is high in Bahrain and the UAE at 65% and 62%, respectively, and lowest in Kuwait at 45%

Penetration of the modern grocery outlets is high in Bahrain and the UAE at 65% and 62%, respectively, and lowest in Kuwait at 45%[46]. Penetration rates in the other GCC countries range between 52%-56%. Large local and international retail groups dominate the modern grocery market in the UAE. Hypermarket brands such as Carrefour (through Majid Al Futtaim) and LuLu accounted for 35% of the grocery market in 2016[47]. The other major retailers include Spinneys, Choithrams, Al Maya and Al Safeer. Some of these large retailers continue to expand in the country as well as the larger region. Carrefour is expanding its presence in Dubai with the planned opening of eight supermarkets and two hypermarkets in 2017[48]. Even as the large store formats expand, the country is witnessing an increase in the number of convenience stores, as retailers change their focus in the midst of a challenging retail environment, subdued consumer spending and high real estate costs. A smaller-store format enables the retailers to save costs as well as have a wider geographical presence. Moreover, people are also preferring to buy their daily grocery from stores located within their vicinity amidst busy lifestyles and increasing road traffic. The retailers in the country are looking to expand in new residential and commercial complexes, which are being developed at places away from the existing shopping centers. Some of the convenience store concepts introduced by large retailers include LuLu Express and Carrefour City. Emirates National Oil Co. has announced plans to open 30 convenience stores annually under the Zoom brand to reach a total of 500 such stores by 2025[49]. With development of new shopping malls and multi-purpose commercial complexes ahead of the World Expo 2020, modern retail formats will continue to expand.

Compared to the UAE, the modern retail market in Saudi Arabia is under-penetrated. Although the Kingdom continues to be dominated by bakalas, modern retail grocery store formats are growing rapidly with presence of retail giants such as Carrefour, Panda Retail Co. and Saudi Hypermarket Co. LLC. Panda Retail Co. is the leading grocery retailer, holding an 8% market share in 2016[50]. The company expanded its number of convenience stores from 23 in 2013 to 282 in 2015. However, the company closed about 100 outlets in 2016 due to high operating costs, alongside economic slowdown. Although the challenging economic environment is likely to affect the modern retail market in the short-term, the

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[44] Source: "Bahraini market remains positive despite challenges", Image Retail ME, February 14, 2017
[45] Source: "Grocery Retail Trends in the United Arab Emirates", Agriculture and Agri-Food Canada, February 2016
[46] Source: "Opportunities for Supply Chain Consolidation in GCC Food Sector", Farrelly & Mitchell, November 2014
[47] Source: "UAE Consumer goods and retail report", EIU, February 2017
[48] Source: "Carrefour set to open 10 new stores in the UAE in 2017", Arabian Business, October 31, 2016
[49] Source: "Enoc to open more Zoom stores across the UAE", The National, August 22, 2016
[50] Source: "Grocery Retailers in Saudi Arabia", Euromonitor, February 2017

country still has huge potential in terms of market penetration. Several malls are opening in the cities of Riyadh, Jeddah and Dammam, which are likely to attract large hypermarket brands. The Lulu Group, operating eight hypermarkets in the country, plans to add 20 new such stores by 2020[51]. In June 2016, the Kingdom permitted foreign investors to fully own a retail or wholesale business, against the earlier limit of 75%[52]. Once the economic environment improves, new players are likely to enter the market.

As more organized malls are being set up as a means of entertainment and shopping, modern grocery stores are increasing their footprint at such malls

Modern retailers are penetrating into Qatar and Kuwait to target the affluent segment. The mass grocery retail markets in these countries are under-developed. As more organized malls are being set up as a means of entertainment and shopping, modern grocery stores are increasing their footprint at such malls. For instance, Spar International – a Dutch retail chain – has signed an agreement with TWAAR Mall (set to open in 2017) to open its first supermarket in Doha[53]. The retailer plans to add five stores by end-2017. A local supermarket operator in Qatar, Al Meera, recently announced commencement of operations of five shopping centers with a total of 9,709 sq m supermarket area[54]. In addition to opening of new supermarkets, neighborhood retail concepts (small convenience stores) are also becoming popular in these countries. Oman also presents a large scope for modern retail store penetration. The country already has a strong pipeline of retail projects, which are likely to attract large grocery retailers.

2.3 GCC Luxury Retail Market Overview

Thanks to the high spending power, the consumers have a penchant for high-value luxury goods and services

The Middle East, represented largely by the GCC countries, is home to many high net worth individuals. The wealth of the affluent section in the Middle East[55] grew at a CAGR of 5.7% from 2006 to reach US$ 2.3 trillion in 2015 and is expected to grow further at an annualized rate of 6.7% to US$ 4.4 trillion by 2025[56]. Thanks to the high spending power, the consumers have a penchant for high-value luxury goods and services. In addition to the spending propensity, the region's favorable demographics and active tourism sector makes it a fertile ground for luxury retailers. Almost half of the GCC region's population is below the age of 30 years[57]. Luxury retailers are looking to tap the growing number of young people, with a focus to convert them into loyal customers. Buoyed by strong fundamentals, the Middle East region ranks amongst the top ten luxury retail destinations in the world and is home to premium brands like Cartier, Chanel, Gucci, Hermes, Prada and Ralph Lauren. At constant currency rates, the luxury market in the region has grown at a CAGR of 1.4% in the last four years to 2016 to an estimated € 7.6 billion (US$ 8.2 billion[58])[59]. The slow growth underscores the decline in the last couple of years, which offsets above 4% growth between 2012 and 2014. Accounting for nearly 40% of the region's luxury market, Dubai is the largest and most prominent luxury destination.

Although the long-term growth appears sound, the luxury segment did not remain immune to the economic slowdown. The personal goods luxury market in the Middle East declined by 2%-3% y-o-y in 2015 and 2016[60]. Unfavorable currency movements, uncertain global economy, rising cost of living, dampened consumer confidence and political instability were the factors affecting demand. Dubai was the most affected, as the spending power of tourists declined on account of unfavorable currency movements. The Russians are

51 Source: "Lulu opens new Saudi hypermarket", The National, February 6, 2017
52 Source: "Saudi Arabia approves 100% foreign ownership in retail", Arabian Business, June 15, 2016
53 Source: Spar International website
54 Source: "Al Meera set to expand with 5 new stores in Qatar", Trade Arabia, October 3, 2016
55 Since the data is not available for the GCC, we have presented the statistics of the wider Middle East region
56 Source: "World Wealth Report", Capgemini, 2016
57 Source: United Nations Population Division
58 At the exchange rate of 1.078
59 Source: "Altagamma Worldwide Luxury Market Monitor", Bain & Company, 2015 & 2016; Alpen Capital
60 Source: "Altagamma 2016 Worldwide Luxury Market Monitor", Bain & Company, October 20, 2016

Depreciation of the Ruble, Euro and Yuan has reduced the spending power of visitors from these countries

considered as one of the highest spenders on luxury goods in the region. Depreciation of the Ruble, Euro and Yuan has reduced the spending power of visitors from these countries. Although arrivals from these countries improved in 2016, the credit card (issued by non-UAE banks) data highlights a drop in their spending. Chinese spending in the UAE declined by 13.4% y-o-y and that of Russian fell by 5.8% during the year[61]. Spending by the expatriates also remained restricted to essential items. According to a survey[62] conducted by AmEx (Middle East) BSC, most of the GCC countries' consumers indicated that they are holding back on luxury spends[63]. Qatar remained an exception, where consumers stated that on an average they spent US$ 4,000 per month on luxury goods and services in 2015. This depicts a jump of 60% over the previous year and double the average spends by other GCC nations. Residents of Qatar are the major buyers of luxury products in the Middle East, followed by those in Bahrain.

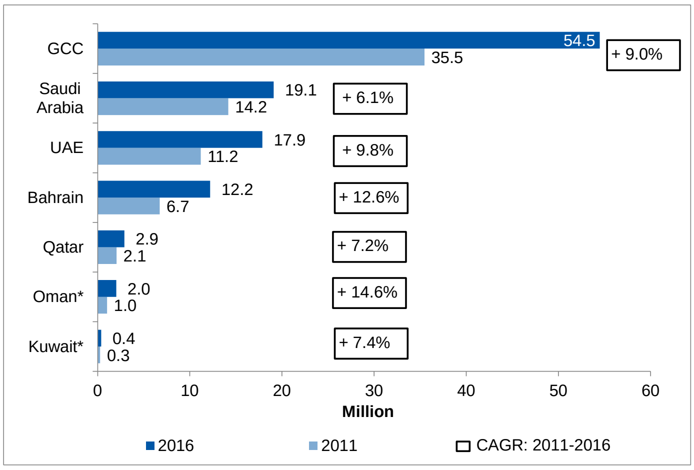
While a revival of consumer confidence will augur growth for the luxury retail segment, retailers are likely to focus on quality, innovation and providing a compelling shopping experience, rather than just opening new stores[64]. This development is to address the demands of consumers, who are becoming aware of fashion trends, new products, pricing, etc. by remaining connected to the world through internet and social media[65].

2.4 GCC Airport Retail Market Overview

The GCC has a bustling airport retail market, owing to its flourishing tourism business and positioning of some of the cities as international transit point

The GCC region has a bustling airport retail market, owing to its flourishing tourism business and positioning of some of the cities as international transit point for passengers travelling between the East and West. International tourist arrivals in the GCC reached an estimated 54.5 million in 2016, translating into an annualized average rate of 9.0% from 2011 (see Exhibit 18). At the same time, passenger traffic at international airports in Dubai, Doha, Abu Dhabi and Muscat grew in the range of 10% to 16% (see Exhibit 19).

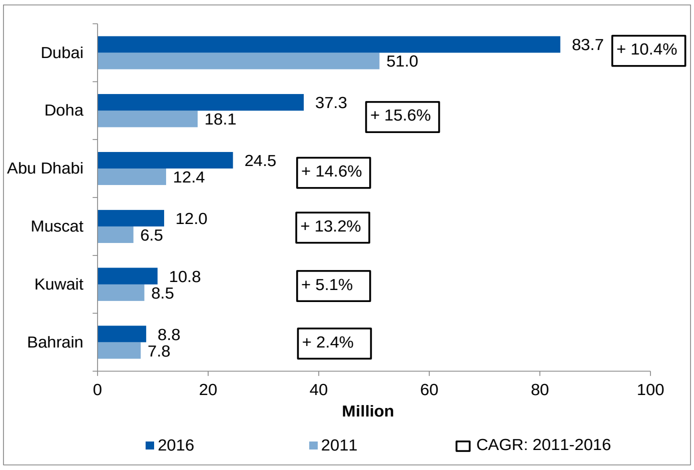
Exhibit 18: International Tourist Arrivals in the GCC



Source: The UN World Tourism Organization, Saudi Commission for Tourism and National Heritage, Qatar Tourism Authority, Arab News, Dubai Corporation of Tourism & Commerce Marketing, Abu Dhabi Tourism & Culture Authority

** 2016 numbers are estimates*

Exhibit 19: Passenger Traffic at Key Airports in the GCC



Source: Dubai Airports, Abu Dhabi Airports Company, Doha News, Bahrain Airport Company, Kuwait Times, Times of Oman

[61] Source: "UAE: Card spending up 8.6% in 2016", Emirates NBD, February 7, 2017
[62] The survey was conducted in 2015 and covers 430 respondents from Qatar, Oman, Bahrain, the UAE and Kuwait
[63] Source: "Qataris Lead Way in Middle East Luxury Spend With $4,000 A Month", Bloomberg, April 19, 2016
[64] Source: "Luxury Retailing in the Gulf Faces a New Norm", The Chalhoub Group, May 19, 2016
[65] Source: "Understanding the Middle Eastern luxury market", World Finance

Dubai International Airport and Abu Dhabi International Airport together hosted over 100 million passengers during 2016

The UAE is the largest and fastest-growing airport retail market, with Dubai and Abu Dhabi accounting for 40% of the airport retail sales in the Middle East in 2015[66]. The country's major airports, Dubai International Airport and Abu Dhabi International Airport, hosted over 100 million passengers during 2016[67]. Such high passenger traffic has resulted in an active retail market at the airports. Dubai Duty Free, one of the top airport retailers in the world[68], registered sales of US$ 1.9 billion in 2016, signifying a CAGR of nearly 5% in the last five years[69]. The annualized growth is, however suppressed by ~2% annual decline in 2015 and 2016. While passenger traffic continued to increase, a drop in consumer spending power, particularly of Russians and Europeans, on account of currency fluctuations, affected the duty free sales[70]. Nevertheless, the impact was to some extent offset by an increase in spending by Asians and Africans. Dubai Duty Free continues to expand, with the opening of 7,000 sq m of retail space at the new concourse D and 1,300 sq m space between concourse B and C. The retailer has also embarked on a plan to double its retail space at Al Maktoum International Airport to about 5,000 sq m by 2018, as the airport aims to expand its passenger handling capacity to 25 million per year from five million at present[71]. Dubai is also constructing a US$ 34 billion Dubai World Central Airport that will have the capacity to handle 160 million passengers annually[72]. Subsequently, airport retail space in the city is likely to grow further. Not to be left behind, duty free sales at the Abu Dhabi airport expanded at a CAGR of 14.3% between 2011 and 2015 to reach US$ 408.3 million[73]. The growth is attributed to a 17.1% annual average growth in passenger traffic during the period, largely contributed by the expansion drive of its primary airline carrier, Etihad Airways. The city is further expanding its airport capacity with the ongoing construction of the US$ 2.9 billion Midfield terminal, which will have a capacity to handle 30 million passengers[74]. Based on the airport capacity expansions and in anticipation of a rise in tourist arrivals, total duty free sales in the UAE are likely to expand.

The other key market is Qatar, which registered a revenue of QAR 1.9 billion (US$ 0.5 billion[75]) from duty free sales in the year ended March 2016[76]. This suggests an increase of ~14% over the previous year. The duty free shops and cafes occupy over 40,000 sq m of space at Hamad International Airport. The airport, which handled 37.3 million passengers in 2016[77], has announced plans to increase its capacity to 53 million by 2020[78].

The GCC nations have made investments of US$ 100 billion on airport capacity expansion

Combined, the GCC nations have made investments of US$ 100 billion on airport capacity expansion. This comes on back of the long-term tourism development plans with an aim to diversify revenue. To capitalize on the growth potential, duty free operators are expanding their footprint and launching sales through multiple channels like mobile applications, website and inflight services.

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[66] Source: Dubai Duty Free, Abu Dhabi Airport, TRBusiness.com, TFWA, Alpen Capital
[67] Source: Abu Dhabi Airports, Dubai Airports
[68] Source: "Emirates Skywards partners with Dubai Duty Free for Miles redemption at Dubai Airports", Emirates
[69] Source: Dubai Duty Free
[70] Source: "Dubai Duty Free sales hit by Russian spending cut", The National, January 5, 2016; "Weak Pound Forces Dubai Duty Free to Cut Prices", Bloomberg, January 22, 2017
[71] Source: "Dubai Duty Free set to expand footprint at Dubai International", The Moodie Davitt, October 7, 2016
[72] Source: "GCC states implementing $100b airport expansions", Times of Oman, December 16, 2016
[73] Source: Abu Dhabi Airports Company
[74] Source: "Abu Dhabi's new Midfield terminal opening delayed to 2019", Gulf Business, March 6, 2017
[75] Converted at exchange rate of 0.275
[76] Source: "Consolidated Financial Statement 2015-2016", Qatar Airways QSC
[77] Source: "Passenger traffic jumps 20% in a year at Qatar's Hamad International", Doha News, February 8, 2017
[78] Source: "Qatar's Hamad Airport can 'handle' growing passenger traffic", Doha News, May 16, 2016

3. The GCC Retail Industry Outlook

3.1 Forecasting Methodology

The report forecasts the GCC retail market size in terms of both demand and supply across the member nations through 2021. It assesses the demand potential in the food and non-food retail segments and highlights the forthcoming supply of organized retail GLA in the region. Historically, we have observed a strong correlation between retail sales and GDP, per capita. Hence, the forecasts for food and non-food retail sales are arrived at by primarily using a regression model of these two variables. The supply of retail space is being projected taking into consideration the new shopping centers under development in the region.

Additionally, the report presents an outlook on the other key retail segments, airport duty free and personal luxury goods, for the wider Middle East region.

The factors considered for the projections include:

- Population and GDP per capita from IMF (last updated October 2016);
- International tourist arrivals from WTTC, UNWTO and each individual country's statistical or tourism ministry websites;
- Upcoming organized retail GLA from various real estate service providers and web articles; and
- Airport passenger traffic and handling capacity from regional airport authorities.

Macro Assumptions

- The region's GDP per capita (in PPP terms) is projected to increase at a CAGR of 2.5% between 2016 and 2021.
- During the same period, the region's population is expected to grow at an annualized rate of 2.3% to reach 60.5 million.
- International tourist arrivals in the GCC are anticipated to increase at an annual average of 5.3% during the forecast period.

Note: On account of IMF's revision of macro factors and change in our methodology, the forecasts in this report are not comparable to the projections in Alpen Capital's GCC Retail Industry report dated January 27, 2015.

3.2 Demand-side Estimates

GCC Retail Sales

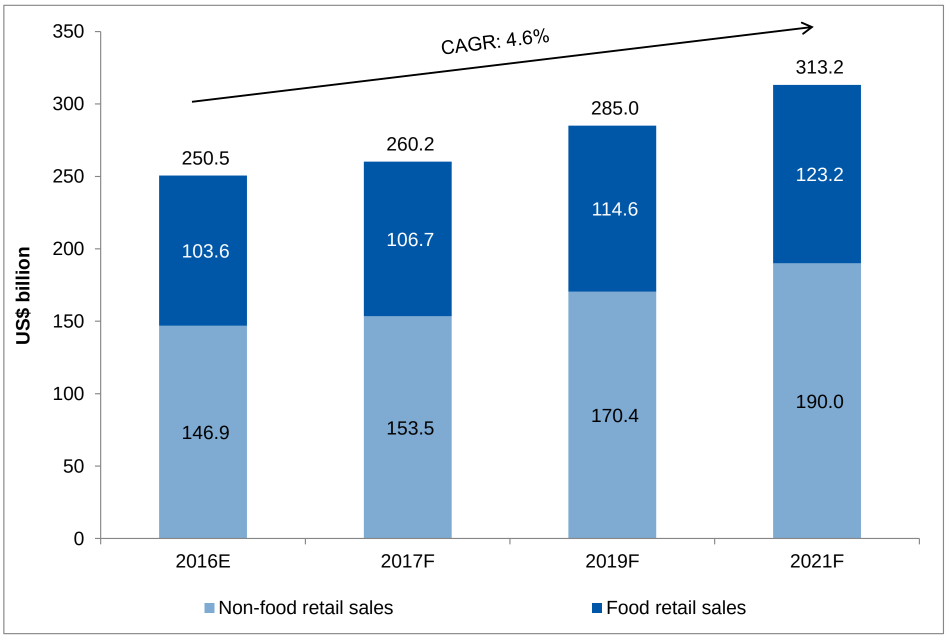
Size of the GCC retail sector is forecasted to grow at a CAGR of 4.6% from US$ 250.5 billion in 2016 to US$ 313.2 billion in 2021

Size of the GCC retail sector is forecasted to grow at a CAGR of 4.6% from US$ 250.5 billion in 2016 to US$ 313.2 billion in 2021 (see Exhibit 20). After witnessing a drop in 2016, retail sales are likely to grow at a slow pace in 2017, in view of the prevailing economic environment. Nevertheless, the sector is expected to recover in 2018 and grow steadily through 2021. This outlook underscores the expected increase in population, international tourist arrivals and per capita income. While the gradual recovery in oil prices is likely to restore consumer confidence among the resident consumers, government initiatives to bolster tourism activity in the region will further add to the growth of the sector.

The growing number of youngsters and expatriates is propelling demand for housing, and hence, the need for white consumer goods. A penchant for western brands and innovative and trendy consumer products among the youth is further supporting the retail sector.

Consequently, non-food retail sales are anticipated to grow at an annualized average of 5.3% between 2016 and 2021. Food retail sales are expected to increase at a CAGR of 3.5% during the forecast period, driven by the expanding consumer base, demand for health foods and rising penetration of supermarkets and hypermarkets.

Exhibit 20: Forecast of Retail Sales in the GCC



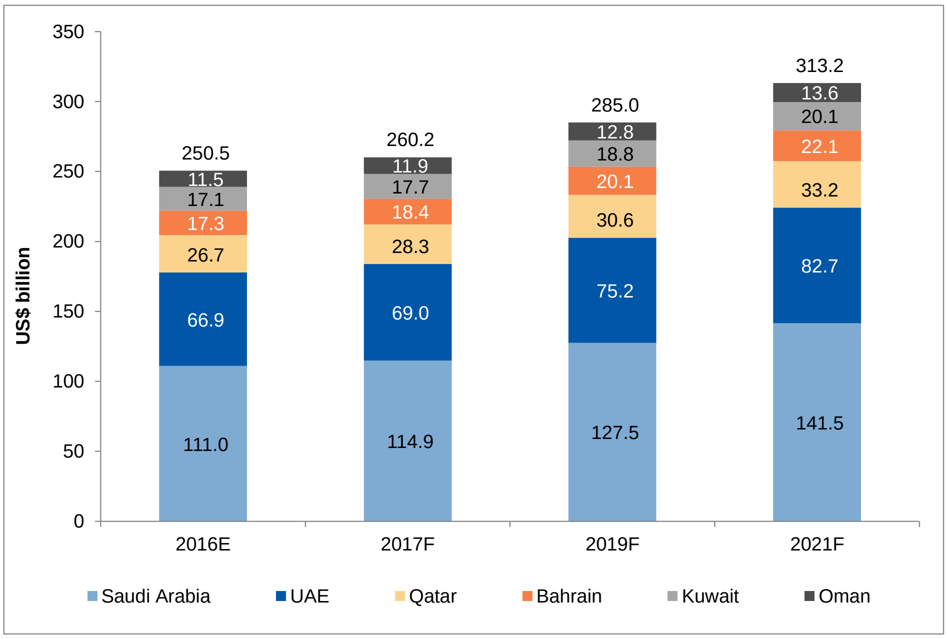
Source: IMF – October 2016, EIU, WTTC, Alpen Capital
Note: E – Estimated, F – Forecasted

Country-wise Retail Sales

Saudi Arabia and the UAE will retain their position as the region's largest retail markets

Saudi Arabia and the UAE will retain their position as the region's largest retail markets, owing to the size of their population and tourist numbers. Retail sales in these countries are forecasted at US$ 141.5 billion and US$ 82.7 billion, respectively, in 2021 (see Exhibit 21). Increase in population and religious tourist arrivals coupled with an anticipated recovery in oil prices and the resultant easing of austerity measures are the factors that will boost retail sales growth in Saudi Arabia. Retail sales in the UAE are likely to be driven by an increasing number of expatriates and tourists, alongside the World Expo 2020.

Exhibit 21: Country-wise Retail Sales Forecast

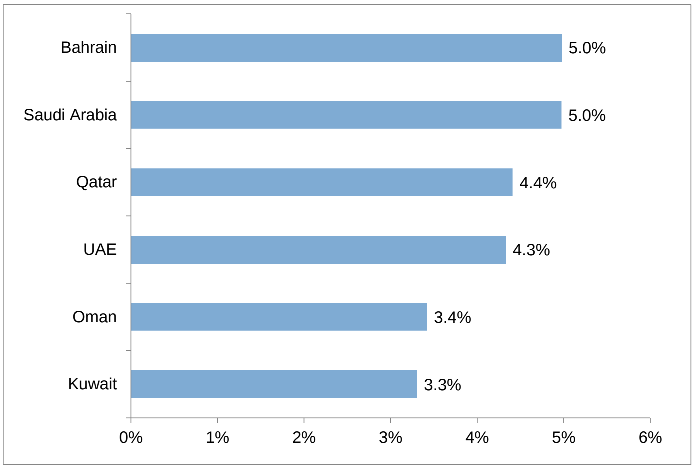


Source: IMF – October 2016, EIU, WTTC, Alpen Capital
Note: E – Estimated, F – Forecasted

Measured by annualized growth between 2016 and 2021, retail sales in the GCC nations are projected to grow in the range of 3.3% to 5.0%

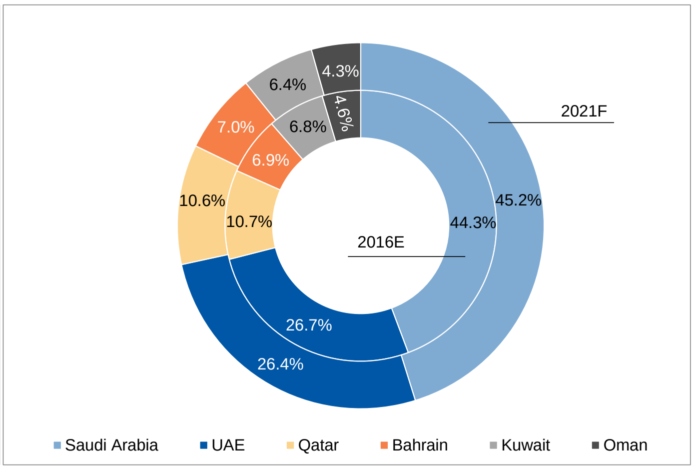
Measured by annualized growth between 2016 and 2021, retail sales in the GCC nations are projected to grow in the range of 3.3% to 5.0% (see Exhibit 22). Saudi Arabia and Bahrain are expected to register the fastest growth, driven mainly by increase in tourism activity, per capita income and penetration of organized retail stores. Saudi Arabia is expected to further extend its dominance over the industry by increasing its share in total retail sales in the GCC by nearly a percentage point to 45.2% through 2021 (see Exhibit 23). Most of its counterparts, expect Bahrain, are likely to witness a slight decline in their respective market shares during this period.

Exhibit 22: Country-wise Retail Sales Growth (CAGR: 2016E–2021F)



Source: IMF – October 2016, EIU, WTTC, Alpen Capital

Exhibit 23: Country-wise Split of Retail Sales



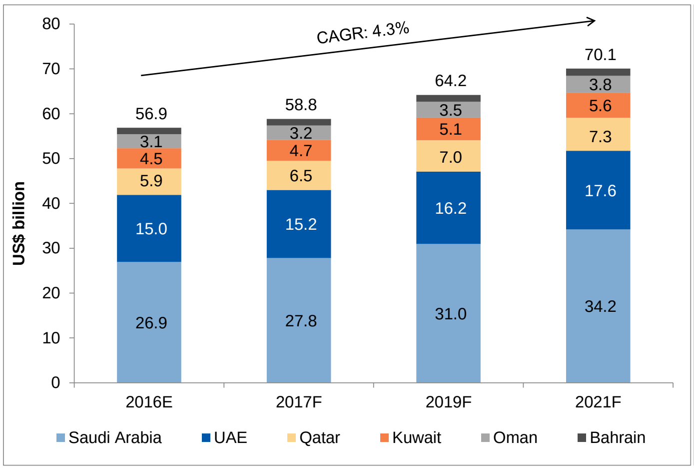
Source: IMF – October 2016, EIU, WTTC, Alpen Capital
Note: E – Estimated, F – Forecasted

Supermarket/Hypermarket Sales

Sales at supermarkets and hypermarkets are forecasted to grow at a CAGR of 4.3% between 2016 and 2021 to reach US$ 70.1 billion

Growing consumer base and popularity of supermarkets and hypermarkets are inducing several regional as well as international players to establish and expand their presence in the GCC. Sales at such retail establishments are forecasted to grow at a CAGR of 4.3% between 2016 and 2021 to reach US$ 70.1 billion (see Exhibit 24), faster than the projected growth in total food retail sales. This indicates the increasing penetration of supermarkets and hypermarkets in the region. Saudi Arabia, Qatar and Kuwait are likely to witness an annualized growth of over 4% in sales at supermarkets and hypermarkets during the forecast period (see Exhibit 25) due to relatively underpenetrated organized sales channels. In contrast, with an already high penetration level in the UAE and Bahrain, sales at supermarkets and hypermarkets in these countries are anticipated to grow at a relatively slow pace of ~3%.

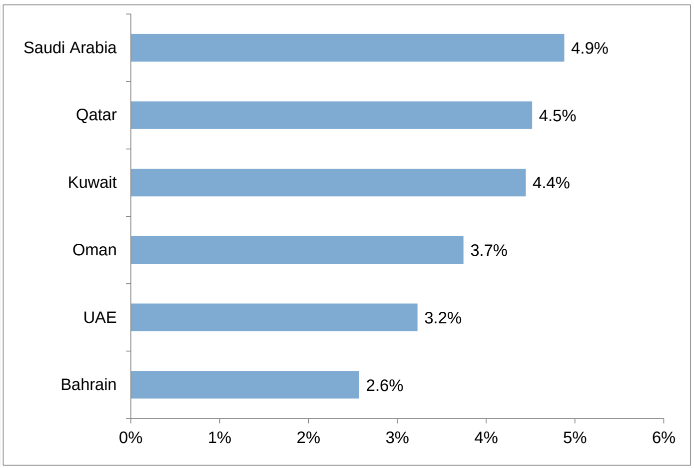
Exhibit 24: Forecast of Sales at Supermarkets and Hypermarkets in the GCC



Source: IMF – October 2016, EIU, Alpen Capital

Note: E – Estimated, F – Forecasted

Exhibit 25: Country-wise Supermarket and Hypermarket Sales Growth (CAGR: 2016E–2021F)



Source: IMF – October 2016, EIU, Alpen Capital

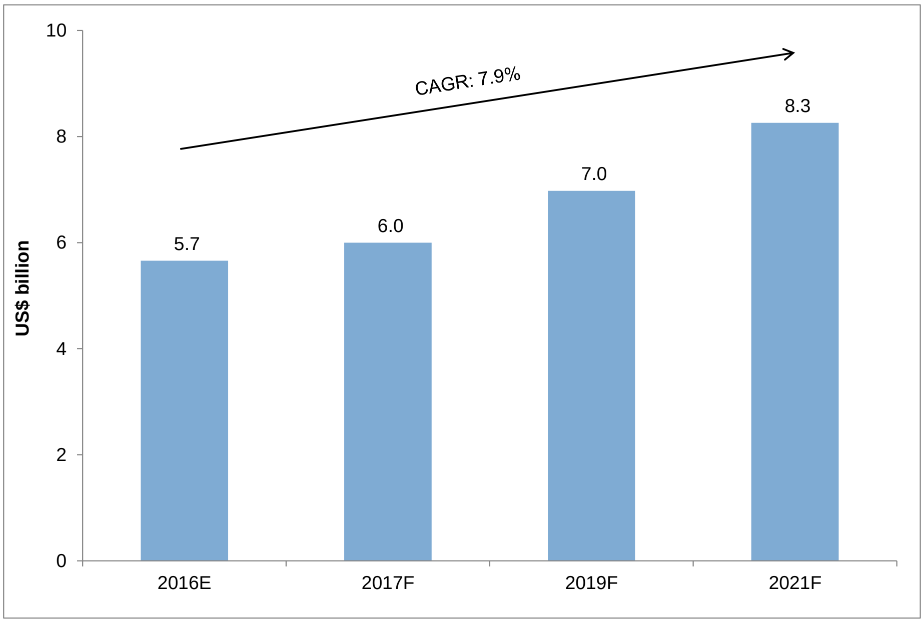
Airport-based Duty Free Sales

Duty free sales at the airports in the Middle East are projected at US$ 8.3 billion in 2021, implying an annualized growth of 7.9% from 2016

Duty free sales at the airports in the Middle East are projected at US$ 8.3 billion in 2021, implying an annualized growth of 7.9% from 2016 (see Exhibit 26). The robust growth could be attributed to an anticipated rise in passenger traffic at the regional airports. Dubai Airport, one of the busiest airports in the world, expects passenger traffic to surpass 190 million by 2030[79], translating into a CAGR of 6.0% from 2016. Passenger traffic at the airports in Abu Dhabi and Qatar are likely to increase at a relatively faster rate, considering their tourism developments and robust airport capacity expansion plans. Most of the international airports in the region have embarked on ambitious expansion plans to accommodate a larger number of visitors, as the home countries develop their tourism sector in a bid to diversify the revenue sources. Subsequently, the duty free operators are also expanding their retail presence at these airports to capitalize on the higher number of visitor arrivals.

[79] Source: "Master Plan 2016", Dubai Airports

Exhibit 26: Forecast of Airport-based Duty Free Sales in the Middle East



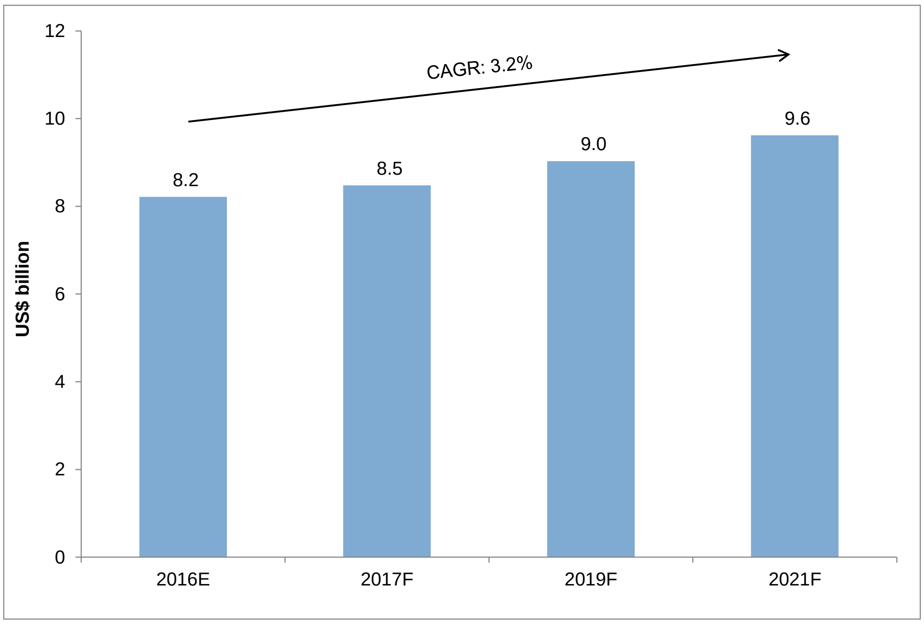
Source: Alpen Capital
Note: E – Estimated, F – Forecasted

Luxury Retail Sales

Retail sales of personal luxury goods in the Middle East are forecasted at US$ 9.6 billion in 2021, signifying a growth of 3.2% from 2016

Retail sales of personal luxury goods in the Middle East are forecasted at US$ 9.6 billion in 2021, signifying a growth of 3.2% from 2016 (see Exhibit 27). After declining in the last couple of years due to dampened consumer sentiments and a strong US dollar, sales of personal luxury goods are likely to recover and grow at a stable pace through 2021. Demand will be driven by the projected rise in per capita income and tourist arrivals.

Exhibit 27: Forecast of Luxury Retail Sales in the Middle East



Source: Altagamma Worldwide Luxury Market Monitor, Alpen Capital
Note: E – Estimated, F – Forecasted

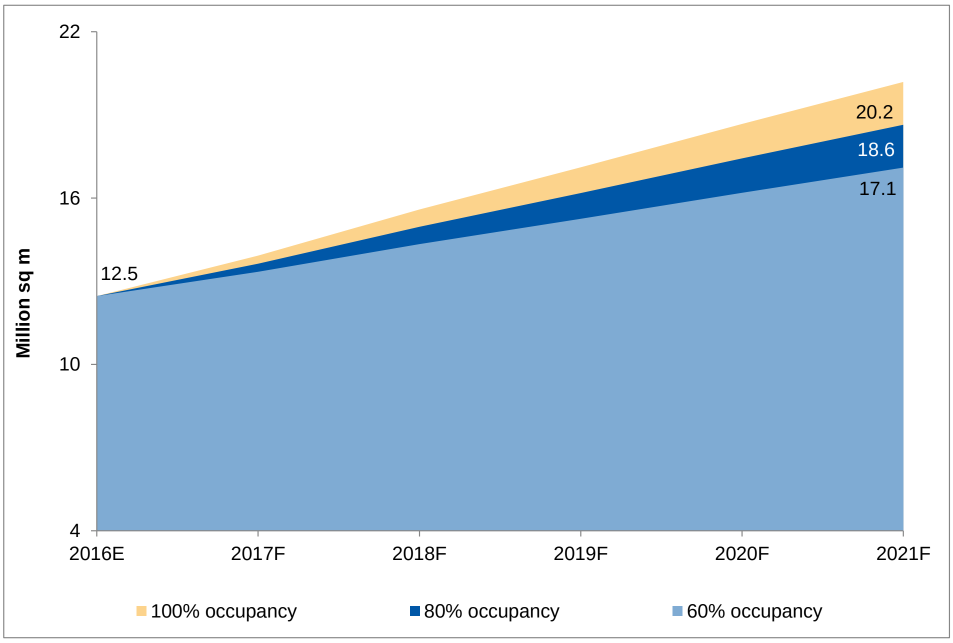
3.3 Supply-side Estimates

Organized Retail Sales Area in the GCC

At 80% occupancy, 6.2 million sq m of retail space is likely to come up in the GCC in the five years to 2021

At 80% occupancy, 6.2 million sq m of retail space is likely to come up in the GCC in the five years to 2021, taking the total organized retail GLA in the region to 18.6 million sq m (see Exhibit 28). Most of the cities in the region have a low retail GLA per capita compared to the developed nations. The huge scope for penetration, coupled with the positive long-term demand prospects, has paved way for development of several mega malls and neighborhood shopping centers in the region. A number of such projects are currently under development, especially in the UAE, Qatar and Saudi Arabia, which will add to the sales area as they become operational in the coming years. The UAE is likely to house nearly half of the projected retail space addition during the forecast period. Some of the large projects underway in the region include Nakheel Mall in Dubai (over 100,000 sq m to be completed by 2018[80]), Mall of Riyadh (300,000 sq m to be completed by 2022[81]), Al Diriyah Festival City in Riyadh (250,000 sq m) and Mall of Oman (137,000 sq m to be completed by 2020[82]).

Exhibit 28: Forecast of Organized Retail Sales Area in the GCC



Source: Alpen Capital
Note: E – Estimated, F – Forecasted

At 80% occupancy, organized retail GLA in the GCC is anticipated to grow at a CAGR of 8.4% between 2016 and 2021

The projections at 80% occupancy is a moderate growth scenario, wherein organized retail GLA in the GCC is anticipated to grow at a CAGR of 8.4% between 2016 and 2021, which is high compared to the retail demand estimates. In order to factor in the possibility of an oversupply or a slowdown in demand for retail space, the supply projections have also been provided at 100% occupancy (optimistic growth scenario) and 60% occupancy (conservative growth scenario). In the optimistic growth scenario, the total retail GLA is anticipated to grow at an annualized average rate of 10.1% to reach 20.2 million sq m by

[80] Source: "Nakheel Mall rises at the heart of Palm Jumeirah", Nakheel, May 11, 2016; "Nakheel cements AED1.2 billion construction contract for Nakheel Mall on Palm Jumeirah", Nakheel, July 13, 2014
[81] Source: "Majid Al Futtaim to invest $3.7bn building two malls in Riyadh", Arabian Business, February 8, 2016
[82] Source: "Oman developing world-class retail projects", Zawya, November 17, 2016

2021, indicating an addition of over 7.7 million sq m. At 60% occupancy, 4.6 million sq m of retail space is expected to come on stream, taking the total GLA to 17.1 million sq m by 2021. The conservative scenario signifies a CAGR of 6.5% during the forecast period.

In all scenarios, the growth projections of retail area supply exceed that of overall retail sales. In case of conservative growth scenario, the projected supply may get absorbed due to the increasing penetration of supermarkets and hypermarkets and the need for community malls in the under-penetrated markets. However, the other two scenarios indicate a possibility of oversupply in the UAE, Qatar and Oman. Although most of the GCC countries have a low GLA per capita, the rapid rise in supply amidst the economic slowdown is likely to affect occupancy and rents.

4. Growth Drivers

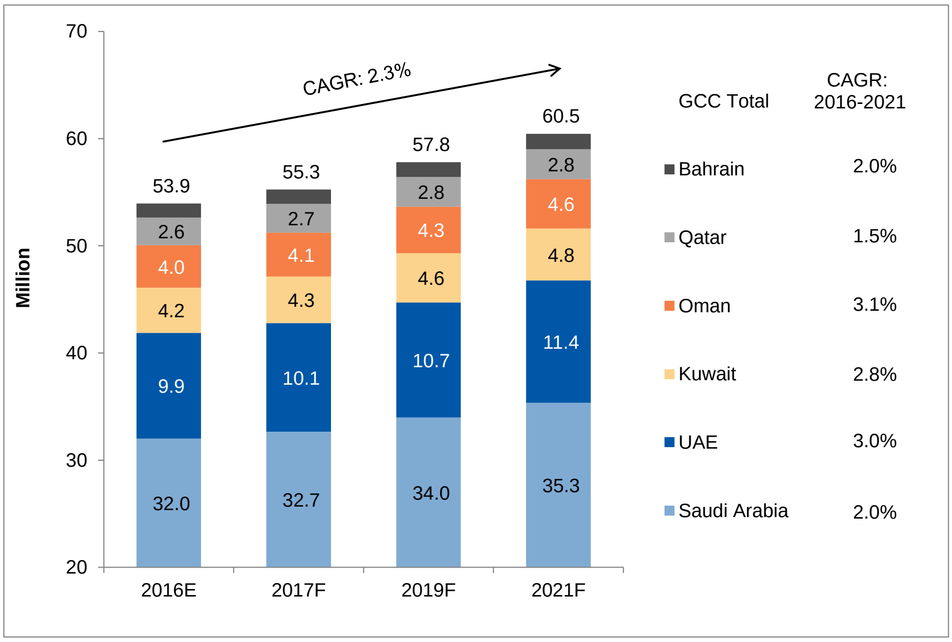
Favorable Demographics

The demographic structure comprising a high proportion of young and working-class consumers, with an increasing representation of women, is favorable for the growth of the retail sector

Growing adoption of a healthy lifestyle and increasing number of expatriates have resulted in a steady growth in the GCC population, which is the major driving force of the retail sector. The population is expected to grow further at an annualized rate of 2.3% between 2016 and 2021 to over 60 million[83] (See Exhibit 29). Moreover, the demographic structure comprising a high proportion of young and working-class consumers, with an increasing representation of women, is favorable for the growth of the retail sector. The median age of population in the GCC countries ranged between 28 years and 33 years in 2015[84]. The youngsters, who love to socialize, are helping to generate increased footfall at malls, and subsequently driving spending on dining and consumer products. This tech-savvy generation is also driving the e-commerce sales and propelling retailers to use social media for staying updated on the latest trends and consumer preferences.

Alongside, the expatriates, who account for nearly half of the total GCC population[85], are not only contributing to the demand for essential products, but also creating need for various international products. As such, many international brands have established presence in the region to attract this consumer segment.

Exhibit 29: GCC Population Forecast



Source: IMF – October 2016
Note: E – Estimated, F – Forecasted

[83] Source: World Economic Outlook Database, IMF, October 2016
[84] Source: Population Division - United Nations 2015
[85] Source: "Expats in Middle East – Statistics and Trends", Go-Gulf, March 31, 2016

High Consumer Spending Power

Although the prevailing economic slowdown is affecting spending power of the consumers, the situation is likely to improve in the long-term with an anticipated recovery in oil prices

Large inflow of petrodollars, expansion of the non-oil sector, zero personal income tax and government-driven welfare programs (for nationals) have translated into a high disposable income in the hands of the GCC population. Most of the member nations are ranked among the high-income countries of the world. Although the prevailing economic slowdown is affecting spending power of the consumers, the situation is likely to improve in the long-term with an anticipated recovery in oil prices. Brent crude oil prices are forecasted to recover from average price of US$ 49.0 per barrel in 2016 to US$ 60.6 in 2018 and then further to around US$ 70.9 per barrel by 2021[86]. Consequently, the GDP per capita (current prices) of the region is projected to grow at a CAGR of 4.3% to US$ 31,437 between 2016 and 2021[87]. An anticipated recovery in the economic conditions is likely to boost consumer sentiments and spending in the region in the coming years, thus supporting the growth of the retail sector.

Alongside the economic revival, the number of affluent people in the region and their wealth is also set to increase. The number of high net worth individuals in the Middle East[88] is expected to expand by 54% to 739,300 during 2015-2025[89] while their wealth is expected to double from US$ 2.3 trillion to US$ 4.4 trillion during the same period[90]. This is likely to fuel demand for luxury retail products in the region.

Expanding Tourism Sector

The region attracted over 50 million international tourists in 2015, indicating a five-year CAGR of 7.8%

Tourism is one of the vital drivers behind growth of the retail sector. The GCC attracts a large number of tourists to its holy places, sporting events, shopping festivals, recreational facilities and business events. The region attracted over 50 million international tourists in 2015, indicating a five-year CAGR of 7.8%[91]. Inflow of international tourists continued to increase in the region in 2016, with the largest markets of Saudi Arabia and the UAE registering annual growth rates of 6.1% and 5.3%, respectively[92].

Tourist inflow will continue to rise in the coming years, as the region is witnessing a spate of infrastructure and tourism-related developments. These developments are part of the regional governments' long-term tourism strategies, aimed at revenue diversification. The member nations are developing and modernizing their airports through construction of new terminals in order to expand passenger handling capacity. The region is also witnessing construction of a pan-GCC railway network, cruise terminals and several tourist attractions. Majority of the attractions are under construction in the UAE and Qatar, which include Dubai Parks and Resorts' integrated theme park, Pearl of Dubai, Dubai Safari Park, Aladdin City (Dubai), Warner Bros. World Abu Dhabi theme park and National Museum of Qatar. Other developments such as the expansion of Grand Mosque and Prophet's Mosque in Saudi Arabia and the construction of International Medical City in Oman are likely to drive religious and medical tourism, respectively. Additionally, regional governments have eased visa norms to attract more tourists. In April 2016, Saudi Commission for Tourism and National Heritage introduced the post-Umrah program that

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[86] Source: Bloomberg
[87] Source: World Economic Outlook Database, IMF, October 2016
[88] Since the data is not available for the GCC, we have presented the statistics of the wider Middle East region
[89] Source: "The Wealth Report 2016", Knight Frank
[90] Source: "World Wealth Report 2016", Capgemini
[91] Source: The United Nations World Tourism Organization, Saudi Commission for Tourism and National Heritage, Qatar Tourism Authority, Arab News, Dubai Corporation of Tourism & Commerce Marketing, Abu Dhabi Tourism & Culture Authority, World Travel & Tourism Council (WTTC)
[92] Source: Saudi Commission for Tourism and National Heritage, Abu Dhabi Tourism & Culture Authority, Dubai Corporation of Tourism & Commerce Marketing

allows pilgrims to convert their Umrah visa to tourist visa[93]. In January 2017, the UAE passed a resolution to provide visa on arrival to Russians, one year after granting the same to Chinese visitors[94].

Mega Events

The upcoming World Expo 2020 in Dubai and 2022 FIFA World Cup in Qatar are likely to provide further impetus for the growth of tourism and retail sectors

The upcoming World Expo 2020 in Dubai and 2022 FIFA World Cup in Qatar are likely to provide further impetus for the growth of tourism and retail sectors in the region. The Expo event, to be held between October 2020 and April 2021, is expected to attract about 25 million visitors from 180 countries[95]. Qatar's FIFA World Cup is likely to attract 1 million people[96] at least, considering that this was in fact the number of visitors that travelled to Brazil for the previous world cup in 2014[97]. Significant investments are being channeled into the development of tourist attractions and retail establishments.

Religious Tourism

Saudi Arabia, the largest retail market in the GCC, is set to get a boost with the expansion of its two mosques. The expansion of Grand Mosque in Makkah, expected to complete by 2018, will increase the mosque's capacity to 2.2 million worshippers from 600,000 at present[98]. Additionally, the Prophet's Mosque in Madinah is also undergoing an expansion to raise its capacity to nearly 1.6 million[99]. In the Saudi Vision 2030, the government has set a goal to attract over 30 million Umrah visitors each year[100]. An increase in the number of pilgrims is likely to drive retail sales in the country.

In view of the substantial developments, travel and tourism spending on leisure and business travel in the region is forecasted to reach US$ 130.9 billion by 2021, exhibiting an annualized average growth of 7.1% from 2016[101].

Development of Large Retail Projects

The retail real estate sector offers a substantial scope for penetration, with cities in Kuwait, Saudi Arabia and Oman having a low retail GLA per capita ranging between 0.2 sq m and 0.5 sq m

Retail space in the GCC region is expanding and diversifying, in view of encouraging demographics and increasing tourism activity. Several large organized malls are being developed, which are providing consumers with an integrated experience of shopping, dining and entertainment. Some of the prominent shopping malls in the GCC include The Dubai Mall, Mall of the Emirates, Abu Dhabi Mall, Kingdom Centre, Doha Outlet Mall, Bahrain Mall, Kuwait Marina Mall and Muscat City Centre. Such multi-purpose malls have transformed shopping into a lifestyle activity in the GCC region. The retail real estate sector still offers a substantial scope for penetration, with cities in Kuwait, Saudi Arabia and Oman having a low retail GLA per capita ranging between 0.2 sq m and 0.5 sq m[102].

To capitalize on the opportunity, the property developers in the region are either developing or have planned large-scale as well as small neighborhood mall projects. About 85% of the upcoming retail space in the GCC is likely to be located in Saudi Arabia, the UAE and Qatar[103]. Combined supply of new retail area in Riyadh, Jeddah and Dammam is projected to be 492,000 sq m and 451,000 sq m in 2017 and 2018,

[93] Source: "Saudi Arabia's umrah visas can be converted into tourist visas", Al Arabiya", April 25, 2016
[94] Source: "Russian citizens to receive UAE visa on arrival", Gulf News, January 29, 2017
[95] Source: Expo 2020 Dubai
[96] Source: "Qatar to lose 1000s of 2022 World Cup fans to Dubai", Arabian Business, May 13, 2015
[97] Source: "FIFA World Cup 2014 leads to record number of foreign visitors to Brazil", Mirror Online, July 20, 2015
[98] Source: "Mecca mayor says no delays on pilgrimage expansion projects", Reuters, September 9, 2016
[99] Source: "Prophet's mosque in Madinah to host 1.6 million after Saudi expansion", Albawaba, March 25, 2015
[100] Source: "Full text of Saudi Arabia's Vision 2030", Al Arabiya English, April 26, 2016
[101] Source: WTTC
[102] Source: Colliers International, Real Estate Association of Kuwait, KAMCO Research
[103] Source; "Fanning The GCC's Retail Boom", Forbes Middle East, October 24, 2016

respectively[104]. Together, Dubai and Abu Dhabi are expected to see an addition of 435,000 sq m and 749,000 sq m of GLA in 2017 and 2018, respectively[105]. Nine new shopping malls are under construction across Doha, which will collectively add over 1 million sq m of GLA[106]. Expansion of organized mall space is likely to attract a number of international retailers to the region and provide an enriching shopping and recreational experience to consumers.

Increasing Adoption of the Digital Channel

The retail e-commerce market in the GCC is expanding, given the increasing use of internet and social media

The retail e-commerce market in the GCC is expanding, given the increasing use of internet and social media, better access to secure payment gateways and gradual improvement in the delivery system. Another key factor boosting popularity of the online channel and garnering consumer attention is the availability of wide product choices at competitive rates. In addition to capitalize on the demand and rapidly expand their geographical coverage, retailers are looking to augment their online presence in order to reduce the burden of rental costs.

The region's e-commerce sale is expected to touch US$ 41.5 billion by 2020[107]. The UAE is the largest online retail market in the GCC with a market share of 53%, followed by Saudi Arabia (14%), Oman (12%) and Qatar (10%). Some of the prominent regional online retailers include Souq.com, Cobone, JadoPado and Namshi. As demand increases, the region is likely to see emergence of new e-tailers and revamp of online portals by traditional retailers. In November 2016, Emaar Properties announced its plan to launch an online portal, noon.com, which is expected to commence operations in the UAE and Saudi Arabia[108]. To support its online venture, the company will also build a warehousing facility, an in-house express delivery service, a payment gateway and a mobile app. Enticed by the strong growth potential of the region's online retail market, several strategic as well as financial investors are entering into deals with the GCC-based online retailers. Souq.com, the pioneer of e-commerce in the Middle East, raised huge amount of funding in different tranches from several investors during past couple of years. Further, in March 2017, Amazon.com Inc. entered into an agreement to acquire Souq.com, to expand its international presence[109]. The Middle East online retailer sells over 400,000 products and records 23 million monthly visits. In February 2016, Wadi.com, an online retailer having operations in the UAE and Saudi Arabia, raised US$ 67 million from several investors, of which the largest investment was made by Saudi Arabia-based Al Tayyar Travel Group[110]. In May 2017, the Chairman of Emaar Properties, through a technology fund, acquired JadoPado for an undisclosed sum[111].

[104] Source: The KSA Real Estate Market, JLL Report 2016
[105] Source: The UAE Real Estate Market, JLL Report 2016
[106] Source: "Property Times", DTZ Research, December 31, 2016
[107] Source: Frost & Sullivan; "eCommerce across GCC to grow by 40% in 2020", Gulf News, February 16, 2015
[108] Source: "Middle East gets new $1b online shopping platform", Khaleej Times, November 14, 2016
[109] Source: "Amazon Buys Souq.com as Middle East Online Market Takes Off", Bloomberg, March 28, 2017
[110] Source: "Middle East-based Wadi.com raises $67 million", Livemint, February 16, 2016
[111] Source: "Fund led by Al Abbar buys UAE website JadoPado", Gulf News, May 11, 2017

5. Challenges

Economic Slowdown and Austerity Measures

The regional governments have resorted to austerity measures such as lowering of wages and other benefits in the public sector and reducing subsidies to curtail expenses

Fall in oil revenues of the energy-dependent GCC economies have widened their fiscal deficits in the last couple of years. Consequently, the regional governments have resorted to austerity measures to reduce expenses. Some of the measures introduced include lowering of wages and other benefits in the public sector, reducing subsidies on fuel and utilities and increasing fees on certain municipal services. On one hand, such measures are curtailing the spending power of consumers; while on the other hand, the increase in utility tariff is inflating the operating costs of retailers. The regional governments have also reduced spending on infrastructure developments. Economic slowdown and the ensuing job losses/muted job market and pay-cuts are affecting consumer sentiments in the region. Consumers are becoming cautious towards discretionary spending in order to protect savings for any future adversities. In such a scenario, the GCC nations experienced either a slowdown or decline in retail sales during 2015–2016. The environment is likely to remain suppressed in the short-term, as the countries continue to undergo fiscal consolidation.

In late 2016, the Organization of the Petroleum Exporting Countries and other oil producing nations reached an agreement to cut crude oil production[112]. While this had led to a partial recovery in global oil prices, cut in oil production by the GCC nations would impair their economic growth. The member nations may continue their austerity drive even beyond the period of economic consolidation to set a new normal for the region. One such measure is the forthcoming introduction of VAT of 5% in 2018. The tax would increase the cost of living and doing business in the region.

Increasing Competition

With expanding organized mall space and entry of several regional and international retailers, competition in the GCC retail sector is increasing

With expanding organized mall space and entry of several regional and international retailers, competition in the GCC retail sector is increasing. The UAE retail market, in particular, is highly competitive and dominated by a few retail groups having a strong foothold across the food and non-food segments. LuLu Group, Landmark Group, Jumbo Electronics, Majid Al Futtaim (Carrefour), BMA International (Geant) and Albwardy Investment (Spinneys) are the major players in the country. The constant addition of new stores has led to saturation in prime areas. Retailers are now looking at growing presence in new residential areas, which are being developed away from the prime shopping centers. Additionally, rising internet and social media penetration has compelled the traditional retailers to adopt an omnichannel business model. However, the online retail space is also turning competitive as these retailers vie for active e-commerce users with newly launched internet retail ventures of large business groups as well as start-up companies introducing innovative retail concepts. Some of the new entrants in the internet retailing space include Mumzworld.com and Wadi.com. Overall, the competitive pressure in the UAE retail sector is inducing retailers to scale up the product quality, offer discounts, expand product offerings, increase advertising and promotional expenditures and improve shopping environment.

The intensity of competition is relatively lesser in the other GCC countries as the modern retail coverage and number of players is not as high as the UAE. The retail market in Saudi Arabia is dominated by traditional convenience stores, which are highly preferred by

[112] Source: Economic Snapshot for the Middle East & North Africa, FocusEconomics, February 8, 2017

the locals in the backdrop of a subdued economic climate. Due to this, the modern retailers that are increasing their presence in the Kingdom have to struggle for attracting customers. Further, the government's decision to allow 100% foreign direct ownership in retail and wholesale businesses is likely to attract more international retailers to the country, thus promoting competition. The modern retail ecosystem in Kuwait, Oman and Qatar is also developing with the ongoing development of organized malls. New international brands are joining hands with local groups and leasing space at the newly developed malls. Consequently, the increasing retail penetration is likely to heat up competition in the region's retail market, potentially leading to price wars.

Market Saturation

With a large number of projects nearing completion, the region is set to witness an overhang of retail supply in the coming years

Increasing number of tourists and expatriates has led to construction of shopping centers and rising penetration of retailers in the GCC. With a large number of projects nearing completion, the region is set to witness an overhang of retail supply in the coming years. The situation is more evident in Dubai, which has one of the highest per capita retail spaces in the world. Slowdown in retail sales, stable rents and changing strategies of retailers to increase sales are signs of a saturating market. Retailers are increasingly resorting to discounts to attract customers. Annual shopping events in Dubai are witnessing retailers offering higher discounts compared to the previous years. During the most recent edition of Dubai Shopping Festival that ran for over a month from December 26, 2016, apparel and other retailers were believed to have offered discounts of up to 75%, as compared to earlier norm of 50%-60%[113]. The shopping centers across the city hosted a three-day Super Sale in the mid of May 2017, wherein retailers were offering discounts of up to 90%[114].

Although the other GCC countries have a large scope for retail penetration, the forthcoming supply of retail stock is not commensurate to the demand. Qatar and Oman, in particular, are set to see sprouting up of large organized mall space in the coming years. Thus, a notable increase in mall density may create an oversupply situation leading to an increase in vacancy rates and a subsequent fall in rents.

Shortage of Staff

Although the governments are strengthening the education system to increase opportunities for the locals, the tightening of visa restrictions by some countries may reduce the available pool of talent

Given the lower base of nationals, the GCC countries have so far been highly reliant on foreign workers to support their economic development. The number of expatriates has increased rapidly in the region, fuelling a population growth of over 3% annually since 2000[115]. The migrant population in counties like the UAE, Qatar and Kuwait ranges between 70% and 90%[116].

Although the GCC governments are strengthening the education system to increase opportunities for the locals, the tightening of visa restrictions by some countries may reduce the available pool of talent. In late 2016, the Kingdom's Ministry of Labor announced a couple of immigration policy changes[117]. The changes include a significant increase in visa application fees for foreign workers. In the 2017 budget, the government

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[113] Source: "Dubai retailers ratchet up with 75% discounts for DSF", Gulf News, December 19, 2016; "Curtains come down on Dubai Shopping Festival 2017", Gulf News, January 27, 2017
[114] Source: "Super sale: Up to 90% off for Dubai shoppers", Gulf News, May 2, 2017
[115] Source: IMF
[116] Source: "Expats in Middle East – Statistics and Trends", Go-Gulf, March 31, 2016
[117] Source: "Saudi Arabia – "Saudization" brings major visa changes", Relocate Global, September 5, 2016

of Saudi Arabia announced plans to introduce an expat levy on companies[118]. At present, the employers have to pay a monthly levy of SAR 200 (US$ 53[119]) on every expatriate worker exceeding the number of employed nationals. However, from 2017, this levy is likely to be imposed on all expatriates and the rate would increase gradually by 2020. In late 2016, Ministry of Interior of Kuwait raised the minimum salary requirement for foreign workers, who want to bring their family, from KWD 250 (US$ 826[120]) per month to KWD 450 (US$ 1,487)[121].

Such measures are increasing the hiring cost for retail companies, who are facing high attrition rates as expatriates change jobs frequently. The ongoing expansion of the retail space in the GCC will need a large number of skilled workers. Given the shortage of skilled local workers, the employers may face challenge in recruiting employees with the right experience and language skills. Such a situation could limit the growth of the retail sector.

Counterfeiting

For many years, counterfeiting has remained an area of concern for major retail brands in the GCC

For many years, counterfeiting has remained an area of concern for major retail brands in the GCC. With growing sophistication of counterfeiters, the consumers are facing difficulty in identifying differences between fake and original products. As a result, the fake products are sometimes sold as originals. Not only it has an impact on the retail brands' revenue, but also on their image. In 2016, Dubai's Department of Economic Development (DED) confiscated counterfeit goods worth AED 1.6 billion (US$ 435.5 million[122]), with mobile phones accounting for the largest portion followed by accessories and cosmetics[123]. Recently, Qatar's Consumer Protection Department raided jewelry shops selling fake watches and ornaments of renowned brands[124]. The anti-counterfeiting crackdowns have extended to the e-commerce space as well, with Dubai and Saudi Arabia having closed several social network accounts, which traded in fake products. During 2016, DED closed nearly 9,000 social media accounts for selling fake goods[125]. Similar online account closures were reported in Saudi Arabia as well. Such crackdowns happen time and again, highlighting the magnitude of counterfeit products entering the GCC countries.

The regional trade and commerce authorities have been taking stringent steps to curb the spread of counterfeit products. While key regulations are in place to restrict entry of fake products, the countries are constantly making amendments to the existing laws and introducing new measures. In December 2016, the UAE introduced a new anti-fraud law to stop counterfeiting and other commercial fraud[126]. The law levies strong penalties on traders of such products, with fine of up to AED 1 million (US$ 0.27 million[122]) and/or up to two years of jail. Dubai has launched an e-Trader scheme to grant licenses for conducting business on social networks[127]. This is an attempt to bring the operators under a legal purview and restrict the counterfeiting business. In February 2017, General Customs Authority of Qatar introduced a high-tech electronic system to detect counterfeit goods, especially cosmetics, entering the country[128]. Saudi Consumer Protection Agency has partnered with Underwriters Laboratories, a global safety science firm, and International

[118] Source: "Saudi Arabia's new expat fees: What will it cost?", Arab News, December 23, 2016
[119] Converted at exchange rate of 0.267
[120] Converted at exchange rate of 3.305
[121] Source: "Kuwait raises minimum salary requirement for family visas", Gulf Business, October 13, 2016
[122] Converted at exchange rate of 0.272
[123] Source: "Dubai raids net Dh1.6bn worth of counterfeit items in 2016", The National, February 8, 2017
[124] Source: "Massive crackdown on fake jewellery and watches in Qatar", The Peninsula, March 17, 2017
[125] Source: "Dubai seizes Dh1bn worth of fake goods", The National, March 23, 2017
[126] Source: "Khalifa approves anti-fraud law", Gulf News, January 2, 2017
[127] Source: "Dubai launches e-Trader licences in fight against fake goods sold via social networks", The National, March 15, 2017
[128] Source: "New electronic system to stop fake goods entering Qatar", Zawya, February 27, 2017

Anti-Counterfeiting Coalition to curb trade of counterfeit products[129]. Oman has also increased the penalty and jail term on counterfeiters and violators of consumer protection laws, with the fine ranging between OMR 100 and OMR 50,000 and a jail term of maximum three years[130]. The intensity of measures and crackdowns indicates the regional government's willingness and determination to end the counterfeiting business.

Logistics-related Issues

With a high dependency on imports for various consumer goods, it is vital to have an efficient logistics system in place to reduce delays in delivery and wastages

Logistics infrastructure plays a crucial role in the retail value chain of both the food and non-food segments. With a high dependency on imports for various consumer goods, it is vital for the GCC nations to have an efficient logistics system in place to reduce delays in delivery and wastages. However, the logistics industry in the GCC is under-developed, except in the UAE that has a well-integrated system in place. Despite the presence of supermarkets and hypermarkets, a large proportion of grocery and consumer products are sold through small standalone stores in most of the member nations. This encourages the existence of a large number of small distributors, who may not have an advanced logistics network or nationwide capabilities. The fragmentation of the distribution network, coupled with inadequate cold storage and warehousing facilities, results in operational inefficiencies and customer dissatisfaction. The online retailers also face similar challenges making transactions less efficient and affecting their reputation. The governments are investing heavily in strengthening transportation network, which is currently inadequate to support the growing trade in the region.

Currency and Interest Rate Movements

Depreciation of major currencies against the US Dollar has made the GCC countries an expensive destination

Any significant fluctuation in the US Dollar has an impact on the GCC countries, since most of the member nations currencies are pegged to it. The US Dollar has appreciated significantly against major currencies worldwide including the Euro, Ruble and Pound. Fall in oil prices led to a sharp devaluation of the Ruble against the US Dollar (-58.5% in 2015 and -9.3% in 2016[131]). This affected the arrivals and spends of Russians, who are considered among the top spenders in the GCC region. Nevertheless, the currency has been appreciating against the US Dollar since the second half of 2016. Spending on tourism by visitors from Europe, another large source of tourists, was also hit as the Euro fell sharply against the US Dollar (-19.5% in 2015[131]). The decline was attributed to the Greek crisis and pumping of money into Europe's economy by European Central Bank through a massive quantitative easing program[132]. Although the Euro remained volatile and depreciated towards the end against the US Dollar in 2016, it has gained recently. Decline in spending by Russian and European visitors during 2015-2016 contributed to the decline in Dubai Duty Free retail sales[133]. Spending from Chinese visitors was also impacted due to the devaluation of the Yuan against the US Dollar (-2.0% in 2015 and -5.8% in 2016[131]). Thus, depreciation of such currencies against the US Dollar has made the GCC countries an expensive destination. Any further weakness in these currencies is likely to curb tourism spend and have an adverse impact on the retail trade in the region.

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[129] Source: "Govt, experts discuss fight against fake products", Zawya, October 14, 2016
[130] Source: "Counterfeiters face hefty fine and jail", Zawya, April 11, 2017
[131] Source: Bloomberg
[132] Source: "Euro sinks to 12-year low in value against the dollar", The Guardian, March 11, 2015
[133] Source: "Manazel launches retail arm to manage malls", The National, January 17, 2016

The peg to the US Dollar has forced the GCC nations to increase interest rates in line with the rate hikes by the US Federal Reserve

Heavy borrowings by the regional governments and lower deposits in central banks have squeezed out liquidity from the domestic markets[134]. Further, the peg to the US Dollar has forced the GCC nations to increase interest rates in line with the rate hikes by the US Federal Reserve. Since the financial crisis, the US central bank has already raised its benchmark interest rate thrice by 25 basis points each time and has indicated two more increases in 2017[135]. The corresponding increase in interest rates by the GCC countries has increased the cost of borrowing and slowed credit growth. Such a credit environment is unfavorable for the retailers looking to raise capital to fund their general business activity or expansion plans. Continued increase in interest rates can have a negative impact on the corporate borrowing as well as retail spending in the region.

[134] Source: "MIDEAST DEBT-Gulf sovereign bond issues to surge as governments plug deficits", Reuters, January 19, 2016
[135] Source: "Fed Hike: in your interest?", PressReader, March 17, 2017

6. Trends

Growing Need for an Omnichannel Model

The omnichannel concept has been abuzz in retail across the globe due to the seamless consumer experience it provides through integration of multiple sales channels

The omnichannel concept has been abuzz in retail across the globe due to the seamless consumer experience it provides through integration of multiple sales channels such as mobile, tablet, computer, brick-and-mortar, television and catalogue. The concept has evolved on the back of proliferation of digital devices and increasing number of people staying connected over the internet. The omnichannel model benefits customers as they get access to different product reviews and price information across multiple shopping channels, thus enabling them to make well-informed purchase decisions. The millennial generation is driving changes in the market expectations, demanding a non-interfering and tailor-made shopping experience.

The Middle East region has not remained immune to this trend. Although many people still favor the conventional mode of shopping, e-commerce is expanding on the back of high penetration rates of mobile devices, strong internet connectivity and developing online payments infrastructure. The GCC region has over 40 million unique mobile subscribers[136] and nearly as many internet users[137]. Increasing number of retailers are exploring the omnichannel business model in the region. The concept has been adopted primarily in the grocery, apparel and footwear segments, with the Middle East being ranked among the top five global omnichannel markets in these categories[138]. Majid Al Futtaim, which already has a multi-channel sales presence, has announced its plan to integrate online and offline offerings by building on its digital capabilities during 2017[139]. With rising competition, more retailers in the GCC are likely to offer a combined online-offline shopping experience to stay competitive.

Sub-franchising of Brands

The foreign brands prefer to collaborate with large family-run business groups for franchising by granting master franchise agreements, with an aim to grow their presence across the wider region

The Middle East and North Africa region has a US$ 30 billion franchise industry[140]. The GCC nations are the major franchise markets, primarily dominated by international brands in the fashion and food and beverage (F&B) segments. About 80% of retail stores in the region's prime malls are occupied by international brands, which typically enter the market through the franchise and joint venture routes. The foreign brands prefer to collaborate with large family-run business groups for franchising by granting master franchise agreements, with an aim to grow their presence across the wider region. Such agreements allow the master franchisees to appoint sub-partners and provide them rights to operate outlets in a specific geography. Some of the local groups who have multi-brand franchise licenses include Al Tayer Group, M.H. Alshaya, Master Franchisers FZCO, BinHendi Enterprises, Landmark Group, Apparel Group, Chalhoub Group and Al Hokair Group.

Backed by strong financial resources, the local groups used to expand franchising business in different geographies on their own. However, they have started adopting the sub-franchising model in the backdrop of changing economic climate. The model enables the master franchisees to focus on consolidating the existing operations, while expanding

[136] Source: "The Mobile Economy – Middle East and North Africa 2016", GSMA Association, 2016
[137] Source: Internet World Stats, June 2016
[138] Source: "Middle East retailers should offer online and offline shopping options to stay competitive", Strategy&, March 28, 2016
[139] Source: "Majid Al Futtaim reports strong 2016 growth whilst continuing expansion into new territories", Majid Al Futtaim, January 31, 2017
[140] Source: "The MENA Franchising Opportunity and Success Factors", Franchise Arabia, October 20, 2016

the geographic footprint without having to invest own capital. Moreover, presence of many aspiring entrepreneurs with investible funds is widening the scope of sub-franchising.

As the master franchisees look to save on cost and focus on development of key markets, the sub-franchising model will prove to be a primary strategy to grow business in the GCC

The sub-franchising trend is widely observed in the UAE. Al Madani Group, the master franchisee of two F&B brands, Charley's Grilled Subs and Whittard of Chelsea, has opened several outlets of the brands in Abu Dhabi and Al Ain through the sub-franchising route. BinHendi Group has expanded the presence of the Canadian coffee shop brand, Second Cup, across the GCC through its sub-franchisee partners. While the model is not so popular in other GCC countries, it is likely to gain momentum in the backdrop of an economic slowdown. As the master franchisees look to save on cost and focus on development of key markets, the sub-franchising model will prove to be a primary strategy to grow business. Other retail segments are also likely to see a growing adoption of this model. In January 2016, India-based Toonz Retail, a kids lifestyle brand, formed a master franchise relationship with Saudi Arabia-based Tariq Albassami Group to open 10 stores in the GCC[141].

Growth of Private Labels

Perceptions on the quality of private labels have changed over time, making them a preferred choice among a large set of consumers who seek quality products at economical prices

Private labels, also known as store brands, have emerged as the preferred strategy of large retailers in the region for driving growth and strengthening their competitive position in the marketplace. Private labels were earlier regarded as a low-quality alternative available at a discount to national and international brands. However, perceptions on the quality of such products have changed over time, making them a preferred choice among a large set of consumers who seek quality products at economical prices. According to the Nielsen Global Survey of Private-label during Q1 2014[142], 71% of the respondents in the Middle East and Africa agreed that their perception towards private label products have improved over time and 61% respondents believed that these products are a good alternative to name brands. The growing demand for the store brands over the recent years validates the survey findings.

In response, the regional retailers are increasing their investments in expanding the portfolio of store brands. It is advantageous for them as well, since such products typically earn higher margins due to savings in production and marketing costs. Focus on private labels has been a successful strategy in categories such as packaged foods, beverages and home care and hygiene products. At the same time, there exists a significant growth potential in other categories such as apparels, accessories and consumer electronics. Some of the prominent players in the region who have introduced their private labels include LuLu, Spinneys, Carrefour and Waitrose. Delighted by the consumer response, these operators are further expanding their product portfolio and increasing dedicated shelf space to such products. Some top players are also setting up their own production units to strengthen the product offerings. Despite strong demand and sales expansion over the years, the overall penetration of private labels in the GCC region is still substantially lower than the global average, indicating a significant growth potential.

Popularity of Health Foods

With over a third of their population considered obese, Saudi Arabia, Kuwait, UAE, Bahrain and Qatar feature among the top 15 obese countries in the world[143]. These countries also

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[141] Source: "Toonz Retail to open 10 stores in GCC nations", Franchiseindia.com, January 28, 2016
[142] Over 30,000 online consumers from 60 countries were polled in the survey
[143] Source: "29 Most Obese Countries In The World", World Atlas, September 19, 2016

High obesity and incidence of related chronic diseases have prompted people to increasingly adopt a healthier lifestyle

have a high prevalence of diabetes, with nearly 20% of their adult population have been diagnosed with the ailment[144]. High obesity and incidence of related chronic diseases have prompted people to increasingly adopt a healthier lifestyle. As a result, demand for health and organic foods has been rising across the region. In 2015, the UAE registered a 14% y-o-y growth in sale of packaged health foods to US$ 230 million[145]. The sales value is projected to grow at a CAGR of 9.2% to US$ 357 million in 2020. To capitalize on this trend, supermarkets and hypermarkets are introducing various health food products, increasing their visibility by providing them a dedicated shelf space and running campaigns to highlight their benefits. In October 2016, Food Safety Department of Dubai launched a 'Healthy is Easy' campaign through hypermarkets to spread awareness on nutrition and benefits of low sodium intake[146]. During the weeklong campaign, most of the hypermarkets participated by displaying health foods, offering promotions and holding awareness programs on social media platforms. In February 2017, Carrefour launched a 'Healthy Kitchen' section in its hypermarket within Mall of Emirates to attract health-conscious consumers[147]. The section offers over 2,500 types of health foods at competitive prices. Consumers' willingness to pay a premium for such products is further encouraging the retailers to sell health foods. The region is also witnessing opening of specialized stores selling foods that are organic, low on carbohydrates and free of gluten. Food retail sales in the region are anticipated to get a boost from this trend.

Rising Number of Community Malls

Dubai has been witnessing an increase in the number of community malls, as residents are preferring to stay away from crowds at the prime malls

Community malls are focused retail establishments featuring a supermarket and small F&B to suit the needs of consumers residing in the vicinity. Dubai has been witnessing an increase in the number of community malls for quite some time, as residents are preferring to experience a relatively hassle-free shopping at such malls and stay away from crowds at the prime malls. Development of suburbs and residential communities in the city outskirts is also creating a market for such malls. Large mall developers are considering community malls as means to expand revenue and profitability. Some of the community malls that have opened in Dubai include Emirates Living, Arabian Ranches, City Centre Al Shindagha, My City Centre Al Barsha and Jumeirah Park Pavilion. Several other such malls are in the development phase. The trend is slowly spreading in to Abu Dhabi and Oman as well. A couple of community malls that have opened in Abu Dhabi include Seef Village Mall and Town Square. As part of its strategy to increase community malls under the My City Center brand, Majid Al Futtaim has announced development of My City Centre Masdar in Abu Dhabi and My City Center Sur in Oman[148]. With GLAs of 18,000 sq m and 16,000 sq m, respectively, both the malls will encompass anchor Carrefour hypermarket, a family entertainment center (Magic Planet), a healthcare clinic and 50-60 retail shops[149]. While the mall in Oman is scheduled to open in 2017, that in Abu Dhabi is due in the next year.

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[144] Source: "Diabetes Atlas – 7th Edition", International Diabetes Federation
[145] Source: "Health and wellness food trends in UAE offer opportunities to Finnish companies", Team Finland Market Opportunities, August 26, 2016
[146] Source: "Hypermarkets in Dubai to cut salt in in-house food items", Gulf News, October 6, 2016
[147] Source: "Healthy Kitchen – Carrefour serves wellness on everyone's plate", Majid Al Futtaim, February 5, 2017
[148] Source: "MAJID AL FUTTAIM OFFICIALLY OPENS "MY CITY CENTRE AL BARSHA", Majid Al Futtaim, September 4, 2016
[149] Source: "Majid Al Futtaim plans to open Masdar City mall in 2018", The National, January 10, 2017; "Majid Al Futtaim to boost total investment in Oman to OMR 705 million by 2020", Majid Al Futtaim, May 2, 2016

7. Merger and Acquisition (M&A) Activities

The industry witnessed large number of intra-regional deals, with business expansion and financial investment being the chief motives

Despite a subdued business environment, the deal-making in the GCC retail sector has remained active over the past two years. About half of the transactions during the period were intra-regional, with an aim of business expansion and financial investment. Of these, majority were in the areas of F&B and apparel retailing. The region also saw several cross-border acquisitions, wherein regional companies acquired stakes in and assets of foreign companies, primarily from a financial perspective. Foreign companies also made strategic investments in the regional entities in order to make financial gains and strengthen their foothold in the region. To capitalize on the growing online retailing market in the GCC, multiple overseas investors acquired stake in the Dubai-based online retailer, Souq.com, which has a strong presence across the region. The company first raised a total of US$ 302 million in two different funding rounds during 2015–2016. Later in March 2017, Amazon.com, Inc. agreed to buy Souq.com for US$ 650 million (see Exhibit 30). The UAE-based retail operator, Marka PJSC, made three acquisitions during the period to expand its retail and other businesses. M&A activity in the GCC retail market is expected to remain lively, as companies seek to expand product offerings, strengthen market share and enhance their geographic presence.

Exhibit 30: Major M&A Deals in the GCC Retail Industry

Acquirer	Acquirer's Country	Target Company	Target's Country	Year	Consideration (US$ Million)	Percent Sought (%)
Hamad bin Jassim bin Jaber Al Thani	Qatar	El Corte Ingles SA	Spain	2015	1,101	10%
Amazon.com, Inc.*	US	Souq.com	UAE	2017	650	100%
Baillie Gifford & Co, Naspers Ltd., Standard Chartered Private Equity Ltd., International Finance Corp. and Tiger Global Management LLC	UK, South Africa, Singapore and US	Souq.com	UAE	2016	275	N/A
Rocket Internet AG	Germany	Talabat General Trading & Contracting Co. WLL	Kuwait	2015	170	100%
Al Alfia Holdings WLL*	Qatar	Specialty Fashion Group Ltd.	Australia	2017	113	100%
Marka PJSC	UAE	Reem Al Bawadi Group	UAE	2015	86	100%
Undisclosed Acquirer*	N/A	Al Mawarid Trading Co. Ltd.	Saudi Arabia	2015	61	N/A
Al Tayyar Travel Group SJSC	Saudi Arabia	Jumia Middle East Co.	UAE	2016	34	33%
International Finance Corp. and IFC Asset Management Co. LLC	US	Souq.com	UAE	2015	27	N/A
Marka PJSC	UAE	Five Morelli's Gelato Outlets of Gourmet Gulf LLC	UAE	2015	8	100%
Redington Gulf FZE	UAE	Link Plus Bilgisayar Sistemleri Sanayi ve Ticaret AS	Turkey	2016	7	80%
BECO Capital	UAE	JadoPado Ltd.	UAE	2015	4	N/A

Source: Thomson Reuters Eikon, Bloomberg

*Note: *Deals pending completion (as on May 16, 2017)*

Exhibit 29: Major M&A Deals in the GCC Retail Industry (Continued…)

Acquirer	Acquirer's Country	Target Company	Target's Country	Year	Consideration (US$ Million)	Percent Sought (%)
Marka PJSC	UAE	Icons Shop Ltd.	UK	2015	4	65%
STC Ventures Fund	UAE	Modanisa Elektronik Magazacilik ve Ticaret AS	Turkey	2016	4	11%
Salam International Investment QSC*	Qatar	JustKidding LLC	UAE	2015	3	N/A
Qatar Quality Food LLC	Qatar	Al Oumara Bakeries Co. LLC	Qatar	2015	1	49%
A technology fund led by Mohammad Al Abbar (Chairman of Emaar Properties)	UAE	JadoPado Ltd.	UAE	2017	N/A	100%
HBS Investment	UAE	Bait Al Kandora	UAE	2017	N/A	25%
Al Ramz Corporation Investment and Development PJSC	UAE	Marka PJSC	UAE	2016	N/A	5%
Gulf Capital Pvt. JSC	UAE	Sporter.com	UAE	2016	N/A	N/A
Nuvias Group Ltd.	UK	SCD Group Ltd.	UAE	2016	N/A	100%
Dabur International Ltd.	UAE	Discaria Trading Pty Ltd.	South Africa	2016	N/A	100%
Abdulaziz Ali Alsudais & Sons Holding Co.	Saudi Arabia	BDL Gulf FZCO	UAE	2016	N/A	100%
Devere Group Ltd.	UAE	Meccano Clothing Co.	New Zealand	2016	N/A	100%
Investcorp Bank BSC	Bahrain	Bindawood Holding Co.	Saudi Arabia	2016	N/A	7%
Essilor International SA	France	Nikon Optical Middle East WLL	Kuwait	2016	N/A	N/A
Gulf Capital Pvt. JSC	UAE	Multibrands for Trading Co. Ltd.	Saudi Arabia	2015	N/A	100%
United Electronics Co.*	Saudi Arabia	Mohammad Yousuf Sager & Co.	Saudi Arabia	2015	N/A	N/A
Abdul Kadir Al Muhaidib and Sons Group CJSC	Saudi Arabia	Abyat Megastore Co. KSCC	Kuwait	2015	N/A	35%
Abraaj Capital Ltd.	UAE	D-Market Elektronik Hizmetler ve Ticaret AS	Turkey	2015	N/A	N/A

Source: Thomson Reuters Eikon

*Note: *Deals pending completion (as on May 16, 2017)*

Country Profiles

UAE

Key Growth Drivers

- **Demography:** A growing and diverse consumer base has created a modernized retail market in the UAE and remains the major growth driver. IMF has projected the UAE population to grow at a CAGR of 3.0% between 2016 and 2021.
- **Per capita income:** GDP per capita (PPP) is likely to expand at an annual average of 2.4% between 2016 and 2021. Rise in income levels and a high standard of living are fueling demand for various retail products, including luxury goods.
- **Travel and tourism:** With over 100 million passengers, including ~18 million international tourists, passing through its major airports, the UAE has a bustling airport retail market. The country is further augmenting its airport capacity, building tourist attractions and holding large events, including the World Expo 2020, to boost travel and tourism.
- **E-commerce:** The online retail market is growing rapidly, as consumers are finding attractive deals and being accustomed to the ease of shopping. To capitalize on the growing online sales, the number of online retailers is also increasing. The online retail market is expected to grow at a CAGR of 24% from 2016 to 2021 (Source: Euromonitor International).

Recent Industry Developments

- In April 2017, Dubai Economy collaborated with Global Retail Academy to open a Retail Centre of Excellence to bring the best international practices in retailing to the city. The center will provide online and offline retail training and education for retail professionals and companies.
- In April 2017, Abu Dhabi's Department of Municipal Affairs and Transport granted a US$ 60.5 million contract to a local company for developing a central market in the Al Dhafra region. The project will span over an area of 53,307 sq m and include a hypermarket, retail stores and entertainment facilities, among others.
- In April 2017, Nakheel, a real estate developer, awarded United Engineering Construction Co. a US$ 1.1 billion contract to build Deira Mall. Encompassing an area of 4 million sq ft, the mall is slated for completion in 2020.
- In January 2017, the Prime Minister of the UAE approved the decision to grant visa on arrival to Russian citizens across all entry points in the country.

Macro-economic Indicators

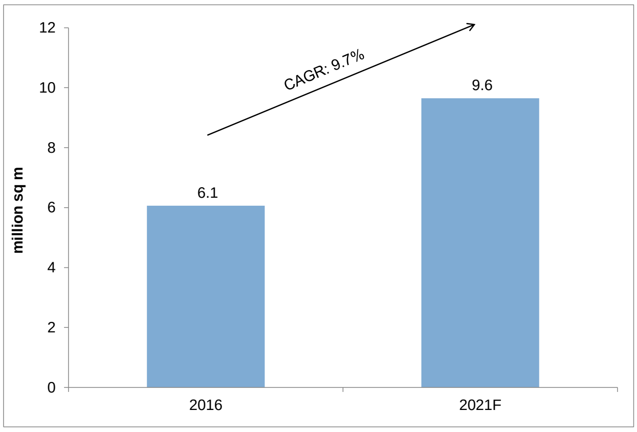
Indicators	Unit	2016E	2017F	2021F
GDP growth at constant prices	%	2.3	2.5	3.4
GDP per capita based on PPP	US$	67,696	68,895	76,380
Population	mn	9.9	10.1	11.4
Inflation	%	3.6	3.1	3.6
International tourist arrivals	mn	17.9	18.8	22.9

Source: IMF – October 2016, Dubai Tourism, SCAD, WTTC, Alpen Capital
Note: E – Estimated, F – Forecasted

Key Players

Company	Type
Al Maya Group	Supermarket & hypermarket operator
Al Tayer Group	Luxury retailer
Apparel Group	Lifestyle retailer
Axiom Telecom LLC	Electronics and appliances retailer
BMA International Group	Supermarket & hypermarket operator
Chalhoub Group	Luxury retailer
Dubai Duty Free	Airport retailer
Joyalukkas Group	Jewelry retailer
Jumbo Electronics Co. Ltd. LLC	Electronics and appliances retailer
Landmark Group	Lifestyle retailer
LuLu Group International	Supermarket & hypermarket operator
Majid Al Futtaim Hldg. LLC	Supermarket & hypermarket operator
Rivoli Group	Furniture and accessories retailer

Forecast of Organized Retail Space



Source: JLL, Alpen Capital
Note: F – Forecasted

Saudi Arabia

Key Growth Drivers

- **Demography:** The Kingdom has a favorable and large consumer base, comprising growing proportion of tech-savvy youngsters, working women and expatriates from diverse cultures. Such demographic mix, coupled with rapid urbanization, is bringing about changes in lifestyles and consumption habits, and attracting several modern retailers.
- **Disposable income:** GDP per capita (PPP) is projected to expand at a CAGR of 2.5% between 2016 and 2021. A gradual recovery of oil prices and the consequent impact on the economy is likely to increase disposable income and restore consumer confidence, lending impetus to retail sales.
- **Tourism:** Rising inflow of religious tourists, grant of post-Umrah visa, renovation of heritage sites and privatization of certain sectors are likely to augment the number of tourist arrivals in the country. Expansion of the tourism industry augurs well for the growth of the retail sector.
- **E-commerce:** With 70% internet penetration (Source: Euromonitor International) and increasing number of social media users, the internet retailing potential in Saudi Arabia is expanding. Further, upgradation of online payment systems is likely to support the use of e-commerce for retail purchases.
- **Government initiatives:** The retail sector is likely to benefit from the government moves to increase foreign direct ownership for retailers to 100% and curb online and offline counterfeiting business.

Recent Industry Developments

- In April 2017, the labor ministry of Saudi Arabia issued an order restricting employment in shopping malls to Saudi nationals. Presently, nationals account for only one in five personnel in the retail sector.
- In March 2017, Beko, an international home appliance brand, opened its first store in Riyadh and shared its intention to expand presence in the country during the year.
- In February 2017, LuLu Group announced its plan to open 20 hypermarkets in the Kingdom by 2020.
- In August 2016, India-based Kalyan Jewellers disclosed its plan to establish presence in the Kingdom, as the retailer aimed to expand revenue by 30% in 2016-17.

Macro-economic Indicators

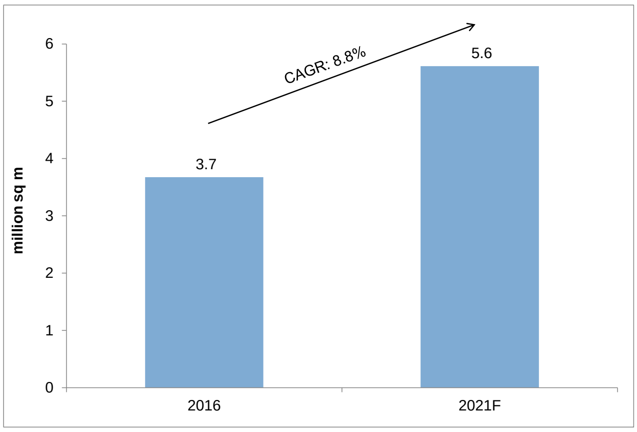
Indicators	Unit	2016E	2017F	2021F
GDP growth at constant prices	%	1.2	2.0	2.3
GDP per capita based on PPP	US$	54,078	55,229	61,313
Population	mn	32.0	32.7	35.3
Inflation	%	4.0	2.0	2.0
International tourist arrivals	mn	19.1	20.1	24.8

Source: IMF – October 2016, SCTNH, WTTC, Alpen Capital
Note: E – Estimated, F – Forecasted

Key Players

Company	Type
Abdullah Al Othaim Markets Co.	Supermarket & hypermarket operator
BinDawood Superstores	Supermarket & hypermarket operator
Fawaz Abdulaziz Alhokair Co. SJSC	Fashion retailer
Jarir Marketing Co.	Book stores operator
Jazirat Smaa Fashion Co. Ltd.	Fashion retailer
Olayan Group	Distributor of consumer products & F&B retailer
Panda Retail Co.	Supermarket & hypermarket operator
United Electronics Co.	Electronics and appliances retailer

Forecast of Organized Retail Space



Source: JLL, Alpen Capital
Note: F – Forecasted

Qatar

Key Growth Drivers

- **Per capita income:** The IMF has projected Qatar's GDP per capita (PPP) to increase at a CAGR of 3.5% between 2016 and 2021. A gradual recovery in oil prices, alongside revenue diversification, is likely to spur growth. The consequent strengthening of disposable income in one of the world's wealthiest countries will boost sales of general as well as luxury consumer products.
- **Population:** The country's population is expected to grow at an annualized average rate of 1.5% between 2016 and 2021. An increase in the number of expatriate workers will generate demand for grocery and household goods. In anticipation of the demand, supermarket and hypermarket chains are setting up presence in the country.
- **Tourism**: Qatar is a popular destination for sports tourism, as it hosts a series of global sports events every year. The 2022 football world cup is one such sport event that is likely to attract a large number of tourists. Additionally, development of tourism-related infrastructure in a bid to diversify the revenue sources is likely to support retail sales.
- **Organized retail space:** With over 1 million sq m of retail space under development (Source: DTZ Research), Qatar is expected to witness a strong growth in GLA. Many international brands are likely to establish presence at the new malls to capitalize on the country's retail growth prospects.

Recent Industry Developments

- In March 2017, the Ministry of Economy and Commerce of Qatar introduced new measures to enable commercial business owners to renew their licenses online in a faster and easier manner.
- During December 2016–February 2017, The Pearl-Qatar, a man-made island project, singed lease contracts with 32 retail brands. Most of the shops have opened in Qanat Quartier, one of the three retail hubs on the island.
- In December 2016, the country witnessed opening of Mall of Qatar. With an area of 500,000 sq m and featuring over 500 retail shops, including 100 F&B outlets, the establishment is the country's largest mall.

Macro-economic Indicators

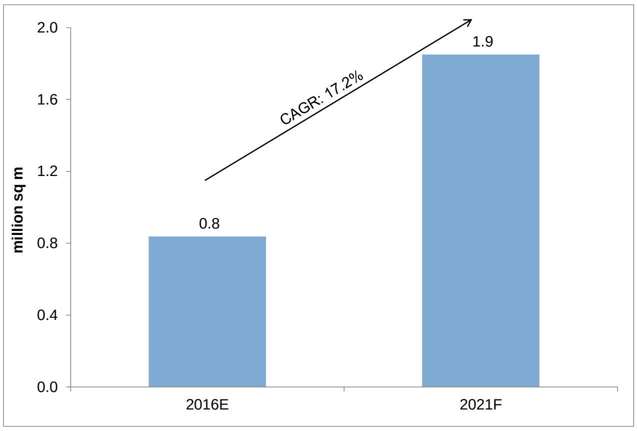
Indicators	Unit	2016E	2017F	2021F
GDP growth at constant prices	%	2.6	3.4	2.0
GDP per capita based on PPP	US$	129,727	131,063	154,041
Population	mn	2.6	2.7	2.8
Inflation	%	3.0	3.1	2.2
International tourist arrivals	mn	2.9	3.1	3.8

Source: IMF – October 2016, Ministry of Development Planning and Statistics, WTTC, Alpen Capital
Note: E – Estimated, F – Forecasted

Key Players

Company	Type
Al Mana	Fashion retailer
Al Meera Consumer Goods Co. QSC	Supermarket & hypermarket operator
Ali Bin Ali Group	Electronics and appliances retailer
Blue Salon (part of Abu Issa Holding)	Luxury retailer
Salam Stores	Lifestyle retailer

Forecast of Organized Retail Space



Source: Alpen Capital
Note: E – Estimated, F – Forecasted

Kuwait

Key Growth Drivers

- **Demography:** Kuwait is home to a large number of expatriates (~70% of total population), who come from diverse locations. This, coupled with rapid urbanization, has increased demand for various consumer products. Changing consumer preferences is modernizing the retail market, with increasing number of supermarkets and hypermarkets. A growing consumer base will continue to drive demand for retail goods.
- **Disposable income:** With GDP per capita among the highest in the world, the country enjoys a high standard of living. The IMF expects Kuwait's GDP per capita (PPP) to grow at a CAGR of 2.2% between 2016 and 2021. Economic revival, in anticipation of a recovery in oil prices, is likely to increase spending power and subsequently propel demand for various retail goods, including luxury products.
- **Online retail:** With an internet penetration rate of about 80%, Kuwait is an attractive market for online retailers. Presence of young tech-savvy population, availability of secure payment options and rise in smartphone and credit card penetration bodes well for growth of the online retail market.
- **Organized retail space:** The country is witnessing development of several modern shopping malls. With the gradual increase in retail space, a number of high-end international brands are likely to establish presence in the country to tap the affluent and growing consumer base.

Recent Industry Developments

- In March 2017, The Sultan Center, a chain of supermarkets, announced a transformation strategy to enhance profitability, restructure debt and strengthen market share. The company will be focusing on its core retail business while disposing off other businesses and investments.
- In January 2017, Tamdeen Group, a property developer in Kuwait, entered into a leasing agreement with Azadea Group, a lifestyle retailer, to rent out 11 stores at the Al Kout Mall that is due to open by end of the year.
- In January 2017, Fashion B Air SA, a French retailer of women's clothing and accessories, entered into a distribution agreement with a local company. The first shop was scheduled to open in February.

Macro-economic Indicators

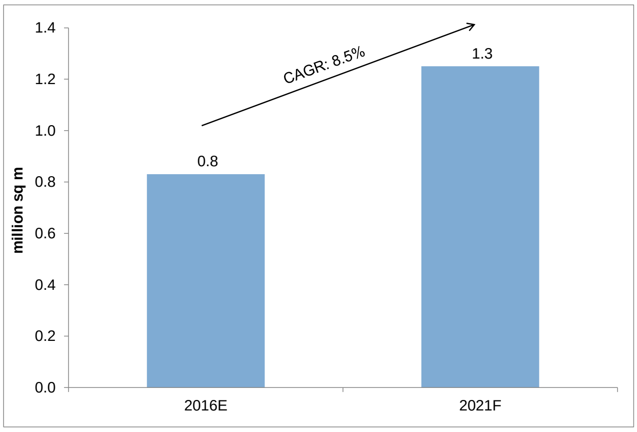
Indicators	Unit	2016E	2017F	2021F
GDP growth at constant prices	%	2.5	2.6	2.9
GDP per capita based on PPP	US$	71,264	72,675	79,401
Population	mn	4.2	4.3	4.8
Inflation	%	3.4	3.8	3.6
International tourist arrivals	mn	0.39	0.40	0.48

Source: IMF – October 2016, WTTC, Alpen Capital
Note: E – Estimated, F – Forecasted

Key Players

Company	Type
Alghanim Industries	Electronics and appliances retailer
Boushahri Group	Supermarket & hypermarket operator
Gulf Franchising Hldg. Co. KSCP	Lifestyle retailer
M.H. Alshaya Co. WLL	Lifestyle retailer
Sultan Center Food Products Co. KSC Closed	Supermarket & hypermarket operator

Forecast of Organized Retail Space



Source: Alpen Capital
Note: E – Estimated, F – Forecasted

Bahrain

Key Growth Drivers

- **Demography:** According to IMF, Bahrain's population is expected to expand at a CAGR of 2.0% between 2016 and 2021. An expanding consumer base, comprising a high proportion of expatriates and youngsters living in urban areas, bodes well for the growth of the retail sector.
- **Disposable income:** Bahrain's GDP per capita (PPP) is projected to grow at a CAGR of 2.1% between 2016 and 2021. Despite the weak economic conditions and muted job market across the GCC, the country saw a rise in employment opportunities during 2016 (Source: Monster.com). An improving job market, supported by a diversifying economy, is likely to boost spending on consumer goods going forward.
- **Tourism:** The country is a prominent weekend tourism destination for people from Saudi Arabia, who arrive via the King Fahd Causeway. In a bid to diversify the economy, Bahrain is investing heavily in building tourism infrastructure and promoting itself internationally to attract tourists. Expansion of the tourism industry will drive retail sales and attract more players to set up shops in the country.
- **Community malls:** The country has been witnessing an increase in the number of community malls, alongside the residential districts. In August 2016, the government signed contracts worth US$ 395 million to build housing projects. Such developments will support demand for new community malls, and hence, retail products.

Recent Industry Developments

- In April 2017, Dilmunia Mall Development Co. announced plans to develop a family-centric mall on the Dilmunia Island at an estimated cost of US$ 137 million. Scheduled for completion in October 2019, the mall will encompass an area of 26,754 sq m and feature more than 200 retail stores.
- In September 2016, Amlak, a real estate developer, disclosed its plan to transform Souq Al Buhair into a modern mixed-used project. Scheduled for completion by mid-2017, the refurbished facility will include 30 retail outlets.
- In November 2016, Ikea disclosed plans to open one of its largest stores in the Middle East in Bahrain. Slated to open in Q2 2018, the store will be built over an area of 37,000 sq m at an estimated cost of US$ 124.8 million.

Macro-economic Indicators

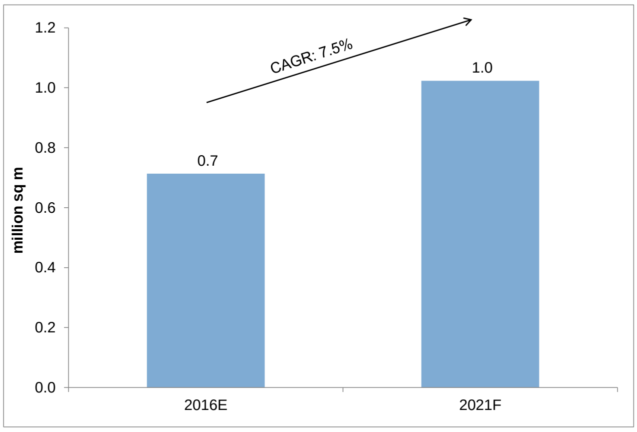
Indicators	Unit	2016E	2017F	2021F
GDP growth at constant prices	%	2.1	1.8	2.2
GDP per capita based on PPP	US$	50,303	51,266	55,794
Population	mn	1.3	1.3	1.5
Inflation	%	3.6	3.0	2.4
International tourist arrivals	mn	12.2	12.9	15.9

Source: IMF – October 2016, Economic Development Board, WTTC, Alpen Capital
Note: E – Estimated, F – Forecasted

Key Players

Company	Type
Al Muntazah Market	Supermarket & hypermarket operator
Almeer Group WLL	Supermarket & hypermarket operator
Ashrafs WLL	Electronics and appliances retailer
Bahrain Duty Free	Airport retailer
Jawad Business Group SPC	Supermarket operator and F&B and fashion retailer
Mirza Al Helli & Sons BSC	Supermarket & hypermarket operator

Forecast of Organized Retail Space



Source: Alpen Capital
Note: E – Estimated, F – Forecasted

Oman

Key Growth Drivers

- **Demography:** Oman's population is expected to grow at a CAGR of 3.1% between 2016 and 2021, fastest within the GCC (Source: IMF). An expanding consumer base comprising expatriates and young population, who are inclined towards modern lifestyles, is fuelling demand for organized retail stores. Rising awareness of international fashion and other consumer products is luring foreign retailers to the country.
- **Per capita income:** The GDP per capita (PPP) of Oman is projected to grow at an annual average of 1.5% between 2016 and 2021 (Source: IMF). Economic recovery and a projected increase in disposable income are likely to revive retail sales in the country.
- **Tourism:** Oman is developing its tourism sector and targets to attract over 5 million international visitors annually by 2040. Influx of international tourists is expected to have a positive influence on the retail sector.
- **Organized retail space:** Although the country witnessed development of over 100,000 sq m of new retail GLA in 2015, the retail space per capita remains low. Increasing demand for international brands as well as an integrated shopping experience acts as driving forces for expansion of organized retail infrastructure.

Recent Industry Developments

- In April 2017, the head of logistics portfolio at Tanfeedh, a national program for enhancing economic diversification, stated that they are developing a system to boost the country's e-commerce business.
- In January 2017, Oman Airports Management Co. (OAMC) announced the opening of over 18,000 sq m of retail space at the new Muscat International Airport. Subsequently, OAMC began to award duty free licenses to retail operators.
- In August 2016, Chinese companies disclosed that they would enter into a partnership pact with Omani companies to build a Chinese Commercial Town at an estimated cost of US$ 217 million. The project will comprise a network of four shopping and commercial hubs at key locations in Oman.

Macro-economic Indicators

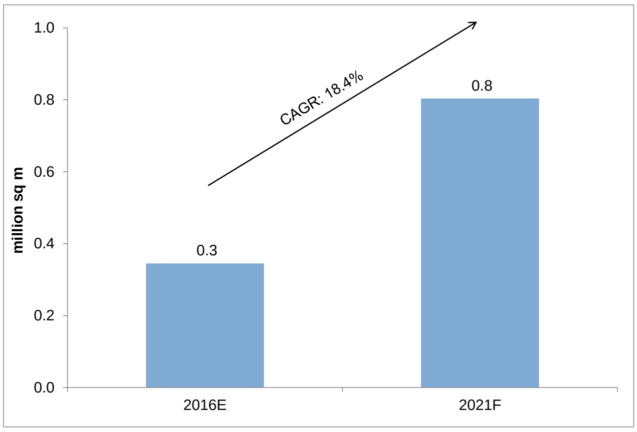
Indicators	Unit	2016E	2017F	2021F
GDP growth at constant prices	%	1.8	2.6	2.2
GDP per capita based on PPP	US$	43,737	44,472	47,138
Population	mn	4.0	4.1	4.6
Inflation	%	1.1	3.1	2.8
International tourist arrivals	mn	2.1	2.2	2.8

Source: IMF – October 2016, WTTC, Alpen Capital
Note: E – Estimated, F – Forecasted

Key Players

Company	Type
Assarain Group	Furniture retailer
Jawad Sultan Group LLC	Luxury retailer
Khimji Ramdas LLC	Lifestyle retailer
Oman International Electronics & Trading Co. LLC	Electronics and appliances retailer

Forecast of Organized Retail Space



Source: Alpen Capital
Note: E – Estimated, F – Forecasted

Company Profiles

Al Maya Group (Privately Owned) UAE

Company Description

Founded in 1982 and headquartered in Dubai, Al Maya Group is a diversified player primarily engaged in the distribution of food products and apparels, operation of supermarkets and hypermarkets and franchisees of Mom and Me, Borders and Paperchase. In addition to these activities, the group through its associates is involved in the operation of a salon and spa, poultry farm, restaurant, shopping center and import and export of readymade garments. Al Maya Group has presence in the UAE, Oman, Qatar, Bahrain, Kuwait, India and the UK.

Business Segments/Product Portfolio

- **Supermarkets & Hypermarkets:** The group operates about 50 supermarkets in the UAE and Oman and 2 hypermarkets in the UAE. The group's supermarket mix comprises large, neighborhood and convenience store formats under the brands - al maya, Jesco, SnS, Citi Mart and Extra al maya. Additionally, the group sells products under its private label 'Maya's' and operates a baking facility 'Bake Hub' that caters to the UAE's HORECA segment. The group also owns stores in the UK and India.
- **Distribution:** Through a warehousing space encompassing over 1 million sq ft and logistics capabilities, the group distributes over 50 food brands across the GCC. Al Maya Group has the sole rights to distribute brands such as Virginia, Buenas, Pocari Sweat, Chabaa, HeartBeat, Vochelle, Kraft Heinz, Pearl Swan, Kohinoor, Society and Pillsbury. The group also has distribution rights for apparel and footwear brands like Byford, Dim, Scholl, Relaxo, Dollar and Fruit of the Loom. The distribution business in the GCC is conducted through Al Maya Distribution (BR.) LLC. In addition to this, the group through Al Maya UK Ltd. distributes own and third-party products to the UK and European markets.
- **Retail:** The group operates five Mom and Me stores, six Borders stores and 11 Paperchase stores in the UAE under the franchisee business model.
- **Associates**:
  - **Amaya Salon & Spa:** A network of four salon and spas offering a full range of beauty services in the UAE.
  - **Al Jazira Poultry Farm LLC:** A producer and distributor of eggs across the GCC. It operates a poultry farm with a production capacity of 100 million eggs annually.
  - **Maya Restaurant:** A casual dining restaurant in the UAE.
  - **Sharjah Shopping Center:** Opened in 1999, the shopping mall houses more than 30 outlets of gold jewelry on its ground floor, including brands like Damas, Pure Gold and Atlas Jewelry, as well as other lifestyle stores.
  - **UPF International LLC:** Founded in 1995 in Dubai and engaged in the import, export and wholesale of readymade garments.

Recent Developments/Future Plans

- In June 2016, the Consul General of Korea launched Korean food assortments in Al Maya's supermarket at Murqqabat, Dubai. The consulate also had a discussion with Al Maya to develop business relations with Korean companies.
- In October 2015, Al Maya Distribution (BR.) LLC was appointed as the exclusive distributor of American Kitchen in the UAE. The US-based company's product range includes condiments, canned meat & poultry, snacks and rice.

Source: Company website, Zawya

Al Mana (Privately Owned) Qatar

Company Description

Established in 1951, Al Mana is a conglomerate engaged in the businesses of retail, F&B, automotive distribution and services, real estate and investments, engineering, technology and media and entertainment, through its 55 companies. In the retail business, the group has a portfolio of renowned brands offering luxury goods, beauty, fashion, home interiors, watches and jewelry. The business is conducted through a network of over 300 retail stores across the GCC and in the UK and Ireland.

Business Segments/Product Portfolio

- **Automotive:** The group, through Saleh Al Hamad Al Mana Co., is the sole distributor of automobile brands Nissan, Infiniti and Renault in Qatar. Additionally, the company acts as an agent of National Car Rental to provide car rental services in the country.
- **Investments and Real Estate:** The group developed Mirqab Mall and Doha Mall in Qatar in 2016, and in 2017 it aims to complete the development of Al Mana Tower (a 52 storey mixed-used tower housing the group headquarters); Al Waha Tower (a 42-storey tower comprising a five-star hotel and 100 serviced apartments) and Citywalk Residence (a mixed-used property including retail units and 32 residential apartments). Al Mana is also developing a mixed-use project, Park Lane, comprising retail units and four luxury rental apartments in London.
- **Retail:** The group offers a wide range of retail products of international brands such as Hermes, Giorgio Armani, Dior Home, Casadei, John Lobb, Mango, Rado, Tissot, Damas, Sephora and Saint Louis in Qatar. It also operates department stores of Saks Fifth Avenue, Harvey Nichols, BHS and Go Sport.
- **Engineering:** Started in 1992, this division provides a range of architectural, civil, structural, electrical and mechanical consulting services to the public and private sectors.
- **Food & Beverage:** Al Mana operates F&B outlets under brands like McDonalds, Haagen-Dazs, Grom, Emporio Armani Caffè, Busaba Eathai, illy, Ronnefeldt, Casper & Gambini's and Pittas.
- **Media:** This division provides advertising and media services like public relations and marketing to global brands.
- **Entertainment:** Al Mana has partnered with international entertainment companies to bring cinemas and family entertainment centers (FECs) in Qatar. The group runs a multiplex movie theater under the FLIK Cinemas brand in Lagoona Mall and is set to open two more in 2017 at Doha Mall and Mirqab Mall.
- **Technology:** In partnership with Apple Europe, Al Mana has opened retail stores in the Republic of Ireland and Northern Ireland under the iConnect brand.

Recent Developments/Future Plans

- In June 2016, Al Mana acquired BHS, the British fashion chain brand, including its IP, international franchising business and domain names.
- In June 2016, Al Mana Fashion Group, an arm of Al Mana, collaborated with National Basketball Association (NBA) to open its outlets in the Middle East. In addition to opening two stores in Doha during the 2016-17 NBA season, the group plans to launch stores in the UAE, Saudi Arabia and Kuwait in the future.
- In May 2016, Al Mana opened the second store of Agent Provocateur, a British luxury lingerie brand, in Dubai to strengthen the brand's presence in the Middle East.

Source: Company website

Al Meera Consumer Goods Co. QSC (Publicly Listed) — Qatar

Company Description

Founded in 2005, Al Meera Consumer Goods Co. QSC (AMCG) is primarily engaged in the wholesale and retail of various consumer goods via its chain of modern retail stores. The outlets are located within the neighborhood shopping centers owned and managed by the company. As of end-2016, the company operated 45 branches in Qatar, encompassing an area of about 68,000 sq m, and five in Oman spread over 25,800 sq m. The company also has minority interests in Al Oumara Bakeries Co. WLL, engaged in the manufacture and sale of bakery products, and Aramex Logistics Services Co. LLC, involved in warehousing and delivery truck services.

Business Segments/Product Portfolio

- **Retail:** Under this segment, the company undertakes the trading of consumer goods through its hypermarkets, supermarkets and convenience stores in Qatar and Oman. In addition to the stores operated under own brand name, the company runs one Geant hypermarket and two WHSmith bookstores in Qatar through the franchisee route. This is the major revenue stream of the company.
- **Leasing:** This business segment comprises renting of shops at community shopping centers owned by the company. In FY 2016, the company earned US$ 19.0 million in the form of shop rental income.
- **Investment:** Under this segment, the company reports its investments in equity and funds and fixed deposits.

Recent Developments/Future Plans

- In March 2017, AMCG opened a new shopping center spread over an area of 2,267 sq m in Al Wakra. Of the total area, the supermarket will occupy 1,500 sq m of space. The opening is a part of the company's ambitious expansion plan announced during 2015. With this new store, the company has opened four centers and seven more are under development phase, taking the total to 11 out of the 14 planned stores.
- In January 2017, the company entered into a partnership with Msheireb Downtown Doha (MDD), a mixed-use community development project featuring 300 retail shops, luxury department store, restaurants and commercial buildings, among others. As per the partnership, AMCG will open its supermarket in the Galleria Mall located within MDD.
- In June 2016, AMCG signed several agreements with Oman's Ministry of Housing to obtain the right to use state-owned lands for the development of new shopping centers. The company aims to have 10 community malls in the Sultanate by 2022.

Current Price (US$)	42.56

Price as on May 18, 2017

Stock Details	
Bloomberg ticker	MERS QD
52 week high/ low	61.37/41.19
Market Cap (US$ mn)	851.3
Enterprise value (US$ mn)	821.9
Shares outstanding (mn)	20.0

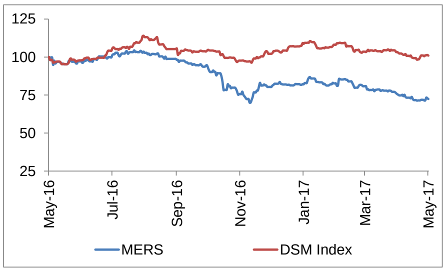
Source: Bloomberg

Average Daily Turnover ('000)

	QAR	US$
3M	3,938.9	1,081.6
6M	3,728.4	1,023.8

Source: Bloomberg

Share Price Chart



Source: Bloomberg

Valuation Multiples

	2015	2016	2017E
P/E (x)	27.7	17.6	15.2
P/B (x)	3.2	2.5	2.3
EV/S (x)	1.6	1.2	1.1
Dividend yield (%)	4.1	5.1	6.6

Source: Bloomberg

Shareholding Structure	
Qatar Holding LLC	26.00%
Others	74.00%
Total	**100.00%**

Source: Company Filings

Source: Company website and annual report

Financial Performance				
US$ Million	**2014 YE Dec**	**2015 YE Dec**	**2016 YE Dec**	***Change y-o-y (%)***
Revenue	597.7	672.7	715.3	*6.3*
COGS	498.0	555.4	594.0	*6.9*
Operating Income	62.9	43.7	55.0	*25.9*
Operating Margin (%)	10.5	6.5	7.7	
Net Income	62.2	44.5	54.7	*22.9*
Net Income Margin (%)	10.4	6.6	7.6	
Return on Average Equity (%)	16.4	11.6	14.3	
Return on Average Assets (%)	12.0	8.2	9.6	

Key Comments

- *AMCG reported revenue of US$ 715.3 million in FY 2016, indicating a 6.3% y-o-y growth. In addition to growth in existing business, the two newly opened stores during October-December 2016 contributed US$ 2.1 million to the total revenue.*
- *During the year, operating income grew by 25.9% y-o-y to US$ 55.0 million on account of over 37% y-o-y increase in the rental income from leased shops.*
- *After accounting for an increase in share of loss of an associate, the company reported net income of US$ 54.7 billion during FY 2016.*

Source: Thomson Reuters Eikon, Company Filings

Al Tayer Group (Privately Owned) UAE

Company Description

Established in 1979, Al Tayer Group is a conglomerate engaged in automotive, retail and real estate businesses. The group ventured into the retail business in 1981, and today, is counted among the largest luxury retailers in the Middle East. Al Tayer Group operates more than 200 retail stores across the GCC, displaying renowned international brands in the fashion, jewelry, beauty, home and hospitality segments.

Business Segments/Product Portfolio

Below are the retail business segments of Al Tayer Group.

- **Department Stores:** Al Tayer Group has the exclusive license to operate department stores of Harvey Nichols in the UAE and Bloomingdale's in the UAE and Kuwait. The Harvey Nichols store is spread over an area of 136,900 sq ft and Bloomingdale's store in Dubai has an area of 200,000 sq ft and that in Kuwait encompasses an area of 93,000 sq ft.
- **Beauty:** In this segment, the group operates a mix of monobrand, multi-brand and concession stores. The single brand stores are of Bobbi Brown, Illamasqua and Diptyque brands spread across the GCC; the multi-brand stores are operated under the local Areej brand with nine outlets in the UAE and Oman; and the concession stores are located within the group's retail outlets of Harvey Nichols and Bloomingdale's in Dubai.
- **Fashion:** The group offers a portfolio of the world's renowned luxury brands such as Armani, Kering, Aeffe, TODS, LVMH, Dolce & Gabbana, Jimmy Choo, Marni, Coach and Brunello Cucinelli.
- **Home:** This division offers designer home furniture and accessories through a chain of its multi-brand store Aati, Bloomingdale's home store and US-based Crate and Barrel store in Dubai.
- **Hospitality:** Under this segment, the group runs franchisees of international cafe brands such as Armani / Dubai Caffè, Almaz by Momo, Caffè Nero, Cosi, Emporio Armani Caffè, Magnolia Bakery, More Café and Ocean Basket.
- **Jewelry:** The group offers a range of fine jewelry of prominent international brands such as David Yurman, Bee Goddess, Marli and Buccellati, in addition to that of some of the regional brands. The products are sold through a network of multi-brand concession stores and monobrand outlets of Boucheron and Pomellato.
- **Lifestyle:** The group operates lifestyle stores of iconic brands such as Gap, Banana Republic, Whistles, Armani Exchange and Mamas & Papas across the GCC.

Recent Developments/Future Plans

- In March 2017, the group opened Bloomingdale's department store in Kuwait.
- In February 2017, the Middle East's first Gap Factory store opened at the Meraas Outlet Village Mall in Dubai in partnership with Al Tayer Group.
- In December 2016, Al Tayer Insignia, the retail arm of Al Tayer Group, introduced its luxury e-commerce store, Ounass. The brand will cater the UAE, Saudi Arabia and Qatar markets and provide a wide assortment of women's garments, footwear, handbags, fine jewelry, cosmetics and home merchandise.
- In October 2016, the US-based fine jewelry brand, David Yurman, collaborated with Al Tayer Group to launch its two exclusive pop-up stores at the Bloomingdale's and Harvey Nichols department stores in Dubai.
- In May 2016, the group opened its first Aveda beauty salon at The Galleria Mall in Dubai.

Source: Company website

Ali Bin Ali Group (Privately Owned) Qatar

Company Description

Established in 1945, Ali Bin Ali Group (ABA) is a conglomerate engaged in diverse business activities such as distribution of food and non-food consumer products, operation of boutiques selling fashion products, bottling and distribution of beverages, ownership and operation of hotels and restaurants, event management, supply of medical equipment and travel and cargo services.

Business Segments/Product Portfolio

- **Beverages:** ABA owns a water treatment unit, a production facility for plastic bottles, and a factory for bottling and packaging of beverages. The company offers a range of soft drinks and other beverage products of PepsiCo, Inc.
- **Contracting & Property Management:** ABA specializes in the production of furniture, interior fit-outs and decoration works. The company caters to the hospitality industry, private sector and residencies, among others.
- **FMCG & Distribution:** The company is engaged in the sales and distribution of a wide range of food and non-food consumer products through its various divisions including Ali Bin Ali & Partners, International Agencies, Qatar Quality Products, Prime Consumer Products, ABA Logistics and Dohatna Innovative Distribution.
- **Hospitality:** ABA develops luxury hotels and distinct restaurant concepts. Some of its restaurants include Crepaway, Wagamama, Top Catering, Al Mayass, Sormani and Nestle Toll House Cafe. The company is constructing two luxury hotels, which are expected to open in 2017.
- **Information & Communication Technology:** Through ABA Technology Solutions and iSpot, ABA offers solutions such as enterprise resource planning, customer relationship management, content management, virtualization, hardware, storage, infrastructure and mobility. It also distributes Apple's products in Qatar.
- **Luxury & Fashion:** Through its network of exclusive boutiques, ABA offers luxury and fashion products such as fine timepieces, exquisite jewelry, classical writing instruments and sophisticated accessories of world's renowned brands.
- **Medical Supplies:** The company imports and distributes medical and surgical equipment, sports and physio-therapeutic equipment, lab and dental equipment, hospital and lab furniture, and pharmaceutical and natural food products.
- **Production & Digital House Events Planning:** The company provides services such as event management, video production and filming, photography, and digital printing and framing.
- **Printing, Publishing & Media:** The company offers interactive media solutions, directory services, cinema advertising, print related solution and magazine publishing services.
- **Sports & Lifestyle:** In early 2016, the company launched Sports Gate, an entity engaged in distribution of sport and lifestyle brands. The entity is an exclusive distributor of Technogym, a provider of fitness and wellness equipment, in Qatar.
- **Supermarkets:** ABA operates retail outlets of Monoprix SA, a French city-center retailer, in Kuwait that offers food products, household items, clothing, perfumes and gift items.
- **Travel & Cargo:** ABA acts as a sales agent for various airlines and offers passenger, cargo and aircraft handling services.
- **Sponsorships and Affiliates:** ABA is also engaged in some of the above-mentioned businesses through sponsored companies and affiliates.

Recent Developments/Future Plans

- In December 2015, ABA opened new branches of Crepaway and Wagamama restaurants in Qatar's Ezdan Mall.
- In October 2015, the company launched the Frette brand at Qatar's Lagoona Mall. The brand is a global provider of luxury linens to hotels and homes.

Source: Company website

Apparel Group (Privately Owned) UAE

Company Description

Founded in 1999, Apparel Group is a fashion and lifestyle retailer having presence in the GCC, India, Thailand, Malaysia, South Africa, Poland, Singapore, Indonesia and Jordan. The group operates more than 1,750 retail stores of over 75 brands such as Tommy Hilfiger, Juicy Couture, Nautica, Aldo, Nine West and Aeropostale.

Business Segments/Product Portfolio

- **Accessories:** The group offers fashion watches through its All About Watches multi-brand stores and ICE Watch monobrand store. It also provides other accessories like bags and footwear through standalone stores of international brands like Aldo, Charming Charlie and Herschel.
- **Cosmetics:** The group operates stores of international cosmetic brands Bottega Verde, Glossip Milano, Inglot and Rituals.
- **Department Store:** Apparel Group operates department stores of Dollar Plus (six in the UAE and one each in Bahrain and Qatar) and Empora (three in the UAE and one each in Oman and Saudi Arabia).
- **Fashion:** The group runs stores of international fashion brands such as Aeropostale, Ardene, Calvin Klein, Juicy Couture, Hilfiger Denim, Nautica, New Yorker, R&B and Tommy Hilfiger.
- **Footwear:** The group operates footwear stores of international brands like Aldo, Birkenstock, Charles & Keith, MBT, Moreschi, Nine West, Pedro, Skechers, TOMS and UGG.
- **F&B:** Under this segment, the group runs F&B outlets of Cold Stone Creamery (45 in the UAE, 3 in Bahrain, 12 in Saudi Arabia, 4 in Kuwait, 3 in Oman and 5 in Qatar), Sbarro (6 outlets in the UAE) and Tim Hortons (94 outlets in the UAE, 3 in Bahrain, 37 in Saudi Arabia, 4 in Kuwait, 6 in Oman and 9 in Qatar).
- **Kids:** The group provides fashion wear for kids and mothers under brands like Adams Kids, Babycenter, Pumpkin Patch, SMYK, The Children's Place, Tommy Hilfiger Kids and Z generation.
- **Malls:** Apparel Group operates two community centers in the UAE and one in Oman under the Grand Centrale brand.
- **6TH Street:** This is the online retail store of the group offering an array of consumer lifestyle and fashion products in the UAE.

Recent Developments/Future Plans

- In February 2016, Apparel Group announced plans to enter Iran by end-2017. The group has presence in 14 countries and plans to expand to 25 countries by 2020. The group is also looking at the inorganic route for geographic expansion.

Source: Company website, Zawya

Axiom Telecom LLC (Privately Owned) UAE

Company Description

Started in 1997, Axiom Telecom LLC (AT) trades in mobile devices and accessories of recognized brands in the world. The company distributes its products through retail sales points, online channel, direct distribution team and wholesale department. AT has a network of 30 stores in the UAE, nearly 70 in Saudi Arabia and two in Bahrain. The company also operates service centers at these locations as well as in Qatar and Oman.

Business Segments/Product Portfolio

- **Mobiles:** The company offers a range of mobile devices of brands like Apple, Asus, Blackberry, Four, HTC, Lenovo, LG, Motorola, Nokia, Samsung, Givori and Yotaphone.
- **Tablets:** AT provides tablets of most of the brands including Apple, Arnova, Asus, Google, Samsung, Microsoft, Prestigio, Huawei, Quantum, Itouch and EuroStar.
- **Accessories:** The company offers various mobile, tablet and electronic accessories including adaptor, battery, Bluetooth, charger, covers & cases, memory card, screen protector, pen drive, power banks, smart watches, cameras, speakers and other gadgets.

Recent Developments/Future Plans

- In November 2016, Axiom Telecom's CEO, Fahad Al Bannai, stated that the company is revamping its stores into new concept outlets. The new concept stores will focus on consumers by providing live demonstrations, gadget customization, a wider range of accessories and free WiFi, among others. The company has revamped four stores in the UAE and plans to develop 12 more in 2017.

Source: Company website, Gulf News

BinDawood Superstores (Privately Owned) — Saudi Arabia

Company Description

Founded in 1984, BinDawood Superstores owns a chain of supermarkets and hypermarkets across Saudi Arabia under the Bindawood and Danube brands. The company operates six stores in Jeddah, nine in Makkah and six in Madinah. BinDawood Superstores has collaborated with international manufacturers and vendors to source the food and non-food merchandise offered at its stores. Some of the brands offered at the company's stores include Etre fashion, Delsey and Kipling.

Business Segments/Product Portfolio

- **Food Products:** The company's stores have a wide assortment of food items including grocery, bakery, fruits & vegetables, dry nuts, cheese & olives and fresh meats.
- **Non-food Products:** The stores also offer non-food products such as cosmetics, fashion garments, electronics, toys, home decor and household items.

Recent Developments/Future Plans

- In July 2016, Bahrain-based Investcorp Bank BSC acquired a 7% stake in BinDawood Holding Co., parent of BinDawood Superstores. The company has plans to open over 30 hypermarkets and supermarkets in the next few years.

Source: Company website, Thomson Reuters Eikon, Argaam

Blue Salon (Privately Owned) Qatar

Company Description

Established in 1981, Blue Salon is a luxury and fashion retailer and is part of Abu Issa Holding, one of the leading family business groups in the GCC. The parent's retail operations also include operation of Highland and Moasafer department stores. Blue Salon offers a wide portfolio of brands through its network of over 70 stores in Qatar, the UAE, Saudi Arabia and Jordan.

Business Segments/Product Portfolio

- **Accessories:** The company offers accessories of brands such as 1920, Alexis Bittar, Attwood & Sawyer, Ben Amun, Dreams, Klaire, Misaki and Swarovski.
- **Eyewear:** The company's range of eyewear brands include Burberry, Bvlgari, Carrera and Christian Dior.
- **Household:** Blue Salon offers household products of brands like Decorium, Gien, Lenox, Michael Aram and Roberto Cavalli.
- **Leather Goods:** The company offers leather products of Ambrosia, Alviero Martini, Casadei, Gina and Just Cavalli brands.
- **Luggage:** The company's portfolio of luggage brands includes Brics, Gold Line, Samsonite, Porsche Design and Timon.
- **Niche Fragrance:** Blue Salon offers niche fragrance brands such as Acca Kappa, Esteban, Creed, Bois and 777.
- **Bath & Body:** The company offers bath and body products of L'Occitane and Sultane de Saba brands.
- **Fragrance:** The company offers luxury perfumes of brands like Bvlgari, Cartier, Dolce & Gabbana, Escada and Estee Lauder.
- **Kids Fashion:** The company's portfolio of kids fashion brands include Armani, Christian Dior, Ferrari, Lesy and Loredana.
- **Linen:** Linen brands offered by the company include Bluemarine, Carrera, Dea, Domna, Paradies and Mirabello.
- **Men Fashion:** The company offers men fashion brands like Cavalli Class, Eden Park, John Richmond, Luke and Aigner.
- **Skin Care:** The company provides skin care products of Christian Dior, Kanebo, La Prairie, Lancome, Shiseido, YSL and Sisley.
- **Camera:** Blue Salon offers cameras of Fuji, Minox and Samsung brands.
- **Hair Care:** The company provides hair care products of JF Lazartigue and Opalis brands.
- **Ladies Fashion:** Blue Salon offers a range of women fashion wear of brands like EllaLuna, Iceburg, Love Moschino and Talbot.
- **Lingerie:** The company has a portfolio of lingerie brands such as Chantelle, Dreamgirl, Just Cavalli, La Perla and Miss Elaine.
- **Watches & Jewelry:** Blue Salon offers a wide variety of watches of brands like Burberry, Centario, Citizen, Clerc and Di Go.

Recent Developments/Future Plans

- In May 2016, Abu Issa Holding entered into an agreement with Mall of Qatar to open over 15 stores of brands like Godiva Cafe, Yves Delorme, Hartmann, Samsonite, Voulez Vous and Bugatti, among others in the mall.

Source: Company website

BMA International Group (Privately Owned) UAE

Company Description

Founded in 1988, BMA International Group (BMA) is a retailer with presence in fashion, supermarket operations and mall management. The group has over 250 retail outlets encompassing a combined area of over 500,000 sq m. BMA also owns two central distribution centers at the Jebel Ali Freezone, handling over 12,000 containers of imported goods annually. The group is in the process of building a new distribution center in Saudi Arabia.

Business Segments/Product Portfolio

- **Redtag:** The group offers a range of fashion and homeware products through its network of Redtag stores. The brand was launched in 2006, and today, has over 180 outlets spread across the GCC countries, Iraq, Egypt, Uzbekistan, Tunisia, Nigeria and Yemen.
- **The Bahrain Mall:** Opened in 2001, the mall has an area of 41,500 sq m featuring 122 retail outlets and attracting five million footfalls annually.
- **Geant:** BMA has the master franchise license for Geant, a French hypermarket brand. The group operates 29 Geant hypermarkets and supermarkets in the UAE, Bahrain and Kuwait.
- **Twenty4:** Launched in 2013, this is the fashion brand of BMA. Under the brand, the group operates 40 retail outlets covering an area of 67,000 sq m across the GCC. The stores offer a wide variety of apparels for men, women and children.
- **Orangerie:** This is an advertising agency started by the group in 1999. The agency provides a range of services in advertising, marketing, digital, design, strategy and event management. It has three offices in Dubai, Bahrain and Kuwait serving over 10 clients including names like Geant, DP World, Emirates Holidays, Oman Insurance Co. and Dulux.
- **GulfMart:** This is the brand of neighborhood stores owned and operated by the group since 2005. The group has 21 such stores in Kuwait and Bahrain.

Recent Developments/Future Plans

- In February 2017, Majid Al Futtaim initiated talks to buy controlling stake in Geant hypermarket chain in the region. Dubai-based private equity player, Levant Capital, also has proposed an offer to purchase stake in the retail chain. In December 2016, BMA had disclosed its plan to sell a controlling stake in the franchise business of Geant hypermarket stores. The deal, if consummated, is estimated to raise US$ 500 million for the group. BNP Paribas SA has been appointed as an advisor for the sale.

Source: Company website, Bloomberg

ALPEN CAPITAL

Chalhoub Group (Privately Owned) UAE

Company Description

Established in 1955, Chalhoub Group is a luxury retailer in the beauty, fashion and gift sectors in the Middle East. The group has presence in 14 countries with a network of more than 650 retail stores. Chalhoub Group operates franchisees of luxury brands like Louis Vuitton, Christian Dior and Fendi in the Middle East. The group also provides distribution and communication services for international brands.

Business Segments/Product Portfolio

- **Retail:** The group operates a network of retail stores in the Middle East through its subsidiaries, affiliates and joint ventures (JVs).
  - **Own Retail Concepts:** Chalhoub Group has introduced six multi-brand retail concepts including Tangara (nine stores in the GCC offering lifestyle gifts); Wojooh (over 75 stores in 10 countries offering luxury beauty products); Katakeet (two stores in the UAE offering luxury children's wear); Level Shoes (a 96,000 sq ft store in the UAE offering luxury footwear); Tryano (a 20,000 sq m store in Abu Dhabi offering bags, beauty products and kids wear) and Level Kids (a 10,000 sq m store offering children wear).
  - **Franchises:** The group operates franchisees of renowned brands like L'Occitane, Saks Fifth Avenue, Carolina Herrera, Céline, Lacoste, Marc Jacobs and Michael Kors.
  - **JVs:** The group, through the JV route, has introduced brands like Louis Vuitton, Christian Dior, Sephora, Fendi, Chaumet, Christian Louboutin and Berluti in the Middle East.
  - **Travel Retail:** Chalhoub Group offers travel retail services in alliance with duty free shops at Cairo International Airport, a fashion concession at the Bahrain Duty Free and in-flight duty free of several airlines.
- **Distribution:** The group, through its distribution hubs and strategic alliances, provides international brands an access to the markets in the Middle East, India and Africa. The hubs also cater to the group's own needs and supplies to regional airlines and duty free shops. The group helps brands to define business plans and execute marketing strategies to increase market penetration and visibility.
- **Communication:** This segment offers a broad range of communication services such as advertising and public relations, event management, strategic planning, media planning and graphic designing, in collaboration with Havas Group.

Recent Developments/Future Plans

- In April 2016, Chalhoub Group announced its plan to enhance its retail business by closing 15-20 stores in the UAE, while opening 30 additional stores and focusing on improving services at existing stores.
- In January 2016, Chalhoub Group partnered with Al Futtaim Retail to open a fashion department store of Robinsons brand in the Festival City Mall. Scheduled to open in 2017, the store will comprise three levels covering an area of 18,000 sq m.

Source: Company website, Gulf News

Dubai Duty Free (Privately Owned) UAE

Company Description

Established in 1983, Dubai Duty Free (DDF) is one of the world's leading airport retailers with sales of US$ 1.9 billion in 2016. The company offers over 35,400 sq m of retail space at Dubai International Airport and 2,500 sq m at Al Maktoum International Airport. In addition to the airport retail business, DDF operates Dubai Duty Free Tennis Stadium, The Jumeirah Creekside Hotel and restaurants of The Irish Village and Century Village.

Business Segments/Product Portfolio

- **Retail:** The company's retail space offers a range of consumer products including liquor, perfumes, cigarettes & tobacco, gold and jewelry, watches, cosmetics, leather goods, luggage, pens, sunglasses, fashion garments and electronics. Perfumes continued to remain the most popular category, with US$ 306.9 million in sales, accounting for 17.0% of total sales during 2016. Liquor (with sales of US$ 295.4 million) was the second highest selling product, followed by cigarettes & tobacco (US$ 160.7 million), cosmetics (US$ 148.8 million) and confectionery (US$ 143.8 million).
- **Leisure:** Under this segment, DDF operates the following leisure businesses:
  - **Dubai Duty Free Tennis Stadium:** Opened in 1996, the tennis stadium hosts the Dubai Duty Free Tennis Championships. The stadium comprises a 5,000-seat center court, a VIP area, Royal enclosure, press rooms, offices, commentary boxes and changing rooms. In addition to tennis tournaments, the stadium also hosts music concerts.
  - **The Irish Village:** After the success of the first outlet opened in 1996 at the Dubai Tennis Stadium in Al Garhoud, DDF opened its second Irish Village outlet in the Dubai Parks and Resorts complex in December 2016. This is an F&B concept designed in the form of a typical Irish Village Street and hosts live entertainment events.
  - **Century Village:** Launched in 2000 near the tennis stadium, the Century Village restaurant brand operates 10 outlets in Dubai serving different world cuisines.
  - **The Jumeirah Creekside Hotel:** Opened in 2012, the five-star hotel is managed by Jumeirah Group and has 292 guest rooms, F&B outlets and meeting facilities. Located close to the Dubai International Airport, the hotel is the official hospitality partner for the Dubai Duty Free Tennis Championships.

Recent Developments/Future Plans

- DDF retained the title of 'Airport Travel Retailer of the Year' during the annual Duty Free News International Global Awards for travel-retail excellence held in April 2017 in the UK.
- In January 2017, DDF announced that it registered 27.1 million sales transactions at the Dubai airports and won 28 awards in 2016. The company stated its plans for 2017, including enhancement of retail offerings at Concourse C and Al Maktoum International Airport's Passenger Terminal Building and development of the leisure business.
- During an interview in January 2017, the company's Executive Vice-Chairman, Colm McLoughlin, mentioned that the retail space at Al Maktoum International Airport is likely to reach 4,000 sq m by end-2017 and 80,000 sq m by 2022.
- In February 2016, DDF opened 7,000 sq m of retail space in Concourse D at Dubai International Airport.

Source: Company website, Dubai Duty Free Championships

ALPEN CAPITAL

Fawaz Abdulaziz Alhokair Co. SJSC (Publicly Listed) — Saudi Arabia

Company Description

Formed in 1990, Fawaz Abdulaziz Alhokair Co. SJSC (FAAC, also known as Alhokair Fashion Retail) is a franchisee retailer operating 2,100 stores spread over a combined area of more than 500,000 sq m in 17 countries. More than 1,400 stores are in Saudi Arabia and remaining in the US, MENA, Central Asia, Europe and Caucasus regions. FAAC is an arm of Fawaz Alhokair Group, a conglomerate with operations in retail, real estate, financial services, healthcare and hospitality.

Business Segments/Product Portfolio

FAAC earned more than 80% of its revenue from retail operations in Saudi Arabia and rest from the other countries. Below are the different retail segments.

- **Cosmetics:** FAAC operates 28 stores of Turkey's Flormar brand and six stores of Europe's Models Own brand.
- **Department Stores:** The company runs department stores under franchisees of Marks & Spencer, F&F, GAP Kids, inc., New Look, Sfera, NewYorker, Tati, Topshop, Topman, Old Navy, LC Waikiki and Zara.
- **Fashion Boutiques:** FAAC operates boutique stores of brands such as Banana Republic, Cortefiel, Mango, Origem, Promod and Springfield.
- **F&B:** The company has license to operate outlets of Costa Coffee in Morocco and Serbia.
- **Home:** FAAC operates five stores of Zara Home in Saudi Arabia offering homeware and furnishings.
- **Kids Fashion:** FAAC owns kids fashion brands like Jacadi, IKKS, FG4, Monsoon Children, Okaidi, Mayoral, Ziddy and Sergent Major.
- **Ladies' Fashion:** FAAC operates stores under brands such as adL, Anotah, Camaieu, Dynamite, eclipse, Lipsy, Gelco, Oxxo and Quiz.
- **Men's Fashion:** The company operates eight Celio stores in Saudi Arabia.
- **Lingerie:** The company offers lingerie range of La Senza, La Vie En Rose, women's secret, Undiz, Oysho, Marks & Spencer and Yamamay brands.
- **Shoes & Accessories:** FAAC operates stores of brands such as Accessorize, Aldo, Clarks, Nine West, Charles & Keith, Pedro and Steve Madden.
- **Young Fashion:** This includes stores of brands like Bershka, Garage, Jennyfer, Salsa, Miss Selfridge, Pull&Bear and Superdry.

Recent Developments/Future Plans

- FAAC's parent was seeking a syndicated loan of nearly US$ 900 billion to secure funds for acquisition of a 20.0% stake in Arab Bank for an estimated US$ 1.1 billion. The deal is likely to help the parent company further diversify its business amidst the slowdown in retail business.

Source: Company website, Thomson Reuters Eikon

Current Price (US$)	9.93

Price as on May 18, 2017

Stock Details	
Bloomberg ticker	ALHOKAIR AB
52 week high/ low	14.07/5.78
Market Cap (US$ mn)	2,086.4
Enterprise value (US$ mn)	2,841.8
Shares outstanding (mn)	210.0

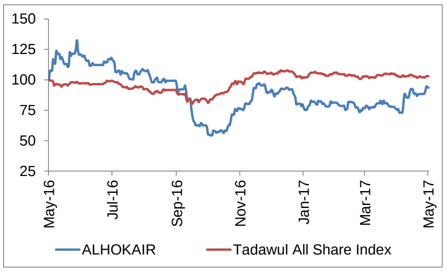
Source: Bloomberg

Average Daily Turnover ('000)

	SAR	US$
3M	17,921.4	4,777.9
6M	18,884.7	5,034.7

Source: Bloomberg

Share Price Chart



Source: Bloomberg

Valuation Multiples

	2016	2017	2018E
P/E (x)	14.2	15.4	17.1
P/B (x)	3.4	2.3	2.5
EV/S (x)	1.7	1.4	1.6
Dividend yield (%)	-	-	4.2

Source: Bloomberg

Shareholding Structure	
Al Hokair Family	49.00%
Salman Abdulaziz Fahad	7.00%
Abdul Majeed Abdulaziz Fahad	7.00%
Fawaz Abdulaziz Fahad	6.19%
Others	30.81%
Total	**100.00%**

Source: Thomson Reuters Eikon

Financial Performance				
US$ Million	**2015 YE Mar**	**2016 YE Mar**	**2017 YE Mar**	***Change y-o-y (%)***
Revenue	1,839.0	1,851.6	1,788.3	*-3.4*
COGS	1,362.6	1,380.7	1,380.6	*-0.01*
Operating Income	225.5	227.2	158.0	*-30.5*
Operating Margin (%)	12.3	12.3	8.8	
Net Income	214.0	164.2	104.3	*-36.5*
Net Income Margin (%)	11.6	8.5	5.8	
Return on Average Equity (%)	33.3	24.6	14.2	
Return on Average Assets (%)	13.6	8.8	5.3	

Key Comments

- *In FY 2017, the company's operating income dropped by 30.5% y-o-y to US$ 158.0 million on account of fall in revenue coupled with discounts offered to boost sales and costs related to opening of new stores.*
- *Further, increase in inventory provisions and interest expenses, alongside loss from discontinued operations, resulted in a 36.5% y-o-y drop in net income to US$ 104.3 million during FY 2017.*

Source: Thomson Reuters Eikon, Company Filings, Tadawul

Jarir Marketing Co. (Publicly Listed) — Saudi Arabia

Company Description

Founded in 1979, Jarir Marketing Co. (JMC) is a retailer and wholesaler of books, toys, art and craft materials, stationery, mobile phones and accessories and audiovisual instruments, among others. As on December 31, 2016, the company operated 49 showrooms (including wholesale outlets) in Saudi Arabia, the UAE, Qatar and Kuwait under the Jarir Bookstore brand. JMC also invests in real estate in Egypt through its subsidiary, Jarir Egypt Financial Leasing Co. SAE.

Business Segments/Product Portfolio

- **Office Supplies:** JMC provides a range of office supplies including stationery, desk sets, furniture and other accessories.
- **School Supplies:** The company provides schools with notebooks, pencil cases, stationery sets, bags and teaching aid, among others.
- **Kids Development:** Under this product category, JMC offers learning aids, learning science, electronic learning devices, musical instruments and toys.
- **Arts & Crafts:** The company offers a range of art and craft products including canvas, brushes, paper boards, art books and engineering supplies.
- **Arabic Books:** JMC's stores have a collection of various Arabic books including its own publications.
- **English Books:** The company sells a wide collection of English books on different subjects.
- **Computers & Peripherals:** JMC offers laptops, tablets, desktop computers, LED monitors, printers and scanners, among others.
- **Computer Supplies:** JMC offers a range of computers and related accessories.
- **Smartphones & Accessories:** JMC provides smartphones and accessories of brands including Apple, Lenovo, HTC, Samsung and Sony.
- **Cameras & Electronics:** The company offers products such as cameras, speakers and headsets, smart watches and health and fitness trackers.
- **Video Games:** The company has a collection of video game consoles including Sony Playstation, XBOX and Nintendo.

Recent Developments/Future Plans

- In February 2017, JMC opened a new showroom in Al Madinah Al Munawwarah, Saudi Arabia. The store, having an area of 4,086 sq m, was set up at a cost of SAR 60.5 million (US$ 16.1 million*).
- In January 2017, the company launched its third showroom in Kuwait. Located in Sama Mall and spread over an area of 2,707 sq m, the outlet was built at a cost of SAR 15 million (US$ 4.0 million*).

Current Price (US$)	37.34

Price as on May 18, 2017

Stock Details	
Bloomberg ticker	JARIR AB
52 week high/ low	39.03/21.85
Market Cap (US$ mn)	3,360.5
Enterprise value (US$ mn)	3,327.5
Shares outstanding (mn)	90.0

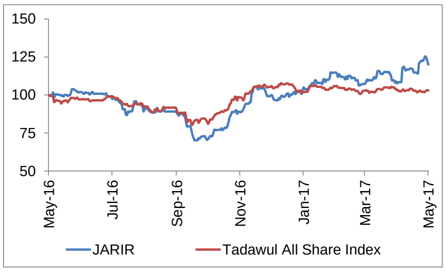
Source: Bloomberg

Average Daily Turnover ('000)

	SAR	US$
3M	10,286.5	2,742.4
6M	11,992.8	3,197.3

Source: Bloomberg

Share Price Chart



Source: Bloomberg

Valuation Multiples

	2015	2016	2017E
P/E (x)	17.4	14.0	16.4
P/B (x)	9.6	6.8	7.5
EV/S (x)	2.2	1.7	1.9
Dividend yield (%)	4.8	6.2	5.1

Source: Bloomberg

Shareholding Structure	
Mohammed Abdulrahman Nasser	8.84%
Abdullah Abdulrahman Nasser	8.60%
Abdulkarim Abdulrahman Nasser	8.60%
Nasser Abdulrahman Nasser	8.60%
Abdulsalam Abdulrahman Nasser	8.60%
Others	56.76%
Total	**100.00%**

Source: Thomson Reuters Eikon

* Converted at exchange rate of 0.266
Source: Company website

Financial Performance				
US$ Million	**2014 YE Dec**	**2015 YE Dec**	**2016 YE Dec**	***Change y-o-y (%)***
Revenue	1,519.4	1,699.8	1,632.7	*-3.9*
COGS	1,283.0	1,440.6	1,399.4	*-2.9*
Operating Income	193.8	215.6	186.9	*-13.3*
Operating Margin (%)	12.8	12.7	11.4	
Net Income	198.7	220.9	196.8	*-10.9*
Net Income Margin (%)	13.1	13.0	12.1	
Return on Average Equity (%)	58.9	57.9	48.7	
Return on Average Assets (%)	32.7	34.7	29.2	

Source: Thomson Reuters Eikon

Jawad Business Group SPC (Privately Owned) Bahrain

Company Description

Established in 1960, Jawad Business Group SPC (JBG) is primarily engaged in the distribution of fast moving consumer goods (FMCG) and operation of convenience stores, supermarkets, malls, fashion and home retail franchisees, coffee shops and restaurants. The company has a network of over 600 retail stores across the GCC. JBG also provides travel services and electronic products and is a distributor of JAC Motors in Bahrain.

Business Segments/Product Portfolio

- **Fashion:** JBG has the franchisee rights of fashion brands such as adams kids, BHS, Camaeiu, celio, Hush Puppies, Mango, Origem, Quiz, Shoe Citi and Losan.
- **Restaurants:** The company owns franchisees of Burger King, Costa Coffee, Dairy Queen, Chili's, Delifrance, Magic Wok, Outback, Papa John's, Romano's, Thai Express and Kebab Factory brands.
- **Malls:** JBG owns and manages The Centre and The Jawad Dome malls in Bahrain.
- **Home:** The company operates stores of Lakeland, a UK-based kitchen accessories store brand, in the UAE, Oman, Bahrain, Qatar and Kuwait.
- **Travel, Tourism & Automobile:** The company provides a range of travel services through Bahrain-based Alfanar Travel Co. WLL and car rental services under the Avis brand. It also has the sole distributorship of JAC Motors in Bahrain through its arm, Bahrain Commercial Services Co. WLL.
- **Service Station:** JBG owns and operates a fuel service station in Bahrain, which also provides car maintenance services.
- **Logistics:** The company, through Jawad Free Zone Co., owns a 12,000 sq m warehousing facility in the UAE, catering to its retail and restaurant businesses in the GCC. It also owns Velocity, a logistics facility in Bahrain.
- **Supermarkets & Convenience Stores:** JBG operates convenience stores in Bahrain under the 24 Hours Market (21 stores) and Jawad Express (5 stores) brands. The company also owns four supermarkets, under the Jawad Metro and Jawad Supermarket brands.
- **Sales & Distribution:** The company is a wholesaler and distributor of FMCG brands such as Fonterra, Snapple, Highland Spring, Hershey's, Vileda, Mentos, Ferrero Rocher and Frito-Lays Chips in Bahrain and Qatar.
- **Electronics & IT Solutions:** JBG is engaged in sale of electronics through two Gajria Electronics stores in Bahrain. It also provides solutions related to intelligent lighting, access control, intercom, copper and fiber networks, time and attendance, door video intercom stations, call management and audiovisual systems through GECOM, a division of Gajria Electronics.

Recent Developments/Future Plans

- In April 2015, JBG raised a loan of US$ 235 million in the form of a US$ 215 million term loan and remaining as a revolving facility, to refinance its existing debt.

Source: Company website, Arab News

Joyalukkas Group (Privately Owned) UAE

Company Description

Founded in 1987, Joyalukkas Group in an operator of jewelry stores and also has business interests in money exchange, fashion & silks, luxury air charter and malls. The group has presence in 11 countries including the GCC countries, India, the US, the UK, Singapore and Malaysia.

Business Segments/Product Portfolio

- **Joyalukkas:** The group owns and operates jewelry stores offering a range of gold, diamond, platinum and pearl jewelry collections. It has over 40 stores in the GCC region, nearly 70 stores in India, three in the US, two in Malaysia and one each in the UK and Singapore.
- **Jolly Silks:** This is the retail arm of the group engaged in the business of fashion and silks apparel. It operates one store each in Kuwait, Oman and the UAE and five stores in India.
- **Joyalukkas Developers:** This the real estate arm of the group engaged in the development of Gold Tower, a residential project in India.
- **Mall of Joy:** The group owns and manages two malls under the Mall of Joy brand in India.
- **Joyalukkas Exchange:** Started in 2006, it provides money exchange services in collaboration with leading banks and financial institutions across the globe. The services are provided in the UAE, Kuwait, Oman and India.
- **Joy Jets:** This division offers a range of jet and helicopter tours and charter services in India.

Recent Developments/Future Plans

- The group continues to expand its geographic presence with developments underway to open jewelry showrooms in Canada, Australia and Sri Lanka by end of Q2 2017. The group will also introduce new product lines and innovative services.
- In February 2017, the group opened a jewelry store in Chicago, its third showroom in the US.
- In July 2016, Joyalukkas Gold Centre showroom in Deira reopened after renovation works. It now features expanded floor space for displaying its products and brighter display areas, among other changes.

Source: Company Website, LinkedIn

Jumbo Electronics Co. Ltd. LLC (Privately Owned) UAE

Company Description

Founded in 1974, Jumbo Electronics Co. Ltd. LLC (Jumbo) is primarily a distributor and retailer of consumer electronics and information technology (IT) products. With a wide portfolio of major brands, the company caters to the UAE market through its 19 stores, an e-commerce website and six service centers. Jumbo has also established presence in Oman, Qatar, Bahrain, Kuwait and India.

Business Segments/Product Portfolio

- **Distribution:** Jumbo has the exclusive distribution rights for Sony's consumer products in the UAE and Oman. Additionally, it distributes products of brands like Acer, Bajaj, Brother, Casio, Dyson, Gorenje, HP, Lenovo, Ricoh and Hisense. The company also distributes consumer goods under Supra, its private label.
- **Retail:** The company offers various consumer electronics through its e-commerce website and retail stores in the UAE and other GCC countries.
- **Enterprise (B2B) Business:** This segment offers computing, printing, IT infrastructure/services and audiovisual integration services to corporate clients in sectors such as hospitality, retail, education, healthcare, oil & gas and finance.
- **Mechanical, Electrical and Plumbing (MEP) Projects Business:** Conducted through Jumbo Engineering LLC, this business undertakes MEP contracts and annual maintenance services.
- **Light Manufacturing:** The company has an original equipment manufacturing unit at Jebel Ali with an installed capacity of 60,000 freezers such as chest freezers, ice-cream freezers/conservators and upright freezers.
- **Support Services:** Jumbo has a fully-automated warehouse and logistics operation to support its distribution business, in addition to a 70,000 sq ft service center in Jebel Ali (Jumbo SERVE) and a 24/7 customer helpline.

Recent Developments/Future Plans

- Jumbo invested about US$ 2 million in the Gitex Shopper 2016 event, held in October, with a target of achieving a single-digit sales growth.
- In April 2015, Jumbo OminChannel Retail was awarded the Customer Friendliness Index Award 2014 by Dubai Economic Department.

Source: Company website, Khaleej Times

Khimji Ramdas LLC (Privately Owned) Oman

Company Description

Established in 1870, Khimji Ramdas LLC (KRL) is a conglomerate with business interests in retail, infrastructure, telecommunications, education and logistics. In the retail business, KRL operates a chain of supermarkets, lifestyle showrooms, restaurants and cafes. It operates more than 100 retail stores in Oman, the UAE and India and has a wide distribution network comprising 3,500 direct sales points, 125 distribution vehicles and 100,000 sq m of warehousing facilities in Oman.

Business Segments/Product Portfolio

- **Consumer Products Group:** Under this business unit, KRL provides a range of food products, FMCG and commodities through its supermarkets and distribution network in Oman. The company operates 15 supermarkets of SPAR International and manages 10 Social Welfare Markets for the Royal Oman Police personnel and 24 Ahlain convenience stores for Oman Oil Marketing Co. The company has distribution rights for products of companies like Procter & Gamble, Kellogg's, Palmers, Bel Groupe and Kaya Skin Clinic. Additionally, KRL supplies pharmaceuticals, medical equipment and healthcare products to the Ministry of Health, government institutions, private clinics and retail outlets. KRL also imports and distributes commodities like rice, sugar and flour.
- **Lifestyle Group:** Under this division, the company runs a multi-brand showroom of watches and outlets of luxury and lifestyle products under the Aalami & Uber (3 stores), Swarovski (2 stores) and Samsonite (2 stores) brands. Additionally, the company operates 39 stores of Pizza Hut, one restaurant of The Bollywood and three outlets of Caffé Vergnano 1882 under the franchisee model. KRL also operates Khimji Training Institute in Oman that provides training in areas of retail, hospitality, accounting, interpersonal skills and IT.
- **Infrastructure Group:** This division provides industrial and home solutions including construction, building materials, paints, air-conditioning & refrigeration, electrical products, storage and warehousing. Home furnishing products such as tiles, sanitary ware, furniture and electronic home appliances are offered through its retail store, Bait Al Ahlam, in Oman.
- **Projects and Logistics Group:** This segment offers marine solutions including ocean cruise, ferry operations, bulk vessels, tankers and ship supply. Additionally, it offers specialized products to sectors like travel and tourism, sports and leisure, insurance, automobile and environmental waste management.
- **KR International:** The company distributes Procter & Gamble products in India through Khimji Ramdas India Pvt. Ltd. KRL also has business operations in the UAE through KR Shipping (freight forwarding), KR & Sons (logistics), KR Commodity Division (distribution of food commodities) and Middle East Fuji Khimji's Shipping (ship supply and engineering services).

Recent Developments/Future Plans

- KRL opened the 15th SPAR supermarket in Oman in January 2017. The company plans to expand the number of stores in the country through the sub-franchising model. During the month, SPAR Oman, an arm of KRL, signed a sub-licensing agreement with Nakheel United Enterprises to convert 15 Marhaba quick-shops at Al Maha filing stations in Muscat to SPAR Express convenience stores.
- In April 2016, SPAR International divulged its plan to open 24 outlets in Oman by 2017, through its partnership with KRL.

Source: Company website

Landmark Group (Privately Owned) UAE

Company Description

Founded in 1973, Landmark Group is engaged in the businesses of retail and hospitality in the Middle East, Africa and India. The group offers 27 own brands and 30 franchisee brands through a network of over 2,200 stores covering a combined area of more than 30 million sq ft.

Business Segments/Product Portfolio

- **Retail:** In this division, the group offers fashion, home & electronics and sports products under own and franchisee brands.
    - **Fashion:** The group's fashion store brands include Centrepoint (118 outlets), Shoe Mart (145 stores), Babyshop (219 stores), Splash (202 stores), Lifestyle (200 stores), Max (295 stores), Shoexpress (109 stores), Iconic (32 stores) and Shoe Mart International (175 stores). Additionally, the group, through Landmark International, manages and operates 148 fashion stores of international brands such as New Look, Koton, Reiss, Lipsy and Yours London.
    - **Home & Electronics:** Landmark Group offers home furnishing, furniture and accessories through its stores – Home Centre (98 outlets) and Home Box (19 outlets). The group also operates 60 Emax stores, selling electronic products.
    - **Sports:** The group runs 18 stores of SportsOne, a multi-brand retailer of sporting goods.
    - **India:** Landmark Group has presence in India through Lifestyle stores and SPAR supermarkets.
- **Hospitality:** The group operates outlets of leisure, food, FEC, salons and spas, fitness clubs, medical centers, budget hotels and franchisees of F&B brands.
    - **F&B:** The group, through Foodmark, operates 24 restaurants under franchisees, JVs and own brands.
    - **Fitness & Wellbeing:** The group operates a spa, Spaces, in Dubai and 44 fitness clubs under the Fitness First brand across the Middle East.
    - **Healthcare:** The group runs seven iCare Clinics, a network of multi-specialty health clinics across the UAE.
    - **Hotels:** The group owns and operates Citymax hotels in Al Barsha (376 rooms), Bur Dubai (691 rooms) and Sharjah (239 rooms).
    - **Landmark Leisure:** The group offers FECs under its brands – Fun City, Fun Ville and Candelite.
    - **India:** Citymax India, the group's hospitality division in India, operates casual dining restaurants (Polynation), cafes (Gloria Jean's Coffees), a confectionary mart (Krispy Kreme) and FECs (Fun City).
- **Mall Management:** The group operates the Oasis Mall in Dubai, encompassing an area of 1.4 million sq ft including stores of its homegrown brands and other retailers.

Recent Developments/Future Plans

- In November 2016, Landmark Group replaced its online store, LandmarkShops.com, with seven individual websites of its own store brands. The group also launched mobile applications for each of the brands. The group had started its online sales platform in December 2012 and posted annual sales growth of 300% and 200% during the third and second year of online operations, respectively.
- In August 2016, Landmark Group entered into an agreement with Reem Mall in Abu Dhabi to open 23 stores occupying about 200,000 sq ft space in the 2 million sq ft mall, which is slated to open in 2018. Landmark Group plans to open its store concepts of Centrepoint, Home Centre, Max, Iconic, Sports One and Shoexpress in the mall.

Source: Company website, Zawya,

LuLu Group International (Privately Owned) UAE

Company Description

LuLu Group International is a diversified player with business interests in retail, trading, shipping, IT, travel & tourism and education. In the retail business, the group owns and operates 133 hypermarkets, supermarkets and department stores, encompassing an area of over 22 million sq ft across 21 countries.

Business Segments/Product Portfolio

- **Retail:** The group has a wide network of hypermarkets, supermarkets and department stores under the LuLu brand in the GCC, India, Egypt, Malaysia and Indonesia. In addition to the retail stores, the group develops shopping malls and mixed-use projects through its subsidiary Line Investment & Property LLC.
- **Manufacturing & Exports:** The group operates three meat processing facilities in India through Amroon Foods Pvt. Ltd. and Fair Exports (India) Pvt. Ltd. These companies export meat products and a range of garments and silk. The group also has a food processing facility in the US. Additionally, the group trades agro commodities through its units in Kenya, Uganda and South Africa. The commodities are exported to the Middle East, Europe, Far East and India.
- **Import & Distribution:** The group conducts large-scale import and wholesale distribution of FMCG in the UAE through EMKE Stores and EMKE General Trading. The group, through Al Tayeb Cold Stores, imports leading brands of frozen foodstuff, and via Al Tayeb Meat Establishment, imports and distributes fresh and frozen Indian meat and poultry.
- **Business Services:** The group provides education services through Syscoms Information Technology and Syscoms College, travel & tourism services through LuLu International Travel & Tourism and freight forwarding services through Huda Shipping International.

Recent Developments/Future Plans

- In April 2017, the group started construction of the 2.3 million sq ft Silicon Oasis Mall in Dubai. Scheduled to open in 2020, the mail will be built at a cost of about AED 1 billion (US$ 0.3 billion*) and include 300 shops and a FEC.
- In February 2017, LuLu Group International opened a hypermarket in Hail, Saudi Arabia covering an area of 160,000 sq ft.
- In January 2017, LuLu Group International disclosed its plan to invest US$ 500 million to expand its presence in Indonesia. During the first phase until 2018, the group will invest US$ 300 million to open 10 hypermarkets and department stores and a central logistics and warehousing facility. Later, the group plans to set up contract farming to ensure steady supply of agricultural products.
- In November 2016, the group established a food processing and logistics facility in New Jersey, the US, through its wholly-owned subsidiary, Y International. The facility will purchase, process, re-brand and export food and non-food products made in the US.
- In November 2016, LuLu Group International announced an AED 2 billion (US$ 0.5 billion*) plan to construct The Mall of Umm Al Quwain (20,000 sq m, to be completed by end of 2017), Avenues Mall (43,000 sq m, to be completed in 2019) in Sharjah and Avenues Mall (82,500 sq m, to be launched in 2018) in Dubai.
- In October 2016, the group opened its 19th hypermarket in Oman, covering an area of about 75,000 sq ft.

* Converted using exchange rate of 0.272

Source: Company website

M.H. Alshaya Co. WLL (Privately Owned) Kuwait

Company Description

Founded in 1983, M.H. Alshaya Co. WLL (MHAC) is a multi-faceted retailer with presence in the Middle East, North Africa, Russia, Turkey and Europe. The company has franchisee rights of more than 75 brands across fashion, footwear, food, health & beauty, pharmacy, home furnishing and entertainment areas. These products are offered through its network of over 3,400 stores. MHAC is the retail arm of Alshaya Group, a conglomerate with additional interest in businesses like hospitality, real estate, automotive and general trading.

Business Segments/Product Portfolio

- **Fashion & Footwear:** Under this segment, MHAC operates franchisees of Mothercare, H&M, Debenhams, Victoria's Secret, Payless ShoeSource, Next, Topshop, Dorothy Perkins, Harvey Nichols, Milano and River Island.
- **Food:** The company operates F&B franchisees of Starbucks, The Cheesecake Factory, Shake Shack, Al Forno, Babel, IHOP, Pei Wei, Pinkberry, PizzaExpress, Teavana, Veranda and Castania Nut Boutique.
- **Health & Beauty:** Under this division, the company owns franchisee rights for brands such as The Body Shop, M.A.C., Bath & Body Works, Victoria's Secret, Bobbi Brown, Estee Lauder, Le Labo and Otur VaVaVoom.
- **Pharmacy:** The company operates pharmacies under the Boots brand, owned by Walgreens Boots Alliance, a US-based global retail pharmacy operator. The stores are located across the GCC countries.
- **Optics:** In this business segment, the company runs franchisees of Vision Express and Solaris.
- **Home Furnishings:** The company runs stores of home furnishing brands like Pottery Barn, Pottery Barn Kids, Pottery Barn Teen, Williams-Sonoma and West Elm.
- **Leisure and Entertainment:** MHAC has the rights to operate KidZania, a concept of kids edutainment, in Kuwait.

Recent Developments/Future Plans

- In February 2017, Le Lebo, a fragrance brand, entered the Middle East market with the launch of its first store in Yas Mall, Abu Dhabi, in partnership with MHAC.
- In January 2017, AMOREPACIFIC Group announced its plan to expand its beauty business to the markets in the Middle East. For the same, the company partnered with MHAC to launch its ETUDE HOUSE brand. The first store is scheduled to open in Dubai during the second half of 2017 and later across the GCC.
- In December 2016, MHAC was in the process of opening 32 outlets at Mall of Qatar, including that of eight brands making their first appearance in the country.

Source: Company website

Majid Al Futtaim Holding LLC (Privately Owned) UAE

Company Description

Established in 1992, Majid Al Futtaim Holding LLC (MAF) is a conglomerate with business interests in retail, leisure and entertainment, real estate, consumer finance, healthcare and F&B. The company has presence across the Middle East, Africa and Asia. MAF owns and operates 20 shopping malls, 12 hotels, three mixed-used community projects, 263 cinema screens and 28 leisure and FECs. Additionally, the company operates more than 170 stores of Carrefour and over 100 retail stores under the franchisee route.

Business Segments/Product Portfolio

- **Leisure & Entertainment:** Started in 1995, MAF operates cinema theaters, leisure attractions and FECs.
  - **Cinemas:** MAF owns and operates 14 theatres in the UAE, 11 in Oman and one each in Qatar, Lebanon and Egypt, under the Vox Cinemas brand.
  - **Unique Leisure Destinations:** The company's leisure attractions include Ski Dubai, Wahooo! Waterpark in Bahrain, iFLY Dubai and Little Explorers in Dubai.
  - **FECs:** Under the Magic Planet brand, the company operates 24 FECs in eight countries.
- **Retail:** The company operates modern retail stores, fashion brand outlets and specialty stores under the franchisee model.
  - **Hypermarkets & Supermarkets:** The company has the franchisee rights for Carrefour stores in 38 markets in the Middle East, Africa and Asia. As of end-2016, MAF operated 77 hypermarkets and 96 supermarkets in 15 countries.
  - **Fashion:** Through its 100% subsidiary, Majid Al Futtaim Fashion LLC, MAF has exclusive rights to operate franchisees of several retail brands in the MENA region. As of end-2016, the company operated 101 retail stores in six countries.
  - **Specialty Retail Stores:** MAF operates four stores of LEGO brand (play materials) in the UAE and two in Kuwait.
- **Properties:** MAF's subsidiary, Majid Al Futtaim Properties LLC, develops and operates malls, hotels and mixed-use projects.
  - **Shopping Malls:** The company owns and operates 21 malls in the UAE, Oman, Bahrain, Lebanon and Egypt, with an aggregate GLA of 1.3 million sq m.
  - **Hotels:** MAF owns 12 hotels with 3,371 rooms and suites, located adjacent to its malls in the UAE and Bahrain.
  - **Communities:** MAF owns mixed-use projects in Muscat, Sharjah and Beirut, having a total area of 4 million sq m.
- **Services:** MAF provides visa credit cards, under Najm brand, and mobile payment services (JV with Beam). It provides healthcare services via four multi-specialty clinics and daycare surgery centers. Through a JV with Veolia, MAF offers energy services and facilities management.
- **F&B:** Through a JV with Gulf Gourmet, MAF operates more than 20 F&B franchisees in the GCC and India.

Recent Developments/Future Plans

- In April 2017, MAF announced that it will open Orbi Dubai, a supercharged indoor nature museum, in May at City Centre Mirdif. Developed by SEGA Holdings Co., Ltd. and BBC Worldwide, the museum will offer attractions like Animalpedia, Earth Palette, Base Camp, Time Slice and Extreme Photo Spot.
- In January 2017, MAF reported its unaudited results for full year ended December 31, 2016, wherein revenue increased by 9% y-o-y to AED 29.9 billion (US$ 8.1 billion*) and EBITDA grew by 8% y-o-y to AED 4.1 billion (US$ 1.1 billion*). The performance is attributed to addition of new hypermarkets, supermarkets and FECs. While the retail business accounted for nearly 80% of MAF's topline, the properties business contributed 68% to EBITDA. MAF also announced its expansion plans, including opening of 10 hypermarkets and 19 supermarkets in 2017 and development of new malls in Saudi Arabia, Oman, Egypt and the UAE.

*Converted at exchange rate of 0.272

Source: Company website

Olayan Group (Privately Owned) Saudi Arabia

Company Description

Founded in 1947, Olayan Group is a diversified player with businesses of manufacture and distribution of consumer and industrial products, industrial solutions, F&B, healthcare and technology services. The group's operations are conducted through more than 40 subsidiaries, JVs and associates in the Middle East.

Business Segments/Product Portfolio

- **FMCG:** The company is engaged in the manufacture and distribution of various consumer products through JVs and subsidiaries.
  - **Arabian Paper Products Co.:** A JV, with Huhtamaki Finland, manufacturing and distributing paper cups.
  - **Coca-Cola Bottling Co. of Saudi Arabia:** A JV, with Coca-Cola Co., engaged in bottling and distribution of beverages.
  - **Colgate-Palmolive Arabia Ltd.:** A JV, with Colgate-Palmolive Co. (CPC), engaged in the manufacture and distribution of soaps, toothpastes and shampoos across the GCC. The JV also trades in other products of CPC not produced locally.
  - **General Trading Co.:** Importer and distributor of consumer products of CPC, Mondelez, Lindt and Sprungli, Abu Bint Rice, Topps, Agthia, and Elledi in Saudi Arabia.
  - **Health Water Bottling Co. Ltd.:** Water and beverage bottling company in Saudi Arabia.
  - **Olayan Kimberly-Clark (OKC):** Manufacturer and distributor of products of Kimberly-Clark like Huggies diaper.
  - **Rexam United Arab Can Manufacturing Co.:** Manufacturer and supplier of aluminum beverage cans in Saudi Arabia.
  - **Nabisco Arabia Co. Ltd.:** A JV, with Nabisco International, engaged in the production of biscuits in Saudi Arabia.
  - **Mondelez Arabia:** Distributor of Modelez International products in Saudi Arabia.
  - **Saudi Bakeries Co.:** Producer of bakery products in Saudi Arabia.
  - **El Rashidi El Mizan:** Producer of foods like tahini, halawa, tomato paste and honey in Egypt.
  - **Gulf Union Foods Co.:** A manufacturer and distributor of beverages in Saudi Arabia and neighboring countries.
- **Business Equipment & Services:** The group offers electronics, telecommunications, IT, furniture, industrial coating, construction chemical and copier products. The group, in collaboration with Atos, provides consulting services, managed services, big data and cyber security solutions, among others. The group also provides recruitment services through Jussur Emdad International Recruitment Co.
- **Construction-Related Businesses:** The group is engaged in extrusion and fabrication of aluminum architectural products; engineering, procurement and construction contracts; manufacture of steel products and unplasticized polyvinyl chloride pipes and fittings and provision of elevators and escalators of Schindler.
- **Food Franchising Business:** The group has the franchisee rights for Burger King, Texas Chicken, Buffalo Wild Wings in Saudi Arabia, the UAE, Egypt and Oman.
- **Healthcare-Related Businesses:** The group is engaged in the distribution of medical and pharmaceutical products and manufacture of intravenous medical solutions, peritoneal dialysis solutions and a range of disposable healthcare products.
- **Industrial Equipment & Services:** The group is engaged in the distribution of industrial products like tractors, trucks, engines, generator sets, drilling systems, farm equipment, pivot sprinkler, compressors and tools. It also provides related services.
- **Investment & Real Estate:** The group develops residential, commercial and leisure properties, in addition to investing in land.

Recent Developments/Future Plans

- In July 2016, OKC expanded its manufacturing operations in Bahrain by installing two new machines to produce diapers of the Huggies brand. The company will market these products in the MENA region.

Source: Company website

Panda Retail Co. (Privately Owned) Saudi Arabia

Company Description

Panda Retail Co. (PRC) is engaged in the operation of hypermarkets, supermarkets and convenience stores, largely in Saudi Arabia. The company also owns and operates few stores in the UAE and Egypt. The combined retail area was 752,784 sq m by end-2016. Established in 1978 as Al Azizia Panda United, PRC merged with Savola Group in 1998 and was rechristened in 2014.

Business Segments/Product Portfolio

- **Hypermarkets:** As of end-2016, PRC operated 65 hypermarkets in Saudi Arabia and one in the UAE under the HyperPanda brand. This division accounted for 55% of PRC's total revenue in 2016.
- **Supermarkets:** The company operated 161 supermarkets in Saudi Arabia and two in Egypt under the Panda brand. The supermarkets contributed 43% to the company's total revenue in 2016.
- **Pandati:** These are the convenience stores of the company, accounting for 2% of total revenue. The company had 181 Pandati stores by end-2016 in Saudi Arabia.

The above stores offer various products under the broad categories of food, cleaning supplies, electronics & appliances, health & beauty, baby products and textiles.

- **Food:** Includes sale and distribution of products such as sweets, frozen food, dairy items, assorted juices, carbonated drinks, bakery items, seafood, poultry and fresh meat.
- **Cleaning Supplies:** Includes sale of products such as cleaning tools, cleaning agents, disinfectants, room fresheners as well as home products such as dinner sets, trays and cookers.
- **Electronics & Appliances:** Handles sale of products such as computers & accessories, home & kitchen appliances, cameras & video games and cutleries, among others.
- **Health and Beauty:** Offers products under the categories of hair care and dental care, in addition to women hygiene and cosmetics.
- **Textiles:** Product portfolio under this category includes shoes, home linen and clothing for men, women & children.
- **Baby Products**: Offers baby powder, shampoo, accessories, diapers and milk, among others.

Recent Developments/Future Plans

- In January 2017, Savola Group reported its FY 2016 results, wherein revenue from the retail business (PRC) remained almost unchanged on a y-o-y basis at SAR 13.5 billion (US$ 3.6 billion*). While like-for-like sales dropped, the new store openings helped shore up revenue to an extent. However, the retail business reported a net loss of SAR 773 million (US$ 206.4 million*) during the year on account of costs associated with inventory reduction, closure of more than 100 Pandati outlets and store renovations.
- In June 2016, PRC opened three supermarkets in Saudi Arabia, taking the total number of new stores opened during the month in the country to five.

* Converted at exchange rate of 0.267

Source: Company website

Rivoli Group (Privately Owned) UAE

Company Description

Established in 1988, Rivoli Group is engaged in the import, distribution and retail of luxury products. The group has a network of over 380 stores, including monobrand and own concept stores, in the UAE, Oman, Qatar and Bahrain. The group offers over 110 international brands of watches, eyewear, leather accessories and writing instruments.

Business Segments/Product Portfolio

- **Watches:** The group offers luxury watches through its different concept stores.
  - **Rivoli Prestige:** This is a boutique store concept offering collection of watch brands such as Breguet, Blancpain, Glashutte Original, Jaquet Droz, Omega, Zenith, Jaeger-LeCoultre, IWC and Carl F. Bucherer. The shop also offers luxury mobile phones of Vertu brand. The group has seven such stores in the UAE.
  - **Rivoli:** This is the flagship concept store of the group offering watch brands like Omega, Longines, Rado, Gucci, Tissot, Calvin Klein, Balmain, Certina, Hamilton and writing instruments of Cartier, Montblanc and Montegrappa. There are 44 stores in the UAE, six in Qatar, five in Oman and four in Bahrain.
  - **Rivoli Arcade:** These concept stores are located within five-star hotels. They offer products of brands like Omega, Longines, Montblanc, Pineider, Porsche Design, Franz Porcelain, Klaus Dupont and Arca. The group operates seven such stores in the UAE.
  - **Hour Choice:** These stores offer watches of brands such as Tissot, Balmain, Certina, Mido, Swatch, Coach, Calvin Klein, Timberland and Lacoste. There are 33 such stores in the UAE, six in Bahrain and four each in Oman and Qatar.
  - **Trendy Time:** These are budget stores offering brands such as Timex, Titan, Cruiser, Nova, Dunlop, Continental, EverSwiss, Lordson, Chevaliere and Armitron. The group has 16 such stores in the UAE and one in Oman.
- **Eyewear:** The group offers global renowned brands in sunglasses, optical frames and contact and prescription lenses through Rivoli Eyezone stores in the UAE (15 stores), Oman (3 stores) and Qatar (2 stores).
- **Jewelry:** The group offers jewelry products of The Fifth Season, Luca Lorenzini, Les Georgettes, UNO DE 50 and Murat at some of the Hour Choice and Rivoli Arcade stores. Additionally, it operates two Pandora monobrand stores in Oman.
- **Luxury Communications:** The group offers mobile phones of Vertu brand through four monobrand outlets and four Rivoli Prestige outlets in the UAE.
- **Writing Instruments/Leather:** The group offers writing instruments and leather accessories of Montblanc and Montegrappha brands. The products are offered through monobrand stores and the group's concept stores.

Recent Developments/Future Plans

- In November 2016, the group opened the fourth Rado boutique in Dubai at the Dubai Mall.

Source: Company website

Salam Stores (Privately Owned) Qatar

Company Description

Founded in 1952, Salam Stores is a fashion and lifestyle retailer with presence in Qatar, the UAE, Oman and Jordan. The company offers products of over 300 fashion and beauty brands at its seven department stores, 25 concept stores and 52 monobrand boutiques. The company also distributes 140 international brands to retailers through its 12,800 sq m warehouse.

Business Segments/Product Portfolio

- **Women:** The company offers a wide range of women's clothing brands like Armani Jeans, Alberta Ferretti, Cavalli Class, Dolce & Gabbana, Escada, Givenchy, Just Cavalli and Moschino.
- **Men:** The menswear brands offered by the company include Alexandre Mattiussi, Billionaire, Cagi, Diesel, Fendi, Iceberg, Kenzo, Michael Kors, Roberto Cavalli and Versace Jeans, among others.
- **Children:** The stores have a large collection of children fashion brands such as Armani Junior, Burberry, Baby Dior, Ducati, Easy and Chic, Ferrari, Fendi Baby, Guess, Ice Play, Just Kidding, Lanvin, Snail and Trussardi.
- **Shoes & Bags:** The company offers shoes and bags of brands like Adidas Original by AW, Alice and Olivia, Boss Orange, Doucals, Etro, Fratelli Rossetti, Givenchy, Hugo Boss and Jimmy Choo.
- **Small Accessories:** The company sells a range of fashion accessories of brands such as Alexander Wang, Bvlgari, De Beers, Elie Saab Scarves, Love Soni, Prada, Rayban, Versace Collection and Yves Saint Laurent.
- **Beauty:** The company's portfolio of beauty brands include Azzaro, Bebe, Banana Republic, Clinique, Christian Dior, Chanel, Davidoff, DKNY, Gucci, Hermes, Lacoste, Montblanc, Marc Jacobs, Prada, Valentino and Tommy Hilfiger.
- **Photography:** The company offers cameras, video production products and related accessories of brands like Blackmagic Design, Canon, DNP Photo, Eveready, Energizer, Gitzo, Marumi, Nikon, Sigma and Zeiss.
- **Home & Travel:** The company offers home furnishings and travel bags and accessories of brands like Avanti, Bellora, Descamps, Francois Hans, Jalla, Kipling, Mismo, Recharge, Travel Blue, Samsonite and Urbanista.
- **Distribution:** In addition to operating retail stores, the company is a distributor of perfumes and cosmetics brands like Estee Lauder, Prada and Tom Ford; FMCG brands like Red Bull, Rauch, Holsten and Arizona Iced Tea; home furnishing brands like Delsey Paris, Stabilo, Tefal, Trend and Dundee; and photography and imaging brands like Canon, Nikon, Lowepro, Gitzo, Bowens, Pentax and Zeiss.

Recent Developments/Future Plans

- In October 2015, Salam Stores entered into a contract with Mall of Qatar to lease three floors covering an area of more than 8,000 sq m at the mall to showcase its international brands, alongside a lounge and a contemporary cafe.

Source: Company website, Marhaba

Other Leading Supermarket Chains in the UAE

Choithrams

Established in 1974, Choithrams is mainly engaged in the operation of 40 supermarkets across the UAE. The stores offer a wide range of products including fresh dairy, canned food, breakfast cereals, confectionaries, health and organic food and ethnic food. Additionally, the company provides food services to the hospitality sector and distributes light household products and garments exported from 30 countries. Choithrams has a logistics and distribution center to cater to the needs of its supermarkets and food service distribution business. The company has expanded its presence into Oman, Bahrain and Qatar to ensure distribution of brands across the Gulf. Some of the brands offered by the company include Rainbow, Kimball, Fruitella, Weetabix and Seasons Harvest. Choithrams is a part of T. Choithram and Sons, an international company with multiple businesses in Europe, North America, Africa and the Gulf.

Recent Developments:

- In February 2017, Choithrams opened a supermarket in Jumeirah Islands Pavilion. The store spans over an area of 5,000 sq ft and offers a range of groceries and fresh foods.
- In March 2016, the company opened a supermarket at Manhattan Towers in Jumeirah Village Circle covering an area of 30,000 sq ft, including parking space.

Geant

Geant is a French retail store brand owned by Groupe Casino and has operations in nine countries. Groupe Casino collaborated with Fu-Com LLC (a part of BMA International) to open Geant hypermarkets and supermarkets in the Middle East. The first store opened in 2001 in Bahrain and has now grown to nine in the country, 13 in the UAE and seven in Kuwait. The UAE has four Geant hypermarkets, nine Geant Easy supermarkets and an online store. The stores offer a wide variety of grocery, fresh foods, electronics, household items, apparel and body care, among others. The stores also have its own range of products sold under Easy Living and Groupe Casino brands.

Recent Developments:

- In September 2016, a new Geant Easy supermarket opened at Jumeirah Park, as part of Fu-Com LLC's plan to open more than 30 stores in the UAE.

Spinneys

Spinneys is a supermarket chain established in 1924 in Egypt by Arthur Rawdon Spinney. Since then, the supermarket store network has spread into the markets of Lebanon, Egypt, Jordan, Qatar, Oman and the UAE. Albwardy Investment, a local conglomerate, operates 51 retail outlets of Spinneys in the UAE and two in Oman under the franchisee route. The outlets are a mix of supermarkets and convenience stores offering fresh food produce, bakery items, meat & poultry, seafood, cheese and other products of international brands as well as own labels. The products are sourced from suppliers across the world and farmers in the UAE. The supermarket chain also operates three stores in Qatar.

Recent Developments:

- In April 2017, Spinneys opened a new convenience store at Mira Town, Dubai, as the retailer is eyeing to expand its presence in the UAE through new store openings and expansion during the year.

Source: company websites, Zawya, Khaleej Times

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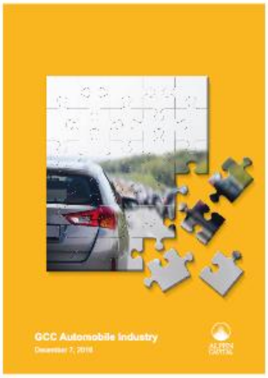

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