



GCC Retail Industry

December 9, 2012



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Alpen Capital was awarded the “Best Research House” at the Banker Middle East Industry Awards 2011

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“The retail industry in the region has grown at a fast pace and at the same time consumers have become increasingly sophisticated. Today in the luxury retail industry, we see a lot of repetition; almost in each mature market you will find the same brands next to each other, the same merchandise and even the same decoration and window displays. Our GCC consumer is a well-traveled and savvy one, therefore we have to start customizing more products and concepts with him or her in mind. I believe that is where we can have an edge and establish GCC as a premier shopping destination.”

Ashraf Abu Issa

Chairman & CEO

Abu Issa Holding

“The year 2012 has been a good year for the retail industry and I have a positive outlook for the sector. The sector is uniquely positioned to capitalize from the growth in tourism and hospitality sectors in the GCC and should see a healthy growth in the coming years. While there is immense opportunity for the companies operating in this sector, there is also a lot of competition. Only the most innovative and efficient players will be able to maintain and grow their market share.”

Nilesh Ved

Chairman

Apparel Group

“High consumer confidence has driven growth in the last 12 months to an estimated 12% for luxury, which exceeds pre-crisis growth levels. This year has particularly seen Dubai spearhead growth in the retail segment, on the back of the Emirate proving to be an increasingly popular shopping destination for high purchasing power Saudis and other GCC citizens, as well as Russian and Chinese tourists. Nevertheless, there are clouds on the horizon both in the region and in the wider context. We must remain vigilant.

Also, in a fiercely competitive environment, we are seeing an increasingly demanding consumer – one who is more assertive, digitally savvy and determined in his choice, who is looking for uniqueness and differentiation to affirm his identity. Quality of service, depth of offer and an aggressive events schedule coupled with innovative concepts are more vital than ever to ensure continued consumer interest.”

Patrick Chalhoub

Co-CEO

Chalhoub Group

"I am delighted that 2012 has shaped up to be a fantastic year for the operation as sales up to the end of October reached an impressive AED 4.71 billion (US\$ 1.29 billion), representing an 11% increase over the same period last year, and placing the operation on track for year-end sales of an estimated AED 6 billion (US\$ 1.6 billion). I am also pleased that our average spend for departing passengers is around US\$ 49, while our penetration level is close to 50%, which means that we sell to half of the travelers passing through the airport.

I think that our staff does a fantastic job and I believe that they are among the best trained and highly motivated employees in travel retail.

We currently have a retail area of some 18,000 square meters, which will grow significantly with the opening of Concourse A in 2013, in which we will have a further 8,000 square meters.

As we look ahead, we expect our sales to double within the next five years to US \$3 billion."

Colm McLoughlin

Executive Vice Chairman

Dubai Duty Free

"The retail sector in the GCC has seen a very robust recovery and is now poised for a period of healthy growth. While we may not see pre-crisis growth levels, we believe that the current numbers are a lot more sustainable. The government efforts and support has been instrumental in the success of the sector.

As an investment bank, we are seeing that retailers are gearing themselves up to capitalize on the growth opportunities in the sector and there is renewed interest not only in cross border expansion in the Gulf but also in M&A opportunities."

Rohit Walia

Executive Vice Chairman & CEO

Alpen Capital

1. Executive Summary

The GCC's retail industry grew at a brisk pace of over 20% annually during 2004-2008. Thereafter, the rate of expansion slowed down considerably in 2009 due to the global financial crisis and UAE's debt concerns, only to recover partially in 2010. Healthy growth returned in 2011 as regional governments' spending supplemented the fundamental factors supporting retail sector's progress such as increasing purchasing power, growing expatriate population, changing lifestyle and an expanding tourism & hospitality industry. At the regional level, penetration of modern retail concepts is still lower, especially in smaller cities, thus leaving room for further growth. However, the eagerness of retailers to open new stores is limited by concerns that supply may outpace demand in the forthcoming years. In order to achieve a sustainable profit growth, retailers will have to constantly look for ways to innovate and efficiently manage their businesses. The GCC's retail sector is maturing gradually under a wave of consolidation as numerous regional and international retailers compete for market share. The industry is likely to continue to expand at a healthy and sustainable rate in the future.

1.1. Scope of the Report

This report is an update of Alpen Capital's GCC Retail Industry report dated November 1, 2011. It provides a perspective of the overall retail industry, major market characteristics, and changing dynamics of the business. This report examines key sub-segments of the retail market by examining fundamental growth drivers, significant challenges and recent trends, and also presents an outlook for the GCC's retail industry. Additionally, the report gives an overview of key growth factors and recent developments in the retail industry of each GCC country, along with profiles of leading retailers in the region.

1.2. Industry Outlook

- Based on our demand-side estimates, the GCC's retail sales is expected to grow at a CAGR of 7.7% between 2011 and 2016 to reach US\$ 270.3 billion by the end of the forecast period.
- The outlook for Saudi Arabia is the most optimistic with an expected CAGR of 9.5% between 2011 and 2016. All the other GCC nations are likely to register an annual average retail sales growth of around 5%-7% during the same period.
- Food retail sales is anticipated to expand at a CAGR of 8.8% between 2011 and 2016, while non-food retail sales is likely to grow at an annual average growth rate of 6.6%. Food sales growth will outperform non-food sales growth during the forecast period as high-value and healthier food products could find greater demand.
- Sales of supermarkets and hypermarkets in the GCC are expected to reach US\$ 59.0 billion in 2016, growing at an annual average rate of 10.5% between 2011 and 2016. The relatively under-penetrated markets in terms of modern grocery retail formats like Saudi Arabia, Qatar, and Kuwait are likely to outperform in this segment.
- Duty free and travel related retail sales in the Middle East is forecasted to increase from US\$ 3.2 billion in 2011 to US\$ 5.6 billion in 2016, outperforming the broader retail industry in terms of growth. The growth will be driven by an anticipated higher passenger traffic at the Abu Dhabi and Qatar airports and opening of Concourse 3 at the Dubai International Airport.
- The personal luxury goods segment in the Middle East is expected to grow at a CAGR of 8.2% between 2011 and 2016 to reach US\$ 11.8 billion in sales.
- Based on the Moderate Growth scenario for our supply-side estimates, occupied gross leasable area (GLA) in the GCC is projected to reach 15.8 million square meters (sq m) in 2016 compared to 11.4 million sq m in 2011. While supply of new GLA will be sufficient to meet demand for retail space over the next five years, it is reasonable to expect that a part of new additions may witness lower initial occupancy rates.

1.3. Key Growth Drivers

- Steadily expanding population base and growing urbanization make the GCC's demographics highly attractive for retailers. A significant portion of young inhabitants and large presence of expatriates also raises the market's potential.

- Growing GDP, substantial government spending, low fuel prices, and low or no tax incidence ease substantial portions of individuals' income to spend on food and non-food items.
- The GCC hospitality industry is being developed as an all-round tourist attraction. In line with the continued uptrend in tourist traffic, all the GCC countries have embarked upon ambitious plans to improve and expand their existing airport and airline infrastructure. An expanding tourism sector coupled with the establishment of the necessary infrastructure to handle this growth bodes well for the region's retail industry, due to the close inter-relationships between the industries.
- Growth in the online retail segment is supported by a growing number of internet users in the GCC. Proliferation of e-commerce websites has opened up a new avenue of growth for the retail industry.
- Other key driving factors include strong pipeline of new malls assuring an uninterrupted supply of high-quality store locations for retailers, availability of strong and experienced franchise partners, strong consumer confidence, and proactive measures taken by the governments to pre-empt any form of social unrest.

1.4. Key Challenges

- Recent events show that certain parts of the GCC are vulnerable to incidences such as the socio-political unrest and the global financial crisis. While the governments in their respective countries have taken the necessary remedial steps, socio-political stability is a very important challenge facing the sector.
- Fast-paced real estate development has led to increasing congestion of retail infrastructure in the Gulf's current shopping hotspots. With competition stepping-up among rival firms, retailers have to continuously reinvent themselves.
- High attrition rates amongst the large expatriate workforce and high unemployment rates amongst locals add to retailers' human resources challenges.
- Retails rentals have started to move up in top-tier malls in the GCC. As the global economic uncertainty gradually recedes, rental expenses are expected to increase further and squeeze margins of retailers. Containing inflation also remains one of the biggest fiscal challenges in the Gulf.
- A parallel market for counterfeit products, high bank fees on e-commerce transactions, severe price competition in the online segment, and high dependence on food imports are other challenges facing the retail sector.

1.5. Trends

- Large supermarkets/hypermarkets in the GCC are gradually making in-roads into private label retailing as they focus on profit growth. Currently, sales from private labels account for around 10% of overall retail sales, compared to just 3% three years back.
- Group-buying is becoming increasingly popular in the GCC, and is a major force behind the growth of online retail sales in the region.
- Economic slowdown and increasing personal debt have led to average consumers becoming more value-conscious. Buyers in the MENA give equal consideration to product quality and price, and are willing to delay their purchases to bag best deals.
- Conventional franchising is evolving further to develop a new model called sub-franchising. Though still nascent in the Gulf, the sub-franchise model may gain prominence as all concerned parties realize its benefits.

The GCC's retail sector continues to present attractive growth opportunities. However, the market is highly competitive and retailers need to continuously re-invent themselves to drive footfall and attract patrons to gain market share.

2. GCC Retail Industry

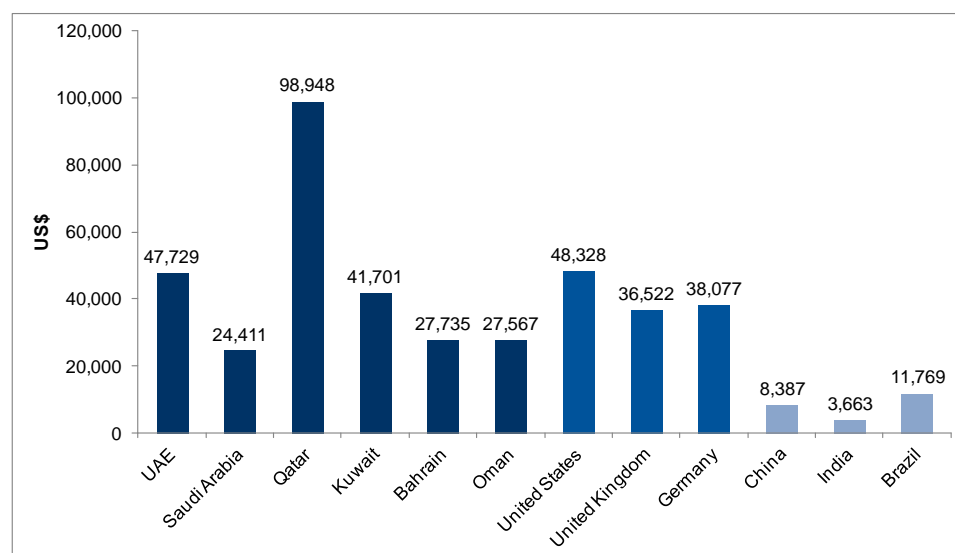
2.1 GCC Retail Market Overview

The GCC's retail industry grew in 2011 despite political uncertainty in parts of the region and a global economic deceleration

Retail industry has thrived in the GCC region over the last several years largely due to increasing purchasing power, growing expatriate population, changing lifestyle and an expanding tourism & hospitality industry. Implementation of governments' progressive policy agenda and increasing private sector contribution to the overall economic growth has made the Gulf one of the widely pursued retail destinations in the world. The industry grew in 2011 despite political uncertainty in some countries within the region and a global economic deceleration, reaching a market size of US\$ 186.7 billion. Its fundamental structure remained broadly unchanged, with the region's two largest economies, Saudi Arabia and the UAE, primarily fuelling the sector's growth.

Robust spending power supported by sustainably high oil prices makes the local population partly insensitive to prices, a strong positive for retailers in the country. While Qatar is one of the wealthiest countries globally, GDP per capita (PPP) of the UAE and Kuwait is comparable to that of major developed economies and significantly higher than personal income levels in the leading emerging markets (see Exhibit 1).

Exhibit 1: GDP Per Capita (PPP) Comparison (2011)



Source: International Monetary Fund, October 2012

The retail market continued to expand primarily on the back of rising prosperity and an expanding consumer base

Whilst rising prosperity and an expanding consumer base continued to be the backbone of the retail market in 2011, increased government spending also supported private consumption. The region's retail sector has been displaying strong resilience in the face of global economic uncertainties and varied domestic issues, thereby attracting new investments.

Completed GLA in shopping centers increased over 10% y-o-y to 11.4 million sq m in 2011, with nearly 80% of this area located in the UAE and Saudi Arabia¹ (see Exhibit 2). Despite easing to certain extent, regional imbalance with respect to retail development still prevails in the GCC. Until recently, development of modern retail infrastructure was

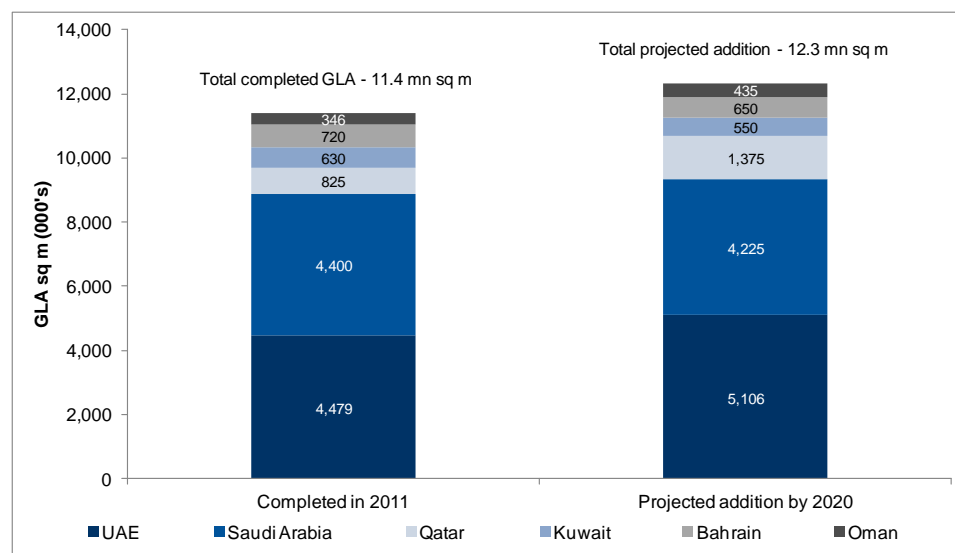
¹ Source: www.InspireExhibition.com

Completed GLA in shopping centers in the Gulf is forecast to expand by 12.3 million sq m over the next nine years

principally concentrated within the major commercial cities like Dubai and Jeddah. This resulted in other key cities like Abu Dhabi, Doha, Makkah, and Medina experiencing a shortfall in retail space. However, with a surge in development of retail space in the relatively under-developed regions, this imbalance is likely to correct over time.

Completed GLA in shopping centers is forecast to expand by 12.3 million sq m over the next nine years to reach a total area of 23.7 million sq m by 2020². Although the UAE and Saudi Arabia are likely to witness majority of the new developments, proportion of projected GLA addition vis-à-vis the existing completed retail space will be the highest in Qatar.

Exhibit 2: Completed GLA and Projected Addition in the GCC (2011)



Source: Retail International, Alpen Capital

The UAE Retail Market

Total retail sales in the UAE grew 7.1% y-o-y to US\$ 50.1 billion

Total sales in the UAE, the GCC's most advanced retail market, registered a y-o-y growth of 7.1% to reach US\$ 50.1 billion in 2011³ (see Exhibit 3). The country is the primary center of retail activities in the Gulf, leading to its retail industry having developed into an important component of the overall business activity. Retail sales, as a percentage of GDP in the UAE, has hovered in the range of low- to mid-teens in the last five years.

A stable political environment amidst large scale unrest in certain other parts of the Middle East has reinforced the country's image as a modern and secure tourist destination. Over the last few years, the composition of retailing in terms of food and non-food sales has remained largely the same with food sales accounting for around 41%-42% of the overall industry. A high per capita disposable income of an average UAE citizen has meant that people have higher spending capacity for discretionary items. This coupled with a thriving tourism industry explains why the UAE has a larger share of non-food products in its overall retail universe.

² Source: Retail International, Alpen Capital

³ Source: Economic Intelligence Unit, July 2012



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It has been observed that a large section of the UAE's consumers have lately turned value-conscious

Market demand for consumer products in the UAE was estimated at around US\$ 65.5 billion in 2011⁴ (see Exhibit 4). After experiencing weakness in 2009 due to the global economic crisis and Dubai's debt concerns, demand recovered strongly thereafter. However, it has been observed that a large section of the UAE's consumers have lately turned value-conscious. Electrical appliances & houseware and household audio & video equipment have been the fastest growing product categories in the market over the last five years.

Exhibit 3: Size of Retail Sales in the UAE

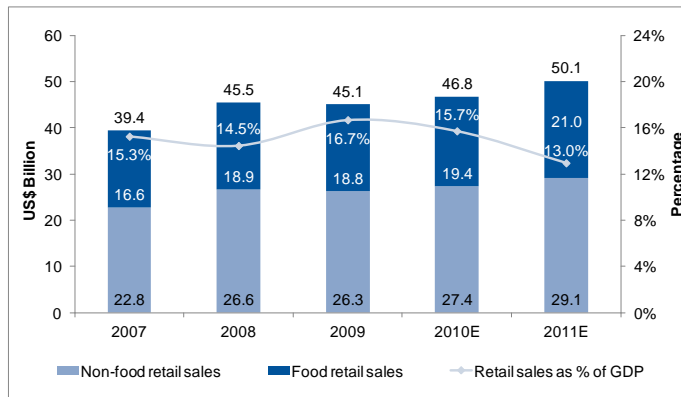
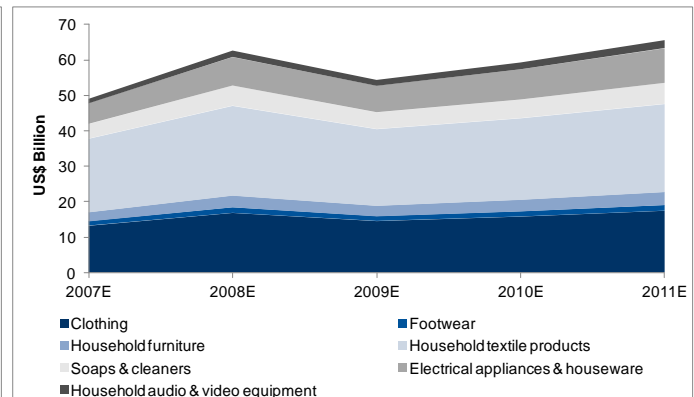


Exhibit 4: Consumer Demand Composition in the UAE



Source: Economic Intelligence Unit, July 2012

Note: E – Estimated

Retail space in Dubai is gradually becoming more congested

Dubai and Abu Dhabi, capital of the UAE, continue to be the main hub for its retail industry due to a highly cosmopolitan population and large tourist inflow. However, retail space in Dubai is gradually becoming more congested due to the fast-paced real estate development and mega mall openings that the emirate has witnessed over the years. Shopping space per capita in Dubai is close to 1.4 sq m, exceeding 1.0 sq m in the US and 0.2 sq m in Europe⁵. While footfalls at new malls like The Dubai Mall and Mall of the Emirates have been strong, this has largely come at the expense of fall in the number of visitors at older establishments. Subsequently, apart from development of a few large-sized malls, focus has shifted more on construction of mid-sized and community shopping centers in the coming years. Regulatory issues relating to agency/franchise law may also hamper growth of the retail sector in Dubai. The emirate was displaced from the top position in the list of most popular destinations for global retail brands in 2012 published by CB Richard Ellis. The global property consultant attributed this change to some global retailers being discouraged by the adopted franchise model which requires local franchisees to hold rights to international brands in the UAE.

By 2020, Abu Dhabi is expected to add more than twice the completed GLA of 2011

Total completed GLA in the UAE was around 4.5 million sq m in 2011, predominantly located in Dubai⁶. While a large portion of new projects in the pipeline will be in Dubai, by 2020, Abu Dhabi is expected to add more than twice its completed GLA of 2011. The emirate is seeing development of a number of new malls such as The Galleria, Yas Mall, and Capital Mall. Lower number of expatriates and tourists to the UAE's other emirates make them less attractive for such large investments, although retail activity in these remaining cities is gradually picking up pace.

⁴ Source: Economic Intelligence Unit, July 2012

⁵ Source: "Shopping Paradise", The Business Year, 2012

⁶ Source: Retail International, Alpen Capital

Retail sales in Saudi Arabia expanded at a healthy 14.6% y-o-y to US\$ 83.3 billion in 2011

Saudi Arabia's retail industry is split almost equally between non-food and food sales

Despite a larger retail sector, market demand for consumer goods in Saudi Arabia was estimated at less than 50% of that in the UAE

The Saudi Arabian Retail Market

Although not as structurally advanced as in the UAE, the retail industry in Saudi Arabia, GCC's most populous country, is larger in value. The kingdom's retail sales expanded at a healthy 14.6% y-o-y to US\$ 83.3 billion in 2011 (accounting for 14.4% of GDP⁷), driven by elevated levels of consumer confidence and government spending (see Exhibit 5). Saudi Arabia's favorable demographic attributes make it one of the youngest and fastest expanding consumer groups in the world. The retail industry continues to benefit from the high oil-driven revenue flows.

Saudi Arabia's topography, which makes it prone to hot climate has favored development of air-conditioned shopping malls rather than high-street retailing. A largely young population profile and a strong female consumer base make non-food products such as apparel, cosmetics and consumer electronics amongst the highest selling products. Restrictions on socializing and public sources of entertainment also drive demand for the latest electronic devices. A strong market for consumer goods mainly centered in urban areas, alongside a large population and a relatively low overall urbanization rate, have led to Saudi Arabia's retail industry being split almost equally between non-food and food sales. However, growth in sales of food products has marginally outpaced that of non-food products over the last few years.

Despite a larger retail sector compared to the UAE, market demand for consumer goods in Saudi Arabia was estimated at less than 50% of that in the UAE. This can be attributed to lower disposable income, higher share of food products in overall personal expenditure, and a relatively less developed retail landscape. Saudi Arabia's consumer goods market was valued at US\$ 31.1 billion in 2011⁷ (see Exhibit 6). However, unlike the UAE, consumer goods demand in the kingdom has grown consistently over the last five years. Factors such as higher revenues derived from the hydrocarbon sector and a relatively underpenetrated market have aided steady expansion of Saudi Arabia's consumer goods segment.

Exhibit 5: Size of Retail Sales in Saudi Arabia

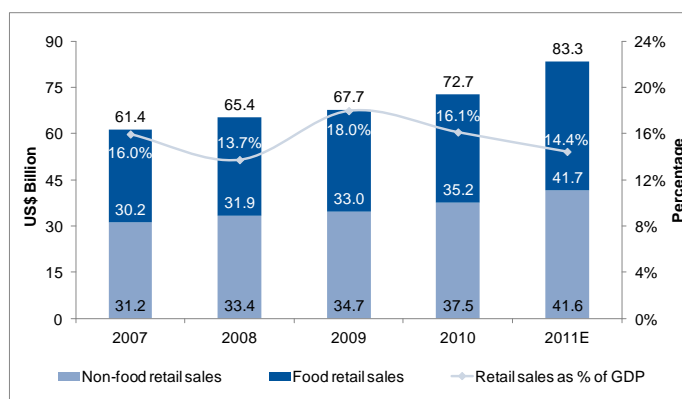
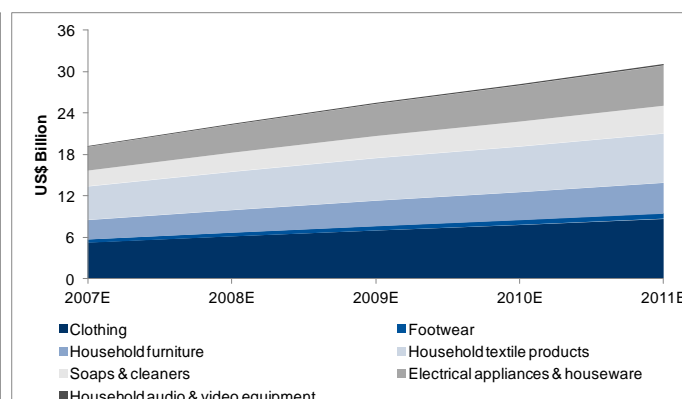


Exhibit 6: Consumer Demand Composition in Saudi Arabia



Source: Economic Intelligence Unit, August 2012

Note: E – Estimated

The retail industry in Saudi Arabia is predominantly run by family-owned businesses, which have interests in other sectors including real estate development. These businesses acquire exclusive franchising rights from international suppliers and brands to set-up retail

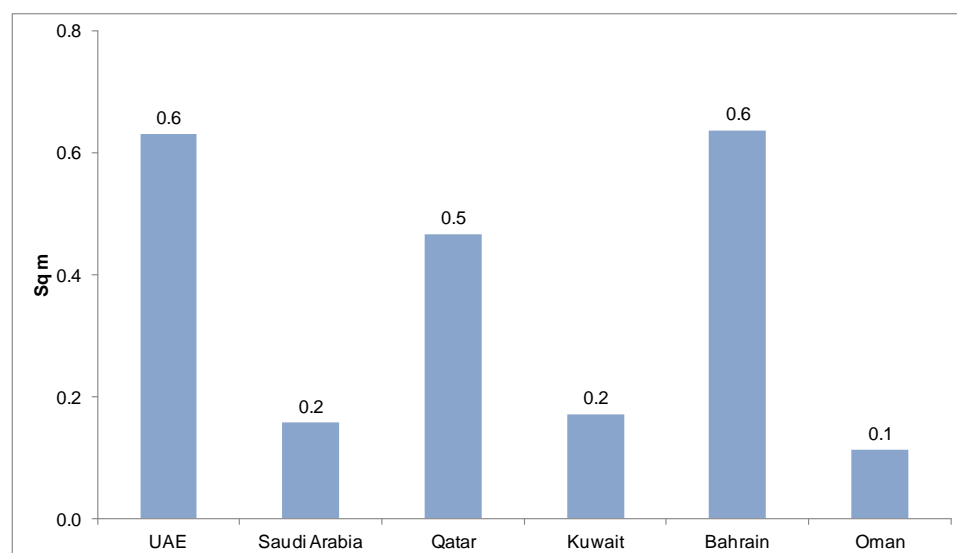
⁷ Source: Economic Intelligence Unit, August 2012

Despite substantial growth, retail space per capita in Saudi Arabia lags some of the other regional markets

outlets in malls and shopping centers. Global retail brands find it beneficial to expand through this route as local businesses tend to have a better understanding of political and regulatory hurdles, and can manage cultural differences and consumer needs efficiently. Some large domestic players have succeeded in collaborating with a number of international apparel brands to dominate the branded apparel market.

Total GLA concluded in the kingdom stood at around 4.4 million sq m in 2011⁸. Riyadh and Jeddah, Saudi Arabia's largest cities have around 60 malls between them and constitute a bulk of its retail sector. Despite substantial market growth over the years, retail space per capita lags some of the other regional markets, thus indicating that there is sufficient room for growth in the future (see Exhibit 7).

Exhibit 7: GLA Per Capita Comparison for the GCC Countries (2011)



Source: Retail International, International Monetary Fund, Economic Intelligence Unit, Alpen Capital

A large proportion of expatriates and an affluent local population make Qatar a very attractive market, especially for fashion retailers

The Qatari Retail Market

Qatar's retail industry is primarily reliant on imports of consumer products from the MENA and other regions due to undeveloped indigenous manufacturing capabilities. A large proportion of expatriates and an affluent local population make Qatar a very attractive market, especially for fashion retailers. Many international brands have established their footprints in the country through partnerships with regional and local companies who have a better understanding of the market and consumer trends. The industry landscape is characterized by shopping malls due to the hot weather conditions, as is the case for most of its other GCC counterparts. While some traditional souks still exist, most have been refurbished with modern amenities but at the same time have retained a few traditional flavors. Most of the Qatar's retail activities are concentrated in Doha, which has around eight modern shopping malls. The city had approximately 0.8 million sq m of GLA in 2011⁸. However, the state of the industry in Qatar may change over the next few years with the government's impetus on infrastructure and tourism development as the country plays host to the FIFA World Cup in 2022 and has bid to hold the Olympic Games in 2020.

⁸ Source: Retail International

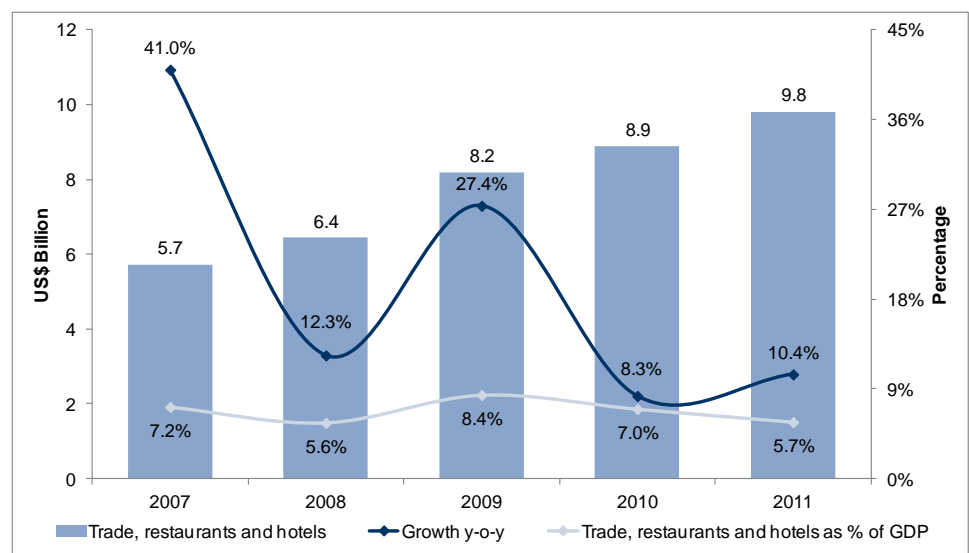


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Size of the Qatari trade, restaurants and hotels sector expanded 10.4% y-o-y to US\$ 9.8 billion in 2011

The size of trade, restaurants, and hotels sector at current prices expanded 10.4% y-o-y to US\$ 9.8 billion in 2011 (see Exhibit 8). After witnessing fairly volatile but positive growth for a few years, the industry has settled to a growth of around 8%-10% in the last two years. Qatar's economy has exhibited strong resilience to the global crisis and socio-political unrest in some parts of the MENA. The country, currently the largest producer of liquefied natural gas in the world, has maintained robust fiscal and current account surpluses. Factors such as high personal income, low unemployment, large public spending, sustained demand for energy resources, and sound fundamentals have largely insulated the Qatari economy from external problems and enabled it to maintain a positive growth momentum. Apart from consumer spending and leisure tourism, business tourism has also benefitted the trade, restaurants, and hotels sector.

Exhibit 8: Size of Retail Trade in Qatar



Source: Qatar Statistics Authority, Bloomberg

Note: Size of retail trade as accounted in Qatar's GDP, Local currency figures converted into US\$ using average daily exchange rate for the year

Kuwait is currently undersupplied in terms of modern retail space and the presence of international retailers

Wholesale and retail trade in Kuwait expanded 8.8% and was provisionally estimated at US\$ 4.8 billion in 2011

The Kuwaiti Retail Market

Kuwait's dependence on the oil and gas industry has left other sectors like retail and tourism largely underdeveloped. However, the country sets itself apart from some other retail markets in the GCC due to the immense growth potential that it offers. Modern retail concepts are only recently gaining popularity among Kuwait's mostly urbanized population with high spending capacity. Although the retail landscape consists of large shopping malls and hypermarkets, the industry is currently undersupplied in terms of modern retail space and the presence of international retailers. There are around eight shopping malls operational in Kuwait, a majority of which are located in Kuwait City with approximately 0.6 million of completed GLA in 2011⁹.

The size of wholesale and retail trade in Kuwait was provisionally estimated at US\$ 4.8 billion in 2011 (+8.8% y-o-y growth), representing 3.0% of the GDP at current market prices (see Exhibit 9). The economy has consistently maintained budget surpluses, which have been driven by large inflow of petrodollars. This has enabled the government to provide social and health benefits to the local population, in turn having a positive effect on

⁹ Source: Retail International

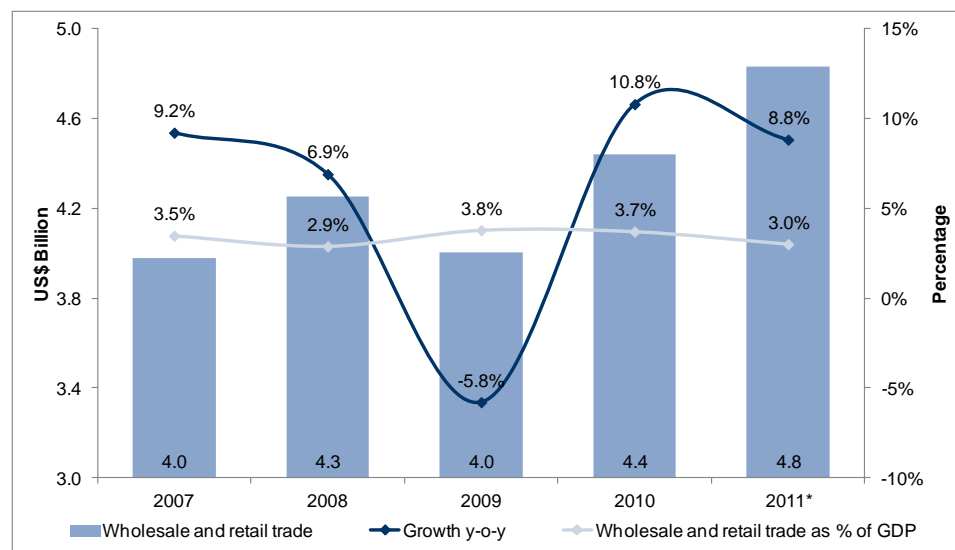


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Kuwait's retail industry remains susceptible to the volatility in oil and gas prices in recent years

disposable incomes of consumers. However, Kuwait's retail industry remains susceptible to the volatility in oil and gas prices in recent years. In 2009, wholesale and retail trade measured in US\$ terms contracted 5.8% y-o-y¹⁰. While global slowdown hampered the industry's growth during 2008-2009, the market has since recovered to a higher growth phase owing to stability in oil prices and sustained demand.

Exhibit 9: Size of Retail Trade in Kuwait



Source: Central Statistical Office, Bloomberg

Note: Size of retail trade as accounted in Kuwait's GDP, Local currency figures converted into US\$ using average daily exchange rate for the year, * – Provisional figures

Due to a small population base, a significant portion of the overall retail sales in Bahrain is contributed by the non-food segment

Size of trade in Bahrain declined marginally to US\$ 1.2 billion in 2011 due to political unrest in the country

The Bahraini Retail Market

Unlike some of its other counterparts within the GCC, Bahrain is not a large oil-exporting country, but is more a financial hub. This is one of the major reasons why the country's economy is exposed to global financial risks and unable to significantly capitalize on oil prices. The retail industry in Bahrain is among the smallest in the GCC given the country's sparse population. It is closely linked to the health of the tourism sector, and a significant portion of the overall retail sales is contributed by the non-food segment. Prolonged political tensions in the kingdom are currently a cause for concern as it has significantly hampered tourist inflow.

Completed GLA stood at around 0.7 million sq m in 2011¹¹. Intense competition, increase in the number of small neighborhood shopping centers, and political unrest in certain areas has impacted occupancy rates and rentals of some malls¹².

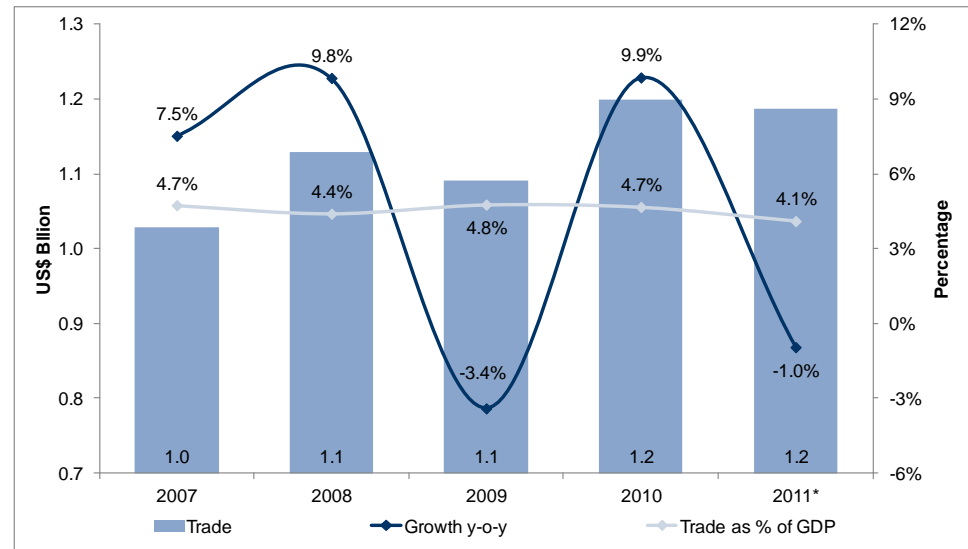
The size of trade in Bahrain was US\$ 1.2 billion in 2011, or 4.1% of GDP at current prices (see Exhibit 10). After a stellar performance in 2010, the industry registered a decline of 1.0% y-o-y in 2011 due to political unrest in the country.

¹⁰ Wholesale and retail trade grew 0.9% y-o-y in local currency terms in 2009. However, the US\$ market size was negatively impacted by appreciation of US\$ against the local currency

¹¹ Source: Retail International

¹² According to a study released in May 2012 by CB Richard Ellis

Exhibit 10: Size of Retail Trade in Bahrain



Source: Central Informatics Organisation, Bloomberg

Note: Size of retail trade as accounted in Bahrain's GDP, Local currency figures converted into US\$ using average daily exchange rate for the year, * – Provisional figures

The Omani Retail Market

Oman featured in A.T Kearney's Global Retail Development Index for the first time in 2012 at the eighth rank

Oman featured in A.T Kearney's Global Retail Development Index for the first time in 2012 in which it was ranked eighth (see Exhibit 11). Despite being thinly populated and with its people not being as well-off as in many other GCC countries, the progressive nature of the retail industry underpins strong prospects for retailers in the country. A fast-evolving economy with strong infrastructure development, surging purchasing power, growing influx of expatriates and visitors, and increasing adoption of modern forms make the Omani retail market highly attractive for international retailers seeking a first-mover advantage. Oman was placed above its larger GCC counterparts, Kuwait and Saudi Arabia, due to lower country risk and longer-term growth potential. However, it is surprising that rapidly progressing Qatar did not even find a mention among the top 30 retail markets.

Exhibit 11: GCC Countries Featuring on the 2012 Global Retail Development Index

Country	GRDI Score	2012 Rank	2011 Rank
UAE	60.6	7	9
Oman	58.9	8	Not ranked
Kuwait	56.6	12	5
Saudi Arabia	53.3	14	7

Source: A.T Kearney

Mass grocery and electronic products have delivered strong performance over the years

Mass grocery and electronic products have delivered strong performance over the years and modern retail formats continue to replace traditional markets and small shops, especially in urban areas. Certain regulations also make it conducive for entry of international players into the market. Nevertheless, development of supermarkets and



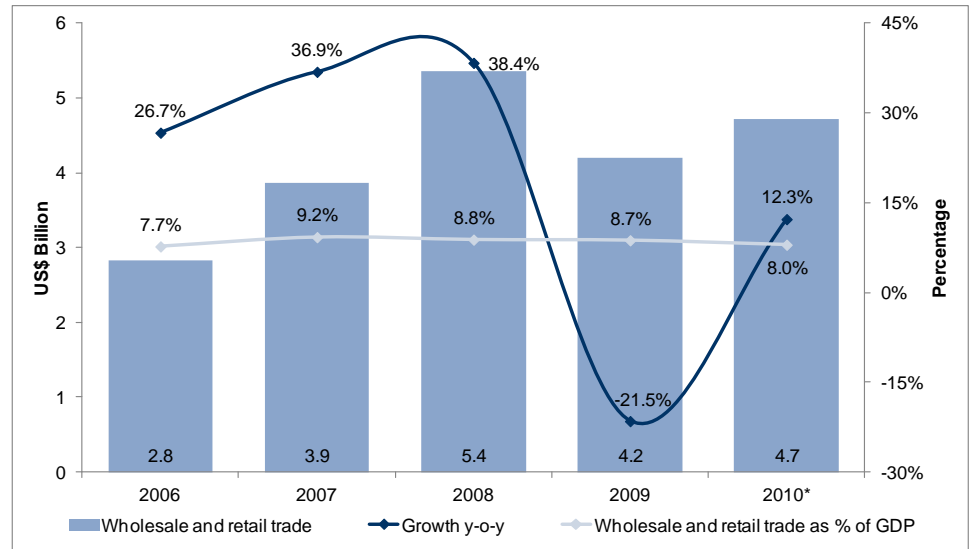
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Total completed GLA in Oman was lowest in the GCC, standing at over 0.3 million sq m in 2011

retail malls is slower when compared with other GCC countries. Oman's total completed GLA stood at over 0.3 million sq m in 2011 – the lowest in the region¹³.

Size of wholesale and retail trade at market prices was US\$ 4.7 billion in 2010 (see Exhibit 12). (Data for 2011 is yet to be released.)

Exhibit 12: Size of Retail Trade in Oman



Source: Ministry of National Economy, Bloomberg

Note: Size of retail trade as accounted in Oman's GDP, Local currency figures converted into US\$ using average daily exchange rate for the year, * – Provisional figures

¹³ Source: Retail International

Food products represent bulk of the sales of the supermarket/hypermarket segment by volume

The shift from traditional retail forms to modern formats is clearly noticeable in large cities in the Gulf

Carrefour and Géant have been increasingly setting up mini supermarkets to cater to the residents in community centers

Supermarkets in Saudi Arabia are yet to meet the standards set by retailers in the western countries

2.2 GCC Supermarket/Hypermarket Overview

Over the last few years, the numbers of supermarkets and hypermarkets have grown significantly in the GCC. Sales of the supermarket/hypermarket segment expanded 16.3% y-o-y to US\$ 35.9 billion in 2011 due to an increase in population and industry modernization¹⁴. Food products represent bulk of the sales by volume in this segment. By value, food sales in 2011 were equivalent to 47.0% of the overall retail sales in the Gulf. A consistent increase in the region's population has been a major force behind the segment's expansion. The GCC's population has grown by about 4 million in the last three years to reach 44.8 million in 2011¹⁵, inducing a need for higher number of modern grocery retail stores. To accommodate the new inhabitants, several new real estate projects and residential community centers were constructed. Retailers identified opportunity to set up stores in and around these areas to cater to residents in the neighborhood.

Market transformation from traditional forms of retailing to the modern structure is clearly noticeable in larger GCC cities, and the shift is gradually trickling down onto smaller cities. This can be attributed to the growing presence of international retailers and a change in strategy adopted by domestic players to cater to the ever-expanding tastes and choices of consumers. By offering buyers a broad variety of products, a convenient setting to shop at leisure in shopping centers and other value-added facilities, these organized retail formats have increasingly appealed to a large number of consumers.

A significant influence of the western world on retail has made UAE the pioneer of modern retailing trends in the GCC. Supermarkets and hypermarkets have replaced most of the traditional outdoor markets. This form of retailing has also gained preference among consumers as it provides a wide array of products at competitive prices under one roof. These stores are typically located in large malls and sell products including groceries, apparel, home accessories, cosmetics, and electronics.

The UAE supermarket/hypermarket segment is dominated by international grocery chains like Carrefour and Spinneys, and domestic retail groups like EMKE, Al Madina, Choithrams, and Al Maya. Both the domestic and international retailers continue to roll out new stores for a significant share of the market from individual store operators. Spinneys has been establishing retail outlets in new community centers typically located in the outskirts of cities, which has enabled it to establish itself as the main grocery supplier for residents in these centers. Carrefour and Géant have been increasingly setting up mini supermarkets ("express stores") to cater to the residents in community centers. Hypermarket operators continue to innovate and rethink operational strategies to widen their appeal and stay competitive. Many retailers like Carrefour have begun eliminating local agents from their supply chain to import food products directly. This has allowed them to price their products attractively. Carrefour has also opened online stores to sell electronics, appliances and other products.

Higher demand for quality retail spaces has led to a spurt in rental rates at top-tier malls in the UAE, thereby impacting profit margins of supermarket and hypermarket operators. As a result, many retailers are relocating to lower-tier malls.

As in most parts of the GCC, Saudi Arabia is also seeing growing preference for modern and more organized retail formats like supermarkets and hypermarkets. Supermarkets in Saudi Arabia are yet to meet the standards set by retailers in the western countries, and most of them sell only food products. However, hypermarkets are noticing strong demand as they are similar to customary souks, which sell a variety of products in one place. Saudi

¹⁴ Source: Alpen Capital

¹⁵ Source: Economic Intelligence Unit, International Monetary Fund



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The hypermarket model in Saudi Arabia has remained restricted to the main cities

Arabia has around 50 hypermarkets, many of which are located within shopping malls. The hypermarket model has remained restricted to the main Saudi cities of Riyadh, Jeddah and Dammam, thus leaving vast untapped opportunities for domestic and international retailers. Although food products account for a majority of the sales volumes for these retailers, sales of non-food products have also been growing consistently. Products such as clothing, electronics, cosmetics, toys, and home accessories are estimated to contribute around 40% to the sales of hypermarkets. The supermarket/hypermarket segment in the kingdom is dominated by Al Azizia Panda United, a division of the Savola Group. Other leading operators include BinDawood, Al Othaim, and Carrefour.

Most of the hypermarkets in Qatar act as anchor stores in large shopping malls

The supermarket and hypermarket segment in Qatar is relatively under-developed compared to most of the other countries in the GCC despite having the largest proportion of expatriate population. However, perceptions are now changing and the country has become more accommodating with a number of retailers having entered the market. The recent proliferation of hypermarkets can be attributed to the country's maturing retail industry and demands from large western communities who prefer organized retail formats, common in their respective home countries. Most of the hypermarkets act as anchor stores in large shopping malls. Generally, non-food items contribute a majority of the sales by value in hypermarkets. Prominent local modern grocery retailer in Qatar is Al Meera Consumer Goods Company. However, having taken note of the market potential, regional players like LuLu and global retailers like Carrefour are also expanding their presence in the country.

Kuwait ranks the lowest in terms of modern grocery retail penetration in the GCC

The concept of supermarkets and hypermarkets is yet to gain traction in Kuwait although it has seen significant strength in recent times. The country ranks the lowest in terms of modern grocery retail penetration in the GCC region. The hypermarket landscape in Kuwait consists of a mix of standalone outlets and stores located in malls. In most aspects, the sector is structurally similar to that in Qatar.

Improved lifestyles of people have boosted demand for organized food retailing in Oman

The shift from grocery retailing towards the supermarket/hypermarket model has also gained momentum in Bahrain, in line with the trend in other parts of the GCC. A large composition of expatriates has promoted the proliferation of these western-styled retail outlets in the country.

Improved lifestyles of people in Oman, over the years, have boosted demand for organized food retailing in the country. Although independent grocers still account for a bulk of the food sales, several foreign food retailers have established supermarkets and hypermarkets in urban regions. These outlets are mainly within or in close proximity to shopping malls and frequently visited retail areas. LuLu, a UAE-based hypermarket chain with operations across the GCC, runs around 12 outlets in Oman and accounts for majority of sales in the country's supermarket/hypermarket segment.

The personal luxury goods market in the Middle East grew by more than 30% to EUR 5.7 billion in 2011

A host of leisure and business events attract thousands of visitors to the UAE every year

Saudi Arabia is the 10th most sought-after destination for international retailers in the world

Qatari nationals are among the wealthiest in the world and have the ability and liking to spend on luxury brands

2.3 GCC Luxury Retail Market Overview

The GCC region has been one of the key forces behind sustained demand for luxury products in the world. The personal luxury goods segment in the Middle East grew by more than 30% y-o-y to EUR 5.7 billion (US\$ 8.0 billion) in 2011, significantly outperforming the global growth rate of 11.0%¹⁶. Even during re-emerging economic concerns in 2012, high-end consumers in the Middle East have barely shown signs of curtailing their discretionary spending. The appetite for premium international brands remains robust. According to the American Express Middle East Luxury Spending Tracker, consumer spending on luxury goods and services was on an uptrend in the Middle East¹⁷. The tracker suggested that consumers across most parts of the region intended to augment their luxury spending through to the end of 2012. While Qatari consumers emerged as the largest buyers of luxury goods in the region with a monthly spend of up to US\$ 5,000, Bahrain followed closely due to large purchases of luxury goods made by residents of Saudi Arabia while travelling to Bahrain. On expected lines, Dubai was rated as the most preferred retail destination for buying branded luxury goods. Tapping the GCC's affluent consumers remains top priority for international retailers seeking to expand beyond comparatively less promising domestic markets.

Favorable demography, well-developed infrastructure, and a booming hospitality industry have made the UAE the leading luxury retail destination in the GCC. As noted in Alpen Capital's GCC Hospitality Industry report dated October 7, 2012, international tourist arrivals in the UAE grew at a CAGR of 10.4% between 2001 and 2011. The numbers of leisure and business tourists continue to surge as Dubai Shopping Festival, Dubai Summer Surprises, and other leisure and business events attract thousands of visitors every year. Additionally, a young, affluent, and multi-ethnic resident population is also an ideal target market for global brands which enter the country by collaborating with local companies. According to latest findings of the Legatum Institute Survey which is released annually, the UAE is one of the top 30 most prosperous nations in the world and the most prosperous country in the Middle East¹⁸. These attributes have prompted more than half of all international brands to have a presence in the UAE. Dubai and Abu Dhabi are the hubs for luxury retailers selling out of upscale malls and shopping centers.

According to a recent survey¹⁹, Saudi Arabia is the 10th most sought-after destination for international retailers in the world. With a large population and a growing economy, demand for luxury products is rising, and local Saudis are known to splurge on luxury items. An increasing number of young and affluent local consumers prefer to spend on premium clothing and accessories, have high brand inclination and aspire to emulate western lifestyles. The beauty and cosmetics market is also growing as Saudi women, despite being restricted by cultural and religious norms, tend to make large-scale use of such products in private.

Qatari nationals are amongst the wealthiest in the world and have the ability and liking to spend on luxury brands. Although a large section of the people continue to wear traditional clothing, western attire is increasingly getting accepted as casual wear for males and females. High-end beauty and perfume products are also popular among the local and expatriate population in Qatar.

High per capita income and a large expatriate population provides a favorable environment for proliferation of luxury retail brands in Kuwait. Increasing tendency of locals to use high-

¹⁶ Source: Altagamma Worldwide Markets Monitor, Alpen Capital

¹⁷ Source: "MidEast luxury retail spending on the rise", Arabian Business, November 16, 2012

¹⁸ Source: "Prosperous UAE", Zawya, November 6, 2012

¹⁹ Released by CB Richard Ellis in April 2012 covering 326 retailers from 200 cities



***The luxury retail industry
in Bahrain and Oman is
small in size due to small
population and tourist
inflow***

end brands has led to robust demand for fashion accessories, bags and shoes. There is also a thriving market for luxury cosmetics and fragrances in the country. However, Kuwaiti consumers are known to have turned value-conscious during the recent economic slowdown, thus impacting its luxury retail market.

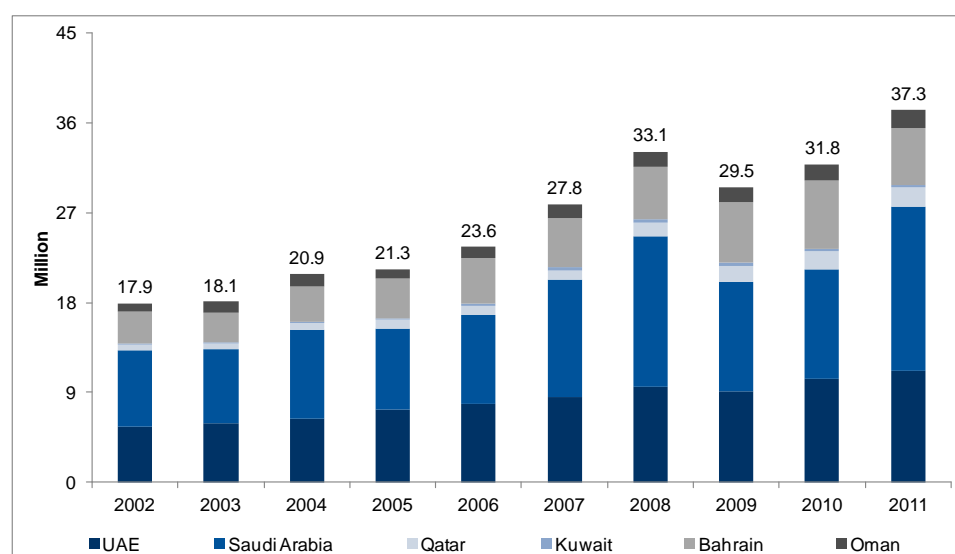
The luxury retail segment in Bahrain and Oman is significantly smaller in size compared to that in the UAE and Saudi Arabia due to their small population base and tourism industries. Further, these countries lag most other GCC nations in terms of personal income levels, thus restricting the consumers' capacity to spend on luxury goods. However, there has been an increasing appetite for luxury goods, particularly in Oman, making the country an attractive investment avenue for luxury retailers.

Duty free and travel retail sales in the Middle East were around US\$ 3.2 billion, representing 7% of the global market

2.4 GCC Airport Retail Market Overview

The Middle East represented approximately 7% of the global duty free and travel retail sales of US\$ 46 billion in 2011²⁰, translating into the region's industry size of around US\$ 3.2 billion. Although some countries were negatively impacted due to the socio-political unrest during the year, this segment continued to expand at a steady rate. From a long-term perspective, the GCC's airport retail market has been benefiting from ever-increasing tourist arrivals in the region due to strong emphasis on the development of tourism and related infrastructure. As noted in Alpen Capital's GCC Hospitality Industry report dated October 7, 2012, international tourist arrivals in the GCC grew at an 8.5% CAGR between 2002 and 2011 and touched 37.3 million (see Exhibit 13), significantly outpacing the global average of 3.7%. Healthy tourist inflows from the Asia Pacific countries provide impetus to the region's duty free sales. Chinese travelers, in particular, are major consumers of watches and fashion products at the Dubai Duty Free.

Exhibit 13: GCC Tourist Arrivals by Country



Source: GCC Hospitality Industry report, Alpen Capital, October 2012

The GCC is situated at the intersection of three continents and at approximately eight-hour flying distance from 2/3rd of the world's population

Apart from overnight visitors, the Gulf airports also manage a sizeable stream of transit passengers due to the region's position as a travel hub between the Eastern and Western worlds. The GCC is situated at the intersection of three continents and at approximately eight-hour flying distance from 2/3rd of the world's population. Operations of regional airlines like the Emirates Airlines, Etihad Airways and Qatar Airways have surged exponentially over the years, and continue to witness growth due to their track record for superior hospitality and network coverage. The GCC's well positioned geographic location along with a well-developed airport infrastructure, strong international brand presence, and luxurious stores provide an excellent duty free shopping experience to both visiting and transit passengers.

Dubai Duty Free continues to dominate the Middle East's duty free and travel retail industry, representing more than 40% of its sales. Dubai is one of the most visited cities globally, making the Dubai International Airport among the busiest airports in the world by international passenger traffic. The airport currently handles over 150 airlines which

²⁰ Source: Generation Research



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Passenger traffic at the Dubai International Airport grew 8.0% y-o-y to 51 million in 2011

Strong performance of major GCC duty free operators suggests that the segment is insulated against the current economic uncertainty

Bahrain Duty Free struggled due to a drop in passenger traffic in 2011

connect to more than 220 destinations in six continents. Passenger traffic at the Dubai International Airport grew 8.0% y-o-y to 51 million in 2011, taking the three-year CAGR to 10.9%. In comparison, Dubai Duty Free registered a sales growth of 15.7% to US\$ 1.5 billion during 2011²¹, suggesting a higher ticket size of purchases. Robust performance was reported across various product categories. Dubai Duty Free has continued to maintain good momentum in 2012 and is on course to achieve another double-digit y-o-y growth in revenues.

Abu Dhabi Duty Free and Qatar Duty Free, other key duty free operators in the GCC, also experienced robust expansion in 2011. While sales of Abu Dhabi Duty Free grew 12.4% y-o-y during the year, sales growth of Qatar Duty Free was in excess of 20%. Abu Dhabi Duty Free sales rose 29.1% y-o-y to US\$ 103 million in the first half of 2012²², suggesting that these retailers continued to maintain robust growth in 2012. The strong performance delivered by major GCC duty free operators suggests that the segment is highly insulated against the current uncertainty in global economy. A soaring aviation sector, attractive promotional offers, world-class airport facilities and propensity of high-end consumers to spend are the driving forces behind the GCC's duty free and travel retail market sustaining its sales uptrend.

Bahrain Duty Free presented a contrasting picture in 2011 when it struggled due to a drop in passenger traffic in the wake of political instability in the country. Revenues dipped 13.5% y-o-y to BHD 26.8 million (US\$ 71.1 million) in the year. However, the performance recovered marginally with a 3.6% y-o-y increase in sales during the first half of 2012 to BHD 13.3 million (US\$ 35.3 million) as the political situation improved, thereby supporting tourist inflow into the country.

²¹ Source: "Dubai Duty Free Sales Soar to Dhs5.311 billion (US\$1.46)", Company website, January 2, 2012

²² Source: "Abu Dhabi Duty Free posts 29% H1 sales rise", Arabian Business, August, 1, 2012

3. GCC Retail Industry Outlook

The overall GCC retail industry gathered momentum in 2011 after recovering from the impact of global financial crisis. The socio-political crisis in the MENA region did have certain ramifications on the region's appeal as a tourist destination. However, in the GCC, such incidents were largely limited to Bahrain, the smallest among the Gulf's retail markets. In fact, given that the larger tourist destinations like the UAE and Saudi Arabia remained unscathed from the socio-political problems, it further strengthened their popularity among tourists wanting to visit the region. Apart from growing tourism, all other fundamental factors favoring expansion of the GCC retail industry also remain intact. All the segments of the retail industry including supermarkets/hypermarkets, airport retail and luxury retail are expected to continue experiencing traction over the next five years.

3.1 Forecasting Methodology

Our outlook for the overall retail industry in the GCC is based on industry forecasts arrived at by using a two-way approach that takes into account the demand-side as well as supply-side dynamics. To assess the potential growth of different retail formats, we have evaluated the key indicators of demand for each sub-segment and arrived at our growth forecasts.

- To assess demand-driven growth in the retail industry, we have used forecasts of various key drivers including population, tourists, airport passenger traffic, growth of organized retail, and inflation. Most of the data for these growth drivers has been sourced from globally tracked databases maintained by the International Monetary Fund, the Economic Intelligence Unit, and the World Travel & Tourism Council.
- To assess supply-driven growth in the retail industry, we examined the new retail space that is likely to be added in each GCC country in the long-term. We arrived at the expected growth in completed retail space over the years by applying our assumptions of the timeline by which this new retail space will be added into the system, in conjunction with a range of tenant occupancy rates. Using a range of occupancy rates enabled us to present a broader picture of probable demand for new retail space.

3.2 Demand-side Estimates

Key Assumptions

- GCC's GDP per capita measured at PPP in US\$ expected to rise at a CAGR of 2.6% between 2011 and 2016.
- Population assumed to expand at an annual average rate of 3.6% over the next five years.
- International tourist arrivals to surpass 44 million passengers by 2016, from 37.3 million in 2011.
- Food and non-food demand per head in the future to remain constant at 2011 levels in volume terms, but to grow at the rate of inflation in value terms.

GCC retail sales is expected to grow at a CAGR of 7.7% between 2011 and 2016 to reach US\$ 270.3 billion

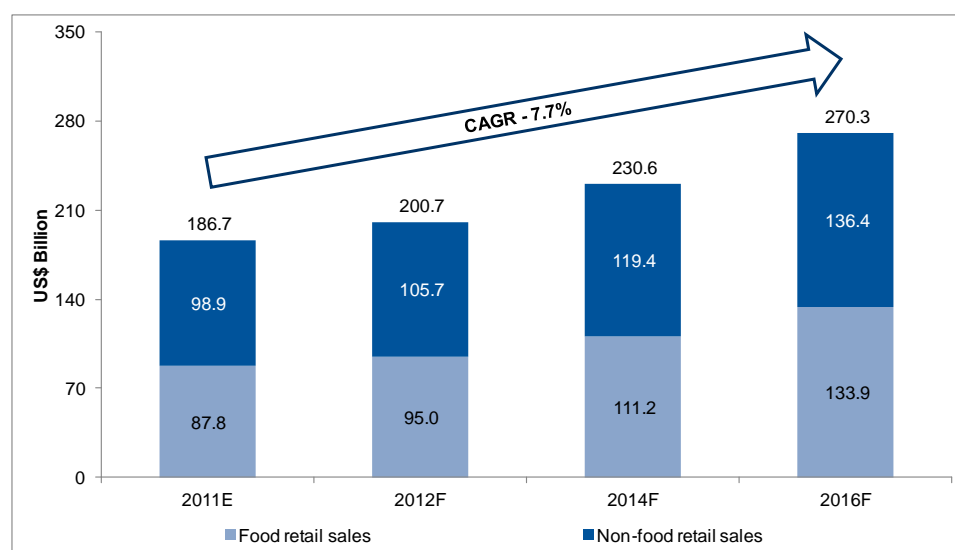
Share of food sales in the overall retail industry is expected to increase from 47.0% in 2011 to 49.5% in 2016

GCC Retail Sales Growth

The GCC's retail sales in 2011 surpassed the expected size presented in Alpen Capital's GCC Retail Industry report dated November 1, 2011 primarily on industry outperformance in Saudi Arabia. Outlook for the overall industry continues to remain positive. However, in view of a maturing market landscape, five-year growth forecast for the industry has been revised partially downwards from the previous report. Between 2011 and 2016, retail sales in the region is expected to grow at a CAGR of 7.7% to reach US\$ 270.3 billion by the end of the forecast period (see Exhibit 14).

The share of food sales in the overall retail sales of the GCC is expected to increase from 47.0% in 2011 to 49.5% in 2016, with the segment's size expanding from US\$ 87.8 billion to US\$ 133.9 billion during the period. Food sales growth will outperform non-food sales growth during the forecast period as high-value and healthier food products could find greater demand. Subsequently, food retail sales is anticipated to expand at a CAGR of 8.8% during this period while non-food retail sales is likely to grow at an annual average growth rate of 6.6%.

Exhibit 14: Retail Sales – Forecast and Composition for the GCC



Source: Alpen Capital

Note: E – Estimated, F – Forecasted

Share of Saudi Arabia in the total retail sales is estimated to increase nearly 4 percentage points between 2011 and 2016

Country-wise Contribution to GCC Retail Market

Saudi Arabia has increased its contribution in the GCC retail market, which is on expected lines but at a much faster pace. Its share in the total GCC retail sales is estimated to increase nearly 4 percentage points between 2011 and 2016 to 48.5% (see Exhibit 15). UAE's contribution is expected to decline from 26.8% to 24.4% during the same period. As expected previously in Alpen Capital's GCC Retail Industry report dated November 1, 2011, all the remaining countries will also account for a smaller slice of the region's retail sales in the future.

While retail sales in all the countries across the GCC region is expected to register positive growth through 2016, the outlook for Saudi Arabia is the most optimistic (see Exhibit 16). The retail industry in Saudi Arabia is projected to expand at a CAGR of 9.5% between

2011 and 2016. All the other GCC nations are likely to register annual average retail sales growth of around 5%-7% during the same period.

Exhibit 15: Country-wise Contribution to the GCC Retail Market

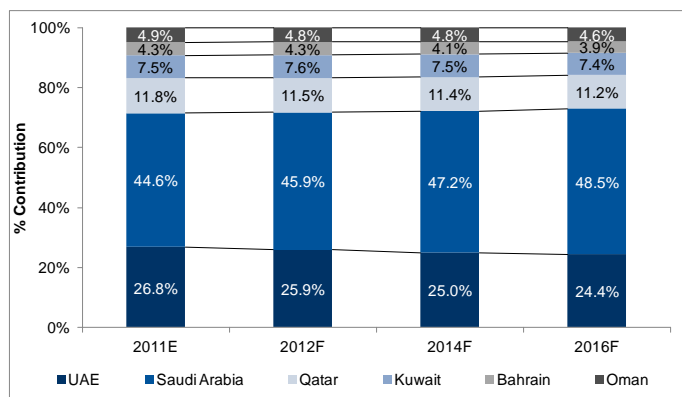
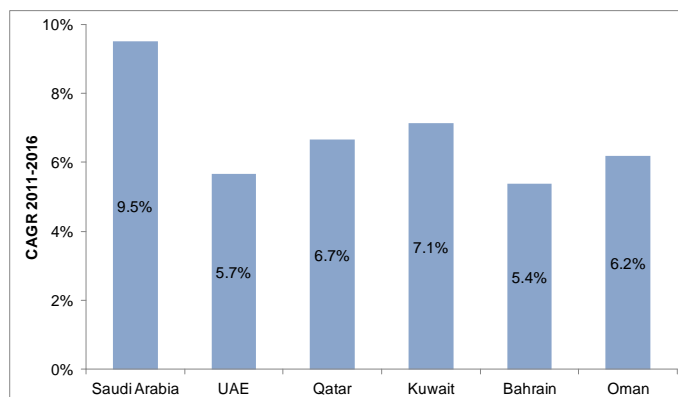


Exhibit 16: Country-wise Retail Sales Growth



Source: Alpen Capital

Note: E – Estimated, F – Forecasted

Supermarket/Hypermarket Retail Sales

Sales of supermarkets and hypermarkets in the GCC are expected to increase at a CAGR of 10.5% and reach US\$ 59.0 billion in 2016

The supermarket/hypermarket retail sales in the GCC are expected to increase at an annual average rate of 10.5% between 2011 and 2016 to reach a size of US\$ 59.0 billion (see Exhibit 17). Growing popularity of organized grocery retail, continued rise in the population base and higher disposable incomes are some of the factors leading to increased activity in the segment.

The relatively under-penetrated markets in terms of modern grocery retail formats such as Saudi Arabia, Qatar, and Kuwait are likely to outperform the mature UAE market during the period (see Exhibit 18). The supermarkets/hypermarkets segment in Saudi Arabia is projected to exceed the sector performance of the overall GCC region.

Exhibit 17: Supermarket/Hypermarket Sales Forecast for the GCC

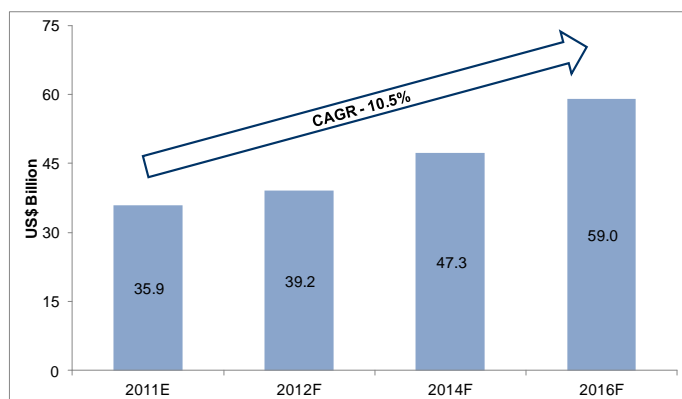
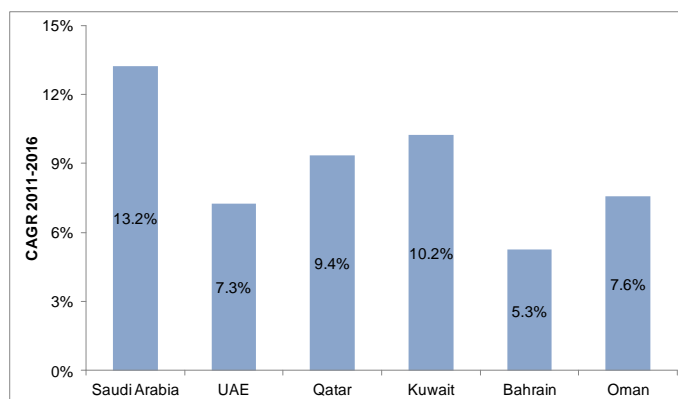


Exhibit 18: Country-wise Supermarket/Hypermarket Sales Growth



Source: Alpen Capital

Note: E – Estimated, F – Forecasted

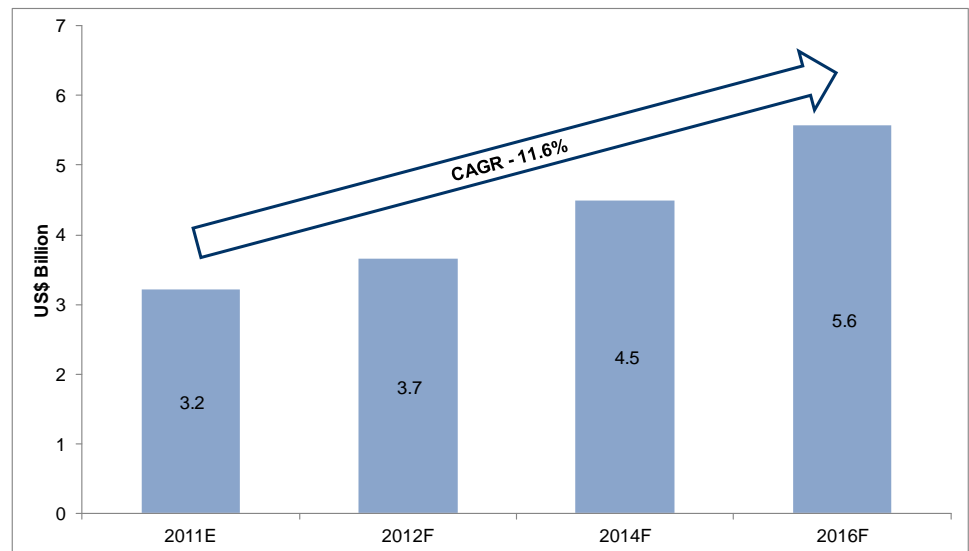


Duty free and travel retail sales in the Middle East are forecast to register a five-year CAGR of 11.6%

Duty Free & Travel Retail Sales

Duty Free and travel retail sales in the Middle East are forecasted to increase from US\$ 3.2 billion in 2011 to US\$ 5.6 billion in 2016, a CAGR of 11.6% (see Exhibit 19). While passenger traffic growth at the Dubai International Airport is likely to moderate to a high-single digit, the Abu Dhabi and Qatar airports are expected to experience increased passenger activity. The growth projection has been revised upwards from Alpen Capital's GCC Retail Industry report dated November 1, 2011 primarily in anticipation of higher passenger traffic at these airports in view of the new infrastructure developments currently underway. However, the average ticket size of duty free purchases at the Dubai airport remains the highest in the region.

Exhibit 19: Duty Free & Travel Retail Sales Forecast for the Middle East



Source: Alpen Capital

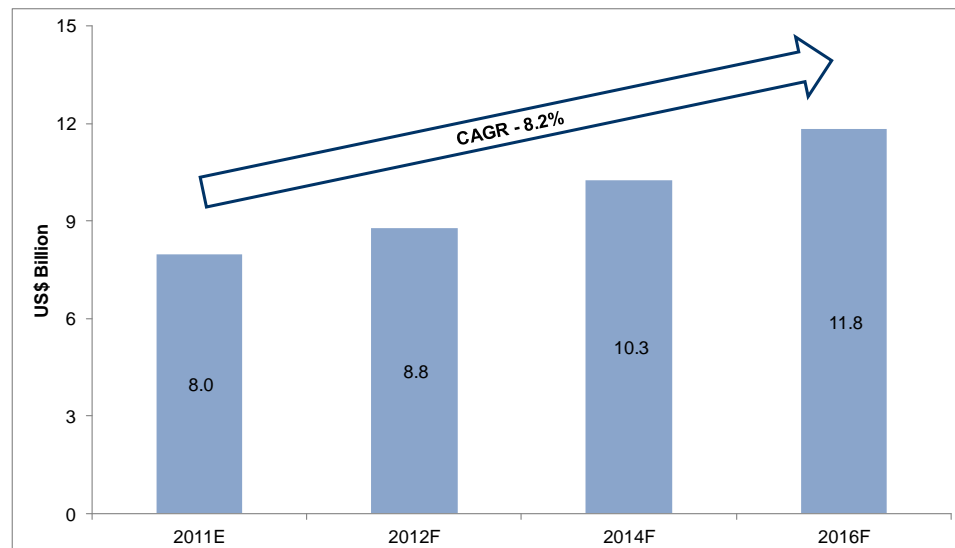
Note: E – Estimated, F – Forecasted

Outlook for the personal luxury goods segment remains positive with an expected CAGR of 8.2% between 2011 and 2016

Luxury Retail Sales

Sales of personal luxury goods in the Middle East surpassed the 2011 forecast provided in Alpen Capital's GCC Retail Industry report dated November 1, 2011 as the segment shrugged aside worries that a worsening economic climate may hamper demand. Outlook for the luxury segment remains positive and luxury retail sales is expected to grow a CAGR of 8.2% between 2011 and 2016 to reach US\$ 11.8 billion by the end of the forecast period (see Exhibit 20).

Exhibit 20: Luxury Retail Sales Forecast for the Middle East



Source: Alpen Capital

Note: E – Estimated, F – Forecasted

3.3 Supply-side Estimates

GCC GLA Growth

An estimated 12.3 million sq m of GLA is likely to be added to the existing retail area in shopping centers in the GCC by 2020

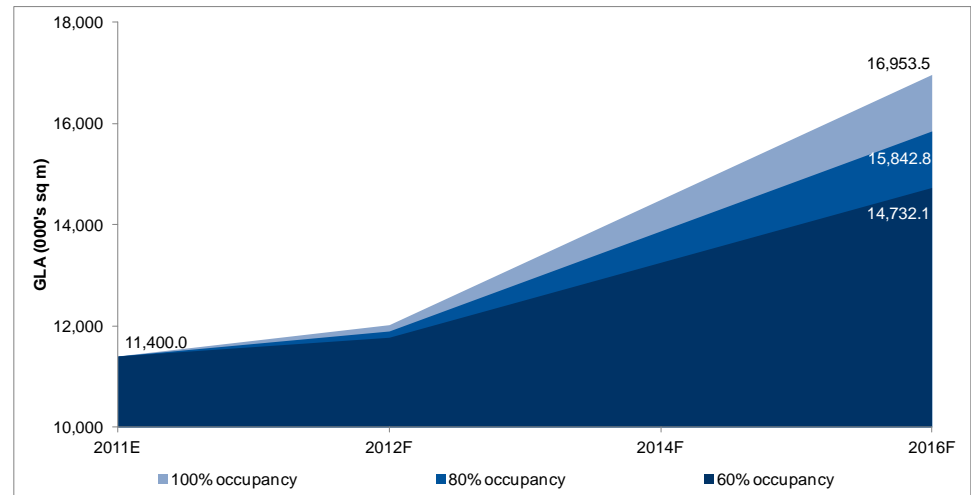
Assuming an 80% occupancy rate, occupied retail GLA in the region is forecasted to reach 15.8 million sq m in 2016

Completed GLA in shopping centers was 11.4 million sq m in 2011, which is assumed to be completely occupied. An estimated 12.3 million sq m of GLA is likely to be added to the existing retail area in shopping centers in the GCC by 2020. This area will be integrated into the existing retail space gradually to avoid a possible over-supply amidst the current economic uncertainty. Based on projections, around 45% of the GLA pipeline will be completed by 2016, thus adding 5.5 million sq m to the completed area in shopping centers in the region. Assuming a 100% occupancy rate for new retail space (Optimistic Growth scenario), total occupied retail GLA in the GCC is forecasted to reach 12.0 million sq m in 2012 and 17.0 million sq m in 2016 (see Exhibit 21).

Current demand for high quality retail space remains strong in the GCC and new shopping malls are likely to enjoy healthy absorption rates, especially in under-penetrated cities. However, to factor-in the possibility of a surplus in supply of retail space and a slowdown in the take-up of new space, we have also calculated the expected supply of retail space at 80% occupancy over the next five years (Moderate Growth scenario), and at 60% occupancy over the next five years (Conservative Growth scenario). Under the Moderate Growth scenario, occupied retail GLA in the GCC is forecasted to reach 11.9 million sq m in 2012 before expanding to 15.8 million sq m in 2016. Under the Conservative Growth scenario, cumulative occupied GLA in shopping centers in the GCC may reach 11.8 million sq m in 2012 and 14.7 million sq m in 2016.



Exhibit 21: Forecast of Occupied GLA in the GCC Shopping Centers



Source: Retail International, Alpen Capital

Note: 1) The forecast factors in the expected GLA that will be added to the system considering plans to construct Mohammed Bin Rashid City and a large entertainment and leisure destination in Dubai

2) E – Estimated, F – Forecasted

At 80% absorption rate, occupied retail area in the Gulf is forecasted to grow at a CAGR of 6.8% between 2011 and 2016

Based on our Optimistic Growth scenario, occupied retail GLA in the GCC is expected to grow at a CAGR of 8.3% between 2011 and 2016, slightly higher than our demand-side CAGR estimate for retail sales of 7.7%. Based on our Moderate Growth scenario, occupied retail GLA in the GCC is likely to grow at a CAGR of 6.8% during the same period. Retailers continue to focus on improving efficiencies and making optimum utilization of retail space. Although the projected GLA additions in the GCC are unlikely to create an over-supply situation and vacancy rates are expected to remain under control, retailers may be selective in picking the right space for their stores in shopping malls. While supply of new GLA will be sufficient to meet demand for retail space over the next five years, it is reasonable to expect that a part of new additions may witness lower initial occupancy rates.

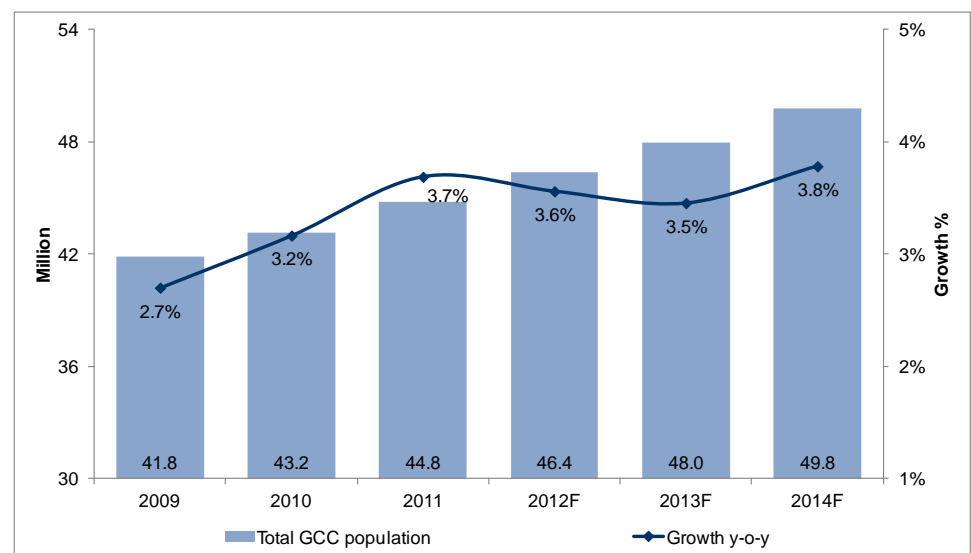
4. Growth Drivers

Favorable Demography

An expanding population and growing urbanization make demographics of the GCC highly attractive

A consistently expanding population base and growing urbanization make demographics of the GCC highly attractive for retailers of essential and discretionary products. The region's population growth rate has accelerated over the last three years, and is expected to sustain the pace going forward (see Exhibit 22). The Gulf is currently one of the most urbanized regions worldwide with more than three-fourths of the people living in urban areas²³; almost all the inhabitants of Qatar and Kuwait reside in cities.

Exhibit 22: GCC Population Trend



Source: Economic Intelligence Unit, International Monetary Fund

Note: F – Forecasted

The median age of people in the six GCC countries ranged between 25 years and 32 years in 2010

Young inhabitants form a significant part of the overall population. The median age of people in the six GCC countries ranged between 25 years and 32 years in 2010²³. With cultural and religious norms limiting recreational and social activities of people, especially women in certain parts of the region, shopping has become a top leisure activity for the GCC's youth.

Another noteworthy characteristic of the GCC is the significant presence of expatriates. Over the last decade, growth of the expatriate population has outpaced the overall rate of population expansion. In countries like the UAE, Kuwait, and Qatar, expatriates represent 70%-90% of the entire population. Confluence of different ethnicities, consumption habits and brand preferences make the GCC's retail market an attractive proposition for retailers. This consumer group has been a major force behind increasing modernization of the region's industry structure.

Growing Affluence

General income levels in the GCC have surged over the years as oil prices have trended upwards in the long-term. A growing GDP, substantial government spending on

²³ Source: "Affordable housing a GCC priority", Arab News, October 6, 2012



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The number of high net-worth individuals in the Middle East grew 2.7% to approximately 0.5 million

Hospitality industry in the GCC is being developed as an all-round tourist attraction catering to a range of travel needs

International tourist arrivals in the GCC are forecast to grow from 37.3 million in 2011 to 44.4 million in 2016

infrastructure and healthcare, low fuel prices and low or no tax incidence, free up a substantial portion of individuals' income for consumption of food and non-food items. The Middle East, dominated by the GCC, was the only region across the globe to have experienced a positive 0.7% growth in high net-worth individual wealth in 2011 compared to the global average of a 1.7% de-growth²⁴. The number of high net-worth individuals in the Middle East grew 2.7% to approximately 0.5 million.

GDP per capita (PPP) of all the GCC economies, except the UAE, is expected to see a growth of around 2%-5% in 2012²⁵. While UAE is forecasted to witness a marginal weakness in the year, growth is set to pickup thereafter. During the five years to 2014, Qatar is likely to lead the Gulf countries with a GDP per capita (PPP) CAGR of 6.8%.

Surging Tourism Sector

As envisaged by governments in the GCC countries, the tourism sector has evolved into being one of the most important means of driving the non-oil component of their respective economies. As noted in Alpen Capital's GCC Hospitality Industry report dated October 7, 2012, the hospitality industry in the region is being developed as an all-round tourist attraction catering to a range of travel needs. The region has become a hub of religious tourism with holy cities in Saudi Arabia attracting millions of Muslims from around the world every year. Shopping festivals like the Dubai Shopping Festival, Dubai Summer Surprises, Abu Dhabi Shopping Festival and Doha Trade Fair, a host of amusement and theme parks, and a rich cultural heritage of the region are major attractions for leisure tourists. In November 2012, Dubai announced development of an ambitious AED 10 billion entertainment and leisure destination at Jebel Ali. The project will feature five theme parks that would appeal to visitors of all age groups and consist of novel amusement attractions, themed hotels, and new concepts in food and beverages. Upon completion, the project would provide a comprehensive entertainment and leisure experience to residents and tourists, and further strengthen Dubai's image as one of the leading leisure centers globally.

The Gulf is also being developed as a center for sports tourism with popular sporting events such as horse racing, Formula One Grand Prix and cricket tournaments seeing a large number of enthusiasts annually. Further, with new infrastructure development on healthcare and convention centers, the GCC is witnessing a growing number of visitors for business and medical reasons.

Continued influx of tourists will be a key driver for the region's retail industry. In addition to tourists who specifically visit for shopping, other travelers also tend to spend substantially on various product categories such as apparel, jewelry, cosmetics, fragrances, chocolates, and electronics due to the wide range of choices available and competitive prices offered by retailers. Going forward, international tourist arrivals in the GCC are forecasted to grow from 37.3 million in 2011 to 44.4 million in 2016, registering a CAGR of 3.5% (see Exhibit 23). In Dubai alone, approximately 10 million tourists are expected to visit and stay during 2012²⁶. Although growth in tourism spending in the GCC may decline in 2012 as travelers have become more value-conscious (see Exhibit 24). However, the momentum is expected to recover quickly thereafter in anticipation of a better global economic climate, signaling improved prospects for the region's retail industry.

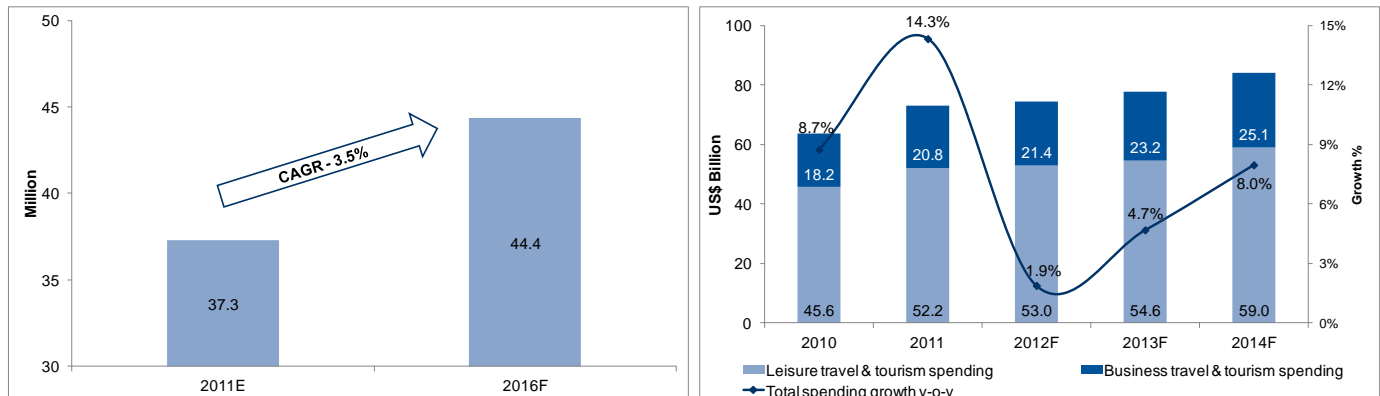
²⁴ Source: Capgemini Lorenz Curve Analysis, 2012

²⁵ Source: Economic Intelligence Unit, International Monetary Fund

²⁶ Source: "Dubai's economy set for biggest boost in 5 years", Khaleej Times, November 27, 2012



Exhibit 23: Expected Growth of International Tourist Arrivals in the GCC Exhibit 24: Tourism Spending in the GCC



Source: World Travel & Tourism Council, Alpen Capital

Note: E – Estimated, F – Forecasted

Massive Expansion Plans for the GCC Airports

There has been a remarkable surge in passenger traffic at the GCC airports due to growing movement of leisure and business travelers. Transit passengers flying the region's airlines known for their high-quality hospitality have also contributed to this surge. Capacity utilization at the region's airports stood at more than 115%²⁷.

Emirates Airlines, Qatar Airways and Etihad Airways are expected to expand their capacity from 50 million to 200 million passengers by 2020

By 2015, the combined annual passenger capacity of Dubai, Abu Dhabi and Doha airports is projected to reach 190 million

In line with the continued uptrend in traffic, all the GCC countries have embarked upon ambitious plans to improve and expand their existing airport and airline infrastructure. The Emirates Airlines, Qatar Airways and Etihad Airways, the region's three leading airlines, are expected to expand their carrying capacity from 50 million passengers to 200 million passengers by 2020. Investments in excess of US\$ 100 billion have been earmarked for development of airport infrastructure in the Middle East by 2025, a substantial portion of which is likely to be spent in the GCC. The Dubai International Airport currently has a capacity to handle 60 million passengers each year. Its annual capacity is expected to expand to 75 million passengers when Concourse 3, the world's first terminal facility dedicated to Airbus A380, opens to the public in the first quarter of 2013. Further developments are underway as part of the US\$7.8 billion Dubai Airports Strategic Plan 2020 to take Dubai International Airport's annual passenger capacity to 90 million by 2018. Dubai also has a second airport called the Dubai World Central. Currently, the airport mainly handles cargo operations and could start handling commercial passenger flights in 2013. Upon completion of four passenger terminals in the mid-2020s, Dubai World Central will become the world's largest airport with a capacity to accommodate 160 million passengers annually. Alongside, the Abu Dhabi Airports Company has announced investments of around AED 25 billion to improve the Abu Dhabi airport and increase annual passenger handling capacity from 12.5 million to 40 million. The New Doha International Airport, set to be partially opened to passenger traffic in 2013 and replace the old airport, will have an estimated annual capacity of 50 million passengers after completion in 2015. By 2015, the combined annual passenger capacity of Dubai, Abu Dhabi and Doha airports is projected to reach 190 million. Likewise, Bahrain has announced an expansion in the capacity of its international airport by 50% to 13.5 million passengers annually. A new state-of-the-art terminal has also been proposed to further

²⁷ "GCC aviation set for huge growth", Khaleej Times, May 23, 2012

An increasing number of shoppers are turning to the internet for purchasing a range of products

Several regional retail websites experienced 100% revenue growth in 2011

PayPal remains strongly committed to the MENA region and plans to double its market share in the next three years

boost capacity in the long-run. Major expansion plans are also in the pipeline in Saudi Arabia, Kuwait, and Oman.

An expanding tourism sector coupled with the establishment of the necessary infrastructure to handle this growth bodes well for the region's retail industry, due to the close inter-relationships between the industries.

Growing Popularity of E-commerce

Online retail is increasing in popularity among consumers and retailers. Despite some challenges, an increasing number of shoppers are turning to the internet to purchase goods ranging from apparel to electronics and grocery to books, as they hunt for attractive deals with the convenience of not having to step out of their homes. Retailers also find this medium attractive as it reduces overheads and enables them to offer products at competitive prices. Growth in the online retail segment is supported by a growing number of internet users in the GCC. Additionally, the channel has been gaining prominence among women and single men, particularly in Saudi Arabia, due to the country's social norms.

Souq, a leading online retailer in the region, has set up operations in the UAE, Saudi Arabia, and Kuwait. Many brick-and-mortar retailers are also establishing their presence online to take advantage of the increasing popularity of these channels. To test the potential, Carrefour has set up online retail operations in the UAE where it offers over 3,000 items, many of which are not available in its stores, with free home delivery facility.

According to Euromonitor International's study, shoppers in the UAE, Saudi Arabia, and Egypt spent US\$ 1 billion on retail websites in 2011²⁸. Adding the sales generated on daily-deal websites such as Groupon, online retail sales in the region would be much higher. Several regional retail websites experienced 100% revenue growth during the year. By 2016, the market is estimated to grow to US\$ 2.1 billion. While Saudi Arabia is currently the largest online retail market and will continue to hold its ranking during the forecast period, trends in the UAE also suggest robust expansion. Consumer spending on retail websites in the UAE stood at US\$ 226.8 million in 2011, and is expected to grow close to 20% y-o-y in 2012.

Proliferation of e-commerce websites has opened up a new avenue of growth for the GCC's retail industry. While it increases convenience for shoppers, it is also a relatively easier and faster route for retailers to establish a market presence due to low capital investments involved.

PayPal, a secured online payment platform, recently launched its Shop & Ship service in the GCC countries in association with Aramex, a global logistics and transportation solutions provider. The launch has enabled residents to link their PayPal accounts to Visa, MasterCard or American Express credit or debit cards issued locally. This has increased the convenience in making online purchases from overseas vendors. PayPal remains strongly committed to the MENA region and plans to double its market share to 10% in the next three years. Presence of a robust payment gateway like PayPal should encourage GCC shoppers to increasingly buy and pay online, while urging local retailers to focus on establishing and growing their online businesses to reach online shoppers within and outside the region.

²⁸ Source: "Online sales forecast to reach \$2bn in region", TheNational, January 8, 2012

Over the last few years, retail spaces in the GCC have become increasingly modern and sophisticated

Dubai announced plans to construct the Mohammed Bin Rashid City which would house the world's largest retail mall

Apart from the UAE, new retail malls continue to be developed in other parts of the Gulf

Several international retailers have been establishing their presence in the GCC by partnering with prominent local business groups

Continued Modernization of the Industry

Over the last few years, retail spaces in the GCC have become increasingly modern and sophisticated. Traditional souks and standalone stores are being constantly replaced by luxurious shopping malls and large hypermarkets, which have become the destinations of choice for shoppers. The Dubai Mall, Mall of the Emirates, Deira City Centre and Al Wahda Mall, all located in the UAE, feature among the top malls in the region. While the experience provided within these establishments is high-quality, solid infrastructure development facilitates easy access to them. Large malls, especially in Dubai, are well-connected by roads and Metro network. The Dubai Mall is being linked with the Burj Khalifa Metro station by an 820 m air-conditioned elevated walkway.

The UAE will further consolidate its position as the leader in the region's retail landscape once Yas Mall in Abu Dhabi starts operations. The mall has a retail area of 235,000 sq m and is expected to be completed in 2013. It will accommodate some of the leading retail names and will house around 700 retail and food outlets and six hotels. Fujairah City Centre, being developed in the relatively less developed city of Fujairah, is one of the largest malls in the emirate with a GLA of 34,000 sq m. The mall will accommodate a number of well-known retail brands and include a multiplex, entertainment center and several eating joints. Dubai, not to be left behind, will soon see the completion of The Pointe, a premium retail destination spread over 130,000 sq m located at the Palm Jumeirah. The Mall of Arabia, with a GLA of more than 929,000 sq m and over 1,000 retail outlets, will be one of the largest shopping centers in the world and is expected to become operational in the coming years.

Recently, Dubai announced plans to construct a new city called the Mohammed Bin Rashid (MBR) City. The MBR City will house what would be the world's largest retail mall, the Mall of the World, built at an estimated cost of AED 10 billion and capable of hosting 80 million visitors annually. The MBR City will also feature the Middle East's largest family leisure center and more than 100 hotel facilities. The timeline for construction of the city, expected to be completed in phases, has not been announced. However, the enormous scale of plans suggest that the Mall of the World will attract a number of international retailers and provide major thrust to the Emirate's retail and tourism industries in the long-run.

Apart from the UAE, new retail malls continue to be developed in other parts of the GCC such as the Doha Festival City in Qatar and the Muscat Grand Mall in Oman. As existing and new retailers, regional as well as international, constantly hunt for quality retail spaces to strengthen their footprint in the expanding retail market, a strong pipeline of malls assures an uninterrupted supply of high-quality store locations.

Availability of Strong and Experienced Franchise Partners

Several international retailers have been establishing their presence in the GCC by collaborating with prominent local business groups through the franchise route. These local groups are typically family-owned businesses, keen to expand their presence beyond their traditional cash-rich lines of operations. On the other hand, international brands find it worthwhile to enter new markets through this route as it ensures limited capital investments, relatively quicker government approvals, short lead times, and therefore, low risks. Additionally, they can also leverage on the local knowledge and experience of their franchise partners.

Currently, business groups such as Al-Futtaim, Alshaya, Al Tayer, Chalhoub, Landmark, and Rivoli dominate the retail franchising business in the Gulf. These groups commonly have exclusive franchise rights in the region for a number of brands ranging from 20 to 55.

Consumer confidence measured in a recent survey by Nielsen placed the UAE and Saudi Arabia among the top five countries globally

Governments have proactively taken measures such as pay hikes and increase in minimum wages and unemployment benefits

The availability of such strong and experienced franchise partners acts as a big alluring factor for recognized global brands looking to enter the GCC market.

Consumer Confidence

Despite uncertainty surrounding the economic health of developed nations and high levels of unemployment, particularly in Europe, consumer confidence in the Middle East remains robust. According to the MasterCard Worldwide Index of Consumer Confidence released in July 2012, consumers were optimistic about the future and financial condition of the Middle East region. The aggregate Consumer Confidence score for the region was 83.5, higher than 57.2 scored by the Asia Pacific region and 76.1 scored by Africa. Qatar led the Middle East countries with a score of 96.6, followed by Oman and Saudi Arabia with respective scores of 91.5 and 90.9. The respondents were most optimistic about their expectations on regular income, employment and the overall economy over the next six months. Consumer confidence measured in a more recent survey by Nielsen published in October 2012 placed the UAE and Saudi Arabia among the top five countries globally with scores of 114 and 113 respectively, beating the worldwide average of 92. Strong consumer confidence among people in the GCC countries can be attributed to increase in personal income levels, high social spending, stimulus measures taken by regional governments, and stable oil prices. Given the prevalent optimism, retail sales in the region is likely to see minimal impact of the global economic concerns currently impacting consumer demand in other regional markets.

Government Measures

Although socio-political unrest in the GCC during 2011 was largely restricted to public demonstrations in Bahrain and Oman, governments across the region have taken proactive measures to pre-empt any such unrest in the future. In addition to implementing pay hikes for locals in public sector entities, the government adopted several measures including increasing minimum wages and unemployment benefits, providing one-off grants, and enhanced housing programs. Saudi Arabia was the frontrunner with the announcement of a US\$ 130 billion spending program targeted at housing, education, and job creation. Minimum wage levels and unemployment benefits were also increased, apart from the declaration of a massive program for the construction of 500,000 affordable houses. The government of Bahrain, the worst affected GCC nation from the socio-political unrest, announced a one-off grant of BHD 1,000 per family and an increase in minimum wages. The Omani government pledged to create 50,000 new jobs in the public sector, in addition to increasing minimum wages and unemployment benefits.

The 2011 unrest has successfully managed to grab the attention of the entire world to the existing income disparities between the poor and rich in the GCC. Pre-emptive measures taken by various governments are likely to increase the purchasing power of low-income groups, which should bolster retail sales in the region.

5. Challenges

Socio-Economic Events

Experiences in the recent past have shown that certain parts of the GCC are vulnerable to events such as the socio-political unrest and global financial crisis. While the financial crisis hampered economic performance primarily of countries like the UAE and Bahrain due to their greater degree of integration with the global economy, the social unrest stalled tourist traffic into Bahrain and raised concerns on the political framework of the region. Governments have taken substantial and proactive measures to minimize the impact of such unfavorable events and avoid their recurrence. However, given that the region's retail industry thrives, to a significant extent, on the favorable spending habits of its inhabitants and a booming tourism industry, socio-political stability is a very important challenge facing the sector.

Increasing Competition

The fast pace of real estate development in the region creates a notion that shopping hotspots like Dubai and Jeddah are getting increasingly congested in terms of retail infrastructure. While there is ample room for growth in other cities, many of them do not exhibit the same factors that are attractive and conducive for retailers. Competition has already deepened among rival firms as new retail outlets mushroom in newly developed malls, creating severe challenges in a fragmented market. In order to drive footfalls and attract patrons, retailers have to continuously reinvent themselves to maintain market share. To remain viable and competitive, companies are putting strong emphasis on providing quality services to patrons through a skilled and well-trained workforce.

Staffing Issues

An expatriate workforce forms the backbone of the retail sector with large and small retailers relying a great deal on migrants from Asian and non-GCC MENA nations. Attrition rates may be high among expatriates since many of them return to their own countries after making significant savings. This has made it tough for retailers to preserve talented and capable employees.

A mismatch between industry requirements and skills taught, and little inclination in pursuing service-oriented and customer-facing jobs have led to high unemployment rates among the local population in the region. The situation is especially a concern in Saudi Arabia, Bahrain, and Oman. While local employment programs floated by governments could elevate employments levels, some positions may still remain vacant due to shortage of skilled local labor while companies may also have limited ability to employ expatriate staff owing to regulatory restrictions.

Increasing rents

The global financial crisis and a fall in consumer confidence had prompted some mall owners to lower rentals in the GCC. This was especially true in case of older and poorly performing properties which experienced falling sales and occupancy levels. Given that lease rentals form a significant portion of overall costs in the retail sector, weakness in rental rates lent support to the profits of retailers. However, with the industry quickly back on its growth path, rentals have started to move up in top-tier malls. Majid Al Futtaim Group was reportedly planning to increase rents in 2012 at its premier property, Mall of the

The fast pace of real estate development creates a notion that shopping hotspots such as Dubai and Jeddah are getting increasingly congested

Retailers face challenges due to high attrition rates amongst the large expatriate workforce and high unemployment rates among the locals

With the retail industry quickly back on its growth path, rentals have started to move up in top-tier malls

The market for counterfeit products has increased over the last several years in the GCC

According to retailers, the biggest hindrance in increasing online sales is the high fees charged by banks on such transactions

Intense price competition has dented profitability of online retailers

Emirates, as turnover at the mall was showing an uptrend²⁹. A recent survey by Cushman & Wakefield covering over 300 prime locations in 62 countries ranked Dubai as the 40th most expensive retail area in the world³⁰. This is a big jump for the emirate due to the surge in retail rentals from 2011 as it did not even feature on the list in the prior year. As the global economic uncertainty gradually recedes and consumer sentiments gain traction in the future, rental expenses are expected to surge further. These upward revisions in rental rates at major malls are likely to squeeze margins of retailers, inducing many operators to relocate stores to lower-tier malls.

Counterfeit Products

The market for counterfeit products has increased over the last several years in the GCC. Ranging from apparel to pharmaceuticals and consumer electronics, these products not only pose health hazards and damage brand reputations of several leading firms, but also remain unaccounted for in the financial system making them difficult to track. A thriving parallel market warrants strict regulatory intervention, and governments across the GCC have implemented measures to check trades of counterfeit products in the retail sector.

Challenges to Online Retailing

Although the concept of online retailing is gradually gaining traction in the GCC, a number of factors are restricting growth of e-commerce in the region. Online shoppers are wary of the high chances of fraud and theft of personal information occurring during online transactions. However, retailers believe that the use of improvised technology and more secure payment systems have reduced the possibility of fraud. Due to this difference in the beliefs of consumers and retailers, the industry feels the need to effectively communicate the enhanced levels of safety now available in online transactions.

According to retailers, the biggest hindrance to increase online sales is the high fees charged by banks on such transactions. According to the CEO of an UAE-based online electronics retailer, UAE banks charged 5%-6% as credit card fees on online transactions, compared to around 1.5% in France³¹. Apart from costly payment processes, an undeveloped and inefficient address system also hampers home delivery of products purchased online. Furthermore, low credit card penetration levels among the local population and popularity of shopping in retail malls as a recreational activity are other factors restricting growth of e-commerce in the region.

Bearing shipping costs, providing multiple payment options and offering products at discounted prices are some of the common strategies adopted by online retailers to win customers. While they have largely succeeded in changing the purchasing habits of shoppers, certain factors like price competition have dented their profitability.

Dependence on Food Imports

Several GCC countries had experienced shortage in the supply of cereals when commodity prices increased globally during 2007–08. The regular exporting countries to the region curbed supply of various food commodities to meet domestic demand during the period. Export restrictions led to panic which further fuelled food price increases. High prices pushed inflation in the GCC higher from 5.3% in 2006 to 10.7% in 2008³². Excessive food inflation was seen to be a major cause of social unrest in the MENA region

²⁹ Source: "Mall of Emirates owner to increase rents in 2012", Arabian Business, April 22, 2012

³⁰ Source: "Dubai back on list of world's most expensive property retail areas", Zawya, November 18, 2012

³¹ Source: "Mixed reaction to e-commerce study", TheNational, January 8, 2012

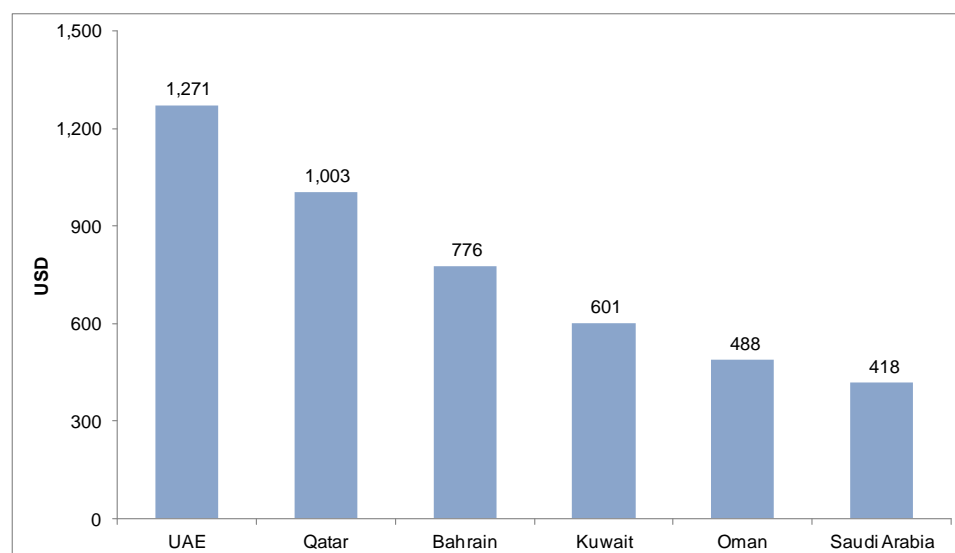
³² Source: International Monetary Fund

The UAE is the most import-dependent country for food in the GCC

during 2007–08. Containing inflation remains one of the biggest fiscal challenges in the Gulf.

A sustained uptrend in food prices and consumption can pose serious threats to the social and political stability of the GCC region, which imports more than 90% of its food requirements³³. Food production in the region is minimal due to less available arable land and water and unfavorable weather conditions. In contrast, food requirements have been rising due to population growth, rising income levels, and urbanization. The UAE is the most import-dependent country for food in the GCC, while Saudi Arabia is the least reliant on food imports (see Exhibit 25). The issue of food security has become vital for the region.

Exhibit 25: Net Food Imports per Capita in the GCC Countries



Source: Al Masah Capital

Food retail sales represents a significant portion of the overall retail industry in the GCC. Disturbances in food supply will have a direct impact on retail sales in the region.

Challenges Faced by Family-run Retail Businesses

Improper succession planning and a lack of well-defined authority creates problems for family-run businesses

Leading retailers in the GCC are typically either family-owned or privately operated. These businesses constantly face challenges to counter the threat from large international retailers and remain competitive in the face of increasing globalization. Improper succession planning and a lack of well-defined authority in family-run businesses lead to difficulty in tracking business performance and taking appropriate remedial measures when required. Further, family-run businesses also have added pressure of expanding operations at a fast pace to sustain wealth amongst members within a typically large family and across generations.

³³ Source: SIAL Middle East

6. Trends

Private Labels

Sales from private labels account for around 10% of the overall retail sales, compared to just 3% three years back

Grocery vendors in the GCC are gradually making in-roads into private label retailing as they focus on profit growth. Currently, sales from private labels account for around 10% of overall retail sales, compared to just 3% three years back³⁴. The growth of private labels bears testimony to the fact that retail industry in the region is maturing and retailers are gradually acquiring the size and expertise required to develop a viable private label portfolio.

Private labels are generally profitable to retailers as they earn high gross margins compared to third-party brands

In the private label business, large retailers import food products directly under their brand names or import ingredients and blend them locally to produce foodstuff to sell under their own packaging. While some retailers prefer Arabic-sounding names for their brands which may appeal to the local population, others use western-sounding names to create an impression of high quality at par with western products. Such brand names may appeal to affluent local consumers and resident expatriates. Private labels are generally profitable to retailers as they earn high gross margins compared to third-party brands since they do not have to share profits with manufacturers. It also enables retailers to increase the range of offerings, negotiate better terms with suppliers of third-party brands as the availability of shelf space becomes more constrained, and enhance store image and customer loyalty.

However, private label retailing is still at a very nascent stage in the GCC as the region lags other mature markets in terms of structural progressiveness of the industry. Retailers have started recognizing the opportunities offered by private labels only recently. In addition, there are challenges with respect to finding manufacturers who have the capabilities to supply good-quality private label products. Other restraining factors include the heterogeneous consumer profile of the GCC market and strong brand loyalty towards imported products.

Popularity of Group-buying Websites

Around 65% of shoppers in the MENA region go online at least once while shopping, higher than 62% of shoppers worldwide

The concept of group-buying is becoming increasingly popular in the GCC, and is a major force behind the growth of online retail sales in the region. A number of online start-ups are benefitting from this trend. The first group-buying website in the region was GoNabit which started by offering deals in Dubai and Abu Dhabi. The instant success of the model drew international group-buying operators to the region. GoNabit was acquired by LivingSocial, a large US-based player with a global presence, in June 2011. Other operators also set up operations in the region, with the major among them being the homegrown, Cobone, possibly the largest indigenous group-buying company in the region, and the world's largest group-buying company, Groupon.

The development of advanced online platforms has made online shopping a highly convenient experience and shoppers are also enticed by the attractive deals offered by these websites. Around 65% of shoppers in the MENA region go online at least once while shopping, higher than 62% of shoppers worldwide³⁵. Even the percentage of consumers insisting on making purchases from a brick-and-mortar store at 35% is lower in the MENA than the global average of 38%. As the group-buying segment evolves and retailers look to improve and expand their offerings, the number of registered users on these websites is likely to multiply going forward. Growth in internet penetration, growing familiarity with the

³⁴ Source: A.T Kearney

³⁵ Source: "2012 MENA Customer barometer", Ernst & Young

Economic slowdown and high levels of personal debt have made an average consumer in the region more value-conscious

The conventional franchise arrangement is evolving further to develop a new model wherein the master licensee acts as a representative of international brands

Sub-franchising seeks to benefit from the growing enthusiasm towards entrepreneurship and self-employment in the GCC

concept of online buying, and new means for ensuring secured payment like the introduction of PayPal's services in the region will also help the cause.

Price Consciousness among Consumers

Although the uncertainty which has engulfed the world's economy since 2008 has so far had a limited bearing on the GCC region, it has however left long-lasting imprints on consumers. Economic slowdown and high levels of personal debt have made an average consumer in the region to become more value-conscious. Buyers in the MENA give equal consideration to quality and price of products, and are willing to postpone their purchases in a bid to secure the right prices³⁶. Price has emerged as the most critical factor to consider while making a purchase for high-income as well as low-income consumers. The increasing price consciousness of consumers in the region can be gauged from the growing trend in favor of value retailers in the UAE such as the UK-based, Matalan. The retailer, which opened stores in Abu Dhabi, Fujairah and Muscat during 2011, is seeing strong traction in business in the Middle East. Other low-cost global retail chains such as Daiso and New Look are also expanding their footprint in the region.

Sub-franchising

The franchising route has been commonly used by international retailers to enter the GCC market wherein their local franchise partners open and manage self-owned retail stores in the region. The conventional franchise arrangement is now evolving further to develop a new model called sub-franchising. The sub-franchise model involves the master licensee to act as a representative of international brands and appoint sub-franchisees within specific areas. This approach enables the master franchisee to open an agreed number of branded retail stores in the region by diversifying risks and without significant capital commitments. As a result, both the franchisor and the master franchisee are able to reach the targeted scale within a shorter time period. Under the terms of the master franchising agreement, the master franchisee shares with the franchisor a certain percentage of franchise fees and royalties for every sub-franchisee opened, making the model financially remunerative. In return, the master franchisee is responsible for providing training and marketing and sales support to the sub-franchisees under his network. The model is widely followed in the food & beverage industry across the globe.

Sub-franchising seeks to benefit from the growing enthusiasm towards entrepreneurship and self-employment in the GCC. With local governments and industry organizations encouraging entrepreneurship to reduce unemployment, obtaining financing is not a hindrance since capital requirements of sub-franchisees are generally lower. An opportunity to be associated with a global brand and an established local business group also appeals to small entrepreneurs. Although these are still early days for the sub-franchise model to gain prominence in the Gulf, it is expected to become more popular in the future as all the concerned parties realize its benefits.

³⁶ Based on the survey findings featured in the "2012 MENA Customer barometer" by Ernst & Young

7. Merger and Acquisition (M&A) Activities

The retail sector involving GCC companies continues to remain active in deal-making. The credit situation has improved globally with central banks in Europe and the US maintaining interest rates at record low levels. Although consumer confidence in general is still recovering, the long-term outlook for the retail industry remains positive in anticipation of the growing spending power in emerging markets.

Financial service firms based in the GCC have acquired stakes in retail companies outside the region, mainly in the luxury space

Since September 2011, a number of deals have taken place across different segments within the GCC retail industry (see Exhibit 26). At the same time, financial service firms based in the region have acquired stakes in retail companies outside the Gulf, mainly in the luxury space. Even as developed markets continue to struggle, many well-known luxury brands have gained traction in emerging markets, and have become attractive acquisition targets. The acquisition of Valentino Fashion Group by Mayhoola for Investments S.P.C, an investment vehicle of a major Qatari private investor group, for US\$ 855.5 million has been the largest such deal consummated in 2012.

Exhibit 26: Major M&A deals in GCC retail sector

Acquirer	Acquirer's Country	Target Company	Target's Country	Year	Consideration (US\$ million)
Mayhoola for Investments S.P.C	Qatar	Valentino Fashion Group	Italy	2012	855.5
Mannai Corporation, EFG-Hermes Holding*	Qatar, Egypt	Damas International	UAE	2012	429.5
Savola Group Company* [#]	Saudi Arabia	Savola Foods Company, Al Azizia Panda United Company	Saudi Arabia	2011	343.0
Fawaz Abdulaziz Alhokair & Company	Saudi Arabia	Nesk Group of Trading Projects	Saudi Arabia	2012	194.7
Investcorp Bank	Bahrain	Sur La Table	US	2011	146.0
Investcorp Bank*	Bahrain	Georg Jensen	Denmark	2012	140.0
Qatar Luxury Group	Qatar	Anya Hindmarch	UK	2012	~27.0
Qatar Holding	Qatar	LVMH Moet Hennessy Louis Vuitton SA	France	2012	N/A
Ahmed Siddiqi and Sons, Hasan Abdullah Mohamed Real Estate	UAE	Al Manara International Jewellery	UAE	2012	N/A
Al Meera Consumer Goods Company*	Qatar	Safeer Arabian International	Oman	2012	N/A

Source: Zawya, media reports

Note: * - Deals pending completion (as on December 3, 2012)

[#] - Savola Group acquired a 10% stake in its subsidiary, Savola Foods Company, and an 18.6% in its subsidiary, Al Azizia Panda United Company, to increase its interest to 100% and 93% in these companies respectively

Country Profiles

UAE

Key Driving Factors

- **Consumer base:** International Monetary Fund (IMF) estimates that population in the UAE, the second-most populated country in the GCC, is expected to grow at a CAGR of 3.0% between 2011 and 2016. With a high rate of urbanization coupled with a strong presence of expatriates, UAE's inhabitants lead a progressive lifestyle and are receptive to modern retailing concepts.
- **Spending power:** UAE's GDP per capita (PPP) in 2011 was estimated to be close to that of the US, and higher than that of major European economies. Better economic prospects than the developed world in the medium term continue to entice global retailers to the country. Moreover, spending power among the resident population is also bolstered by the absence of personal income tax levies and high public spending.
- **Tourist influx:** The UAE remains the leading destination, especially for leisure travelers, in the Middle East. Luxurious retail malls, competitively priced tax-free shops, adventure sports facilities, and convention centers are big tourist attractions. Political stability of the country has further strengthened its position as a major tourist hub.

Recent Industry Developments

- Emaar Properties announced in November 2012 that its expansion plans for The Dubai Mall comprising development of high-end fashion stores, hotels, and luxury homes were finalized and work was scheduled to begin soon.
- In November 2012, Dubai announced plans to construct a new city called the Mohammed Bin Rashid City, which will house Mall of the World, the world's largest retail mall.
- The International Council of Shopping Centres ranked Mall of the Emirates in Dubai as the 7th most productive shopping center in the world and the leading mall in the Middle East, by sales per sq foot.
- Emax, a retailer of electronic products, announced its intention to invest AED 100 million to open 15 new stores across the GCC by June 2013 and bring its total store count to 50.
- According to a recent study by Dubai Chamber of Commerce and Industry, the city's trade in consumer electronics expanded from an estimated AED 24 billion in 2002 to AED 113 billion in 2011.

Macro-economic Indicators

Indicators	Unit	2011	2012F	2016F
GDP growth at constant prices	%	5.2	4.0	3.5
GDP per capita, constant prices	AED	123,811*	125,055	125,901
GDP per capita, PPP	US\$	47,729*	48,992	52,495
Population	mn	5.4*	5.5	6.2
Inflation	%	0.9	0.7	2.0
International tourist arrivals	mn	11.2*	11.2	13.8

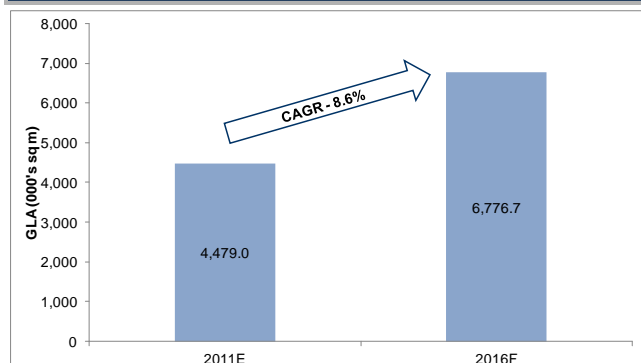
Source: International Monetary Fund (WEO Database released in October 2012), World Travel & Tourism Council, Alpen Capital

Note: * - Estimated figures, F - Forecasted figures

Key Players

Company	Type
Al Tayer Group	Luxury retailer
Apparel Group	Lifestyle retailer
Azadea Group	Lifestyle retailer
Chalhoub Group	Luxury retailer
Damas	Jewelry and watch retailer
Dubai Duty Free	Airport retailer
EMKE Group	Hypermarket/supermarket operator
Fu-Com International / Groupe Casino (Géant)	Hypermarket/supermarket operator
Joyalukkas Group	Jewelry retailer
Jumbo Electronics	Electronics and IT retailer
Landmark Group	Grocery and lifestyle retailer
Liwa Trading Enterprises	Diversified retailer
Majid Al Futtaim Group / Carrefour	Hypermarket operator
Rivoli Group	Luxury retailer

Expected GLA Addition by 2016



Source: Retail International, Alpen Capital

Saudi Arabia

Key Driving Factors

- **Economic growth:** The Saudi economy continues to benefit from surging oil revenues and strong government spending towards elevating the living standards of the local population. Increasing disposable income and growing popularity of modern retail formats and international brands are boosting retail sales in the country.
- **Demography:** Saudi Arabia is the most populous country in the GCC, with a low median age and a constantly expanding consumer base. Population in urban areas is growing at an even faster pace as rural inhabitants migrate to cities in search of livelihood.
- **Religious tourism:** Saudi Arabia is also the most-visited country in the region, and a growing number of pilgrims continue to visit the holy Islamic cities of Makkah and Medina each year.
- **Online retail:** Rising number of internet users and restrictions on movement of women is expected to fuel growth of the online retail segment.
- **Retail space per capita:** Retail space per capita in Saudi Arabia currently lags other markets such as Dubai, thus leaving ample room for expansion of retail infrastructure in the future.

Recent Industry Developments

- Debenhams opened a new department store in Riyadh's Othaim Mall in October 2012, taking its store count in the country to 10.
- Saudi Arabia was placed first among all the Middle East countries in the maiden annual Retail International Programme Expansion Index that ranks the top 40 international retail markets.
- FurnitureInFashion, a UK-based retailer, announced in September 2012 that it planned to open stores in Saudi Arabia and other GCC markets over the next one year by partnering with local companies.
- In July 2012, Fawaz Alhokair announced the signing of a share purchase agreement to acquire Nesk Group for Trading Projects, a franchise operator of several brands like Mango, Stradivarius, Okaidi and Jerry Weber in Saudi Arabia, for SAR 730 million.
- LuLu opened a new hypermarket spread across more than 200,000 sq feet in Riyadh in June 2012. It was the retail chain's fourth store in Saudi Arabia.

Macro-economic Indicators

Indicators	Unit	2011	2012F	2016F
GDP growth at constant prices	%	7.1	6.0	4.3
GDP per capita, constant prices	SAR	33,435*	34,667	37,551
GDP per capita, PPP	US\$	24,411*	25,722	29,654
Population	mn	28.2*	28.8	31.3
Inflation	%	5.0	4.9	4.0
International tourist arrivals	mn	16.5*	16.2	19.0

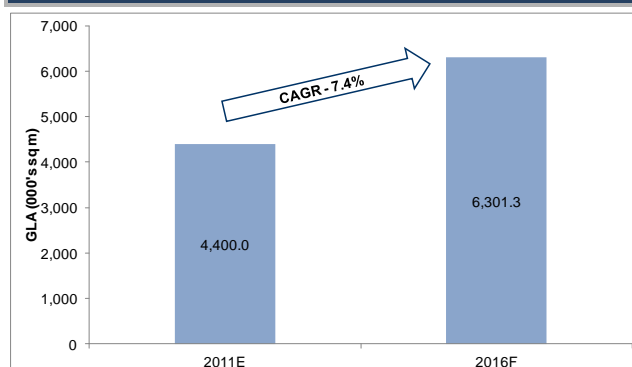
Source: International Monetary Fund (WEO Database released in October 2012), World Travel & Tourism Council, Alpen Capital

Note: * - Estimated figures, F - Forecasted figures

Key Players

Company	Type
Al Azizia Panda United	Hypermarket & supermarket operator
Al Othaim	Foodstuff & consumer products retailer
BinDawood	Supermarket operator
Fawaz Abdulaziz Alhokair & Co	Fashion retailer
Olayan Group	Food franchisee

Expected GLA Addition by 2016



Source: Retail International, Alpen Capital

Qatar

Key Driving Factors

- **Demography:** The IMF forecasts Qatar's population to grow at a CAGR of 4.0% between 2011 and 2016, thus signaling a strong expansion in the consumer base. Urbanization in the country is also close to 100% while the unemployment rate is less than 1%, the lowest in the GCC. The composition of the population is also highly in favor of expatriates.
- **Disposable income:** Qatar is the top-ranking GCC nation and among the leading in the world in terms of GDP per capita (PPP). The economy has consistently clocked double-digit growth in the past few years and is likely to expand respectably in the future, driven by oil and gas exports. Private consumption per head in Qatar is among the highest in the region.
- **Tourism:** A growing economy and a highly reputed national airline are boosting tourist arrivals in the country. Infrastructure development to attract leisure travelers and international sports events such as the FIFA World Cup 2022 are also expected to drive visitor traffic.
- **Business environment:** To diversify its revenue sources, Qatar offers a favorable business environment and low corporate tax rates to foreign investors. New foreign investments will bring along international retail brands, expatriate workforce and business tourists into the country.
- **Retail space:** Given the current undersupply and vast potential, Qatar may see substantial growth in retail space over the next few years.

Recent Industry Developments

- In November 2012, Al Meera Consumer Goods Company signed an agreement with Oman-based Safeer stores to acquire its supermarket and supermarket assets.
- Qatar was placed second among all the Middle East countries in the first annual Retail International Programme Expansion Index that ranks the top 40 international retail markets.
- In July 2012, LuLu opened a new hypermarket spread across more than 200,000 sq feet in Al Khor, taking its store count in the country to four.

Macro-economic Indicators

Indicators	Unit	2011	2012F	2016F
GDP growth at constant prices	%	14.1	6.3	6.3
GDP per capita, constant prices	QAR	183,459	187,494	199,663
GDP per capita, PPP	US\$	98,948	102,769	116,474
Population	mn	1.8	1.8	2.2
Inflation	%	1.9	2.0	4.0
International tourist arrivals	mn	1.9*	1.9	2.1

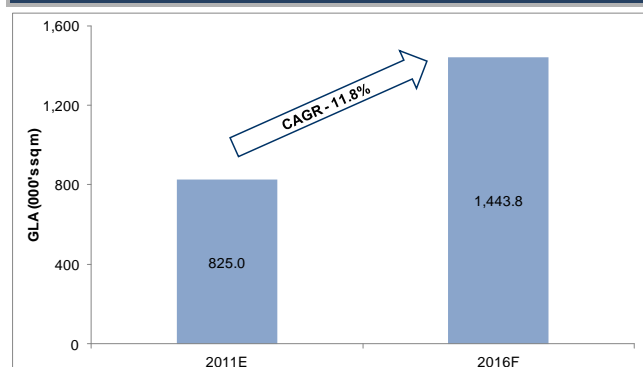
Source: International Monetary Fund (WEO Database released in October 2012), World Travel & Tourism Council, Alpen Capital

Note: * - Estimated figures, F - Forecasted figures

Key Players

Company	Type
Abu Issa Holding	Diversified fashion retailer
Al Mana Fashion Group	Fashion retailer
Al Meera Consumer Goods Company	Supermarket operator
Alfardan Group	High-end automobile and jewelry retailer
Almuftah Group	Diversified retailer
Family Food Centre	Grocery retailer
Mannai Trading WLL	Electronics, home appliances and auto retailer
Qatar Duty Free	Airport retailer
Salam Studio and Stores	Lifestyle stores operator

Expected GLA Addition by 2016



Source: Retail International, Alpen Capital

Kuwait

Key Driving Factors

- **Population profile:** With nearly all its inhabitants residing in cities, Kuwait is one of the most urbanized economies in the world. A high urbanization rate, in combination with a significant percentage of young residents, creates a robust landscape for growth of the retail industry.
- **Per capita income:** A high per capita income, supported by continued inflow of petrodollars and large scale government spending on education, health, and infrastructure, and no personal income tax or wealth tax positively impacts disposable incomes of consumers.
- **Under-penetration of modern formats:** Despite its strong potential, the retail landscape in Kuwait is the least developed. Modern formats like hypermarkets and supermarkets have the lowest market share in Kuwait among all the gulf markets. However, the country has been witnessing development of new retail spaces which is expected to augur well for the country's retail sector.

Recent Industry Developments

- Show Mart International, a retailer of footwear and accessories and part of the UAE-based Landmark Group, announced the launch of four new branded footwear stores – Dumond, Carpisa, Steve Madden, and Pablosky – at The Avenues in November 2012.
- Centrepoint, part of the Landmark Group, opened its eighth store in Kuwait in August 2012 as part of the plans to strengthen its footprint in the GCC.
- Best Denki, a Japanese electronics retailer, was planning to open its fifth store in Kuwait by the year-end with plans to open another outlet soon after.
- Casual Male Retail Group Inc, a US-based apparel and accessories retailer for large sized men, announced in March 2012 that it had signed a franchise agreement with The Standard Arabian Business & Enterprises Company to open a store at the Symphony Mall.
- Max, one of the leading value fashion retailers in the Middle East, announced the opening of its ninth outlet in Kuwait in February 2012. The new store covered an area of over 2,000 sq m and was located at the Al-Liwan Mall.

Macro-economic Indicators

Indicators	Unit	2011	2012F	2016F
GDP growth at constant prices	%	8.2	6.3	3.9
GDP per capita, constant prices	KWD	5,686	5,883	5,984
GDP per capita, PPP	US\$	41,701	43,847	47,461
Population	mn	3.7	3.8	4.2
Inflation	%	4.7	4.3	4.1
International tourist arrivals	mn	0.2*	0.3	0.4

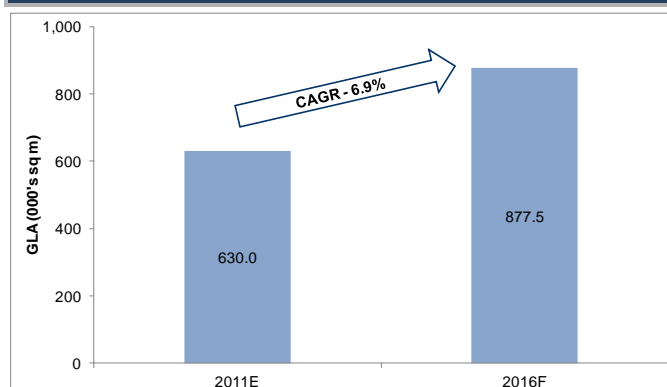
Source: International Monetary Fund (WEO Database released in October 2012), World Travel & Tourism Council, Alpen Capital

Note: * - Estimated figures, F – Forecasted figures

Key Players

Company	Type
Alghanim Industries	Electronics retailer
City Centre	Supermarket operator
Kuwaiti Union of Consumer Co-operative Societies	Mass grocery retailer
M.H Alshaya Company	Lifestyle retailer and restaurant operator
The Sultan Center	Supermarket operator

Expected GLA Addition by 2016



Source: Retail International, Alpen Capital

Bahrain

Key Driving Factors

- **Consumer base:** Despite being the least populated Gulf country, Bahrain is over 90% urbanized. Moreover, the median age of its population is relatively low at around 30 years and a large section is economically active. These characteristics suggest that the Bahraini residents lead a modern lifestyle and are open to western retailing concepts.
- **Government measures:** Spending power of the local population will be enhanced due to government measures taken in 2011 i.e. increase in minimum wage levels and salary hike in the public sector. Inflation in the country also remains low.
- **Tourist arrivals:** International tourist arrivals are likely to increase at a five-year CAGR of over 4% through 2016 after declining in 2011 due to the Arab uprising. Expansion of the Bahrain International Airport, annual sports events, and development of business facilities will stimulate tourism in the country.
- **Under-developed retail structure:** Despite high levels of urbanization and the presence of a sizeable expatriate population, modern retail formats are currently under-penetrated. The country's retail industry may evolve going forward as the development of shopping malls and hypermarkets gain traction.

Recent Industry Developments

- Sharaf DG, a consumer electronics retailer based in the UAE, opened its second store in Bahrain at the Enma Mall in October 2012.
- Majid Al Futtaim announced that sales at stores in Bahrain City Centre grew 23% during the first half of 2012. Business performance during the same period in the previous year was significantly affected by social unrest.
- In August 2012, Géant opened its second outlet in Bahrain at the Enma Mall in Riffa.
- Alosra, a supermarket operator, announced in June 2012 that it will open a flagship store at Riffa Views to cater to the residents of the community and the neighboring areas.
- Pumpkin Patch, a New Zealand-based clothes retailer for children, announced in March 2012 that it had entered into a partnership with the Jawad Business Group under which the Bahraini group would sell Charlie & Me products in 25 standalone stores throughout the Middle East in the next 12 months.

Macro-economic Indicators

Indicators	Unit	2011	2012F	2016F
GDP growth at constant prices	%	2.1	2.0	2.9
GDP per capita, constant prices	BHD	4,630*	4,629	4,762
GDP per capita, PPP	US\$	27,735*	28,182	30,857
Population	mn	1.1*	1.2	1.2
Inflation	%	-0.4	0.6	2.0
International tourist arrivals	mn	5.7*	6.3	7.1

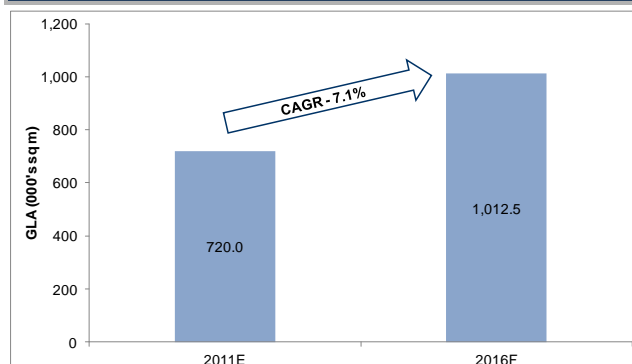
Source: International Monetary Fund (WEO Database released in October 2012), World Travel & Tourism Council, Alpen Capital

Note: * - Estimated figures, F - Forecasted figures

Key Players

Company	Type
Al Jazira Group	Grocery store operator
Bahrain Duty Free	Airport retailer
Jawad Business Group	Grocery store operator

Expected GLA Addition by 2016



Source: Retail International, Alpen Capital

Oman

Key Driving Factors

- **Economic growth:** Over the years, Oman's economy has grown significantly and personal income levels have also been on the rise. This has boosted purchasing power and consumer confidence of people, in turn, propelling demand for a range of retail products.
- **Tourism infrastructure:** Substantial investments by the public and private sectors towards the development of retail projects, airport infrastructure, and tourist attractions are expected to encourage Oman's tourism sector. The government plans to increase the number of international visitors to 12 million by 2020.
- **Wealth creation measures:** Steps taken by the Omani government to allay the social unrest in 2011 such as increase in minimum wages, hike in monthly unemployment benefit and job creation measures are expected to support general income levels of the locals. This will, in turn, result in higher spending and aid retail sales growth.

Recent Industry Developments

- Muscat Grand Mall, a newly opened premium shopping mall in Muscat, had more than 100,000 visitors during the recent Eid holidays.
- Malabar Gold & Diamonds, a high-end jewelry and watch retailer with presence in India and the GCC, further augmented its footprint in Oman by opening its fourth store in Salalah in June 2012.
- La Moda Exclusives, a luxury eyewear retailer, opened its second outlet in Oman at the Muscat Duty Free in August 2012.
- REDTAG, a Dubai-based value retailer of fashion, lifestyle, and homeware products opened its first store in Oman in August 2012.
- Mars International LLC, a leading retail chain in Oman, opened its largest hypermarket covering 15,000 sq m in Barka in July 2012.

Macro-economic Indicators

Indicators	Unit	2011	2012F	2016F
GDP growth at constant prices	%	5.4	5.0	3.4
GDP per capita, constant prices	OMR	4,132*	4,206	4,270
GDP per capita, PPP	US\$	27,567*	28,512	30,807
Population	mn	3.1*	3.2	3.6
Inflation	%	4.0*	3.2	3.0
International tourist arrivals	mn	1.8*	1.6	2.0

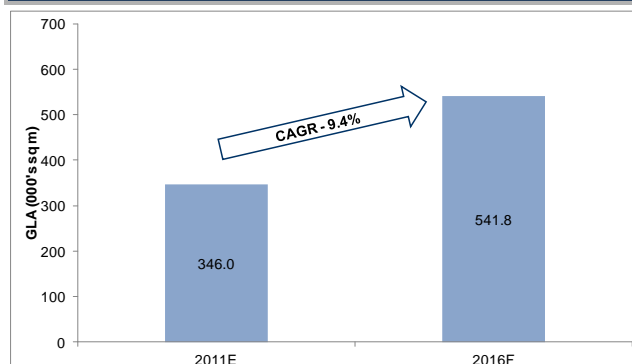
Source: International Monetary Fund (WEO Database released in October 2012), World Travel & Tourism Council, Alpen Capital

Note: * - Estimated figures, F – Forecasted figures

Key Players

Company	Type
Assarain Group	Furniture and furnishing retailer
Jawad Sultan	Electronics/Telecom retailer
Khimji Ramdas	Lifestyle retailer
Mustafa Sultan	Electronics retailer
WJ Towell Group	Furniture, furnishing and other consumer products retailer

Expected GLA Addition by 2016



Source: Retail International, Alpen Capital

Company Profiles

Abu Issa Holding (Privately Owned)

Qatar

Company Description

Abu Issa Holding is one of the largest family-owned conglomerate businesses in the Middle East region. Founded more than thirty years ago in Doha, the group has interests in varied sectors such as retail and distribution, telecommunications, IT, energy and engineering, investments, and real estate. Blue Salon, established in 1981, was Abu Issa Holding's first venture. Blue Salon is a leading retailer of fashion products, watches, jewelry, perfumes, and cosmetics in Qatar.

Business Segments/Product Portfolio

- **Retail:** This segment sells reputed brands from across the globe in categories like apparel and accessories, footwear, watches and jewelry, perfumes and cosmetics, eyewear, home fashion and home décor, travel gear, toys, and chocolates and confectionery items. The group operates retail stores under a number of different concepts including Blue Salon, Pari Gallery, Highland, Karisma, and Gold Gourmet to name a few.
- **Brands Distribution and Franchises:** Under this business, Abu Issa Holding runs the Techno Blue division (a distributor of consumer electronics products from Samsung and Fuji Film), the Golden House division (a distributor of branded watches, pens, perfumes and toiletries, luggage etc), the Gulf Beauty division (a distributor of perfumes and cosmetics brands), and the Zad Marketing and Distribution division (a distributor of FMCG products).
- **Telecommunication and IT:** The group offers telecommunication products and services at dedicated retail outlets, and also provides connectivity and IT solutions to corporate and government clients. The division operates an Apple store that sells a range of Apple products and accessories.

Others

- **Energy & Engineering:** Under this business, Abu Issa Holding provides a range of electromechanical contracting services, cooling solutions, civil engineering services, interior designing, decoration and fixture solutions, and heating, ventilation, air conditioning, refrigeration and passive fire protection solutions.
- **Investments and Joint Ventures:** Through this segment, the group has spread its interests across sectors like energy, construction, infrastructure, engineering, and consultancy.
- **Consultancy and Training:** This segment provides strategy, process, and technology solutions to other companies.

Key Strengths

- Diversified retail offering of lifestyle products under different brands and store concepts.
- Strong local market knowledge and expertise.

Recent Developments/Future plans

- Imdaad, a provider of integrated facilities management solutions in the UAE, announced in May 2012 that it had partnered with Abu Issa Holding to bring its offerings in Qatar.
- Mode Creation Munich (MCM), a retailer of premium leather products based in Germany, opened its first outlet in the Middle East region at Jeddah, Saudi Arabia. MCM entered the region through collaboration with Abu Issa Holding.

Al Azizia Panda United (Privately Owned)

Saudi Arabia

Company Description

Al Azizia Panda United (APU), founded in 1978, is a key private retailer in Saudi Arabia. It was acquired in 1998 by the Savola Group, a leading food retail company. APU enjoys the largest market share in Saudi's retail space. After the acquisition of Giant supermarkets and Géant stores in Saudi Arabia during 2008 and 2009, the company further strengthened its position in the highly fragmented market. APU operates and manages approximately 130 supermarkets and hypermarkets within and outside Saudi Arabia, and has an employee strength of more than 13,000 people.

Business Segments/Product Portfolio

- **Food and Beverage:** This division facilitates sales and distribution of products such as sweets, frozen food, dairy items, assorted juices, carbonated drinks, bakery items, seafood, poultry, and fresh meat.
- **Electronics and Home Appliances:** Products offered include computers & accessories, home & kitchen appliances, cameras & video games, cutlery etc.
- **Apparels and Baby Products:** This division deals with the sales of merchandize like sportswear, clothing for men, women & kids, baby accessories, baby powders, baby diapers etc.
- **Cleaning Products and Home Needs:** This segment is engaged in the sale of cleaning tools, cleaning agents, disinfectants, room fresheners, and home products such as dinner sets, trays, cookers etc.
- **Stationery and Others:** This business supplies school stationery, office stationery, school bags, water bottles, furniture, toys, car accessories, and gifts.

Key Strengths

- Dominating position in the retail market of Saudi Arabia.
- Strong backing provided by the parent company which has a significant presence in the MENA region.
- Diversified product portfolio.

Recent Developments/Future plans

- In October 2011, the Savola Group announced that Alhokair Group had decided not to proceed with the finalization of the initial agreement in which the Savola Group would acquire Alhokair Group's interest in APU since the two parties failed to reach a final agreement. However, Alhokair Group would exercise a call option to acquire 3% additional shares in APU as part of APU's buyout of Saudi Géant and other assets. On the other hand, the Savola Group would continue with formalities related to the purchase of the Al-Muhaidib Group's minority interest in Savola Foods Co. and APU.

Al Meera Consumer Goods Company

Qatar

Company Description

Al Meera Consumer Goods Company (Al Meera) is a leading retailer and wholesaler of consumer goods in Qatar. The company owns and manages over 20 outlets in the country. In addition to selling a wide variety of food and non-food products from several brands at these stores, Al Meera also offers more than 500 items under its own brand name. The company implemented its expansion strategy in 2012 whereby it plans to expand its retail space and refurbish many of its existing outlets in accordance with modern design and innovative concepts. While the major focus remains on Qatar, Al Meera also intends to expand its footprint in other countries.

Business Segments/Product Portfolio

- **Fast Moving Consumer Grocery:** The company sells rice, cooking oil, snacks, assorted beverages, detergent and plasticware, car accessories etc. under this category.
- **Wholesale:** At many of its outlets, Al Meera sells products in bulk enabling its wholesale customers to avail benefits of lower prices and discounts.
- **Fresh Food:** The company sells fresh fruits, vegetables, meat, fish etc under the Fresh Food segment.

Key Strengths

- Strong brand name and association with quality.
- Robust pipeline of new store development.

Recent Developments/Future plans

- In November 2012, Al Meera signed an agreement with Oman-based Safeer stores to acquire its hypermarket and supermarket assets.
- In October 2012, Al Meera opened a seasonal branch at the Sealine Resort in Doha. The company would operate the branch for five months to offer supermarket goods and camping supplies.
- In October 2012, Al Meera signed a contract with the Almuftah Group for the construction of a new 3,123 sq m Al Meera store in Qatar. Completion of construction of the store was expected to take approximately eight months.
- In March 2012, the company collaborated with Thailand-based Index Living Mall Company to open furniture retail stores across Qatar.
- In February 2012, Al Meera opened a new branch in Abu Nakhla, Qatar.

Current price (US\$) 42.57

Price as on December 5, 2012

Stock Details

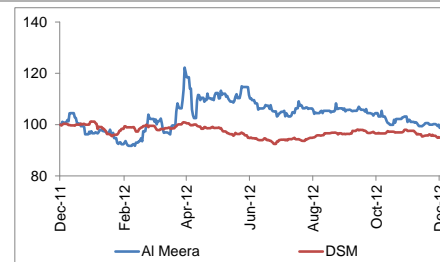
Bloomberg ticker	MERS QD
52 week high/ low	52.71/39.54
Market Cap (US\$ mn)	425.7
Enterprise value (US\$ mn)	476.8
Shares outstanding (mn)	10.0

Source: Bloomberg

Average Daily Turnover (000's)

	QAR	US\$
3 M	879.1	241.4
12 M	3,286.9	902.7

Share Price Chart



Valuation Multiples

	2011	Current	2012E
P/E (x)	19.6x	15.5x	N/A
P/B (x)	5.6x	5.7x	N/A
EV/S (x)	1.4x	1.1x	N/A
Dividend Yield (%)	4.63	N/A	N/A

Source: Bloomberg

Shareholding Structure

Government	26.00%
Public	74.00%
Total	100.00%

Source: Zawya

Financial Performance				
US\$ Million	2010	2011	Change (%)	
Revenues	251.3	320.3	27.5	<ul style="list-style-type: none"> Higher sales of fruits, vegetables, dairy cheese, butchery, and bakery products led to an increase in the company's revenues by 27.5% y-o-y to US\$ 320.3 million in FY 2011. Operating income increased 80.0% y-o-y to US\$ 9.5 million as growth in revenues outpaced the growth in cost of goods sold during the year. Primarily in line with the increase in operating income, net income grew from US\$ 18.0 million in FY2010 to US\$ 21.2 million in FY2011.
COGS	217.7	271.7	24.8	
Operating Income	5.3	9.5	80.0	
Operating Margin (%)	2.1	3.0		
Net Income	18.0	21.2	17.9	
Net Income Margin (%)	7.2	6.6		
ROE (%)	27.4	29.7		
ROA (%)	15.6	12.9		

Al Tayer Group (Privately Owned)

UAE

Company Description

The Al Tayer Group LLC, headquartered in Dubai, was established in 1979. It has operations in 12 countries in the Middle East and beyond. The Group is involved in several activities, including automotive, contracting, engineering, distribution, lifestyle retail, luxury retail, and travel services. It houses several of the world's leading brands and operates over 180 stores, with over 7,900 employees working for it. Further, the group holds investments in various sectors including real estate and manufacturing among others.

Business Segments/Product Portfolio

- **Al Tayer Al Tijariya:** It is a leading distributor of perfumes, cosmetics, and accessories. It is the sole distributor for over 60 internationally renowned brands, spanning the premium to volume segments, which are marketed through the company's three divisions: Ghadeer Trading, Tejan Middle East, and Wishah Perfumes.
- **Al Tayer Insignia:** It is the largest luxury retailer in the Middle East and has a portfolio of some of the world's best luxury brands in the fashion, jewelry, and home segments.
- **Al Tayer Trends:** This division represents 20 brands and operates over 125 lifestyle retail stores across the GCC.

Others

- **Al Tayer Industries:** Consists of Aati Contracts and Obaid Humaid Al Tayer Engineering; the former being a leading player in the turnkey projects arena, while the latter represents some of the best known companies in the engineering world.
- **Al Tayer Motors:** Started in 1982, it represents European and American automobile companies like Ford, Lincoln, Ferrari, Maserati, Land Rover, Jaguar, Spyker, and DAF Trucks across the UAE.
- **Investments & Partnerships:** This segment has investments in contracting, supply chain management, residential & commercial real estate, precision tools manufacturing, and travel agency services.

Key Strengths

- Strong footprint in the Middle East.
- Franchisee agreements with several leading global brands and companies in varied sectors.

Recent Developments/Future plans

- In October 2012, Roger Vivier, a luxury French brand of shoes, handbags, sunglasses, leather goods and fashion jewelry, opened a 70 sq m outlet at a concept store in The Dubai Mall.
- Sergio Rossi, an Italian footwear and accessories designer, opened an outlet under its new store design format at a concept store in The Dubai Mall in October 2012.
- Bulgari, a reputed Italian jewelry brand, opened a new boutique at the 'Avenue at Etihad Towers' in the Al Ras Al Akhdar district.
- In May 2012, the Al Tayer Group opened its 10th GAP store in the UAE's Mall of the Emirates.

Alfardan Group (Privately Owned)

Qatar

Company Description

Originally established in the late 19th century as a pearl trading business, The Alfardan Group was re-established in 1951 through its foray into jewelry and currency exchange operations. Today, the Qatar-based Group operates in various business segments such as automobiles, jewelry, exchange & trading, real estate, and marine services, which not only span across the Gulf region but all over the world.

Business Segments/Product Portfolio

- **Jewelry:** This division is in the business of luxury products like precious watches, jewelry, and accessories. The company's jewelry business is mainly focused on the Saudi market, where it operates four stores and houses more than 30 brands.

Others

- **Automotive:** This division operates showrooms and service centers for branded automobiles such as BMW, Jaguar, Rolls-Royce, Land Rover, and Ducati among others. It also provides rental, limousine and leasing services through its subsidiary-Prestige Cars.
- **Exchange:** Alfardan Exchange, started in 1970, provides financial services such as exchange of bank notes and coins, sale and purchase of demand drafts, wire transfers, and traveler's checks.
- **Trading:** It manages the group's portfolio of share investments and is also involved in the trading of Alfardan Group's securities.
- **Real Estate:** Initially started to oversee the family's own properties, Alfardan Properties is now one of the leading real estate developers in Qatar. It operates in the residential, commercial, and mixed-use projects domains.
- **Marine Services:** This division was started in 2005, and offers boats, engines, and all types of accessories and related services to the marine industry. It is also involved in the service of chartering of boats for leisure and transportation purpose.
- **Hospitality:** Through this business, the group operates the Kempinski Residences and Suites in Doha.

Key Strengths

- Vast experience and knowledge in the field of trading.
- Diversified business segments.

Recent Developments/Future plans

- Global Reach Portal Services, a joint venture between Al Fardan Exchange and two other companies, announced the launch of its new mobile money transfer platform called 'Reach' in September 2012.
- In May 2012, Alfardan Motorcycles opened a new flagship showroom in Alfardan Towers at West Bay which would display motorbikes from global automakers like BMW, Motorrad, Ducati, Triumph, and KTM.
- Al Fardan Exchange announced, in April 2012, that it was expecting continued expansion of its exchange business and other financial services in the UAE during the year.
- Alfardan Properties and Ahli United Bank announced the financial closure of a US\$ 200 million term loan facility in November 2011.

Almufthah Group (Privately Owned)

Qatar

Company Description

The Almufthah Group began operations in 1963 as a small retailer of tires. Now, at the brink of its 50th anniversary, the company has grown into one of the most successful conglomerates in Qatar. Being a diversified enterprise, the Almufthah Group offers products and services across various sectors including personal products and accessories, wellness and fitness, automotive and transport, industrial machineries and equipment, residential and contract furnishings, cable and satellite TV broadcasting, education, restaurants and catering, real estate etc. Additionally, the group executes major building, civil, and industrial engineering and construction projects by collaborating with a number of foreign partners, government institutions, and local businesses.

Business Segments/Product Portfolio

- **Personal Products and Accessories:** This business sells electronics and appliances, perfumes and cosmetics, jewelry, and school supplies.
- **Travel, Leisure and Recreation:** This division provides tour and travel services for corporate and family trips. It also operates a 'rent a car' business.
- **Home and Contract Furnishings:** Under this segment, the company sells high quality custom-made as well as readymade furniture for residences and offices.
- **Restaurants and Catering:** The group runs restaurants by partnering with leading brands such as Pizza Hut, Arby's, Fuddruckers, Bennigans etc. The group has also established food outlets under its own brands like Sterling Fast Food, Twinky, and Pizza Corner. In addition, it provides catering services for functions, residences, and business establishments.
- **Automotive and Transport:** The Almufthah Group sells cars, automotive parts and accessories, offers maintenance services, and is also engaged in transport-related services, including vehicle rental, vehicle recovery, moving services, and airport pickup services.

Others

- **Non-Industrial segment:** Includes education, fitness, cable television, graphic design and publicity, and real estate businesses.
- **Industrial segment:** Encompasses engineering and construction, metals and wood, industrial machinery, and energy and utility businesses.

Key Strengths

- Extensive portfolio of products and services.
- Diversified workforce in terms of culture and background supports growth in different sectors.

Recent Developments/Future plans

- In October 2012, the Almufthah Group signed a contract with Al Meera Consumer Goods Company for the construction of a new 3,123 sq m Al Meera store in Qatar. Construction of the store was expected to be completed in approximately eight months.
- In July 2012, the group signed an agreement with Germany's Fermacell GmbH under which it would get exclusive rights to distribute the German manufacturer's gypsum fiber and cement board products throughout Qatar.
- In January 2012, the group announced the launch of 'Anytime Fitness' health club chain with the opening of its first facility in Doha.

Alshaya Group (Privately Owned)

Kuwait

Company Description

The Alshaya Group, founded in 1890 in Kuwait, is one of the largest private companies in the Middle East. It expanded phenomenally in the 1960's and 1970's by foraying into real estate development, construction, hotels, and trading. In 1983, it started its retail division with the commencement of franchise operations for Mothercare. With a vision to become a world-leading retailer, today it operates more than 2,400 stores across 19 countries and has over 28,000 employees.

Business Segments/Product Portfolio

- **Retail & Trading:** M.H Alshaya Co. looks after the group's retail and trading divisions. Retail spans a wide range of segments including fashion, footwear, food service, healthcare, home furnishing, and beauty products. Its Trading division is engaged in the trading of sanitaryware, foodservice equipments, laundry equipments, shelving equipments, and building materials. M.H Alshaya Co. also has business interests in companies engaged in computer software, advertising, and engineering & maintenance contracting.

Others

- **Real Estate:** This division has operations in the GCC countries and deals with the development of land and properties.
- **Hotels:** This segment operates hotels such as Kuwait Sheraton and Medina Oberoi.
- **Automotive:** This unit has exclusive agencies and dealerships of cars, car accessories, trucks & buses, tires, etc. It represents brands like Mazda, Peugeot, Michelin, Ceat, Apollo, and others.

Key Strengths

- Extensive network of stores.
- Huge presence across countries.
- Intricate knowledge of the retail market due to sector experience of close to three decades.

Recent Developments/Future plans

- In October 2012, the Alshaya Group announced that Sarar, a Turkish menswear brand, would open its first store in the Middle East at The Avenues Mall, Kuwait in partnership with M.H. Alshaya.
- A leading US-based specialty retail apparel chain, Express Inc, opened its first store at Beirut in association with the Alshaya Group in September 2012.
- The US beauty brand, Bath & Body Works, entered the Poland market with M.H. Alshaya by opening two new stores during September 2012.
- Pei Wei Asian Diner, a US-based fast-casual restaurant, opened its first outlet in the Middle East at The Avenues Mall through a partnership with M.H. Ashaya in August 2012.
- In August 2012, the US casual dining restaurant, The Cheesecake Factory, opened its first outlet outside the US at The Dubai Mall under a license agreement with Alshaya Trading Co.

Apparel Group (Privately Owned)

UAE

Company Description

The Apparel Group, started in 1999, is a UAE-based conglomerate that offers a wide range of global fashion and lifestyle brands. It represents some of the best known fashion labels like Nine West, Tommy Hilfiger, Kenneth Cole, and Aldo to name a few. The group currently operates more than 700 stores, and has over 5,500 employees. It has plans to run 1,000 stores by the end of 2012.

Business Segments/Product Portfolio

- **Fashion:** This segment provides famous brands from across the globe and serves in categories like footwear, handbags, accessories and apparel for men, women, and kids.
- **Footwear:** The division specifically offers the latest and trendiest footwear.
- **Accessories:** This business features brands like Aldo Accessories & Strandbags, which offer the latest in handbags and accessories.
- **Cosmetics:** The segment represents the Inglot brand, a leading retailer of wide array of quality cosmetics at affordable prices.
- **Food:** The product line includes a wide variety of ice-creams, cakes, and shakes from the American brand, Cold Stone Creamery. The company also operates Tim Hortons outlets that sell hot beverages, sandwiches, and baked foodstuff.
- **Home Furnishing:** This division provides complete solutions for home furnishing under the brand, Freedom Furniture.
- **Books:** The group's Booksplus brand offers a huge range of books, DVDs, CD-ROMs, magazines, etc.

Key Strengths

- Diversified retail offerings of lifestyle products.
- Vast network of stores.
- Presence in the GCC as well as Europe and Asia.

Recent Developments/Future plans

- In October 2012, 11 global brands namely Aldo, Aldo Accessories, Nine West, Charles & Keith, Skechers, Spring, Naturalizer, Coldstone, Pedro, Garage, and Bench opened their outlets at the Muscat Grand Mall in association with the Apparel Group.
- In October 2012, the Apparel Group opened a flagship Kenneth Cole New York store at the Abu Dhabi Mall. It was the brand's third outlet in the UAE.
- The Apparel Group opened a new Inglot outlet at Dalma Mall in September 2012. This was the group's 23rd cosmetics store in Abu Dhabi under the brand.
- Tim Hortons opened its 10th Cafe and Bake Shop, spread over more than 2,400 sq ft, in the UAE in June 2012.
- In December 2011, the Apparel Group opened five Tim Hortons Cafe and Bake shops in the UAE. This was part of the group's agreement to open up to 120 Tim Hortons restaurants over the next five years in the UAE, Bahrain, Kuwait, Oman, and Qatar.

Azadea Group (Privately Owned)

Lebanon

Company Description

The Azadea Group is a retailer of fashion and lifestyle products, managing more than 45 international brands. Founded in 1978, it currently represents leading international brand names in fashion and accessories, sports goods, food and beverage, home furnishing, and multimedia. The group employs over 7,300 employees and operates 457 stores in the MENA region. While the Azadea Group is headquartered in Lebanon, it has a presence in all countries of the GCC region.

Business Segments/Product Portfolio

- **Sporting Goods:** Under this business division, it operates retail outlets of German sporting goods brand, Decathlon.
- **Fashion:** This unit operates retail outlets of fashion brands such as Zara, Bershka, Marella, Salsa, and Gap to name a few.
- **Accessories:** In this segment, it sells trendy jewelry, sunglasses, bags etc from several brands including Mango touch, Moa, and Sunglass Hut.
- **Food and Beverages:** Through this business, the group runs food and beverage outlets in partnership with international names like Argo Tea, Columbus Café, The Butcher Shop and Grill, Pulp, Paul, and Köşebaşı.
- **Home Furnishings:** The group sells high quality readymade furniture with brands like Singways, MOOD, and Zara Home through this unit.
- **Multimedia:** The group has partnered with Virgin Megastore to operate retail stores and sell books, video games, music CDs, electronic products, and accessories.

Key Strengths

- Strong network of outlets across the MENA region.
- Association with a number of international fashion brands.

Recent Developments/Future plans

- Virgin Megastore opened a new store in Abu Dhabi in November 2012. It was its second outlet in Abu Dhabi and 14th in the Middle East.
- In August 2012, the Azadea Group opened the first GAP store in Lebanon. The group planned to open two more such outlets in the country during November 2012.
- In July 2012, the Azadea Group and Baniyas Investment and Development Company signed an agreement to open eight new outlets at the Bawabat Al Sharq Mall in Abu Dhabi. This retail space would display brands like Oysho, Intimissimi, Piazza Italia, Gymboree, Mango and Sunglass Hut.
- In March 2012, the Azadea Group brought the children clothing brand, Gaymboree, to the Turkish market by opening the first Gaymboree store at Trump Towers in Istanbul, Turkey.
- In March 2012, the group opened the first Mango store in Algeria.

Chalhoub Group (Privately Owned)

UAE

Company Description

The Chalhoub Group, established in 1955, is recognized as one of the leading retailers in the luxury business segment in the Middle East. The company has huge experience in the retail and distribution of well-known brands within the beauty, fashion, and gifts segments. It operates over 400 retail outlets representing a portfolio of over 280 luxury brands across 14 countries. The group houses brands such as Baccarat, Christofle, Christian Dior, Louis Vuitton and Nina Ricci, to name only a few.

Business Segments/Product Portfolio

- **Distribution:** The Chalhoub Group distributes international brands through its companies based in the UAE, Bahrain, Kuwait, Egypt, Saudi Arabia, and Syria. The group's immense experience and market knowledge achieves maximum penetration. The company also helps define business plans and execute marketing strategies to establish a regional network for perfumeries, pharmacies, department stores, and boutiques.
- **Retail:** This division operates over 400 retail outlets at leading shopping destinations in the region. It functions in various business formats such as concept stores, franchises, joint ventures, and partnerships.
- **Travel Retail:** With 25 years of travel retail experience, the business has ties with suppliers, duty free operators, and leading regional airlines. It supplies a wide range of products, uniforms, and other amenities for in-flight duty free to airlines. It also manages duty free outlets like airport duty free for the Cairo airport.
- **Marketing Services:** This unit performs as a marketing agency to represent brands in the region. It provides services such as selecting a suitable network of agents, distributors and retailers, and provides ancillary customer support services like training and merchandizing.
- **Communication:** This division of the group offers a broad range of communication services including advertising and public relations, event management, strategic planning, media planning, and graphic designing.
- **Support Services:** This includes providing human resource services, legal services, financial services, market research, and IT support.

Key Strengths

- Stronghold in local and regional distribution network.
- Team strength of 7,000 highly skilled people.
- Industry experience of 57 years.
- Unique focus on luxury goods.

Recent Developments/Future plans

- The House of Smalto announced in November 2012 that it had signed an agreement to appoint the Chalhoub Group as its exclusive distributor in the GCC, Egypt, and Jordan.
- In May 2012, House of Fraser, the UK's premium department store, signed an agreement with the Chalhoub Group to operate a Beauty Hall store in the UAE. The new store was scheduled to open in Abu Dhabi in February 2013.

Damas (Privately Owned)

UAE

Company Description

Damas is a leading international jewelry and watch retailer, headquartered in Dubai, UAE. The group originated in 1907 in Syria, but moved its business to the UAE in 1955 and opened its first retail outlet in 1959. Currently, it operates around 296 stores spread across 12 countries, most of which are located in the GCC region. Besides its own brands, the company is a retailer for a large portfolio of renowned global luxury brands. Its stores can be categorized into four types. Damas offers high-end luxury products through its Les Exclusive stores. Semi-Exclusives Stores offer stylish and sophisticated products for the discerning consumer while the Damas 22K Stores and Damas 18K Stores offer fashionable products and brands at competitive prices. In addition, Damas also operates some exclusive watch stores and single-brand boutiques. In the year ended March 31, 2011, the company reported total revenues of US\$ 804.9 million and net income of US\$ 13.8 million.

Business Segments/Product Portfolio

- **Jewelry:** The company sells jewelry under its own brands such as Boudoor, Farasha, Kiku, Fulla etc. as well as under international brands such as Baraka, Fope, Mikimoto, Roberto Coin to name a few.
- **Watches:** Chalyano, Cobra, Talos, Visetti are some of Damas' brands while it also offers watches from Armin Storm, Hysek, Perrelet, Sarcar etc.
- **Articles:** The company sells anklets, bracelets, brooches and other accessories under this section.
- **Corporate gifts:** This division offers business gifts, gold foil collection, coins and medallions, pins and clips, key chains, and other such gift articles.

Key Strengths

- Strong brand name globally.
- Aggressive promotion and publicity programs.

Recent Developments/Future plans

- In November 2012, Damas announced a partnership with Swiss luxury watch brand, Armin Strom, and added a new collection of watches to its existing portfolio.
- In August 2012, Damas launched new collections featuring Forevermark diamonds in the UAE. The Forevermark diamonds from the De Beers group were made available for the first time in the Middle East through Damas.
- In July 2012, the company introduced its new diamond brand 'OneSixEight by Damas'. The full collection, included earrings, pendants, necklaces, bracelets, bangles and 17 different ring designs, which started selling at 108 Damas stores throughout the UAE.
- In June 2012, Talos, a luxury watch brand, announced Damas as its exclusive retailer for the entire GCC region.
- In March 2012, Mannai Corporation and EFG Hermes announced an agreement to acquire Damas International Limited for an equity value of US\$ 445 million.

Dubai Duty Free (Government Owned)

UAE

Company Description

Dubai Duty Free, a division of Dubai Civil Aviation Authority, is one of the largest airport retailers in the world with a turnover of approximately US\$ 1.5 billion in 2011. Opened in 1983 to promote Dubai as the sports, leisure, and business capital of the Middle East, it has since become an epitome of the shopping experience that the emirate offers. The company currently operates 18,000 sq m of retail area across the three terminals of Dubai International Airport. It will further add 8,000 sq m of retail space when Concourse 3 opens in 2013. During 2012, Dubai Duty Free opened a border retail store at the Hatta-Oman border and also entered the hospitality industry by opening a 292-room five-star property called the Jumeirah Creekside Hotel.

Business Segments/Product Portfolio

- Dubai Duty Free's airport operations offer an extensive range of quality products at highly competitive prices. Products include leather goods, clothing, perfumes, gold, high-tech gadgetry etc.
- Perfumes have been the largest selling category in terms of turnover for the past few years, followed by liquor and gold.
- The company launches several promotional events and gifts offers where buyers of drawn tickets become eligible to win prizes that include luxury automobiles and cash.

Key Strengths

- Striking promotional offers are a great attraction for tourists.
- Products are competitively priced.
- Over close to three decades, Dubai Duty Free has received more than 250 national and international awards recognizing its customer service, trend-setting retail initiatives, and marketing.

Recent Developments/Future plans

- Dubai Duty Free registered a 10% y-o-y increase in sales to US\$ 1.14 billion during the first nine months of 2012 and was on track to reach a topline of US\$ 1.64 billion in 2012.
- In July 2012, Dubai Duty Free inaugurated the Hatta Border Shop at the Hatta-Oman border and forayed into border shop retailing.
- The company was able to secure a US\$ 1.75 billion six-year senior unsecured syndicated credit facility in July 2012, consisting of a combination of conventional term loan and Islamic facilities. The funds were earmarked for expansion of operations at the Dubai International Airport.
- In June 2012, Dubai Duty Free announced the official inauguration of Jo Malone London, a new retail area located at Dubai International Airport's Terminal 3.
- With its planned expansion of retail space at Dubai International Airport and Dubai World Central, the company announced in January 2012 that it expected to double its annual sales to AED 10 billion by 2018.

EMKE Group (Privately Owned)

UAE

Company Description

EMKE Group (also known as LuLu Group International), headquartered at Abu Dhabi, is an Indian-owned group of companies involved in diversified business activities with presence across the Middle East, Asia, and Africa. It is primarily in the business of owning and operating popular brands of retail chain stores like the LuLu chain of supermarkets, department stores, hypermarkets, and some shopping malls. Other activities of the group include manufacture, import & export, wholesale, retail and distribution of consumer products. Further, it is also present in the field of information technology and travel & tourism.

Business Segments/Product Portfolio

- **Retail:** Under the retail division, it operates branded retail outlets and malls, that include the LuLu chain (supermarkets, department stores and hypermarkets), Al Falah Plaza, Emirates General Market, Al Wahba Mall, Al Foah Mall, Rak Mall, Ramli Mall, Boushar Mall, Al Tayeb Cold Stores and Al Tayeb Meat.
- **Manufacturing & Export:** This division is involved in activities like manufacturing, sourcing, and exporting of a wide range of products from Asian countries to the Middle East and other parts of the world. Product line includes garments, commodities, footwear, agriculture products, metals & minerals, halal meat etc.
- **Import & Distribution:** This business unit handles huge imports and distribution of foods, edible oils, toiletries, FMCG products, consumer goods, and household appliances. It enjoys economies of scale on account of large imports and then distributes to hotels, palaces, and large retailing outlets. Al Tayeb is one of the sub-segments in this business unit which looks after import and distribution of international brands of frozen meat, poultry, vegetables, dairy products, and other FMCG products. One of its divisions also imports and distributes processed meat from its plants located in India.
- **Business Services:** Line Investments & Property, one of the sub-units of this business division, carries development and management of shopping centers and other mixed products. Through its subsidiaries, Syscoms Information Technologies, it has presence in the field of IT solutions, undergraduate education, and IT training. The Business Services unit also runs a well-established travel agency, Space International Travels.

Key Strengths

- The group's vast distribution network helps it to market new products and enjoy economies of scale.
- The company claims to hold a significant (32%) share in the GCC retail market.

Recent Developments/Future plans

- In July 2012, LuLu opened a new hypermarket spread across more than 200,000 sq feet in Al Khor, Qatar. It was the retail chain's fourth store in the country and 104th overall.
- LuLu opened a new hypermarket spread across more than 200,000 sq feet in Riyadh, Saudi Arabia in June 2012. It was the retail chain's fourth store in the country.
- LuLu opened its 12th hypermarket in Oman at Buraimi in May 2012. The hypermarket was constructed at a cost of more than OMR 20 million and hosted a multiplex cinema, amusement area, food court, and coffee shops.
- EMKE Group announced the signing of its memorandum of understanding with Etihad Airways under which the airline was appointed as the preferred air cargo service supplier for its retail operations in and out of the UAE.

Family Food Centre (Privately Owned)

Qatar

Company Description

Family Food Centre was established in 1978 in Qatar. With three outlets each spanning over 50,000 sq ft at prime locations, the company is one of the largest food retailers in the country today. Main products featured at these stores include food ingredients, vegetables and fruits, biscuits and confectioneries, tea, ice-creams, chicken, and other dry and frozen food products. The retail outlets also house ATMs, laundries, and offer eyecare and video library facilities. In addition to retail operations, Family Food Centre is also engaged in the distribution of food and non-food products and provision of food services.

Business Segments/Product Portfolio

- **Retail:** This division offers a range of food and non-food products through its three retail outlets. Products are imported from Lebanon, Egypt, India, Thailand, and the Philippines.
- **Distribution:** Family Food Centre is one of the leading distributors of imported food and non-food products in Qatar. A large warehouse facility and strong fleet of transport vehicles have enabled the company to develop an extensive distribution network.
- **Food Services and Catering:** The segment offers food and catering services to a diversified customer base comprising hotels, hospitals, oil rigs, ship handlers, and camps.
- **Associated Companies:** The company has a number of affiliated companies with interests in making bakery products and delicacies, distribution of toys and household products, import and distribution of food and non-food products, and providing IT products and services in Qatar.

Key Strengths

- Complementary business lines of import, distribution, retail, and food services facilitate economies of scale and ensure reliability in product supply.
- Focus on quality and service.

Recent Developments/Future plans

- In January 2012, Informatica Qatar appointed MicroWorld, a chain of telecom and IT product stores run by Family Food Centre, as the exclusive local distributor of Huawei mobile devices.

Fawaz Abdulaziz Alhokair & Co

Saudi Arabia

Company Description

Fawaz Alhokair, established in 1989, is a public sector company with retail and real estate as its core businesses. However, it has also diversified into other sectors including construction, financial services, healthcare, and hospitality. The company operates over 1,200 stores across Saudi Arabia, representing more than 75 international brands including a number of well-known brands like Zara, Massimo Dutti, Gap, Monsoon, and Marks & Spencer.

Business Segments/Product Portfolio

- **Fashion Retail:** This unit operates retail outlets selling branded apparel, lingerie, shoes, and accessories. It owns close to 1,000 stores and houses in excess of 50 international fashion brands in Saudi Arabia. Outside Saudi Arabia, the company operates retail outlets in Azerbaijan, Egypt, Jordan, Kazakhstan, Morocco, and the US.
- **Food & Entertainment:** The group entered this sector in 2005, and currently owns 10 franchises in various food & beverage categories such as coffee, sweets, juices, and sandwiches. It also operates a Lebanese restaurant at Khobar in Saudi Arabia.
- **Arabian Centres:** This division has expertise in construction, development, and management of malls in Saudi Arabia and Egypt. It has a network of 13 malls, including 12 in Saudi Arabia, with over 1.2 million sq m of retail space.

Others

- **FARE Construction:** It provides engineering, project management and construction services and has expertise in the design and construction of shopping malls, hospitals, residential compounds, hotels, commercial buildings, and public sector projects.
- **Tadares Najed Securities:** Established in 2003, this segment provides security and safety services to the public and private sectors.

Key Strengths

- Long lasting associations with a number of globally celebrated brands.
- Diverse range of products across different customer categories.
- Strong portfolio of real estate assets in Saudi Arabia.

Recent Developments/Future plans

- Fawaz Alhokair announced that its net profit for the first half ended September 30, 2012 surged 31.6% y-o-y to SAR 373.3 million on increase in same store sales, opening of new outlets, introduction of new brands and concepts, and acquisition of Nesk Group for Trading Projects.
- In September 2012, Fawaz Alhokair signed an Islamic loan facility of SAR 517 million with the Samba Financial Group to finance a part of the Nesk Group acquisition.
- Fawaz Alhokair announced in July 2012 the signing of a share purchase agreement to acquire Nesk Group, a franchise operator of several brands like Mango, Stradivarius, Okaidi and Jerry Weber in Saudi Arabia, for SAR 730 million.

Current price (US\$) 27.07

Price as on December 5, 2012

Stock Details

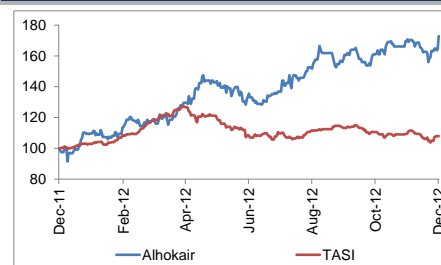
Bloomberg ticker	ALHOKAIR AB
52 week high/ low	27.07/14.40
Market Cap (US\$ mn)	1,894.6
Enterprise value (US\$ mn)	2,123.8
Shares outstanding (mn)	70.0

Source: Bloomberg

Average Daily Turnover (000's)

	SAR	US\$
3 M	5,340.1	1,423.9
12 M	7,653.1	2,040.7

Share Price Chart



Valuation Multiples

	2012	Current	2013E
P/E (x)	11.8x	13.3x	12.1x
P/B (x)	3.8x	4.0x	4.0x
EV/S (x)	1.8x	2.2x	1.9x
Dividend Yield (%)	N/A	N/A	2.4

Source: Bloomberg

Shareholding Structure

FAS Saudi Holding Company	49.00%
Fawaz Abdulaziz Fahed Alhokair	7.00%
Salman Abdulaziz Fahed Alhokair	7.00%
Abdulmajeed Abdulaziz Fahed Alhokair	7.00%
Public	30.00%
Total	100.00%

Source: Zawya

Financial Performance				
US\$ Million	2011	2012	Change (%)	
Revenues	686.5	854.0	24.4	<ul style="list-style-type: none"> • Maintaining momentum from the previous year, revenues expanded 24.4% y-o-y to US\$ 854.0 million in FY2012 on the back of increase in like-for-like sales coupled with new store openings. • Operating income grew at a faster pace, increasing 62.5% y-o-y to US\$ 113.5 million, due to a drop in operating expenses per unit of revenues. Subsequently, operating margin surged from 10.2% in FY2011 to 13.3% in FY2012. • However, the increase in operating income was partially offset by lower non-operating income and high tax expenses, leading to net income increasing 41.8% y-o-y to US\$ 119.3 million in FY2012.
COGS	382.8	468.0	22.3	
Operating Income	69.8	113.5	62.5	
Operating Margin (%)	10.2	13.3		
Net Income	84.1	119.3	41.8	
Net Income Margin (%)	12.3	14.0		
ROE (%)	28.8	35.8		
ROA (%)	15.6	18.8		

Source: Bloomberg, Zawya

Géant (Privately Owned)

UAE

Company Description

Géant entered the Middle East retail market in 2001 when Dubai-based Fu-Com International partnered with Groupe Casino, one of the world's largest hypermarket chains based in France. Géant attempts to combine the experience of Groupe Casino to operate hypermarkets worldwide along with the local market knowledge of Fu-Com International to provide customers a superior shopping experience. Géant's first store in the GCC was opened in Bahrain. Subsequently, Géant opened its first hypermarket in the UAE in Dubai in 2005. It currently operates one hypermarket and eight supermarkets in the UAE. Géant sells groceries, fresh food products, electronics & home appliances, textile, home & office equipment, body care products, and other products.

Business Segments/Product Portfolio

- **Grocery and Fresh Foods:** The company sells rice, oil, sugar, coffee, tea, cereal, beverages etc. It sources these grocery products from the UAE as well as from Asia, Africa, Europe, America and Australia. The company also offers bakery products, seafood and ready-to-eat meals under the Fresh Foods category.
- **Electronics & Home Appliances:** Under this category, the company sells LCD televisions, home theatre systems, mobile phones, laptops and computers as well as household furniture, carpets, decoration pieces, and bathroom accessories.
- **Textile:** In this segment, Géant sells basic clothes, uniforms for school children, party wear and also footwear for men, women and kids.
- **Home & Office Equipment:** Home requirements like cutlery, crockery, carpets, decoration pieces and bathroom accessories while office needs such as stationery, calculators, telephones, printers, fax machines are offered under this division.
- **Culture and Entertainment:** This section features books, magazines, music and film DVDs and VCDs.
- **Body Care:** Géant's Body Care segment offers a range of make-up, hair care, and skin care products.
- **Outdoor:** This category offers gardening tools, outdoor furniture, and fitness equipments.
- Additionally, the company also sells grocery, cookies, drinks, confectionery, dairy products, health & beauty products under its own brands, Casino and Casino Bio.

Key Strengths

- Mass appeal due to its ability to cater to all income groups.

Recent Developments/Future plans

- In August 2012, Géant opened its second outlet in Bahrain at the Enma Mall in Riffa.
- In March 2012, the company opened a new supermarket in Abu Dhabi under the Géant Easy banner. This was its first supermarket in Abu Dhabi and sixth in the UAE. The company also announced its plans of opening 35 stores in the UAE within the next couple of years as part of its ambitious growth strategy.
- In March 2012, a new Géant Easy supermarket was opened in Sulaibikhat, Kuwait.

Jawad Business Group (Privately Owned)

Bahrain

Company Description

The Jawad Business Group SPC (JBG), a Bahrain-based company is involved in the manufacture, retail, wholesale, and distribution of various products in the fashion industry. It also operates restaurants and cafés, supermarkets, convenience stores, furniture stores, travel and tourism agencies, logistics companies, and service stations. Currently, it operates around 660 stores in Bahrain, UAE, Qatar, Kuwait, Saudi Arabia, Oman, and India.

Business Segments/Product Portfolio

- **Fashion:** Under this business division, it operates retail outlets of fashion brands such as Adams, Alcott, Bendon, Bhs, and Celio to name a few.
- **Restaurants & Cafes:** This division runs franchises of international restaurants and café brands including Aran, Burger King, Chillis, Costa Coffee, Papa John's, and Delifrance in Bahrain.
- **Supermarkets:** The company started its first supermarket store in 1960 in Bahrain. Today, it operates in various formats such as convenience stores, express stores, 24 hour supermarkets, 24/7 minimarts, etc.
- **Sales & Distribution:** As a major wholesaler and distributor in Bahrain and Qatar, Jawad represents and distributes more than 100 world-class brands to hypermarkets, supermarkets, cooperatives, and grocery stores.
- **Furniture:** This division operates furniture and home décor stores across Bahrain. The brands that it represents are Artikel, Flamant, Galleria Sophia, La Maison, Sia, and The White Company.
- **Travel & Tourism:** This segment provides a number of travel and tourism services such as leisure travel, hotel reservations, travel insurance, visa and passport services, auto rental services, foreign currency, and cash handling services. These services are provided under different banners like Al Fanar Travels, Auto-o's, Avis, Pathfinders, and Travelex.
- **Logistics:** The company operates supply chain and logistics solutions firm, Agility, along with a warehousing facility, Jawad FZCO.
- **Service Station:** This division operates the Jawad service stations, which are fuel stations that cater to car maintenance requirements and also runs the Jawad Express retail stores.

Key Strengths

- Wide portfolio of branded products and diversified business divisions.
- Grocery retail operations are run under multiple formats.
- Logistics and warehousing business complements its sales and distribution division.

Recent Developments/Future plans

- In October 2012, Oman Oil Marketing Company selected Jawad Business Group's auto shop, Auto-o's, as the exclusive dealer of omanoil lubricants in Bahrain.
- Pumpkin Patch, a New Zealand-based clothes retailer for children, announced in March 2012 that it had entered into a partnership with the Jawad Business Group under which the Bahraini group would sell Charlie & Me products in 25 standalone stores throughout the Middle East in the next 12 months.

Joyalukkas (Privately Owned)

UAE

Company Description

The Joyalukkas Group was established in 1987 with the setting up of its first jewelry showroom in the UAE. The group gradually expanded its business in countries like India, the UK, Qatar, Oman, Bahrain, Kuwait, Saudi Arabia, and Singapore. Currently, it employs a team of over 6,000 people in nine countries. Joyalukkas was the first jeweler in the Middle East to be awarded both the ISO 9001:2008 and ISO 14001:2004 certifications. Besides jewelry, the Joyalukkas Group's business interests include money exchange, luxury air charter, fashion & silks, and malls.

Business Segments/Product Portfolio

The products mentioned below pertain to the Group's primary business of jewelry only.

- **Gold:** The company offers gold jewelry under various brands such as Aamira, Mermaid, Zenina, Mayuri, Veda, Teens Twenties, Madhubani etc.
- **Diamond:** Sveni, Ovio, Spring, Magnus, Eleganza, Sparx are some of the brands under which the Joyalukkas Group offers diamond jewelry.
- **Pearl:** The group sells necklace sets, pendant sets, earrings, rings, strings, and bracelets under the brand – Masaaki Pearls.
- **Precious Gems:** The Joyalukkas Group's precious stone collection is sold under the Ratna brand.

Key Strengths

- Well-recognized name for quality in the Gulf.

Recent Developments/Future plans

- In November 2012, the group announced that its target was to establish itself in 100 cities across the globe over the next three years. With the objective of growing its money transfer business, it planned to open nine money transfer outlets in Kuwait and branches in other GCC countries including Saudi Arabia, Qatar, and Oman. The group also announced plans to open 25 new money exchange outlets in India within the next two years.
- The Joyalukkas Group inaugurated new jewelry showrooms at Vishakhapatnam and Ongole in India during October 2012.
- In August 2012, the Joyalukkas Group opened jewelry showrooms at Shimoga and Trichy in India.
- The group announced opening of its third jewelry showroom in Saudi Arabia at Jeddah in June 2012.
- In June 2012, the Joyalukkas Group opened a new jewelry showroom at Nellore in India.

Jumbo Electronics (Privately Owned)

UAE

Company Description

Jumbo Electronics Company Ltd, the flagship company of Jumbo Group, was founded in 1974 in Dubai, UAE. It is amongst the leading companies in the country in the fields of consumer electronics, home appliances, office automation, telecommunication, IT, and entertainment. The company has a network of around 30 retail stores and 9 service centers across the UAE. Jumbo Electronics also has presence in Oman and India, and is planning to expand its retail network in Qatar, Bahrain and Kuwait.

Business Segments/Product Portfolio

- **Sony:** This division looks after the sales and distribution of Sony's consumer electronics products as well as broadcasting and professional post-production equipment. Jumbo Electronics has been a distributor of Sony products since 1975 and is currently one of the largest distributors of the brand worldwide.
- **Information Technology:** This unit offers a wide range of IT products and services from the world's renowned brands such as IBM, Lenovo, Hewlett Packard, Acer, and LG.
- **Telecommunications:** This business segment offers telecom products from brands such as Blackberry, Nokia, LG, Sony Ericsson, Samsung, HTC, and others. It also provides telecommunication solutions to the corporate sector along with distribution of recharge cards and SIM cards.
- **Enterprise Solutions:** Through this division, the company offers a range of IT solutions and services to a diverse set of clients.
- **Office Automation:** This segment provides state-of-the-art office automation solutions to companies with its range of products from brands such as Brother, Ricoh and NCR.
- **Appliances:** This division offers a wide range of consumer electronics products and home appliances, representing brands like Casio, Brother, Rionet, Dyson, Sennheiser, and Gorenje.
- **Manufacturing:** Through its subsidiary company, Jumbo Electronics manufactures "Supra" branded mid-priced products in segments like chest freezers, gas cookers, and ice-cream conservators.
- **Building Services:** This division provides customized solutions in the field of air-conditioning and MEP (mechanical, electrical and plumbing). It caters to residential, commercial and industrial projects.
- **Corporate Business:** This segment caters to large corporate clients requiring products and services across the company's portfolio of electronic products.
- **After Sales Support:** The company claims to be the only operator of full-fledged service centers all over the UAE. These service centers provide after-sales services for products marketed by the company under its other business segments.

Key Strengths

- Leading position in the UAE's consumer electronics and home appliances retail market.
- Presence across all the seven emirates.

Recent Developments/Future plans

- Jumbo Electronics announced the appointment of Vishesh L. Bhatia as its new CEO in September 2012.
- In August 2012, the head of retail at Jumbo Electronics, Nadeem Khanzadah, stated that the company intended to increase its store numbers in the UAE and also explore opportunities in other Gulf countries.
- Jumbo Electronics announced the opening of a new outlet at Deira's Night Souq in January 2012.

Khimji Ramdas (Privately Owned)

Oman

Company Description

Khimji Ramdas LLC, founded in 1870, is one of the largest conglomerate groups in Oman. It has maintained a leading position in retail segments like consumer goods and lifestyle products, as well as in sectors such as infrastructure and industries. The company houses more than 100 global brands in its portfolio, and has an employee strength of around 3,300.

Business Segments/Product Portfolio

- **Consumer Products Group:** This division is engaged in retailing and distribution of FMCGs, foodstuffs, commodities, and beauty & healthcare products and services. Operations of 25 supermarkets, nine social welfare markets and 21 Omanoil Quick Shops fall under the purview of this segment.
- **Lifestyle Group:** This encompasses a wide range of offerings like luxury lifestyle products, watches, restaurants, computers, and education services. The company owns franchise rights of some leading lifestyle brands in clothing, beauty, perfumes, luggage etc. It also owns a watch showroom showcasing several international names and represents the Pizza Hut restaurant chain in Oman.
- **Infrastructure Group:** Under its flagship showroom "Bait Al Aham", Khimji Ramdas brings in a wide range of furniture, home appliances, building essentials, and industrial products. It also provides paints, tools & machineries, and construction products.
- **Project & Logistics Group:** This segment provides core logistics solutions to the shipping industry along with services like providing insurance, handling defense logistics, and manufacturing firefighting equipments & tools.

Key Strengths

- Diversified product and services portfolio.
- Rich experience in retailing consumer products.
- Strong distribution network with multiple branches, 37 warehouses, and 3,500 distributors across Oman.
- Strategic partnerships with multinational companies like P&G, Philip Morris, Bel Group, Rolex etc built for over two decades.

Recent Developments/Future plans

- In October 2012, Khimji Ramdas announced the launch of Frederique Constant brand of watches at the Khimji's Watches showroom.
- The consortium of Khimji Ramdas Shipping and TM International Ltd signed a contract with Sohar Industrial Port Company in July 2012 to set-up operations to handle dry bulk minerals.
- In June 2012, Lufthansa City Center, a global travel agency, appointed Khimji's House of Travel as its franchisee partner in Oman to strengthen its position in the GCC.
- Aurobindo Pharma, an India-based pharmaceutical company, announced an agreement in June 2012 with Khimji Ramdas to distribute a range of healthcare products in Oman.
- In May 2012, Khimji Ramdas announced the launch of Khimji Ramdas Insurance Services to provide professional risk and insurance intermediary services for all types of businesses.

Landmark Group (Privately Owned)

UAE

Company Description

The Landmark Group, established in 1973 in the UAE, is one of the largest and most successful retail organizations in the Middle East. The group operates a retail space spread over 20 million sq ft and has presence in 18 countries, prominently in the Middle East, Asia, and Africa. The retail business comprises operation of stores under several different formats to sell fashion products, home and electronic products, foodstuff, and confectionaries. Currently, the group employs more than 40,000 people. By 2015, Landmark Group intends to expand its retail footprint to 29 million sq ft through more than 2,000 stores in 20 countries. It targets a revenue growth from US\$ 4.7 billion in 2011-12 to over US\$ 5.2 billion by 2015.

Business Segments/Product Portfolio

- **Retail:** This business segment offers various home grown Landmark brands along with international names. It operates close to 1,000 stores under brands such as Lifestyle departmental stores, SPAR hypermarkets, Shoe Mart, Splash, and Centre Point. Product range covers apparel, footwear, home decor, grocery, meat products, bakery products, electronics etc.
- **Hospitality:** With this division, the group forayed into the leisure, food, and hotels segment. The first outlet was started in 1999. Today, the group operates over 50 F&B outlets and more than 30 family entertainment centers, in addition to a number of fitness clubs and hotels across different countries. The services include fine and casual dining, education & family entertainment, fitness & relaxation services, and value hotels. Recently, it forayed into the healthcare industry with the launch of primary healthcare clinics in Dubai under the iCARE Clinics brand.
- **Malls:** This unit operates the Oasis Centre Mall spanning over 1.4 million sq ft in the UAE.

Key Strengths

- Strong network of outlets across the Middle East.
- Diversified portfolio of retail formats.
- Presence in key developing markets like India, Egypt, and Turkey.
- Offers a wide basket of products.

Recent Developments/Future plans

- Landmark Group's Max Hypermarket India and Auchan Group signed a franchise agreement in August 2012 to develop the hypermarket business in India. Under the agreement, the Max Hypermarket stores will be rebranded as Auchan.
- With the opening of Koton and New Look stores at the Al Qasr Mall in Riyadh, Landmark International's total store count reached 100.
- The group's retail formats, Splash and ICONIC, entered into a deal in May 2012 to launch the 'Being Human' brand across their stores in the Middle East.
- In April 2012, Splash added ELLE, the French fashion brand, to its portfolio of retail products.
- Kurt Geiger, which sells under Landmark Group's Shoe Mart International business, opened its 5th store in the UAE at Abu Dhabi's Marina Mall.

Liwa Trading Enterprises (Privately Owned)

UAE

Company Description

Liwa Trading Enterprises (Liwa) was founded in 1987 in Abu Dhabi, UAE. The company operates retail stores through franchise and sub-franchise agreements with several global brands offering apparel, accessories, children's products, and other specialty products. It runs more than 120 branded outlets and has presence in all the countries of the GCC. Liwa is a part of Al Nasser Holdings, a diversified group with interests in oil services, real estate, manufacturing and investments, in addition to the retail sector.

Business Segments/Product Portfolio

- **Clothing:** Liwa sells menswear, womenswear, childrenswear, and lingerie from brands including BHS, BHS Kids, Calvin Klein, Calvin Klein Jeans, Charanga, Disney, GANT, GOCCO, La Senza, Lee, M&Co, Nautica, OLYMP, Prémaman, Smash, SUITEBLANCO, TFN, and Throttleman.
- **Fashion Accessories:** The company offers branded products like watches, bags, purses, fragrances, and belts from BHS, Calvin Klein, Calvin Klein Jeans, Disney, GANT, M&Co, Smash, SUITEBLANCO, and TFN.
- **Footwear:** The product line under this segment includes footwear for men and women from brands like Florsheim, SUITEBLANCO, and TFN.
- **Houseware and Kitchenware:** Under this business, Liwa sells home and kitchen products from BHS and Think Kitchen. Additionally, it operates the Dwell stores which offer bed, bath, and home products from various international names.

Key Strengths

- Network of retail stores spread across the Gulf region.
- Targets a wide spectrum of consumers from different age groups through its expansive clothing range.
- Association with a number of international brands.

Recent Developments/Future plans

- Liwa launched the first Disney Fashion by LIWA store, which offers a range of clothes and fashion accessories for women at The Dubai Mall in the UAE in October 2012.
- In October 2012, Lee Jeans announced the opening of a new store at the Al Wahda Mall in Abu Dhabi in association with Liwa, the brand's exclusive distributor in the UAE. The next Lee outlet was scheduled to open at Abu Dhabi's World Trade Centre.
- M&Co, a UK-based fashion brand, opened the first store outside its domestic market at The Dubai Mall in May 2012. The brand made its international foray in partnership with Liwa, its exclusive distributor in the Middle East.
- In May 2012, Charanga, a Spanish fashion brand for kids, launched its first retail store in the Middle East at The Dubai Mall. Charanga products would be exclusively distributed in the region by Liwa.
- GOCCO, a Spanish fashion brand catering to babies and children up to 12 years, opened a store at The Dubai Mall in March 2012. The brand also operated a store at the Dubai Festival City and was set to open a new outlet at the Bawabat Al Sharq Mall in Abu Dhabi.

Majid Al Futtaim Group (Privately Owned)

UAE

Company Description

Majid Al Futtaim Holding LLC (MAF), started in 1992, is a UAE-based group of companies. It is one of the leading hypermarket and mall operators in the GCC. MAF has three main business lines: Majid Al Futtaim Properties, Majid Al Futtaim Retail, and Majid Al Futtaim Ventures. As on February 2012, MAF operated 44 hypermarkets, 35 supermarkets, and an online store. MAF has a highly integrated business model with strong linkages among all the segments. Apart from the modern grocery stores, it owns exclusive licensing rights to market a number of international brands in the MENA region. The group's revenues increased 10% y-o-y to US\$ 5.3 billion in 2011, of which US\$ 4.4 billion were contributed by Majid Al Futtaim Retail.

Business Segments/Product Portfolio

- **Majid Al Futtaim Properties:** This business unit is focused on developing and managing shopping malls, hotels, and mixed-use communities in the Middle East.
- **Majid Al Futtaim Retail:** The division was created to introduce the hypermarket model in the Middle East in 1995. It manages hypermarkets in a joint venture with the world's second largest retailer, Carrefour.
- **Majid Al Futtaim Ventures:** This segment is responsible for developing new businesses that complement and strengthen the group's leadership in its core businesses. The division has interests in financial services, credit cards, leisure and entertainment, cinemas, facilities management, and fashion.

Key Strengths

- Strong presence across the GCC retail market.
- Collaboration with one of the largest hypermarket chains in the world.
- Activities of various business segments complement each other.
- Ownership of high-quality retail space in the GCC.

Recent Developments/Future plans

- In October 2012, MAF's flagship mall in Dubai, Mall of the Emirates, was ranked by the International Council of Shopping Centers as the 7th most productive shopping center in the world and the leading mall in the Middle East, by sales per sq foot.
- MAF announced in September 2012 that its topline increased approximately 15% y-o-y to AED 10.8 billion in the first half of 2012, while EBITDA expanded 17% to AED 1.5 billion during the period. The company further stated that it continued to expand the Carrefour franchise and planned to launch two new hypermarkets in the remaining part of the year.
- MAF announced a seven-year bond issue worth US\$ 500 million in June 2012 to raise funds to pursue its significant growth plans in the MENA region.
- In January 2012, MAF made its first issue of sukuk to raise US\$ 400 million. The tenure of the sukuk, raised at 5.85%, was five years.
- MAF announced in January 2012 that it plans to open two malls in 2012, one in Fujairah and the other in Beirut. It further stated that construction on the Mall of Egypt project would begin during the year.

Olayan Group (Privately Owned)

Saudi Arabia

Company Description

The Olayan Group, established in 1947, is a Saudi Arabia based multinational entity. Through its 50 subsidiary companies and affiliated businesses, the group is engaged in the manufacture, wholesale, retail, and distribution of various products and services such as consumer products, investment services, food services, healthcare products & services, industrial services etc. It is also involved in the management of infrastructure, residential and commercial projects, and providing logistic solutions. Further, the group invests in public and private equities, real estate and other specialized asset classes globally.

Business Segments/Product Portfolio

- **Consumer Products – Manufacturing & Distribution:** This business looks after bottling, distribution, manufacturing & marketing of beverages, bakery products, personal care products etc, and is associated with brands like Coca-Cola, Nestle, Colgate-Palmolive, and Huggies.
- **Food Service:** This division handles master franchisees and franchisees for Burger King and Texas Chicken in Saudi Arabia and other countries in the Arab Middle East.

Others

- **Financial & Investment Services:** The division manages public equity investments in Saudi Arabia and the Middle East.
- **Health Care Supplies & Service:** This segment supplies medical products from Baxter, Cardinal Health, and other healthcare companies. It also manufactures disposable surgical coverings locally in partnership with Kimberly-Clark.
- **Industrial Equipment Distribution:** The affiliate companies under this unit conducts sales and after-sales services of industrial products like trucks, engines, generator sets, farm equipments, pivot sprinkler, compressors, and tools.
- **Industrial Services & Fabrication:** This division is involved in activities like inspection, repair, hazardous waste management, precision parts fabrication, etc. for the oil industry along with Descon, Weir and Tuboscope/Varco as technology partners.
- **Manufacturing & Office Automation:** The Manufacturing division deals with the production of aluminum extrusion & building products, solar panels, reinforcing steel, PVC pipes etc. The Office Automation division deals with sales and after-sales service of hi-tech office equipments.
- **Project, Supply Chain, Real Estate & Property Management:** These sub-segments are engaged in the planning and implementation of infrastructure, residential, and commercial projects. The supply chain division, in a joint venture with Exel Overseas Limited, provides logistics services in-house and to third-party companies in Saudi Arabia.

Key Strengths

- More than 60 years of business experience in Saudi Arabia.
- Partnership with leading brands in respective industries.
- Diversified business activities.
- Supply chain and logistics management division complements its distribution and food retail segments.

Recent Developments/Future plans

- In June 2012, Kraft Foods and Olayan Group announced the expansion of the Nabisco Arabia plant in Dammam. The expanded unit would include a new Oreo production line and better infrastructure and facilities.

Rivoli (Privately Owned)

UAE

Company Description

Rivoli Group, established in 1988, has a strong network of retail stores selling a portfolio of reputed global luxury brands. Key product categories include watches, menswear, accessories, gift items, eyewear, and writing instruments. Over the years, the group has become one of the largest importers and retailers of luxury brands in the Middle East with more than 300 stores across the GCC. It also handles on-board duty free sales for some regional airports and airlines.

Business Segments/Product Portfolio

- **Concept Stores:** The concept stores exhibit a broad and diversified range of brands to meet the needs of distinct customer groups. Currently, some of the categories that these stores exhibit include ready-to-wear garments for children, watch collections, eyewear brands, contact lenses, designer suitings, shirtings, and dress materials, luxury communication instruments, and handcrafted fashion leather brands. Some of the world's well-known brands that feature in these stores are Omega, Longines, Calvin Klein, Rado, Tissot, Hugo Boss, Tommy Hilfiger, and Montblanc. Rivoli Arcade is a store that houses all the best brands that the group offers.
- **Mono-brand Boutiques:** These are single-brand stores representing brands like Gucci, Omega, Montblanc, Vertu, Dunhill, Swatch, and Just Cavalli, to name a few.

Key Strengths

- Vast network of stores throughout the GCC region.
- Associations with more than 110 international brands.

Recent Developments/Future plans

- In October 2012, a Calvin Klein boutique spread over 480 sq ft was opened at Dubai Mall. The opening marked the brand's first independent watch and jewelry store in Dubai.
- Philip Stein, a luxury watch brand, announced in May 2012 the opening of a second Shop-in-Shop outlet within a Rivoli store in Abu Dhabi at the Al Wahda Mall.
- In March 2012, a newly-expanded Montblanc boutique was opened in the Mall of the Emirates. The new outlet had a retail area of 150 sq m, more than double its previous size.

Salam Studio and Stores (Privately Owned)

Qatar

Company Description

Salam Studio and Stores started its operations in Qatar in 1952 by providing photography services. It entered the retail arena by starting its first department store in the 1960's. The company is a leading retailer of luxury and designer apparel, perfumes, photography equipment, jewelry, home products, and accessories. In addition to Qatar, it owns and operates department stores in the UAE and Oman. Salam Studio and Stores also operates extensive distribution and wholesale networks in these countries.

Business Segments/Product Portfolio

- **Retail:** This segment houses the world's most exclusive luxury fashion brands for women, men, and children. Product categories include designer wear, shoes, bags, watches, fashion jewelry, accessories, and travel ware. It also runs photography equipment stores that sell high-end cameras and digital cameras from top brands like Canon, Nikon, and Pentax among others. The company operates a mix of department stores, standalone shops and self-branded outlets.
- **Wholesale:** This division provides wholesale distributorship to some of the world's leading brands in Qatar. It holds significant market share in the distribution of products from categories like perfume & cosmetics, photography, home ware, beauty care, luggage and toys. The company owns warehouse space of over 80,000 sq ft to stock these wholesale products.
- **Boutiques:** The group also operates boutiques of famous brands such as Hugo Boss, Canali, C'N'C, Diesel, De Beers, Galliano, GF Ferre, Ice Iceberg, Just Cavali, and Kipling.

Key Strengths

- Wide range of products for all consumer categories, i.e. women, men, and children.
- Offers a large umbrella of premium branded products.
- Significant presence in retail as well as wholesale markets gives the company a strong footprint across the entire supply chain.

Recent Developments/Future plans

- Salam Studio and Stores, the exclusive distributor of Canon products in Qatar, commemorated 50 years of its relationship with the company at an event held in November 2012.

WJ Towell (Privately Owned)

Oman

Company Description

WJ Towell, founded in 1866, is one of the oldest business groups in Oman with a broad business portfolio and presence in diversified sectors such as real estate, consumer goods, construction, engineering, automotive, and services. WJ Towell is a consumer goods distributor of locally manufactured brands and private labels. The company has also expanded into manufacturing of industrial products and providing IT service solutions.

Business Segments/Product Portfolio

- **Trading and Commercial:** Through this division, the company is involved in businesses like supplying building materials, distribution of foodstuffs and tobacco products, distribution of motor vehicles and auto components, distribution of consumer & confectionery products, supply of engineering tools and equipment, retailing of consumer electronics & home appliances, and retailing of Unilever branded products.

Others

- **Property & Construction:** The Property sub-division is primarily engaged in developing and leasing residential and commercial spaces. The Construction sub-segment, which operates as a maintenance and construction service arm of its Property business, is engaged in the maintenance of its existing properties and construction of new/redevelopment projects.
- **Services:** This division has further sub-divisions under its domain which carry out activities such as telecommunication services, security & safety solutions, port and marine services, supply chain management, business process management, logistics services, insurance services, and health products and services. It is also involved in businesses like hygiene products and services, soft furnishing products, fisheries, and limestone mining and processing.
- **Industrial:** This division has branched into areas like printing and publishing, supply of paint products, manufacture of homeware, production of industrial pipes and high quality concrete, offering technical products and services to the energy and water sectors, providing engineering and project management solutions, fabrication of heavy and complicated steel components, and production of PET bottles and jars.

Key Strengths

- Diversified business segments across regions.
- Deep market knowledge, extensive market coverage and excellent trade relations help the company to effectively introduce and position new brands.

Recent Developments/Future plans

- In November 2012, Sohar 1 SPV, an investment holding company of MENA Infrastructure Fund, agreed to acquire 20% interest in Sohar Power from three shareholders, one of them being WJ Towell.
- In April 2012, Oman Oil Marketing Company opened its first Ahlain convenience store of 2012 in Aqar New. The store would be managed by Enhance, a WJ Towell group company, taking the total number of stores managed in this nature to 57.
- BBK, Bahrain's retail and commercial banking group, was reported to have arranged and underwritten term loan and working capital facilities for the WJ Towell Group in March 2012.

Other Leading UAE Supermarket Chains

Al Maya: Al Maya was started in 1982, after L.K Pagarani took ownership of a standalone grocery store in Ajman. Having started with food as its main trading commodity, it continues to primarily focus on retail food trade. Al Maya's lines of businesses include supermarkets & hypermarkets, FMCG distribution & packaging, franchise operations, apparel & concept stores, wholesaling, and salons & spas, among others. Through its central warehouse facility in Al Quoz, the company distributes products throughout the UAE to independent and regional supermarket chains. In addition to the UAE, the group has presence in Oman. In May 2012, the company announced its plans to invest AED 20 million over the next two years to capitalize on the growing demand for supermarkets and hypermarkets. In October 2012, the Superbrands Council awarded the Al Maya Group the Superbrand status for 2013.

Choithrams: Choithrams started its operations in the UAE in 1974. It currently operates a network of around 28 supermarkets in the country. The company operates in three different segments; Food service, Light Household & Garments division, and the Logistics & Distribution division. The first division caters to the hospitality sector in partnership with international hotels, clubs, and airlines. The second segment offers a wide variety of household appliances, domestic products, toys, fashion wear, children's garments etc. The third business unit looks after the stock requirements of the supermarkets and ensures a smooth distribution of products for its retail and food service business. Choithrams' operations in the UAE are part of T Choithram and Sons, which was founded in 1944 in West Africa and currently present in Europe, North America, Africa, and the Gulf. Choithrams is able to leverage on its parent group's knowledge of international markets, experience, and networks built over the last seven decades.

Spinneys: Spinneys retail chain was first founded in 1924 in Egypt by Arthur Rawdon Spinney. Since then, it has expanded supermarket operations across the Middle East in Lebanon, Egypt, Qatar, Jordan, and the UAE. The chain operates in the UAE through a franchise agreement. Spinneys started setting up supermarkets in the country in the early 1960's. Through a mix of supermarkets and convenience stores, it currently sells fresh food produce, bakery items, meat & poultry, seafood, cheeses, flowers, and other products in the UAE. Over the years, Spinneys has focused on establishing a strong reputation for freshness, quality and customer service. In June 2012, Dubai Properties Group signed a Memorandum of Understanding with Spinneys to develop a Spinneys Community Centre at The Villa, one of its residential projects, in Dubailand. The Community Centre is expected to commence operations within 15 months.

For any query regarding this report, please contact:

Sameena Ahmad	Mahboob Murshed	Roshan Shah
Managing Director	Managing Director	Director
sameena.ahmad@alpencapital.com	m.murshed@alpencapital.com	r.shah@alpencapital.com
+971 (0) 4 363 4345	+971 (0) 4 363 4305	+971 (0) 4 363 4319

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Or we can let the last 12 months speak for themselves.

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Meydan Group LLC

US\$ 100,000,000
Project Finance Facility

Financial Advisor



Amrit Group

Sale of Edible Oils & Fats Business

BUNGE

Bunge India Private Limited

USD 80,000,000

Exclusive Financial Advisors



Gulf Energy LLC

US\$ 57,000,000
Syndicated Term Loan & Working Capital Facility

Financial Advisor



Acquisition and Sale of Strategic Stake in



Bin Omran Trading & Contracting Co. W.L.L.

Hectar Real Estate Investments W.L.L.

advised by

المستثمر الأول

Exclusive Transaction Advisor



Strategic equity stake in
Empire Aviation Group FZCO



acquired by



Financial Advisor



**Dubai Investments Park
Development Company LLC**

US\$ 109,000,000
Islamic Structured Project Financing
(Musharaka)

Financial Advisor



JK Paper Limited

EUR 35,000,000
Foreign Currency Convertible Bond

Exclusive Financial Advisors



Private Equity Placement in



Visen Industries Limited

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INR 1,100 million

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