GCC Retail Industry

April 22, 2019

ALPEN CAPITAL

Table of Contents

"Overall, 2018 has been a good year for Dubai Duty Free. We celebrated our 35th anniversary on December 20th and ended the year with sales reaching US$2.015 billion, representing a 4.31% increase over the previous year. We actually crossed the US$2 billion milestone on 29th December; this figure has been our target throughout the whole year, so it was great to achieve it.

By its nature, the travel retail industry is sensitive to foreign exchange rates and the scenario of a strong dollar and weak Euro and Pound have resulted in some challenges, which are ongoing. Other factors, such as carry-on baggage restrictions which was introduced by a number of carriers, has impacted our business and we estimate that our sales of confectionery and similar gifting items are down by 2.16% in 2018 over 2017 as a result of these restrictions.

2018 saw the introduction of VAT in the UAE and whilst it had a positive impact on our departure sales, which actually rose by 6.1% , sales in our Arrivals shops, where VAT is applicable, are down.

The Chinese travelers have continued to be an important travel group for Dubai Duty Free and in 2018, while they represented 4% of passenger traffic, they accounted for 17% of our sales. We have increasingly worked with Chinese partners, including AliPay, C-Trip, Union Pay and Tencent, in order to engage with Chinese passengers before they travel and we think that is effective.

The operation is currently undertaking a multi-million dollar investment in upgrading and enhancing the online offer, which will be rolled out in the first half of this year. E-commerce sales accounted for US$21.6 million in 2018 and we believe that we can grow this considerably. This investment will enhance the E-commerce customer experience as well as adding functionality and implementing processes both in-store and online.

From our in-store point of view, in 2018 we also continued significant investment in development and expansion, which included renovation of 4,835 sq m of retail space in Concourse C and around 1,400 sq m in Concourse B, enhancements to the fashion offer in Concourse B and the opening of a retail outlet on the Boat Deck of Queen Elizabeth 2 in Port Rashid."

Colm McLoughlin, Executive Vice Chairman & CEO

Dubai Duty Free, UAE

"The GCC Retail Industry is experiencing unprecedented change: we see a far more price conscious customer than ever before, and connected to media across all platforms. This is a digital savvy, demanding customer looking for personalization, value, experience and convenience.

The industry has to adapt quickly to cater to these demands, as increased competition and ease of switching challenge yesteryear leaders. At the same time, operating costs are on the rise in many of our markets challenging operator margins. Those who can't adapt to deliver customer needs on the one hand and operate efficiently on the other are at risk of obsolescence.

Having said that, the GCC boasts a young, aspirational consumer base with a median age of 27, which means that consumption will be on the rise as the years following this age are the peak consumption growth period in the lifecycle of a consumer. In addition, smaller households, increased female participation in the workforce and innovation will create more areas of demand."

Huda AlLawati, Chief Investment Officer

Savola, Saudi Arabia

"Qatar's economic performance remains resilient and so does the Retail industry. Many factors are contributing towards sustainability of Retail and to name a few, major step taken by Qatar Tourism Authority to grant free visa on arrival for 80 nationalities, adding to it is the initiative taken by National Tourism Council (NTC) for organizing annual Shop Qatar festival, which are not only for longer duration but also provide a wider offering vis-à-vis promotional offers, discounts and entertainment and public celebrations, exciting events and festivities encouraging residents and visitors to enjoy the authenticity of the experience which helps bolster the country's retail sectors and promote Qatar as a shopping destination, lastly the excitement of FIFA 2022 which is bringing families and professionals to the country, all this helps to raise consumer confidence and demand.

The microeconomics fundamentals in Qatar are also showing great sign, despite the blockade imposed by some of its neighbors, GDP growth is accelerating. Qatar's banking system remains healthy with ample liquidity, high asset quality and strong capitalization. The construction sector's buoyancy has continued so far. Growth in the manufacturing sector reached at greater self-sufficiency and food security started to take effect. Further government policies are targeted to strengthen the private sector, which again helps Retailers both directly and indirectly.

Challenges in the Retail Industry is majorly coming from disruptive technologies and the geopolitical tensions around the world, but to be specific consumers are still taking precautions in the way they are spending. Retailers have to combine Smart IoT, smart shelves and virtual reality devices to push retail brands and enhance different experiences to their traditional retail models. Retailers in the region have to capitalize the framework of infrastructure and technology that is built by respective governments in the best optimum manner to stay in the game."

Ashraf A.R Abu Issa, Chairman and CEO

Blue Salon WLL, Qatar

"The GCC market landscape is going through a general slowdown yet real estate development continues, and ongoing retail expansion is reaching a certain saturation. With the continued influx of tourists and the ongoing diversification of revenue streams through the implementation of the VAT in UAE, KSA and Bahrain, and reduction of subsidies in all GCC countries; the consumers are more cautious with their spending and their behaviour continues to shift. They are multichannel shoppers, less brand loyal and more product and brand trialists, price-smart, young and digitally savvy.

Having said that, we need to improve retail experience and services to fulfil the client's expectations. We will still be a brick and mortar region because retail is not dead, boring retail is dead. Experiential and seamless retail is in with stores being a "point of touch", rather than just a "point of sale".

Over the last 3 years, e-commerce has grown from 2% of sales up to 6%. We see more brands going online with e-commerce, with luxury e-commerce growing 25-30% year on year until 2022.

2019 is a challenging year, e-commerce sales will continue to grow fast and at Chalhoub Group, we are undergoing a digital transformation to answer the market changes and challenges to adapt to the new tourist profile in Dubai, with more Asians (Chinese, Indians…) and the evolving consumer in the GCC.

The launch of Chalhoub Group accelerator program "The Greenhouse" is an answer to retail challenges, it's an opportunity to support entrepreneurship and bring tech solutions to the brands. It's within our North Star Vision to move fast from a traditional retailer to a hybrid one bringing luxury experiences to the fingertips of customers everywhere."

Patrick Chalhoub, CEO

Chalhoub Group, UAE

"To succeed, we need to stay relevant. Our industry, like many others, is impacted by a dynamic technological environment and the empowered consumer. Retailers cannot afford to impose their business model on the consumer, we have to offer consumers the flexibility of choosing their own level of engagement and experience.

With half the world's population now online, consumers hold all the power with instant accessibility to information and even higher expectations. In a crowded market, adapting to these consumer needs is critical. Digital continues to disrupt the industry so we are no longer competing with regional players but international ones.

2019 will be an interesting year for retail. Organizations need to be driven by a new sense of curiosity. Harnessing AI will help to transform our businesses, making them more efficient while allowing our people to focus on making a real and positive difference; creating even more personalized experiences to drive loyalty in today's consumer.

Customer loyalty is not driven by "points", customer loyalty is driven by customer delight in their experience. Delivering highly relevant, flexible solutions beyond the expectations of our customers will generate that loyalty – the only way to do that is by having the right people empowered to make a difference. While technology advances may be driving change, it is customer service that delivers experience. It has never been more important to recruit and retain talent, whilst building digital and insight capabilities so we can address consumer needs and deliver customer centric offerings, in markets that are more dynamic than ever before."

Marek Sheridan, CEO

BMMI, Bahrain

"While change and innovation are the only constants in an evolving retail market, it is the product and customer proposition that define success.

As a homegrown business, Landmark Group has always focused on being relevant to our customers by catering to regional preferences and evolving with changing times.

To keep up with the rapid transformations in the retail industry, it is essential for a business to be agile to respond quickly to the changing needs of the customers. It is important to be future ready for the digital native generations. Broadening the e-commerce presence and offering a seamless shopping experience to customers both online and in store, is absolutely necessary today. Implementing new and emerging technologies and automated processes in business operations has become essential to improve speed-to-market efficiency.

While an evolving market can be challenging, identifying the right opportunities that a digital revolution brings will drive the business forward."

Renuka Jagtiani, Vice Chairperson

Landmark Group, UAE

"The GCC retail industry has witnessed challenging times in recent years but its long-term fundamentals remain positive. The sector is likely to regain momentum, primarily driven by an expanding population base, high GDP per capita and growing tourism. Economic recovery led by improving oil prices is expected to revive consumer confidence and improve discretionary spending. Moreover, initiatives taken by the GCC governments to stimulate retail infrastructure projects and ease business and visa regulations should provide impetus to the retail sector.

The M&A sphere in the GCC retail sector has remained active over the past two years. We saw several intra-regional and cross border transactions with a significant focus on e-commerce/online retailing space. We expect to see continuing activity in the M&A sphere as retail companies look for new opportunities for expanding their market base and size."

Rohit Walia, Executive Chairman

Alpen Capital (ME) Ltd

ALPEN CAPITAL

1. Executive Summary

The GCC retail industry has witnessed challenging times in recent years but the long-term fundamentals of the sector remain intact. The regional growth was undermined by an extended period of low oil prices and softness in domestic demand. However, 2018 has witnessed stabilizing oil prices and measures undertaken by the regional governments such as streamlining the retail infrastructure and strengthening the investment landscape. Additionally, mega events are expected to have a positive impact on the retail sector. The changing trends within the GCC retail sector, like the adoption of digitalization, private labels and rising preferences for healthy lifestyle have provided new revenue streams for traditional retailers. Hence, the retail sector is expected to regain positive momentum on the back of a proactive government complemented by factors such as an expanding population base, high GDP per capita and growing tourism sector.

1.1 Scope of the Report

As an update to the Alpen Capital's GCC Retail Industry report dated May 22, 2017, 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 4.0% from US$ 253.2 billion in 2018 to US$ 308.0 billion in 2023. After witnessing a dip in 2017, retail sales are likely to recover and grow through 2023 driven by the anticipated rise in population and international tourist arrivals.
- During the forecast period, total retail sales in the GCC nations are projected to grow at a CAGR in the range of 2.2% to 5.1%, with the UAE, Qatar and Bahrain growing the fastest.
- Between 2018 and 2023, non-food retail sales are anticipated to grow at a CAGR of 4.7% led by the rising expatriate population and tourists as well as appetite for global concepts. During the period, food retail sales are likely to grow at a CAGR of 2.8%, driven by expanding consumer base and demand for healthy food items.
- During the period, airport-based duty free sales in the GCC are projected to grow at an annualized average of 8.8%. The strong growth can be attributed to an increase in international passenger traffic expected from the ease in visa regulations and the upcoming mega events (Expo 2020, FIFA World Cup 2022).
- Sale of personal luxury goods in the Middle East, primarily represented by the GCC countries, is expected to witness a steady growth of 4.0% between 2018 and 2023.
- At 80% completion of projected additions to the retail space, 5.2 million sq m of retail space is likely to come up in the GCC in the five years to 2023, taking the total organized retail gross leasable area (GLA) to 20.4 million sq m, which may create an oversupply situation

1.3 Growth Drivers

- The GCC population is expected to grow at an annualized rate of 2.3% between 2018 and 2023. An expanding consumer base, dominated by the high proportion of expatriate, youth and working-class population is considered the key driver.
- GDP (PPP) per capita (at constant prices) in the GCC is projected to expand at a CAGR of 0.4% during the forecast period. Going forward, an anticipated recovery in economic conditions is likely to improve consumer sentiments and spending.
- The tourism industry is expected to witness steady growth, primarily driven by government initiatives to ease visa norms coupled with rising investments towards leisure attractions. Mega events such as 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.

- Several large-scale malls and shopping centers are currently under development in the GCC, amid governments' and private players' investments in developing infrastructure to complement the growing population, a rising tourism sector and increasing GDP per capita.
- The retail e-commerce market in the GCC continues to expand given the increasing penetration of smart-phones and use of social media platforms. Moreover, better access to secure payment gateways and gradual improvement in logistics capabilities is increasing penetration levels resulting in the growth of the industry.

1.4 Challenges

- The extended period of low oil prices led to a number of challenges for the GCC region prompting governments to undertake bold decisions to focus on fiscal consolidation through subsidy cuts and curtailing public spending. This led to scaling back of infrastructure projects, rationalization of costs across sectors and a slowdown in consumer spending.
- The rising number of international brands operating in the region has intensified competition within the retail market. Retailers are adopting aggressive promotional campaigns by offering discounts to further drive revenues. Although such strategies should increase top-line growth, it has led to margin pressures.
- Rising penetration of high-end retailers and demand for retail space have increased the rental rates in most of the GCC countries, especially the UAE. Additionally, retailers are also pressurized by the new labor localization laws, market-priced utility costs, and new tax measures such as value added tax (VAT).
- The introduction of VAT has had an adverse impact on the consumers' purchasing power; several retailers decided to absorb the tax to continue to attract sales
- The retail market in the UAE and Qatar is currently facing an oversupply situation, which could lead to delays in completion of upcoming projects. Growing vacancy rates in some of the major retail malls, competition between new malls for tenants, coupled with the emergence of new supply in both the countries may drive down rental rates across the market.
- Counterfeit products of genuine brands continue to be concern for the GCC retail industry, eroding profit margin and image of international brands.

1.5 Trends

- With growing adoption of smartphones, internet penetration and other digitized services, retailers in the GCC are exploring omni-channel business models.
- GCC retail industry is set to witness a significant transition with the likely introduction of Artificial Intelligence (AI), Augmented Realty (AR), Virtual Reality (VR), Image Recognition and Computer Vision Technologies. This enhancement of technology could improve margins and customer centricity, and enable better understanding of changing consumer preferences with the use of data analytics.
- Private labels are gaining popularity and have emerged as an important source of revenue for large supermarkets and hypermarkets. Additionally, the recent slowdown in economic activity in the GCC emerged as a driver for retailers to push private labels due to change in consumption patterns.
- Sedentary lifestyles, poor food habits and dietary choices have led to a higher prevalence of diabetes, cardiovascular disease, obesity, and other conditions in the GCC population. As a result, demand for healthy and organic food concepts is growing and gaining popularity in the region.

The GCC retail sector witnessed healthy deal making activity over the last two years, both intra-regional and cross border transactions, with a significant focus on e-commerce/online retailing space. Despite challenging times, long-term fundamentals such as economic revival, expanding consumer base, increase in tourist arrivals, mega international events and a growing e-commerce market will drive moderate growth in the GCC retail sector.

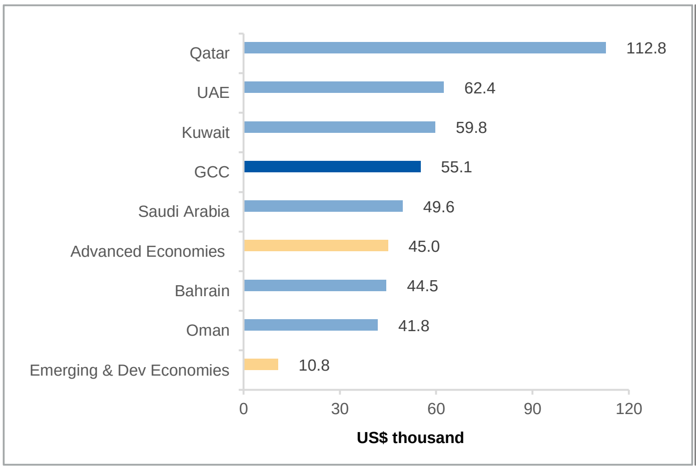
2. The GCC Retail Industry Overview

Though the retail sector has witnessed challenging times in recent years, it is likely to regain momentum, owing to an expanding population base, high GDP per capita and growing tourism sector

The GCC retail industry is one of the cornerstones for the region's sustainable economic development. Though the sector has witnessed challenging times in recent years amid the fluctuation in oil prices, it is likely to regain momentum, primarily driven by an expanding population base, high GDP per capita and growing tourism sector. Moreover, measures taken by key regional governments in streamlining the retail infrastructure and strengthening the investment landscape, such as the UAE[1] and Saudi Arabia[2] opening up the sector for 100% foreign direct investment (FDI), are expected to attract regional and international brands. These proactive initiatives and upcoming major events like the Dubai EXPO 2020 and Qatar World Cup 2022 will contribute positively to the sector and strengthen its position.

GCC economies are heavily reliant on hydrocarbon revenues and the slowdown in oil prices since mid-2014 has negatively affected the regional economic activity. According to the IMF, GDP growth for the region declined from a high of 3.2% in 2013 to a low of -0.5% in 2017 while the fiscal balance declined from 10.3% of GDP to -6.3% of GDP in 2017[3]. As a result, the regional governments introduced several austerity measures such as reduction in subsidies and cutbacks in spending, coupled with fiscal reforms ranging from introduction of new taxes (e.g. VAT) to privatization of state owned enterprises (SOEs). For example, Saudi Arabia plans to raise close to USD 200 billion by 2030 (excluding the proposed Aramco IPO) from privatizing government entities in various sectors, including healthcare, education, airports and grain silos[4]. While these measures were directed to ensure economic diversification in the long-term, they also had a short-term impact on domestic demand. However, the region is expected to rebound and further accelerate the pace of recovery in 2019, primarily driven by stabilizing oil prices, government's agenda to drive non-oil economy and continued focus on introduction of fiscal consolidation measures. Thus, the IMF expects the region's GDP to climb to 2.4% in 2018 and further rise to 3.0% in 2019[5].

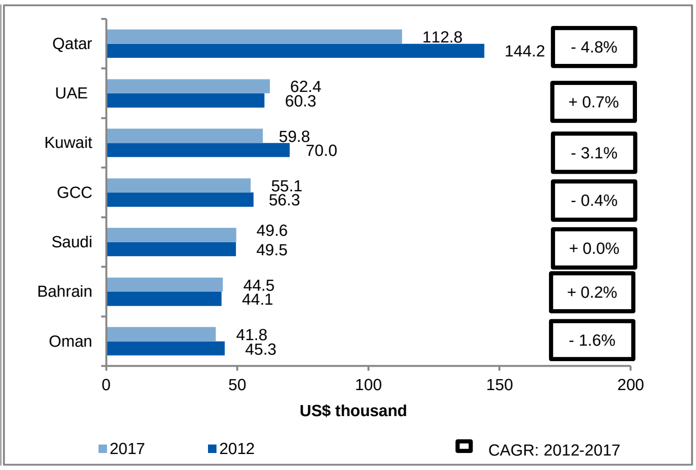
Exhibit 1: GDP (PPP) Per Capita in the GCC (2017)



Source: IMF – October 2018

Note: GDP (PPP) per capita is at constant prices

Exhibit 2: GDP (PPP) per capita growth (2012-2017)



Source: Colliers International, RHB Research, Cushman & Wakefield, Land Securities Group

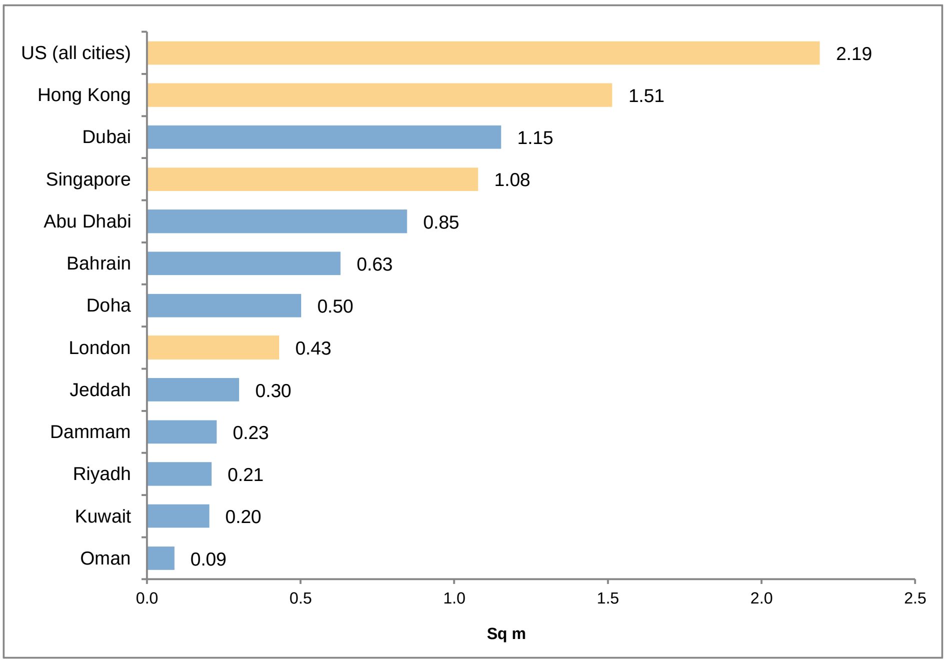
Note: GDP (PPP) per capita is at constant prices

---

[1] Source: "UAE law allowing 100% foreign ownership now in force", Gulf Business, November 2018
[2] Source: "Saudi Arabia approves 100% foreign ownership in retail", Arabian Business, June 2016
[3] Source: "World Economic Outlook Database", IMF, October 2018
[4] Source: "Navigating the Saudi Road to Success", February 7, 2018
[5] Source: "World Economic Outlook Database", IMF, October 2018

While the GCC is currently undergoing major economic transformation, the presence of vast hydrocarbon reserves and the wealth accumulated during the high oil price environment has positioned most of the countries as the wealthiest nations in the world. Measured in terms of GDP (PPP) per capita (at constant prices), Qatar remains the wealthiest nation in the world while the UAE and Kuwait also feature among the top ten richest countries[6]. The per capita GDP of the GCC region stood at US$ 55,137 in 2017, much higher than the advanced and emerging economies[7] (see Exhibit 1). However, the spending power of the population has been affected due to the low and volatile oil prices environment, and concerns over employment prospects[8]. Nevertheless, several regional and international retail operators continue to establish and expand their business offerings in the region, primarily catering to the growing demand. Furthermore, retail GLA per capita in most of the major GCC cities remains well below that in Hong Kong and Singapore (see Exhibit 3), signifying the potential of the region's retail industry.

Exhibit 3: Retail GLA per capita (2017)



Source: Colliers International, RHB Research, Cushman & Wakefield, Land Securities Group

The UAE witnessed an improvement in AT Kearney's Global Retail Development Index 2017, ranking 5th among the world's top 10 retail investment destinations

The UAE was the only GCC nation to feature in the world's top ten retail investment destinations as per AT Kearney's Global Retail Development Index (GRDI) 2017 (see Exhibit 4). The UAE's position improved in 2017, jumping from the 7th position in 2016 to 5th position due to an increase observed in Time Pressure (an increase in Time Pressure factor indicates the urgency for retailers to enter the market and capture growth opportunities[9]) and GRDI score. The retail sector in the UAE is witnessing a change in consumption pattern, where consumers have become more quality and value conscious. Furthermore, the nation's attractive demographics, diverse consumer preferences and adoption of online retailing is gaining traction, facilitating several international retail companies to establish their presence in the country. Meanwhile, Saudi Arabia lost its spot in the top 10 countries,

[6] Source: "World Economic Outlook Database", IMF, October 2018
[7] Source: "World Economic Outlook Database", IMF, October 2018
[8] Source: "UAE shoppers' confidence hits a rough patch in Q3-18", Gulf News, December 24, 2018
[9] Source: "The 2017 Global Retail Development Index", AT Kearney

slipping down to 11th position in 2017 from 8th in 2016. The retail market in the Kingdom continues to remain attractive on the back of improvement in business environment, especially since the announcement of 100% FDI in the sector, coupled with growing inflow of tourists and its favorable demographics.

Exhibit 4: GCC Country Rankings as per GRDI (2017)

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	92.3	100.0	0.9	44.4	59.4	5
Saudi Arabia	88.2	62.5	22.0	41.6	53.6	11

Source: AT Kearney

Retail sales across the GCC markets have slowed down in recent years, however economic recovery led by increasing oil prices is expected to revive consumer confidence and improve discretionary spending. Moreover, initiatives taken by the GCC governments in stimulating retail infrastructure projects and ease of business and visa regulations to strengthen the tourism and investment landscape should provide impetus to the retail sector going forward.

2.1 Country-wise Retail Market Overview

The GCC retail sector is undergoing significant changes with the rise in the number of regional convenience stores coupled with the increasing prominence of e-commerce. Furthermore, international brands operating in the region have intensified competition within the retail market. Thus, both the domestic and international retailers are adopting aggressive promotional campaigns and offering discounts to further drive revenues. The dynamics of individual retail markets might be varying across the GCC, but integration of digitalization and adoption of omni-channel strategies seems to be gaining traction regionally.

Saudi Arabia and the UAE are the largest retail markets in the GCC, accounting for 75.8% of the GCC retail market in 2016

Saudi Arabia and the UAE are the largest retail markets in the GCC, accounting for 75.8% of the GCC retail market in 2016. Retail sales in the UAE contributed 11.6% of the country's economy, while Saudi Arabia's retail sales accounted for 7.0% of its economy in 2016. Non-food retail sales accounted for more than 60.0% of the retail sales in the region and grew at a CAGR of 6.1% between 2013 and 2016. On the other hand, food retail sales grew at a relatively slower pace of 3.1% CAGR during the same period[10]. While the UAE remains the most developed and mature retail market in the region, rest of the GCC countries offer many opportunities for growth as they are relatively underpenetrated. Qatar's retail industry is currently going through a period of rapid expansion and is expected to witness significant push as it prepares to host several global sports events. Kuwait, Oman and Bahrain too have a relatively healthy pipeline of retail projects under development as several international and regional retailers continue to establish and expand their presence in these countries. Bahrain remains a key tourism destination for travelers from Saudi Arabia who account for a major revenue share of the retail sector.

[10] Source: EIU, AT Kearney, IMF, Alpen Capital

UAE

The retail industry contributed 11.6% to the UAE's GDP during 2016 and remained a dominant force behind economic diversification

The UAE has evolved to become the retail hub in the GCC and remains one of the most attractive markets for doing business and investments. According to the '2019 Doing Business' report by the World Bank, the UAE ranked 11th among 190 economies[11] and the 2017 edition of the Global Retail Development Index by AT Kearney ranked the country 5th among the top 30 developing countries for global retail investment[12]. The market is primarily driven by demand from a large number of expatriate population, fashion-conscious millennials, increasing number of tourists and the rise in ultra-high net worth individuals[13]. The country has thus established itself as one of the most prominent retail markets globally, attracting international brands and changing according to the dynamic market conditions with its innovative concepts and modern infrastructure. Most notably, the retail industry is a key component for the UAE's economic diversification strategy and contributed around 11.6% to the country's GDP (at constant prices) during 2016[14] (see Exhibit 5). While Dubai remains one of the most prominent international shopping destinations for tourists and locals alike, Abu Dhabi has been garnering a lot of attraction with several global brands establishing presence to cater to the rising demand from the affluent society. The country is also a hub for luxury goods in the GCC, especially Dubai, while also contributing significantly through robust duty free sales each year. Growth has been largely supported by the growing tourism sector, with tourist spends in Dubai being one of the highest in the world. In 2017, Dubai recorded the highest international overnight visitor spend in the world at US$ 29.7 billion (AED 109 billion), according to a ranking of global cities by Mastercard[15].

Despite the emergence of e-commerce portals such as Souq.com (acquired by Amazon) and Noon.com, traditional bricks and mortar stores continue to attract significant footfalls across the UAE. For example, Majid Al Futtaim and Emaar Malls reported increased footfall during key promotional periods such as 'Dubai Summer Surprises' and 'Dubai Shopping Festival'. Additionally, the city's key shopping areas provided several activities and entertainment in 2018 as part of Dubai's 'shoptainement' offering, a blend of shopping and entertainment experience for the consumers[16]. Similar schemes and initiatives have been introduced to complement Abu Dhabi's retail sector as well. For example, the Department of Culture and Tourism launched the 'Retail Abu Dhabi Season', a new six-week annual retail and shopping season between December 2018 and February 2019. The festive shopping event witnessed offers from retailers in malls, shopping centers and restaurants across the Emirate[17]. Such initiatives by industry stakeholders has enhanced the country's shopping experience and demonstrate continued consumer appetite for physical retail experiences.

Measured over a period of four years to 2016, value of retail sales in the UAE grew at a CAGR of 3.8% to US$ 73.0 billion

Overall, the retail market in the UAE has remained resilient amid a slowdown in economy. Operators have simultaneously adapted to the shifting consumer needs by engaging with them through digital technologies, offering discounts and sales. With the fall in consumer spending due to introduction of VAT and reduction in subsidies[18], retailers have also started emphasizing on improving efficiencies, cutting costs and operating digital channels in conjunction with brick-and-mortar retailing. The value of retail sales in the UAE grew at an annualized rate of 3.8% between 2012 and 2016 to reach US$ 73.0 billion (see Exhibit 5), equating to 29.6% of the region's total retail sales. Non-food retail sales accounted for a

---

[11] Source: "Doing Business 2019", World Bank
[12] Source: "Global Retail Development Index 2017", AT Kearney
[13] Source: "Growth of UAE, Saudi billionaires set to stall to 2023", Arabian Business, March 06, 2019
[14] Source: "The 2017 Global Retail Development Index", AT Kearney; IMF
[15] Source: "Global Destination Cities Index 2018", Mastercard
[16] Source: "How did Dubai's retail industry fare in 2018?", Gulf Business, December 31, 2018
[17] Source: "DCT Abu Dhabi launches a new annual season on Abu Dhabi's calendar, the Retail Abu Dhabi (RAD) Season', December 2018, Dubai PR Network
[18] Source: "Subsidy reforms to spur development in UAE", Khaleej Times, July 23, 2015

lion's share of 67.9% of the total market, recording a CAGR of 4.3% between 2012 and 2016, while food retail sales grew by 3.0% during the same period[19].

Exhibit 5: Retail Sales in the UAE

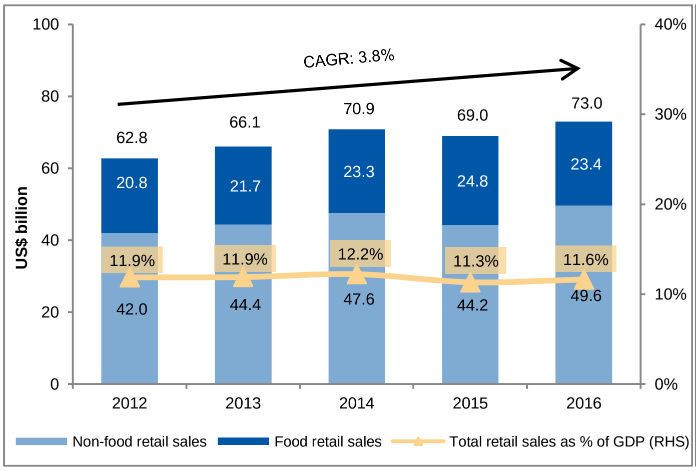
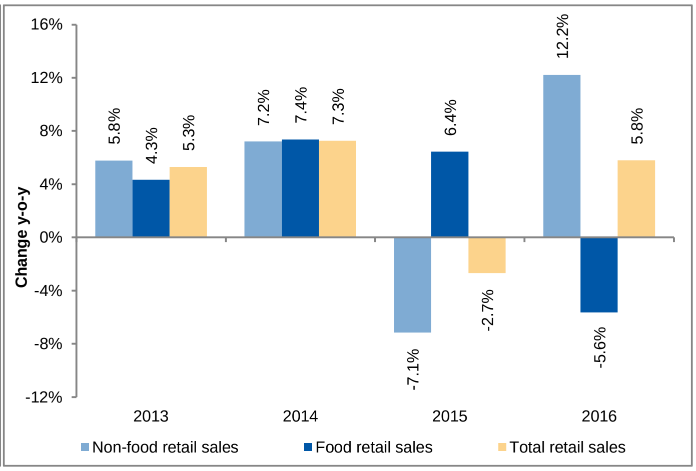


Exhibit 6: Change in Retail Sales in the UAE



Source: EIU, AT Kearney, IMF – October 2018

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

Source: EIU, AT Kearney

Several retail projects are currently under development to cater to the anticipated rise in tourist arrivals, as the country gears up to host the Dubai Expo 2020. In preparation of the mega event, Dubai plans to spend between US$ 8.2 billion and US$ 8.7 billion on infrastructure development, which also includes the construction of several malls, shopping and leisure centers[20]. Some of the key upcoming projects in Dubai include Dubai South Mall, Dubai Mall Boulevard expansion, the Night Souk on Deira Islands, Nakheel Mall on the Palm Jumeirah and Dubai Hills Mall. On the other hand, upcoming projects in Abu Dhabi consist of mostly retail shops in mixed-use buildings as well as small neighborhood and community malls such as the Al Maryah Central Mall in Al Maryah Island[21].

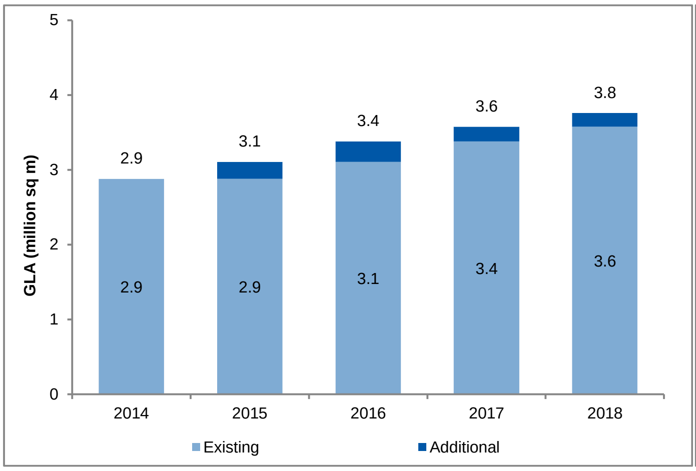
As of end-2018, retail GLA in Dubai and Abu Dhabi was 3.8 million sq m and 2.7 million sq m, respectively

The UAE witnessed an addition of 197,000 sq m of retail space in Dubai during 2017 and 182,000 sq m of GLA in 2018 bringing the total supply in the Emirate to 3.8 million sq m as of 2018-end. The supply of retail space in Abu Dhabi stood at 2.7 million sq m[22] with the addition of 28,000 sq m of retail space in 2017 and 2018 (see Exhibits 7 and 8). Average annual rents at retail outlets in Dubai and Abu Dhabi have either declined or stagnated on account of increase in supply at a time of economic slowdown and rising competition from the growth of e-commerce[23]. In Dubai, the rents in primary locations stood at US$ 1,268 per sq m per annum in 2017, down from US$ 1,378 per sq m per annum in 2016, while rents in Abu Dhabi have remained stable at USD 817 per sq m per annum since 2014[24]. Despite the fall, UAE has the highest average retail rentals compared to the other GCC nations, which is likely to affect the profitability of retailers. Demand for space at prime locations, especially in Dubai, continues to remain strong. According to Core Savills, prime and super-prime malls across Dubai continue to attract healthy footfall, while smaller community shopping centers are expected to achieve steady yields despite a 3%-5% annual drop in occupancy as of

[19] Source: EIU, AT Kearney, IMF, Alpen Capital
[20] Source: "Budget for the Expo 2020 Dubai Site to Exceed USD 8 Billion", Construction Shows, November 8, 2016
[21] Source: JLL
[22] Source: JLL
[23] Source: "Dubai retail sector battles oversupply but prime occupancy stays firm", The National, July 17, 2018
[24] Source: JLL

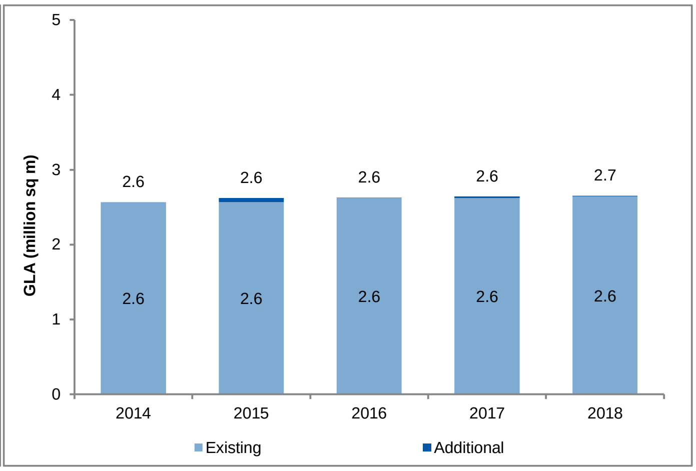
March 2018[25]. Going forward, with the expected addition of new retail space from the construction of new malls, retail rents in Dubai may face pressure to avoid an increase in vacancy rates.

Exhibit 7: Supply of Retail Space in Dubai



Source: Jones Lang LaSalle (JLL)

Exhibit 8: Supply of Retail Space in Abu Dhabi



Jones Lang LaSalle (JLL)

Saudi Arabia

Retail sales value in Saudi Arabia grew from US$ 85.3 billion in 2012 to US$ 114.0 billion in 2016, recording a CAGR of 7.5%

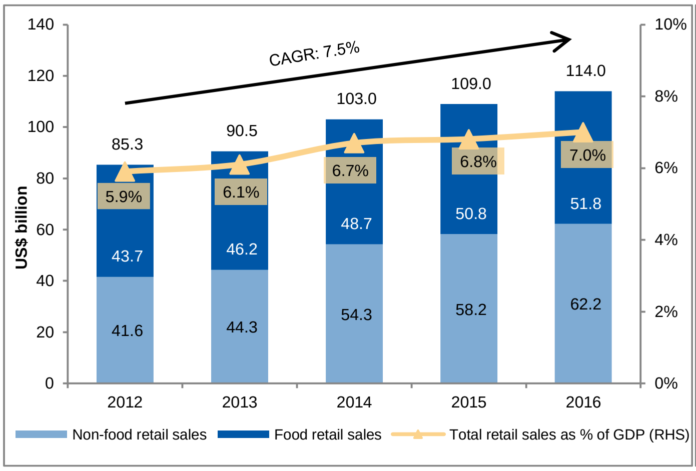
Saudi Arabia is the largest retail market in the GCC, mainly due to its large population base that makes up approximately 58.7% of the region's total inhabitants[26]. Growing millennial population, expanding female consumer base, increasing urbanization, religious tourism and the rise in ultra-high net worth individuals influence the industry[27]. Majority of the consumers in the Kingdom are brand-conscious, influenced by global consumption patterns, which is driving the demand for high-end internationals products. The increasing exposure to global trends has resulted in the country witnessing an influx of international brands while regional players are continuing to expand their base to cater to the demand from the affluent class. Thus, the retail sales value in Saudi Arabia grew from US$ 85.3 billion in 2012 to US$ 114.0 billion in 2016, recording a CAGR of 7.5%; the highest in the region (see Exhibit 9)[28]. The country accounts for around 46.2% of the total retail sales of the region. Non-food retail sales accounted for 54.6% of the Kingdom's total retail market, recording a CAGR of 10.6% between 2012 and 2016, while food retail sales grew by 4.3% CAGR during the four-year period. The contribution of the retail sales as a percentage of GDP (PPP) per capita (at constant prices) stood at 7.0% in 2016, up from 5.9% in 2012[29]. The overall retail sales value growth was much slower at 4.6% Y-o-Y in 2016 compared to a steady growth in the previous years (see Exhibit 10). This can be attributed to a slowdown in economic activity leading to rise in unemployment, pay cuts in the public sector and expulsion of subsidies for petrol and utilities[30]. These factors cumulatively dampened the consumer confidence resulting in a subsequent slowdown in consumer spending. As a result, there has been a change in general consumer preferences from luxury products to affordable goods, which has

[25] Source: "Dubai retail sector battles oversupply but prime occupancy stays firm", The National, July 17, 2018
[26] Source: "World Economic Outlook Database", IMF, October 2018
[27] Source: "Growth of UAE, Saudi billionaires set to stall to 2023", Arabian Business, March 06, 2019
[28] Source: EIU, AT Kearney, IMF, Alpen Capital
[29] Source: EIU, AT Kearney, IMF, Alpen Capital
[30] Source: "Saudi Arabia unveils first public sector pay cuts", BBC News, September 27, 2016

compelled retailers to revamp their portfolios and stock inventories of affordable brands for the price and value conscious consumers[31]. Though the introduction of VAT since the beginning of 2018 has had an impact on consumer spending, the stability in oil prices and increase in tourist arrivals should drive the overall growth going forward.

Additionally, the government's decision to allow 100% FDI in retail and wholesale businesses will provide further impetus to the industry[32]. The initiative will not only facilitate the entry of large multinational retail and wholesale companies but also bring about best practices, technological advancement, enhance customer experience and create new jobs. The law will also help the regional players expand their base and increase service offerings, thus intensifying competition that may lead to cut-down on prices and increase in consumption.

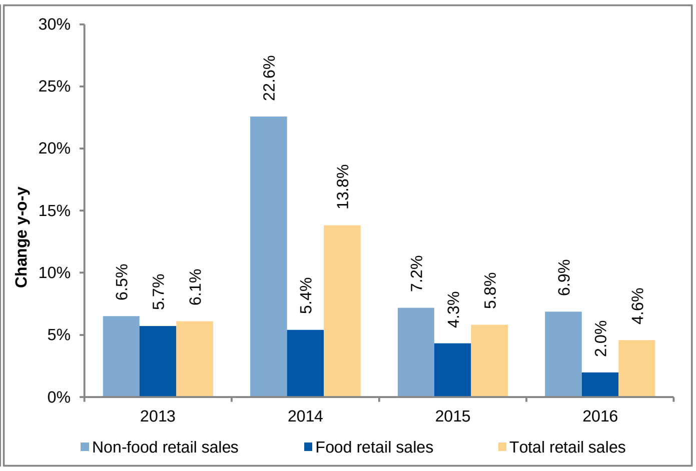
Exhibit 9: Retail Sales in Saudi Arabia



Source: EIU, AT Kearney, IMF – October 2018

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

Exhibit 10: Change in Retail Sales in Saudi Arabia



Source: EIU, AT Kearney

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

The retail market in Saudi Arabia is highly fragmented, comprising both organized retail formats (shopping malls, community malls, hypermarkets/supermarkets) and traditional independent grocery stores called the 'bakalas'. As of 2016, there were an estimated 38,416 'bakalas' in the Kingdom, an increase of approximately 3% over 2014, which cumulatively accounted for 50.4% of all food products sold by Saudi retailers in 2015[33]. However, the Kingdom's retail market is undergoing significant transformation with changing market dynamics, giving rise to various trends and new retail concepts such as increasing penetration of e-commerce, omni-channel retail stores and the rise in footfall in malls, hypermarkets/supermarkets and Family Entertainment Centers (FECs). FECs, generally small indoor amusement parks marketed towards families, have become immensely popular and their presence in malls is generating higher footfalls.

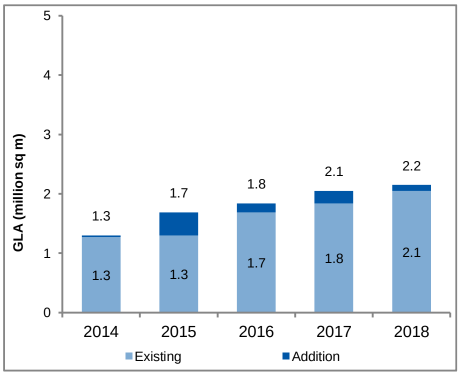
As of end-2018, the three major cities (Riyadh, Jeddah, and Dammam) collectively had a retail GLA of over 4.7 million sq m, an increase of about 1.3 million sq m over 2013

As of end-2018, the three major cities (Riyadh, Jeddah, and Dammam) collectively had a retail GLA of over 4.7 million sq m, an increase of about 1.3 million sq m over 2013[34]. During the period, Riyadh witnessed the largest addition of 880,000 sq m of GLA, followed by 441,000 sq m in Jeddah while Dammam saw an addition of 170,000 sq m of GLA (see

[31] Source: "Future trends in the Saudi retail sector", Arab News, December 1st, 2018
[32] Source: "Saudi Arabia approves 100% foreign ownership in retail", Arabian Business, June 15, 2016
[33] Source: "Global Agricultural Information Network", USDA Foreign Agricultural Service, January 22, 2018
[34] Source: JLL

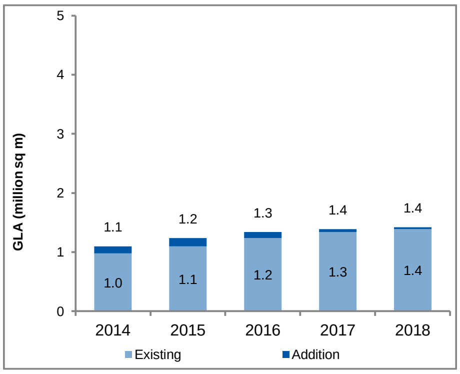
Exhibits 11, 12 and 13) [35]. The retail landscape in Riyadh was developed at a brisk pace reaching 2.2 million sq m of GLA with the addition of 310,000 sq m of retail space in 2017 and 2018[36]. Majority of mall infrastructure development has been concentrated in the northern part of Riyadh namely the Qurtoba Boulevard, Shopping Front and Granada Centre Extension. Though the average occupancy rate in the shopping centers in Riyadh remained stable at 91%, the average retail rental has been falling due to subdued household spending. During 2017, regional center rents remained stable, while community center rents declined by 3% on a Y-o-Y basis[37]. Some of the ongoing and upcoming projects in Riyadh include University Avenue (51,560 sq m), Khaleej Mall (51,450 sq m), Elite (11,000 sq m), Dheyafah (9,000 sq m) and Turki Square (2,400 sq m). On a comparative note, growth in retail stock in Jeddah and Dammam remained relatively muted during 2017 and 2018 with total stock at 1.4 million sq m and 1.1 million sq m of GLA, respectively[38]. In Jeddah, the mall completions happened within the convenience and community center segments, in addition to the partial opening of the Jeddah Park, as well as the Red Sea Mall expansion. A relatively unstable market condition at the end of 2017 gave rise to the strengthening of tenant negotiating power in the Jeddah retail market and average vacancies dropped to 7% by Q4 2017 compared to 10% in Q4 2016. Overall, there were fewer project announcements in 2017 compared to the previous years, signaling a likely slowdown in the delivery of retail space in the key markets[39].

Exhibit 11: Supply of Retail Space in Riyadh



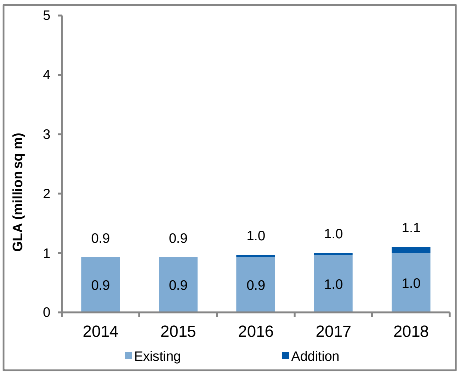
Source: Jones Lang LaSalle (JLL)

Exhibit 12: Supply of Retail Space in Jeddah



Source: Jones Lang LaSalle (JLL)

Exhibit 13: Supply of Retail Space in Dammam



Source: Jones Lang LaSalle (JLL)

Qatar

Qatar's organized retail space is currently going through a period of rapid expansion amid upcoming mega events

Qatar continues to remain the richest country in the world with a GDP (PPP) per capita (at constant prices) of US$ 112,189 as of 2017[40]. The high level of wealth coupled with rising population, an expanding tourism sector and high investments towards infrastructure development has positioned the country as a promising retail market in the GCC.

Qatar's organized retail space is currently going through a period of rapid expansion thanks to a strong pipeline of mall openings as several international and regional retailers continue

[35] Source: JLL
[36] Source: JLL
[37] Source: JLL
[38] Source: JLL
[39] Source: JLL
[40] Source: "World Economic Outlook Database", IMF, October 2018

to establish and expand their presence in the country. According to CBRE (Coldwell Banker Richard Ellis) Middle East, Doha rose six places and was ranked 4th in the new entrants ranking in 2016 with 58 new brands coming to the city, up from 29 in 2015[41]. The city has witnessed the development of several large malls offering extensive retail and leisure facilities which has led to wide demand from retailers for space. For example, the Doha Festival City (DFC) announced broadening of its mall offerings with store openings of international brands in the skincare, fashion, accessories and home furnishings segments. A mix of high-end stores are already proving to be popular with consumers, including The Face Shop, Karisma, XTI, Linen House, Naseej, Verona, W&B Home and Laura Ashley,[42]. Most notably, the presence of an affluent consumer base has attracted several luxury retailers to the city. Despite the fall in GDP per capita, expenditure towards luxury goods in Qatar has remained strong. Additionally, Qatar is the second largest duty free operator in the GCC with revenues of US$ 0.6 billion recorded in 2017[43], an increase of 7% from the previous year.

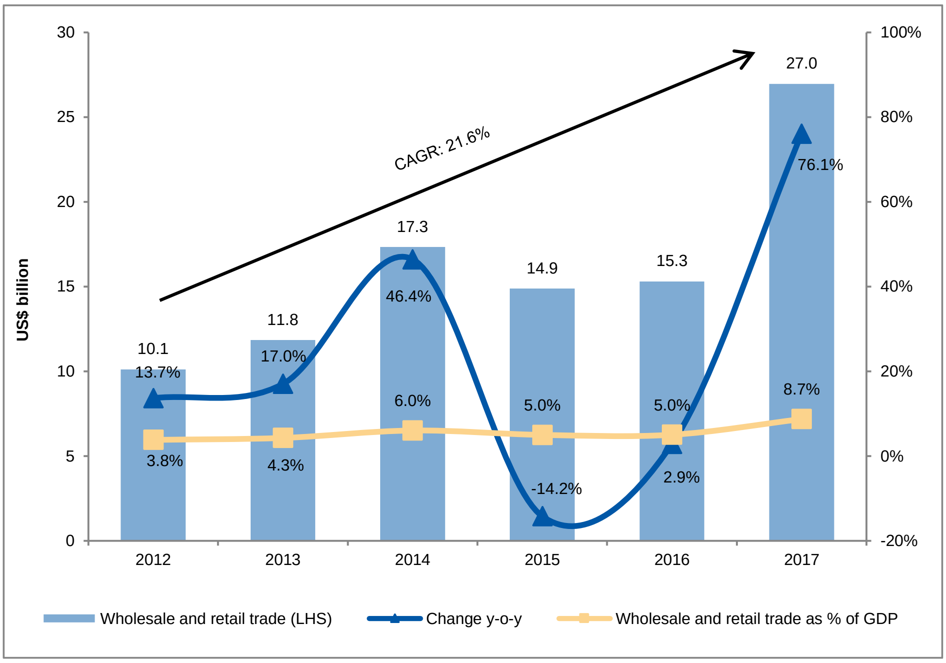
Qatar's wholesale and retail trade witnessed a 76.1% Y-o-Y growth in 2017 on the back of rise in oil prices and the subsequent economic revival compared to a fall of 14.2% in 2015

Despite unfavorable geopolitical environment and lower oil prices, Qatar's government has continued its efforts to diversify the economy as part of its 'National Vision 2030' with the retail sector identified as a key contributor to the economy. The size of its wholesale and retail trade grew at a CAGR of 21.6% between 2012 and 2017 to US$ 27.0 billion, accounting for 8.7% of the GDP[44] (see Exhibit 14). Most notably, the country's wholesale and retail trade witnessed a 76.1% Y-o-Y growth in 2017 on the back of rise in oil prices and the subsequent economic revival, compared to a fall of 14.2% in 2015. The wholesale and retail trade contribution to GDP has remained stable over the years, indicating the growing importance of the industry within the economy. With the likely introduction of VAT in the near future, retail prices are expected to witness a hike, which might influence the consumer sentiments and affect the profitability of the retailers[45]. Nevertheless, the country's retail industry is expected to witness a significant push from the resurgence in oil prices and the booming tourism sector as it gears up to host three major sports events – World Athletics Championships in 2019, FIFA World Cup 2022 and the World Aquatics Championships in 2023.

---

[41] Source: "Dubai and Doha among the top four markets for new retail brands", May 23, 2017
[42] Source: "DFC announces new store openings", Peninsula Qatar, September 18, 2018
[43] Source: "Consolidated Financial Statement 2015-2016", Qatar Airways QSC
[42]Source: "HIA to handle over 53mn passengers a year by '22", Gulf Times, January 22, 2019
[44] Source: Qatar Ministry of Development Planning and Statistics
[42]Source: "HIA to handle over 53mn passengers a year by '22", Gulf Times, January 22, 2019
[45] Source: "Qatar: Possible considerations, VAT and the retail sector", KPMG, October 09, 2019

Exhibit 14: Wholesale and Retail Trade in Qatar



Source: Qatar Ministry of Development Planning and Statistics, IMF

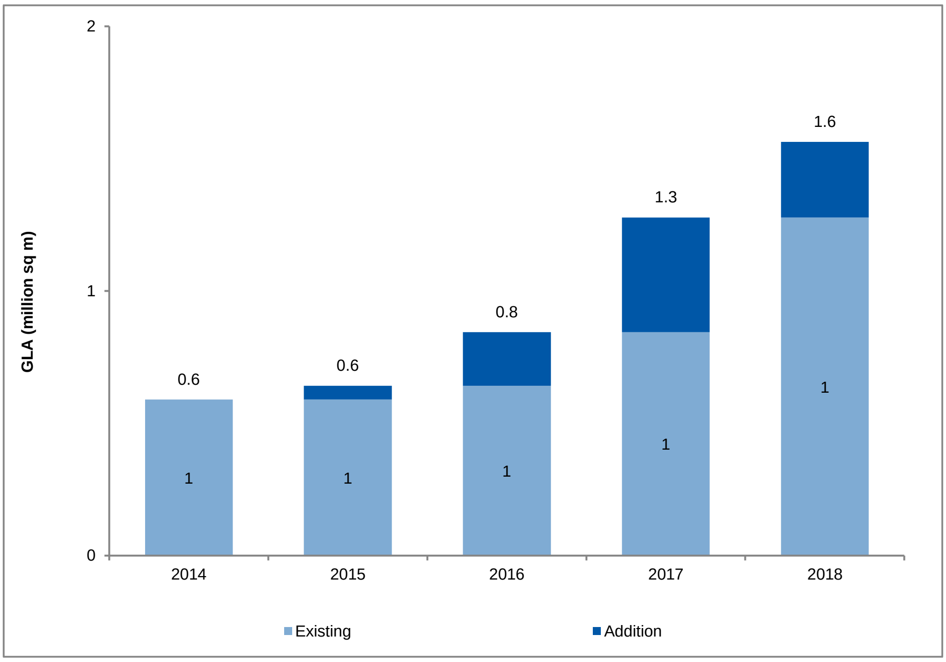
Note: Local currency figures are converted into US$ using the annual average exchange rate. The above numbers are based on constant prices

As of end-2018, Doha had a retail GLA of approximately 1.6 million sq m, an increase of about 974,000 sq m over 2013

As of end-2018, Doha had a total retail GLA of approximately 1.6 million sq m, an increase of about 974,000 sq m over 2013[46] (see Exhibit 15). Of the total, Doha's organized retail market accounted for approximately 1.4 million sq m of GLA spread across 21 retail malls. Of this, more than 40% addition came from three prominent malls - the Doha Festival City, Mall of Qatar and Villaggio Mall[47]. Since 2015, Doha has witnessed approximately 688,700 sq m of retail space added to its stock with the most recent being the opening of Tawar Mall (90,000 sq m) in Umm Lekhba[48]. Going forward, around nine malls are expected to open by 2021, offering customers a wide range of shopping, dining and entertainment experiences[49]. Some of the most notable projects include the 60,000 sq m Marina Mall, scheduled to open in Lusail City at the end of 2019 and the mixed-use development project - Place Vendôme, also in Lusail City, which will have 230,000 sq m of GLA shared by around 500 shops. Other retail developments in the pipeline include the Northgate Mall, Doha Mall, Doha Oasis, Katara Plaza and Al Waab Mall. Despite the increase in supply, majority of the prime retail destinations in Qatar continue to enjoy high levels of occupancy and attract significant footfall. As a result, retail rents at prime malls and key high-street destinations have been rising. Prime retail rents in the main retail malls range between QAR 250 and QAR 350 (US$ 68.7 and US$ 96.1) per sq m for smaller line stores, while rents for showroom and high street retail stores range between QAR 100 and QAR 160 (US$ 27.5 and US$ 43.9) per sq m depending on size and location[50]. Increasing rents, higher occupancy in malls, rising footfalls and demand for new tenants are aiding to the development of the retail industry in Qatar.

[46] Source: "Property Times", DTZ Qatar, Q3 2018
[47] Source: "Property Times", DTZ Qatar, Q3 2018
[48] Source: "Property Times", DTZ Qatar, Q3 2018
[49] Source: "Nine malls expected to open in three years", Peninsula Qatar, January 02, 2018
[50] Source: "Property Times", DTZ Qatar, Q3 2018

Exhibit 15: Supply of Retail Space in Qatar



Source: DTZ Research

Kuwait

The retail market in Kuwait is driven by a large proportion of youth population, a high GDP per capita and increase in the number of organized shopping centers

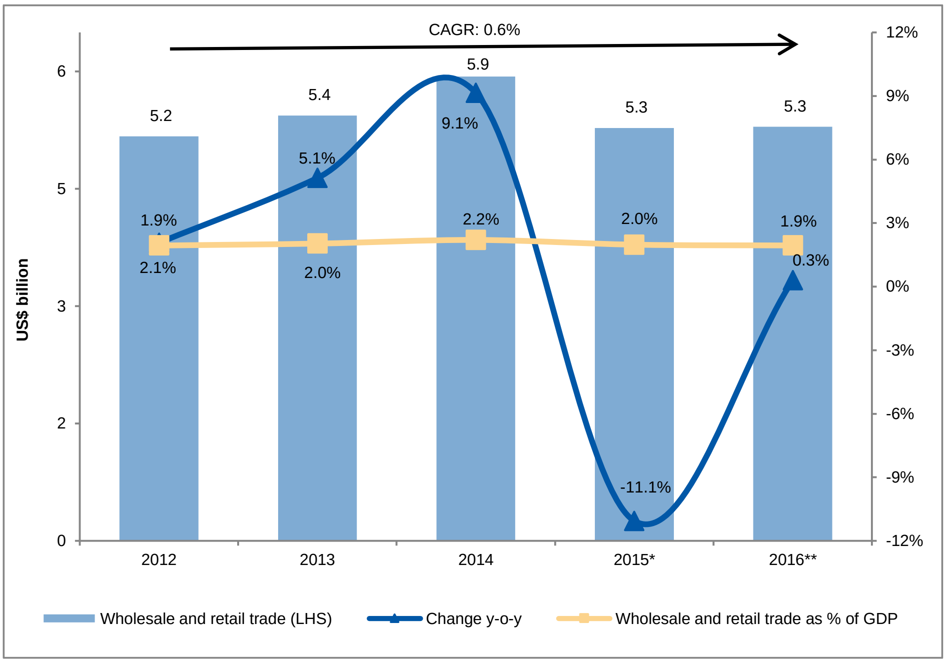
A growing population base including a large proportion of youth population, coupled with rapid urbanization and a high GDP (PPP) per capita (at constant prices) of US$ 59,766[51] has contributed to the growth of organized retail market in Kuwait. Such favorable demographics has made it a prominent location for international luxury retail brands, namely Burberry, Chanel, Christian Dior, Louis Vuitton and Prada who have established their presence in the country. The modern retail market in Kuwait is largely fragmented with private operators such as Carrefour and Lulu slowly expanding their presence in the country. Local players such as The Sultan Center and Kuwaiti Union of Cooperative Societies, a government union, still hold a majority of the market share through their stand-alone grocery and convenience stores. The 2016 financial report of cooperative societies showed that the total sales of these retail formats increased by 13% Y-o-Y to KWD 990 million (~US$ 3.2 billion) compared to KWD 850 million (US$ 2.7 billion) in 2015[52]. With the influx of large supermarkets/hypermarkets operators, the industry has turned more competitive with enhanced product offerings from the former, compelling the local cooperatives to discount their goods in order to attract consumers[53].

Wholesale and retail trade in Kuwait grew at a CAGR of 0.6% since 2012 to reach US$ 5.3 billion by 2016[54] (see Exhibit 16). Growth slowed down in 2015 due to a challenging macroeconomic environment affecting consumer spending and business confidence. Kuwait's wholesale and retail trade accounted for 1.9% of the GDP as of 2016.

---

[51] Source: "World Economic Outlook Database", IMF, October 2018
[52] Source: "Kuwait's retail sector essential factor in economic growth", Thomson Reuters Zawya, September 27, 2017
[53] Source: "Kuwait's retail sector essential factor in economic growth", Thomson Reuters Zawya, September 27, 2017
[54] Source: Kuwait Central Statistical Bureau

Exhibit 16: Wholesale and Retail Trade in Kuwait



Source: Kuwait Central Statistical Bureau, IMF

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

With the rise in organized retail, Kuwait's total retail supply stood at around 890,200 sq m of GLA as of 2017 and the country is expected to witness additional space in the form of malls, shopping complexes and smaller independent developments. Some of the most prominent retail projects in pipeline include The Avenues Phase IV, Salhiya Retail Mall in Kuwait City, Tamdeen Development in Al Khairan, Al Manshar renovation and a second mall by the Gate Mall Company.

Oman

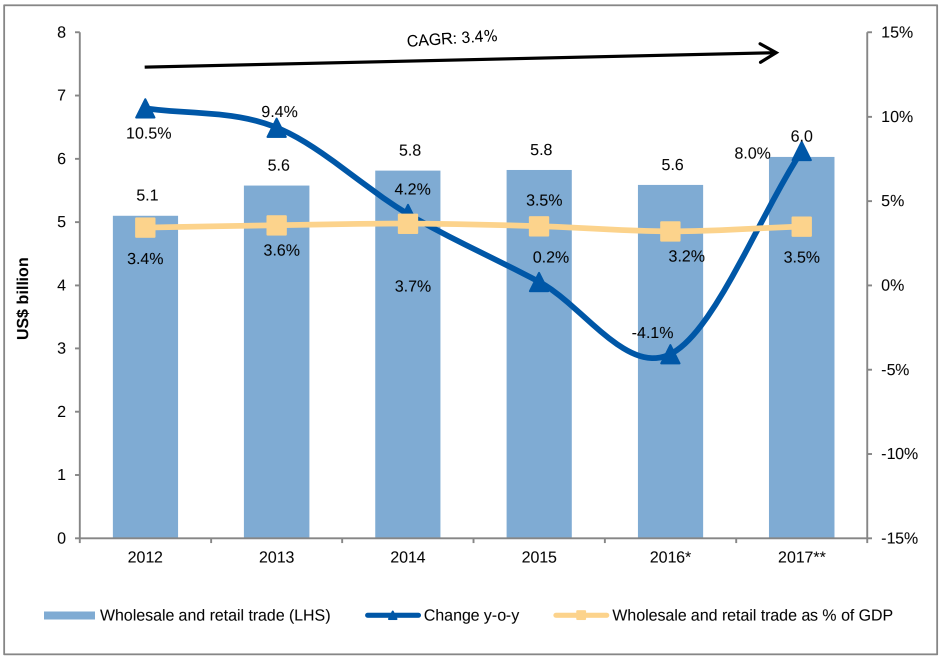
The Sultanate's steady economic growth has drawn significant investments in the retail sector. Though the current retail landscape in the Sultanate is largely dominated by standalone units, the concept of organized retail in the form of malls and shopping centers are gaining prominence. This is primarily driven by growing interest of residents in new lifestyle experiences and increasing demand for space from both global and regional brands who look to further establish their presence and broaden their portfolio to gain market advantage. The country's retail industry is witnessing a change due to increasing demand for international products, rise in population (+4.7% CAGR between 2012 and 2017)[55] and steady influx of tourists (+8.9% CAGR between 2012 and 2017)[56]. Moreover, initiatives undertaken by the government in streamlining the retail infrastructure and strengthening investments towards infrastructure has helped the sector gain further prominence within the GCC markets.

[55] Source: "World Economic Outlook Database", IMF, October 2018
[56] Source: UNWTO

Total wholesale and retail trade in Oman stood at ~US$ 6.0 billion in 2017 up from US$ 5.1 billion in 2012, witnessing a rise of 2.3% CAGR over the five-year period

Total wholesale and retail trade stood at approximately US$ 6.0 billion in 2017 up from US$ 5.1 billion in 2012, witnessing a rise of 2.3% CAGR over the five-year period[57]. During 2016, the market witnessed pressure of economic slowdown and weaker consumer sentiments due to subsidy cuts, resulting in a 4.1% decline in wholesale and retail trade. However, with the stabilization of oil prices and the subsequent uptick in economic activity, wholesale and retail trade in the Sultanate witnessed a rise of 8.0% in 2017[58] (see Exhibit 17).

Exhibit 17: Wholesale and Retail Trade in Oman



Source: Central Bank of Oman, IMF

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

Oman's retail infrastructure has been expanding at a brisk pace as several small to medium scale retail project developments shape the population's ever-increasing demand for a holistic experience. Apart from Muscat, many new projects are springing up in other cities such as Sohar and Nizwa supported by the government's efforts in moving towards expansion of the retail sector. According to CBRE (Coldwell Banker Richard Ellis), a commercial real estate services and investment firm, more than 100,000 sq m of new retail space was delivered in 2015, primarily led by the completion of two major projects – Panorama Mall (21,000 sq m) and Avenues Mall (80,000 sq m), the largest shopping center in the Sultanate[59]. As of 2017, Oman's total organized retail space was estimated at around 364,200 sq m. Going forward, retail space is likely to rise with the expansion plans from large regional operators while international brands venture into the country with their flagship stores. For example, in January 2019, Majid Al Futtaim announced the opening of a new shopping and leisure destination in Oman, City Centre Suhar, housing retail stores, leisure and entertainment experiences and varied dining options. Built at an approximate cost of OMR 45 million (US$ 116.9 million), City Centre Suhar has a GLA of 35,301 sq m and will serve 570,370 residents in Suhar, Liwa and Shinas[60]. Additionally, in June 2018, Majid Al Futtaim signed a joint venture with Oman Tourism Development Company (Omran) to build

---

[57] Source: Central Bank of Oman
[58] Source: Central Bank of Oman
[59] Source: "Omani retail space set for rapid expansion", Oman Observer, December 27, 2016
[60] Source: "UAE retail giant opens new $117m Oman mall', Arabian Business, Jan 2019

a new district in Muscat at a cost of OMR 5 billion (US$ 12.9 billion) over 20 years, which includes 100,000 sq m of retail space. The company had earlier committed plans to invest US$ 1.4 billion in Oman by 2020[61]. Further, Al Raid Group's latest project, the Al Araimi Boulevard (ABLVD) brings in strong product offerings as a destination mall, amidst growing competition from mall developers across the region. Expected to cost around OMR 100 million (US$ 259.8 million), it has a GLA of 187,000 sq m[62].

Bahrain

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

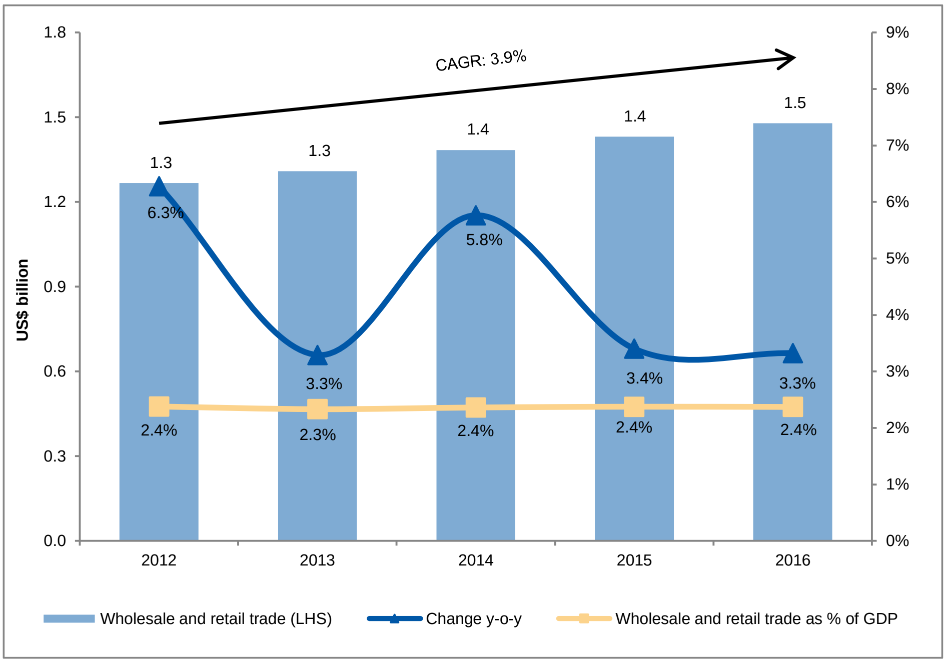
The retail industry in Bahrain is primarily driven by business-friendly policies, rising household income and improving tourism industry. Majority of the tourist arrivals in Bahrain is from Saudi Arabia (65% of the aggregate tourist arrivals)[63]. Wholesale and retail trade grew at a CAGR of 3.9% between 2012 and 2016 to reach US$ 1.5 billion[64] (see Exhibit 18). Although the trade value has continued to increase, growth was relatively muted during the past couple of years. However, the growing tourism sector, primarily driven by government initiatives towards promoting the country as a tourist destination, has led to the development of new retail concepts in the country.

New developments in the form of cinemas, food courts and FECs in the country's shopping malls remain the main attractions for the Saudi visitors coming from the Eastern Province and Riyadh[65]. Although majority of the retail space has been concentrated in Bahrain City Centre, newer areas such as north of Manama are emerging as prominent avenues for retailers due to the high concentration of expatriate population. Additionally, retail developers are also showing high interest in established residential areas such as Juffair, which has shown an uptick in the number of retail developments[66]. Over the past few years, the Kingdom has witnessed an influx of international operators such as Carrefour, while the regional players such as Lulu Group, Al Othaim, Al Raya, Al Sadhan and Balsharaf have also expanded with newer stores. For example, in December 2018, Lulu Group further expanded its presence in the Kingdom by opening its seventh hypermarket/supermarket in the newly opened Atrium Mall in Saar. With a total investment of over BHD 125 million (US$ 331.5 million) in the Kingdom, the group plans to open a new project in the Muharaq Central Market by 2019[67]. These recent developments substantiate the potential of Bahrain's retail market and growth dynamics.

---

[61] Source: "Majid Al Futtaim inks deal to build $12bn Oman mixed-use scheme", June 28, 2018
[62] Source: "RO100mn Al Araimi Boulevard inaugurated in Al Khoudh" Muscat Daily, December 2018
[63] Source: "Bahrain retail sector rises to BHD 2.2 billion, but growth will need tourist focus", Consultancy Middle East, February 6, 2018
[64] Source: Information & eGovernment Authority – Bahrain, IMF
[65] Source: "Bahrain retail sector 'valued at more than $5.8bln", Zawya, February 6, 2018
[66] Source: "Bahrain Winter 2017/18 Property Market Outlook", Cluttons, May 8, 2018
[67] Source: "Lulu further expands in Bahrain", Lulu Group International, December 6, 2018

Exhibit 18: Wholesale and Retail Trade in Bahrain



Source: Information & eGovernment Authority – Bahrain, IMF

Note: Local currency figures are converted into US$ using the annual average exchange rate. The above numbers are based on constant prices

According to a study by KPMG, Grade A and Grade B malls account for approximately 90% of Bahrain's retail GLA. The top ten malls in Bahrain, consisting of two large-sized malls, five medium and three small, receive 51 million guests per year, with City Center Mall accounting for around 30% of the total[68]. However, occupancy levels have been relatively low for several small to medium sized malls. As of 2017, the Kingdom's total retail GLA stood at around 948,000 sq m. Going forward, nearly 270,000 sq m of new retail space is anticipated to be delivered across Bahrain by 2019, taking the total retail GLA to over 1.2 million sq m[69].

2.2 GCC Supermarket/Hypermarket Overview

The upsurge in demand for international food items and consumer products have aided the growth of modern concepts in the region

The GCC has created a robust ecosystem for organized retail concepts such as supermarkets/hypermarkets, department stores and convenience stores. Factors that have been driving demand are high-income levels, rising millennial population (nearly 37% of the estimated population in 2017 was under 25 years of age[70]) and the expanding retail infrastructure across the GCC. Moreover, the upsurge in demand for international food items and consumer products are also aiding the growth of modern concepts in the region. These organized retailers, primarily act as a 'one-stop shop' offering a wide range of products, not only augment the changing needs of consumers but also meet the growing preference for international brands.

Amongst the GCC nations, the concentration of modern retail channels are significantly higher in Saudi Arabia and the UAE compared to their regional peers. In Saudi Arabia and

[68] Source: "Tourism - A Game Changer for Retail in Bahrain", KPMG, February 2018
[69] Source: "Tourism - A Game Changer for Retail in Bahrain", KPMG, February 2018
[70] Source: UNPD; United Nations, Department of Economic and Social Affairs, Population Division (2017)

In Saudi Arabia and the UAE, modern retail formats such as supermarkets/ hypermarkets dominate the retail space, accounting for ~37% and 49%, respectively

the UAE, modern retail formats such as supermarkets/hypermarkets dominate the retail space. In the UAE, supermarkets had the largest market share as of 2017, accounting for 49.2% of sales, dominated by operators such as the Lulu Group (6.01% market share), Carrefour (4.08% market share) and Spinneys (1.98% market share)[71]. On the other hand, supermarkets/hypermarkets in Saudi Arabia accounted for approximately 37% of total sales and 11% of the total retail food products sales in 2016[72]. Compared to the UAE, modern retail market in Saudi Arabia is still under-penetrated with several large operators such as Lulu Saudi Arabia, Carrefour, Panda Retail and Nesto Hypermarket looking to increase their market share in the largest consumer market in the GGC.

Large operators are expanding their footprints across the region amid rising competition, especially from smaller grocery stores and growing demand for convenience stores[73]. For example, Lulu Hypermarket announced plans to open 15 new hypermarket stores in Saudi Arabia by 2020[74], adding to its current portfolio of over 160 stores globally, out of which around 115 are located in the GCC alone[75]. It recently announced plans to open 29 hypermarkets in shopping malls across the GCC, including 12 in the UAE at various locations of Abu Dhabi, Dubai and northern Emirates[76]. Similarly, Spinneys plans to open 18 new hypermarkets in the UAE by 2020, to increase the total number of stores in the region to 79[77]. In March 2018, the UAE-based JMA Group announced plans to open a chain of 20 supermarkets across Dubai by the end of 2018. The group further aims to open another 100 convenience stores across the UAE, wider GCC and Asia by 2020[78].

Organized retail operators in the GCC have started focusing on rationalizing cost and adopting competitive pricing policy while they expand their presence across the region

Other GCC markets such as Qatar has also started witnessing the influx of several foreign and regional modern retail operators. In February 2019, SPAR International opened a supermarket in a shopping center in Doha's New Salata Area. It marks the company's third SPAR store in the country, following the opening of previous two supermarkets in March 2018 and November 2017[79]. In November 2018, Philippine-based retailer Amana Puregold supermarket opened its first branch in Doha, offering an array of Filipino products. Owing to the large proportion of Filipino population in Doha, Amana Group announced plans to open five more outlets as part of its expansion in the near future to meet the growing demand for Filipino products[80]. Kuwait and Bahrain also remain attractive markets for modern retailers. Large players such as Carrefour and The Sultan Center dominate the market in Kuwait, accounting for approximately 10.1% share of different tenant categories in the country's retail space[81]. In December 2018, Kuwait's wholesale retail store OnCost Cash and Carry acquired all the 20 branches of regional supermarket chain Gulfmart in the country. It plans to increase the number of Gulfmart stores in Kuwait to 35 in the next five years[82]. Lulu Group further expanded its presence in Bahrain by opening its 7th hypermarket in the country in December 2018. The total investment of Lulu Group in Bahrain stands over BHD 125 million (US$ 331.5 million) with seven hypermarkets and one mall[83], signifying the potential in the country.

Organized retail operators in the GCC have started focusing on rationalizing cost and adopting competitive pricing policy while they expand their presence across the region. Many have switched to web-based management systems and e-commerce platforms as

[71]Source: "United Arab Emirates: Distributing a Product", Santander Trade Portal, 2018
[72]Source: "Saudi Arabia: Distributing a Product", Santander Trade Portal, 2018
[73]Source: "UAE grocery segment gets competitive", Zawya, February 28, 2018
[74]Source: "UAE retail giant Lulu to invest $270m in Saudi expansion by 2020", Arabian Business, July 19, 2018
[75]Source: Company Website: Lulu Hypermarkets
[76]Source: "Lulu plans 32 new hypermarkets this year", Zawya, March 27, 2019
[77]Source: "Spinneys to open 18 new UAE stores by 2020", Arabian Business, December 6, 2017
[78]Source: "JMA Group to invest Dhs60m in 20 new supermarkets", Gulf Business, March 25, 2018
[79] Source: "Further expansion for SPAR in Qatar", SPAR International, February 19, 2019
[80] Source: "Philippine supermarket chain opens first store in Doha", Gulf Times, November 11, 2018
[81] Source: "Kuwait Retail Space Report", Real Estate Association & Salhia Real Estate Co., April 2016
[82] Source: "Kuwait's OnCost Cash and Carry buys supermarket chain Gulfmart", Arabian Business, December 9, 2018
[83] Source: "Lulu further expands in Bahrain", Lulu Group Company Website, December 06, 2018

part of their new business model, in addition to operating traditional brick and mortar stores. As a result, several prominent operators have established online presence to align with the changing dynamics of the sector. For example, Majid Al-Futtaim (MAF) strengthened its commitment to Saudi Arabia by leading a US$ 30 million fundraising to expand the online grocery business of Wadi Group across the country[84].The funding will help Wadi Group to expand into markets such as Jeddah, Riyadh and Dammam, which should also complement MAF's Carrefour chain in the Kingdom. On a similar note, Lulu Group invested US$ 5 million to relaunch its website and a new mobile app offering click-and-collect services across its stores in the UAE, Qatar and Kuwait[85]. Some of the other operators offering online services in the GCC include Alosra Supermarkets, Al Maya, Spinneys and Choithrams. In Oman, Shell Oman Marketing Company launched the refurbished version of Shell Select, the country's first convenience store, to strengthen its long-term strategy for non-fuel retailing[86]. Markeetex, the online hypermarket operator, is also changing the market dynamics with its delivery and shopping experience.

2.3 GCC Luxury Retail Market Overview

The Middle East luxury segment faced a number of challenges because of changing macroeconomic environment

The Middle East, primarily represented by the GCC countries, is one of the wealthiest regions in the world with an average GDP per capita of US$ 18,961 compared to the global average of US $11,670[87]. The collective wealth of high net worth individuals (HNWIs) in the Middle East grew at a CAGR of 5.7% from US$ 1.7 trillion in 2010 to reach US$ 2.5 trillion in 2017[88]. The rise in spending power of the region's affluent society has improved the lifestyle of consumers, resulting in strong appetite for high-value luxury items over the years. Additionally, the regional governments thrust towards boosting the tourism sector has also helped in driving demand of luxury products across the region. The Middle East personal luxury market grew at a CAGR of 4.7% between 2012 and 2017 to an estimated US$ 9.4 billion (€7.9 billion[89])[90].

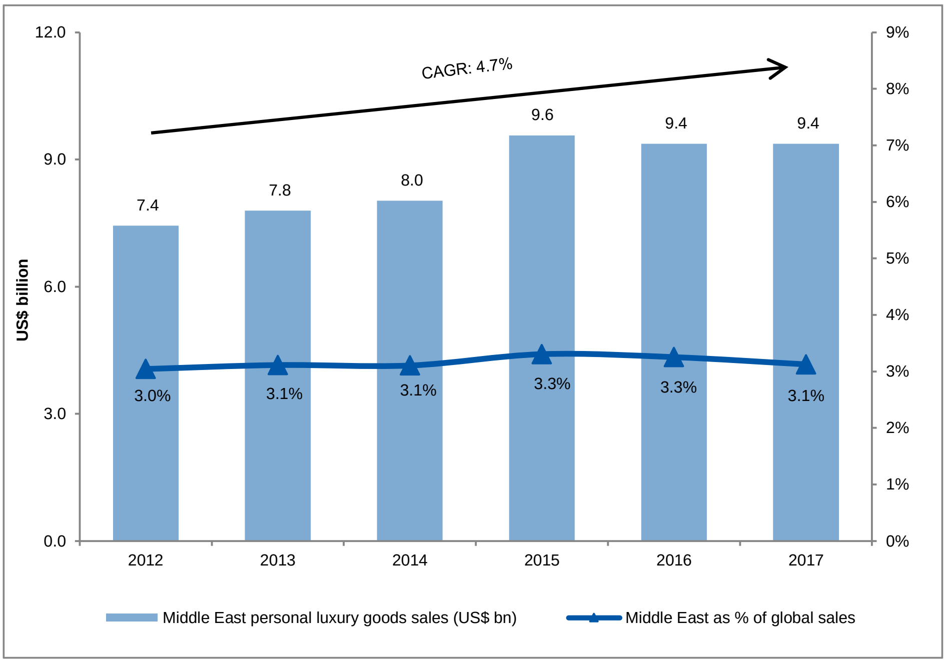
The personal goods luxury market in the Middle East declined by 2% Y-o-Y in 2016 to reach US$ 9.4 billion (€ 7.9 billion) while growth was flat during 2017

The Middle East luxury segment witnessed a modest slowdown in 2016 due to depressed oil prices, rising cost of living and varying forex trends. The spending on luxury products by the Chinese and the Russians, one of the highest in the region, were impacted by steep devaluation of the Ruble[91] and Yuan. Additionally, the direct contribution of Middle East's Travel & Tourism to GDP in 2016 also declined to US$ 81.4 billion (3.3% of GDP)[92] from US$ 194.5 billion (8% of GDP) in 2015[93]. As a result, the personal goods luxury market in the Middle East declined by 2% Y-o-Y in 2016 to reach US$ 9.4 billion (€7.9 billion)[94] while there was no growth during 2017[95] (see Exhibit 19).

---

[84]Source: "Retail giant leads $30m fundraising for Saudi online grocery startup", Arab News, October 25, 2018
[85]Source: "Abu Dhabi's retail sector going strong as shopping outlets expand", Oxford Business Group
[86]Source: "Shell Oman opens revamped Convenience Store in Azaiba", Muscat Daily, November 6, 2018
[87]Source: IMF, The World Bank
[88]Source: "World Wealth Report", Capgemini, 2018
[89] At the exchange rate of 1.1810
[90] Source: "Altagamma Worldwide Luxury Market Monitor", Bain& Company, 2015 & 2016
[91] Source: "Russian tourist spend in UAE drops 52%", Arabian Business, June 3, 2015
[92] Source: "Travel & Tourism Economic Impact 2016 Middle East", WTTC
[93] Source: "Middle East tourism generates $194bn in 2015, 8% of GDP", Arabian Business, April 29, 2016
[94] Source: "Altagamma Worldwide Luxury Market Monitor", Bain& Company, 2015 & 2016
[95] Source: "Altagamma 2017 Worldwide Luxury Market Monitor", Bain & Company, October 25, 2017

Exhibit 19: Middle East Personal Luxury Goods Sales (2012 – 2017)



Source: Luxury Goods Worldwide Market Study, Bain & Company

Note: Currency figures have been converted from € to US$ using the average conversion rate during the period

Historically, luxury spending by the Middle East consumers have exceeded global averages, particularly with personal luxury goods, which account for over 3.1% of global personal luxury goods sales[96]. As a result, the region has become a hub for premium brands like Versace, Dior, Cartier, Chanel, Gucci, Armani, Hermes, Prada and Ralph Lauren with several other luxury retailers establishing their presence across the region. A number of international brands are looking at entering the regional markets, especially in cosmetic, beauty products, high-end accessories and apparels. For example, Joyalukkas has established a strong presence in the GCC region, offering a choice of over 1 million designs in high-end jewelry and apparels inspired by regional cultures, traditions and international trends from across the world[97]. Similarly, players such as Pure Gold Jewellers have invested heavily to enhance customer experience by introducing new concept stores that allow customers to interact and engage with jewelry with the help of augmented reality[98].

The rapid rise in digitalization has disrupted traditional retail models and forced luxury operators to adopt omni-channel strategies aimed at the millennial population. Regional luxury retailers realized the competitive advantages of e-commerce, especially rationalizing operating costs, optimizing efficiencies and ability to widen its reach within the region. As a result, operators have revamped their business models and are actively collaborating with payment gateway platforms to drive sales and increase consumer traffic. For example, Insignia – the luxury retail arm of the Al Tayer Group has started accepting Alipay (a digital payment method from Alibaba Group) in select stores within its network with plans for further expanding it across its stores[99]. Similarly, AW Rostamani Lifestyle has increased its focus on integration of digital and retail platforms while establishing partnerships with payment gateway platforms such as Union Pay, Alipay and Apple Pay[100]. According to Chalhoub

[96] Source: “Altagamma 2017 Worldwide Luxury Market Monitor”, Bain & Company, October 25, 2017
[97]Source: “The scintillating journey of Joyalukkas”, Business Economics
[98]Source: “New gold jewellery stores featuring augmented reality open in the UAE”, Gulf Business, July 2018
[99]Source: “UAE luxury retailers want digital connect with Chinese shoppers”, Gulf News, February 2018
[100]Source: “How AW Rostamani Lifestyle is changing its Dubai model”, Gulf Business, November 15, 2018

Group's 2017 White Paper, the GCC luxury product online sales is expected to reach US$ 1.5 billion by 2021[101]. The market is expected to be driven by new entrants such as The List, which sells curated luxury fashion from retailers worldwide to customers in the Middle East and launch of other online platforms such as Ounass by the Al Tayer Group[102].

The UAE, especially Dubai, remains the hub for luxury shopping in the GCC, with high-end shoppers coming from around the world. Though the UAE market remains highly attractive for luxury brands, competition among players remains strong intensified by the growth in online shopping[103]. This has made the rest of the GCC nations an attractive market for luxury retailers, owing to the rising demand from affluent society and the expatriate population. Saudi Arabia is stepping up with new developments along its Western coast to attract luxury shoppers and tourists. The Kingdom is building a new project called the Red Sea Project, an archipelago of 50 natural islands, which is being promoted as the next generation luxury destination. Expected to be completed by 2022, it is projected to attract one million visitors per annum by 2035[104]. Similarly, Qatar is also becoming a hub for luxury brands. For example, the QELA, which encompasses high-end clothing and accessories, was launched in Doha in partnership with the Qatar Luxury Group[105]. Pharmakeia, a luxury wellness boutique that offers unique organic and natural products also opened its store at Pearl Qatar property development in Doha[106]. The luxury retail market in Kuwait is also growing steadily with several major global luxury fashion brands establishing stores in the country. For example, Alshaya franchise group holds luxury brands such as Harvey Nichols, Debenhams, while Habchi and Chalhoub hold brands such as Christian Dior, Fendi and Louis Vuitton. Regional luxury fashion and retail brands such as Rasasi, an oriental fragrance brand and Octium, a local jewelry brand, are also gaining prominence[107].

GCC consumers are one of the largest spenders on luxury items, spending almost ten times more than their European equivalents[108]. The ever-changing demand of the customers means that retailers will need to identify opportunities and challenges and accordingly adapt themselves to remain competitive in a digitalize world. Hence, the region will continue to remain an attractive market but retailers should focus on innovation and provide a tailored shopping experience.

2.4 GCC Airport Retail Market Overview

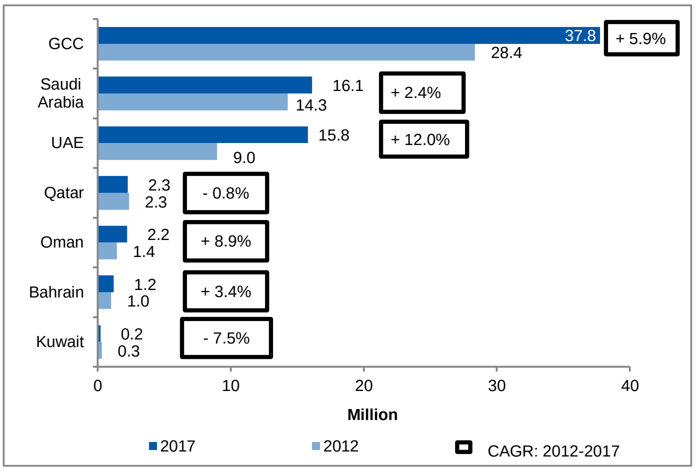
The number of international tourist arrivals in the GCC reached an estimated 37.8 million in 2017, translating into an annualized growth rate of 5.9% from 2012

GCC countries are investing in their airports to meet the growth in number of tourists expected from global events such as World Expo 2020 and FIFA World Cup 2022. Moreover, the region offers a good mix of attractions for travelers across varied interests including religious, business, leisure, sports and shopping festivals. The GCC airport construction projects reached US$ 49 billion as of 2018, of which US$ 45.0 billion worth of projects were involved in building airport terminals while the rest was towards building of other ancillary facilities[109]. The number of international tourist arrivals in the GCC reached an estimated 37.8 million in 2017, translating into an annualized growth rate of 5.9% from 2012 (see Exhibit 20). At the same time, passenger traffic at international airports in Dubai, Abu Dhabi, Doha and Bahrain grew between the range of 9% to 11% between 2012 and 2017 (see

[101]Source: "GCC luxury e-commerce to reach $1.5bn in 2021, says research", Arabian Business, May 14, 2017
[102]Source: "Al Tayer Insignia Launches New Online Luxury RetailerOunass", Velvet Magazine
[103]Source: "Dubai among top global cities for luxury shopping", Trade Arabia, June 27, 2018
[104]Source: "Is Saudi Arabia the next luxury destination?", Fashion United, December 28, 2018
[105]Source: "Qatar firm set to launch own luxury fashion brand", Arabian Business, August 31, 2012
[106]Source: "Unique Luxury Retail Concept Opens In Qatar", Great Luxury
[107]Source: "Kuwaiti luxury retail market thrives", Oxford Business Group
[108]Source: "The 'New Norm' discussed at the Arab Luxury World", Luxhub
[109]Source: "GCC airport construction projects total $49bn", TradeArabia, May 7, 2018

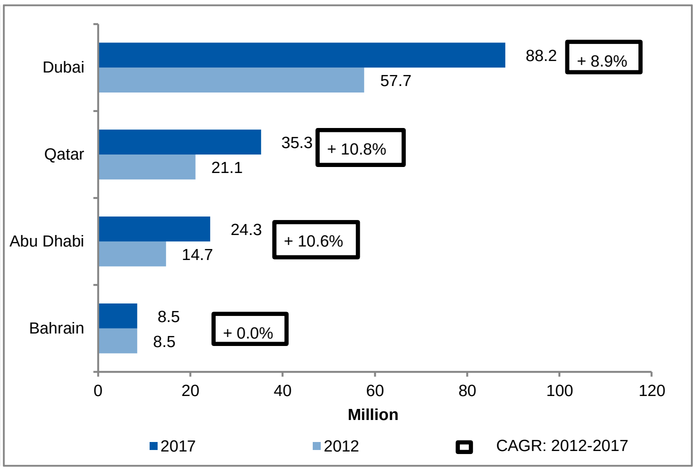
Exhibit 21). These factors have boosted the region's airport retail market, which has grown substantially over the last decade.

Exhibit 20: 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

Exhibit 21: 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

The UAE is the largest and fastest-growing airport retail market in the region. Dubai and Abu Dhabi accounted for 39.2% of the total airport duty-free retail sales in the Middle East in 2017

The UAE is the largest and fastest-growing airport retail market in the region. Dubai and Abu Dhabi accounted for approximately 39.2% of the total airport duty-free retail sales in the Middle East in 2017[110]. Dubai International Airport hosted more than 88.2 million passengers during 2017, accounting for 78.4% of the total traffic in the UAE[111]. Such high passenger traffic has made Dubai Airport the world's busiest international airport, surpassing London's Heathrow Airport in 2014[112]. Retaining its position as the world's busiest airport for the fifth consecutive year, annualized growth of passenger traffic at the Dubai International Airport stood at approximately 9.0% between 2012 and 2017[113]. Passenger traffic increased to 89.1 million in 2018 at the Dubai International Airport from 88.2 million in 2017[114]. This clearly signifies the importance of Dubai as an attractive tourist destination not only for the GCC tourists but also for global travelers. The total retail sales at Dubai Duty Free surpassed US$ 2 billion in 2018, which is a landmark achievement across the region. The total sales in 2018 grew by 4.1% to reach US$ 2 billion compared to US$ 1.9 billion in 2017. The Dubai Duty Free expects to record annual sales to US$ 3 billion by 2022, primarily on the back of the expansion of Dubai's second airport - Al Maktoum International Airport, which is expected to handle 120 million passengers a year by 2025[115]. Moreover, the on-going expansion of the Dubai International Airport will enhance the overall airport capacity by one-third to 118 million passengers by 2023, with additional retail space improving the overall sales[116]. The growth of the airport retail can be envisaged by the ongoing developments, which indicate that Dubai Duty Free will have 80,000 sq m of retail space across both the airports by 2022, more than double its current operational capacity of 36,000 sq m[117].

---

[110] Source: Dubai Duty Free, Abu Dhabi Airport, TRBusiness.com, TFWA
[111] Source: Abu Dhabi Airports, Dubai Airports
[112] Source: "Dubai is back at it again, ranks as the busiest international airport for another year running", USA Today, Jan 30, 2019
[113] Source: Dubai Airports
[114] Source: "Dubai retains rank as busiest international airport in 2018", The National, January 28, 2019
[115] Source: "Dubai Duty Free eyeing $3bn in sales by 2022 as airport expands", The National, February 28, 2018
[116] Source: "Dubai International handles 88.2m passengers in 2017, retains top rank", The National, February 5, 2018
[117] Source: "Dubai Duty Free annual sales soar to Dh7.05 billion", Khaleej Times, January 3, 2018

Duty free sales at the Abu Dhabi airport grew at a CAGR of 13.8% between 2012 and 2017 to reach US$ 421.8 million[118], which can be attributed to a 10.6% annual average growth in passenger traffic. Furthermore, Abu Dhabi's new Midfield Terminal Complex is expected to increase the airport's capacity to handle over 20 million passengers over the next few years. It includes approximately 18,000 sq m of space for passenger facilities and duty-free retail stores and 20,000 to 25,000 sq m of bars, restaurants and shops[119]. In addition to being home to some high-end commercial offerings, international brands and designer stores, consumer electronics retailer Royal Capi-Lux recently signed a contract to open a 447 sq m store at the new terminal. Such positive developments are expected to further drive the overall duty free sales in the UAE over the next few years.

Qatar is the second largest duty free operator in the region with a total revenue of US$ 0.6 billion in 2017

Qatar is the second largest duty free operator in the region with a total revenue of US$ 0.6 billion in 2017[120], an increase of 7.0% over the previous year. The international airport hosted 34.5 million passengers during 2018, a growth of approximately 8.0% over the previous year. Hamad International Airport (HIA) was ranked as the 5th 'Best Airport in the World', moving up one place from last year and was also awarded the title of 'Best Airport in the Middle East' for the fourth consecutive year. HIA has also announced plans to increase its capacity to 53 million passengers annually by the end of 2022[121]. Qatar Duty Free is planning on the Phase II expansion of the airport and a new terminal project, which is expected to increase its retail space to 75,000 sq m by 2022 from the current operational capacity of 40,000 sq m[122].

Bahrain has also been witnessing substantial growth in its airport retail sales. In 2018, Bahrain Duty Free reported revenues of US$ 96.6 million, up 13.8% from US$ 84.8 million the year before. It also reported a 5.3% net profit increase to US$ 19.8 million compared to US$ 18.8m in 2017. Furthermore, the Bahrain Duty Free Shop Complex (BDFSC) established the Bahrain Duty Free Company in January 2018 as a joint venture with the Gulf Air Holding Company for the expansion of the duty free zone. The project, which is expected to be completed by 2019-end, is likely to augment the airport sales of the Kingdom[123].

GCC nations have laid out strategic plans to promote the tourism sector as part of their long-term objective to diversify away from oil. This has led to investments in the development of tourism infrastructure, which includes expanding the airport capacity to complement the government's commitment towards the tourism sector. Easing of visa regulations is another step towards boosting the number of tourists. Duty free operators are the biggest beneficiaries of the expansion of the tourism industry, as the resultant rise in passenger traffic should increase sales, going forward.

2.5 The GCC E-Commerce Industry Overview

Though the GCC e-commerce market is still at a nascent stage, accounting for only 0.4% of the GDP, it is beginning to flourish with the rise in number of players offering niche products and services

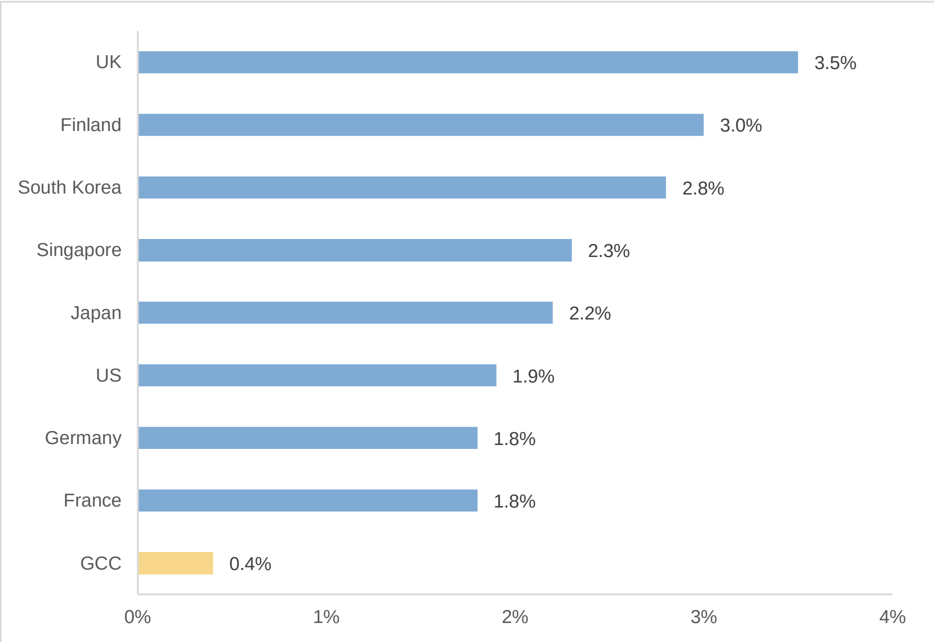
The GCC e-commerce industry is evolving rapidly, primarily driven by a growing tech-savvy population, rise in internet and smartphone penetration and demand for international products. The e-commerce market has gained traction across the GCC with the retail sector witnessing a steady shift in purchasing patterns from brick and mortar stores to online shopping. As a result, traditional retailers are increasingly building, investing in or collaborating with technology companies for enhancing their digital presence and logistics capabilities. Though the GCC e-commerce market is still at a nascent stage, accounting for

[118] Source: Abu Dhabi Airports Company
[119] Source: Abu Dhabi International Airport Midfield Terminal, Abu Dhabi, Airport Technology
[120] Source: "Consolidated Financial Statement 2015-2016", Qatar Airways QSC
[121] Source: "HIA received 9.16 million passengers in 2019 first quarter", The Peninsula, April 11, 2019
[122] Source: "Qatar Duty Free set for flagship retail overhaul and Hamad expansion", DFNI Frontier, January 17, 2019
[123] Source: "Bahrain Duty Free net profits rise +5.3% to $19.8m in 2018", TR Business, February 12, 2019

only 0.4% of the GDP compared to mature markets[124] (see Exhibit 22), it is beginning to flourish with the rise in number of players offering niche products and services.

The penetration of e-commerce in GCC has been relatively subdued compared to its peers due to low consumer awareness, logistics challenges (e.g. inadequate warehouse coverage, scarcity in regional distribution centers, lack of postal codes, etc.), high custom duties and taxation, limitations in the payments infrastructure and concerns over data security[125]. However, the current e-commerce landscape with limited product coverage offers an opportunity for domestic as well as international players to unlock new opportunities and capture market share in the GCC.

Exhibit 22: E-Commerce Sector contribution to GDP (2015)



Source: AT Kearney, IMF

Souq.com (acquired by Amazon in May 2017 for US$ 580 million) and Noon.com are one of the largest e-commerce players in the GCC

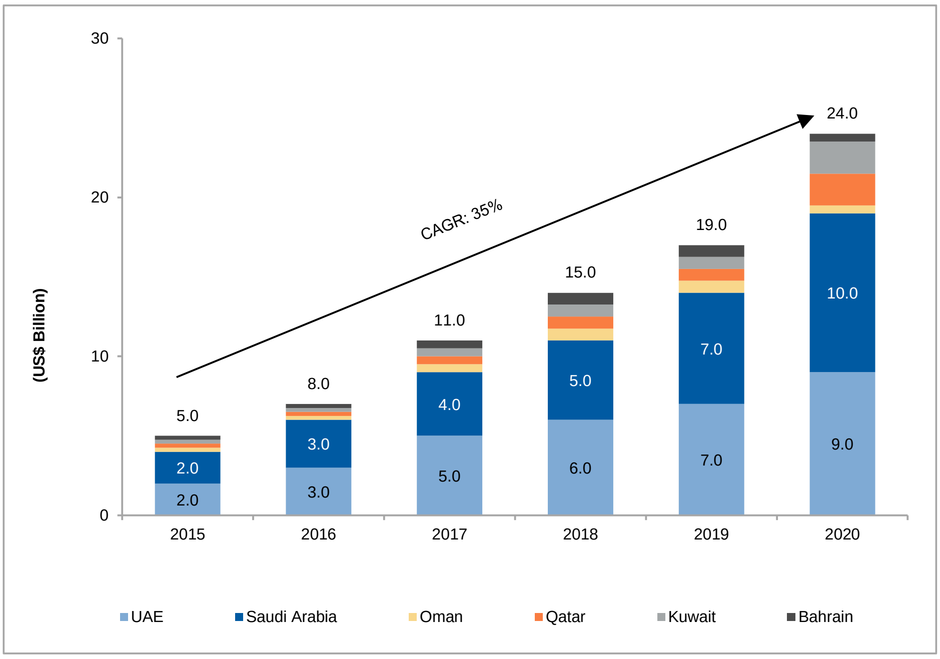
Some of the international brands that dominate the e-commerce market in the GCC include Amazon, eBay, Alibaba, Carrefour and Expedia. Amongst the regional players, Souq.com (acquired by Amazon in May 2017 for US$ 580 million) and Noon.com are one of the largest e-commerce players in the GCC while Aido.com, Awok.com, Mumzworld.com and Namshi.com are some of the other key players, which have a strong presence across the region. Some of these regional online portals are also foraying into international sales and are investing heavily into their product delivery networks to enhance their last-mile fulfillment. While international companies such as Amazon and eBay continue to gain more accessibility in the region through local partnerships, regional providers have started enhancing their product offerings and overcome logistics limitations to gain market share. Nevertheless, the influx of newer companies is expected to create fresh demand and competition is expected to further intensify as local companies attract investments while the international players set their bases in the B2C e-commerce market[126].

[124] Source: “Getting in on the GCC E-Commerce Game”, AT Kearney
[125] Source: “Dubai CommerCity launches regional e-commerce landscape report”, Dubai Government, January 16, 2019
[126] Source: “B2C E-Commerce in the GCC to Double by 2020”, PRNewswire, March 22, 2018

The GCC e-commerce industry was estimated to grow at a CAGR of 35% to US$ 24.0 billion by 2020 from US$ 5.0 billion in 2015

The GCC e-commerce industry was estimated to grow at a CAGR of 35% to US$ 24.0 billion by 2020 from US$ 5.0 billion in 2015[127] (see Exhibit 23). The UAE and Saudi Arabia, the two largest e-commerce markets in the GCC, are expected to continue to lead the region and cumulatively account for over 79% of the region's total e-commerce sales by 2020. The industry is expected to be driven by digitization trends, rising awareness of e-commerce benefits (discounts, offers, sale, etc.), increasing millennial and expatriate population, government initiatives, launch of secured payment gateways and improving delivery channels.

Exhibit 23: E-Commerce Market Size in the GCC



Source: AT Kearney

Government Support and Initiatives

Realizing the importance of the e-commerce industry in boosting trade and economic growth, the regional governments, especially the UAE, are formulating several policies and have taken significant steps in making the industry more attractive for investment. For example, in 2017 the Dubai government announced the launch of Dubai CommerCity, the first free zone dedicated to the e-commerce industry, covering a total area of 427,000 sq m[128]. The project, being developed as a joint venture between Dubai Airport Free Zone Authority (Dafza) and Wasl Asset Management Group at a cost of approximately AED 3.2 billion (US$ 0.9 billion), aims to attract more FDI into the e-commerce sector[129]. According to Propertyfinder Group, Dubai CommerCity is already attracting considerable interest and the area has seen a 120% surge in cost for those looking to do business there. Additionally, the total leasable area of the project has increased by more than one-third due to demand from companies interested in the space[130]. Moreover, in an attempt to protect consumers, resolve their complaints and ensure best practices in online transactions, Dubai Economic

[127] Source: "A.T. Kearney raises estimates for value of the GCC's e-commerce market", AT Kearney, December 20, 2017
[128] Source: "Dubai sets up e-commerce free zone to bolster growth", Khaleej Times, October 29, 2017
[129] Source: "Shaikh Maktoum laid the foundation stone for Dubai Commercity", Khaleej Times, March 07, 2019
[130] Source: "Dubai CommerCity causes warehouse price surge", Logistics Middle East, March 12, 2018

Department launched a new 'Digital Protection' initiative to certify e-commerce websites in May 2017. The initiative is intended to promote compliance and global best practices to increase consumer confidence in digital retail[131]. These measures are not only expected to establish Dubai's presence as a main hub of global e-commerce but also support the country's economic diversification strategy.

However, the regional government would need to continue working with the banks, telecom operators, technology firmsand logistics players to improve accessibility for the consumers. Further, it would be important to build a robust regulatory framework to eradicate fraud, remove ambiguity about taxation and import dutiesand other bottlenecks to enhance the industry landscape.

Significant Interest from Private Equity and Venture Capital Firms

The GCC e-commerce sector garnered around 28 PE and VC deals since 2017

Majority of the e-commerce players are start-ups where access to traditional bank financing is often restrained due to lack of collateral or limited operating history. Additionally, these players have limited access to third-party equity capital, preventing them from making long-term investments in capital expenditure and product development. Thus, Private Equity (PE) and Venture Capital (VC) firms play an important role in bridging this gap and nurturing the e-commerce players, providing significant amounts of equity financing to such early-stage businesses. They also play a crucial role in providing the e-commerce platforms with substantial assistance in areas such as infrastructure, management expertise, improvement of brand value, understanding consumer behavior, demand dynamicsand technological upgradation.

The strong growth dynamics of the industry has favorably positioned the e-commerce sector for private investments. The GCC e-commerce sector garnered around 28 PE and VC deals since 2017[132]. Several online players are investing heavily through these private fundings in emerging tools and technologies and diversifying their portfolio to address the evolving consumer behavior and outpace competition. On the other hand, many international and regional e-commerce players are also betting high on providing niche and curated services primarily targeting the millenial and expatriate population, thus attracting early stage investments.

Considering the nascent stage of the industry, the region offers tremendous opportunities for PE and VC players to maximise their return by investing in e-commerce startups. Furthermore, recent transactions like Amazon buying the leading regional online marketplace Souq.com demonstrates the huge potential global players and investors see in this market.

Below are the top ten PE and VC deals in the GCC e-commerce industry by value, since 2017 (see Exhibit 24).

---

[131] Source: "Dubai e-commerce sites to be formally certified", Arabian Business, May 16, 2017
[132] Source: Thomson Reuters, ThomsonOne

Exhibit 24: Top PE and VC Deals in the GCC E-Commerce Sector by Value (2017-2019)

Company Name	Segment	Country	Fund Name	Year	Deal Size (US$ Million)
Mumzworld.com	Mother & Child-Care	UAE	Gulf Islamic Investments	2018	20.00
Wego	Online Travel Portal	UAE	Middle East Broadcasting Center	2017	12.00
Tradelux LLC	Luxury Retail	UAE	Middle East Venture Fund III (MEVF III)	2018	8.70
Matic Services	Online Cleaner's Portal	UAE	MEVF II, Impact Fund	2017	3.00
Dokkanafkar	Multi-brand Retail	Saudi Arabia	Riyad Taqnia Fund	2017	2.00
Seez App FZCO	Online Car Portal	UAE	Wamda Ltd, B&Y Venture Partners, Phoenician Fund I	2017	1.80
Seez App FZCO	Online Car Portal	UAE	B&Y, Phoenician Funds and Wamda Capital	2018	1.80
Enhance Group Ltd.	Services	UAE	iNet, 500 Startups, Shorooq Investments	2018	1.50
Carswitch DMCC	Online Vehicle Dealer	UAE	Glowfish Capital - Unspecified Fund	2017	1.30
Melltoo FZE	B2B/B2C Online Marketplace	UAE	MEVP, Red Ventures, Nomadic Capital	2017	1.00

Source: Thomson Reuters, Thomson ONE Banker

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 2023. 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/GDP (PPP) per capita (at constant prices) at a varying degree across countries. Hence, the forecasts for food and non-food retail sales are arrived at by primarily using a regression model of these variables. The supply of retail space is being projected taking into consideration the new shopping centers under development in the region as well as using historical averages where data is unavailable.

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 (PPP) per capita (constant prices) from IMF (updated October 2018);
- 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 (PPP) per capita (constant prices) is projected to increase at a CAGR of 0.9% between 2018 and 2023.
- During the same period, the region's population is expected to grow at an annualized rate of 2.3% to reach 63.4 million.
- International tourist arrivals in the GCC are anticipated to increase at an annual average of 6.7% 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 May 22, 2017.

3.2 Demand-side Estimates

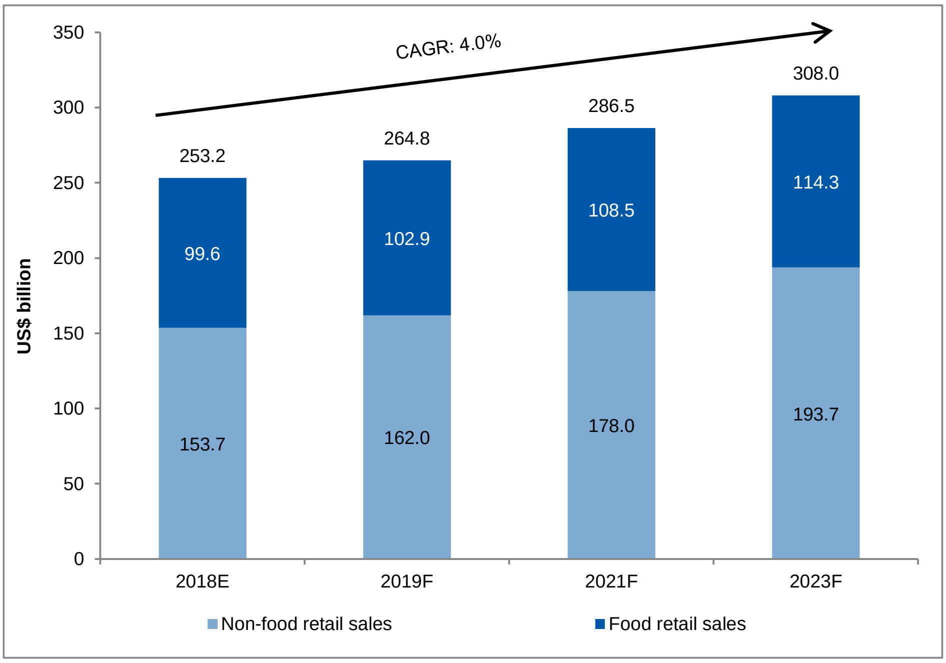
GCC Retail Sales

Size of the GCC retail sector is forecasted to grow at a CAGR of 4.0% from US$ 253.2 billion in 2018 to US$ 308.0 billion in 2023

Size of the GCC retail sector is projected to grow at a CAGR of 4.0% from US$ 253.2 billion in 2018 to US$ 308.0 billion in 2023 (see Exhibit 25). Retail sales have been under pressure in the recent years but are estimated to recover and grow through 2023. The growth in retail sales is expected to be driven by increase in population, rise in GDP per capita and an evolving tourism landscape. It is expected to be aided by the recovery in the oil prices improving the macro-economic stability and targeted government initiatives such as reviving infrastructure projects, allowing 100% foreign ownership in retail sector, coupled with ease in visa regulations for tourist arrivals. Additionally, the upcoming mega events in the region will further propel the growth in retail sales.

The retail sector is undergoing significant changes with the emergence of e-commerce across the GCC countries. The rise in the number of millennials, working women and expatriate population is driving demand for consumer goods, especially international branded products and global food concepts. Consequently, the non-food retail sales are anticipated to grow at an annualized average of 4.7% between 2018 and 2023, while food retail sales are expected to increase at a CAGR of 2.8% during the forecast period.

Exhibit 25: Forecast of Retail Sales in the GCC



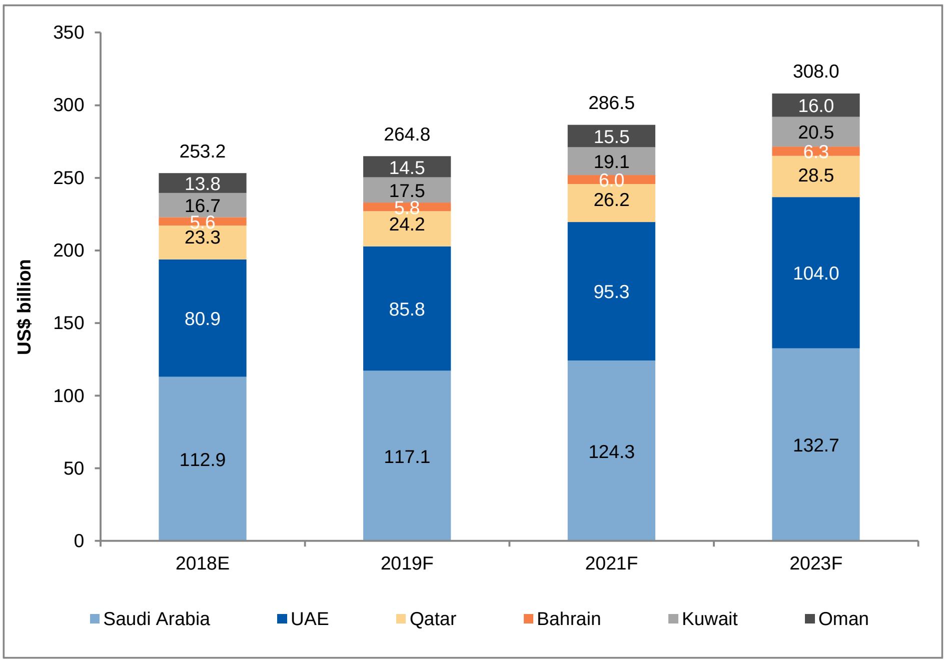
Source: IMF – October 2018, EIU, AT Kearney, WTTC, Alpen Capital
Note: E – Estimated, F – Forecasted

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 are expected to continue to lead the retail sales regionally. Retail sales in Saudi Arabia and the UAE are forecasted to reach US$ 132.7 billion and US$ 104.0 billion, respectively, by 2023 (see Exhibit 26). Factors such as increasing population, growth in religious tourism coupled with an anticipated recovery in oil prices will further support retail sales growth in Saudi Arabia. On the other hand, retail sales in the UAE are expected to grow with increasing expatriate population, a growing appetite for unique shopping experiences from the youth and mega events such as Dubai World Expo 2020.

Exhibit 26: Country-wise Retail Sales Forecast

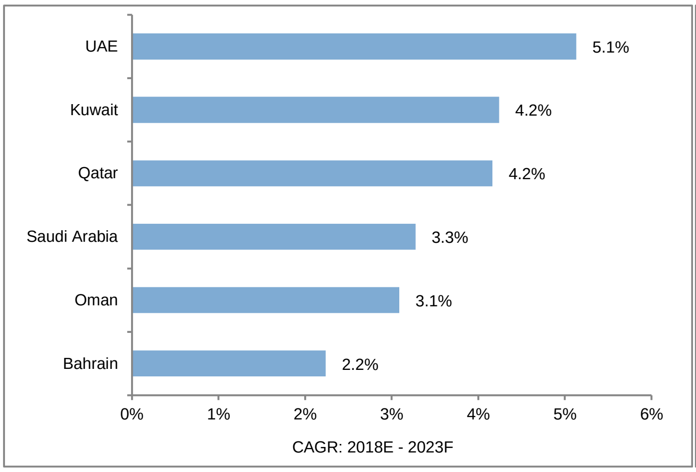


Source: IMF – October 2018, EIU, AT Kearney, WTTC, Alpen Capital
Note: E – Estimated, F – Forecasted

Measured by annualized growth between 2018 and 2023, retail sales in the GCC nations are projected to grow in the range of 2.2% and 5.1%

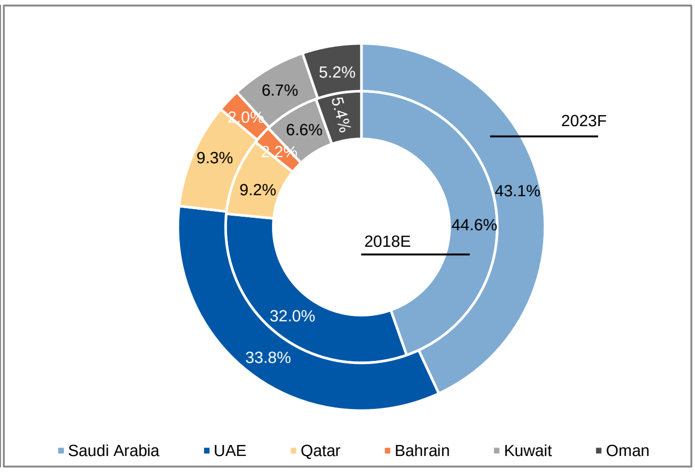
Measured by annualized growth between 2018 and 2023, retail sales in the GCC nations are projected to grow in the range of 2.2% and 5.1% (see Exhibit 27). Countries like the UAE, Kuwait and Qatar are expected to record faster growth, driven mainly by increase in tourism activity, GDP per capita and penetration of organized retail stores. The UAE and Saudi Arabia continue to dominate the retail sales in the region, cumulatively accounting for 76.9% of the total retail sales by 2023. Saudi Arabia is expected to continue its dominance over the industry with a share of 43.1% in total retail sales through 2023, followed by the UAE with an expected market share of 33.8% by 2023 (see Exhibit 28).

Exhibit 27: Country-wise Retail Sales Growth (CAGR: 2018E–2023F)



Source: IMF – October 2018, EIU, AT Kearney, WTTC, Alpen Capital
Note: E – Estimated, F - Forecasted

Exhibit 28: Country-wise Split of Retail Sales



Source: IMF – October 2018, EIU, AT Kearney, WTTC, Alpen Capital
Note: E – Estimated, F – Forecasted

Airport-based Duty Free Sales

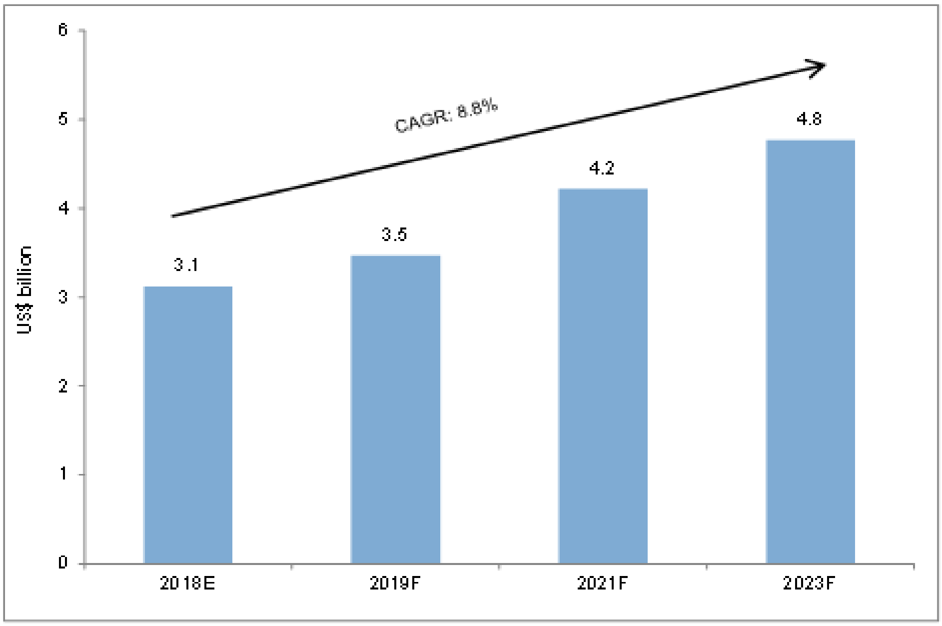
Duty free sales at the airports in the GCC (Dubai, Abu Dhabi, Qatar and Bahrain) are projected to reach US$ 4.8 billion by 2023, implying an annualized growth of 8.8% from 2018

Duty free sales at the airports in the GCC (Dubai, Abu Dhabi, Qatar and Bahrain) are projected to reach US$ 4.8 billion by 2023, implying an annualized growth of 8.8% from 2018 (see Exhibit 29). The strong growth could be attributed to an anticipated rise in passenger traffic due to mega events such as World Expo 2020 and the FIFA World Cup 2022. Moreover, the region also has a wide gamut of attractions to offer for the international travelers across various sectors such as leisure & entertainment, sports, festivals, MICE (Meetings, Incentives, Conferences and Exhibitions), etc. The GCC has invested heavily in the airport sector with the region's total airport construction project value reaching US$ 49.0 billion as of 2018[133]. Additionally, the growth in the passenger traffic at international airports (such as Dubai, Abu Dhabi and Qatar) has increased the importance of the region's airport retail market over the years.

The Dubai International Airport continues to remain the busiest airport in the world for five consecutive years, with aggregate passenger traffic reaching 89.1 million in 2018 compared to 88.2 million recorded in 2017. The total retail sales at Dubai Duty Free grew by 4.1% to reach US$ 2 billion compared to US$ 1.9 billion in 2017, primarily driven by increase in the number of tourists from China and Russia[134]. The Dubai Duty Free expects to record annual sales to US$ 3 billion by 2022, driven by expansion of Dubai's second airport - Al Maktoum International Airport that can handle 120 million passengers a year by 2025[135]. Meanwhile, the duty free sales at Abu Dhabi grew at a CAGR of 13.8% between 2012 and 2017, to reach US$ 421.8 million[136]. On the other hand, Qatar's Hamad International Airport recorded total revenues of US$ 0.6 billion in 2017[137], an increase of 7% from the previous year. The Qatar international airport hosted 34.5 million passengers during 2018, a growth of approximately 8% from the previous year. Further expansion plans across key airports, coupled with easing of visa regulations are expected to increase international passenger traffic and tourist arrivals, thus aiding growth in the segment.

[133] Source: "GCC airport construction projects total $49bn", TradeArabia, May 7, 2018
[134] Source: "How Dubai Duty Free achieved over $2bn sales in 2018", Arabian Business, January 2, 2019
[135]Source: "Dubai Duty Free eyeing $3bn in sales by 2022 as airport expands", The National, February 28, 2018
[136] Source: Abu Dhabi Airports Company
[137] Source: "Consolidated Financial Statement 2015-2016", Qatar Airways QSC

Exhibit 29: Forecast of Airport-based Duty Free Sales in Dubai, Abu Dhabi, Doha and Bahrain



Source: Alpen Capital
Note: F – Forecasted

Luxury Retail Sales

Retail sales of personal luxury goods in the Middle East are forecasted to reach US$ 11.7 billion by 2023, signifying a growth of 4.0% from 2018

Retail sales of personal luxury goods in the Middle East, primarily led by the GCC nations, are forecasted to reach US$ 11.7 billion by 2023, signifying an annualized growth of 4.0% from 2018. In 2016, the region witnessed challenges from factors such as economic slowdown and volatile forex environment, resulting in a sales decline of approximately 2.0%. However, the recovery in oil prices and the subsequent economic revival has led to growth in consumer spending power (projected rise in GDP per capita) and improvement in the tourism sector regionally. These factors, coupled with the initiatives taken by the GCC governments to crack down on counterfeit products, will drive demand of luxury products across the region.

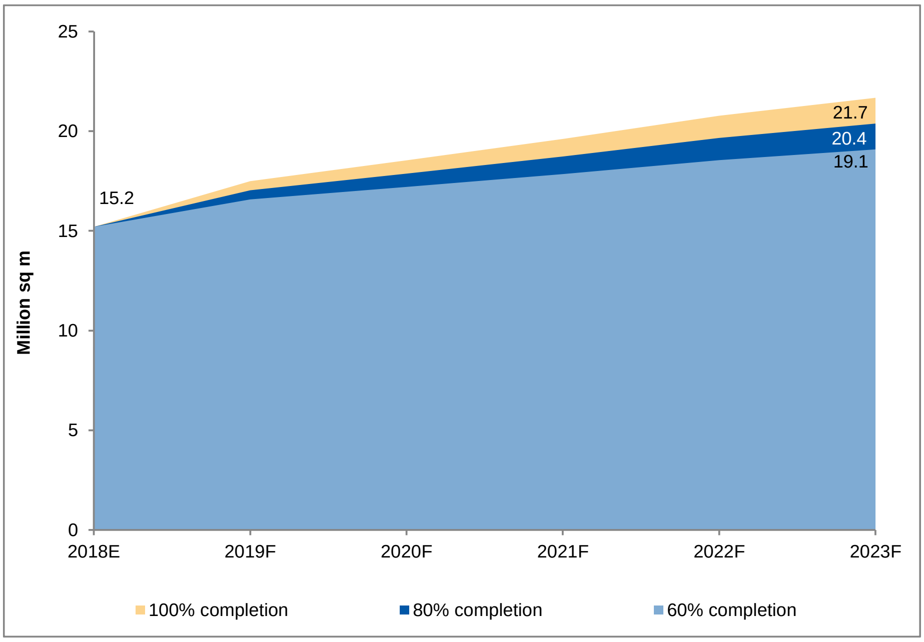
3.3 Supply-side Estimates

Organized Retail Sales Area in the GCC

At 80% completion, 5.2 million sq m of retail space is likely to come up in the GCC in the five years to 2023, taking the total organized retail GLA in the region to 20.4 million sq m

At 80% completion of projected additions to the retail space, 5.2 million sq m of retail space is likely to come up in the GCC in the five years to 2023, taking the total organized retail GLA in the region to 20.4 million sq m (see Exhibit 30). With the rising demand for retail goods and services, several malls, shopping centers, modern retail concepts such as hypermarkets/ supermarkets and FECs are in pipeline. The UAE and Saudi Arabia are likely to account for approximately 68.1% of the projected retail space addition during the forecast period, with majority of the developments concentrated in the UAE. Some of the major upcoming projects in the UAE include Dubai South Mall, Dubai Mall Boulevard expansion and the Night Souk on Deira Islands. In Saudi Arabia, some of ongoing and upcoming projects in Riyadh include University Avenue, Khaleej Mall, Elite, Dheyafah, Turki Square and AdhDhahiah Center, which are expected to cumulatively offer 2.4 million sq m of GLA by 2020.

Exhibit 30: Forecast of Organized Retail Sales Area in the GCC



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

At 80% completion, organized retail GLA in the GCC is anticipated to grow at a CAGR of 6.0% between 2018 and 2023

The projections at 80% completion is a modest growth scenario, wherein organized retail GLA in the GCC is anticipated to grow at a CAGR of 6.0% between 2018 and 2023, which is higher compared to the growth in total retail sales. 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% completion (optimistic scenario) and 60% completion (conservative scenario). In the optimistic scenario, the total retail GLA is anticipated to grow at an annualized average rate of 7.3% to reach 21.7 million sq m by 2023, indicating an addition of over 6.5 million sq m. At 60% completion, 3.9 million sq m of retail space is expected to be added, taking the total GLA to 19.1 million sq m by 2023. The conservative scenario signifies a CAGR of 4.7% during the forecast period.

In all scenarios, the growth projections (in terms of CAGR) of retail area supply exceed that of overall retail sales. In case of conservative growth scenario, the projected supply across the GCC is likely to get absorbed by the new outlets and stores launched by both international and regional brands in malls, rising demand from these retailers and opening of supermarkets and hypermarkets in the under-penetrated markets. However, the other two scenarios indicate a possibility of oversupply, especially in the UAE and Qatar. Though most of the GCC countries have a low GLA per capita, addition in retail space coupled with competition for acquiring and retaining tenants, is likely to affect occupancy rates and lead to downward pressure on rental rates in selected markets within the region.

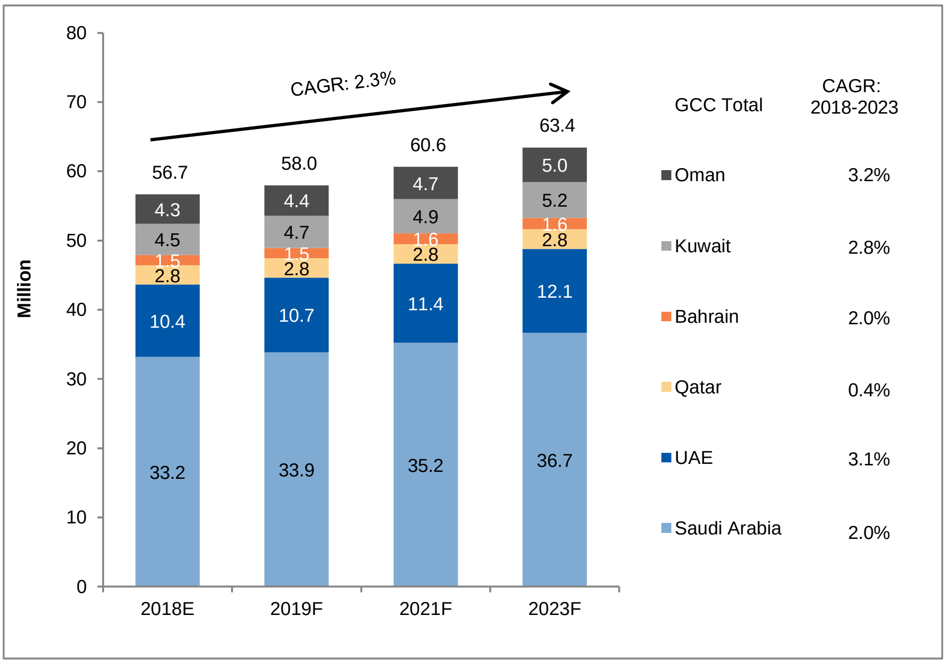
4. Growth Drivers

Favorable Demographics

The GCC population is expected to grow at an annualized rate of 2.3% between 2018 and 2023 to over 63.4 million

Rising population, especially the number of expats, remains one of the main factors for driving growth of the GCC retail industry. The GCC population grew at a CAGR of 2.9% between 2012 and 2017 compared to MENA average of 2.1% and the world average of 1.3%[138]. According to the IMF, the population is expected to grow at an annualized rate of 2.3% between 2018 and 2023 to over 63.4 million[139] (See Exhibit 31). The high proportion of working class individuals have been driving the demand for international brands and changing preferences towards healthy food services. Moreover, the region's tech-savvy millennial population is driving the demand for e-commerce as a point of purchase, compelling traditional retailers to adopt omni-channel strategies to align with the changing consumer preferences.

Exhibit 31: GCC Population Forecast



Source: IMF – World Economic Outlook October 2018, Alpen Capital
Note: E – Estimated, F – Forecasted

The expatriates, accounting for ~49% of the total population and 80% of the GCC workforce, have strongly contributed to the growth of the retail sector

The expatriates, accounting for around 49% of the total population[140] and over 80% of the GCC private sector workforce[141], have also strongly contributed to the growth of the retail sector. As of 2018, the expatriates in the UAE comprise of nearly 89% of the country's population[142], followed by 88% in Qatar[143]. The opportunities in the region have led to an influx of expatriate workers, giving rise to demand for foreign brands and an eating-out

[138] Source: "World Economic Outlook Database", IMF, October 2018
[139] Source: "World Economic Outlook Database", IMF, October 2018
[140] Source: National Institute of Statistics, Gulfmigration.org
[141] Source: ""Why supporting Small and Medium Enterprises in the Gulf is Different"", The World Bank, April 16, 2014
[142] Source: "United Arab Emirates Population Statistics (2019)", GMI, January 30, 2019
[143] Source: Qatar Profile, The World Factbook – CIA

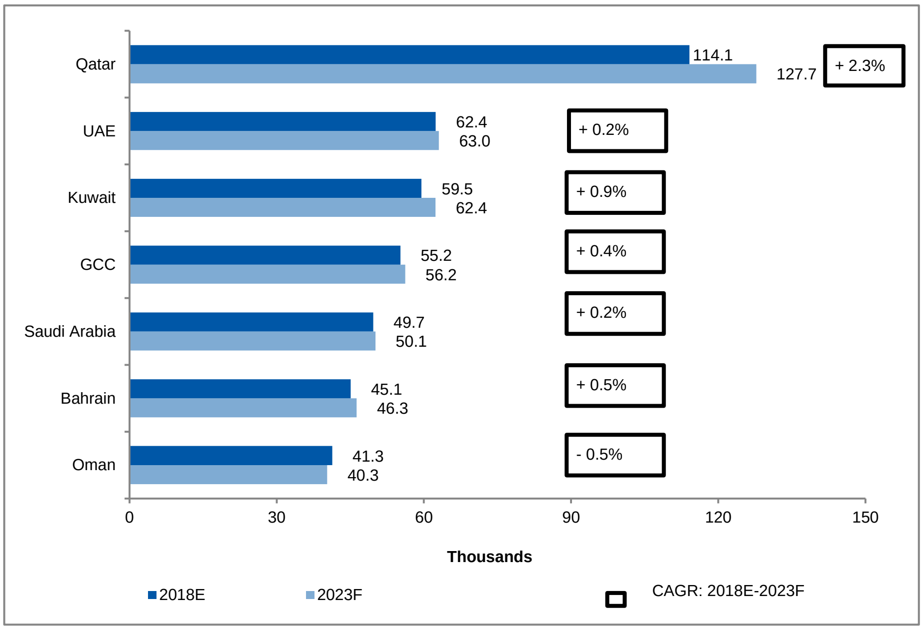
culture due to their busy lifestyles. This continues to be a growth driver for several international brands and F&B retail outlets.

High Consumer Spending Power

The GCC had an average GDP per capita of US$ 55,137 as of 2017

The GCC, home to some of the wealthiest nations in the world, had an average GDP (PPP) per capita (at constant prices) of US$ 55,137 as of 2017[144]. The region's strong oil wealth, coupled with a low-tax environment and the government's welfare programs for nationals, has translated in to high-income levels and increased spending power of the region's affluent society. For example, the collective wealth of high net worth individuals (HNWIs) in the Middle East grew at a CAGR of 5.7% from US$ 1.7 trillion in 2010 to reach US$ 2.5 trillion in 2017[145].

Exhibit 32: GDP (PPP) per Capita (at constant prices) (US$)



Source: Source: IMF – World Economic Outlook October 2018
Note: E – Estimated, F – Forecasted

In recent years, the purchasing power of the regional consumers have been impacted by the slowdown in economy. Nevertheless, the stabilization in oil prices, which is expected to average around US$ 65-US$ 70 per barrel through 2023[146], is likely to revive economic activities and improve consumer confidence. Consequently, the GDP (PPP) per capita (at constant prices) of the region is projected to grow at a CAGR of 0.4% between 2018 and 2023 to US$ 56,206 compared to a decline of 0.4% between 2012 and 2017[147].

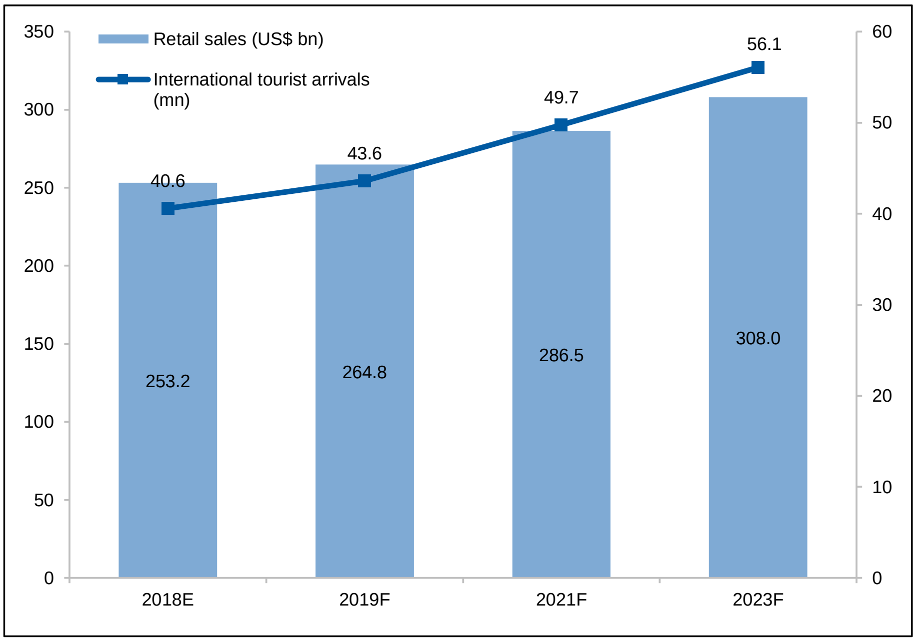
[144] Source: "World Economic Outlook Database", IMF, October 2018
[145]Source: "World Wealth Report", Capgemini, 2018
[146] Source: "Oil prices expected to stay anchored around $65-70 through 2023", Kemp, January 15, 2019
[147] Source: "World Economic Outlook Database", IMF, October 2018

Growth in Tourism

International tourist arrivals in the GCC reached 37.8 million in 2017, indicating a five-year CAGR of 5.9%

The tourism industry in the GCC has been witnessing growth over the past decade, which has been a major catalyst for regional economic development. The region offers a blend of religious and leisure attractions coupled with hosting of mega sporting and business events. Shopping being one of the prominent leisure experiences within the region, large tourist inflows have encouraged wide-scale expansion across the GCC retail sector. In 2017, international tourist arrivals in the GCC reached 37.8 million, indicating a five-year CAGR of 5.9%[148]. Saudi Arabia led the region with 16.1 million tourist arrivals in 2017, followed by 15.8 million hosted by the UAE, registering a five-year annual growth rate of 2.4% and 12.0%, respectively[149].

Exhibit 33: Relationship between Retail Sales & International Tourist Arrivals in GCC



Source: UNWTO, IMF – World Economic Outlook October 2018, Alpen Capital
Note: E – Estimated, F – Forecasted

The GCC nations are focusing on developing the tourism sector in a bid to diversify and reduce the dependency on oil. The UAE has recently introduced a 30-day general tourist visa and a new law granting a 30-day visa extension twice for tourists without having to leave the country[150]. These reforms are in line with the UAE's vision of attracting 20 million tourists by 2020. On a similar note, from April 2018, Saudi Arabia has started issuing tourist visas, a substantial shift from the early 2010 era, which will increase the tourist arrivals in the Kingdom. Most notably, the electronic permits (e-visas) for the citizens of all Schengen states are likely to make the process much simpler for tourists, boosting the Kingdom's plans of attracting 30 million visitors a year by 2030, from 16.1 million in 2017[151]. Qatar recently adopted a visa-exemption policy for tourists coming from more than 30 countries, as parts of its plans to drive the tourism industry[152]. Oman's plan for new Muscat international airport

[148] Source: UNWTO Tourism Highlights, 2017 Edition, UNWTO Tourism Highlights, 2018 Edition
[149] Source: UNWTO Tourism Highlights, 2017 Edition, UNWTO Tourism Highlights, 2018 Edition
[150] Source: "Visit, tourist visa holders can extend their stay for up to 60 days in UAE", Khaleej Times, October 18, 2018
[151] Source: "Saudi Arabia Will Begin Issuing Tourist Visas Next Month", One Mile At A Time, March 2,2018
[152] Source: "Qatar Visa Rules and Requirements", OnlineQatar, March 19, 2019

to handle 20 million passengers from 2019 and increase the same to 48 million passengers per annum, upon the completion of further upgrades, is yet another example of government's thrust towards developing the tourism sector. Bahrain too has announced investments of US$ 1.1 billion expansion at the Bahrain International Airport, which will double the capacity from 7 million to 14 million passengers per year by 2020[153]. Kuwait's new international airport expansion plan will have the capacity to handle 25 million passengers per year[154]. Given the measures taken by the regional governments, number of tourist arrivals in the GCC are expected to reach 56.1 million by 2023, growing at an annualized growth rate of 6.7% from 40.6 million estimated in 2018.

Upcoming Mega Events

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

Upcoming mega events such as the Dubai Expo 2020 and Qatar FIFA World Cup 2022 should drive the regional tourism industry. The six month long Dubai Expo (October 2020 - April 2021) is expected to attract more than 25 million visitors. International visitors are likely to be 70%, setting a record of the largest number of international visitors in Expo history[155]. On the other hand, Qatar is hosting three mega sports events, World Athletics Championships in 2019, FIFA World Cup 2022 and the World Aquatics Championships in 2023, which should increase the number of tourist arrivals. These events will have a positive impact on the retail industry, especially the F&B sector. As a result, the regional governments are making investments to support infrastructure development, tourist attractions and retail establishments across the GCC.

Religious Tourism

Religious tourism is one of the main growth drivers of Saudi Arabia's retail industry. Saudi Arabia's 'Vision 2030' long-term strategy envisages increasing the number of annual foreign Haj and Umrah pilgrims from the current 8 million to 15 million by the end of 2020 and reach 30 million by 2030[156]. Most notably, religious tourism in Saudi Arabia is expected to receive an impetus from China's Muslim population with approximately 15,000 Chinese Muslims visiting the two holy cities every year[157]. The increase in the number of foreign pilgrims and tourists are expected to increase demand for restaurants, food items, and other products in the coming years.

The travel and tourism spending on business travels in the region is forecasted to reach US$ 40.1 billion by 2023, recording an annualized average growth of 8.8% from 2018. On the other hand, travel and tourism spending on leisure travels in the region is forecasted to reach US$ 118.1 billion by 2023, exhibiting an annualized average growth of 7.7% from 2018[158].

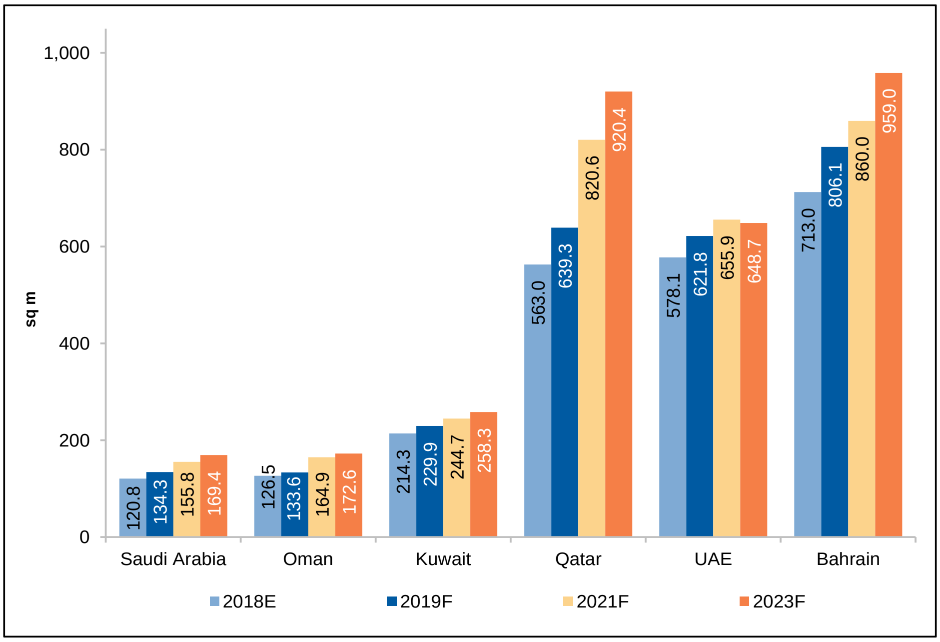
Retail Infrastructure Developments to Gain Momentum

The regional governments are likely to continue investing heavily in developing infrastructure to complement the growing population, a rising tourism sector and increasing GDP per capita. The regional governments' diversification efforts have yielded positive results, as several international retail brands are expanding their base or are considering the GCC region as the next investment hub.

---

[153] Source: ""Bahrain eyes $1bn tourism receipts by 2020", March 17, 2017
[154] Source: "Construction work begins on Kuwait's new $4.3bn airport terminal", Gulf Business, May 10, 2017
[155] Source: "Expo 2020 expects to attract 25 million visits", Khaleej Times, February 26, 2019
[156] Source: "GCC tourism to leap on sport events in Qatar", November 4, 2018
[157] Source: "GCC to welcome 2.5 million Chinese visitors by 2021", Gulf News, January 24, 2018
[158] Source: WTTC

Exhibit 34: GCC Retail Sales Area Forecast Per 1,000 People (2018-2023)



Source: JLL Real Estate Market Overview, AT Kearney, KAMCO Research, DTZ Research, KPMG, Alpen Capital

Note: E – Estimated, F – Forecasted

The regional governments are expected to continue investing heavily in developing infrastructure to complement the growing population and tourism sector

Amongst the GCC nations, UAE witnessed an addition of 379,000 sq m of retail space in Dubai during 2017 and 2018, bringing the total supply in the Emirate to 3.8 million sq m as of 2018-end.[159]. Future supply in Dubai is anticipated to be around 817,000 sq m of GLA (Gross Leasable Area) in 2019 and 574,000 sq m of GLA in 2020[160], which includes projects such as Dubai South Mall, Dubai Mall Boulevard expansion and the Night Souk on Deira Islands. The addition of these new retail spaces is likely to take the total retail space in Dubai to approximately 4.6 million sq m by 2020. On the other hand, the supply of retail space in Abu Dhabi stood at 2.7 million sq m[161] with the addition of 28,000 sq m of retail space in 2017 and 2018. It is likely to gain momentum with smaller projects in the pipeline. The Emirate is expected to receive a fresh supply of 214,000 sq m of retail GLA in 2019 and 225,000 sq m in 2020, taking the total GLA to over 3.1 million sq m by the end of 2020[162].

In Saudi Arabia, the retail GLA in Riyadh reached 2.2 million sq m with the addition of 310,000 sq m of retail space in 2017 and 2018[163]. Some of ongoing and upcoming projects in Riyadh include University Avenue, Khaleej Mall, Elite, Dheyafah, Turki Square and AdhDhahiah Center. On a comparative note, growth in the retail GLA in Jeddah and Dammam was relatively muted during 2017 and 2018 with total stock at 1.4 million sq m and 1.1 million sq m, respectively[164]. However, retail GLA is expected to increase in Jeddah with an expected addition of 388,000 sq m by 2020[165] with the completion of smaller projects. The Kingdom stands to witness major retail infrastructure taking shape over the next few

[159] Source: JLL
[160] Source: JLL
[161] Source: JLL
[162] Source: JLL
[163] Source: JLL
[164] Source: JLL
[165] Source: JLL

years, one of which is Majid Al-Futtaim's US$ 1.5 – US$ 2 billion construction contract to build the Mall of Saudi[166].

Qatar is expected to witness the opening of around nine new malls to open by 2021[167]. Some of the most notable projects include the 60,000 sq m Marina Mall, the 230,000 sq m mixed-use development project - Place Vendôme in Lusail City, Northgate Mall, Doha Mall, Doha Oasis, Katara Plaza and Al Waab Mall. Kuwait's pipeline of retail projects include The Avenues Phase IV, Salhiya Retail Mall in Kuwait City, Tamdeen Development in Al Khairan, Al Manshar renovation and a second mall by the Gate Mall Company.

Similarly, Bahrain has a number of upcoming retail projects such as Dilmunia Mall (expected completion by October 2019) and the Avenues Mall. In Oman, the 137,000 sq m OMR 275 million (US$ 714.2 million) Mall of Oman began construction in 2017 with an anticipated completion by 2020. Its developers plan to launch a similar center in Sohar, Oman with a total GLA of 40,000 sq m, as well as a community mall covering 16,500 sq m in the city of Sur, Oman.

Exhibit 35: Major Upcoming Retail Projects in the GCC (2019-2022)

Announced Date	Project Name	Country	Project Phase	Ownership Type	Expected Completion Date	Project Value (US $ mn)
Mar. 2014	RAJ Real Estate - Riyadh Walk Mall	Saudi Arabia	Execution	Private	2018	320.0
Jun. 2015	Eskan Bank - Busaiteen Shopping Centre	Bahrain	Bid Evaluation	Government	2018	40.0
Jan. 2016	SST Holding - Le Jardin d'Eau Riyadh	Saudi Arabia	Tendering & Bidding	Private	2019	8,799.1
Aug. 2014	Dubai Holding - Dubai Mall of the World	UAE	Execution	Private	2019	6,800.0
Nov. 2012	Emaar - Dubai Mall Expansion	UAE	Execution	Private	2019	353.0
Sep. 2011	Nakheel - Nakheel Mall	UAE	Commissioning	Government	2019	330.0
Apr. 2017	Dilmunia Mall Development Co. - Mall of Dilmunia	Bahrain	Execution	Private	2019	137.0
Aug. 2014	Aamal Co. - City Center Doha	Qatar	Execution	Private	2019	82.4
Dec. 2015	Ali Bin Ali Establishment - Katara Galeries Lafayette Dept. Store	Qatar	Execution	Private	2019	68.7
Sep. 2011	Al Meera - Ain Khaled Al Meera Mall	Qatar	Execution	Private	2019	55.0
May. 2017	Prudential Properties - Juffair Square	Bahrain	Execution	Private	2019	35.0
Jul. 2015	Oman MODPF - Nizwa Grand Mall - Phase 2	Oman	Execution	Government	2019	26.0
Apr. 2016	Al Meera - Rawdat Al Hamama Co-op Stores	Qatar	Execution	Private	2019	11.0
Jun. 2014	Nakheel - Deira Islands Development - Deira Islands Mall	UAE	Execution	Government	2020	1,660.7

[166] Source: "Mall of Saudi construction tender likely by end-October", Meed
[167] Source: "Nine malls expected to open in three years", Peninsula Qatar, January 02, 2018

Aug. 2015	Meydan Group - Meydan One - Meydan One Mall	UAE	Execution	Government	2020	1,500.0
Jun. 2015	MAF UAE's - City Centre Al Zahia	UAE	Execution	Private	2020	708.0
Oct. 2015	TSC - 360 Mall Expansion	Kuwait	Execution	Private	2020	430.0
Mar. 2014	Al Ahli Holding Group - Dubai Outlet Mall - Phase 2	UAE	Execution	Private	2020	340.0
May. 2017	Al Raid Group - Al Araimi Walk Mall	Oman	Execution	Private	2020	290.0
Sep. 2016	MAF - My City Centre Al Jazira	UAE	Bid Evaluation	Private	2021	382.0
Feb. 2016	MAF - Ishbiliyah City Center	Saudi Arabia	Execution	Private	2021	2,000.0
Mar. 2017	Mall of Oman	Oman	Execution	Private	2021	450.0
Feb. 2016	MAFP - Mall of Saudi - Phase 1	Saudi Arabia	Execution	Private	2022	3,200.0

Source: Thomson Reuters

Increasing Adoption of E-commerce

The ecommerce market offers significant opportunities for growth with relatively low levels of penetration across the GCC region

The landscape of GCC retail market has changed during the past few years, with the emergence of online shopping due to high levels of internet, smartphone and social media penetration in the region. Although the GCC region lags the global markets in adoption of e-commerce, the growth witnessed during the past few years have surprised the traditional retailers. The GCC e-commerce market is relatively small as it accounts for only 0.4% of the GDP compared to 3.5% of GDP in the UK, 2.3% of GDP in Singapore and 1.9% of GDP in the US[168]. Hence, the e-commerce market offers significant opportunities for growth with relatively low levels of penetration across the GCC region.

The GCC e-commerce market is expected to grow at a CAGR of 35% to US$ 24 billion by 2020 from US$ 5.0 billion in 2015[169]. The UAE (US$ 9 billion) and Saudi Arabia (US$ 10 billion) are expected to continue to lead the region and cumulatively contribute over 79.2% of the region's total e-commerce sales by 2020[170]. The online sales is likely to be driven by rising awareness of e-commerce benefits (discounts, offers, sale, etc.), secure payment gateways, improving delivery channels and increasing millennial population.

Amid increasing competition from e-commerce websites, several organized retail operators and luxury brands in the GCC have established online platforms as part of their new strategy to increase sales. Some of the major operators offering online services in the GCC include Majid Al-Futtaim, Alosra Supermarkets, Al Maya, Spinneys and Choithrams. Additionally, developments such as the US$ 800 million acquisition of Souq by Amazon and the partnership between Noon and eBay are also to drive the region's retail industry.

---

[168] Source: "Getting in on the GCC E-Commerce Game", AT Kearney
[169] Source: "A.T. Kearney raises estimates for value of the GCC's e-commerce market", AT Kearney, December 20, 2017
[170] Source: "A.T. Kearney raises estimates for value of the GCC's e-commerce market", AT Kearney, December 20, 2017

5. Challenges

Economic Slowdown

Job creation and employment growth across the GCC is expected to slow down in 2019 due to subdued non-oil growth despite higher government spending plans

The GCC region remains highly dependent on the hydrocarbon sector to drive economic growth and public sector spending. Hence, the extended period of low oil prices led to a number of challenges for the GCC region since 2015. This prompted the governments to undertake bold decisions to focus on fiscal consolidation through subsidy cuts and curtailing public spending. According to the IMF, GDP growth for the region declined from a high of 3.2% in 2013 to a low of 0.5% in 2017. Consequently, the GDP (PPP) per capita (at constant prices) of the region declined by 0.4% between 2012 and 2017[171].

The impact of slowing economic activity led to scaling back of infrastructure projects and rationalization of cost across the key sectors. Lack of business opportunities and the resultant job losses impacted the growth of the regional retail market during the past two years. Although, the region is in a recovery phase, it remains vulnerable to movement in oil prices. Hence, further softness in oil prices will have a widespread impact and lead to a slowdown in public spending. These factors negatively influence the consumer confidence and job security, which could have a direct impact on the retail market.

Job creation and employment growth across the GCC is expected to slow down in 2019 due to subdued non-oil growth despite higher government spending plans. A rise in unemployment, especially in Saudi Arabia, Oman and Kuwait, could prompt additional labor market reforms by the governments[172]. According to the '2018 Middle East Sentiment Survey' by McKinsey & Company, more than 75% of consumers in Saudi Arabia and the UAE are worried about job losses and are now actively looking for savings across markets, thus delaying purchases[173]. The relative uncertainty in job security amongst the expatriates coupled with rise in the national labor force could negatively influence the region's retail market

Impact of VAT

The introduction of VAT had a negative impact on the consumers' purchasing power, leading to a slowdown in retail sales across Saudi Arabia and the UAE

In January 2018, the UAE and Saudi Arabia implemented a single standard rate of 5% Value Added Tax (VAT), while the other GCC nations are likely to follow the suit soon. The introduction of VAT had a negative impact on the consumers' purchasing power, affecting the retail sales across Saudi Arabia and the UAE. As a result, retailers had to adjust their profit margins and re-evaluate their business models to accommodate and impose the tax on consumers. While several retailers analyzed their price modeling on the large volume of stock items, others decided to absorb the tax rather than to pass it on to the consumers to attract sales.

The introduction of VAT also led to an increase in inflation and a fall in the Purchasing Manager Indices (PMIs). While inflation in the UAE reached a three-year high to 4.8% Y-o-Y in January 2018[174] and it stood at 3.0% in Saudi Arabia during the same period[175] due to the introduction of VAT. As of end-2018, inflation picked up in Saudi Arabia and the UAE to 3.5% and 2.6%, respectively, due to VAT and subsidy cuts, thus affecting consumer

---

[171] Source: "World Economic Outlook Database", IMF, October 2018
[172] Source: "GCC's job creation expected to slow down on subdued non-oil GDP growth"", Gulf News, January 17, 2019
[173] Source: "Middle Eastern Sentiment Survey", McKinsey & Company, January 2018
[174] Source: UAE National Bureau of Statistics
[175] Source: Saudi Arabian Monetary Authority (SAMA)

confidence. Saudi Arabia's PMI dropped to a record low of 53.0 from being close to a two-year high of 57.3 in December 2017 while PMI in the UAE was down to 54.8 in March 2018 from a record level of 57.7 in December[176]. Going forward, the short-term volatility is likely to fade out as it will be absorbed and priced into consumers' decision-making process.

However, the regional governments are introducing new laws and reforms to improve the consumer confidence in the wake of VAT impact. For example, the UAE Federal Tax Authority (FTA) announced that tourists visiting the UAE are eligible for refunds of VAT incurred from November 2018, under the new 'Tax Refund for Tourists Scheme'. The minimum spend amount for a tax refund is set at AED 250 (US$ 68.1) and tourists can claim the refund within 90 days of their purchase[177]. More than 4,000 retail outlets across the UAE are likely to be connected as the regulations stipulate that tourists will only be able to claim refunds on goods purchased from companies that have signed up for the scheme. This measure will help attract large number of tourists and further facilitate spending in the country's retail sector.

Increasing Competition Eroding Margins

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

The region has been successful in attracting major international brands on the back of high disposal incomes and large expatriate population from varied cultures. The rising number of international brands operating in the region has intensified competition within the retail market. Both the domestic and international retailers are adopting aggressive promotional campaigns by offering discounts to further drive revenues. Although such strategies increase top-line growth, they will lead to margin pressures. Hence, prominent retailers are either looking at increasing their footprints within the region or launching omni-channels to offset the margin pressures arising from increasing competition.

UAE, being one of the most mature markets within the GCC, is witnessing high level of retail competition, especially in Dubai. The competition is relatively lower in the other GCC countries but is gradually rising with larger and prominent players increasing their footprint within the region to offset drop in sales. This is more apparent within the prominent players in the UAE as the home market is offering limited growth opportunities. For example, Lulu Group, Landmark Group, Majid Al Futtaim (Carrefour), and Spinneys are actively exploring opportunities of launching new retail outlets within the region. In Saudi Arabia, allowing 100% FDI in retail and wholesale businesses is likely to attract more foreign players, thus intensifying competition[178]. The modern retail ecosystem in Kuwait, Bahrain, Oman and Qatar is also developing swiftly with the entry of international brands and the ongoing development of organized malls, which is likely to increase competition. .

Moreover, the growth in e-commerce within the region, especially in Saudi Arabia and the UAE, has threatened the business for traditional brick and mortar stores. This has the prompted regional players to adopt omni-channel model to widen their reach to a larger audience. Bigger players such as Lulu Group, Landmark Group, Majid Al Futtaim (Carrefour, Alosra Supermarkets, Al Maya, Spinneys and Choithrams have increased their online offerings, while the newer players such as Mumzworld.com, SouKare.com, Tradelux LLC and The Luxury Closet are targeting niche segments to gain prominence amongst the millennial and affluent segment in the GCC. In 2016, Landmark Group launched seven new e-commerce websites for each brand to replace the existing online portal, LandmarkShops.com. Emaar Malls Group acquired 51% stake in fashion e-commerce site

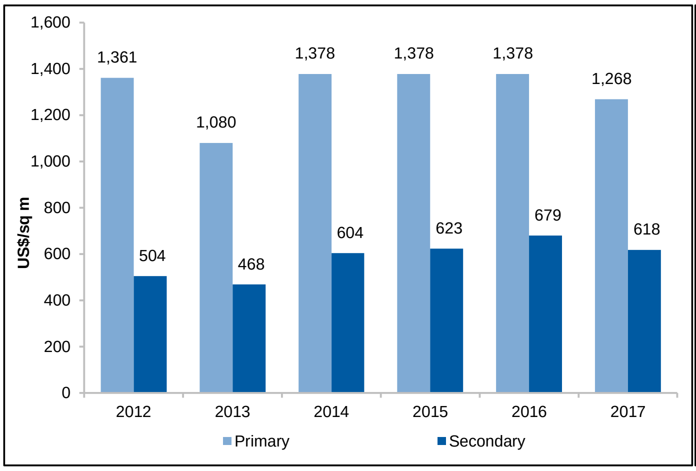
[176] Source: "Negative impact of VAT on UAE, Saudi only short-term – PwC", Gulf Business, June 4, 2018
[177] Source: "UAE tourists can claim VAT refund from November 18", Khaleej Times, October 24, 2018
[178] Source: "Saudi Arabia approves 100% foreign ownership in retail", Arabian Business, June 15, 2016

Namshi in 2017. Similarly, Amazon acquired Souq.com to further consolidate its position in the UAE and expand its market share. In 2017, 'MallfortheWorld' launched an e-commerce platform for consumers in the UAE, Saudi Arabia and Qatar, that will have access to more than 150 of US retailers through its app, marking its venture into the Middle East[179].

High Operating Costs

Considering lease rents is one of the major cost component for retailers, the high rentals, especially in malls and shopping centers, is affecting the profitability of the operators. Within the GCC, UAE has the highest average retail rentals compared to its peers. In Dubai, the rents in primary locations stood at US$ 1,268 per sq m per annum in 2017 compared to USD 817 per sq m per annum in Abu Dhabi.

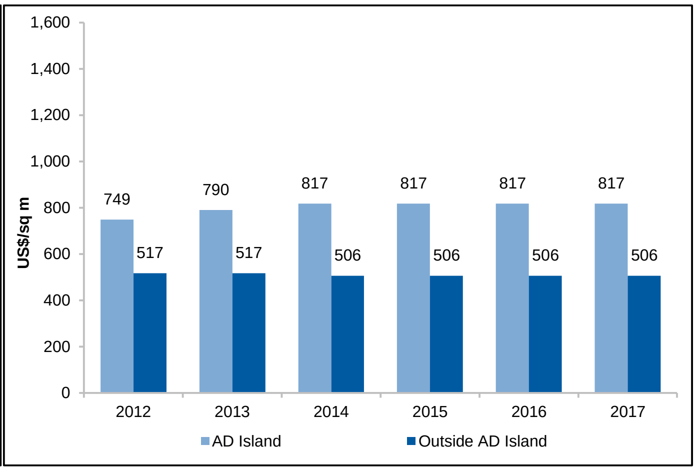
Exhibit 36: Retail Rents in Dubai (US$/sq m PA, 2012-17)



Source: Jones Lang LaSalle (JLL)

Note: Primary includes the best performing malls with higher levels of turnover; Secondary includes average performing malls with low turnover

Exhibit 37: Retail Rents in Abu Dhabi (US$/sq m PA, 2012-17)



Source: Jones Lang LaSalle (JLL)

Note: AD Island (Abu Dhabi Islands include Yas, Sir Bani Yas, Saadiyat, Al Maryah, Reem, Nurai and Delma Islands)

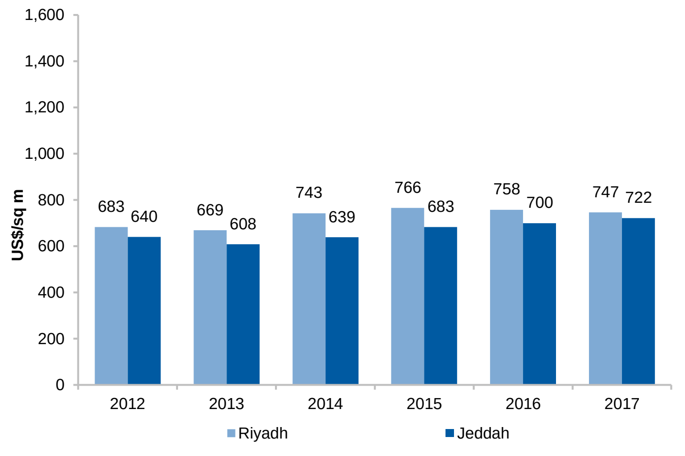
High rentals, new labor localization laws, market-priced utility costs and new tax measures are impacting retailers profitability

The growing popularity of online retailing and oversupply of retail space, especially in Dubai, has increased pressure on the performance of malls and shopping centers. As a result, rents have either stabilized or declined in certain areas, making the current market tenant friendly. While occupancy levels in prime malls in Dubai remain as high as 98%[180] with stable rents, secondary malls are facing a slowdown in demand. Thus, some property owners have started sharing operating costs in addition to providing capital contributions to fit-outs to increase occupancy[181]. Though tenants are able to re-negotiate favorable lease terms and property owners continue to offer concessions to maintain occupancy, retail rentals in the UAE remain much more elevated than that in prime locations across Saudi Arabia, Qatar and the other GCC nations.

---

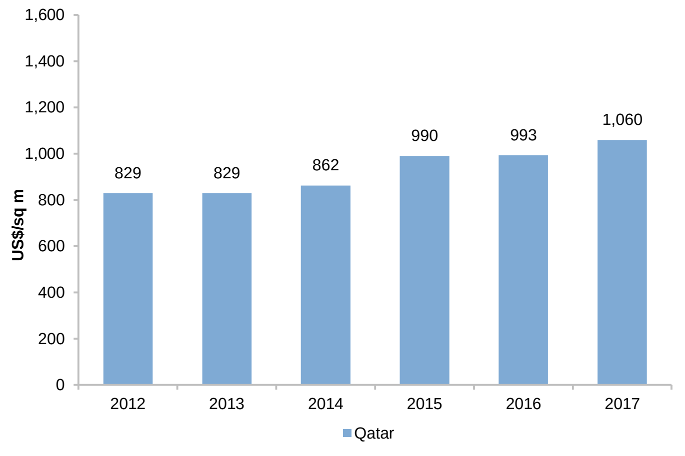
[179] Source: "E-commerce platform launches in Gulf, eyes rapid expansion", Arabian Business, April 1, 2017
[180] Source: "Dubai Chamber plans retail rent index", Gulf Business, May 16, 2018
[181] Source: "Mall owners in Dubai sweeten offers to their retailers", Gulf News, May 14, 2018

Exhibit 38: Retail Rentals in Saudi (US$/sq m PA, 2012-17)



Source: Jones Lang LaSalle (JLL)

Exhibit 39: Retail Rentals in Qatar (US$/sq m PA, 2012-17)



Source: DTZ Research

Retailers in Dubai have escalated the issue of high rents in malls, which has led to the Dubai Land Department recently confirming a new rental law that would address disputes in the sector. The new rental law aims to stabilize the retail market, reduce the number of litigation cases, create transparency for property owners and tenants and reduce scope for disagreement[182]. Furthermore, the Dubai Chamber has reconstituted a retail industry group where retail rents is one of the key issues that is expected to be addressed[183]. Moreover, the Dubai Chamber of Commerce and Industry (DCCI) is developing the Emirate's first retail rent index to improve transparency. The index, proposed by an industry lobby group set up by DCCI due to the complexity of agreements between tenants and property owners, will serve as an important benchmarking tool enabling industry stakeholders to track performance and identify key market trends and challenges[184].

Retail operators in the GCC are also pressurized by the new labor localization laws, market-priced utility costs and new tax measures such as VAT. For example, Saudi Arabia is charging higher visa fees for expats and introducing new laws for retailers to increase localization in labor for approximately 1.5 million retail jobs. According to McKinsey, labor costs are therefore likely to rise by approximately 15% in the Kingdom. Moreover, subsidy cuts are expected to increase the cost of utilities, such as power, electricity, fuel and water, by as much as 15%-20%[185]. According to a study by Korn Ferry, salaries in the UAE are expected to go up by 4%-12% in 2019 across major sectors, including retail[186].

Market Saturation

With a large number of projects nearing completion, the UAE and Qatar are set to witness an oversupply in the coming years

Though the UAE remains an attractive destination for retailers, it was graded as the second most saturated market among the top 30 retail markets as per AT Kearney's 2017 Global Retail Development Index[187]. The retail market in the UAE is currently facing an oversupply situation, which could lead to delays in completion of upcoming projects. Dubai in particular, which accounts for around 49% of all shopping malls in the UAE and is ranked second

---

[182] Source: "DLD reviews rental law with retail operators", Construction Week Online, March 18, 2018
[183] Source: "Mall owners in Dubai sweeten offers to their retailers", Gulf News, May 14, 2018
[184] Source: "Dubai Chamber plans retail rent index", Gulf Business, May 16, 2018
[185] Source: "Retailing in the Middle East: How to recapture profitable growth", McKinsey & Company, November 2017
[186] Source: "65% of UAE organisations to raise salaries this year: Survey", Gulf News, January 8, 2019
[187] Source: "The Age of Focus - 2017 Global Retail Development Index", AT Kearney

highest in the world in terms of mall density[188], is reportedly beginning to show signs of market saturation. Although the average occupancy in Dubai's malls fell to 87% in Q1 2018 compared to 90% in Q1 2017[189], the Emirate is expected to further receive over 1.0 million sq m of new retail GLA by 2020[190]. The steady increase in retail supply is expected to further affect the occupancy levels and lead to mall operators offering different solutions to attract tenants and higher footfalls.

On a similar note, competition levels are rising in Qatar with retail supply growing by more than 688,700 sq m between 2015 and 2017[191]. The increase in supply has seen a shift in the market dynamic from undersupply to an oversupply situation during this period. The opening of six major malls in Doha since 2016, coupled with the downturn in consumer spending, has resulted in an oversupply situation due to which the country witnessed a fall in occupancy rates and rental levels throughout 2018[192]. Additionally, the market is likely to receive more than 519,300 sq m of GLA, set to be delivered between 2018 and 2019[193]. Increasing vacancy rates in some of the major retail malls, competition between new malls for tenants, coupled with the emergence of this huge new supply in both the countries is likely to drive down rental rates across the market.

Counterfeit Products Hampering Profits and Brand Image

Being a global transit hub for trade and retail, counterfeiting has remained an area of concern for major retail brands in the GCC

The GCC, being a global transit hub for trade and retail, has been vulnerable as an entry point for illicit, fraudulent and counterfeit products. For years, counterfeit of brands have flooded into the GCC and have become an area of concern for major retail brands. This has not only affected profit margins of the retailers but also tarnishes the image of several international brands. As the region has been grappling with this issue, several nations have come up with systems to counter the illegal supply line.

The UAE has strengthen its anti-counterfeiting regime to slowly dismantle the counterfeit market. In recent years, the UAE has established a number of laws to abolish counterfeiting, including the Trademarks Law, and other mechanisms for enforcement against infringing conduct by the UAE legislation. These include the Anti-commercial Fraud Law, the Civil Transactions Law, the Penal Code and its amendments and the GCC Unified Customs Law[194]. According to the Commercial Compliance & Consumer Protection (CCCP) sector in Dubai's Department of Economic Development (DED), a total of 26.2 million pieces of counterfeit goods were seized in 2017 in Dubai, valued at US$ 517 million (AED 1.9 billion), a 63% increase from 2016[195]. In 2017, Al-Futtaim Toyota and UAE Government officials executed 29 raids, carried out mainly in Dubai, Al Ain, Umm Al Quwain, Sharjah and Ajman, resulting in goods worth more than AED 41 million being confiscated. The raids also included the confiscation and destruction of more than 300,000 fake Toyota parts valued at over US$ 4 million[196]. This was followed by Dubai Customs executing 130 intellectual property seizures in the first half of 2018, involving electronics, glasses, spare automobile parts, textiles, utensils, bags and shoes, worth AED 35.5 million (US$ 9.66 million)[197]. Counterfeiting was also prevalent in online retail, which prompted Dubai to launch an e-

[188] Source: "Dubai retail sales forecast to exceed $43b by 2021, new analysis shows", Gulf News, May 03, 2018
[189] Source: "Dubai retail sector pressured by oversupply, weak retail spending", Arabian Business, July 17, 2018
[190] Source: JLL
[191] Source: "Property Times", DTZ Research, Q3 2018
[192] Source: "Property Times", DTZ Research, Q3 2018
[193] Source: "Property Times", DTZ Research, Q3 2018
[194] Source: "Procedures and strategies for anti-counterfeiting: UAE", World Trademark Review, May 2018
[195] Source: "Over $500m worth of fake goods seized in Dubai in 2017", Arabian Business, March 2018
[196] Source: "$4m fake Toyota parts seized in raids across the UAE", Arabian Business Nov 2018
[197] Source: "Dubai Customs seizes $9.66m worth of fake goods", Arabian Business, Aug 2018

Trader scheme to grant licenses for conducting businesses on social networks[198]. As of August 2018, Dubai's DED has shut down as many as 4,879 social media accounts and 30 websites to remove e-commerce retailers trading in counterfeit goods. Shops and warehouses involved in selling counterfeit goods were also shut down[199].

Saudi Arabia, Oman and Qatar have also been actively strategizing against counterfeiting due to the rise in illegal trade in recent years. For example, the Saudi Consumer Protection Agency collaborated with Underwriters Laboratories and International Anti-Counterfeiting Coalition to prohibit trade of counterfeit products[200]. In January 2019, a joint security operation by the Saudi Ministry of Commerce and Investment (MCI) seized over 597,000 counterfeit cosmetic products from two warehouses of a retail chain in Riyadh and its distribution outlets in the Eastern Province[201]. In May 2018, Oman's perfume manufacturer Amouage spread awareness against fake versions of their products in markets after authorities detained a group of counterfeiters selling imitation brand perfumes, including 5,000 bottles of fake Amouage products in Dubai[202]. To avoid such illicit trade, Oman has increased the penalty and sentencing term on counterfeiters and violators of consumer protection laws, with fine ranging between OMR 100 and OMR 50,000 (US$ 260 and US$ 129,882[203]) and a jail term of maximum three years[204]. Similarly, Qatar's General Customs Authority introduced a high-tech electronic system to detect counterfeit goods, especially cosmetics, entering the country[205]. The country's Ministry of Economy and Commerce temporarily shut down a commercial company specializing in women's clothing and accessories in Muaither over the display and sale of counterfeit travel bags bearing international trademarks[206].

It is important for the GCC nations to curb counterfeiting, which has been adversely affecting the retail industry. Though the regional trade and commerce authorities have been taking measures to curb counterfeit products, it has proven cumbersome to eliminate counterfeiting. While regulations are already in place to restrict the sale of fake products, the GCC nations will need to continue enhancing the vigilance through new measures and further amending existing laws.

Geopolitical concerns

Political uncertainties of any kind have an impact on consumer sentiments. The diplomatic boycott of Qatar by the UAE, Saudi Arabia and Bahrain has brought uncertainty to the region that was already suffering from the impact of oil price collapse. The boycott continues to impact international trade and supply chains in the region, including air, sea and land traffic.

---

198 Source: "Dubai launches e-Trader licenses in fight against fake goods sold via social networks", The National, March 15, 2017
199 Source: 'Dubai shuts down social media accounts, websites for selling 'fake' products', Arabian Business, Aug 2018
200 Source: "Govt, experts discuss fight against fake products", Zawya, October 14, 2016
201 Source: "Huge quantities of counterfeit cosmetics seized in MCI raids", Saudi Gazette January 2019
202 Source: "Beware of fake fragrances, warns Oman's Amouag", Times of Oman, May 2018
203 At the exchange rate of 2.60
204 Source: "Counterfeiters face hefty fine and jail", Zawya, April 11, 2017
205 Source: "New electronic system to stop fake goods entering Qatar", Zawya, February 27, 2017
206 Source: "Ministry shuts shop for one month over sale of fake bags of international brands", The Peninsula Qatar, July 2018

6. Trends

Omni-Channel Business Models Gaining Prominence

With the rising adoption of smartphones, internet and other digital channels, the concept of omni-channel retailing has been gaining significance in the GCC

The concept of omni-channel retailing has been gaining significance in the GCC with the rising adoption of smartphones, internet and other digital channels. Smartphone and internet penetration in the GCC stands at over 90%, while mobile usage is nearly 100%, symbolizing the high degree of digitization in the region[207]. Most notably, Qatar and the UAE have the highest social media penetration in the world at 99% each, while Saudi Arabia has the highest growth in penetration with a rise of 73%, resulting in 59% of the Saudi population using social channels[208]. As a result, omni-channel strategies offer significant potential in the GCC and are expected to drive growth in the retail sector. Favorable e-commerce regulations, especially in the UAE and Saudi Arabia, are also supporting the growth in this segment. For example, the Dubai Free Zones Council established new e-commerce regulations to promote FDI into the e-commerce sector and make it attractive for e-commerce companies[209]. On the other hand, Saudi Arabia is looking to increase the modern trade and e-commerce sector contribution to nearly 80% of the retail sales by 2020[210]. According to the Boston Consulting Group, online sales in Saudi Arabia accounted for approximately 0.8% of total retail sales, much lower than the UAE where e-commerce penetration stood at about 1.5%[211].

Despite the brick-and-mortar concept being the preferred choice of shopping in most of the GCC nations, the increasing trend of online shopping and e-payments has compelled many retailers to transit to digital sales platforms. Moreover, several retailers are using social media to engage with customers, launch e-commerce platforms and retail apps to sell their products exclusively, while supermarkets/hypermarkets are increasingly connecting physical sales with online deliveries[212]. For example, in 2017, UAE-based Emaar Malls acquired online retail platform Namshi and Emaar Properties launched Noon.com to provide a dedicated online experience for the customers[213]. Oman's Mars Hypermarkets are also deploying a wide range of digital business solutions to enhance customer experience including omni-channel shopping[214]. Similarly, Landmark Group in Saudi Arabia launched the 'click-and-collect' feature in 2017 across all its online platforms (Centrepointstores.com, HomeCentre.com, MaxFashion.com, BabyshopStores.com, SplashFashions.com, ShoeMartStores.com and LifestyleShops.com) as well as on their iPhone and Android apps. This new omni-channel feature helped the group drive its sales significantly within a span of couple of months[215]. These are initial steps taken by the regional retailers towards a full-fledged omni-channel approach and the increasing acceptability symbolizes the importance of technology within the retail space.

Next-Gen Digitization Strategies to Form the Future of Retail

Going forward, GCC retail industry is set to witness a significant transition with the likely introduction of Artificial Intelligence (AI), Augmented Realty (AR), Virtual Reality (VR), Image Recognition and Computer Vision Technologies. This enhancement of technology could

---

[207] Source: "Mobile usage almost at 100% among GCC millennials", Khaleej Times, August 2017
[208] Source: "Qatar, UAE have highest social media penetration", LiveMint, February 13, 2017
[209] Source: "All Set For Growth: The E-Commerce Landscape In The Middle East', February 19, 2019
[210] Source: "E-commerce in Saudi Arabia 'has strong growth potential', Saudi Gazette, August 2017
[211] Source: "KSA's e-Commerce market still in nascent phase despite growth', Saudi Gazette, August 2017
[212] Source: "Success to e-retail in the UAE is omni-channel model", Khaleej Times, April 2018
[213] Source: "How GCC stores can respond to the changing face of retail', November 19, 2017
[214] Source: "Mars Hypermarket boosts Oman's supermarket sales", Hotelier Middle East, August 14, 2017
[215] Source: "Future trends in the Saudi retail sector", Arab News, December 2018

GCC retail industry is set to witness a significant transition with the likely introduction of Artificial Intelligence (AI), Augmented Realty (AR), Virtual Reality (VR), Image Recognition and Computer Vision Technologies

improve margins and customer centricity and enable better understanding of changing consumer preferences with the use of data analytics. The UAE and Saudi Arabia are likely to lead the region in terms of AI integration in the retail space. For example, Dubai-based Majid Al Futtaim has collaborated with US-based technology company I.AM+, as part of which the latter will offer Majid Al Futtaim its Omega platform, an AI-powered conversational and contextual voice assistant that will enhance the retail experience at various customer touchpoints. Similarly, Dubai-based Pure Gold Jewellers have invested heavily to enhance customer experience by introducing new concept stores that allow customers to explore the Jewelry items with the help of AR[216]. Another key development expected in the GCC retail sector is Etisalat Digital offering a seamless shopping experience through technologies such as face recognition, AI, image recognition and computer vision technologies. At Dubai GITEX Technology Week 2018, Etisalat highlighted a self-driving grocery store robotic shopping cart that leads visitors to the grocery isle, a smart dressing room that recommends fashion apparel, a smart vending machine, unmanned cash counters and self-checkouts. It also showcased the world's first self-driving grocery store, called 'Robomart', an electric road vehicle featuring driverless technology for autonomy, tele-operations for safety, a check-out free system and a purpose-built refrigeration for cooling[217].

Growing Preference for Private Labels

With increased competition and consolidation in the retail space, private labels have become a new avenue for retailers to drive revenues and strengthen their position in a highly competitive market

Private labels are gradually gaining popularity amongst the GCC population and have emerged as a key strategy for large supermarkets and hypermarkets operators. With increased competition and consolidation in the retail space, private labels have become a new avenue for retailers to drive revenues and strengthen their position in a highly competitive market. One of the key drivers for rise in demand for private labels has been the cost-competitiveness compared to branded products. Moreover, the recent slowdown in economic activity across the GCC became an opportune time for retailers to push private labels and gain market share. Thus, several operators in the GCC such as Lulu Group, Carrefour, Spinneys, Tesco, SPAR, amongst others have developed their own private label offerings in both food and non-food segments.

Despite the growth witnessed in private label products, the GCC lags the presence seen in matured retail markets. However, according to the '2018 Middle East Sentiment Survey' by McKinsey & Company, 55% of consumers are now actively looking for savings across markets, with Saudi Arabia leading the pack[218]. Additionally, according to 'The Rise and Rise Again of Private Label 2018' study by Nielsen, the Middle East and Africa shows a 79% perception improvement, the highest in the world, for the quality of private label products[219]. The private label market is expected to gain further traction with Gulfood planning to expand its portfolio in private label and licensing. The Dubai World Trade Centre (DWTC) announced plans to expand the Gulfood events with the launch of Private Label & Licensing Middle East (PRIME) in 2019. The event is aimed at FMCG manufacturers of consumer-packaged goods exploring brand and footprint expansion opportunities by selling product lines through private label and contract manufacturing. According to DWTC, 55% of 'Gulfood 2018' exhibitors viewed private labels as one of the industry's most important trends, while 41% of visitors expressed a desire to see private labels represented in DWTC's expansive Gulfood portfolio of industry-centric events[220]. These findings substantiate that the regional consumers are now looking to spend less, adjust their spending habits and are actively

[216] Source: "New gold jewellery stores featuring augmented reality open in the UAE", Gulf Business, July 2018
[217] Source: "Etisalat Digital offers glimpse into Future of Retail at GITEX Technology Week 2018", October 16, 2018
[218] Source: "Middle Eastern Sentiment Survey", McKinsey & Company, January 2018
[219] Source: "The Rise and Rise Again of Private Label 2018", Nielsen, 2018
[220] Source: "Gulfood expands its portfolio in private label and licensing", Gulfood, 2019

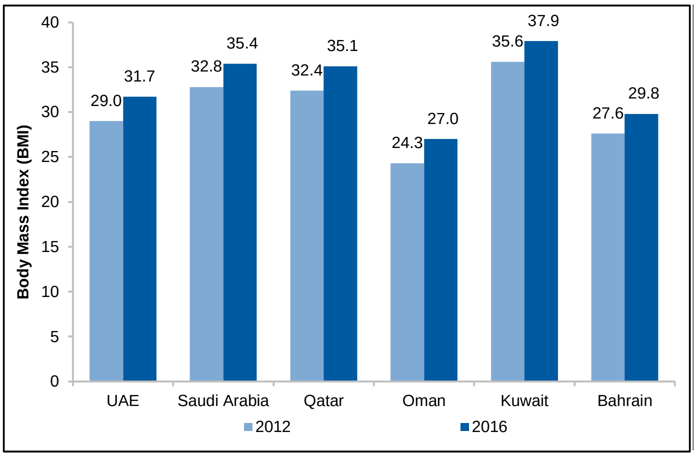
considering alternative brands. Thus, the GCC market is now gradually heading towards a rising phase for private labels and retailers should increasingly focus to tap on this growing opportunity to drive sales and improve margins.

Rising Demand for Healthy and Organic Food Concepts

Higher prevalence of diabetes, cardiovascular disease and obesity due to sedentary lifestyles, poor food habits and dietary choices has led to the demand for healthy food options

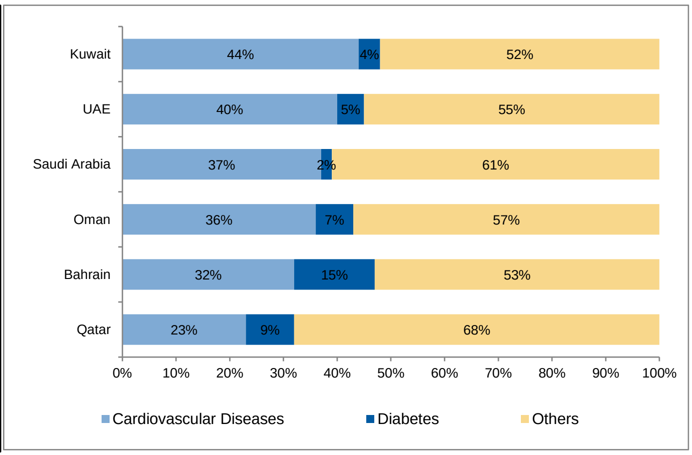
Sedentary lifestyles, poor food habits and dietary choices has led to a higher prevalence of diabetes, cardiovascular disease, obesity and other conditions in the GCC population. According to the World Health Organization (WHO), the incidence rate of cardiovascular disease, diabetes, cancer and respiratory ailments in the region is among the highest in the world[221]. With the growing incidence of obesity, diabetes and other dietary and lifestyle related diseases, the demand for healthy and organic food options (low-processed, low-carb) have been swiftly gaining popularity in the GCC. The market is supported by growing awareness about the benefits of healthy food and increasing media and government attention towards health issues. For example, the UAE, Saudi Arabia and Bahrain imposed a 100% duty on energy drinks and a 50% tax on other carbonated beverages in 2017, with an aim to promote healthy lifestyles amid the prevalence of high rates of diabetes and obesity in the respective countries[222]. Further initiatives taken by some of the regional governments include the Saudi Food and Drug Authority (SFDA) mandating restaurants and cafes to display calories on the menus of meals offered by the end of 2018[223]. Similarly, Abu Dhabi's government announced plans to switch to clean farming systems (organic farming) and provide consumers with healthy, safe and pesticide-free products[224].

Exhibit 40: Prevalence of Obesity Among Adults, BMI ≥ 30



Source: WHO

Exhibit 41: Mortality Rates by Types of Diseases (2015)



Source: WHO

Considering the huge percentage of working population in the GCC, several full-service restaurants are incorporating healthier options such as vegan, organic, gluten free and whole grain in their offerings. Moreover, the fast food restaurants, or quick service restaurants, have also started revamping their menus with healthier options such as baked fries, salads, fruits and fresh juices. Similarly, supermarkets and hypermarkets in the GCC have started selling healthy food products, providing greater display space while also running campaigns to highlight their benefits. For example, Carrefour has aligned its

[221] Source: World Health Organization (WHO)
[222] Source: "EU, US complain about GCC excise tax on carbonated, energy drinks", Gulf Business, July 17, 2018
[223] Source: "Restaurants in Saudi Arabia must list calories on menus by end of 2018", Al Arabiya, August 6, 2018
[224] Source: "Abu Dhabi Farmer's Services Centre to convert 100 farms to organic agriculture", February 07, 2018

procurement within the fresh and processed foods categories, with a large part of fresh foods supply sourced from local/regional producers. The display areas in the Carrefour stores across the GCC are providing larger and dedicated spaces to healthy and organic food options[225]. In 2018, Abu Dhabi Farmers' Service Centre (ADFSC) announced its Agricultural Production Plan for the 2018/19 season, which focuses on encouraging a shift towards organic farming and fruit cultivation. ADFSC aims to convert 100 farms, at a rate of 20 per year, for organic agriculture over the next four years[226].

[225] Source: "Healthy food to drive growth in retail sector", Arabian Business, January 12, 2017
[226] Source: "Abu Dhabi Farmer's Services Centre to convert 100 farms to organic agriculture", February 07, 2018

7. Merger and Acquisition (M&A) Activities

The GCC retail sector witnessed healthy deal making activity over the last two years with one of the most significant transaction being Amazon's acquisition of Souq.com for US$ 580 million

The GCC retail sector witnessed healthy deal making activity over the last two years. More than half of the transactions during this period were intra-regional, with a significant focus on e-commerce/online retailing space. The region also witnessed a number of cross border M&A deals, with regional companies acquiring stakes in foreign companies, primarily from a financial perspective. Foreign companies also made strategic investments in the regional entities in order to expand geographic presence, strengthen their foothold in the region and capitalize on the lucrative opportunities. One of the most significant transactions made during the period was US-based e-commerce giant Amazon's acquisition of Souq.com for US$ 580 million. Recently, Amazon announced plans to launch a new Middle East marketplace, initially targeting Saudi Arabia and the UAE. Amazon has been reportedly advising sellers to focus on its main site instead of Souq.com, a move that will give the company a unified brand and back-end system in the region, while helping more US-based sellers expand in the Middle East. Another notable deal was the recent acquisition of UAE-based e-commerce retailer Namshi by Emaar Malls Group. The company bought a 51% stake in Namshi for US$ 151 million in May 2017and followed it up with the acqusition of the remaining 49% stake in February 2019 for US$ 129.5 million. Going forward, M&A activity in the GCC retail sector is expected to remain promising, as companies seek to expand product offerings, enhance digital presence, strengthen market share and grow their geographic presence.

Exhibit 42: Major M&A Deals in the GCC Retail Industry

Acquirer	Acquirer's Country	Target Company	Target's Country	Year	Consideration (US$ Million)	Percent Sought (%)
Amazon.Com Inc.	US	Souq.com	UAE	2017	580.0	100%
Emaar Malls Group LLC	UAE	Namshi General Trading	UAE	2017	151.0	51%
Emaar Malls Group LLC	UAE	Namshi General Trading	UAE	2019	129.5	49%
Al Alfia Holdings WLL**	Qatar	Specialty Fashion Group Ltd.	Australia	2017	112.7	N/A
Simbisa Brands Ltd.**	Zimbabwe	Food Fund International	UAE	2018	66.0	50%
L'Azurde for Jewelry Co.	Saudi Arabia	Izdiad Commercial Co. of Arabia	Saudi Arabia	2017	56.8	100%
Gmg Holding Ltd.**	UAE	Retail Corp. UAE LLC	UAE	2017	54.5	N/A
Boubyan Petrochemical Co.	Kuwait	Boutiqaat Co.	Kuwait	2018	45.0	N/A
Gulf Islamic Investments	UAE	Mumzworld.com	UAE	2018	20.0	N/A
Jiyad Holding Co.	Kuwait	Fast International Co.	Sudan	2017	18.2	99%
MEFIC Private Equity Food & Beverage Opportunities Fund	Saudi Arabia	Al Sultan for Fast Foods Co.	Saudi Arabia	2017	13.8	30%
United Trading & Marketing	Saudi Arabia	Thameen Ltd.	UK	2018	10.0	10%

Source: Thomson Reuters

*Note: **Deals pending completion (as on April 15, 2019)*

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 (%)
Middle East Venture Fund III, Wamda Capital, Precinct Partners, Tech Invest Com, Saned and Equitrust	UAE, Lebanon	The Luxury Closet	UAE	2018	8.7	N/A
Tabuk Agriculture Development Co.	Saudi Arabia	Afaq Food	Saudi Arabia	2018	3.8	50%
Power Root Bhd	Malaysia	Power Root ME FZCO	UAE	2017	2.2	6%
RiyadTaqnia Fund	Saudi Arabia	Dokkan Afkar.Com	Saudi Arabia	2017	2.0	N/A
Wamda Ltd, B&Y Venture Partners, Phoenician Fund I	UAE, Lebanon	Seez App FZCO	UAE	2017	1.8	N/A
B&Y, Phoenician Funds and Wamda Capital	UAE, Lebanon	Seez App FZCO	UAE	2018	1.8	N/A
Flemingo International Ltd.	UAE	DFS India Pvt. Ltd.	India	2017	1.3	51%
Salem Salah Baazeem	Saudi Arabia	Yaman Co.	Yemen	2017	0.5	20%
Undisclosed Angel Investors	UAE, Saudi Arabia	souKare.com	UAE	2018	0.4	N/A
Majid Al Futtaim Holding LLC	UAE	Retail Arabia Ltd.	UAE	2017	N/A	100%
Al-Futtaim Private Co. LLC	UAE	Marks & Spencer Group Plc-Macau Business	Macau	2018	N/A	100%
Al-Futtaim Private Co. LLC	UAE	Marks & Spencer Group Plc-Hong Kong Business	Hong Kong	2018	N/A	100%
Mohamed Al Abbar's Technology Fund (Chairman of Emaar Properties)	UAE	JadoPado Ltd.	UAE	2017	N/A	100%
Undisclosed Investors Consortium	Saudi Arabia	GlamBox Middle East FZ LLC	UAE	2017	N/A	100%
Oncost Cash & Carry	Kuwait	Gulfmart	Kuwait	2018	N/A	100%
Kuwait Food Co. KSCP	Kuwait	BIFCO Foods LLC	UAE	2017	N/A	100%
Swicorp Capital Partners, Wamda Capital, Precinct Partners, Tamer Group, WSB Holding, Riverbank Technologies, Saned Partners	Saudi Arabia, UAE, US, UK, Lebanon	Mumzworld.com	UAE	2018	N/A	N/A
GFH Financial Group BSC	Bahrain	The Entertainer Co. LLC	UAE	2018	N/A	85%
Global Home Shopping Co. Ltd.	China (Mainland)	Citruss TV FZ LLC	UAE	2017	N/A	51%
TSG Consumer Partners LLC	US	Huda Beauty Inc.	UAE	2017	N/A	N/A
HBS Investment	UAE	Bait Al Kandora	UAE	2017	N/A	25%
Fawaz Abdulaziz Alhokair Co.	Saudi Arabia	Simit Sarayi Yatirim ve Ticaret AS	Turkey	2017	N/A	10%

Source: Thomson Reuters

Country Profiles

UAE

Growth Drivers

- **Demography:** A diverse consumer base with a strong expatriate population has propelled the retail market in the UAE to global standards. IMF has projected the UAE's population to grow at a CAGR of 3.1% between 2018 and 2023.
- **Per capita income:** IMF projects the GDP (PPP) per capita to increase at a CAGR of 0.2% between 2018 and 2023. High-income levels has increased the purchasing power and standard of living for the population, thus increasing demand for international brands and luxury goods.
- **Travel and tourism**: The tourism industry continues to benefit from government's efforts in easing visa norms. Major events such as the Dubai Expo 2020, in addition to new attractions and shopping festivals further aid the industry. The country is also augmenting its airport infrastructure that will help increase international passenger traffic. Thus, UAE will continue to have a strong reputation as an excellent shopping destination.
- **E-commerce:** The online retail market is growing rapidly with retailers offering attractive deals and rising awareness of e-commerce benefits among the customers. To capitalize on the growing online sales, several players in addition to traditional brick and mortar retailers have adopted omni-channel models. The online retail market is expected to reach US$ 9 billion by 2023 from US$ 2 billion in 2015. (Source: AT Kearney)
- **Government Initiatives:** The UAE government has eased visa norms, initiated crackdown on counterfeit luxury items, and revived stalled infrastructure projects, to attract tourists.

Recent Industry Developments

- In January 2019, the UAE Federal Tax Authority (FTA) announced VAT refunds to tourists. This move would further attract tourists for shopping and bolster retail trade.
- In November 2018, the UAE government announced plans to induce 100% FDI in key performing sectors by Q1 2019.
- In October 2018, UAE revised its visa rules for visitors to extend period of stay, in addition to previously announced semi-residency programs to increase consumption.
- In July 2018, Emaar Properties and Dubai Holding launched a high-end, mega retail district, Dubai Square (Creek Harbour).
- In March 2018, the Dubai Land Department confirmed a new rental law that would address disputes in the sector.

Macro-economic Indicators

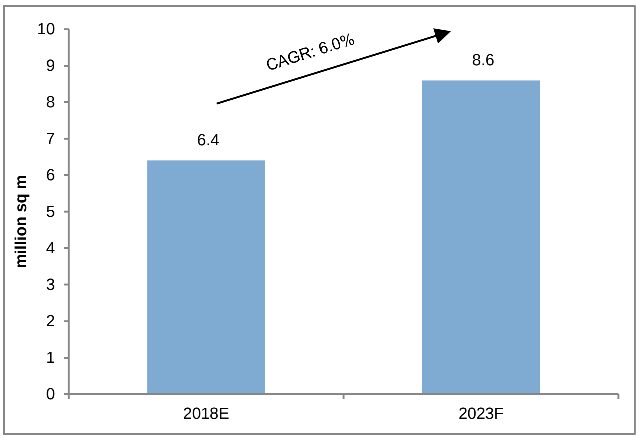
Indicators	Unit	2017	2018E	2023F
GDP growth at constant prices	%	0.8	2.9	2.9
GDP (PPP) per capita	US$	62,395	62,415	63,046
Population	mn	10.1	10.4	12.1
Inflation	%	2.0	3.5	1.9
International tourist arrivals	mn	15.8	17.2	24.0

Source: IMF – October 2018, Dubai Tourism, SCAD, WTTC
Note: E – Estimated, F – Forecasted

Key Players

Company	Type
Al Futtaim	Food/Entertainment/Supermarket
Al Tayer Group	Luxury retailer
Apparel Group	Lifestyle retailer
Azadea Group	Lifestyle retailer
BMA International Group	Supermarket & hypermarket operator
Chalhoub Group	Luxury retailer
Dubai Duty Free	Airport retailer
Joyalukkas Group	Jewelry retailer
Landmark Group	Lifestyle retailer
Majid Al Futtaim Hldg. LLC	Supermarket & hypermarket operator

Forecast of Organized Retail Space



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

Saudi Arabia

Growth Drivers

- **Demography:** An expanding consumer base, comprising of an affluent society and high proportion of young and working-class people, has transformed the Kingdom's retail industry. Additionally, recent economic and social reforms has started attracting several modern and international retailers to establish base in Saudi Arabia. IMF has projected the Kingdom's population to grow at a CAGR of 2.0% between 2018 and 2023.
- **Per capita income:** IMF projects the GDP (PPP) per capita to expand at a CAGR of 0.2 % between 2018 and 2023. Improvement in oil prices, diversification and the consequent impact on economy are likely to improve the level of disposable income, resulting in high consumption of retail products.
- **Travel & Tourism:** Easing of visa rules for the tourists and development of new entertainment venues as part of its expansionary infrastructure development projects will continue to attract large numbers of international tourists in the country.
- **E-commerce:** Online retailing has been gradually gaining prominence on the back of increased digitization trends. Several retailers look to develop a hybrid model and adopt omni-channel strategies for expanding their online presence. The online retail market is expected to reach US$ 10 billion by 2023 from US$ 2 billion in 2015. (Source: AT Kearney)
- **Government initiatives:** Favorable moves such as allowing 100% foreign ownership for retailers and counterfeit reducing measures are supporting retail sector. The government aims to increase contribution of alternative retail channels, including e-commerce, to 80% of retail sector activity by 2030.

Recent Industry Developments

- In November 2018, Lulu Group signed an agreement with the Saudi Arabian National Guard Forces to open two shopping centers and seven supermarkets in Saudi Arabia.
- In February 2018, Payfort, the Middle East subsidiary of Amazon, became the first non-Saudi e-commerce company to obtain an operating license in the country, building on the activities in MENA region.
- In September 2018, the government introduced labor law reforms to increase employment of nationals, which restricts employing foreign workers in around 40 types of retail-sector professions. Implementation will be in 3 phases until Jan 2019.

Macro-economic Indicators

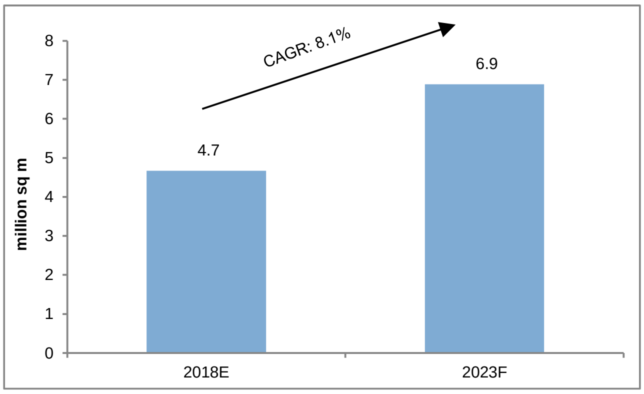
Indicators	Unit	2017	2018E	2023F
GDP growth at constant prices	%	-0.9	2.2	2.3
GDP (PPP) per capita	US$	49,566	49,680	50,133
Population	mn	32.6	33.2	36.7
Inflation	%	-0.9	2.6	2.1
International tourist arrivals	mn	16.1	17.0	22.5

Source: IMF – October 2018, SCTNH, WTTC, Alpen Capital
Note: E – Estimated, F – Forecasted

Key Players

Company	Type
Abdulaziz Alsaghyir	Supermarket & hypermarket operator
Abdullah Al Othaim Markets Co.	Supermarket & hypermarket operator
BinDawood Superstores	Supermarket & hypermarket operator
FawazAbdulaziz Alhokair	Fashion retailer
Jarir Marketing Co.	Book stores operator
JaziratSmaa Fashion Co.	Fashion retailer
Olayan Group	Distributor of consumer products & F&B retailer
Panda Retail Co.	Supermarket & hypermarket operator
Savola Group	Food & Other Retail operator
United Electronics Co.	Electronics & appliances retailer

Forecast of Organized Retail Space



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

Qatar

Growth Drivers

- **Demographics:** The country's population is expected to grow at a CAGR of 0.4% between 2018 and 2023. The country's high level of national wealth has attracted several foreign workers driving optimism among international retailers to establish their presence across the nation, offering high-quality luxury brands.
- **Per capita income:** The IMF has projected Qatar's GDP (PPP) per capita to increase at a CAGR of 2.3% between 2018 and 2023. The country's rapid economic development, high levels of disposable income, coupled with affluent standard of living have helped underpin the growth of the retail market.
- **Tourism**: The tourism industry is expected to witness a boom as the country gears up to host three major sports events, including the FIFA World Cup 2022, new editions of shopping festivals, as well as reforms such as allowing visa-free entry for nationals from 80 countries. With a strong pipeline of upcoming malls and expansion of the retail sector, Qatar is expected to witness a rise in tourist spending, going forward.
- **Organized retail space:** Doha's organized retail market accounted for approximately 1.4 million sq m of GLA spread across 21 retail malls as of 2018. With over 519,300 sq m of retail space under development (Source: DTZ Research), Qatar is expected to witness a substantial increase in retail space, thus providing new opportunities for the sector to grow. In line with the strong pipeline of mall openings, majority of the prime retail destinations in Qatar continue to enjoy high levels of occupancy and attract significant footfall. Retail rents at prime malls and key high-street destinations have been rising.

Recent Industry Developments

- In July 2018, Indian Supermarket started a new chain of hypermarkets under the brand name Retail Mart and opened its seventh outlet in Qatar.
- In May 2018, British department store Harvey Nichols collaborated with Saleh Al Hamad Al Mana Group of Companies for its new store in Qatar.
- In March 2018, Qatar witnessed opening of one of the largest malls - The Tawar Mall (90,000 sq m) in Umm Lekhba, featuring a diverse mix of more than 300 local and international brands and a number of luxury outlets.

Macro-economic Indicators

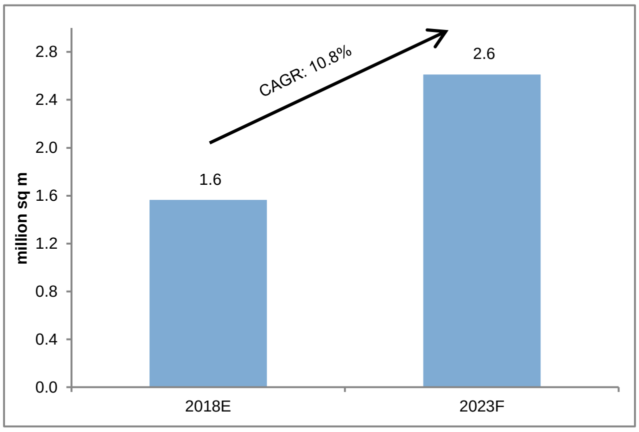
Indicators	Unit	2017	2018E	2023F
GDP growth at constant prices	%	1.6	2.7	2.7
GDP (PPP) per capita	US$	112,819	114,136	127,748
Population	mn	2.7	2.8	2.8
Inflation	%	0.4	3.7	2.0
International tourist arrivals	mn	2.3	2.5	4.2

Source: IMF – October 2018, Ministry of Development Planning and Statistics, WTTC 2018
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

Growth Drivers

- **Demography:** According to the IMF, Kuwait's population is expected to grow at a CAGR of 2.8% between 2018 and 2023. The growing population base including a large proportion of youth and expatriates (~70% of total population), coupled with rapid urbanization has contributed to the growth of organized retail market.
- **Disposable income:** The country's living standards are among the highest in the world due to strong growth in GDP per capita. The IMF expects Kuwait's GDP (PPP) per capita to grow at a CAGR of 0.9% between 2018 and 2023. Gradual Economic recovery driven by rising oil prices and increased spending on infrastructure are likely to influence the launch of world-renowned brands and subsequently propel demand for various retail goods, including luxury products.
- **Online retail:** Following the trend in the neighboring GCC nations, Kuwait's e-retail segment is slowly picking pace on the back of increasing awareness. The market remains attractive for online retailers due to the presence of young tech-savvy population, an internet penetration rate of around 80%and rising banking population facilitating e-payments.
- **Organized retail space:** Kuwait's total retail supply stood at around 890,200 sq m of GLA as of 2017 and the country is expected to witness additional space in the form of malls, shopping complexes and smaller independent developments.

Macro-economic Indicators

Indicators	Unit	2017	2018E	2023F
GDP growth at constant prices	%	-3.3	2.3	2.9
GDP (PPP) per capita	US$	59,766	59,501	62,378
Population	mn	4.4	4.5	5.2
Inflation	%	1.5	0.8	2.7
International tourist arrivals	mn	0.2	0.2	0.4

Source: IMF – October 2018, WTTC, Alpen Capital
Note: E – Estimated, F – Forecasted

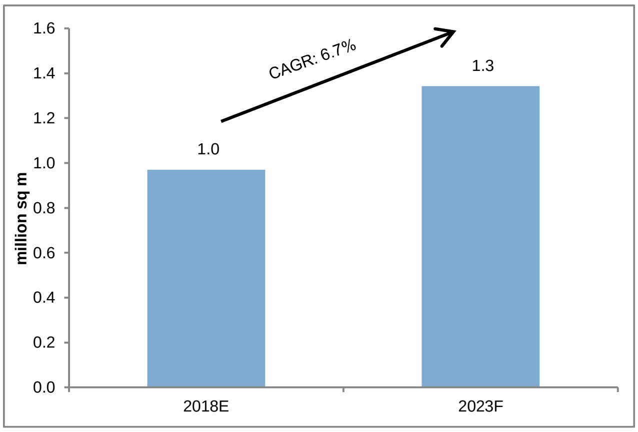
Key Players

Company	Type
Alghanim Industries	Electronics and appliances retailer
Americana Group	F&B Retail
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

Recent Industry Developments

- In November 2018, Kuwait's wholesale retail store OnCost Cash and Carry acquired all outlets of supermarket chain Gulfmart. The acquisition is part of the company's plan to expand to the UAE and Saudi Arabia in five years.
- In October 2018, Alghanim Industries announced that it would bring a number of the international brands it represents to Assima Mall, part of the Assima Project, which is set to be officially launched in 2019. The mall will house the first Monoprix in Kuwait. Additionally, the first Galleries Lafayette store in Kuwait, spread across three floors, will also open in Assima Mall.

Forecast of Organized Retail Space



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

Bahrain

Growth Drivers

- **Demography:** According to the IMF, Bahrain's population is expected to expand at a CAGR of 2.0% between 2018 and 2023. An expanding consumer base, comprising a high proportion of expatriates and millennials living in urban areas, bodes well for the growth of the retail sector.
- **Disposable income:** Bahrain's GDP (PPP) per capita is forecasted to grow at a CAGR of 0.5% between 2018 and 2023. High consumer spending, driven by growing appetite for high-end and branded products from the affluent class and youth is expected to drive the retail sales going forward.
- **Tourism:** According to the Bahrain EDB, the country has a strong pipeline of tourism infrastructure projects worth more than US$ 13 billion, including ongoing airport expansion plans and development of new retail centers, which would support the expansion of the industry. Bahrain is a key weekend tourism destination for travelers mainly from Saudi Arabia, accounting a major revenue share for retail sector. Saudi Arabia's decision to open up its retail and wholesale businesses for 100% FDI might add pressure on Bahrain.
- **Organized Retail Space:** As of 2017, the Kingdom's total retail GLA stood at around 948,000 sq m. Grade A and Grade B malls account for approximately 90% of Bahrain's total retail GLA. The ten largest malls in Bahrain account for a total footfall of 51 million visitors per year and enjoy high occupancy levels ranging between 95% and 100%. Nearly 270,000 sq m of new retail space is anticipated to be delivered by 2019.

Recent Industry Developments

- In December 2018, Dragon City signed an agreement with Vega Intertrade and Exhibitions to lease and operate ThaiMart, a Thai-themed retail project. Scheduled for soft opening in H1 2019, this mart is expected to host approximately 150 retail store spaces.
- In November 2018, Bahrain Duty Free Company and Bahrain Airport Company signed a 10-year contract for the retailer to invest in retail outlets in the new passenger terminal at Bahrain International Airport.
- In November 2018, Carrefour Bahrain (operated by Majid Al Futtaim) inked a partnership with VIVA Cash to implement its digital wallet for customers in Bahrain.

Macro-economic Indicators

Indicators	Unit	2017	2018E	2023F
GDP growth at constant prices	%	3.8	3.2	2.6
GDP (PPP) per capita	US$	44,543	45,082	46,306
Population	mn	1.5	1.5	1.6
Inflation	%	1.4	3.0	1.5
International tourist arrivals	mn	1.2	1.3	1.8

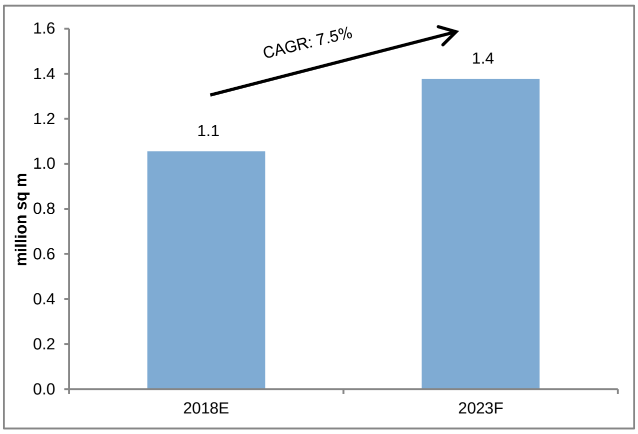
Source: IMF – October 2018, Economic Development Board, WTTC, Alpen Capital

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
BMMI Group	F&B Retail and other retail
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

Growth Drivers

- **Demography:** According to the IMF, Oman's population is expected to grow at a CAGR of 3.2% between 2018 and 2023. An expanding consumer base with shifting preferences towards international brands due to rising household income will drive the growth of the retail sector in Oman.
- **Tourism:** Oman's efforts to enhance the retail and entertainment offerings have attracted large number of international tourists, which is expected to have a positive influence on the retail sector. Tourist arrivals in Oman are likely to increase at a CAGR of 6.3% between 2018 and 2023.
- **Organized Retail Space**: According to CBRE, more than 100,000 sq m of new retail space was delivered in 2015, primarily led by the completion of two major projects – Panorama Mall (21,000 sq m) and Avenues Mall (80,000 sq m), the largest shopping center in the Sultanate. As of 2017, Oman's total organized retail space was estimated at around 364,200 sq m. Apart from Muscat, many new projects are springing up in relatively newer cities such as Sohar and Nizwa. Going forward, retail space is likely to rise with the expansion plans from large regional operators while international brands venture into the country with their flagship stores.

Macro-economic Indicators

Indicators	Unit	2017	2018E	2023F
GDP growth at constant prices	%	-0.9	1.9	1.5
GDP (PPP) per capita	US$	41,821	41,326	40,297
Population	mn	4.1	4.3	5.0
Inflation	%	1.6	1.5	3.0
International tourist arrivals	mn	2.2	2.3	3.2

Source: IMF – October 2018, WTTC, Alpen Capital
Note: E – Estimated, F – Forecasted

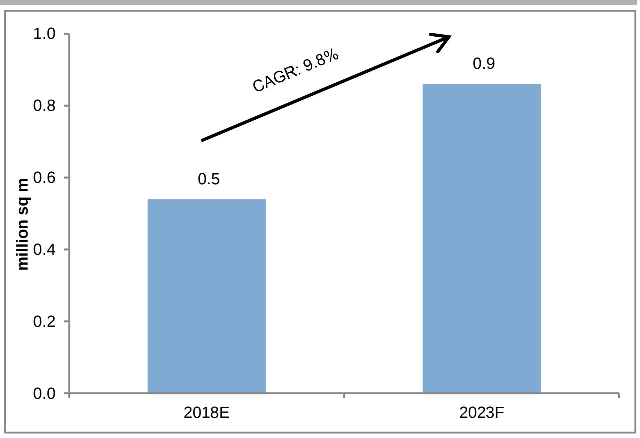
Key Players

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

Recent Industry Developments

- In January 2019, Majid Al Futtaim announced the opening of a new shopping and leisure destination in City Centre Suhar, housing retail stores, leisure and entertainment experiences and varied dining options. City Centre Suhar has a GLA of 35,301 sq m.
- In October 2018, IKEA revealed its plans to open a store in Oman as a part of its next phase of global expansion, following the recent Bahrain opening.
- In June 2018, Majid Al Futtaim partnered with Oman Tourism Development Company (Omran) to develop a mixed-use center would have 11,000 residential units 100,000 sq m of retail space, 700,000 sq m of office space and several cultural and lifestyle offerings.
- In March 2018, Oman Avenues Mall (OAM) announced massive expansion over the next few years. The developments will be across four phases and will target to offer a richer retail mix and more entertainment facilities.

Forecast of Organized Retail Space



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

Company Profiles

Abdulaziz Alsaghyir (Privately Owned) Saudi Arabia

Company Description

Established in 2009 and headquartered in Riyadh, Abdulaziz Alsaghyir is a closed joint stock company with investments in diversified business sectors such as retail, food, industrial, oil & gas, real estate, infrastructure, construction, communications, banking and financial services. In the retail sector, the company through its subsidiaries, has invested heavily over the years and has established several successful businesses with strong brand presence across Saudi Arabia. The group primarily trades building materials, electronics, household furnishing, decorations, utensils and other consumer products.

Business Segments/Product Portfolio

Following are the retail business segments of Abdulaziz Alsaghyir:

- **Building Materials Trade:** The group's wholly-owned subsidiary - Abdulaziz Alsaghyir Company for Commercial Investment, is involved in the wholesale supply of various kinds of building materials such as wood, steel, aluminum and 3M products for the construction sector. It works in two strategic areas, namely: general contracting and construction and trade in building materials.
- **Electronics:** Abdulaziz Alsaghyir offers several electronic products through two of its brands/chains - Extra and Zonik.
  - **Extra:** The group along with its subsidiary, Na'wat Holding, established the United Electronics Company in 2002, which owns and operates the retail electronics brand 'Extra' across the Kingdom. With 40 stores across Saudi Arabia, one in Bahrain and two in Oman, the company's electronic product range includes computer and accessories, digital photography devices, mobile phones, TV, gaming, audio gadgets and clocks. Additionally, the company also offers home-ware and a wide range of other household electronic products such as refrigerators, washers and cookers.
  - **Zonik:** The group also holds a similar brand in the electronics segment, called 'Zonik' (a trademark of Digital and Electronic Solutions Development Company). Established in 2007, Zonik is primarily engaged in provision of mobile devices and equipment in the fields of photography, computers, electronic games, etc. through its 110 stores. Zonik has collaborated with local telecom operator Zain to operate their retail and distribution business and holds the distribution rights for Nokia in Saudi Arabia.
- **Household and Cosmetics:** The group engages in retail trading of household products under the brand name 'Nice', in which it holds 25% equity stake. Established in 2012, 'Nice' offers products such as furniture, utensils, general utilities, furnishing, decorations and cosmetics through its 5 stores across Saudi Arabia.
- **Food:** The group is engaged in the foodservices sector through its subsidiary Abdulaziz Alsaghyir Food Company Ltd. With significant interest in foodstuff manufacture, distribution and retail segments, the company primarily focuses on acquisition of foodstuff companies or establishment of new specialized companies in the sector.

Recent Developments/Future Plans

- NA

Source: Company Website

Al Futtaim (Privately Owned) UAE

Company Description

Established in the 1930s, Al-Futtaim is a diversified regional family-owned business headquartered in Dubai, UAE. With presence in over 25 different countries across the Middle East and Asia region, the group holds a strong brand reputation with more than 200 companies under its portfolio. Al-Futtaim primarily operates under four different business sectors, namely retail, automotive, financial services and real estate.

Business Segments/Product Portfolio

Following are the retail business segments of Al Futtaim Group:

- **Electronics:** Al-Futtaim operates the electronics segment under the brand names Aftron (offers small domestic appliances and household electronics), Plug-ins (multi-brand consumer electronics retailer with 6 stores in the UAE) and Techserve (offers after sales and electronic services). The group also holds franchise and distribution rights for brands such as Bergner, Microsoft Xbox and smart-phones, Panasonic and Toshiba in the GCC.
- **Fashion:** Al-Futtaim holds the franchise rights in select regional and Asian countries for major global fashion brands such as Marks & Spencer (46 stores), Guess (65 stores), F&F (15 stores), Zara, Ted Baker, Bebe, BCBGMaxazria, Berksha, Billabong, Bossini, Lacoste, Mango, Quicksilver, Rado, Omega, Reebok, Sandro, Vans and Tommy Hilfiger.
- **F&B:** Under the F&B division, Al-Futtaim holds the franchise rights for US restaurant brand Super Chix (1 outlet in Dubai) and Singapore's TWG Tea (2 outlets in Dubai and 1 in Abu Dhabi) in the UAE.
- **Home:** Under the Home division, Al-Futtaim holds the franchise rights for multiple international brands such as IKEA, Bergner and Zara Home, in select regional and Asian countries. It also owns and operates homegrown brands such as Al-Futtaim ACE (6 stores in the UAE), Al-Futtaim Home Zone (1 store in Bahrain) and Homeworks (3 stores in Bahrain, Egypt and Saudi Arabia) which offer a wide range of home improvement and home living products.
- **Lifestyle:** Under the Lifestyle division, Al-Futtaim holds franchise and distribution rights for several international sports brands such as Adidas, Nike, Umbro, Under Armour, Speedo, BagBoy, Callaway, Calvin Klein and DC Shoes. It also provides corporate and leisure travel management solutions through its own brand Al-Futtaim Travel and offers integrated business aviation facility services through DC Aviation Al-Futtaim, a Joint Venture (JV) with Stuttgart based DC Aviation GmbH.
- **Toys:** Al-Futtaim holds the franchise rights for the brand 'Toys R US' in the MENA region. First launched by Al-Futtaim in 1995 in Dubai, 'Toys R US' is now present across 19 locations across the MENA region.
- **Multi-brand Retail Stores:** In addition to operating homegrown retail stores such as Al-Futtaim Watches & Jewelry (31 stores in the UAE) and Plug Ins (6 stores in the UAE), Al-Futtaim holds franchise rights to global multi-brand retail stores such as Robinsons, Golf House, Royal Sporting House and Sports Station, across Middle East and Asia. It also has a JV with Doha Marketing and Services Company (DOMASCO) and Oman Marketing and Services Company (OMASCO) in Qatar and Oman.

Recent Developments/Future Plans

- In July 2018, Al-Futtaim signed a MoU with PVR in order to establish a JV in cinema business across the MENA region.
- In May 2018, Al-Futtaim's home improvement and lifestyle store, ACE, opened its first ever store in Doha, Qatar. The store has a gross leasable area (GLA) of approximately 39,719 sq ft, with a retail space spanning across by 25,300 sq ft.
- In May 2018, Al Futtaim Travels opened its new center in Dubai to cater to both corporate and leisure/retail customers.
- In April 2018, Al-Futtaim further strengthened its long-term alliance with Intercontinental Hotels Group with the opening of the Holiday Inn hotel in the UAE.

Source: Company Website

Abdullah Al Othaim Markets (Publicly Listed) | Saudi Arabia

Company Description

Founded in 1956 and headquartered in Riyadh, Abdullah Al-Othaim Markets Company SJSC (AAMC) is a joint stock company engaged in wholesale and retail trade of electronics, homecare, health products and food & beverage supplies. The company also establishes, operates and manages supermarkets, commercial complexes, bakeries and cafes. As of January 2019, AAMC operated 217 stores (including supermarkets, hypermarkets, convenience and wholesale stores) in Saudi Arabia and 46 stores in Egypt. AAMC is also involved in cultivation of vegetables and fodder, livestock and poultry breeding. It also conducts general trading businesses, acquisition of lands to construct buildings for lease or sale and contracting of buildings.

Business Segments/Product Portfolio

- **Electronics:** AAMC supplies a variety of goods ranging from home appliances, personal care equipment and travel accessories through its retail stores.
- **Home Care:** AAMC supplies a range of household products including clothing care, dishwashing materials, compounds and disinfectants, plastic and paper products, animal food, etc. through its retail stores.
- **Child Needs:** Under this segment, the company supplies products essential for childcare and baby foods through its retail stores.
- **Health & Beauty Products:** Under this segment, AAMC provides personal care products such as shaving accessories, body and face care, soaps, deodorants, women's care products and dental and hair care products through its retail stores.
- **F&B:** Under this segment, AAMC supplies a wide range of international and home-grown products through both its retail and wholesale stores.
    - **Beverages and Sweets:** AAMC supplies a variety of sweets, drinks and juices under this segment.
    - **Frozen Food:** AAMC supplies frozen foods such as vegetables and fruits, meat and poultry products, seafood and ice cream.
    - **Fresh Food:** AAMC supplies daily fresh essentials such as bread, desserts, poultry and eggs, dairy products, fruits and vegetables.
    - **Other Grocery:** AAMC supplies canned vegetables, hot drinks, breakfast cereals, oil, sugar and dietary products. It also supplies confectionery and bakery products, which are manufactured in-house.

Recent Developments/Future Plans

- In January 2019, AAMC inaugurated three new stores in Saudi Arabia, taking its total number of branches in the Kingdom to 217.
- In January 2019, AAMC inaugurated its 46th branch in Egypt.

Source: Company Website

Current Price (US$)	21.42

Price as on April 14, 2019

Stock Details	
Thomson Reuters Ticker	4001.SE
52 week high/ low	24.54/15.74
Market cap (US$ mn)	1,927.0
Enterprise value (US$ mn)	1,635.3
Shares outstanding (mn)	90.0

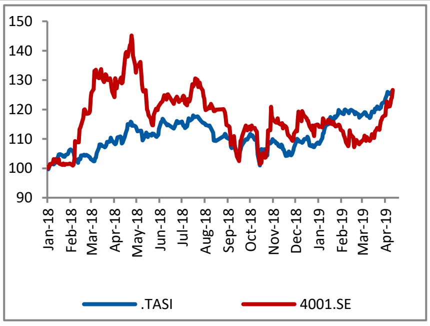
Source: Thomson Reuters

Average Daily Turnover ('000)

	SAR	US$
3M	10,468.6	2,791.5
6M	8,289.8	2,210.5

Source: Thomson Reuters

Share Price Chart



Source: Thomson Reuters

Valuation Multiples

	2016	2017	2018
P/E (x)	18.7	16.6	20.9
P/B (x)	3.6	3.7	3.8
EV/S (x)	0.7	0.8	0.8
Dividend yield (%)	2.0	4.0	-

Source: Thomson Reuters

Shareholding Structure	
Government of Saudi Arabia	6.4%
Abdullah Bin Saleh Bin Ali	6.0%
Others	87.6%
Total	**100.0%**

Source: Thomson Reuters

Financial Performance				
US$ Million	**2016 YE Dec**	**2017 YE Dec**	**2018 YE Dec**	***Change Y-o-Y (%)***
Revenue	1,870.8	1,928.5	2,004.3	*3.9*
COGS	1,547.7	1,544.6	1,595.6	*3.3*
Net Income	60.8	119.9	80.7	*(32.7)*
Net Income Margin (%)	3.2	6.2	4.0	
Return on Average Equity (%)	20.3	24.8	19.2	
Return on Average Assets (%)	7.2	10.2	8.8	

Key Comments

- *In FY 2018, the company's revenue rose by 3.9% Y-o-Y to US$ 2,004.3 million from US$ 1,928.5 million in FY 2017.*
- *In FY 2018, the company's net income declined by 32.7% Y-o-Y to US$ 80.7 million from US$ 119.9 million in FY 2017.*

Source: Company Website

Abu Issa Holding (Privately Owned) Qatar

Company Description

Founded in 1981 and headquartered in Doha, Abu Issa Holding (AIH) is a conglomerate with over 70 distinguished businesses spanning across 11 different sectors (retail, distribution, telecommunications, IT, energy & engineering, investment, real estate, etc.). Under its retail division, AIH is primarily involved in ownership and operation of various international luxury brand stores across the world. The company has more than 10 own-concept retail brands and operates over 100 brand stores across the MENA region, South Africa and the US. As of 2018, AIH held majority stakes in more than 30 companies across the Middle East.

Business Segments/Product Portfolio

- **Retail:** Under this division, AIH is involved in retail trading of various luxury international and own-concept brands. The company manages Blue Salon, a one-stop shop with more than 100 retail stores for high-end fashion, watches, jewelry, perfumes, cosmetics, home decoration, luggage and many more products. Other reputed brands under AIH portfolio include The Face Shop, Amor, Santoni, Yves Delorme, Salvatore Ferragamo, Porto Salon, Durance, Lipault Paris, Degrenne Paris, Gold Gourmet, Etan Allen, G-STAR Raw, Takara, Divan, Harmont & Blaine, Zenith, Liwani, Cole Haan, Highland, Tod's, MCM and Breitling.
- **Auction & Art:** Under this segment, AIH owns AlBahie and Bissan Gallery auction houses in the GCC for the sale of antiques, paintings, watches and clocks, motor cars and jewelry.
- **Engineering & Contracting:** Under this division, the company undertakes various engineering and contracting works for residential, commercial and industrial sectors. Its brand portfolio under this division includes Orbit (security systems), Ibls (industrial and logistics consultant), Febc (procurement management services), Elite Homes (supplier of interior finishes and products), Lighting Group (lighting design), United Falcon (interior decor and designs), amongst others.
- **Telecommunication & IT Services:** AIH provides technological solutions to its clients in several public and private sectors through its brands such as Abu Issa Consulting (process and technology solutions provider), E-Pro (Apple authorized reseller and IT solutions provider) and Star link World (communications and media retail and logistics service provider).
- **Distribution& Logistics Services:** As part of its wide business services, AIH is also involved in the distribution of FMCG, pharmaceuticals, luxury goods and technology products across the Middle East and globally. Its key brand portfolio under this division includes Abu Issa Brothers (operates retail business across the UAE, distributes brands across GCC, offers logistics services) and Abu Issa Marketing & Distribution (distributes multi-industry products across Qatar).
- **Healthcare & Education:** AIH owns and operates Unipharm, a Qatar-based healthcare and pharmaceutical company, providing healthcare, pharmaceutical and talent management facilities with customized development programs.
- **Support Services:** Under this division, AIH is involved in providing ancillary services such as consulting, e-services, business and brand marketing and transport and logistics services to various industries. Its brand portfolio under this division includes Abu Issa Real Estate (construction, real estate consulting and facilities management), Falcon (advertising and creative agency), Clarion (integrated logistics services) and Advertiqa (communication, advertising and marketing services).
- **Franchise Services:** Through this division, AIH provides repair and after-sales services for luxury watches (Breitling Repairs Centre), leather goods, luggage bags and technological devices.

Recent Developments/Future Plans

- In October 2018, Carnegie Mellon University in Qatar (CMU-Q) and AIH signed a MoU to co-operate in the fields of scientific research and strategic studies.
- In May 2018, the German luxury brand MCM through its franchise partner AIH opened its first store in Doha, Qatar.

Source: Company Website

Al Madina Group (Privately Owned) UAE

Company Description

Established in 1971 and headquartered in Abu Dhabi, Al Madina is primarily engaged in the retail business, which provides digital, grocery, food, fashion and lifestyle products at affordable prices. Al Madina has established a strong presence in the UAE and Saudi Arabia through the operations of shopping malls, hypermarkets, supermarket, convenience and departmental stores. Al Madina witnesses over 250,000 customers and members visiting its stores each week.

Business Segments/Product Portfolio

- **Supermarket and Hypermarket:** Al Madina currently has over 39 supermarkets in the UAE offering a range of products including grocery, fresh foods, fruits and vegetables, meat and poultry, bakery products, cosmetics and body care, garments, home appliances, stationery, footwear and household items. Al Madina is planning to increase its footprint across the UAE and other countries within the region including Saudi Arabia where it has been operating its hypermarket chain since 2015.
- **Shopping Malls:** Al Madina's portfolio includes the Shopper's Mall, Jebel Ali Mall, Al Quoz Mall, Marhaba Mall, Naseem Al Madina Mall, in the UAE. In 2017, the group opened its second shopping mall in the Jebel Ali Industrial Area, called the Marhaba Mall. Cumulatively, the malls operated by the group include more than 20 hypermarkets and supermarkets. The group has also launched the Club Al Madina loyalty card to ensure better promotions and benefits for its customers.
- **Convenience and Departmental Stores:** The group has several convenience and departmental stores that supply a diverse selection of goods and services.

Recent Developments/Future Plans

- By 2025, the group is planning to increase its network to a total of 50 hypermarket stores across the GCC.
- In January 2019, Dubai Industrial Park opened its first retail offering, the Sapphire Mall that will include Al Madina Hypermarket as the anchor store.
- In August 2017, Al Madina Group inaugurated a new branch of its Shopper's Mall spanning over an area of 60,000 sq ft in the Jebel Ali Industrial Area, UAE.

Source: Company Website

Al Mana (Privately Owned) Qatar

Company Description

Established in 1951 and headquartered in Doha, Al Mana is a conglomerate engaged in sectors such as retail, F&B, automotive distribution and services, real estate, investments, engineering, technology & media and entertainment. The conglomerate operates more than 55 companies spread across eight nations across the region. Within the retail space, the group operates over 300 stores with a portfolio of renowned international brands offering luxury goods, beauty, fashion, home interiors, watches and jewelry.

Business Segments/Product Portfolio

- **Retail:** The group offers a wide range of products consisting of luxury and popular global brands such as Giorgio Armani, Dior Home, Casadei, John Lobb, Mango, Rado, Tissot, Damas, Sephora and Saint Louisin Qatar. The group also operates department stores of brands such as Saks Fifth Avenue, Harvey Nichols, BHS and Go Sport.
- **F&B:** Al Mana operates F&B outlets of brands such as McDonalds, Haagen-Dazs, Emporio Armani Caffè, Margherita, Casper & Gambini's, Busaba, Ronnefeldt, Pittas, Bateel Cafe, Caffe Concerto, Grom, Wendy's and Nestle.
- **Jewelry, Watches & Eyewear:** Al Mana group provides a wide range of brands in the jewelry, watches and eyewear segment under its retail umbrella. Some of the brands include Gucci, Calvin Klein, Cartier, Balmain, Rado, Omega, Ray-Ban, Rivoli Group, Longines, Mont Blanc, Hugo Boss and Guess, amongst several others.
- **Media, Design and Digital:** Under this division, Al Mana provides advertising and media services to global brands through its portfolio companies - Al Mana Media, iZest Marketing Group and Midnight.
- **Entertainment:** Under this division, the group operates the FLIK Cinemas multiplex movie theater in Lagoona Mall, Qatar. Additionally, it also operates an indoor playground under the brand name Funderdome, a gaming center named Hangout in the Al Mirqab mall and an event company called Event Utopia, which specializes in providing inflatable games.
- **Automotive:** The Saleh Al Hamad Al Mana Company, part of the Al Mana group is the sole distributor of automobile brands such as 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.
- **Properties:** The group developed Mirqab Mall and Doha Mall in Qatar in 2016 and has completed the development of the Al Mana Tower (a 52 storey mixed-used tower housing the group headquarters). Al Mana is also developing the Citywalk Residence (a mixed-used property including retail units and 32 residential apartments) and a mixed-use project, Park Lane, comprising retail units and four luxury rental apartments in London.

Recent Developments/Future Plans

- In November 2018, Mirqab Mall, managed and operated by Al Mana, announced the opening of F&B outlets such as Amorino Gelato, Caffe Concerto, Lebanese restaurant Abed El Wahab and Qatar's first Cereal Killer Café. Al Mana Food & Beverage Group plans to launch more F&B concepts in 2019.
- In June 2018, Al Mana Group entered into an agreement with Alghanim Industries, under which the Al Mana would own the sub-franchise rights of Wendy's restaurants in Qatar. With the opening of the first Wendy's restaurant in Doha, Al Mana further plans to open a series of Wendy's restaurant across Qatar.
- In May 2018, Harvey Nichols in partnership with Saleh Al Hamad Al Mana Group opened a new 80,000 sq ft store in Doha Festival City offering a wide range of women's wear, men's wear, accessories, beauty, children's wear and lifestyle products.

Source: Company Website

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

Company Description

Founded in 2005 and headquartered in Doha, Al Meera Consumer Goods Co. QSC (AMCG) is primarily engaged in the trading of consumer goods via its chain of hypermarkets and supermarkets. The main activities of the company involve wholesale and retail services, managing and owning consumer stores and trading in foodstuff and consumer goods. As of 2018, the company operated 57 supermarkets and convenience stores with 52 in Qatar spread over 97,000 sq m of space and five in Oman. The company's wholly owned subsidiaries included Al Meera Holding Company, Al Meera Central Markets, Al Meera Development Company, Qatar Markets Company and Al Meera Bookstore Company.

Business Segments/Product Portfolio

- **Retail Operations:** Under this segment, AMCG engages in trading of consumer goods through its hypermarkets, supermarkets and convenience stores in Qatar and Oman. The group signed agreements with two leading international brands, namely business of Casino Group and WHSmith. It holds exclusive franchise rights of WHSmith in Qatar and currently operates 2 stores with a third planned for opening soon. Al Meera is currently working on the construction phase of its 14 malls in Qatar. The retail segment accounted for 64.6% of revenues in FY 2017.
- **Leasing:** Through this segment, AMCG engages in renting of shops in various malls and community shopping centers owned by the group. In FY 2017, the company earned US$ 16.6 million (31.1% of revenues) through this segment.
- **Investments:** Under this segment, AMCG is involved in investment activities, such as holding equity stakes in other companies, holding funds as available-for-sale investments and other fixed deposits. As of 2017, AMCG held 51% stake in both Aramex Logistics Services Company and Al-Oumara Bakeries Company.

Recent Developments/Future Plans

- In December 2018, in order to strengthen the company's e-shopping plan, AMCG launched a loyalty program named 'Meera Rewards'. The loyalty programme aims at enhancing customer satisfaction by offering various benefits.
- In June 2018, AMCG relocated its leasing department from its head office in West Bay to Al Meera's Nuaija branch.
- In May 2018, AMCG announced the opening of its 51st branch and its second branch in Azghawa, Qatar. The new store offers fresh foods sections including butchery, fishery, bakery and a delicatessen.
- AMCG had finalized to open six new community shopping malls in 2018. In 2017, AMCG opened four new community shopping malls and three convenience stores.

Source: Company Website and Annual Report

Current Price (US$)	39.90

Price as on April 14, 2019

Stock Details	
Thomson Reuters Ticker	MERS.QA
52 week high/ low	44.90/36.58
Market cap (US$ mn)	798.2
Enterprise value (US$ mn)	743.3
Shares outstanding (mn)	20.0

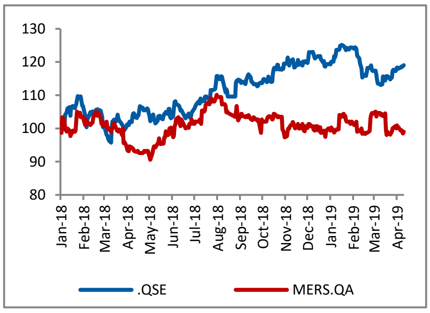
Source: Thomson Reuters

Average Daily Turnover ('000)

	QAR	US$
3M	4,019.4	1,103.8
6M	2,731.3	750.1

Source: Thomson Reuters

Share Price Chart



Source: Thomson Reuters

Valuation Multiples

	2016	2017	2018
P/E (x)	17.6	14.9	16.2
P/B (x)	2.5	2.1	2.1
EV/S (x)	1.2	0.9	0.9
Dividend yield (%)	5.1	5.9	5.7

Source: Thomson Reuters

Shareholding Structure

Government of Qatar	26.0%
Others	74.0%
Total	**100.0%**

Source: Thomson Reuters

Financial Performance				
US$ Million	**2016 YE Dec**	**2017 YE Dec**	**2018 YE Dec**	***Change Y-o-Y (%)***
Revenue	715.4	787.1	823.0	*4.6*
COGS	594.0	654.7	686.6	*4.9*
Net Income	54.7	53.3	50.1	*(6.0)*
Net Income Margin (%)	7.6	6.8	6.1	
Return on Average Equity (%)	14.3	13.9	13.1	
Return on Average Assets (%)	9.6	8.8	7.9	

Key Comments

- *AMCG reported sales of US$ 823 million in FY 2018, indicating a 4.6% Y-o-Y growth. In addition to growth in existing business, the five new stores opened in 2018 (Al Khor (New), Rawdat Aba El Heran, Azghawa New, Leabaib 1 and Sailiya) contributed US$ 32.2 million to the total sales.*
- *Operating income in FY 2018 increased to US$ 161.1 million, indicating a 4.1% Y-o-Y growth from US$ 154.8 million in FY 2017.*
- *For FY 2018, the company reported a decline of 6.0% Y-o-Y in net income to US$ 50.1 million from US$ 53.3 in FY 2017.*

Source: Annual Report

Al Tayer Group (Privately Owned) UAE

Company Description

Established in 1979 and headquartered in Dubai, Al Tayer Group is a conglomerate engaged in automotive, retail and real estate businesses. The group ventured into the retail business in 1981 with the opening of its first Aati store in Dubai and since then has built a stronghold in the Middle East region. The group operates more than 200 retail stores across the GCC, with a portfolio of 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 operates the largest department store of Harvey Nichols, built over three levels and spanning 136,900 sq ft, outside of the UK in the UAE along with Bloomingdale's in the UAE (200,000 sq ft) and Kuwait (93,000 sq ft). The group is the exclusive licensee of Harvey Nichols in the UAE and Bloomingdale's in the UAE and Kuwait.
- **Beauty:** The group's beauty segment consists of a mix of around 75 mono-brand, multi-brand and concession stores. The single brand stores include brand names such as Bobbi Brown, Kiehls's, Aveda and Diptyque spread across GCC, while the multi-brand concept is operated under the 'Areej' brand which has4 stores in the UAE and 1 each in Oman and Qatar. The concession stores are located within the retail stores of Harvey Nichols and Bloomingdale's in Dubai.
- **Fashion:** The group entered the fashion segment with the opening of its first luxury fashion store, Giorgio Armani in 1994. Since then, the group has become one of the leading luxury fashion retailers in the GCC with over 49 stores and is partner to several brands such as Alexander McQueen, Armani, Coach, Dolce & Gabanna, Moschino, Marni, Rag & Bone, amongst others.
- **Home:** Under this division, the group offers designer home furniture and accessories with brands like LigneRoset and Minnotti through its homegrown multi-brand concept Aati (3 stores) and Bloomingdale's home store (3 stores). The segment also consists of premium and contemporary fashion brands such as Fendi Casa, Kenzo, Missoni Home, Ralph Lauren, amongst others.
- **F&B:** Under this segment, the group runs around 31 franchise outlets of international cafe brands such as Almaz by Momo, Atrium Cafè, Caffè Nero, Emporio Armani Caffè, Magnolia Bakery, More Café, Ocean Basket and Scene.
- **Jewelry:** The group offers a range of fine jewelry of prominent international brands through its network of around 11 single brand jewelry store, such as Boucheron (4 stores) and Pomellato boutiques (1 store), as well as multi-brand concession department stores within Harvey Nichols-Dubai and Bloomingdale's.
- **Lifestyle:** The group operates around 60 lifestyle stores of iconic brands such as Gap, Banana Republic, Whistles, Armani Exchange, Mamas & Papas and Hanna Anderson across the GCC.

Recent Developments/Future Plans

- In February 2019, Cinépolis entered into the GCC's movie theatre sector with the opening of its first multiplex in Bahrain, in partnership with Al Tayer Group.
- In November 2018, the group inaugurated Al Tayer Motors' brand new showroom for Jaguar Land Rover automobile spread across 2,700 sq m modern facility in Dubai, UAE
- In January 2018, Al Tayer group launched its mobile-first retail brand NISNASS, a digitally driven lifestyle retailer designed for shopping via an app catering across the GCC region as well as many international destinations.
- In August 2017, the group announced the soft launch of its new brand Nass.com, the first ever GCC online e-commerce platform for an off-price designer online shopping.

Source: Company Website

Alghanim Industries (Privately Owned) Kuwait

Company Description

Founded in 1932, Alghanim Industries is a Kuwait-based multinational conglomerate, which along with its subsidiaries is engaged in more than 30 businesses through its subsidiaries. The group has its operations in 40 countries and handles more than 300 international brands and agencies. Alghanim Industries has strong presence in the Middle East, India and Turkey with operations currently extending to Eastern Europe, Africa, East and Southeast Asia. In the retail segment, the group is primarily active in automobiles distribution, sales of consumer goods and electronics and operation of F&B outlets.

Business Segments/Product Portfolio

- **Automotive:** Alghanim Industries is the exclusive distributor in Kuwait of international car brands such as Chevrolet (5 centers), Cadillac (5 centers), Honda (8 centers), Lotus (1 center), Ford (2 center) and Lincoln (1 center). Under this division, the group also provides automotive support services such as quick car service, car accessories and customization and car rental services.
- **Consumer:** Under this division, the group caters to various consumer segments such as electronics, home furniture and accessories and FMCG. It operates a chain of multi-brand electronics stores under the brand name 'X-cite' in Kuwait, selling more than 300 global brands across its 21 stores. X-cite has expanded into Saudi Arabia and has opened 6 stores across the Kingdom, in addition to its online presence. Alghanim Industries also operates 'Safat Home', which is a one-stop shop for furniture, decorative accessories and soft accents. For the distribution of FMCG goods in Kuwait, Alghanim Industries operates through its subsidiary Gulf Trading and Refrigerating Company (GTRC). GTRC has more than 100 brands in its portfolio, which includes various blue chip multi-national companies such as Mars, Kraft-Heinz, Majdi, Mondelez, Colgate Palmolive and Philips.
- **F&B:** Alghanim Industries holds the franchisee rights for operating Costa Coffee (35 outlets in Kuwait), Wendy's (21 outlets: 16 in UAE and 5 in Kuwait) and Slim Chicken (1 outlet in Kuwait) in the GCC.
- **Engineering:** Under this division, Alghanim Industries provides engineering services such as home design solutions, electro-mechanical solutions and 24/7 maintenance solutions for both the residential and commercial markets.
- **Industrial:** Under this division, the group provides insulation solutions and a wide range of customized, cost-effective pre-engineered steel solutions to its clients. Alghanim Industries' brand portfolio under insulation solutions includes Rockwool India, KIMMCO-ISOVER and IZOCAM. Alghanim Industries has collaborated with Kirby Building Systems for providing steel solutions.
- **Services:** Under this division, Alghanim Industries provides different types of bespoke services such as advertising, financial services, office automation, transport & logistics and travel & tourism.

Recent Developments/Future Plans

- In October 2018, Alghanim Industries announced its intention to bring a number of the international brands it represents to Assima Mall, part of the Assima Project, which is expected to launch in 2019.
- In July 2018, Alghanim Industries received the 'Best in Class Treasury Solution' award in the Middle East category, for completing the Payment Process Excellence project, at the Adam Smith Awards 2018.
- In May 2018, X-Cite electronics opened its fifth and sixth showroom in Al-Thumamah showroom and Al-Othaim Mall branch in Riyadh, Saudi Arabia.
- In November 2017, Lincoln Motor Company appointed Alghanim Auto as its new agent and dealer in Kuwait.
- In November 2017, Alghanim Industries opened its brand new X-cite and Safat Home showroom in Al Jahra, Kuwait. The new three-level showroom features more than 7,000m^2 of retail space and is located in the Mekhiyal Mall.

Source: Company Website

Americana Group (Privately Owned) Kuwait

Company Description

Founded in 1964 and headquartered in Kuwait City, Americana Group (Kuwait Food Company) is primarily involved in operating restaurants, manufacturing and marketing of consumer foods across the MENA region. The group is considered as one of the largest franchise operators in the region, leading in terms of number of outlets across the Quick Service, Casual Dining and Fine Dining restaurant categories. With operations spanning across 20 countries, the Americana Group holds around 1,800 restaurant outlets across the MENA region under its portfolio and has 29 food production sites across the UAE, Saudi Arabia, Kuwait and Egypt. Dubai-based investment consortium Adeptio owns 93.4% of Americana. The group's wholly owned subsidiaries include Gulf Food Industries – California Garden (UAE), Caspian International Restaurants - (Kazakhstan), Qatar Food Company - Americana, Kuwait Food Company (Egypt), Kuwait Food (UAE) and International Food.

Business Segments/Product Portfolio

Business segments of Americana Group include:

- **Restaurants:** Under this segment, Americana Group owns exclusive franchise rights for operation and management of some of leading F&B outlets in 13 markets across the MENA and CIA regions. The group's brand portfolio under this segment includes T.G.I Fridays' (around 70 outlets), Chicken Tikka (more than 30 outlets), Hardees (around 350 outlets), Costa Coffee (40 outlets), Maestro (3 outlets), Fusion (1 outlet), Grand Cafe (around 16 outlets), Pizza Hut (over 200 outlets), Krispy Kreme (over 150 outlets), Samadi (8 outlets), Olive Garden (7 outlets), Red Lobster (10 outlets), Longhorn Steakhouse (2 outlets), KFC (more than 700 outlets), Baskin Robbins (around 77 outlets) and Fish Market (more than 9 outlets).

- **Foods:** Under this segment, Americana Group is responsible for the manufacturing and distribution of diversified food products such as red meat, chicken products, canned beans, dairy, frozen vegetables, pastries, cold sandwiches, biscuits, cakes, chips and snacks. The group's brand portfolio under this segment includes Lion, California Garden, Americana Bakery, Koki, Farm Frites, Al Mazraa, Greenland Group, Senyorita, Break, Zeego, Windows, Gulfa, Americana Pizzeria, ICAPP, Americana Life, Royal and Sayyad brands.

Recent Developments/Future Plans

- In April 2018, Americana Group (Kuwait Food Company) voluntarily delisted its shares from Kuwait Stock Exchange (KSE).
- In November 2017, Americana Group (Kuwait Food Company) announced it has posted profits totaling US$ 145.2 million, in the first nine months of 2017.

Source: Company Website

Apparel Group (Privately Owned) UAE

Company Description

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

Business Segments/Product Portfolio

- **Accessories:** Under this segment, the group offers fashion watches through its 17 'All About Watches' multi-brand stores in the UAE and Saudi Arabia. It also provides other accessories like bags and footwear of international brands such as Aldo (48 stores), Charming Charlie (10 stores) and Herschel (5 stores) across the GCC.
- **Cosmetics:** The group operates stores of international cosmetic brands such as Inglot (73 stores) and Rituals (9 stores).
- **Department Store:** Apparel Group operates department stores of Dollar Plus, which offers customers with a wide range of general merchandise and seasonal items for household purposes through 10 stores. The group also operates a HEMA store in the UAE that offers generic house-wares at a low price point and 2 Lakeland stores in the UAE which offers kitchenware, practical ideas for the home and garden, among others.
- **Fashion:** Within the fashion segment, Apparel Group operates over 280 stores of international fashion brands such as Aeropostale, Ardene, Austin Reed, Juicy Couture, Calvin Klein, Levi's, Nautica, New Yorker, R&B, Tommy Hilfiger, Garage, CathKidston, Beverly Hills Polo Club and Tommy Jeans.
- **Footwear:** The group operates footwear stores of international brands such as Aldo, Athlete's Co., Birkenstock, Charles & Keith, Crocs, Dune London, Hush Puppies, Nine West, Pedro, Skechers, New Balance, Moreschi, TOMS and UGG.
- **F&B:** Under this segment, the group runs around 240 outlets of Cold Stone Creamery (45 in the UAE, 2 in Bahrain, 14 in Saudi Arabia, 3 in Kuwait, 5 in Oman and 5 in Qatar), Jamie's Pizzeria (1 outlet in the UAE), Jamie's Italian (1 outlet in Qatar), Molten Chocolate Café (1 outlet in the UAE), Sbarro (3 outlets in the UAE), Tim Hortons (98 outlets in the UAE, 1 in Bahrain, 40 in Saudi Arabia, 2 in Kuwait, 7 in Oman and 9 in Qatar) and Sumo Sushi & Bento (2 outlets in Qatar).
- **Kids:** Under this segment, the group provides fashion wear for kids and mothers under brands such as Adams Kids, Babycenter, Kidiliz, Skechers Kids, The Children's Place, SMYK, Tommy Hilfiger Kids and Z generation, etc. through more than 90 stores across the GCC.
- **Malls:** Apparel Group operates one community center in the UAE and Oman each under the Grand Centrale brand.
- **Online:** The group operates an online retail store (6thstreet.com) dedicated towards a collection of consumer lifestyle and fashion related products in the UAE, Saudi Arabia and Kuwait. It offers a large selection of shoes, bags and accessories from renowned fashion brands including Aldo, New Balance, Nine West, Dune London, Skechers and Call It Spring, among others.

Recent Developments/Future Plans

- Crocs, a brand represented by the Apparel Group, announced the opening of a new 75 sq m flagship store in The Mall of Emirates, Dubai.
- 6thstreet.com, the group's e-commerce fashion platform, announced the expansion of its business into Kuwait.
- The group's footwear & accessories brand Dune London announced the opening of its flagship store in The Dubai Mall.
- Apparel Group announced the opening of Jamie Oliver's Pizzeria by British Celebrity Chef Jamie Oliver in Dubai's Jumeirah Lake Towers – Cluster R.

Source: Company Website

Azadea Group (Privately Owned) UAE

Company Description

Azadea Group is a lifestyle retail company involved in the business of ownership and operation of international brand stores across the MENA region. Formed in 1978 in Lebanon, Azadea Group went out on an expansion spree and started operations in the GCC by opening its first store in the UAE in 1993. Currently, the group owns and operates more than 50 leading international franchise concepts in the MENA region. The group caters to several sectors such as fashion & accessories, F&B, home furnishings, sporting goods, multimedia and beauty and cosmetics through more than 650 stores spread across 13 countries across the MENA region.

Business Segments/Product Portfolio

- **Beauty & Cosmetics:** The group offers a single brand - Italy's KIKO Milano in this segment, with 15 stores spread across the UAE, Kuwait, Lebanon and Qatar.
- **Fashion & Accessories:** Under this segment, the group provides numerous globally renowned brands such as Bershka, Boggi, Calzedonia, GAP, Gymboree, Intimissimi, Janie & Jack, Jules, MANGO, Oculis, Old Navy, Promod, Pull & Bear, Punt Roma, Tezenis, Reserved, Pimki, Oysho, Salsa, Sunglass Hut and Zara.
- **F&B:** The group's F&B segment has a reach across the MENA region, including major GCC countries like the UAE, Qatar, Oman and Kuwait with around 96 outlets. It offers a wide range of popular brands such as Columbus Café & Co., Eataly, Kosebasi, New Shanghai, Paul, Peal Juice Bars, Pulp Juice Bars and The Butcher Shop & Grill.
- **Multimedia:** The group operates more than 35 Virgin Megastores in Bahrain, Egypt, Jordan, Oman, Qatar and the UAE. Virgin Megastore offers a wide range of entertainment and media products including electronic gadgets, games, movies, music, books and toys, in addition to fashion and services to complement the products.
- **Home Furnishing:** Under the segment, the group provides an exclusive range of furniture and home decor brands which include Mood and Zara Home. While the Mood brand is present only in the UAE with 2 stores, Zara Home is available in Algeria, Bahrain, Egypt, Jordan, Kuwait, Lebanon, Oman, Qatar and the UAE with a total of 23 stores.
- **Sporting Goods:** The group offers a single brand - France's Decathlon in this segment, with 5 stores across the UAE, Kuwait, Lebanon and Qatar. Products available at Decathlon stores range from outfits to accessories and footwear to sports equipment such as trekking gear, ski gear and snowboard equipment.

Recent Developments/Future Plans

- In November 2018, Azadea Group entered into an exclusive partnership with multinational lifestyle brand Urban Outfitters, the latest addition to their portfolio. The Urban Outfitters brand offers men's and women's apparel, accessories, beauty products and vintage clothing.
- In October 2018, European shoe retailer Deichmann SE collaborated with Azadea Group in order to expand across the MENA region. The first Deichmann franchise business is expected to open in Dubai in 2019.
- In April 2018, Azadea Group opened 11 new stores in Kuwait's Al Kout Mall. With the addition of the new stores, the group's footprint in Kuwait expanded to 76 stores, covering total space of 32,000 sq m across the country.
- In March 2018, Azadea Group entered into a partnership with female fashion brand Missguided Partners, expanding its portfolio of fashion and accessories brands. Through this partnership, Missguided Partners will set foot in the Middle East with plans of further expansion in key markets such as the UAE, Qatar, Saudi Arabia, Kuwait, Bahrain, Jordan, Lebanon and Egypt.

Source: Company Website

BMA International Group (Privately Owned) UAE

Company Description

Founded in 1988 and headquartered in Dubai, BMA International Group (BMA) is a retail company with expertise across fashion and mall management. The group has over 250 retail outlets covering an area of over 500,000 sq m. BMA also owns two central distribution centers at the Jebel Ali Free-zone, handling over 12,000 containers of imported goods annually.

Business Segments/Product Portfolio

- **Fashion Retail:** Under this segment, BMA supplies a wide range of clothing and accessories for men, women and children.
    - **Redtag:** Launched in 2006, the group offers a range of fashion and home-ware products (such as home decor items, crockery and utensils) through its brand 'Redtag'. Currently, the brand has over 190 stores spread across the GCC countries, Iraq, Egypt, Uzbekistan, Tunisia, Nigeria and Yemen.
    - **Twenty4:** Under this brand, the group operates 57 retail stores covering an area of 90,000 sq m across the GCC. Launched in 2013, the stores of Twenty4 offer a wide variety of clothing, accessories and apparels for men, women and children.
- **Advertising Agency:** Under this segment, BMA provides a wide range of services in advertising, marketing, digital, design, strategy and event management through its brand Orangerie. Founded in 1999, the agency has three offices in Dubai, Bahrain and Kuwait serving over 10 clients including names like Gulf mart, Twenty4, Redtag, The Bahrain Mall, Dulux, Ducab, Arabian Adventures, DP World, Emirates Holidays and Oman Insurance Company.

Recent Developments/Future Plans

- In December 2018, OnCost Cash and Carry acquired Gulfmart, from BMA International Group, that has been operating in Kuwait since 1999.
- In May 2018, Redtag, part of BMA International Group, reopened its store at The Bahrain Mall at Sanabis, following a revamp to enhance customer experience.
- In June 2017, MAF acquired Geant supermarket Middle East franchise owner Retail Arabia from BMA International in a deal estimated to be worth up to US$ 500 million.
- In February 2017, Twenty4, part of BMA International Group, launched 10 new stores across Saudi Arabia, taking its total number of stores to 42 in the Kingdom. Twenty4 also opened a new store in Markaz Al Bahja, Oman.

Source: Company Website

BMMI Group (Publicly Listed) | Bahrain

Company Description

Established in 1883, BMMI Group is a Bahrain-based diversified company engaged in wholesale and retail of food and beverages and other consumer products. The group also provides end-to-end supply chain solutions, integrated facility management, shipping, logistics and procurement services to government, commercial and military organizations. Furthermore, BMMI is also involved in the hospitality sector through catering and housekeeping, janitorial and other related services. Listed on the Bahrain Bourse, BMMI has overseas presence across eight countries in the Middle East and Africa region and has established a number of JVs and strategic alliances with regional and international partners.

Business Segments/Product Portfolio

- **Beverages:** BMMI is involved in the distribution, wholesale and retail of several beverages in Bahrain. It represents global brands such as Bacardi, Brown-Forman, Diageo, Heineken and Moët & Chandon.
- **FMCG:** BMMI is involved in the distribution, wholesale and retail of food and household goods such as confectionery, packaged and canned food, toiletries, fragrances, cosmetics and tobacco in Bahrain. Its FMCG brand portfolio includes MARS, American Garden, Humana, Vileda, Colgate-Palmolive, Yardley, Jergens, Pert Plus, Foster Clarks, Persil, DAC, Henkel, JTI, Red Bull and Crème 21.
- **Cafes & Restaurants:** BMMI operates cafes and restaurants across Bahrain. The group operates 2 cafes namely Delilah and Elios Craft Cafe and 2 restaurants namely La Vinoteca Barcelona and Alto in Bahrain.
- **Supermarkets:** BMMI owns and operates supermarkets across Bahrain. BMMI owns Alosra supermarket, which currently operates 7 stores across Bahrain and 2 in Saudi Arabia. The group also launched a dedicated e-commerce website for Alosra (alosraonline.com) which has a portfolio of over 7,500 products.
- **Food Production Unit:** Through its production unit, the group prepares and delivers food to coffee shops, supermarkets, schools and offices across Bahrain. It specializes in production of ready-made foods, packaged fruits, baked goods, fully cooked meals and European, Arabic and fusion style salads.
- Other divisions of the group include Hospitality, Integrated Facilities Management, Logistics and Shipping.

Recent Developments/Future Plans

- In May 2018, BMMI's Alosra supermarket entered into a commercial deal with Ireland-based food retail and wholesale company, Musgrave. The deal will enable Alosra to distribute European brands, widening its grocery portfolio.

Source: Company Website and annual report

Current Price (US$)	2.02

Price as on April 14, 2019

Stock Details	
Thomson Reuters Ticker	BMMI.BH
52 week high/ low	2.12/1.83
Market cap (US$ mn)	295.3
Enterprise value (US$ mn)	348.1
Shares outstanding (mn)	142.4

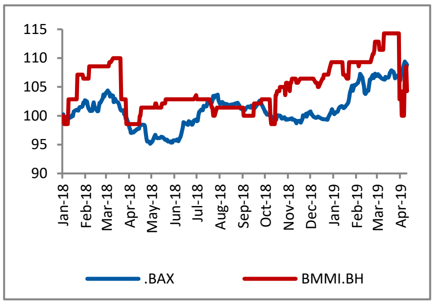
Source: Thomson Reuters

Average Daily Turnover

	BHD	US$
3M	8,806.8	23,361.2
6M	9,063.9	24,043.2

Source: Thomson Reuters

Share Price Chart



Source: Thomson Reuters

Valuation Multiples

	2016	2017	2018
P/E (x)	12.2	11.3	12.6
P/B (x)	1.8	1.5	1.6
EV/S (x)	1.5	1.2	1.3
Dividend yield (%)	6.0	7.1	6.5

Source: Thomson Reuters

Shareholding Structure	
A M Yateem Brothers WLL	10.0%
Bahrain Duty Free Shop	6.6%
Yousif Abdulla	6.2%
Almoayyed Family	6.0%
Others	71.3%
Total	**100. 0%**

Source: Thomson Reuters

Financial Performance				
US$ Million	**2016 YE Dec**	**2017 YE Dec**	**2018 YE Dec**	***Change Y-o-Y (%)***
Revenue	256.7	272.1	276.3	*1.6*
Total Operating Expense	238.8	255.1	256.1	*0.4*
Net Income	25.0	22.9	22.3	*(2.3)*
Net Income Margin (%)	9.7	8.4	8.1	
Return on Average Equity (%)	15.2	13.5	12.8	
Return on Average Assets (%)	7.9	6.2	5.9	

Key Comments

- *BMMI reported EBITDA of US$ 35.0 million in FY 2018, indicating a decline of 3.6%Y-o-Y, from US$ 36.3 million in FY 2017.*
- *In FY 2018, BMMI reported a 1.6% Y-o-Y growth in total revenues to US$ 276.3 million but reported a decline of 2.3% Y-o-Y in its net income.*

Source: Annual Report

Chalhoub Group (Privately Owned) UAE

Company Description

Established in 1955 and headquartered in Dubai, Chalhoub Group is primarily involved in luxury retail operations in the F&B, beauty, fashion and gift segments catering to customers across the Middle East. The group has presence in 14 countries with a network of more than 600 retail stores and holds a strong expertise in distribution and marketing services. Chalhoub Group operates franchisees of luxury brands such as Louis Vuitton, Christian Dior and Fendi in the Middle East. The group also provides distribution and communication services for international brands. The Group is a member of the United Nations Global Compact Community since 2014 and signatory of the Women's Empowerment Principles (WEP).

Business Segments/Product Portfolio

- **Retail:** The group operates a network of retail stores in the Middle East through its subsidiaries, affiliates and JVs.
  - **Own Retail Concepts:** Chalhoub Group has in total six multi-brand retail concepts, which include Tangara (9 stores in the GCC offering lifestyle gifts); Wojooh (over 100 stores in 12 countries offering luxury beauty products); Level Shoes (a 9,000 sq m store in the UAE offering luxury footwear with 40 boutiques); Tryano (over 250 brands offering bags, beauty products and kids wear in Abu Dhabi); and Level Kids (a 10,000 sq m store offering children wear).
  - **Franchises:** The group operates franchises of renowned brands such as L'Occitane, Saks Fifth Avenue, Carolina Herrera, Céline, Lacoste, Marc Jacobs and Michael Kors.
  - **JVs:** Through established JVs, the group operates popular brands such as Louis Vuitton, Christian Dior, Sephora, Fendi, Chaumet, Christian Louboutin and Berluti across the Middle East.
  - **Travel Retail:** Chalhoub Group provides travel retail services in coalition with duty free shops at Cairo International Airport, a fashion concession at the Bahrain Duty Free and in-flight duty free of several airlines.
  - **F&B:** The group recently ventured into the F&B sector by creating a dedicated F&B division. It manages three restaurants in the UAE, including La Pâtisserie des Rêves in its specialty store TRYANO in Yas mall, Abu Dhabi. A second branch is planned to open soon in the group’s upcoming Level Kids concept in City Walk, Dubai. It also manages the VOGUE Café and Aubaine at the Dubai Mall.
- **Media & Advertising:** 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 September 2018, Chalhoub Group signed a JV agreement with Today Reworld Media, a leading multichannel media group, in order to develop a new data-driven business model for content creation and distribution in the Middle East.
- In February 2018, Chalhoub Group signed a JV agreement with Farfetch, a global platform for luxury fashion, in order to connect the group’s expertise and knowledge of retail, distribution and marketing services for the luxury industry across the Middle East with Farfetch’s e-commerce, technology and logistics platform.
- Chalhoub Group announced its first venture in the F&B sector by creating a dedicated F&B division, which aims to bring and develop innovative restaurant concepts in the Middle East. It now operates three restaurants in the UAE.

Source: Company Website

Dubai Duty Free (Privately Owned) UAE

Company Description

Established in 1983, Dubai Duty Free (DDF) has grown into one of the world's biggest travel retail operators with sales of over US$ 2 billion in 2018. The company currently operates 38,000 sq m of retail space at Dubai International Airport and 2,500 sq m at Al Maktoum International Airport that will grow in line with the massive development plans of Dubai South. In addition to its retail operation, DDF operates a leisure division, which includes The Irish Village in Dubai, The Century Village, Dubai Duty Free Tennis Stadium and The Jumeirah Creekside Hotel.

Business Segments/Product Portfolio

- **Retail:** DDF's retail space offers a variety of consumer products including perfumes, liquor, cigarettes & tobacco, gold & jewelry, watches, cosmetics, leather goods, luggage, pens, sunglasses, fashion garments and electronics. Perfumes retained its position as the best-selling category with US$ 300 million in sales, accounting for 16% of total sales during 2017. Liquor (with sales of US$ 298 million) was the second highest selling product, followed by cigarettes & tobacco (US$ 189 million), cosmetics (US$ 172 million) and Electronics (US$ 150 million).
- **Leisure:** Under this segment, DDF operates the following leisure businesses:
  - **Dubai Duty Free Tennis Stadium:** Officially inaugurated in 1996, the tennis stadium hosts the region's premier tennis event - the Dubai Duty Free Tennis Championships. The stadium comprises a 5,000 seat center court, VIP area and Royal enclosure. In addition to tennis tournaments, the stadium also hosts music concerts.
  - **The Irish Village:** Following the successful launch of its existing Garhoud and Riverland outlets, in Dubai UAE. The Irish Village is set to open its third branch in the Dubai Studio City's Studio One in 2019. The F&B concept was recently renovated and expanded and now includes a range of Irish food products, in addition to hosting 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 outdoor settings make it one of Dubai's favorite venues for Al Fresco dining and family outings.
  - **The Jumeirah Creekside Hotel:** Opened in 2012, the five-star hotel is managed by Jumeirah Group and features luxurious, modern accommodations that includes 292 guest rooms with 2 outdoor pools, 6 world-class restaurants, a gym and a spa. Located in the immediate vicinity of the Dubai International Airport, the hotel is the official hospitality partner for the Dubai Duty Free Tennis Championships.

Recent Developments/Future Plans

- DDF expects sales to grow to US$3 billion by 2022 as Dubai International Airport boosts capacity to meet rising tourist arrivals.
- In 2018, DDF completed the renovation of 4,835 sq m of retail area in Concourse C of Dubai International Airport, while in Concourse B, the refurbishment project was 69% completed with 993 sq m of retail space being operational. The renovation facilitated the opening of new stores such as Victoria's Secret, Salvatore Ferragamo, Gucci boutique and several others.
- In December 2018, DDF celebrated 35 years of retailing service with a special 25% discount on a wide range of merchandise over three days which recorded total sales of AED 191 million (US$ 52.3 million).
- In December 2018, DXB Entertainments signed a strategic partnership with DDF to promote Dubai Parks and Resorts to passengers arriving at all three Dubai International Airport terminals.
- In November 2018, DDF opened a retail shop at Queen Elizabeth II, the first floating hotel in the Middle East.

Source: Company Website

Eros Group (Privately Owned) UAE

Company Description

Established in 1967 and headquartered in Dubai, Eros Group is a holding company with interests in distribution of consumer electronics, IT and construction equipment in the UAE and select MENA markets. The group represents renowned brands such as Samsung, Hitachi, TCL, Linksys, Lennox, Velbon, Lucis and Sonos, amongst several others. In addition to its online presence, the group operates through 32 EROS Digital Home retail stores and has 6 service centers in the UAE. The group caters to a wide range of distribution channels including retailers, souq markets, system integrators, architects and consultants.

Business Segments/Product Portfolio

- **Retail Business Group (RBG):** The division drives operations of retail and e-commerce (erosdigitalhome.com) business for Eros Group under the brand of Eros Digital Home.
- **The Electronics & Appliances Business Group (EABG):** EABG is the flagship business division of Eros Group that represents the electronics and appliances segments. EABG is the exclusive distributor of brands such as Hitachi, TCL and Midea with strong presence across the GCC (especially in the UAE), Iraq, Afghanistan and Africa.
- **Smartphone & Mobile Communication:** As a strategic partner for Samsung & Du, the group distributes flat panels and audiovisual systems, mobiles and smart-phones, tablets and LED systems from the Samsung portfolio. It operates over 20 sales vans and has developed one of the fastest turnaround times in the distribution industry.
- **Information Technology Business Group (ITBG):** ITBG, which is also the parent group of Lifestyle Business, holds expertise in organized retail distribution. It partnered with Samsung and Linksys to exclusively manage the organized retail channel in the UAE. Additionally, its tie-ups with Linksys and Sonos is expected to drive future growth in the wireless music streaming.
- **Air-conditioning Business Group (ACBG):** ACBG primarily works on turnkey projects for the residential sector including design, installation, testing and commissioning and provision of after sales service. With strong emphasis on energy efficiency, reliability and prompt after sales service, ACBG deals with major brands such as Lennox, Hitachi, TCL, Smardt Chiller Group, Thermobreak, Thermotec, Pentair and Ruks Engineering.
- **Lighting & Electricals Business Group (LEBG):** LEBG offers lighting solutions for residential, industrial and commercial units including hotels, offices, supermarkets, malls, art galleries, showrooms, schools and warehouses. It partners with some of the leading global brands such as QisDesign, TCL, Greenlux, Fern Howard, Lucis, Grupo Novolux and Secom.
- **Information Technology (IT):** The division is the core unit driving technological innovation and transformation in Eros Group. The Eros IT division supports nearly 50 locations, which include offices, warehouses, retail stores and service centers.

Recent Developments/Future Plans

- In January 2019, Samsung Gulf opened a new 853 sq m multi-experience store at the Dubai Mall, which is managed by the Eros Group. The store centers on key experience aspects displaying technologies with respect to connected living, gaming, photography, television and other household systems.
- In June 2018, Eros Group and Hitachi marked the beginning of their 50th anniversary as partners in the UAE.
- In October 2017, Eros Group expanded its presence in Abu Dhabi by opening a new Eros Digital Home Store in Khalidiyah Mall.

Source: Company Website

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

Company Description

Formed in 1990 and headquartered in Riyadh, Fawaz Abdulaziz Alhokair Company (FAAC) is a franchise retailer in MENA, Central Asia and Caucasus regions. It operates over 2,000 stores across 100 shopping malls, spread over an area of more than 600,000 sq m in 14 countries. Under its portfolio, FAAC has over 88 fashion brands covering men's wear, women's wear, kids & baby, accessories, cosmetics, entertainment and F&B. 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

- **Women's Wear:** Under this segment, FAAC operates stores under brands such as adL, Anotah, Camaieu, Dynamite, FG4 Women, Lipsy, Monsoon, OXXO, Promod, Mango, Gerry Weber, Gelco, Quiz and Oysho.
- **Men's Wear:** Under this segment, FAAC operates stores of brands such as Celio, Massimo Dutti and US Polo Assn., amongst others.
- **Kids & Baby:** Under this segment, FAAC operates more than 320 stores of brands such as FG4, IKKS, Jacadi, Mayoral, Monsoon Children, Okaidi, Sergent Major, Tape a Loeil, The Children's Place and Ziddy.
- **Department Stores:** FAAC department stores offer brands such as F&F, GAP, LC Waikiki, New Yorker, Old Navy, Ball, Topshop and Zara.
- **Shoes & Accessories:** Under this segment, FAAC operates stores of brands such as ALDO, Accessorize, Call It Spring, Charles & Keith, Clarks, Pedro, Nine West and SIX.
- **Cosmetics:** FAAC operates 56 stores of brands such as Flormar, Models Own and Skin-food under this segment.
- **F&B:** FAAC has license to operate outlets of Costa Coffee and operates three stores in Morocco.
- **Home Purposes:** Under this segment, FAAC operates stores of Zara Home. It has 8 stores in Saudi Arabia and one each in Georgia and Armenia.
- **Electronics:** Under this segment, FAAC operates 2stores of Aleph in Saudi Arabia. Aleph plans to open Apple Premium Reseller stores across Saudi Arabia.
- **Young Fashion:** Under this segment, FAAC operates stores of brands such as Bershka, Garage, Jennyfer, Salsa, Pull & Bear and Superdry.

Recent Developments/Future Plans

- In December 2018, Marakez for Real Estate Investment, the Egyptian arm of FAAC, announced it was scouting for more investments in Egypt.
- In November 2018, FAAC signed an agreement with Waterford City and County Council to invest US$ 340 million for constructing a mall, hotel and housing development in the Southeast Irish city.

Source: Company Website

Current Price (US$)	6.67

Price as on April 14, 2019

Stock Details	
Thomson Reuters Ticker	4240.SE
52 week high/ low	7.97/4.63
Market cap (US$ mn)	1,399.9
Enterprise value (US$ mn)	2,245.6
Shares outstanding (mn)	210.0

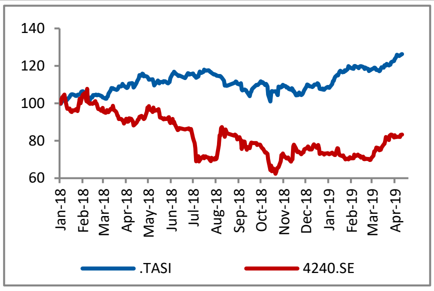
Source: Thomson Reuters

Average Daily Turnover ('000)

	SAR	US$
3M	12,882.3	3,434.9
6M	12,213.3	3,256.5

Source: Thomson Reuters

Share Price Chart



Source: Thomson Reuters

Valuation Multiples

	2016	2017	2018
P/E (x)	11.6	14.5	53.7
P/B (x)	3.3	3.2	2.5
EV/S (x)	1.7	1.4	1.4
Dividend yield (%)	-	-	-

Source: Thomson Reuters

Shareholding Structure	
FAS Saudi Holding Co Ltd	49.0%
Alzahid Family	15.3%
Salman Abdulaziz Al Hokair	7.0%
Abdul Majeed Abdulaziz Al Hokair	7.0%
Others	21.7%
Total	**100.0%**

Source: Company Website

Financial Performance				
US$ Million	**2016 YE Mar**	**2017 YE Mar**	**2018 YE Mar**	***Change Y-o-Y (%)***
Revenue	1,851.9	1,784.7	1,631.3	*(8.6)*
COGS	1,380.9	1,380.1	1,307.3	*(5.3)*
Net Income	164.2	113.5	27.6	*(75.7)*
Net Income Margin (%)	8.9	6.4	1.7	
Return on Average Equity (%)	30.1	19.8	4.8	
Return on Average Assets (%)	10.5	6.6	1.3	

Key Comments

- *In FY 2018, the company's net income dropped by 75.7% Y-o-Y to US$ 27.6 million from US$ 113.5 million in FY2017.*
- *In FY 2018, the company's cash flow from operating activities declined by 3.5% Y-o-Y to US$ 160.4 million.*
- *In FY 2018, the company's EBITDA margin dropped to 10.4% from 14.0% in FY 2017.*
  (FY ends in March)

Source: Company Website

Gulf Marketing Group (Privately Owned) UAE

Company Description

Established in 1978 and headquartered in Dubai, Gulf Marketing Group (GMG) is a family-owned business managed by the Baker family. The group, along with its subsidiaries, has a diversified mix of retail stores, brands and B2B services operating in key sectors such as food and food processing, healthcare, sports and fitness, education, technology, real estate and logistics. With strong reputation and a portfolio of renowned brand partners, it holds anchor tenancy in all major shopping malls across the GCC.

Business Segments/Product Portfolio

- **Healthcare:** Under this segment, the group's portfolio consists of some of the popular brands such as:
  - **Supercare Pharmacy:** Established in 1978 in Dubai, the brand has 40 pharmacies and 27 nutrition centers. Supercare sells popular brands in the health, beauty and pharmaceutical industry such as the Vichy skincare from L'Oreal and Johnson & Johnson and natural and organic products such as New Chapter, Renew Life and Bluebonnet Nutrition. Currently, Supercare is on the lookout for expansion opportunities, which will enable the GMG group to operate nearly 100 pharmacies, nutritional centers and wellness stores across the GCC over the next few years.
  - **Good Health Nutrition:** With 27 stores in the UAE, the brand offers a variety of nutritional and herbal remedies such as ayurveda, weight management products, along with sports and dietary supplements.
- **Sports & Fitness:** Under this segment, the group's portfolio consists of some of the popular brands such as:
  - **Engine Health & Fitness:** With an area spanning 30,000 sq ft, the 'Engine' is the only LEED gold certified health club in the Middle East offering the latest technology and Techogym equipment with innovative group fitness classes.
  - **Sun & Sand Sports:** Established in 1979 as the first business venture of GMG, Sun & Sand Sports offers more than 90 different brands through more than 200 stores across the Middle East (183 stores in the GCC). Sun & Sand Sports holds exclusive retail and distribution rights for global brands such as Adidas, Arena, Babolat, Columbia, Nike, The North Face, Timberland and Vans.
  - **Sports Market:** Launched in 1980, the Sports Market offers a wide range of clothing, equipment and products at affordable price points. With two stores in Abu Dhabi, it houses several brands such as Reebok, Skechers and Puma.
- **Malls:** Under this segment, the group's Jumeirah Centre shopping mall offers a wide range of global and regional retail brands alongside specialist services.
- **F&B:** Under this segment, the group distributes frozen and dry food products in the UAE and Oman through its subsidiary brand – Farm Fresh. Established in early 1970s, Farm Fresh is an integrated distribution solutions company providing food products to hypermarkets, supermarkets, hotels, restaurants, cafés and bakeries. With partnerships with several global manufacturers, its portfolio includes more than 1,000 products from brands such as Seara, McCain, Sara Lee, Klassic, Shan and Aashirvaad.
- **Decor:** The group, through its subsidiary - Sun Coast distributes branded outdoor, swimming-pool and restaurant furniture to the hotel, restaurant and real estate industries across the Middle East
- **Logistics:** The group offers logistics service through integrated cold chain services for wholesalers and the FMCG sector through its subsidiary Trilogi Logistics. With a distribution center and storage facility in Dubai Investment Park, it operates across the GCC and select international markets.
- Other business divisions of the group include education (Emirates British Nursery) and Multi Media Advertising.

Recent Developments/Future Plans

- In order to establish itself on the international stage, Sun & Sand Sports plans to open over 500 stores between 2015 and 2022.

Source: Company Website

Joyalukkas Group (Privately Owned) UAE

Company Description

Founded in 1987 and headquartered in Dubai, Joyalukkas Group is a multi-billion dollar conglomerate, involved in various businesses, including jewelry, money exchange, fashion and silks, luxury air charter and malls. The group is considered as one of the largest jewelry retail chains in the world, offering large number of exquisitely designed jewelry in gold, silver, diamond, precious stone, platinum, polki and pearl. Joyalukkas opened its first single jewelry showroom in 1986 and currently operates 160 showrooms spread across 11 countries, including India, the UAE, USA, UK, Singapore, Malaysia, Saudi Arabia, Qatar, Bahrain, Kuwait and Oman. Each of the group's showrooms includes spacious interiors of more than 3,000 sq ft.

Business Segments/Product Portfolio

- **Jewelry:** The group owns and operates jewelry stores offering a range of gold, diamond, platinum and pearl jewelry collections under the brand names Pride Diamond Jewelry, Eleganza, Apurva Temple Jeweller, Ratna, Veda, Zenina, Masaaki and Lil Joy.
- **Fashion Retail**: Under this segment, the group offers a range of branded fashion apparel for women, men and kids as well as silk apparel under the Jolly Silk brand. Its portfolio under this division includes Chitrangada, Mughal White, Sanskar and Vaidehi. The group operates stores across Kuwait, Oman, the UAE and India.
- **Lifestyle Developments:** Under this division, the group offers real estate and construction services under the Joyalukkas Lifestyle Developers brand. Its on-going project includes Gold Tower, a residential project in Kochi, Kerala (India).
- **Properties:** The group owns and operates two malls under the Mall of Joy brand in Kerala, India, which spread over 2,000,000 sq ft in retail space.
- **Foreign Exchange:** Under this division, the group provides foreign exchange services, under the Joyalukkas Exchange brand, in collaboration with leading banks and financial institutions across the globe. Its services include remittance, foreign currency, payroll solutions and payment solutions. The services are provided in the UAE, Kuwait, Oman and India.
- **Air Charter Services:** Under this division, the group offers a range of jet and helicopter tours and charter services in India under the Joy Jets brand. It has a fleet and the expertise to manage various services such as short-range flights, long-range flights and helicopter services.

Recent Developments/Future Plans

- Currently, the group is strengthening its online presence and its e-commerce offerings. Joyalukkas plans to have 220 showrooms in 14 countries by 2020.

Date	Country	Store Opening details
October 2018	Bahrain	Opened a new showroom in Manama
August 2018	Saudi Arabia	Opened a new showroom in Jeddah
August 2018	Kuwait	Opened a new showroom in Farwaniya
July 2018	UAE	Opened a new showroom in Mall of UAQ (Umm Al Quwain)
July 2018	Oman	Strengthened its presence in the Sultanate with simultaneous opening of two new showrooms; one located near Ruwi Police Station and one at the Al Hashar building
May 2018	UAE	Opened a new showroom in Nesto Hypermarket, Mushrif, Ajman
March 2018	UAE	Opened a new showroom in Sharjah at Lulu Hypermarket, UAE
March 2018	Oman	Opened a new showroom in Salalah

Source: Company Website

Khimji Ramdas LLC (Privately Owned) Oman

Company Description

Founded in 1870 and headquartered in Muscat, Khimji Ramdas LLC (KR) is a conglomerate involved in the operation of trading, distribution, retailing and manufacturing activities through its various divisions. KR has four business groups, under which it caters to 37 divisions in Oman, the UAE and India. The company has a portfolio of more than 400 global and leading homegrown brands. In the retail business, KR operates a chain of supermarkets, lifestyle showrooms, restaurants and cafes. It operates more than 100 retail stores and has a wide distribution network comprising 3,500 direct sales points. The company also has warehousing facilities spread over 100,000 sq m in Oman.

Business Segments/Product Portfolio

- **Lifestyle Group:** Under this division, KR owns and operates stores of watches, luxury and lifestyle products. Its watches segment comprises of brands such as Rolex, Tudor, Chopard, Cartier, Oris, Frederique Constant, Piaget and Carandache. For luxury and lifestyle products, KR's portfolio consists of brands such as Aalami & Uber (3 stores), Swarovski (2 stores) and Samsonite (2 stores). Furthermore, in its restaurants and cafes segment, KR operates 40 outlets of Pizza Hut in Oman. KR also operates Khimji Training Institute in Oman, which has trained over 25,000+ individuals in various fields such as retail, hospitality, accounting, interpersonal skills and IT.
- **Consumer Products Group:** Under this division, KR provides a range of food products, FMCG and commodities through its supermarkets and distributions network in Oman. Its portfolio consists of brands such as Procter & Gamble (P&G), Kellogg’s, Palmers, Red Bull, BelGroupe, Kaya Skin Clinic, Parachute hair oil, Pons Olive oil and Del Monte, among others. As of end-2017, KR operated 24 supermarkets of SPAR International and managed 32 social welfare markets for the Royal Oman Police personnel. KR also operates 4 catering facilities and 11 industrial laundries for the Royal Oman Police.
- **Infrastructure Group:** Through this division, the company provides complete solutions for industrial and residential sectors, which includes construction, materials, air-conditioning and refrigeration, electrical products, paints, interiors and maintenance and services. Through its retail store - Bait Al Ahlam in Oman, KR supplies home furnishing products such as tiles, furniture, sanitary-ware, air-conditioners and modular kitchens.
- **Projects & Logistics Group:** Under this division, KR offers transportation and logistics services and marine solutions such as ocean cruise, ferry operations, bulk vessels, tankers, product carriers, common carrier feeders, air cargo, ship supply and stores. KR also offers specialized products to sectors such as travel and tourism, sports and leisure, insurance, automobile and environmental waste management.
- **International Distribution & Logistics:** The group has expanded its business operations to India and UAE under the division KR International. In India, KR has setup a distribution unit for P&G, while the company's UAE operations comprise of KR Shipping LLC (freight forwarding), KR & Sons(logistics), Deira Commodities (distribution of food commodities)and Middle East Fuji Khimji’s shipping(ship supply and engineering services).

Recent Developments/Future Plans

- In May 2018, India’s Future Group signed a JV with KR to retail jointly in the fashion and food categories in the UAE. The newly established JV Company is called KR Future Fashions LLC.
- In April 2018, Eshraqa, Khimji Ramdas Social Development Arm, won the 'Best CSR Project' at the prestigious Al Roya Business Awards 2018.

Source: Company Website

Landmark Group (Privately Owned) UAE

Company Description

Founded in 1973 with its first ever store in Bahrain, Landmark Group remains focused in the businesses of retail and hospitality across the Middle East, Africa and India. The group operates more than 2,300 stores across 22 countries, encompassing a combined area of more than 30 million sq ft. Landmark Group offers loyalty programs to its long-standing customers called 'Shukran' in the UAE (20 million members) and 'Landmark Rewards' in India (10 million members).

Business Segments/Product Portfolio

- **Retail:** Under this division, the group offers fashion, home & electronics and sports products of its own and franchisee brands.
  - **Fashion:** The group's fashion store brands include Centrepoint (135 stores), Shoe Mart (177 stores), Babyshop (243 stores), Splash (250 stores), Lifestyle (59 stores in India), Emax (33 stores), Shoexpress (116 stores), Iconic (44 stores) and Shoe Mart International (177 stores). Additionally, the group's Landmark International manages and operates 163 fashion stores of international brands such as New Look, Koton, Reiss, Lipsy and Yours London.
  - **Home & Electronics:** The group offers home furnishing, furniture and accessories through its stores - Home Centre (104 stores) and Home Box (22 stores).
  - **Sports:** The Group manages 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:** Under the segment, the group operates outlets of leisure, F&B, wellness centers and hotels.
  - **F&B:** The group, through Foodmark, operates 54 restaurant outlets under the franchisee model with brands such as Krispy Kreme, Carluccios, Max's restaurant, Nando's, Zafran and All About Chicken.
  - **Fitness & Wellbeing:** The group operates 52 fitness clubs under the 'Fitness First' brand across the Middle East.
  - **Salon & Spa:** The group offers salon and spa services under its brands – Balance and Spaces in Dubai.
- **Landmark Leisure:** The group offers Family Entertainment Centers (FECs) under its brands – Fun City, Fun Ville and Fun Works.
- **Properties:** 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 April 2018, Landmark Group announced plans to expand its shopping mall footprint in the GCC with its Oasis Mall brand. The plan is expected to be completed in 2019, which will increase Oasis Mall's presence to 11 destinations across existing territories with a total GLA of over 2.6 million sq ft of retail space.
- In February 2018, Landmark Group introduced four food discounter stores in the UAE under a new brand named 'Viva', which primarily focuses on food retailing.

Source: Company Website

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

Company Description

Founded in 1983 and headquartered in Kuwait City, M.H. Alshaya Co. WLL (MHAC) is involved in the business of retail and trading activities of various products under several different international brands. The company has franchisee rights of around 90 brands across multiple sectors such as fashion & footwear, health & beauty, F&B, optics, pharmacy, home furnishings, leisure & entertainment and hotels. The company currently operates more than 4,000 stores, spread over a combined area of more than 1,200,000 sq m. Apart from brand franchise business, the company also engages in property investment, commercial trading, JVs and mall developments. 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 franchises of brands such as Mothercare, H&M, Debenhams, Victoria's Secret, Harvey Nichols, American Eagle, Topshop, Burton Menswear, Claire's, Coast, COS, Dorothy Perkins, Next, Oasis, Milano, River Island and Wallis.
- **Food:** Under this segment, MHAC operates F&B franchises of brands such as Starbucks, The Cheesecake Factory, P.F. Chang's, Shake Snack, 400 Gardi, Al Forno, Asha's, Babel, Blaze Pizza, Bouchon Bakery, Bridgewater Chocolate, Dean & Deluca, Teavana and Veranda.
- **Health & Beauty:** Under this segment, MHAC owns franchise rights for international brands such as The Body Shop, M.A.C., Bath & Body Works, Victoria's Secret, Bobbi Brown, Charlotte Tilbury, Le Labo, Jo Malone and Tromborg.
- **Pharmacy:** Under this segment, MHAC operates pharmacies under the Boots brand, owned by Walgreens Boots Alliance, a US-based global retail pharmaceutical operator. MHAC operates more than 140 Boots stores across the GCC.
- **Optics:** Under this segment, MHAC owns franchise rights for Vision Express (33 stores) and Solaris (20 stores) in the GCC.
- **Home Furnishings:** Under this segment, MHAC owns franchise rights for home furnishings brands such as Pottery Barn, Pottery Barn Kids, Pottery Barn Teen, West Elm and Williams-Sonoma. It operates 39 stores under this segment.
- **Leisure and Entertainment:** Under this segment, MHAC owns franchise rights for Kidzania and Tek Zone in Kuwait.

Recent Developments/Future Plans

- In October 2018, Italian luxury home fragrance brand Dr. Vranjes Firenze collaborated with MHAC to make its Middle East debut, introducing customers to its exclusive artisan range of perfumed accessories.
- In September 2018, Spontini, an Italian pizza brand made its Middle East debut with the opening of their first restaurant in Kuwait at The Forum - The Avenues, in partnership with franchise operator MHAC.
- In April 2018, MHAC launched a new dining destination in Riyadh, to bring together a host of international food brands including The Cheesecake Factory, P.F. Chang’s, Asha’s, Pinkberry, Texas Roadhouse, Shake Shack, IHOP, Raising Cane’s, Blaze Pizza and Starbucks.
- In March 2018, MHAC unveiled 11 international brands for shopping, dining and entertainment for the first time in Kuwait, at The Avenues Phase IV.

Source: Company Website

Majid Al Futtaim Holding LLC (Privately Owned) UAE

Company Description

Founded in 1992 and headquartered in Dubai, Majid Al Futtaim (MAF) is a conglomerate with primary business interests in ownership and operation of leading shopping malls, communities, retail and leisure centers across the Middle East, Africa and Asia regions. It also holds significant interest in real estate, consumer finance, healthcare and F&B sectors. MAF owns and operates 23 shopping malls, 13 hotels, four mixed-use communities, 382 VOX Cinema screens and 37 Magic Planet FEC's across the MENA region, in addition to iconic leisure and entertainment facilities such as Ski Dubai, Orbi Dubai and Ski Egypt, among others.

Business Segments/Product Portfolio

- **Leisure & Entertainment:** MAF started operating Family Entertainment Destinations such as cinema theaters, leisure attractions and FECs since 1995.
  - **Cinemas:** Its brand portfolio consists of VOX cinemas brand, through which it operates 39 cinema complexes across the MENA region totaling 382 screens. This includes 200 screens in the UAE, 58 screens in Oman, 30 screens in Bahrain, 28 screens in Egypt, 15 screens in Lebanon, 18 screens in Qatar, 16 screens in Saudi Arabia and 17 screens in Kuwait
  - **Unique Leisure Destinations:** MAF's brand portfolio under this category consists of Ski Dubai, Ski Egypt, Orbi Dubai, Wahooo! Water park (Bahrain), iFLY Dubai and Little Explorers (Dubai).
  - **FECs:** MAF operates the Magic Planet brand and it currently has presence in 32 locations across nine countries in the MENA region.
- **Retail:** Under this segment, MAF operates hypermarkets & supermarkets, fashion brands and specialty retail stores.
  - **Hypermarkets & Supermarkets:** MAF currently operates 120 supermarkets and 90 hypermarkets across the Middle East region. The company owns the exclusive franchise rights for Carrefour stores and currently operates over 210 stores in 15 markets across the Middle East, Africa and Asia regions.
  - **Fashion:** MAF operates more than 100 retail stores across the MENA region through its wholly owned subsidiary, Majid Al Futtaim Fashion LLC. Its portfolio under this division includes brands such as of Abercrombie & Fitch, Hollister, All Saints, lululemon athletica, Monsoon Accessorize and Sacoor Brothers.
  - **Specialty Retail Stores:** MAF operates 4 stores of LEGO brand in the UAE and 2 stores in Kuwait. Additionally, MAF has acquired the internationally renowned American Girl brand, a division of Mattel Inc.
- **Properties:** MAF's subsidiary, Majid Al Futtaim Properties LLC, develops and operates malls, hotels and mixed-use projects.
  - **Shopping Malls:** MAF owns and operates 23 shopping malls across the MENA region, with an aggregate GLA of 1.0 million sq m. The shopping malls portfolio includes Mall of the Emirates, Mall of Egypt and City Centre among others.
  - **Hotels:** MAF owns 13 hotels comprising nine international brands in the UAE and Bahrain.
  - **Communities:** MAF operates four mixed-use communities projects spread over a combined area of 6.5 million sq m.
- **Services:** MAF provides visa credit cards, under the 'Najm' brand and mobile payment services through the acquisition of Beam. MAF has also created a JV with Veolia, to provide energy and facilities management across the Middle East region.
- **F&B:** MAF, through a JV with Gulf Gourmet, operates more than 20 F&B outlets of international brands such as California Pizza Kitchen, YO! Sushi, the Hummingbird Bakery, Dalloyau, Panda Express and Texas De Brazil across the GCC and in India.

Recent Developments/Future Plans

- In November 2018, MAF acquired UAE-based mobile wallet app - Beam.
- In October 2018, MAF announced an investment in Wadi Group, which operates Wadi Grocery in Saudi Arabia.

Source: Company Website

Olayan Group (Privately Owned) Saudi Arabia

Company Description

Founded in 1947 and headquartered in Riyadh, the Olayan Group is an international investor operating in diversified commercial (consumer, F&B, healthcare and technology services) and industrial businesses across the Middle East. The group has more than 40 companies and affiliated businesses that are engaged in manufacturing, product distribution, services and investment, often alongside leading multinational and regional partners. With offices in Saudi Arabia, European the US, the group's global investment team focuses on public and private equities, real estate, fixed income securities and other specialized assets.

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.:** AJV with Huhtamaki Finland for producing paper cups in the Middle East region.
  - **Coca-Cola Bottling Co. of Saudi Arabia:** A JV with Coca-Cola Co., engaged in packaging 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 imports other CPC products that are not made 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.:** Markets and distributes bottled water and beverages in Saudi Arabia.
  - **Olayan Kimberly-Clark (OKC):** Manufactures and markets diapers, tissues, feminine pads and household towels.
  - **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 for manufacturing and supplying of biscuits in Saudi Arabia.
  - **Mondelez Arabia:** Distributor of Modelez International's snacking products in Saudi Arabia.
  - **Saudi Bakeries Co.:** Engages in the production of bread and related bakery products in Saudi Arabia.
  - **El Rashidi El Mizan:** Engages in the production of confectionary products for customers in the MENA region.
  - **Gulf Union Foods Co.:** Produces and markets juices and beverages in Saudi Arabia and neighboring countries.
- **Business Equipment & Services:** The group operates companies that offer workplace equipment, telecommunications, electronics, IT solutions (including consulting services, managed services, big data and cyber security solutions), finishing materials, building additives & chemicals for the construction industry and recruitment services.
- **Construction-Related Businesses:** The group has wholly owned companies, JVs along with major MNC's engaged in extrusion and fabrication of aluminum architectural products; engineering, procurement and construction contracts, manufacture of steel products, pipes and fittings and manufacturing and services of elevators and escalators for building requirement.
- **F&B Franchising Business:** The group is involved in food services with franchise rights for Burger King, Texas Chicken (more than 30 outlets), Buffalo Wild Wings across 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 manufacturing and distribution of industrial equipment that serves a variety of sectors including transportation, agricultural, construction, oil & gas and civil defense.
- **Investment & Real Estate:** The group develops and operates residential, commercial and leisure properties, in addition to investing in Saudi Arabian companies.

Recent Developments/Future Plans

- In August 2018, Hutham Olayan was named the new chairperson of The Olayan Group's Corporate Board.

Source: Company Website

ALPEN CAPITAL

Savola Group (Publicly Listed) — Saudi Arabia

Company Description

Established in 1979 and headquartered in Jeddah, Savola Group is primarily engaged in the food and retail sectors across the MENA region. The group also engages in agro cultivation, services and maintenance, commercial contracting, trade, export and import and real estate investment activities. Under its two entities, Savola Foods and Savola Retail, the group operates nearly 498 grocery stores and sells its products in 30 countries. It also has significant investments in real estate development companies as well as holdings in private equity (PE) funds.

Business Segments/Product Portfolio

- **Food:** Under this division, the group is involved in the production, marketing and distribution of edible oil, vegetable ghee, sugar, pasta, baked goods and seafood products. The group is the largest shareholder in the Middle East's leading food manufacturer and distributor - Almarai, holding a 34.52% stake in the business. Its food division portfolio includes Zaaki, Yudum, Shams, Sabah, Al Tayeb, Rawabi, Al Osra, Afia, El Maleka, Ganna, Italiano and Al Arabi.
- **Retail:** Under this division, Savola Group is involved in operations of a chain of hypermarkets, supermarkets and convenience stores. The group has 91% stake in Panda retail, one of the largest modern grocery retailers in the Middle East, serving around 129 million customers through its 367 hypermarkets, supermarkets and convenience stores in Saudi Arabia and Egypt. It also has a 49% holding in Herfy Food Services Company, one of the leading restaurant businesses in Saudi Arabia, which also operates an industrial bakery and a meat processing business. As of 2017, there were 348 Herfy Food outlets in Saudi Arabia and 9 in Kuwait.
- **Investments:** The group has invested in other companies to pursue capital growth through its portfolio of non-managed investments**.** Notable investments include 29.9% stake in Kinan, 40.0% stake in Seera City for Real Estate Development, 5.0% stake in Arab Phoenix Holdings Co. (formerly Taameer Jordan Holding Co.), 15.0% stake in Swicorp, 14.8% stake in Joussor Holding Co. and 4.6% stake in Dar Al Tamleek Co.

Recent Developments/Future Plans

- In December 2018, Savola Group transferred its 51.0% stake in Alkabeer Group to Unit Good Food Company.
- In May 2018, Savola Group announced the purchase of 51.0% of AlKabeer Group of Companies for US$ 150.8 million.
- In December 2017, Savola Group was selected among the Top-10 highest scoring companies in transparency in the field of corporate governance, environment and social practices in the MENA Region according to S&P Dow Jones Indices.

Source: Company Website

Current Price (US$)	8.91

Price as on April 14, 2019

Stock Details	
Thomson Reuters Ticker	2050.SE
52 week high/ low	11.73/6.69
Market cap (US$ mn)	4,755.6
Enterprise value (US$ mn)	6,014.5
Shares outstanding (mn)	533.9

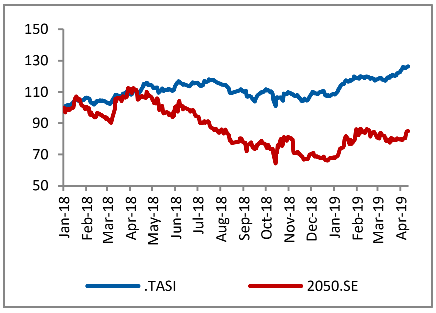
Source: Thomson Reuters

Average Daily Turnover ('000)

	SAR	US$
3M	14,435.3	3,848.9
6M	17,459.7	4,655.4

Source: Thomson Reuters

Share Price Chart



Source: Thomson Reuters

Valuation Multiples

	2016	2017	2018
P/E (x)	-	20.9	-
P/B (x)	2.6	2.4	2.0
EV/S (x)	1.1	1.2	1.0
Dividend yield (%)	1.9	2.5	-

Source: Thomson Reuters

Shareholding Structure	
A K Al Muhaidib & Sons	14.6%
Aseelah Investment Co.	11.2%
Government of Saudi Arabia	10.3%
Al Rabeea	8.2%
Others	55.7%
Total	**100.0%**

Source: Thomson Reuters

Financial Performance				
US$ Million	**2016 YE Dec**	**2017 YE Dec**	**2018 YE Dec**	***Change Y-o-Y (%)***
Revenue	7,022.5	6,355.5	5,818.1	*(8.5)*
Total Operating Expense	6,896.3	6,141.3	5,743.9	*(6.5)*
Net Income	(96.8)	273.6	(138.7)	*(150.7)*
Net Income Margin (%)	(1.4)	4.3	(2.4)	
Return on Average Equity (%)	(2.0)	11.8	(6.5)	
Return on Average Assets (%)	(0.9)	4.5	(2.0)	

Key Comments

- *In FY 2018, the company's revenues dropped by 8.5% Y-o-Y to US$ 5,818.1 million from US$ 6,355.5 million in FY 2017.*
- *In FY 2018, the company's revenue from retail segment dropped by 4.6% Y-o-Y to US$ 2,964.2 million from US$ 3,105.1 million in FY 2017.*

Source: Company Website

Leading e-commerce platforms in the GCC

Souq.com

Established in 2005 and headquartered in the UAE, Souq.com is the largest e-commerce platform in the MENA region, owned by Amazon Inc. Souq operates online retail and marketplace platform with more than 8.5 million unique products. It has commercial offices in Saudi Arabia, Egypt, Kuwait and technical and development centers in Jordan and India. Souq also operates as a marketplace for third party sellers, allowing SMEs, merchants and distributors to distribute their products online.

Fund Raising and M&A Activity

Souq had raised a total of US$ 460 million in funding over 5 rounds, before Amazon acquired it for US$ 580 million in March 2017.

Date	Funding Details
February 29, 2016	Raised US$ 275 million from a venture round led by US-based Tiger Global Management.
March 24, 2014	Raised US$ 75 million from a venture round led by South Africa-based Naspers.
June 01, 2013	Raised US$ 35 million from a venture round led by Tiger Global Management.
October 29, 2012	Raised US$ 40 million from a venture round led by Naspers and Tiger Global Management.
October 01, 2012	Raised US$ 35 million from a private equity round led by three unknown investors.

Souq has acquired 2 organizations until date. In September 2017, it acquired WING, a marketplace for merchants and couriers in the UAE. Earlier in April 2012, Souq acquired Sukar.com, the Middle East's first online private shopping club.

Recent Developments/Future Plans

- In December 2018, Souq opened a new 23,000 sq m fulfillment center in Dubai to enable sellers to have a Souq store and ship their products directly to customers.
- In March 2018, Souq signed a MoU with the Saudi Electronic University, represented by the College of Administrative and Financial Sciences for an initiative that allows for knowledge exchange, student projects and internship opportunities.

Noon.com

Noon.com, a US$1 billion e-commerce platform founded by the Emaar Properties Chairman, Mohamed Alabbar in collaboration with Saudi Arabia's PIF (50% stake) and other private investors, started its operations in the UAE and Saudi Arabia in 2017. With offices in Riyadh and Dubai, Noon currently offers more than 20 million products across various sectors such as beauty, fashion, electronics, home, kitchen and groceries. The company has a strong fleet of delivery vans in 40 cities across the UAE and Saudi Arabia, three distribution warehouses in Dubai, Riyadh and Jeddah, with plans to establish more centers in the coming years. The company is also on the lookout for acquisitions and partnerships to drive growth amid staunch competition from Souq in the region. Noon primarily partners with small and medium local enterprises, traders, suppliers and start-ups to increase its market share in the e-commerce segment. Through Noon, regional companies can use the site as their own digital platform, as well as their logistics and fulfillment provider, to reach to more customers. The online shopping platform plans to float on the stock market in a global cross listing within the next four to five years.

Recent Developments/Future Plans

- In November 2018, Ford motor company delivered a fleet of 80 new Ford Transit vans to noon, in order to ensure safe and timely delivery of its products to its customers.
- In July 2018, Noon launched its Asia operations with two entities in mainland China and Hong Kong as it looks to widen its offerings in the Middle East by including Chinese brands to its portfolio of products.
- In June 2018, Noon collaborated with eBay to give shoppers in Saudi Arabia and the UAE a way to more easily buy products online from the US and other parts of the world.

Source: Company Website, NEWS Articles

Alpen Capital

Alpen Capital offers a comprehensive range of financial advisory services to institutional and corporate clients across the GCC and South Asia. We work with some of the leading business groups in the GCC and South Asia providing them with unique investment banking advisory solutions based on their requirements.

Our Services

Debt Advisory
We help our clients raise medium or long-term loans either through one single bank or jointly by multiple banks under one single loan agreement.

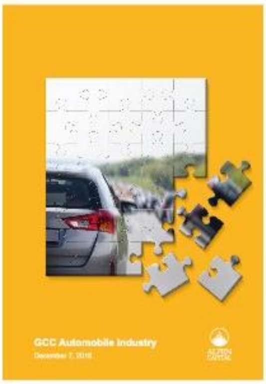
Mergers and Acquisitions Advisory
Our Mergers & Acquisitions services include advising and execution of domestic and cross-border transactions including mergers, acquisitions, divestitures and restructurings.

Equity Advisory and Capital Markets
Our Capital Markets Group offers a comprehensive approach to raising public and private capital for both established and high-growth clients.

Specialised Advisory Services
We offer specialised advisory services through DFIs/Multilateral agencies. We also help our clients explore investment opportunities with Sovereign Wealth Funds (SWFs).

Industry research

Our Industry research function complements our existing corporate advisory services. Through our research, we keep a close eye on the latest developments in the GCC markets. Our research has been widely acknowledged by our clients and the media and has won the Best Research House Award at the Banker Middle East Product Awards in 2011, 2013 and 2014. We cover several sectors in our research reports including retail, food, education, healthcare, hospitality, insurance, pharmaceutical, aviation, construction.



All reports are available on www.alpencapital.com for download.

ALPEN CAPITAL

Sameena Ahmad	Krishna Dhanak	Mufaddal Rangwala	Zahra Husain
Managing Director	Executive Director	Vice President	Executive Manager
sameena.ahmad@alpencapital.com	krishna.dhanak@alpencapital.com	mufaddal.rangwala@alpencapital.com	zahra.h@alpencapital.com
+971 (0) 4 363 4345	+971 (0) 4 363 4324	+971 (0) 4 363 4377	+971 (0) 4 363 4321

DISCLAIMER: