GCC Retail Industry

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ALPEN CAPITAL

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1 Executive Summary

1.1 Scope of the report

This report caters to investors looking for opportunities in the GCC retail sector. The focus of the report is on GCC retail players and factors that drive revenue and earnings for the industry, as well as opportunities and challenges. The report also covers valuations, stock liquidity, transparency and governance for the major listed GCC retail companies. Our retail sector model estimates addition in the retail space as well as demand for retail products over the next three years (2010-12).

1.2 Investment Rationale

The retail sector is leading from the front in the GCC's ambition to move away from oil dependency towards a diversified economy. The region is enhancing its footprint in the global retail map buoyed by factors such as healthy population growth, rising per capita income, growing middle class, improving service sector and burgeoning travel and tourism sectors. Moreover, the modern shopping malls anchoring state-of-the-art hypermarkets, highly developed free trade zones, various shopping festivals/events and relaxed tax provision for individuals provide further growth impetus to the sector.

Currently, retail projects of around six mn sq m of Gross Leasable Area (GLA) are underway, which will constitute the region's retail space supply by 2012. This reflects optimism amongst mall developers and retailers in general. Race for more retail space in the GCC is not restricted to local participants; many foreign retailers have initiated their retail operation in the region to leverage on its substantial growth prospects.

The rising GLA in the retail space is expected to be matched by demand growth in the sector. Alpen Capital estimates GCC retail demand growth at a CAGR of 9.5% in 2010-12. For 2010, we project the industry growth of around 8.3%. Growing population (CAGR of 2.9% until 2012) and rising per capital expenditure (CAGR of 5.6% until 2012) are key underlying reasons for this demand growth. Moreover, we expect robust growth in retail demand from travellers in transit (airport retail) and tourists. Pharmacy and electronic sales, although minuscule in terms of contribution to the total retail scale, are also posting signs of healthy progression.

Retailers with focus on non-discretionary goods will continue to outperform in the short term while those promoting discretionary products, large ticket items in particular, may face challenging market conditions for a while. The view is further supported by the 1Q 2010 financials posted by GCC retailers wherein non-discretionary retailers posted healthy top-line progression while discretionary retailers presented subdued performance. However, over a medium-to-long term horizon, Alpen Capital foresees investment merit also in more cyclical discretionary goods segments.

Along with significant growth, there has been a qualitative shift in retail consumer behaviour in the GCC. The key trends developing in the region are – rising acceptability of modern retail format, increased preference for international brands, growing prominence of online retailing and enhancing appreciation for innovative ideas and offerings.

1.3 Investment Risk

The plethora of opportunities is punctuated by a few challenges that the industry is currently facing. Considering the potential in the GCC region, many international retailers have expanded their presence within the GCC to sustain their global business growth. As a result, competition has significantly heightened for the local industry participants over the past couple of years. In addition, there is an ongoing threat from relatively low consumer finance availability in the region – a high credit card interest rate compared to the global average due to higher default risk and lack of credit bureau data.

2 GCC Retail Industry Outlook

The rise in population, urbanization, middle class (with increasingly higher per capita income), inflow of tourists and number of passengers in transit continue to provide congenial conditions for retail to develop in the GCC countries. Alpen Capital expects GLA addition of approximately six mn sq m in the GCC retail space in 2010-12. Looking at the region as a whole, we see demand growing at a sufficient pace to absorb the healthy pipeline of new space. That said, some cities, Dubai in particular, will depend on continued strong growth in tourism to absorb the incremental retail space.

Alpen Capital expects the non-discretionary retail segment to continue to register healthy growth momentum in 2010 while the discretionary segment is likely to remain subdued. We expect revival in demand generated from tourists and passengers in transit to provide a further boost to retail sales in 2010. Further, pharmaceuticals and online retail presents latent growth potential.

2.1 Methodology

As detailed in our initiation report (21 April 2009) on the retail sector, we have formulated our opinion on the GCC retail demand outlook based on both supply- and demand-side factors. Accordingly, growth projected in Alpen's GCC retail sector model is premised on the following two approaches:

- ***Demand-side approach:*** Forward growth estimate is based on forecasts of population, tourist arrivals and transits, inflation and consumer spending. All macroeconomic forecasts are sourced from independent sources such as the International Monetary Fund (IMF) and the Economic Intelligence Unit (EIU).

- ***Supply-side approach:*** Forward estimates of retail market size is based on the current and planned retail space – the comprehensive retail project pipeline has been examined to gauge total Gross Leasable Area (GLA) expected to be added over next three years. This, when added with logical assumptions (under two scenarios: moderate and high growth) for delay in completion and take-up of new space (occupancy/absorption rate) gave us a range for the GCC retail market size over the next few years.

2.2 Demand side estimate

Assumptions

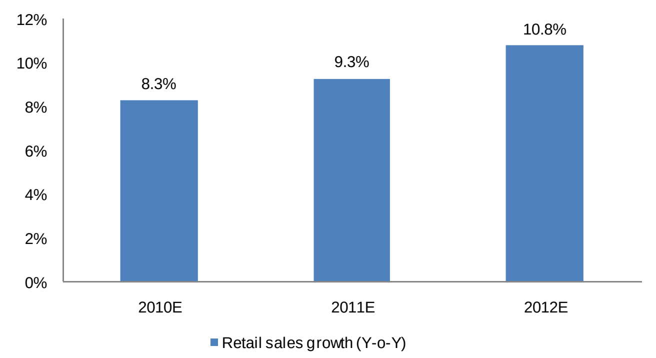
- Economic Intelligence Unit (EIU) estimates for population and per capita private consumption (April 2010).

- Total tourist spending (excluding travel and hotel expenses) sourced from the World Travel and Tourism Council (WTTC) database is used to understand the impact of tourism on GCC retail sales.

- Sales of duty-free products used as a proxy for airport retail sales.

Based on the above assumptions, the GCC retail market is projected to grow at a CAGR of about 9.5% in 2010-12 (See chart 1) as per demand-side estimates.

Chart 1: Retail sales growth estimates



Source: Alpen Capital

Non-discretionary to lead growth frontier

The non-discretionary retail segment is expected to register stronger growth in 2010 than the discretionary goods segment. Prevailing uncertainty in the job market will continue to adversely impact consumer's willingness to increase discretionary spending particularly for high ticket items. However, the segment will perform significantly better than in 2009, accordingly to our analysis.

Tourist and transit sales to show revival

Alpen Capital expects revival in demand generated from tourists and passengers in transit to provide a further boost to retail sales in 2010. As per our estimates, short-visit tourist retail sales is expected to register revival while sales at duty-free shops at airports will rise significantly under the impact of rising passenger traffic. This rate can be higher than our estimates given the rate at which airport infrastructure work is under progress. Annual events such as the Dubai Shopping Festival will continue to attract international shoppers.

This encouraging view is substantiated by a 3.3% year-on-year rise in Dubai hotel revenue in 1Q 2010 according to a Department for Tourism and Commerce Marketing official. The room occupancy rate increased to 76% in 1Q 2010 from 73% a year earlier.

Continued optimism in online retailing

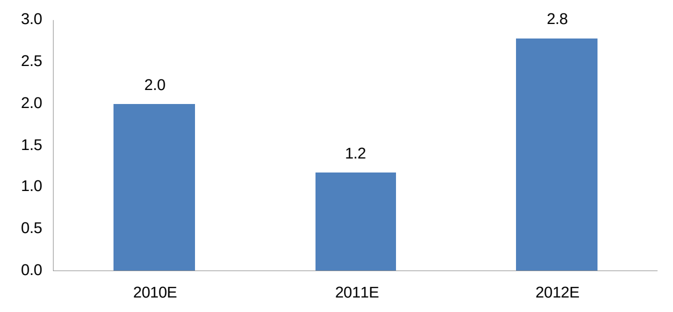
We reiterate our stance on growth potential in online retailing and expect it to further enhance its footprint in the GCC retail space.

2.3 Supply side estimate

Alpen Capital expects GLA addition of approximately six mn sq m in the GCC retail space in 2010-12 leading to GLA growth at CAGR of 14.5% (See chart 2). Given the uncertain economic environment, it is difficult to determine the timing and the success of these projects. Although the GCC region has witnessed a huge expansion in organized retail space over the last decade, the per capita GLA is still very low compared to developed market, with the exception of Dubai. Looking at the region as a whole, we see demand growing at a sufficient pace to absorb the healthy pipeline of new space.

The majority of the GLA addition is expected in the UAE and Saudi Arabia. Moreover, Qatar is expected to have major addition in GLA in 2012 (See chart 3). Higher GLA addition for Saudi Arabia is justified given its high and growing population base – the Saudi population constitutes 63% of the total GCC population and is expected to grow at CAGR of 3% over the next few years. As a result, latent

Chart 2: GLA (mn sq m) addition by year: 2010-12

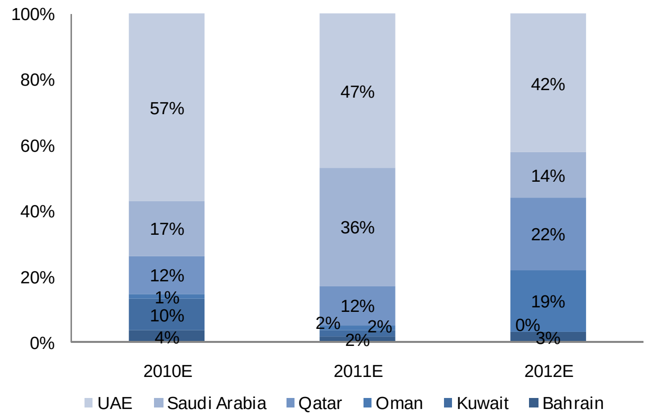


Source: Alpen Capital

demand existing in the Saudi retail market justifies significant GLA supply growth over the next few years.

Dubai has the highest GLA per capita in the region and the

Chart 3: GLA addition by country : 2010-12



Source: Alpen Capital; the figures are at 100% occupancy levels

most at risk of oversupply, but also by far the strongest tourist destination. Therefore, although GLA per capita seems high in relation to its population, this is less of a concern when factoring in tourist spending. Moreover, the tourists have a relatively higher propensity to consume and therefore post higher retail spend per capita.

Given the GLA addition, retail market sizing from the supply-side depends on the absorption rate of additional supply of retail space. It would be misleading to assume that the overall occupancy rate in the retail sector is high if new malls are fully occupied. The sector is witnessing a growing preference for newer malls to the expense of older store formats.

Considering the mildly uncertain economic environment and risk of a paced absorption of new space in some regions, Dubai for example, we have assumed the following.

Scenario 1: Moderate Growth Scenario

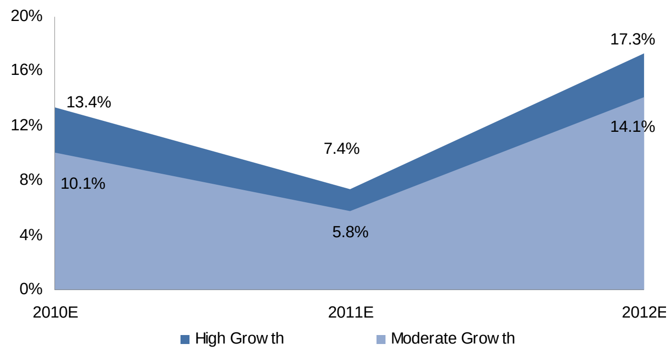
Assumption: Occupancy rate of 60% for the incremental organized retail space in the GCC region in 2010. Thereafter, 65% occupancy rate in 2011 and 70% by 2012.

Under this scenario, the occupied GCC retail space would grow at a CAGR of 9.9% in the years from 2010 to 2012, in-line with our demand side estimate (see chart 4).

Scenario 2: High Growth Scenario

Assuming an occupancy rate of 80% in 2010, 85% in 2011 and 90% by 2012, the occupied GCC retail space would grow at a CAGR of 12.6% in 2010-12, a bit faster than our demand side estimate (see chart 4).

Chart 4: Yearly GLA growth



Source: Alpen Capital

3 Financials and Valuation

3.1 Financial performance

Defining the peer group

In this chapter, we assess the financial performance of eight of the largest publicly listed retailers in the GCC[1] (see table at the end of the chapter). This group is referred to as the "**GCC retail companies"** throughout the report. We compare the GCC retail companies to Emerging and Developed Market peer groups. (See chart 15 for details of the peer groups).

Recent performance update

In line with our expectation, non-discretionary (primarily food category) retail companies reported healthy top- and bottom-line growth in 1Q 2010. Also, we believe our overall industry growth forecast of 8.3% in 2010 is endorsed once performance of both types of retailers (discretionary and non-discretionary) is viewed in a consolidated manner.

Chart 5: Revenue performance: 1Q 2010

Company	1Q 2009	4Q 2009	1Q 2010	YoY growth	QoQ growth
Jarir Marketing	662.1	24.5	795.5	20.2%	9.8%
Fawaz Al Hokair	410.3	545.4	492.5	20.0%	-9.7%
Abdullah Al Othaim Markets	721.0	762.1	797.3	10.6%	4.6%
Fitaihi Holding	36.8	34.4	36.1	-1.9%	4.9%
Savola Group	3,635.0	4,788.4	4,764.4	31.1%	-0.5%
Al Meera Company	205.6	216.2	218.0	6.0%	0.8%

Source: Bloomberg
Numbers in local currency mn, 1Q 2010 is calendar quarter, excl. Sultan Center and Bahrain Duty Free as 1Q 2010 results are not yet posted

Al Meera Company, Al Othaim Markets and The Savola group posted strong revenue growth in Q1 2010 while Fitaihi holding suffered top-line depletion. This clearly exhibits the continued preference for non-discretionary spending over luxury discretionary spending.

[1]Villa Moda and Damas International, covered in the initiation report, are excluded in this update due to lack of financial data. Al Meera Company and The Savola Group have been included for the first time.

Chart 6: Net income performance: Q1 2010

Company	1Q 2009	4Q 2009	1Q 2010	YoY growth	QoQ growth
Jarir Marketing	107.5	103.5	118.5	10.3%	14.5%
Fawaz Al Hokair	15.8	NA	27.7	75.4%	NA
Abdullah Al Othaim Markets	16.4	16.5	31.7	94.0%	92.8%
Fitaihi Holding	6.4	(2.1)	12.7	99.8%	-693.0%
Savola Group	192.6	268.6	394.0	104.6%	46.7%
Al Meera Company	8.4	12.7	9.2	10.1%	-27.8%

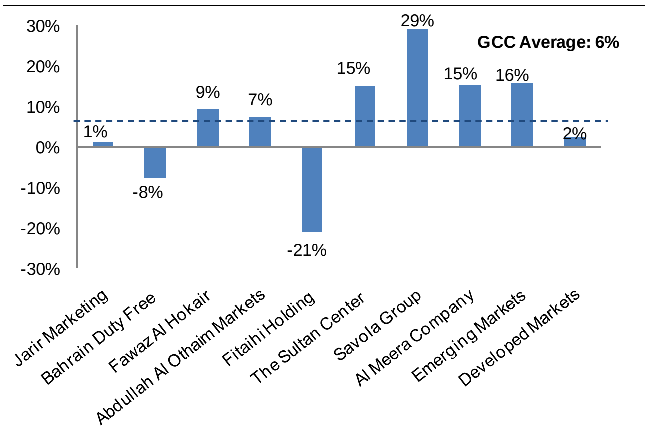
Source: Bloomberg
Numbers in local currency mn, 1Q 2010 is calendar quarter, excl. Sultan Center and Bahrain Duty Free as 1Q 2010 results are not yet posted

Higher revenues have largely been reflected in stronger bottom line performance, suggesting market conditions remain conducive.

Revenue growth

As forecast in our initiation report, GCC retail companies reported moderate revenue growth in 2009. The GCC retail players reported average revenue growth of 6% y-o-y in 2009, compared to 33% y-o-y in 2008 (see chart 7). The emerging market peers and developed market peers recorded revenue growth of 16% and 2%, respectively, during 2009.

Chart 7: Revenue growth (y-o-y): 2009

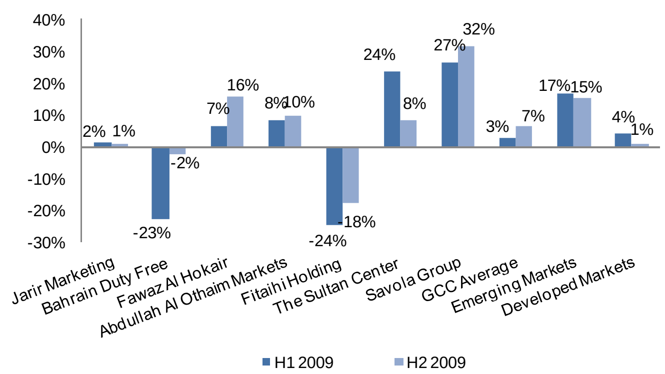


Source: Bloomberg

The Savola Group reported the highest revenue growth of 29% in the region primarily due to the acquisition of Geant and Giant stores in Saudi Arabia and expansion of its Panda Store network.

However, Fitaihi Holding and Bahrain Duty Free registered a revenue decline under the impact of the global economic slowdown. While Fitaihi Holdings suffered from the decline in discretionary, luxury goods spending, a 7% y-o-y (according to WTTC) decline in inflow of international travellers to Bahrain resulted in a dip in revenues for Bahrain Duty Free.

Chart 8: Revenue growth (y-o-y): 1H 2009 and 2H 2009



Source: Bloomberg
Excluding Al Meera Company

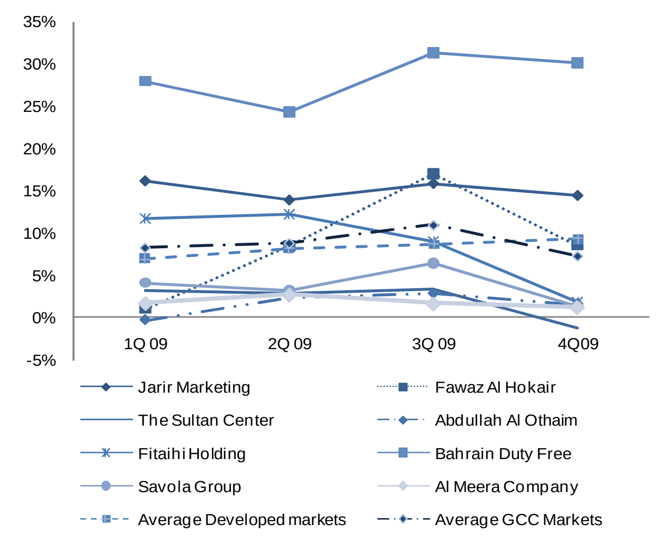
A revived and reversed consumer confidence index in 2H 2009 (See chart 8) was reflected in growth momentum pick-up as posted by the majority of the GCC retail companies. The Sultan Center, however, witnessed a deterioration in revenue growth momentum in H1 2009 compared with H2 2009, attributed to full consolidation of the Lebanese stores revenue in H1 2009, which were acquired in 3Q 2008.

Operating margin

In terms of operating margin, the GCC retailers on average performed better than their developed and emerging market peers. Average operating margin for the GCC retailers improved by one percentage point during the year to 10% in 2009 (see chart 9). Emerging market peers and developed market peers posted average operating margins of 4% and 9%, respectively, in 2009.

The operating margin improved in 2009 primarily due to a drop in input costs of the retailers, and with other expenses such as leases and rentals declining during the year.

Chart 9: Operating margin[1], quarterly (%) 2009



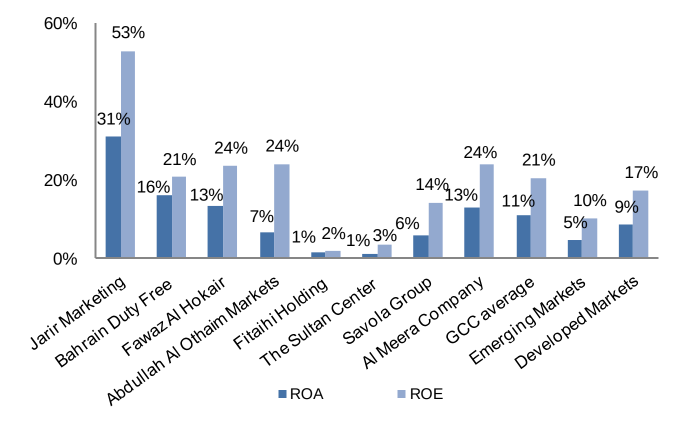
Source: Bloomberg
[1]Some data for the developed market peer group is half yearly.

Lifestyle store – Bahrain Duty Free — outperformed its peers and reported significantly higher operating margins during all quarters of 2009.

Profitability – ROE and ROA

Healthy earnings growth for the GCC retailers translated into higher returns to shareholders in terms of ROE and ROA. The GCC retail players recorded average ROA and ROE of 11% and 20% in 2009, compared with 5% and 10%, respectively, for emerging market peers; and 9% and 17%, respectively, for developed market peers (see chart 10).

Chart 10: ROA and ROE (2009)

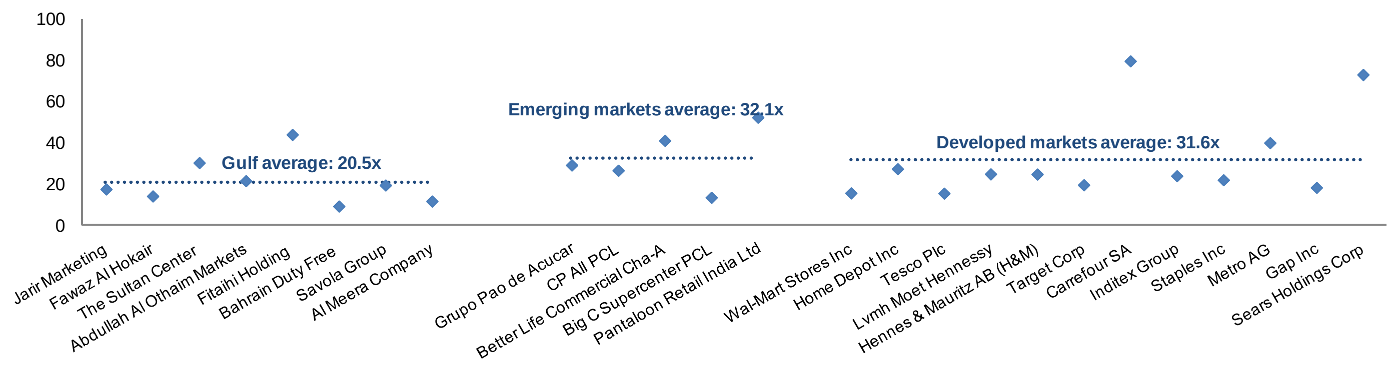


Source: Bloomberg

3.2 Valuation

Valuation based on trailing P/E: The GCC retailers are trading at a trailing 12-month P/E of 20.5x, compared with emerging market and developed market peers at 32.1x and 31.6x, respectively. The Gulf retail companies are trading at a discount of 36% compared to the emerging and developed market peers, indicating a relatively attractive valuation range (see chart 13). The trailing P/E ratio clearly indicates an expectation of continued revenue and earnings growth for the industry.

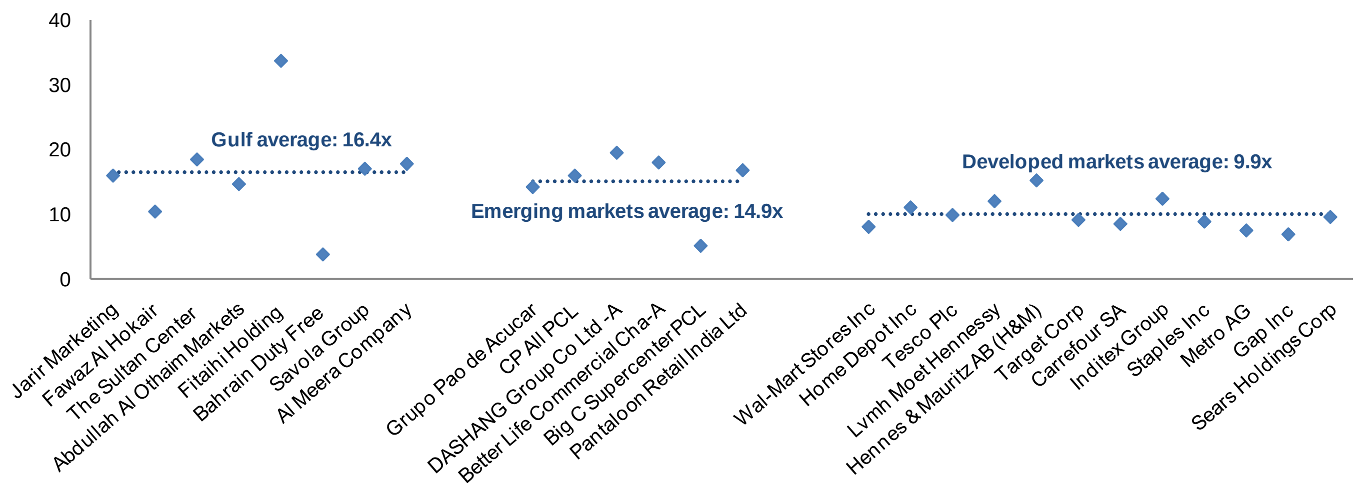
Chart 11: Current P/E



Source: Bloomberg; Excluding outliers

Valuation based on EV/EBITDA: The Gulf retailers are trading at an EV/EBITDA of 16.4x, compared with 14.9x for the emerging market and 9.9x for the developed market peers. Fitaihi Holding is trading at the highest EV/EBITDA amongst GCC peers, primarily because of a significant 32.5% y-o-y decline in EBITDA in 2009 (see chart 14).

Chart 12: Current EV/EBIDTA

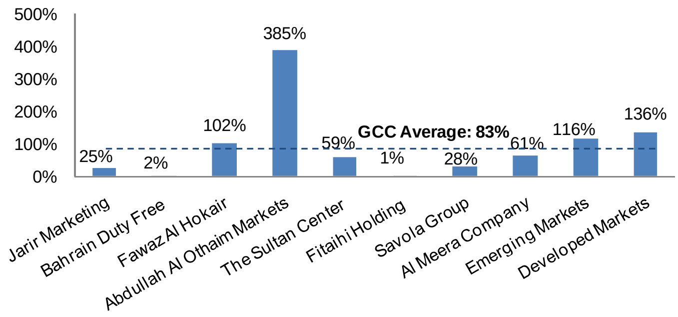


Source: Bloomberg; Excluding outliers

3.3 Stock liquidity

The liquidity of GCC retail stock varies greatly due to infrequent trading in some stocks. Overall, liquidity remained lower than the emerging and developed market peers as evident from the turnover velocity and free-float figures.

Chart 13: Turnover velocity (as on 4 May, 2010)



Source: Bloomberg

The average turnover velocity of the Gulf retailers was 83%, less than that of emerging and developed market peers (see chart 11)

The average reported free float of the GCC retail stocks is 57.7%, higher than emerging market but lower than the developed market (see chart 12).

Chart 14: Free float (%)

Company name	Free float (%)
Bahrain Duty Free	79.7%
Fitaihi Holding	78.4%
Savola Group	60.1%
The Sultan Center	55.8%
Jarir Marketing	54.8%
Abdullah Al Othaim Markets Company	45.1%
Fawaz Abdulaziz Al Hokair Company	30.0%
GCC Average	***57.7%***
Emerging Markets Average	***49.7%***
Developed Markets Average	***68.9%***

Source: Bloomberg

Chart 15: Comparable Analysis – Global Retail peers

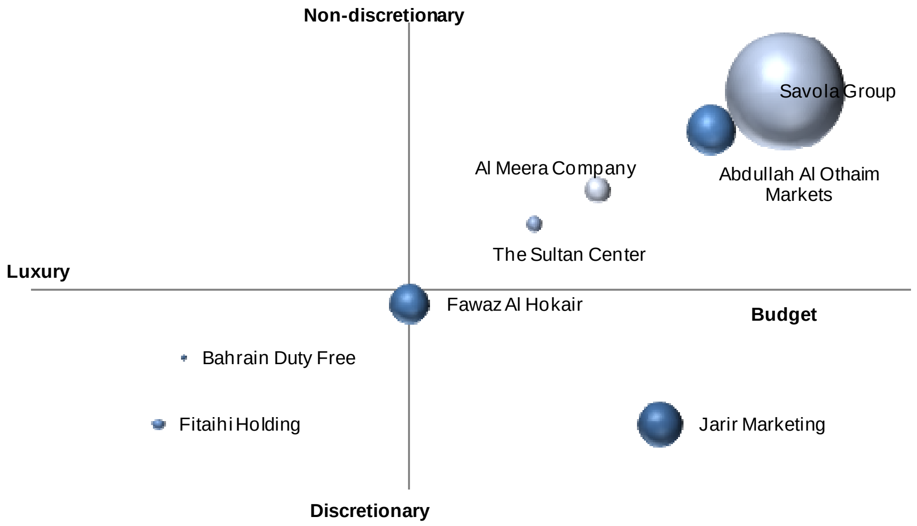
Companies	Market Information (in USD mn)		Revenue Growth y-o-y %			Profitability (%)					Current Multiples (x)		Stock Liquidity
	Market cap	EV	2009.0	H1 2009	H2 2009	Net Income (USD mn)	Operating margin	Net Profit margin	ROA	ROE	P/E	EV / EBITDA	Turnover velocity
Gulf													
Savola Group	4,798.8	6,460.1	29.4%	26.7%	31.7%	253.7	4.0%	5.3%	6.0%	14.3%	18.9	17.0	28.0%
Jarir Marketing	1,692.9	1,708.8	1.4%	1.6%	1.2%	99.7	15.0%	14.6%	31.0%	53.1%	17.0	15.9	25.3%
Fawaz Al Hokair	795.0	878.7	9.2%	6.7%	15.8%	58.5	10.1%	10.6%	13.3%	23.7%	13.6	10.4	102.1%
Abdullah Al Othaim Markets	434.9	501.4	7.3%	8.4%	9.9%	20.7	0.5%	2.5%	6.7%	24.2%	21.0	14.6	385.0%
The Sultan Center	392.4	860.4	15.2%	23.7%	8.3%	13.1	2.1%	1.2%	1.1%	3.5%	29.9	18.4	59.3%
Fitaihi Holding	197.3	205.5	-21.1%	-24.2%	-17.5%	2.8	9.0%	6.9%	1.5%	1.8%	43.6	33.5	1.1%
Al Meera Company	164.5	129.2	15.3%	NA	NA	14.8	1.8%	6.3%	13.2%	24.0%	11.1	17.7	61.0%
Bahrain Duty Free	140.6	94.8	-7.7%	-22.8%	-2.0%	16.3	30.6%	20.1%	16.4%	20.7%	8.6	3.8	1.6%
Emerging													
Grupo Pao de	9,827.7	10,919.6	29.0%	13.7%	42.5%	342.4	3.8%	2.5%	3.7%	9.9%	28.7	14.2	51.6%
CP All PCL	4,036.0	3,612.5	-9.4%	-14.4%	-4.4%	154.6	4.0%	4.4%	11.8%	28.1%	26.1	15.9	37.4%
Pantaloon Retail India Ltd	1,932.3	2,841.3	52.6%	85.7%	21.5%	37.2	6.6%	1.8%	0.1%	0.4%	52.0	16.7	66.7%
DASHANG Group Co Ltd -A	1,927.7	1,968.9	12.3%	4.2%	21.0%	-17.0	1.1%	-0.6%	-1.1%	-3.8%	-113.3	19.4	263.8%
Big C Supercenter	1,148.0	1,088.2	1.6%	4.4%	-1.1%	88.8	5.8%	4.0%	7.7%	15.8%	12.9	5.1	9.6%
Better Life Commercial Cha-A	984.6	882.1	10.0%	7.7%	12.4%	24.2	3.4%	2.9%	5.8%	11.2%	40.7	17.9	267.9%
Developed													
Wal-Mart Stores	202,009.1	237,602.1	6.8%	10.0%	4.0%	13,400.0	5.6%	3.3%	8.6%	21.1%	15.1	8.0	122.4%
Home Depot Inc	60,740.2	68,995.2	-7.8%	-4.5%	-11.5%	2,260.0	6.1%	3.2%	6.5%	14.3%	26.9	11.0	180.5%
Lvmh Moet	56,414.3	62,127.2	-0.8%	0.2%	-1.6%	2,316.6	19.7%	10.3%	5.5%	13.1%	24.4	12.0	49.9%
Hennes & Mauritz AB (H&M)	54,700.5	51,096.3	14.5%	20.5%	9.3%	2,253.9	21.3%	16.2%	31.0%	42.2%	24.3	15.2	57.9%
Tesco Plc	53,056.9	67,129.6	4.8%	9.2%	0.9%	3,549.8	5.4%	4.1%	5.1%	16.9%	14.9	9.9	56.9%
Target Corp	42,133.7	56,747.7	2.5%	5.6%	-0.1%	2,214.0	6.8%	3.4%	5.6%	17.1%	19.0	9.1	222.4%
Inditex Group	38,761.9	35,674.9	10.3%	10.6%	10.1%	1,654.6	15.5%	12.0%	16.3%	26.2%	23.4	12.4	64.3%
Carrefour SA	34,311.1	51,595.2	-1.2%	-1.6%	-0.7%	431.6	3.0%	0.4%	2.4%	12.2%	79.5	8.5	89.7%
Metro AG	20,011.6	29,676.7	-3.6%	-3.2%	-3.9%	505.6	2.5%	0.6%	1.1%	6.6%	39.6	7.5	71.9%
Staples Inc	17,299.1	18,533.9	19.2%	12.2%	25.1%	805.3	6.7%	3.5%	5.5%	12.0%	21.5	8.8	264.2%
Gap Inc	17,152.7	14,579.7	-7.8%	-4.9%	-10.4%	967.0	10.7%	6.7%	14.2%	23.8%	17.7	6.9	269.0%
Sears Holdings	14,051.1	15,206.1	-7.8%	-4.9%	-10.8%	53.0	1.3%	0.1%	0.9%	2.5%	72.8	9.6	187.2%

Source: Bloomberg and company annual reports. All numbers are for calendar year 2009

3.4 GCC retail sector picks

As discussed in our initiation report, the GCC peer group consists of companies focused on both discretionary products, such as luxury goods retailer Fitaihi Holding and Bahrain Duty Free, and those focused primarily on non-discretionary products, such as food retailers Abdullah Al Othaim Markets Company, Al Meera Company, Savola Group and The Sultan Center (See Chart 16).

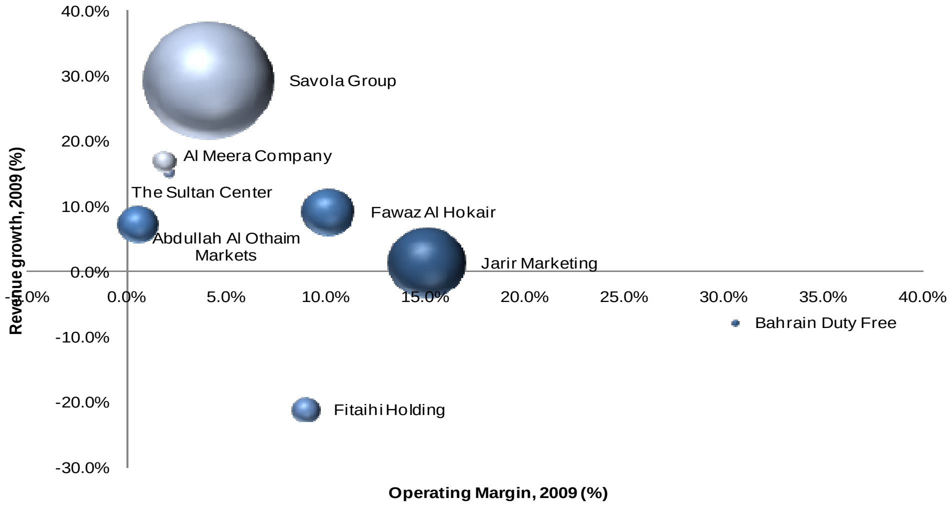
Chart 16: The GCC retailers type



Source: Alpen Capital; size of bubble indicates revenue

As envisaged in our initiation report, budget retailers focusing on non-discretionary products outperformed in 2009, while retailers focused on discretionary luxury goods faced a challenging environment. Luxury retailers Fitaihi Holding and Bahrain Duty Free reported a decline in revenues in 2009, while, food retailers continued to record robust revenue growth over the same period (See chart 17).

Chart 17: Operating margin and revenue growth (2009)



Source: Bloomberg; size of bubble indicates company's market cap

The outlook for food and other non-discretionary goods retailers remains robust, while there are signs that the luxury goods segment is beginning to recover from the very weak performance in 2009 (see chart 18).

Chart 18: The GCC retailers: short term outlook

Name	Business Segment	Spending Type	Prominent Brands Available	Short Term Outlook	Outlook Rationale
The Sultan Center	Food and Fashion	Discretionary / Non-Discretionary	**Fashion**: Bedo, Ocean Pacific, Rampage, Jaeger	↑	Mild food inflation in 2010 across the GCC region and growth in the food-retail segment likely to surpass the non-food segment in the near term.
Abdullah Al Othaim Markets Company	Food	Non-Discretionary	Rex, Victo, Haley, Shear, Safoori, Proof	↑	
Savola Group	Food, real estate and franchising	Non-Discretionary		↑	
Al Meera Company	Food, consumer goods, electrical and electronics	Non-Discretionary	Tide, Lux, Mirinda, Nescafe	↑	
Jarir Marketing	Books, School & Office Supplies and Gaming	Discretionary	HP Laptops, WD External Hard Disks, HTC Mobiles	↑	Experiencing growth in electronics segment. Diversified product offering in profitable school/ office stationery and books segment should provide a positive impetus.
Bahrain Duty Free Shopping Complex	Multi - specialty	Discretionary	Valentino, iPod, Sony, JVC, Rolex, Snickers, Nido	↔	Although the company plans to expand in line with the Bahrain International Airport, uncertainty prevails in the global aviation industry following travel disruptions due to the volcanic ash clouds over Europe.
Fawaz Abdulaziz Al Hokair Company	Food, Fashion and Furniture	Discretionary / Non-Discretionary	**Food**: Swensen's, The Pizza Company, London Dairy, Cinnabon, Carvel, Seattle's Best Coffee and Booster Juice **Fashion**: Zara, Banana Republic, Gap, Aldo **Furniture**: Kika	↑	Primarily a mid-market fashion retailer. A drop in fashion business may be offset by other businesses such as food. Some fashion brands may do better than others due to lower price points in more affordable range
Fitaihi Holding	Jewellery and Crystals	Discretionary	**Private Labels**: Miss Fitaihi, Fitaihi Junior, Royal Family **Foreign Brands**: Mont Blanc, Dunhill, Sarcar, Louis Erard, Saint Louis, Rebecca, Derek Rose, Talento, Christian Dior, Breitling	↔	Subdued demand for discretionary luxury products leads us to have a cautious short term outlook. Signs of rebound in gold sales and luxury goods spending not yet reflected in 1Q 2010 performance.

↑ Above Average ↔ Average ↓ Below Average

Source: Company Websites and Alpen Capital

3.5 Corporate governance

In the fast maturing GCC region, corporate governance is a fundamental aspect of business that has not developed at the same rate as the economy. GCC companies do, however, realize the importance of good corporate governance to help attract international investors as long-term shareholders.

GCC retailers trail behind their global counterparts primarily in areas of corporate communications and disclosure (see comparative analysis chart 19). For instance, only the last two-three years' financial statements are available for the GCC retail companies compared to four and twelve years for the emerging and developed market peer groups, respectively. Moreover, Villa Moda and Damas International, both covered in our initiation report, have been excluded in the update, as their financial statements for 2009 were not available. Equity analysis and credit rating coverage of GCC companies is very low compared with their emerging market and developed market peers.

Some other key shortcomings in our sample of participants are – no pre-announcement of results publication date; lack of analyst meetings or conference calls; and no investor relations contact details specified on the website.

Chart 19: Corporate governance

	History of publicly available accounts	Reporting frequency on the website	Pre-announcement of results publication date	Holding of analyst meetings/ conference calls	Availability of investor relations contact details	Equity Analyst coverage	Rated by rating agency	Disclosure of shareholding pattern on website	Independent directors on the Board
Gulf									
Jarir Marketing	●	●	○	○	◔	●	○	○	●
Fawaz Abdulaziz AlHokair Company	○	○	○	○	◔	◑	○	○	●
The Sultan Center	◕	●	●	○	◔	◔	○	○	●
Abdullah Al Othaim Markets Company	◔	◔	○	○	◔	◔	○	○	○
Fitaihi Holding	◔	◑	○	○	●	○	○	○	○
Bahrain Duty Free	●	●	○	○	◔	○	○	○	○
Savola Group	●	●	○	○	●	●	○	●	●
Al Meera Company	◔	◔	○	○	●	○	○	●	●
Average (for Gulf market)	◑	◑	◔	○	◔	◔	○	◔	◕
Emerging markets									
Grupo Pao de Acucar (Brazil)	●	●	●	●	●	◔	◔	●	●
Better Life Commercial Cha-A (China)	◔	●	○	○	◔	●	○	○	●
CP All PCL (Thailand)	●	●	●	●	●	●	○	●	●
Big C Supercenter PCL (Thailand)	●	●	●	●	◔	●	○	●	●
Pantaloon Retail India Ltd (India)	●	●	●	●	●	●	◔	●	◑
DASHANG Group Co Ltd –A (China)	○	○	○	○	○	●	○	○	●
Average (for Emerging market)	◕	●	◕	◕	◑	●	◔	◑	●

	History of publicly available accounts	Reporting frequency on the website	Pre-announcement of results publication date	Holding of analyst meetings/ conference calls	Availability of investor relations contact details	Equity Analyst coverage	Rated by rating agency	Disclosure of shareholding pattern on website	Independent directors on the Board
Developed markets									
Wal-Mart Stores Inc (USA)	●	●	●	●	◕	●	●	○	●
Home Depot Inc (USA)	●	●	●	●	●	●	●	○	●
Hennes & Mauritz AB (Sweden)	●	●	●	●	◔	●	○	●	●
Lvmh Moet Hennessy (France)	●	●	●	●	○	●	◑	●	●
Tesco Plc (UK)	●	●	●	●	●	●	◕	●	◔
Target Corp (USA)	●	●	●	●	◕	●	●	○	●
Carrefour SA (France)	●	●	●	●	●	●	◕	●	●
Staples Inc (USA)	●	●	●	●	◕	●	●	●	●
Metro AG (Germany)	●	●	●	●	●	●	◕	●	◔
GAP Inc (USA)	◕	●	●	●	●	●	◕	○	●
Sears Holdings Corp (USA)	●	●	●	●	●	◕	◕	○	●
Inditex Group (Spain)	●	●	●	●	●	●	○	●	●
Average (for Developed market)	●	●	●	●	◕	●	◕	◕	●

Source: Bloomberg, company websites

● most attractive ◕ more attractive ◑ attractive ◔ least attractive ○ unfavourable

4 The Global Retail Industry

Emerging market showing higher activity level

Post the economic recession, large emerging markets are expected to play a far more significant role in the global economy in coming years, compared to developed markets. Moreover, many emerging-market retailers are rapidly becoming world-class competitors in their own right. The Asia Pacific region and the Middle East and Africa have experienced higher than world average growth over the past few years (see chart 20). Some of the companies in these countries have also begun to foray into the developed markets.

Chart 20: Growth in retail sales by volume, global (% pa)

Region	2006	2007	2008	2009F	2010F	2011F
North America	2.0	0.6	-4.1	-4.7	0.0	0.8
Western Europe	1.0	0.9	-1.9	-4.0	-0.9	1.1
Eastern Europe	9.5	10.7	9.6	-3.6	2.2	4.6
Asia-Pacific region	4.6	5.0	6.4	0.4	4.2	4.3
Latin America	4.5	5.9	6.5	-5.3	0.4	3.0
Middle East and Africa	4.8	5.0	2.3	-1.1	5.4	5.7
World	***3.1***	***2.8***	***1.0***	***-2.9***	***1.4***	***2.5***

Source: EIU and PWC

Decline in consumer confidence post recession

The global recession has changed the spending behaviour of consumers, making them more value conscious and attracted towards private labels. The discretionary spending also decreased post the recession's onset. These changes in consumer behaviour are expected to be sustained also after a recovery, especially in markets where consumer spending had previously been excessive and driven by debt. Such markets include the US, the UK, Spain and other developed markets.

Retailers are now, more than ever before, required to offer consumers a favourable value proposition, focus on brand management as well as an improved customer experience in order to attract consumers.

Luxury brands affected most by recession

The luxury goods market has been severely affected by the economic recession. The aspirational luxury market – catering to households with sufficient incomes and wealth to purchase luxury items – was impacted by the slowdown as a severe drop in perceived wealth was noticed. As the economy recovers, wealth would still be suppressed and take some time to rebuild – especially housing wealth. Thus, the tendency of such consumers to purchase luxury items will likely remain curtailed for some time to come. However, the high-end luxury market did not suffer as much.

Luxury retailers are now shifting their focus to the needs of aspirational shoppers in emerging markets such as India and China, where the newly affluent are especially brand conscious and attracted to luxury brands. Such shoppers may be easier to attract than similarly profiled households in the developed markets.

Grocery retail – recession proof

Unlike discretionary spending retail segments, the food and grocery segment fared well in 2009, although many consumers shifted to lower-priced brands or bought in bulk.

Private-label retailing gaining prominence

Post the onset of the economic recession; private-label retailing began gaining grounds in the US and Europe, where supermarket chains sell products under their own brand. Wal-Mart and Tesco are examples of such major retailers that are increasingly focusing on private labels. In Asia, private-label goods accounted for 10-12% of the retail market in 2009, with the leading brands having a less dominant presence in the region.

Online retailing on a rise

The rise of online retail has started eating into some retailers' market share. For instance, in the United States, 40% of online retail sales are conducted by the store retailers themselves with the rest being conducted by pure-play online retailers, catalogue companies and other consumer product companies.

Therefore, in order to grow their share, existing retailers can venture into activities such as using websites for brand building, online shopping, engaging customers in conversations as well as obtaining feedback from the customers to create a multi-channel experience for consumers. This process is likely to strengthen their own brand and enable them to compete more effectively with the non-store retailers that currently have a sizable share of the online shopping pie. Such services can offer a more holistic shopping experience to consumers, which results in improved brand recall and loyalty, and lead to new channels of growth for the retailers.

5 The GCC Retail Industry

5.1 Overview

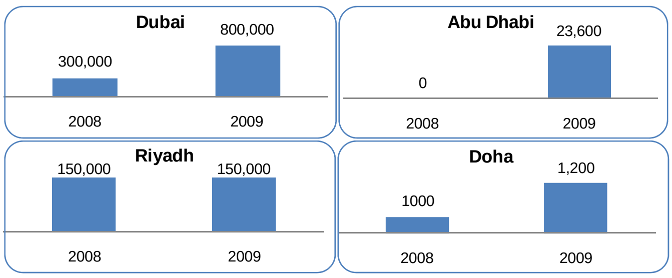
The GCC retail market accounts for 1% of the global retail market. Despite its small size, per capita retail spending in the GCC is relatively high.

5.2 Sector on a recovery track

The retail sector is showing signs of gearing up in 2010 as evident from recent survey results. According to a recent survey by Datamonitor, the percent of respondents cutting back on non-essential expenses has declined sequentially since May 2009 in both the United Arab Emirates and Saudi Arabia. Moreover, number of shopping trips by individuals has increased during the same period in the region. Furthermore, consumer confidence in the United Arab Emirates jumped from 29.6 points in 2H 2009 to 86.1 points for 1H 2010.

Prior to this, in 2009, the GCC retail market was adversely impacted by the economic downturn albeit less severely compared with the United States and other developed markets. However, the industry environment proved to be better after the particularly severe 2008. The additional GLA available in 2009 across the GCC was significantly higher than that in 2008. In terms of key cities, Abu Dhabi and Dubai recorded the highest GLA addition during 2009 (see chart 21).

Chart 21: GLA additions by year (in sq m)



Source: Colliers

This new capacity addition, coupled with weak sales by many retailers led to a correction in retail space rentals. The retail rental rates in Dubai dropped for the first time in a decade in 2009 with an average rental decline of 18% according to Colliers. There was a sharp dip in nondiscretionary spending and a decrease in tourist sales in the UAE during 1H 2009 as fewer tourist visits were recorded. Rental rates in Abu Dhabi also declined for the first time in the decade, albeit less severely than in Dubai. The retail sector in Abu Dhabi is driven by indigenous factors – domestic rather than tourist or expatriate spending as in Dubai – which shielded it from the adverse impact of the global economic recession. However, H2 2009 saw signs of improvement in consumer confidence with increased retail transaction volumes and a rise in tourist arrivals in the UAE.

Saudi Arabia was considerably insulated from the global economic downturn. The retail rentals in Riyadh were stable in 2009. Qatar, with its highest per capita GDP translating into high discretionary disposable incomes and strong purchasing power for residents, showed little effect of the global economic downturn.

5.3 Market characteristics

Varied market; unique to each GCC country

The retail sector in each GCC country has its own unique features. The UAE and Saudi Arabia are the largest markets in terms of total retail expenditure. However, while the UAE has the highest retail per capita expenditure in the GCC, Saudi Arabia's retail per capita expenditure is amongst the lowest. The large retail market of Saudi Arabia is attributable to its large population base, while UAE's higher retail market size is owing to its higher tourism and large expatriate population.

Saudi Arabia is also the most conservative Islamic market, with restrictions on women drivers and on lone men entering some malls. However, the other aspect of this conservative society is that the retail sector has profited as shopping is considered one of the major leisure activities in the country.

Climate drives prominent mall culture

While rising incomes and expanding populations have been powerful drivers for the expansion of the retail sector, social trends specific to the Middle East are also a factor in its growth. This is a region that is becoming steadily more affluent, but where the climate, landscape and social customs combine to limit the range of leisure options available to the population.

Owing to the hot and arid climatic conditions in the Gulf countries, people prefer to spend time in air-conditioned malls. Moreover, shopping is an important leisure activity, offering an easy environment for families to spend time together. Visits to malls can also be adjusted to suit every budget. For many families having modest incomes in Saudi Arabia, Bahrain or among the Gulf expatriate population, malls offer a low-cost opportunity for group outings.

Diverse customer base defines Gulf retail

There exists a huge disparity in the income and the wealth level of GCC inhabitants. The emerging markets, including the GCC, have fast growing consumer economies. However, these economies have accumulated petrodollar reserves to belittle the effects of a global recession on them.

In the UAE, Emirati nationals comprised about 20% of the total population in 2009. While expatriates have a monthly disposable income in excess of US$3,000, their buying power in the UAE exceeds that of nationals

Designed to serve community purpose

Shopping malls in the GCC countries represent an updated, shinier, air-conditioned version of the souk – the traditional market that is a feature of almost any town or city in the region. These souks traditionally served as market places, as well as place where major festivals and cultural and social activities took place. Like the souks, malls also currently serve as meeting place for Arabs for cultural and social activities.

5.4 Growth drivers

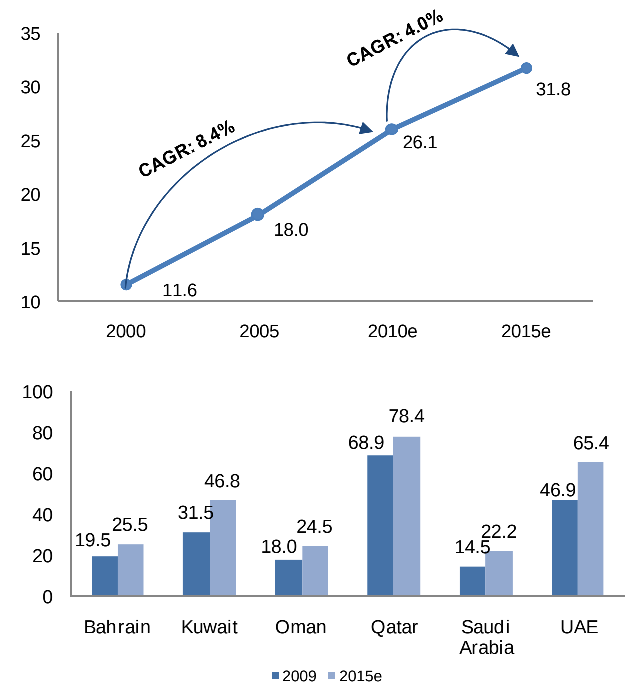
The GCC retail markets is in a growth phase driven by rising disposable incomes, favourable demographic profile, a growing middle class, burgeoning expatriate wealth, growing tourism and the development of modern retail infrastructure.

Growing economy and disposable income

The GCC's GDP growth has outpaced its population growth consistently over the past several years providing a significant boost to people's disposable income in the region. Also, a higher disposable income translates into higher consumption expenditure – conducive for retail sector growth.

The overall income level for residents in the GCC has risen over the last decade due to a sharp rise in oil prices. The GCC's combined GDP stood at US$868.5 billion in 2009, compared with nearly US$342 billion in 2000. The growth outpaced the region's rate of population increase leading to a sequential rise in the region's GDP per capita (See chart 22).

Chart 22: GDP per capita for GCC nations (in '000 US$)

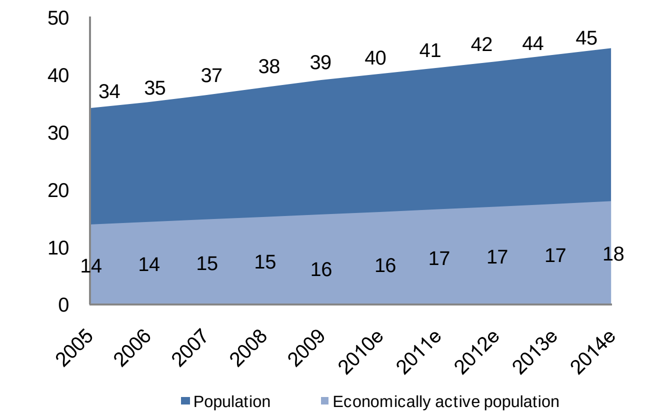


Source: IMF

Favourable demographics

The overall demographic trend and changing composition is set to favour the retail sector in the region. The GCC population is growing with rising urbanization – both conducive for retail sector growth (see chart 23). Saudi Arabia, with a population of 25.5 million, is an attractive target for the retail industry.

Chart 23: Population growth and economically active population (in millions)



Source: IMF and International Labour Organisation

Moreover, the economically active population in the GCC countries has been growing at a CAGR of around 4%. In 2009-14, the economically active population is expected to grow at the same rate as the region's population – at a CAGR of about 3%. The UN described 77.7% of the UAE population in 2005 as economically active; a figure forecast to rise to 78.8% by 2015. While in Saudi Arabia, over 81% of the population was economically active in 2005, it is projected to exceed 82% by 2010 and 83% by 2015. This augurs well as this section of the population is considered the most likely to spend freely.

Rise in tourism

With more than 120 nationalities residing in Dubai and an extensive tourist component being part of the GCC's economy, the retail industry is poised to benefit from further growth in tourism. According to the World Travel and Tourism Council, 60.5 million tourists visited the region in 2009, generating a tourism demand of about US$242 billion. The number of international visitors is expected to rise to 78 million per annum by 2014, a growth rate of 5.3% in 2009-14.

Positioning Dubai as a global leisure and shopping destination has had a significant impact on the UAE's retail industry. Shopping events in Dubai, such as Dubai Summer Surprises (DSS), the Dubai Shopping Festival (DSF) and the Dubai Duty-Free (DDF), are major contributors to the UAE's retail industry. DDF reported annual sales of US$1.1 billion for 2009, representing a y-o-y increase of 3.8%. Similarly, in Saudi Arabia, the retail sector benefits from the large number of Muslim tourists performing the annual Hajj and Umrah pilgrimages.

Moreover, the malls in the region are being developed as landmarks to attract businesses, residents and tourists. For instance, Emaar Properties' Dubai Mall is as much of an attraction to the Downtown Dubai development as the Burj Khalifa – the world's tallest tower (comprising hotel, residential and commercial properties). The mall is the world's largest and attracts around 35 million visitors.

Consumer tastes driving big retailers, brands

As disposable income has increased along with exposure to Western products via travel and satellite TV, shopping in modern retail outlets has become a recreational activity in the region and consumers are keen to buy specific brands. In Kuwait, big retailers claim the largest share of the basic consumables trade, or 60%.

According to a study by A.T. Kearney on retail investment attractiveness among 30 emerging markets, Saudi Arabia ranked fifth in Global Retail Attractiveness in 2009, pre-ceded by UAE, which ranked fourth.

Duty free shopping

Duty free shopping in the GCC nations is a major driver of retail sales. Dubai Duty Free accounts for over 9% of total retail sales in the UAE. This is primarily due to Dubai International Airport's strong position as both a transit hub and a destination in its own right.

Dietetic, health foods segment has scope to grow

As discussed in our Healthcare report, urbanization and rising per capita income have aggravated the prevalence of lifestyle ailments such as diabetes and cardiovascular diseases in the GCC nations. The UAE ranks second highest in the world for diabetes prevalence (20%), followed by Saudi Arabia (16.7%), Bahrain (15.2%) and Kuwait (14.4%), according to the International Diabetes Federation. Moreover, coronary problems and other obesity-related diseases are also on a rise in the Gulf region. Such a higher incidence of lifestyle ailments is set to boost the advent and growth of healthcare and dietetic retail in the region.

Although Saudi families spend less on housing and health care compared to other areas of the world, OTC healthcare retail sales grew in the country. Socio-demographic factors, the development of the retailing landscape – especially hypermarkets and health food shops – and common health risks such as obesity are forecasted to continue to bolster growth and demand for OTC healthcare and wellness/dietetic products.

5.5 Industry trends

GCC consumers becoming brand conscious

As many GCC nationals are educated abroad and are travel savvy, the demand for foreign goods and services has also picked up domestically. American and British brands are in high demand. They have a proven acceptability here and are considered reliable, consistent and mature. Similarly, brands from France, Germany, Italy, Holland, Brazil, Canada and the Far East are also in demand.

This has attracted retailers from across the globe to Saudi Arabia, for example. The new entrants include clothing, footwear and accessories stores; department stores; furniture and textile companies; grocery operators; luxury retailers; and others.

The abundance of custom-designed shopping complexes across the region, along with the proliferation of branded store networks, has created an acute need for professionals to stay in touch with the latest trends and best practices in the industry. According to a Neilson consumer survey in 2009, the UAE topped global rankings in believing that designer brands are of significantly higher quality than standard products (43%). Almost 60% of UAE consumers believed designer brands projected social status. This has attracted many luxury brands, restaurants and hotels to the UAE.

The survey also explores the latent potential for luxury fashion brands to expand their business in the UAE into related products such as mobile phones, laptops, MP3 players and even kitchen appliances. In the survey, 57% of UAE consumers were willing to buy luxury branded mobile phones (compared to a global average of 34%); 46% to buy fashion-branded laptops (global average of 29%); and around 25% to buy luxury fashion-branded MP3 players and kitchen appliances.

Retailers customize offerings

The frequency of shopping trips acts as a further driver for trade; therefore, retailers constantly improvise their offerings and marketing strategies to attract customers. For instance, European retail groups frequently introduce new designs. Moreover, as a measure to attract families, many stores also include children's play areas, boutiques, music and photography stores, barbershops and fast-food restaurants.

Dubai has developed shopping as a major theme of its appeal as a tourist destination. It has retained its original wholesale businesses of distributing goods for resale at the retail level in neighbouring countries, along with transformation into a high street for international consumers

Accounting for the inflationary pressure faced by consumers in the region, supermarkets such as Carrefour offer value-for-money deals or best prices for basic items. This is expected to further increase the market share of major retailers.

Foreign retailers setting shop in GCC

The GCC's booming retail sector has attracted many foreign participants into the region. In 2008, a survey by CB Richard Ellis revealed that 37 new international retailers entered Saudi Arabia, a number greater than any country in the world. Kuwait ranked second in the survey and the UAE registered fourth in position. Dubai's recognition as a leading tourism destination has also attracted foreign brands as around 40% of consumers at malls and fashion outlets are tourists.

The US clothing company Express established two stores in the Middle East in Dubai and Riyadh in 2009. Gap plans to open 44 Gap stores and 10 Banana Republic stores in Saudi Arabia by 2012. Other luxury brands such as Tom Ford, Dolce & Gabbana and Viktor & Rolf have also made their foray into the region. The UK grocery retailer Waitrose also plans to open outlets in Bahrain, Oman and Abu Dhabi in 2010.

Organized retail gaining grounds

Retail is the second-largest non-oil sector in the UAE as well as across the GCC. The region currently has around six million sq m under development and many more plans in the pipeline. The region is also experiencing a significant change in the way people shop. Following their global footprint, supermarkets are increasingly dominating the retail landscape. Supermarkets offer convenience and their well-marketed brands inspire trust in their products.

GCC non-grocery sales beat global averages

The demographic profile of the GCC nations demonstrates that the most active consumers fall in the mid- to upper-spending bracket, indicating a high level of discretionary spending within the region.

In Saudi Arabia, non-grocery retail channels accounted for almost two-thirds of sales in 2008, compared to a global average of only one-half. Modern shopping centres provide entertainment and social opportunities for Saudis since there are no bars, discos or pubs in the country. In discretionary spending, non-essential products such as fashion, consumer electronics, leisure and personal goods (jewellery, watches and children's products) commanded a high share.

From 'Exported to GCC' to 'Made in GCC'

Despite their rising affluence, Gulf consumers are experiencing the strain of inflation, especially in the UAE. As a measure to check expenses, meals out and shopping trips are currently considered curtailed activities. This has created an inclination towards purchase of own-brand products in supermarkets. A Nielsen survey revealed that 55% of consumers in the UAE bought store's in house-branded goods, which were almost 50% cheaper than the name-brand equivalents. In Saudi Arabia, 29% of the population bought store-branded goods, according to Nielsen.

5.6 Challenges

Competition

Considering the potential in the GCC region, many international retailers have expanded their presence within the GCC to sustain their business growth. The likes of Marks & Spencer, Carrefour, Debenhams and Toys R Us, Groupe Casino and Metro have already established their footprint in the GCC region. In our view, entry of global retailers in the region is going to further increase competition.

- In February 2010, the first international Bloomingdale's store, part of a venture between Al Tayer Insignia LLC and Macy's, Inc., was opened in Dubai.
- Galleries Lafayette opened in Dubai Mall in 2009.
- In November 2009, international luxury retailers Montblanc, Van Cleef and Arpels planned to open more stores in GCC.

Weak demand for discretionary luxury goods

Although consumer confidence in the GCC region improved during H2 2009, and there are signs of a pick up in demand for discretionary luxury goods in Q1 2010, we are still far from trading conditions seen in 2008. According to a survey by Datamonitor, the majority of consumers were cutting back discretionary expenses and paying off debts in 2009.

Constraint in consumer finance

Marred by the global economic slowdown and Dubai's financial crisis, consumer financing has become restricted in the GCC region. This is primarily because credit card defaults have risen significantly in the region post the financial crisis as thousands of expatriates who lost their jobs left without settling their bills. In Kuwait, the government plans to pay KWD 10,000 (US$ 34,555) to each family in the country to help them reconcile their debts.

Moreover, the interest rate on credit cards is almost double for Gulf nationals that of their North America and European counterparts. For instance, Citibank charges 28-29% interest per year for credit cards in the region. This is primarily on account of lack of credit ratings in the Gulf and high risk of expatriates leaving the country without clearing their dues.

Socio-cultural differences

Though liberal retailing policies and removal of trade barriers and restrictions on foreign investors has led to a retail surge in the region because of Saudi Arabia's WTO accession, many reforms are still awaited.

Women are banned from driving in Saudi Arabia, even though they can legally drive in other Gulf nations. Also, women are prohibited from walk or being in public places without a male guardian. There are restrictions on single men entering some malls in the country. Women are also discouraged from working, meaning that most shop assistants are male.

As it is believed that independent, working women are more inclined to consume, these socio-cultural differences are expected to affect retail sector growth in the kingdom.

Introduction of taxation in GCC

Value Added Tax (VAT) is expected to be introduced in all GCC nations by the year 2012. Although the implications of the introduction of VAT, effectively replacing import duty, are unclear, many retailers believe that such a low rate would not significantly impact retail sales. However, its introduction represents a significant cultural shift for the federation, ending its status as a 'tax-free' haven at least in consumption expenditure.

5.7 Way forward

Online retail gaining ground

Pricing issues have led to a growing number of consumers going online. Currently, e-commerce is a small channel in the GCC and accounts for less than 1% of retail spending, and constitutes a major opportunity for the regions retailers. Online retailing is likely to develop in tandem with growth in broadband penetration.

Innovation to drive mall growth

Shopping malls in GCC nations have developed from retail spaces to leisure facilities. Shopping centres in Dubai house facilities such as indoor ski slopes, rock climbing, aquariums and even indoor skydiving to project the malls as leisure destinations.

Moreover, as new mixed-development cities come up in the region, they offer amenities such as theme parks, residential complexes, hospitals as well as commercial spaces under the same roof as the more generic malls.

These innovations are set to govern the future direction of malls seeking to attract more customers.

Partnership key for foreign companies

Restrictions on foreign ownership have compelled Western retail brands to enter the GCC market through franchising and retail partnership with existing local retailers. Moreover, support from the local partners' political and business connections and funding pipeline helps the foreign collaborators in establishing themselves in the GCC market. For instance, Géant's licences are granted to Fawaz Al Hokair in Saudi Arabia and Fu-Comm/Retail Arabia in the UAE, Bahrain and Kuwait while Carrefour is in partnership with MAF.

Thus, new foreign entrants in the GCC region can flourish and get a foothold in the market by entering into a franchise or other partnership agreement model with the pre-established local companies, where local participants also benefit from the foreigners' cross-brand expertise and economies of scale.

Country Profiles

United Arab Emirates

Macro-economic indicators

Indicators	Unit	2009	2010E
GDP	*US$ bn*	230.0	252.7
Population	*mn*	5.4	5.5
Inflation	*%*	1.0%	2.2%
Private consumption per capita	*US$*	22,160.0	23,780.0
Overnight visitors*	*mn*	7.9	7.6
Other (non-visitor) Exports**	*US$ bn*	10.6	13.1

Source: IMF, EIU and World Travel and Tourism Council (WTTC)

Key retailers

Company	Type
Al-Maya Lal's Group	Furniture and furnishings
Al-Batha Group	Electronics store
Damas International	Jewellery
EMKE Group	Hypermarket, supermarket and other malls
Al Safeer group	Lifestyle
Jashanmal & Partners Ltd	Departmental stores and international franchises
Majid Al Futtaim Group	Supermarket - in association with Carrefour
Sharaf DG	Consumer electronics and IT products

Overview

UAE is the largest retail market in the GCC region, with the highest per capita retail spending, attributed to its higher tourism and expatriate population spend. Dubai, Abu Dhabi and Sharjah are the prime retail markets in the country with significant presence of modern retail outlets.

A unique feature of the UAE retail industry is innovation of malls. Retailers promote malls as leisure destinations to increase footfall. Shopping centres in Dubai have facilities such as indoor ski slopes, rock climbing, aquariums and indoor skydiving.

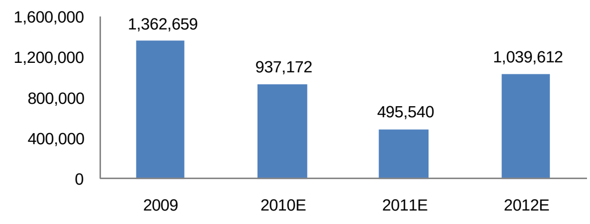
Promotion of Dubai as a global leisure and shopping destination has positively impacted UAE's retail space. Shopping events in Dubai such as Dubai Summer Surprises (DSS), the Dubai Shopping Festival (DSF) and Dubai Duty-Free (DDF) are major contributors to the UAE's retail industry.

Along with dominant local retailers such as EMKE Group, MAF Group and Damas International, international stores such as Carrefour, IKEA, Debenhams, Harvey Nichols and Bloomingdales, and luxury stores like Cartier, Hermès, Rolex, Louis Vitton and Tiffany's have also enhanced footfall in the region's retail market.

Key retail project pipeline***

Project	GLA (in sq m)	Completion
Mall of Arabia (Phase 1)	372,000	2012
Yas Mall - Yas Island	296,000	2012
Danet Mall	185,000	2011
Mirdif City Centre	180,000	2010
Arena Mall in Dubai Sports City	140,000	2010

Incremental GLA (in sq m)



Source: Alpen Capital

- Retail sector is undergoing significant development in the UAE. Alpen Capital expects GLA of approx 2.25 mn sq m to be added in 2010-12, around 35% of which in Abu Dhabi and just over 50% in Dubai.
- In 2009, average occupancy levels in Dubai malls were one of the highest in the GCC, and these are expected to continue to remain high. In Abu Dhabi, the retail market is undersupplied and, like Dubai, shopping malls enjoy high occupancy rates.
- The global economic slowdown has had a mixed impact on the UAE retail market. While Dubai suffered a mild

slowdown, the Abu Dhabi retail market – driven by domestic spending rather than tourist or expatriate spending – was not as affected by the slowdown.

- In Abu Dhabi, retail spending per sq m may decline in 2010 under the impact of significant increase in retail space.
- In our analysis, the Dubai retail market does not appear to be oversupplied, despite heavy addition in retail space. The short-term imbalance is expected to be mitigated once the current employment problem faced by expatriates reduces and tourism regains its earlier tempo.

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* Only includes those international visitors who stay at least one night (i.e. same-day and cruise passengers are excluded).

****** Includes consumer goods (such as clothing, electronics or petrol/fuel) exported for ultimate sale to visitors, or capital goods (such as cars, aircraft or cruise ships) exported for use by Travel & Tourism providers abroad.

*** The table does not constitute an exhaustive list of the project pipeline.

Kingdom of Saudi Arabia

Macro-economic indicators

Indicators	Unit	2009	2010E
GDP	*US$ bn*	369.7	438.0
Population	*mn*	25.4	26.0
Inflation	*%*	5.1%	5.2%
Private consumption per capita	*US$*	5,150.0	5,380.0
Overnight visitors*	*mn*	10.3	10.8
Other (non-visitor) Exports**	*US$ bn*	17.6	22.2

Source: IMF, EIU and World Travel and Tourism Council (WTTC)

Overview

The Saudi Arabian retail sector is one of the largest in the GCC region, albeit with low per capita retail spending. The sector growth in the country is attributed to its large youthful population and large number of tourists visiting the country for Hajj and Umrah pilgrimages every year. The changing position of women in Saudi Arabian society will help the retail sector to grow further.

The Saudi retail market is highly fragmented and dominated by single-outlet operations – independent grocers, food specialists and leisure and personal goods retailers. However, as the industry is maturing, various participants are undergoing consolidation and many chain outlets have emerged. Al-Azizia Panda of the Savola Group consolidated its lead in the market by acquiring operations of Giant Stores and Géant during 2008-09.

During the last few years, Saudi Arabia has attracted various new retailers from across the globe – indicating growing brand consciousness among the Saudi consumers. International companies such as Carrefour, Debenhams and IKEA have entered the market through regional or local franchisers.

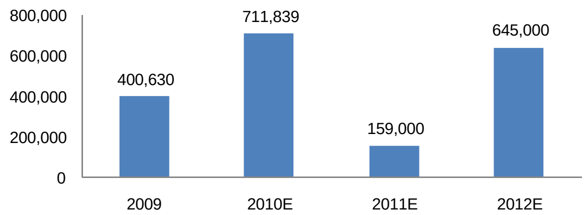
Key retailers

Company	Type
Fawaz al-Hokair Group	Apparel
Jarir Marketing Co	Bookstore
Abdullah Al Othaim Markets Company	Retail sale centres and supermarkets
Fitaihi Holding	Jewellery
Al-Sawani Group	Lifestyle
Savola Group	Grocery/ Hypermarket/ Supermarket

Key retail project pipeline***

Project	GLA (in sq m)	Completion
Al Qasr Mall	244,809	2010
Dammam Central Mall	120,000	2010
Dammam Corniche Mall	120,000	2011
Central Park Mall	92,440	2010
Dareen Mall	82,600	2010

Incremental GLA (in sq m)



Source: Alpen Capital, Colliers

- The Saudi Arabia retail pipeline is set to see significant GLA addition. An addition of over 1.5 mn sq m GLA is expected in 2010-12. However, in the capital city Riyadh, GLA growth was minimal in 2009 compared with trends seen in the past few years. As new malls come up, they will forcing older malls to reposition and revamp to maintain footfall.
- Although the overall occupancy rates remained high in Saudi Arabia in 2009, new malls had comparatively higher occupancy rates than older ones. This was primarily because some major retailers terminated their agreements on the completion of new malls.
- The Saudi retail sector was undeterred by the economic slowdown and rentals in the capital city remained almost stable in 2009.

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*** The table does not constitute an exhaustive list of the project pipeline.

Qatar

Macro-economic indicators

Indicators	Unit	2009	2010E
GDP	*US$ bn*	83.9	110.8
Population	*mn*	1.6	1.7
Inflation	*%*	-4.9%	1.0%
Private consumption per capita	*US$*	12,370.0	12,950.0
Overnight visitors*	*mn*	1.0	1.0
Other (non-visitor) Exports**	*US$ bn*	2.2	3.0

Source: IMF, EIU and World Travel and Tourism Council (WTTC)

Key retailers

Company	Type
Al Meera Consumer Goods Company	Supermarkets
Darwish Holding	Luxury, lifestyle, consumer electronics and department stores
Qatar Duty Free	Lifestyle
Family Food Centre	Supermarkets and food retailer

Overview

Qatar's retail sector has historically been an undersupplied market, with one of the highest retail densities in the GCC region. The retail sector in the region is buoyed primarily by high GDP per capita and growing population.

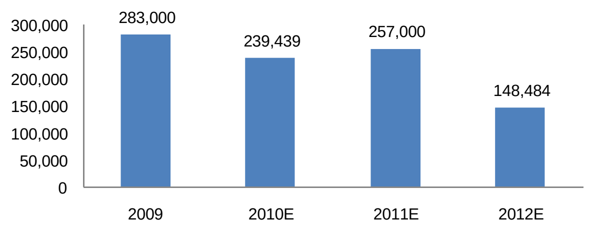
The country plans to attract 1.4 million tourists p.a. by 2011, which is expected to further boost its growing retail sector. The country's retail landscape was undeterred by the economic slowdown, with various supermarkets and hypermarkets being introduced in 2009-10.

Luxury retailers, such as Darwish Holdings and Qatar Duty Free are expected to experience a rise in the region, fuelled by Qatar's high GDP per capita. Al Meera Company is one of the prominent food retailers in the region, listed on Qatar Stock Exchange in 2009.

Key retail project pipeline***

Project	GLA (in sq m)	Completion
Marqab Mall	205,000	2010
The Pearl	188,000	2011
Al Wakrah Mall	69,000	2011
Al Waab Mall	39,484	2012
Safari Mall	20,439	2010

Incremental GLA (in sq m)



Source: Alpen Capital, Colliers

- Significant addition in **GLA** is expected over the next three years, thereby nearly doubling the current supply of rental space in Qatar's capital city Doha.
- Qatar has a high **occupancy rate** compared with other GCC countries due to an existing demand/supply mismatch. Any new complex faces high absorption rate due to ready-made demand existing for retail space – for instance, the Villagio Mall received a high absorption rate.
- **Retail rental** in Doha is amongst the highest in the Gulf region. Doha City Centre commands the highest rental primarily because of its popularity. However, the current robust project pipeline – once completed – will bring some correction in demand/supply mismatch, thereby moderating the rental rates during the coming years. Moreover, as the majority of construction is in premium category malls, a drop in rentals could be more accentuated in this segment.

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*** The table does not constitute an exhaustive list of the project pipeline.

Bahrain

Macro-economic indicators

Indicators	Unit	2009	2010E
GDP	*US$ bn*	20.2	22.4
Population	*mn*	1.1	1.2
Inflation	*%*	2.8%	2.4%
Private consumption per capita	*US$*	6,280.0	6,390.0
Overnight visitors*	*mn*	5.5	4.8
Other (non-visitor) Exports**	*US$ bn*	0.1	0.2

Source: IMF, EIU and World Travel and Tourism Council (WTTC)

Key retailers

Company	Type
Géant Hypermarket - Fu-Com International/ Casino Groupe	Hypermarket/ grocery retailer
Al Jazira Group	Grocery retailer
Jawad Business Group	Grocery retailer
Bahrain Duty Free	Lifestyle
Landmark group	Lifestyle
HyperCorp	Hypermarket/ Supermarket

Overview

The Bahrain retail market is significantly less developed than Saudi Arabia and UAE, with convenience stores comprising a large section of the sector. Moreover, traditional markets (souks) dominate the market for traditional goods and services – such as gold, fabric and sweets.

However, Bahrain's retail market is set to benefit from a favourable long-term economic outlook, growing western styles of retailing and a steady rise in disposable income. Growing tourism and annual events such as the Formula One motor race also generate significant demand for retail. Moreover, tourism from the strict Saudi regime to liberal Bahrain for shopping and outings is also a driver to retail sector growth in the country.

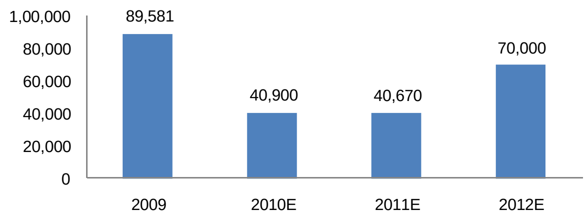
As the retail sector is developing in Bahrain, many international retailers such as H&M, Debenhams, Zara and Mango have marked their advent in the country.

Key retail project pipeline***

Project	GLA (in sq m)	Completion
Raffles City	70,000	2012
Al Areen project - Downtown	40,670	2011
Muharraq Shopping Mall	31,000	2010
Villamar @ the Harbour	9,900	2010
Shopping Mall - Hidd	NA	2011

Source: Alpen Capital, Colliers

Incremental GLA (in sq m)



- The Bahrain retail sector experienced significant GLA growth in 2008 with the opening of Bahrain City Centre, Moda Mall, Country Mall and extension of the Seef Mall.
- Considering that one-stop shopping is popular with the Bahrainis, opening of the Bahrain City Centre has buoyed the retail sector in the region – as it is the largest shopping centre in the country and home to various brands under a single roof.

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*** The table does not constitute an exhaustive list of the project pipeline.

Kuwait

Macro-economic indicators

Indicators	Unit	2009	2010E
GDP	*US$ bn*	111.3	135.1
Population	*mn*	3.5	3.6
Inflation	*%*	4.7%	4.5%
Private consumption per capita	*US$*	11,920.0	12,410.0
Overnight visitors*	*mn*	0.3	0.3
Other (non-visitor) Exports**	*US$ bn*	3.7	4.5

Source: IMF, EIU and World Travel and Tourism Council (WTTC)

Key retailers

Company	Type
Union of Co-operative Societies	Grocery stores/ Convenience stores/ Supermarkets/ Hypermarket
The Sultan Center	Supermarket
City Centre	Supermarket
M.H. Alshaya Company	Lifestyle and restaurants
Trafalgar	Luxury
Villa Moda Life Style	Fashion/ Apparel
Alghanim Industries	Electronics retailer

Overview

Kuwait's retail sector is primarily driven by its high expatriate population along with foreign workers crossing the border from Iraq. The country has a significant share of non-organized retail stores, including fresh produce shops, bakeries, poultry and seafood shops.

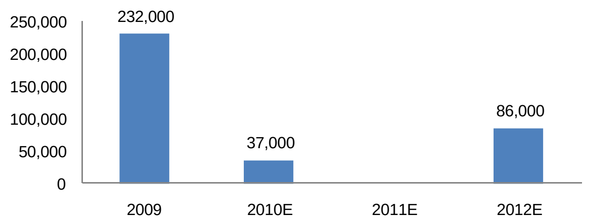
Grocery retail of Kuwait is dominated by the government-funded Union of Consumer Co-operative Societies (UCCS) stores, while private retail participants are restricted to commercial zones. Moreover, the country has over 2,000 privately run smaller grocery stores.

As the retail sector is maturing in Kuwait, presence of shopping malls is increasing and larger shopping malls are coming up. Envisaging latent potential in the Kuwaiti retail sector, 29 new international retailers entered the market during 2008.

Key retail project pipeline***

Project	GLA (in sq m)	Completion
Avenue Shopping Mall	86,000	2012
Al Hamra	37,000	2010

Incremental GLA (in sq m)



Source: Alpen Capital, Colliers

- New GLA of 123,000 sq m is set to be introduced in 2010-12 in the Kuwaiti retail sector – third highest in the GCC region. However, the demand in the region is expected to exceed the retail project pipeline.
- Undersupply in the country has also led to high retail rentals in shopping malls, pushing the up rentals even in older malls.

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*** The table does not constitute an exhaustive list of the project pipeline.

Oman

Macro-economic indicators

Indicators	Unit	2009	2010E
GDP	*US$ bn*	53.4	62.3
Population	*mn*	3.0	3.1
Inflation	*%*	3.5%	3.9%
Private consumption per capita	*US$*	7,380.0	7,650.0
Overnight visitors*	*mn*	1.2	1.2
Other (non-visitor) Exports**	*US$ bn*	2.6	3.1

Source: IMF, EIU and World Travel and Tourism Council (WTTC)

Key retailers

Company	Type
Assrain Group	Furniture and furnishing
Jawad Sultan	Electronics/ telecom
Khimji Ramdas LLC	Lifestyle
MHD	Automotives and other home and office appliances
Mustafa Sultan	Electronics
Salman Stores	Kitchen appliances
WJ Towell Group	Home furnishing

Overview

Oman retail sector is noticeably smaller and underdeveloped when compared with the markets of Saudi Arabia and UAE. As household income has increased over the past few years, consumer spending of Omanis has been on the rise, thereby generating demand for more retailers to enter the country.

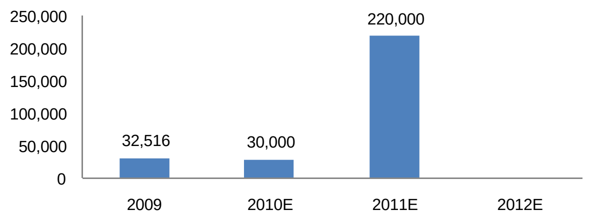
In addition to the opening of new malls, retailers are also focusing on improving consumers' shopping experience to increase footfall. For instance, when Carrefour entered Oman, the Sultan Center introduced a loyalty program for its customers and renovated its retail space to stay competitive.

Besides local retailers such as Jawad Sultan, WJ Towell Group, international retailers such as Zara, Gap, Banana Republic, Forever 21 and Borders have marked their presence in the country.

Key retail project pipeline***

Project	GLA (in sq m)	Completion
Muscat Grand Mall complex	220,000	2011
Lulu Mall - Salalah	30,000	2010
Sohar City Centre	NA	2011

Incremental GLA (in sq m)



Source: Alpen Capital, Colliers

- Owing to growing demand, Oman's retail space saw significant capacity addition in the past. For instance, in 2007, the Muscat City Centre completed its RO22.5mn expansion project, which more than doubled its GLA. Going forward, we expect 250,000 sq m GLA to be added during 2010-12.

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*** The table does not constitute an exhaustive list of the project pipeline.

Company Profiles

Jarir Marketing

Publicly Listed

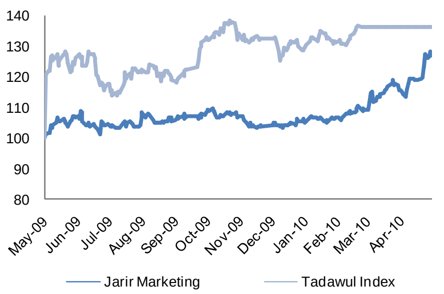
Company Brief

Established in 1979, Saudi Arabia-based Jarir Marketing Company is a wholesaler and retailer of office products, school supplies, children's toys, books, computers and computer accessories. It is also involved in the purchase and acquisition of residential and commercial buildings and land, along with computer maintenance.

Stock Data*

Bloomberg Ticker	JARIR AB
Price (SAR)	158.8
52 Week High/Low	162.3/125.3
Enterprise value (SAR mn)	6,409.6
Market cap (SAR mn)	6,350.0
6 month average daily value traded (SAR mn)	5.0

Stock Chart*



*Source: Company website and Bloomberg * as on 4 May, 2010*

Performance Summary

Operating performance

(US$ mn)	2008	2009	% change
Revenue	671.8	681.3	1.4%
COGS	82.7	81.0	-2.1%
Operating margin	13.9%	15.0%	1.2pp
Net income	88.7	99.7	12.4%
Net income margin	13.2%	14.6%	1.4pp
ROE	0.5%	0.5%	0.0pp
ROA	0.3%	0.3%	0.0pp

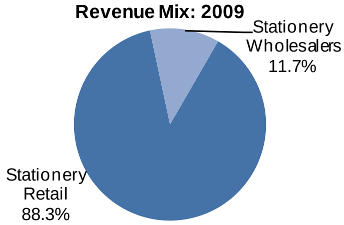
Valuation Multiples

	Current	2010E	2011E
P/E	17.0x	15.1x	13.8x
Dividend Yield	4.9	5.2	5.7
EV/EBITDA	15.9x	14.1x	12.6x

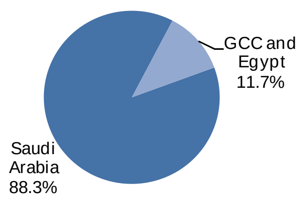
Business description

- As at December 31, 2009, Jarir Marketing had 27 showrooms in the Kingdom of Saudi Arabia and the GCC, in addition to investments in properties in Egypt.
- The company operates under the Jarir Bookstore, Roco and Royal Falcon brands.
- It operates over a retail area of 580,000 sq ft (53,884 sq m)
- In 2009, the company derived about 88% of its revenues from stationary retail and remaining from wholesale.
- Geographical revenue distribution in 2009 was around 88% revenues from Saudi Arabia and remaining 12% from GCC and Egypt.

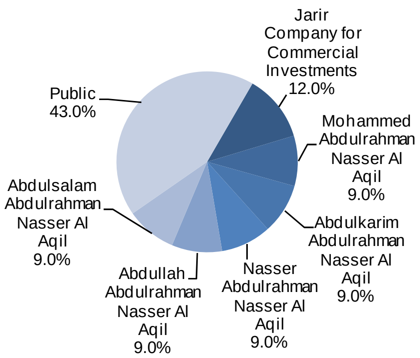
Revenue Mix: 2009



Geographical Distribution: 2009



Shareholding structure



Source: Company website and Zawya

Recent developments and future plans

- In February 2010, Jarir Marketing announced its plans to open four new stores in Saudi Arabia and Kuwait during 2010 and boost net profit by 15% for the year 2010.

Fawaz Abdulaziz Al Hokair Company

Publicly Listed

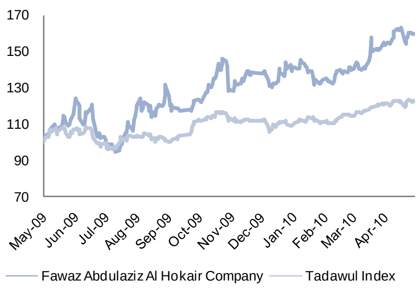
Company Brief

Established in 1990, Saudi Arabia-based Fawaz Abdulaziz Al Hokair Company is engaged in retail and wholesale of fashion and related businesses, including apparels and shoes. It commands 50% market share in the country. The company is also engaged in the real estate, financial services, fitness and leisure and healthcare sectors.

Stock Data*

Bloomberg Ticker	ALHOKAIR AB
Price (SAR)	42.6
52 Week High/Low	44.7/25.0
Enterprise value (SAR mn)	3,296.0
Market cap (SAR mn)	2,982.0
6 month average daily value traded (SAR mn)	6.0

Stock Chart*



*Source: Company website and Bloomberg * as on 4 May, 2010*

Performance Summary

Operating performance

(US$ mn)	2008	2009	%change
Revenue	422.7	506.2	19.8%
COGS	57.4	58.5	2.0%
Operating margin	13.1%	8.8%	-4.3pp
Net income margin	12.7%	10.7%	-2.1pp
ROE	0.2%	0.2%	0.0pp
ROA	0.2%	0.1%	0.04pp

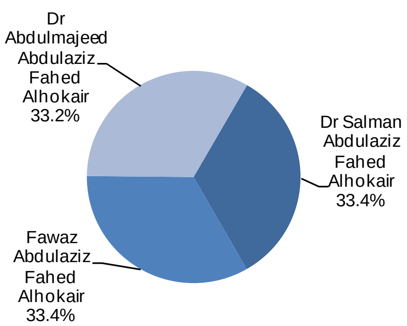
Valuation Multiples

	Current	2010E	2011E
P/E	13.6x	12.1x	11.4x
Dividend Yield	5.3	5.5	5.5
EV/EBITDA	10.4x	9.2x	8.8x

Business description

- The group holds 5 million sq ft of retail real estate, comprising 11 malls, 900 outlets (incl the addition of the acquired Wahba chain) representing 70 international retail brands and 152 food outlets, representing 15 international food brands. Some of the brands include La Senza, Cameo, Nine West, Wallis, Harvey & Jennifer, Maternity etc.
- The company runs retail stores on a franchise basis throughout the country.

Shareholding structure



Source: Company website and Zawya

Recent developments and future plans

- In March 2010, FIFA worldwide Master Licensee Global Brands Group (GBG) signed a four-year deal with Fawaz Alhokair and Company (JSC) to operate 14 official FIFA stores in the Middle East and North Africa.
- In March 2010, the firm announced its plans to open 112 new stores during the year, about half of which will be in other MENA region countries and emerging markets such as Kazakhstan and Azerbaijan.
- In November 2009, Saudi Arabia's Capital Market Authority fined the firm SAR 100,000 (US$ 26,667) for violating the bourse rules by delaying the disclosure of two memorandums of understanding with Arabian Centres Limited.

Abdullah Al Othaim Markets Company

Publicly Listed

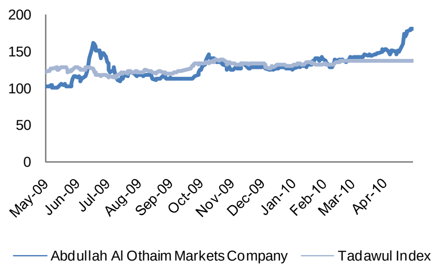
Company Brief

Founded in 1956, with headquarters in Riyadh, Saudi Arabia, Abdullah Al-Othaim Markets Company engages in wholesale and retail trading of food supplies, fish, meat, cars and crops in the Middle East. It also manages and operates supermarkets and shopping centres as well as offering catering services.

Stock Data*

Bloomberg Ticker	AOTHAIM AB
Price (SAR)	72.5
52 Week High/Low	76.5/39.7
Enterprise value (SAR mn)	1,880.9
Market cap (SAR mn)	1,631.3
6 month average daily value traded (SAR mn)	12.9

Stock Chart*



*Source: Company website and Bloomberg * as on 4 May, 2010*

Performance Summary

Operating performance

(US$ mn)	2008	2009	%change
Revenue	761.2	817.3	7.4%
COGS	95.7	95.3	-0.3%
Operating margin	0.02%	0.5%	0.5pp
Net income margin	2.2%	2.5%	0.3pp
ROE	NA	0.2%	NA
ROA	NA	0.1%	NA

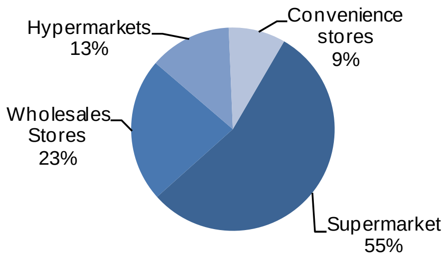
Valuation Multiples

	Current	2010E	2011E
P/E	21.0x	16.2x	14.2x
Dividend Yield	2.1	3.4	3.8
EV/EBITDA	14.6x	13.1x	12.0x

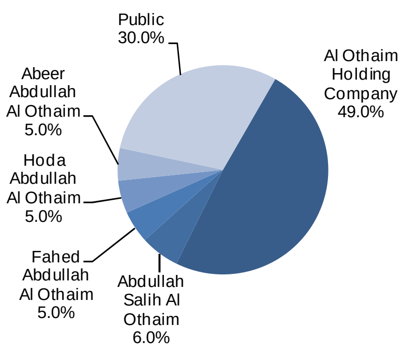
Business description

- The firm, which owns hypermarkets, supermarkets and convenience stores, is Saudi Arabia's second-biggest retail chain by sales following Panda Azizia, affiliated to Savola Group, and also competes with France's Carrefour.
- The company has 124,000 sq m retail area with 82 retail outlets and 5 warehouses in Saudi Arabia.

Revenue Mix: 2008



Shareholding structure



Source: Company website and Zawya

Recent developments and future plans

- In June 2009, the firm announced its plans of expansion abroad, with Egypt as its first target and 20 outlets by the end of 2010.

Fitaihi Holding

Publicly Listed

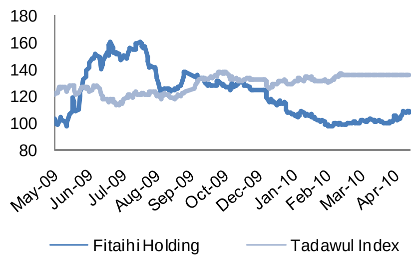
Company Brief

Established in 1992, the company manufactures gold, silver and other jewellery and trades in other related accessories and household goods. The Group also provides its services for exhibitions. It is also engaged in the establishment and management of health centres and medical rehabilitation centres along with trading in medical equipment and accessories.

Stock Data*

Bloomberg Ticker	AHFCO AB
Price (SAR)	14.8
52 Week High/Low	22.3/13.3
Enterprise value (SAR mn)	770.9
Market cap (SAR mn)	740.0
6 month average daily value traded (SAR mn)	12.5

Stock Chart*



*Source: Company website and Bloomberg * as on 4 May, 2010*

Performance Summary

Operating performance

(US$ mn)	2008	2009	% change
Revenue	51.8	40.9	-21.1%
COGS	57.1	54.9	-3.9%
Operating income	6.4	3.7	-43.1%
Operating margin	12.4%	9.0%	-3.5pp
Net income	5.1	2.8	-44.6%
Net income margin	9.9%	6.9%	-2.9pp
ROE	0.03%	0.02%	-0.01pp
ROA	0.03%	0.01%	-0.01pp

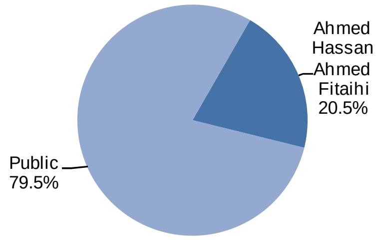
Valuation Multiples

	Current	2010E	2011E
P/E	43.6x	NA	NA
Dividend Yield	NA	NA	NA
EV/EBITDA	33.5x	NA	NA

Business description

- It is the pioneer and only public shareholding company operating in jewellery and luxury retail in Saudi Arabia.
- The Group mainly operates in Saudi Arabia, with eight showrooms in the country.
- It operates under various brands, namely Mont Blanc, Dunhill, Sarcar, Louis Erard, Saint Louis, Scintilla Monaco, Marina B, Talento, Rebecca, Robbe & Berking, Moser, Guy DeGrenne, Aynsley, Noritake, Nachtmann, Fratelli Rosetti, Derek Rose, Fabio Inghirami, Lanvin, Zimmerli, Breitling, Maurice Lacroix and Christian Dior.

Shareholding structure



Source: Company website and Zawya

Recent developments and future plans

- In August 2008, Fitaihi Holding bought 5% stake of Oriental Weavers, a Cairo-based manufacturer of carpets and rugs, for EGP 153 million (USD 28 mn).
- In May 2008, the company started two new companies in Saudi Arabia – a financial investment firm and a real-estate investment company, with a capital of SAR100 million (US$26.7 mn) each.

Bahrain Duty Free

Publicly Listed

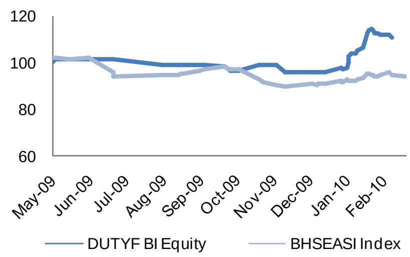
Company Brief

Established in 1991, the company operates a chain of duty free shops in both the Bahrain airport and seaport.

Stock Data*

Bloomberg Ticker	DUTYF BI
Price (BHD)	0.8
52 Week High/Low	0.8/0.6
Enterprise value (BHD mn)	35.7
Market cap (BHD mn)	53.0
6 month average daily value traded (BHD mn)	0.004

Stock Chart*



*Source: Company website and Bloomberg * as on 4 May, 2010*

Performance Summary

Operating performance

(US$ mn)	2008	2009	%change
Revenue	87.7	80.9	-7.8%
COGS	61.3	60.1	-2.0%
Operating income	24.8	24.7	-0.2%
Operating margin	28.3%	30.6%	2.3pp
Net income	16.0	16.3	1.7%
Net income margin	18.2%	20.1%	1.9pp
ROE	0.23%	0.21%	-0.02pp
ROA	0.17%	0.16%	-0.01pp

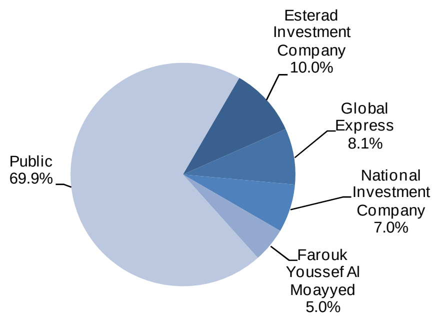
Valuation Multiples

	Current	2010E	2011E
P/E	8.6x	NA	NA
Dividend Yield	NA	NA	NA
EV/EBITDA	3.8x	NA	NA

Business description

- Alongside retail, the Group also markets its duty free goods on board Gulf Air flights, offers duty free allowance and exchange rate services as well as advertising services.
- It offers products such as confectioneries, liquor, tobacco, fashion jewellery, watches, cosmetics and electronics. The Group also offers training on in-flight services.
- The Group, managed by Aer Ritana International Middle East, operates mainly in the Kingdom of Bahrain.

Shareholding structure



Source: Company website and Zawya

Recent developments and future plans

- In February 2010, Bahrain Duty Free opened the Arsenal's flagship corner for its customers Arsenal and football fans, providing a wide variety of Arsenal Club products.
- In April 2009, Bahrain Duty Free introduced online shopping for its customers, the first of its kind service in the Middle East.

The Sultan Center

Publicly Listed

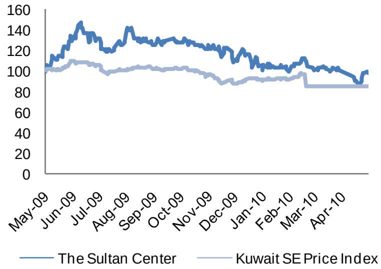
Company Brief

Found in 1976, the Kuwait-based Sultan Center operates a chain of retail supermarkets and restaurants. It supplies supermarket items, perishables and general merchandise to retail markets, along with in-house dining and catering options.

Stock Data*

Bloomberg Ticker	SULTAN KK
Price (KWd)	196.0
52 Week High/Low	300.0/172.0
Enterprise value (KWD mn)	248.8
Market cap (KWD mn)	113.5
6 month average daily value traded (KWD mn)	106.5

Stock Chart*



*Source: Company website and Bloomberg * as on 4 May, 2010*

Performance Summary

Operating performance

(US$ mn)	2008	2009	% change
Revenue	789.3	984.7	24.8%
COGS	80.0	80.8	1.0%
Operating income	33.6	32.1	-4.4%
Operating margin	4.3%	3.3%	-1.0pp
Net income	59.4	-20.2	-133.9%
Net income margin	7.5%	-2.0%	-9.6pp
ROE	13.12%	-4.6%	-17.7pp
ROA	6.03%	-1.7%	-7.7pp

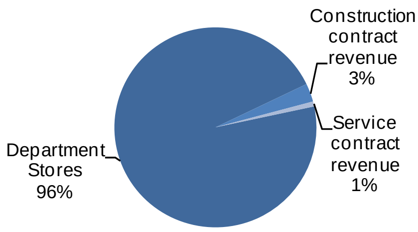
Valuation Multiples

	Current	2010E	2011E
P/E	29.9x	NA	NA
Dividend Yield	NA	NA	NA
EV/EBITDA	18.4x	11.8x	11.3x

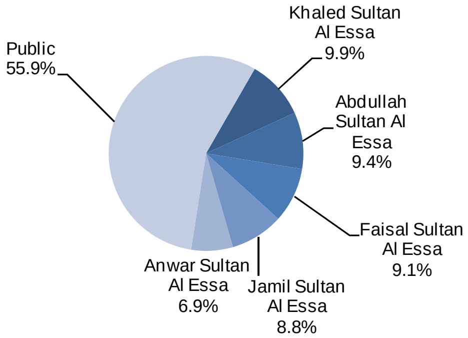
Business description

- The Sultan Center operates 11 major retail outlets in Kuwait in addition to other services and has an approximately 15% share of the retail market in Kuwait. Its stores are in 100 locations across six countries.
- The company holds 53 brand outlets including Café Sultan, Jeans Grill, Style for Less and others; representing 40 international franchises in the Middle East.
- The company also provides real estate services, security equipment and services, investment in real estate and trading securities and telecommunications services.
- In 2008, the company derived 70% of its revenue from Kuwait, followed by Jordan, Oman, Lebanon, Dubai and Bahrain.

Revenue Mix: 2008



Shareholding structure



Source: Company website and Zawya

Recent developments and future plans

- In February 2010, The Sultan Center opened a new store in Jabriya, bringing its total retail business store count to 26.

Savola Group

Publicly Listed

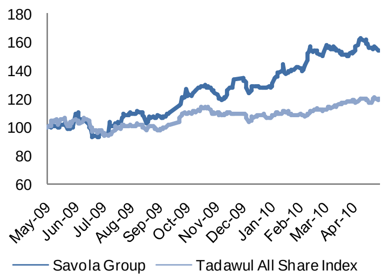
Company Brief

The Savola Group, established in 1979, is one of Saudi Arabia's leading industrial companies. It operates in businesses including edible oils, sugar, noodles/pasta and packaging, along with real estate and franchising. The Group also has presence in the MENA region and Central Asian countries.

Stock Data*

Bloomberg Ticker	Savola AB
Price (SAR)	36.0
52 Week High/Low	38.3/21.4
Enterprise value (SAR mn)	24,231.3
Market cap (SAR mn)	18,000.0
6 month average daily value traded (SAR mn)	17.3

Stock Chart*



*Source: Company website and Bloomberg * as on 4 May, 2010*

Performance Summary

Operating performance

(US$ mn)	**2008**	**2009**	**% change**
Revenue	3684.6	4768.5	29.4%
COGS	86.9	82.7	-4.8%
Operating margin	-1.6%	4.0%	5.6pp
Net income margin	1.5%	5.3%	3.9pp
ROE	3.0%	14.3%	11.3pp
ROA	1.6%	6.0%	4.5pp

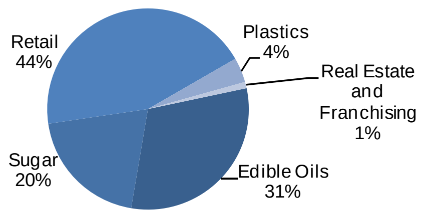
Valuation Multiples

	Current	**2010E**	**2011E**
P/E	18.9x	16.8x	14.8x
Dividend Yield	2.9	3.2	2.9
EV/EBITDA	17.0x	13.0x	11.9x

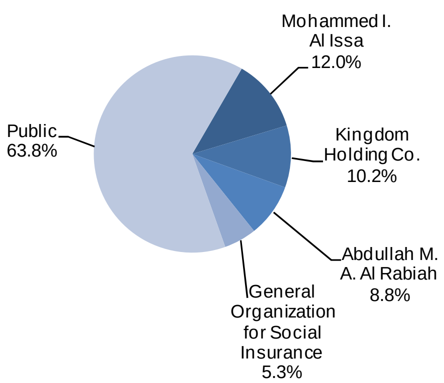
Business description

- The Savola Group operates through four sectors – Foods Sector, Retail Sector, Real Estate Sector and Franchising Unit. The foods sector includes edible oils, foods and sugar, while the retail sector includes Panda and Hyper Panda, Kinan International and the Savola Plastics Sector. The franchising unit has exclusive rights in Saudi Arabia for 10 international brands of fashion wear.
- The Group also has major investment in Al Marai Dairy Company (28%), Herfy Foods Company (70%) and Jordanian Tameer Company (5%).

Revenue Mix: 2009



Shareholding structure



Source: Company website and Zawya

Recent developments and future plans

- In the food sector, the firm plans to focus on business-to-business opportunities in 2010. It also plans to acquire Pakistan's large oil market to build up its capacity. Pasta production is also scheduled to begin in factories of Afia International Company in Egypt by early 2011.
- In 2010, the retail sector is expected to sell 7% equity of Azizia Panda United Co. (Panda) to Géant Saudi Arabia, a subsidiary of Fawaz Al Hokair Group, reducing Savola's shareholding to 74.4% and Al-Muhaideb's holding to 18.6%.
- The plastics sector plans to increase sales by at least 30% in 2010.

Al Meera Consumer Goods Company

Publicly Listed

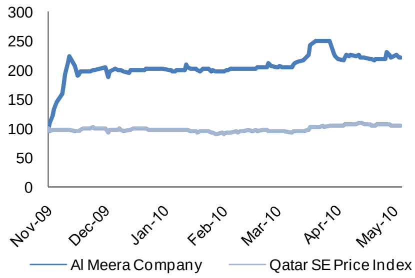
Company Brief

Established in 2005, Qatar-based Al Meera Consumer Goods Company, (ALMEERA) is in the business of wholesale and retail trading of several types of consumer goods.

Stock Data*

Bloomberg Ticker	MERS QD
Price (QAR)	59.9
52 Week High/Low	69.0/24.5
Enterprise value (QAR mn)	412.4
Market cap (QAR mn)	470.4
6 month average daily value traded (QAR mn)	2.9

Stock Chart*



*Source: Company website and Bloomberg * as on 4 May, 2010*

Performance Summary

Operating performance

(US$ mn)	2008	2009	% change
Revenue	158.6	205.7	29.7%
COGS	95.0	95.1	0.1%
Operating margin	0.9%	5.8%	526.6pp
Net income margin	0.6%	2.8%	2.2pp
ROE	9.8%	17.5%	78.8pp
ROA	6.2%	8.5%	2.3pp

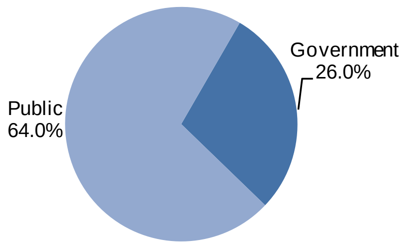
Valuation Multiples

	Current	2010E	2011E
P/E	11.1x	NA	NA
Dividend Yield	NA	NA	NA
EV/EBITDA	17.7x	NA	NA

Business description

- Al Meera Company owns and manages outlets, trading in foodstuff and other commodities, as well as electrical and electronic equipment.
- Its supermarkets provide clothes, consumer electronics, detergents, personal care products, general food and non-alcoholic beverage products.

Shareholding structure



Source: Company website and Zawya

Recent developments and future plans

- In April 2010, Al Meera Company announced its plans to invest around QAR 1.7 billion (US$ 459 million) on construction, reconstruction and renovation of its various branches during the next three years.
- Al Meera Consumer Goods Company was listed on Qatar Exchange on October 28, 2009.
- In January 2009, the government issued directives for merger of Al Meera with Mawashi (Qatar Company for Meat & Livestock Trading).

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Appendix: Major retailers in the GCC region (2009)

Region	Retailers	Public/ Private	Retailer type
Bahrain	Géant Hypermarket - Fu-Com International/ Casino Groupe	Private	Hypermarket/ grocery retailer
	Al Jazira Group	Private	Grocery retailer
	Jawad Business Group	Private	Grocery retailer
	Bahrain Duty Free	Public	Airport duty free shopping complex
	Landmark group	Private	Lifestyle
	HyperCorp	Private	Hypermarket and supermarket
Kuwait	Union of Co-operative Societies	Private	Grocery stores/ supermarkets/ convenience stores/ hypermarket
	The Sultan Center	Public	Supermarket
	City Centre	Private	Supermarket
	M.H. Alshaya Company	Private	Clothing and accessories, footwear, health and beauty products and restaurants
	Trafalgar	Private	Luxury retailer
	Villa Moda Life Style	Public	Fashion/ apparel
	Alghanim Industries	Private	Electronics retailer
Oman	Assrain Group	Private	Furniture, food products, telecommunications, body shop, textiles and clothing
	Jawad Sultan	Private	Electronics and telecom applications
	Khimji Ramdas LLC	Private	Lifestyle and general store
	MHD	Private	Automotive, office and home appliances
	Mustafa Sultan	Private	Electronic appliances, home appliances, furniture, mobile phone, security systems
	OHI	Private	Electronics and telecom applications
	Salman Stores	Private	Kitchenware, hotelware, ovenware and other lifestyle goods
	WJ Towell Group	Private	Furniture, furnishing and other consumer products
	Muscat Duty Free	Private	Airport duty free shopping complex
Qatar	Al Meera Consumer Goods Company	Listed	Supermarkets and consumer goods
	Darwish Holding	Private	Retail of jewellery, cosmetics and consumer electronics and department stores
	Qatar Duty Free	Government	Airport duty free shopping complex
	Abu Issa Holding	Private	Department stores, construction and IT equipments
	Salam Studio and Stores	Parent company listed	Department stores
	Mannai Trading	Listed	Home appliances and electronics, automotive, computer and office systems etc
	Family Food Centre	Private	Supermarkets, distribution of food and non-food items, catering and bakeries
	Almana & Partners	Private	Consumer electronics, office and household appliances
Saudi Arabia	Fawaz al-Hokair Group	Public	Apparel
	Jarir Marketing Co	Public	Bookstore
	Saudi Company For Hardware	Private	Hardware
	Al-Bandar Trading	Private	Fashion
	Abdullah Al Othaim Markets Company	Public	Retail sale centres and supermarkets
	Fitaihi Holding	Public	Jewellery
	Al-Sawani Group	Private	Fashion, lifestyle, sportswear, home ware and beauty products
	Savola Group	Public	Grocery/ hypermarket/ supermarket

Region	Retailers	Public/ Private	Retailer type
UAE	Al-Maya Lal's Group	Private	Furniture and furnishings
	Al Batha Group	Private	Electronics store
	Damas International	Public	Jewellery
	EMKE Group	Private	Hypermarket, supermarket and other malls
	Al Safeer group	Private	Lifestyle
	Jashanmal & Partners Ltd	Private	Departmental stores and international franchises
	Majid Al Futtaim Group	Private	Supermarket - in association with Carrefour
	Sharaf DG	Private	Consumer electronics and IT products
	Just Kidding	Private	Luxury baby products
	Axiom Telecom	Private	Telecom
	Dubai Duty Free	Private	Airport duty free shopping complex
	ADCS	Private	Supermarkets/ hypermarkets/ electronics and furniture retail outlets/ shopping malls
	Rivoli	Private	Lifestyle and luxury retailer
	KM Trading	Private	Food, clothing, consumer electronics and home appliances
	Grand Stores	Private	Department stores
	Abu Dhabi Duty Free	Private	Airport duty free shopping complex

Industry Research Services at Alpen Capital

Alpen Capital's Industry Research function was launched in 2009 to complement our existing corporate advisory services.

Alpen Capital's industry research analysts keep a close eye on the latest developments in the markets, carry out special studies and offer a range of key economic and financial forecasts on selected industries relevant to GCC economies.

Some of the recent industry research reports that Alpen Capital has published are:

- **GCC Cement Industry report**
- **GCC Retail Industry report**
- **UAE Insurance Industry report**
- **GCC Healthcare Industry report**
- **GCC Takaful Industry Report**
- **Gulf Petrochemical Industry Report**