



GCC Retail Industry

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"The GCC retail sector is amongst the most promising and attractive sectors in the world. Large international retailers are expanding and increasing their presence in the region to compensate for the slow (and sometimes negative) growth in major retail markets in the US and Europe. Gross Leasable Areas (GLA) is increasing continuously in the region, especially in KSA and UAE, which reflects the demand over modern and specialized retail space yet at a lower cost. Even though the larger Middle East region is facing political instability, the GCC countries have succeeded in maintaining a high level of social and political stability with excellent economic performance, high social spending and political reforms. However, total retail costs have been increasing due to increase in rental prices as well as in labor costs, as well as more aggressive competition from local, regional and international players. This makes it a challenge for retailers to maintain profitability and fuel sustainable growth.

Encouraged by the demanding consumer taste, needs and changing consumer habits, the market is moving towards the large box market concept away from the small and limited stores.

We are also noticing changes in the consumer needs and behavior where more importance is now witnessed towards non-food products and personal luxury goods representing 50% of the retail market. Such change in the demand represents a valuable opportunity for the current large retails. On the other hand, there is also an increase in the consumers Value / Price consciousness as more consumers realize that other options are available for their needs with the Private Label products reflecting excellent quality at a reasonable cost. In Othaim Markets Private label now represent 10% of our total sales reflecting the consumers' confidence and acceptance.

We believe that in the GCC and more specifically in KSA, the retail market is still severely under served and lots of opportunity stands out waiting to be reaped."

Yousef Al-Gafari

CEO

Al Othaim Markets Co

"2014 was a very good year for Dubai Duty Free with our sales reaching a record US\$ 1.917 billion which represents a 7.36% increase over the previous year. Our penetration level continued to be close to 50% while the average spend per departing passenger was around US\$ 47, which is way above the industry average. We sold 79 million pieces of merchandise in 2014, and recorded a total of 27 million sales transactions, which equates to 73,960 transactions per day. In 2015, our sales will be in excess of US\$ 2 billion and by 2018 we expect our sales to reach US\$ 3 billion.

Dubai Duty Free currently operates 26,000 sq meters of retail space at Dubai International Airport (DIA) and a further 2,500 sq meters at Al Maktoum International (AMI). The opening of Concourse D at DIA this year will add a further 7,000 sq meters in retail and its spacious design and layout will make it a welcome addition to the airport experience. The plans for AMI meanwhile are very impressive and in the long term Dubai Duty Free will manage an 88,500 sq meter retail operation across the Terminals and Concourses."

Colm McLoughlin

Executive Vice Chairman

Dubai Duty Free

"The GCC region has generally exhibited a healthy appetite for luxury goods particularly in the UAE, Saudi Arabia, Qatar and Kuwait. High disposable incomes, large expatriate population and intra-gulf and international tourist arrivals have added to the appeal of the GCC region as a lucrative market for the top global luxury brand retailers. Today's Middle Eastern consumers are increasingly savvy and knowledgeable; they are well informed and price conscious, they demand to be given a large choice, an outstanding service and the same shopping experience as in New York or Paris."

Patrick Chalhoub

Co-CEO

Chalhoub Group

"We are seeing a notable shift from the supercenter culture to smaller formats. While the supercenter concept will not go away, the smaller formats will become more dominant, as they answer in a better way to the increasing urbanization, and consumers' changing notion of convenience.

The market is maturing, and on its way to being less fragmented. From a shopping experience perspective, the challenges remain managing physical stores while taking into consideration the growth of non-store based retail, and meeting consumer needs for more and more convenience in products, services and formats.

The supply chain is becoming more mature. The challenge is to negotiate non-monetary components – common business expectations that are mutually beneficial to retailers and suppliers. If a performance improvement plan is required, it should be now developed jointly with defined objectives and realistic goals from both sides.

A changing and maturing middle class is the main growth factor in this sector. Retailers with low-price positioning will benefit along with more premium retailers offering a differentiated proposition. Consumers are already shopping multiple stores, hence retailers without a clear position will end up at risk of being less relevant."

Guy Sauvage

Chief Executive Officer

Al Meera Consumer Goods Co. (Q.S.C)

"2014 was a successful year for the Apparel Group with the opening of the 900th store along with many more new brands. The Group now has presence in 12 countries in the region and continues to invest in the region with new stores and brands. The Gulf is also gearing to host events such as World Expo 2020 and FIFA 2022, leading to a growing influx of tourists. Further, the growing e-commerce segment and easy availability of credit and interest payment plans boost the retail sector growth. All, these factors present immense retail market opportunity in the GCC region and we are very positive and excited about the sector's outlook."

Nilesh Ved

Chairman

Apparel Group

"The GCC retail industry is evolving into a large contributor to the region's GDP supported by robust economic growth, rising purchasing power, changing consumption patterns and increasing penetration of the international retail players. Government effort to focus on the development of non-oil sectors and rising tourism has also contributed to the progress of the retail sector.

As an investment bank, we see a positive environment for investors in the GCC retail sector. We are seeing that retailers are excited by the growing opportunities presented by the sector and there is renewed interest in cross border expansion within the GCC countries as well as M&A opportunities."

Rohit Walia

Executive Chairman

Alpen Capital

1. Executive Summary

The retail industry in the Gulf Cooperation Council (GCC) continues to maintain a positive momentum, driven by the social and economic developments. Key factors influencing the market include robust economic growth, rising purchasing power, growing population comprising a large proportion of expatriates, changing consumption patterns and increasing penetration of international retail players. Additionally, governments across the region are focusing on the growth of non-oil sectors such as tourism and retail to bring about the much-needed economic diversification. The Gulf is gearing to host events such as World Expo 2020 and FIFA 2022, leading to a growing influx of tourists. All these factors present immense opportunity for existing and new retailers in the region.

1.1 Scope of the Report

This report is an update of Alpen Capital's GCC Retail Industry report dated December 9, 2012. The report provides an overall GCC retail industry perspective, along with major market characteristics and changing dynamics of the industry. In addition, it examines the key sub-segments of the retail market by analyzing the fundamental growth drivers, challenges and developments and also presents an outlook for the region's retail industry. The report also provides an overview of the key growth factors and recent trends in the retail industry of each GCC country, along with profiles of leading retailers in the region.

1.2 Industry Outlook

- Our demand-side estimates expect the GCC retail sales to grow at a 7.3% CAGR between 2013 and 2018 to reach US\$ 284.5 billion.
- The outlook for Qatar is the most optimistic, with an expected CAGR of 9.8% during the period. Other GCC nations are expected to register an annual average retail sales growth of 6%-7%. The growth projection for Saudi Arabia has been revised substantially downwards from Alpen Capital's GCC Retail Industry report dated December 9, 2012 to reflect a slower-than-previously expected expansion in the population base as well per capita retail spending.
- Food retail sales are anticipated to grow at a CAGR of 7.7% between 2013 and 2018, while non-food retail sales are likely to grow at an annualized 7.1%.
- Sales at supermarkets and hypermarkets in the GCC region are expected to reach US\$ 59.3 billion in 2018, exhibiting a CAGR of 9.2% between 2013 and 2018. The sales growth in Qatar, Saudi Arabia and Kuwait is likely to be strong.
- Airport-based duty free sales in the Middle East are estimated to increase from US\$ 3.9 billion in 2013 to US\$ 6.6 billion in 2018. This growth is expected to be driven by robust passenger traffic across all the leading airports in the region.
- The personal luxury goods segment in the Middle East is expected to grow at a 4.6% CAGR between 2013 and 2018 to reach US\$ 9.4 billion in sales.
- Based on the moderate growth scenario for our supply-side estimates, occupied modern retail sales area in the GCC is projected to reach 6.6 million square meters (sq m) in 2018 compared to 5.3 million sq m in 2013. The supply of new modern retail sales area is expected to adequately meet the increasing demand for retail space over the next five years.

1.3 Key Growth Drivers

- A strong economic growth coupled with ongoing diversification across the GCC provides a thriving market for retailers.
- A growing population base, with a large proportion of youth and expatriates adapted to modern lifestyle and trends, attract several retailers and brands.

- The region is home to an expanding class of high net worth individuals who display a liking towards premium and high value products, thus offering a fertile landscape for local and international retailers.
- Over the years, the Gulf has emerged as an international tourist hub for leisure travelers, international shoppers and pilgrims. The region's tourism industry is expected to continue booming, thereby providing a growing consumer base.
- The GCC region has one of the attractive corporate tax regimes, which helps lure retailers to set shop there.
- E-commerce is gaining popularity in the region and enabling retailers to offer better deals while maintaining their margins.
- The upcoming mega events in the GCC are likely to provide a boost to the infrastructure, hospitality, tourism and retail sectors. The developments will also attract additional foreign direct investment, new businesses, and skilled workers, resulting in further economic progress and higher disposable income, in general.
- To encourage the usage of plastic money and increasing spending, credit providers and retailers in the region are offering new incentive plans such as zero interest credit offers.

1.4 Key Challenges

- Heavy dependence on the hydrocarbon sector exposes the GCC region to the risks arising out of oil price fluctuations.
- Despite the increase in total retail space and expected GLA supply in the coming years, retail rental rates in many Gulf cities have been on an uptrend. Such overhead escalations can have a negative bearing on retailers' margins.
- A shortage of skilled local workforce increases the dependence of the industry on the expatriate staff.
- Although the region presents high e-commerce potential, it remains relatively unexplored due to inadequate online infrastructure and logistics.
- Rising competition among retailers, low credit card usage and parallel existence of a counterfeit product market are some of the other challenges.

1.5 Key Trends

- Changing lifestyle and increasing health awareness among the young and working population is fueling demand for healthier and convenience food options.
- The homegrown brands are demonstrating a strong growth by expanding their footprint in the market and competing with international retailers by attempting to match their services and offerings.
- Modern convenience store format is emerging as one of the highly promising segments of the retail industry in the region due to its innovative and customized offerings and ease of access.
- Community malls are gaining traction in the GCC region due to the convenience of shopping and attractive promotion schemes they offer. From the retailers' perspective, such malls help in growth of home brands and local small and medium enterprises.

Overall, the retail sector in the GCC region presents investors with good opportunities as the market is expanding and is expected to perform well in the future. All stakeholders are making concerted efforts to tap the potential, with the robust fundamentals of the region being a strong motivating factor.

2. GCC Retail Industry

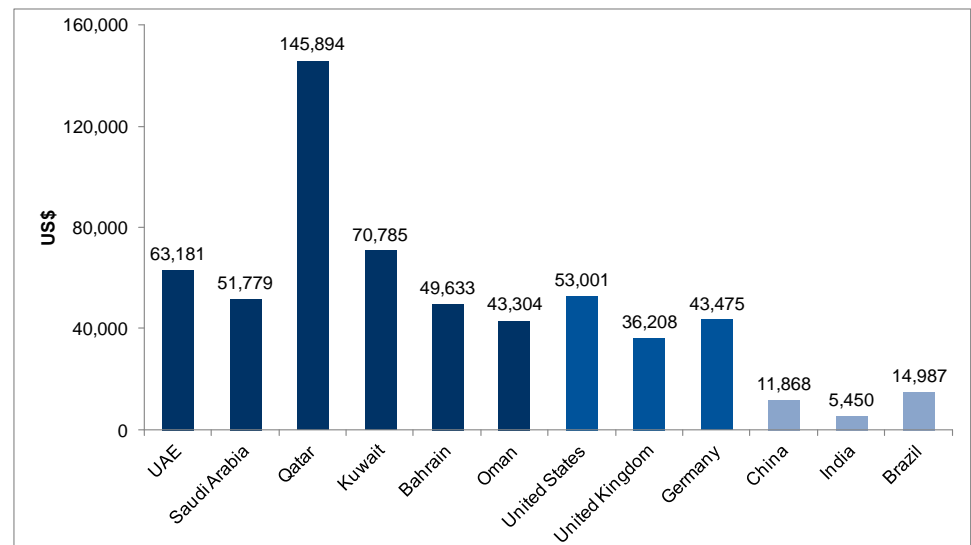
2.1 GCC Retail Sector Overview

As of 2013, the GCC had more than 10 million sq m of retail space

The retail industry in the GCC region has been growing at a steady pace due to a positive mix of economic, social, political and demographic factors. A growing young population, strong GDP growth and rising purchasing power have led to a rise in investor confidence, luring retail players into the region. International retailers from the US and Europe are also expanding and increasing their presence in the region to compensate for the muted growth in their home markets. During 2013, the GCC had more than 10 million sq m of retail space¹.

GDP per capita (based on PPP) of all of the GCC countries is higher than most of the developed economies. Qatar, the UAE and Kuwait have the highest GDP per capita in the region (see Exhibit 1), largely attributable to a large inflow of petrodollars over the years coupled with a relatively small population base.

Exhibit 1: GDP Per Capita (based on PPP) Comparison – 2013



Source: International Monetary Fund (IMF), October 2014





GRDI 2014 has placed four GCC countries in its list of most attractive retail destinations worldwide

Growth drivers of the global retail industry have been shifting from advanced to developing countries. The four countries viz. the UAE, Kuwait, Saudi Arabia and Oman have been ranked among the most attractive retail destinations worldwide by A.T. Kearney's Global Retail Development Index (GRDI) 2014 for 30 developing countries² (see Exhibit 2). All the countries are assigned a score and rank based on the evaluation of their respective retail sector on four main parameters – Market attractiveness, Country risk, Market saturation and Time pressure (As a function of modern retail sales volume, retail sales area and development of the economy, time pressure is an indicator of the long-term sustainability of a country's retail market).

¹ Source: "Malls earning USD 1,800 per square foot yearly", BQ Doha, July 13, 2014


² Source: "Full Stream Ahead for Global Retailers", A.T. Kearney, 2014

Exhibit 2: Comparison of the GCC Countries* on Different GRDI Parameters

Countries	Market Attractiveness (0: Low 100: High)	Country Risk (0: High 100: Low)	Market Saturation (0: High 100: Low)	Time Pressure (0: Low 100: High)	GRDI Score	2014 Rank
UAE	98.5	82.3	17.5	43.8	60.5	4 
Kuwait	78.8	72.6	32.9	31.7	54.0	8 
Saudi Arabia	72.3	67.3	29.5	27.4	49.1	16 
Oman	75.1	79.1	27.0	11.1	48.1	17 

Source: A.T. Kearney GRDI 2014

Note:  Indicates increase in ranking from the previous year

 Indicates same rank as in the previous year

* Bahrain and Qatar do not form a part of GRDI 2014

The UAE led the regional markets in GRDI ranking, followed by Kuwait, Saudi Arabia and Oman

The UAE has consistently enhanced its attractiveness ranking on the GRDI. In 2014, the country was ranked as the fourth most lucrative retail market globally, up three notches from its 2010 rank. International retailers find the retail market in the UAE safe for expansion. It was followed by Kuwait at the eighth place. Saudi Arabia has maintained its 16th place for the last two years. Although a smaller market, Oman has been holding the 17th place on the index for the last two years. As the GCC region gains attention from retailers, it is faced with the need to increase its efforts to modernize its retail industry structure and meet the fast changing consumer behavior.

In 2013, the completed modern retail sales area in the region was 5.3 million sq m

Gross Leasable Area (GLA) is increasing continuously in the region, especially in Saudi Arabia and the UAE. Modern retail formats such as supermarket and hypermarket are also penetrating the region at a faster rate, replacing the traditional shops. These formats are highly accepted in the region, where shopping at malls is a source of recreation, especially considering limited other avenues of entertainment. Also, air-conditioned malls make shopping more convenient compared to the open markets, considering the hot climatic conditions in the region. In 2013, the completed modern retail sales area in the region was 5.3 million sq m³. At 40.4%, the UAE accounted for a majority of the completed modern retail sales area, followed by Saudi Arabia at 35.8%. The other countries in the region are gradually adopting the modern shopping retail formats.

Retailers, through expansion of their product offerings and service quality, can generate a competitive advantage for themselves

Although political instability in the Middle East is a concern, the GCC countries have so far remained largely immune by maintaining a level of social and political stability through strong economic growth, high social spending and political reforms. Increasing operating overheads coupled with aggressive competition from local, regional and international players pose challenges for retailers in terms of maintaining profitability and sustainable growth rate. However, most parts of the region are still underserved. Retailers, through expansion of their product offerings and service quality, can generate a competitive advantage for themselves and exploit the untapped market potential to reap benefits.

The UAE Retail Market

The hydrocarbon sector accounts for 33% of the UAE's nominal GDP⁴. In 2013, the UAE's GDP (constant price) grew at 5.2% y-o-y⁵, supported by its infrastructure and oil sectors.

³ Source: "A Generous Helping of Food Retail Growth in GCC", A.T. Kearney, Alpen Capital

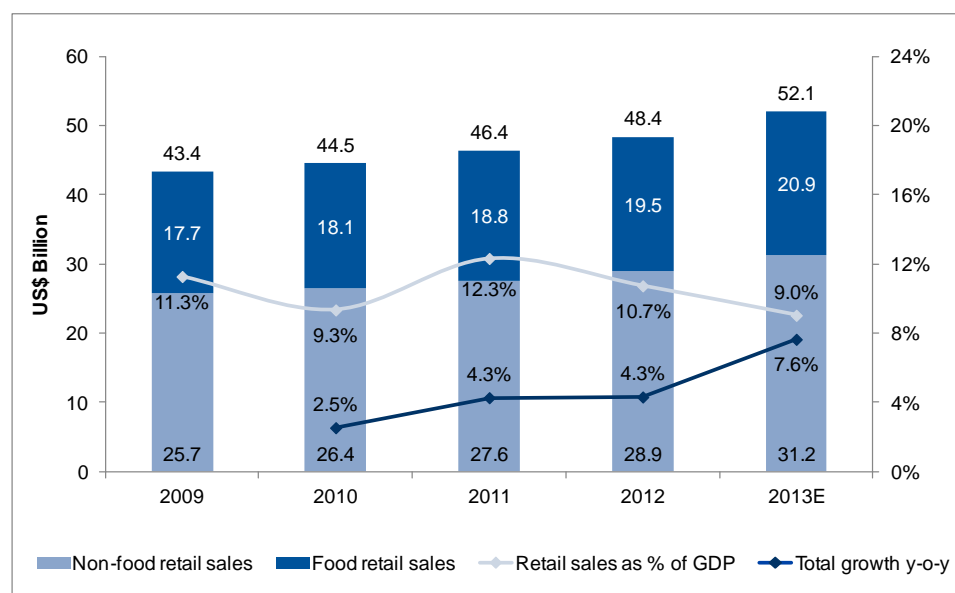
⁴ Source: "GCC Budget Analysis", Alkhabeer Capital, August 2014

⁵ Source: IMF, October 2014

Retail sales growth in the UAE was estimated at 7.6% y-o-y to US\$ 52.1 billion in 2013

The UAE is the most developed retail market in the GCC region. Unlike some other nations in the region, the UAE's free-market economy makes it easy to do business in the country. Hence, almost all the retailers route their entry into the GCC through the UAE. The retail sales growth in the country was estimated at 7.6% y-o-y to US\$ 52.1 billion in 2013, 9.0% of the GDP⁶ (see Exhibit 3). A strong retail sector growth in 2013 was largely driven by elevated disposable income levels as a result of high oil prices and low inflation rate, large infrastructure projects, increasing consumer confidence and growing tourism in the country. The composition of retailing in terms of food and non-food sales in the UAE has remained largely the same over the last few years, with food sales accounting for 40%-42% of the overall industry.

Exhibit 3: Size of Retail Sales in the UAE



Source: Economic Intelligence Unit (EIU), August 2014

Marka launched its initial public offering in April 2014, which was oversubscribed 36.5 times

Dispelling concerns of getting increasingly overcrowded and saturated, the UAE retail industry continues to lure new players and brands. During 2014, Marka was set up to focus on introduction of new concepts in the retail and food and beverage sectors. To raise part of its start-up capital, the company launched its initial public offering in April 2014, which was oversubscribed 36.5 times. Through this offering, the company raised about US\$ 75 million⁷. With its shares listed on the Dubai Financial Market, Marka became the first retail company in the country to be publicly traded. Having identified the inorganic route as one of its key growth strategies, the company recently announced the acquisition of the sports goods retailers Retailcorp UAE LLC, a subsidiary of Istithmar, for around US\$ 60 million.

Completed modern retail sales area in the UAE was approximately 2.1 million sq m in 2013

The completed modern retail sales area in the UAE was approximately 2.1 million sq m in 2013, the highest across the GCC region⁸. Availability of quality retail space however remains scarce in comparison to its demand, leading to an uptrend in the rental costs across the country. The upcoming retail construction projects are expected to counter this dearth of retail space.

⁶ Source: "Consumer Goods and Retail Report - UAE", EIU, August 2014

⁷ Source: "Dubai's Marka Retail Start-up Spikes as Trading Starts", The Wall Street Journal, September 25, 2014

⁸ Source: "A Generous Helping of Food Retail Growth in GCC", A.T. Kearney, Alpen Capital

Dubai accounted for about 55%-65% of the country's retail sales in 2013

Dubai and Abu Dhabi are the major retailing hubs of the UAE. Dubai is the second most popular retail destination globally, after London⁹. The retail space per 1,000 people in Dubai is 1,380 sq m, which is the highest in the world¹⁰. The city accounted for about 55%-65% of the country's retail sales in 2013¹¹. The Dubai Mall and the Dubai Shopping Festival, alone, attract 35 million visitors per year to the country¹². The emirate's geo-strategic location, along with its advanced infrastructure and logistics facilities, make it an ideal location for companies to base their wholesale and retail trade operations for serving the regional markets. Dubai's rapid transformation into a smart city further bodes well for its retail industry. New trade license issuance in Dubai increased at an average of about 8% per year between 2010 and 2013¹¹.

The Abu Dhabi market is driven by government initiatives to create synergies through public private partnerships

Abu Dhabi is the second largest destination for retailers and consumers in the UAE. Significantly ramping up its retail offerings, the emirate displays a strong growth potential. The market is driven by government initiatives to create synergies through public private partnerships, boosting the hospitality and tourism sectors. Its increasing per capita income and growing expatriate population further aid the growth of the retail sector. A number of new large malls such as the Galleria and the World Trade Centre were launched in 2013. The opening of the Yas Mall in November 2014 was well-timed to benefit from the tourist inflow on account of the Abu Dhabi Formula 1 race scheduled in the month. New malls are expected to further increase Abu Dhabi's retail offerings and sales.

A busy lifestyle of the people is also fueling the trend of convenience stores at commercial towers

The expansion of the UAE's homegrown retail brands across the GCC region and beyond is expected to set off the next wave of retail sector growth. A busy lifestyle of the people is also fueling the trend of convenience stores at commercial towers. The country is witnessing a surge in spending in the construction, tourism and hospitality sectors due to the upcoming Expo 2020, which augurs well for its retail industry. In light of the Expo, a considerable surge in growth of the number of retail sector employees is expected in the UAE¹³.

The Saudi Arabian Retail Market

Saudi Arabia is the largest economy and the biggest retail market in the GCC region. The country harbors one of the youngest and fastest growing consumer bases in the world, enhancing its appeal to retailers. In 2013, the country's GDP (constant price) grew at 4.0% y-o-y¹⁴ due to government spending and revenue from the oil sector. Saudi Arabia continues to rely significantly on its hydrocarbon sector, which contributed 47.4% to its nominal GDP in 2013¹⁵.

Retail sales growth in the kingdom in 2013 is estimated at 5.7% to US\$ 92.6 billion, 16.1% of its GDP

The retail sales growth in Saudi Arabia in 2013 is estimated at 5.7% to US\$ 92.6 billion, 16.1% of its GDP¹⁶ (see Exhibit 4). The volume growth was however slowed during the year, due to the reduced impact of the stimulus measures implemented in the past and decrease in the overall demand following the departure of a million expatriates from the country. Food remains the largest retail sub-sector in the kingdom. Saudi Arabia's consumer goods market was valued at US\$ 37.8 billion in 2013¹⁶. The demand for consumer goods, particularly white goods, textiles, footwear and furniture, has been high since 2011 due to a strong economy and the government's expansionary fiscal policies (see Exhibit 5). The consumer goods retail sector in the country is mainly driven by a rise

⁹ Source: "Dubai retains second position for international retailer representation for third consecutive year", CBRE News, May 28, 2014

¹⁰ Source: "Qatar's retail real estate expected to be a centre of investment", Gulf Times, June 29, 2014

¹¹ Source: "Dubai's wholesale and retail trade sector overview", Emirate NBD, June 30, 2014

¹² Source: "UAE retail: 33% growth forecast for 2015", Arabian Business.com, September 19, 2014

¹³ Source: "Report Reveals UAE's Retail Sector Growth Challenged by Skillset Gap", Tecom Investment, June 15, 2014

¹⁴ Source: IMF, October 2014

¹⁵ Source: "GCC Budget Analysis", Alkhabeer Capital, August, 2014

¹⁶ Source: "Consumer Goods and Retail Report – Saudi Arabia", EIU, September 2014

in employment, government's program to build 500,000 new affordable homes and limited forms of entertainment in the country.

Exhibit 4: Size of Retail Sales in Saudi Arabia

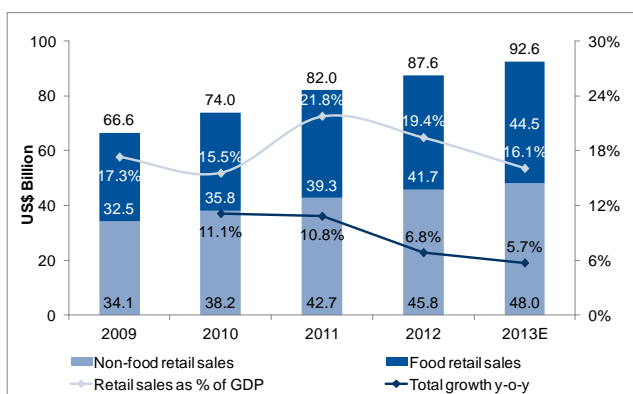
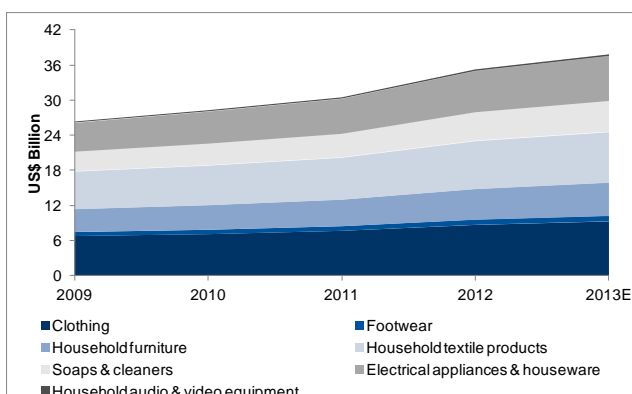


Exhibit 5: Consumer Goods Demand Composition in Saudi Arabia



Source: EIU, September 2014

The Saudi Arabian retail market is fragmented with the top five players controlling just 10.6% of the total market share

The country's retail sector is mainly driven by its young population, rising disposable income and increase in consumer confidence. The market is becoming competitive with the entry of international retailers through local partnerships. The Saudi Arabian retail market is fragmented with the top five players controlling just 10.6% of the total market share¹⁷. The total number of estimated retail outlets in the country stood at 41,000 in 2013¹⁸. Saudi Arabia is one of the pioneers in adapting to the modern retail formats and setting up of the required infrastructure to support the growing demand. In 2013, the completed modern retail sales area in the kingdom was approximately 1.9 million sq m¹⁹.

Youth unemployment in Saudi Arabia is one of the highest in the world and its supply chain infrastructure is in need of an upgrade

Nevertheless, Saudi Arabia is still fairly under-served in terms of the modern retail area per capita, which is among the lowest in the region. There are less than 1,000 modern trade outlets in the country which has around 30 million inhabitants. Further, a relatively low GDP per capita compared to the neighboring countries hinders the growth of luxury retail brands, capping further investments from these brands. The luxury market is restricted only to the major cities in the kingdom. Youth unemployment in the country is one of the highest in the world and its supply chain infrastructure is in need of an upgrade. However, increased government and private sector investments could help overcome these challenges, creating employment opportunities and thereby enhancing the spending power of residents.

The Qatari Retail Market

Qatar is on its way to become a balanced economy with displaying diversified growth across multiple sectors

With one of the highest GDP per capita in the world, Qatar largely depends on its hydrocarbon sector for revenue growth. In 2013, the country's GDP (constant price) grew at 6.5% y-o-y²⁰ on the back of its already strong oil and gas sector revenue supplemented by a significant contribution from its non-hydrocarbon sector. Qatar is on its way to become a balanced economy with displaying diversified growth across multiple sectors. The country's economy has exhibited strong resilience to the global crisis and the socio-political unrest that took place in some parts of the Middle East region.

¹⁷ Source: "Consumer Goods and Retail Report – Saudi Arabia", EIU, September 2014

¹⁸ Source: U.S. Department of Agriculture

¹⁹ Source: "A Generous Helping of Food Retail Growth in GCC", A.T. Kearney, Alpen Capital

²⁰ Source: IMF, October 2014

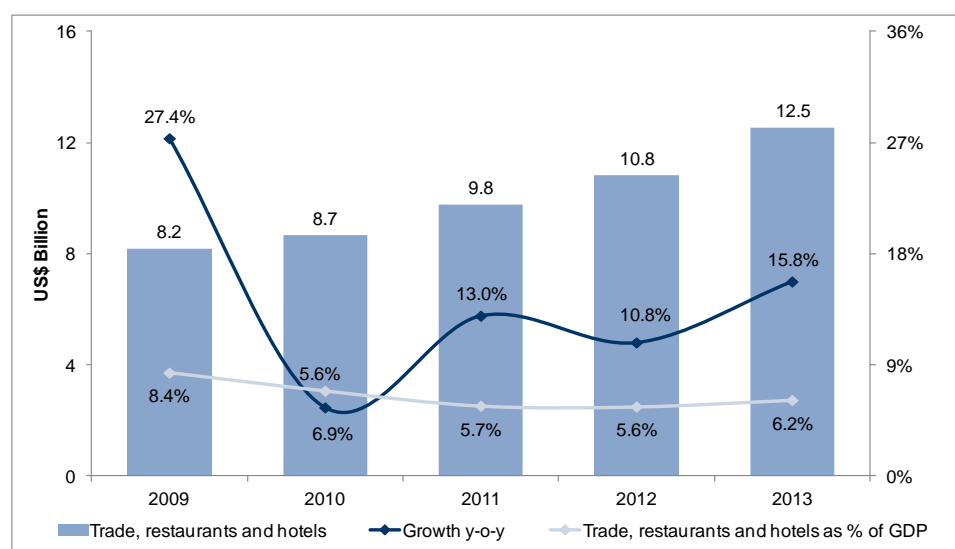
Qatar is one of the fastest growing retail markets in the GCC region

The size of retail trade, restaurants and hotel sector showed a 15.8% y-o-y growth to US\$ 12.5 billion in 2013

Qatar is one of the fastest growing retail markets in the GCC region. Its retail industry is strengthened by factors such as a boom in its infrastructure sector, government development and welfare spending, growing affluent class, rising expatriate population and surging demand for retail brands. International retailers are attracted to the country by these favorable demographic trends²¹. Most of the retail activities in Qatar are concentrated in Doha. The country's modern retail space per 1,000 people is more than 200 sq m, which is expected to increase as the country plays host to the FIFA World Cup in 2022. Modern retail concepts are fast developing in the country that is home to an increasing number of hypermarkets and supermarkets. In 2013, the completed modern retail sales area was approximately 0.4 million sq m²². In fact, the infrastructure in Qatar, both housing and retail, is growing rapidly. In order to balance out the supply and demand in its retail property market, the country needs to register a 5% annual population growth²³.

At current prices, the size of retail trade, restaurants and hotel sector showed a 15.8% y-o-y growth to US\$ 12.5 billion in 2013 (see Exhibit 6). The fast-growing population and large infrastructure projects have been supporting the above 10% growth since 2011.

Exhibit 6: Size of Retail Trade in Qatar



Source: Qatar Statistical Authority, Bloomberg

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

The Kuwaiti Retail Market

The hydrocarbon sector in Kuwait contributes 64% to its nominal GDP

Kuwait has one of the highest GDP per capita in the GCC region, second only to Qatar. However, political uncertainty in the country resulted in a 0.4% y-o-y²⁴ GDP (at constant price) decline in 2013. The hydrocarbon sector in Kuwait contributed an estimated 64% to its nominal GDP in 2013²⁵, underlying the need for the country to pursue economic diversification. The government is already undertaking initiatives to diversify its economy and augment revenue from non-oil sectors. In 2010, the government launched its five-year

²¹ Source: "Retail Roundtable", Qatar Today, September 18, 2013

²² Source: "A Generous Helping of Food Retail Growth in GCC", A.T. Kearney, Alpen Capital

²³ Source: "The Gulf States: where retail is expected to grow significantly over the next 3 years", KPMG, March 3, 2014

²⁴ Source: IMF, October 2014

²⁵ Source: "GCC Budget Analysis", Alkhabeer Capital, August 2014

Due to its high GDP per capita, Kuwait has become a major hub for many global luxury brands

Stringent censorship laws have kept certain retailers of books, films, records, clothing, artwork and music at bay

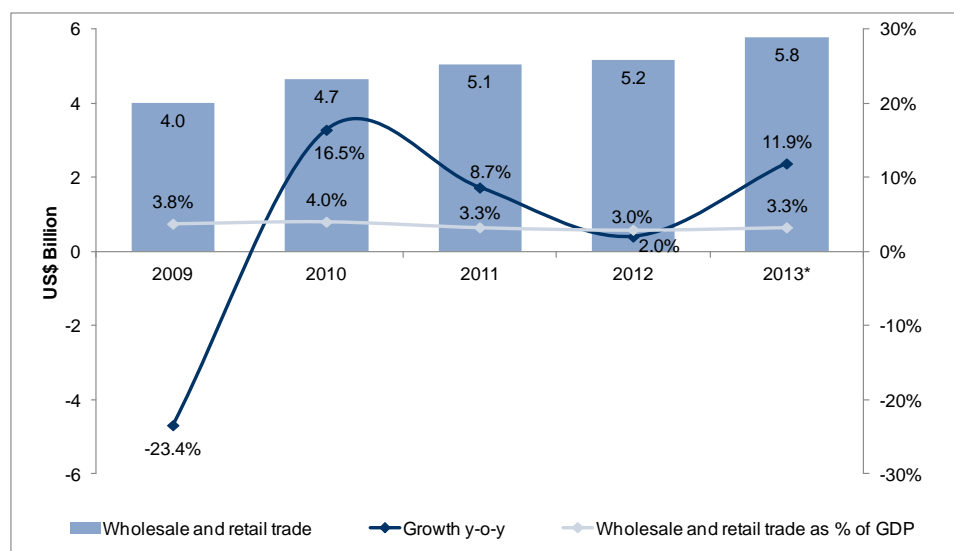
plan to strengthen Kuwait's private sector, focusing on investments in the infrastructure. The government amended its laws to introduce the National Fund for Small and Medium Enterprises in 2014, with an aim to aid the growth in the retail sector.

Kuwait's retail industry plays a key role in driving its non-oil sector growth. Factors such as the ongoing urbanization, influx of expatriate workforce, a rising population of the young and affluent, as well as growth in its tourism and hospitality sectors provide a positive foundation for growth of its retail sector. Due to its high GDP per capita, it has become a major hub for many global luxury brands such as Chanel, Burberry, Louis Vuitton, Prada and Christian Dior. Its non-food retail market is characterized by a growing number of large shopping malls. The modern retail concepts and formats are gaining popularity in the country, which had a completed modern retail sales area of approximately 0.4 million sq m in 2013²⁶.

On the flip-side, the unorganized retail sector still drives the bulk of grocery sales in Kuwait. Further, the country's retail industry is closely monitored by its government. Stringent censorship laws have kept certain retailers of books, films, records, clothing, artwork and music at bay, while prompting the exits of Virgin Megastore and Dubai-based record distributor Music Master from the market in 2012.

The size of wholesale and retail trade in Kuwait was US\$ 5.8 billion in 2013 or 3.3 % of its GDP at current prices (See Exhibit 7). Following a major decline in growth rate in 2011 and 2012 due to political factors, the industry registered a y-o-y growth of 11.9% in 2013.

Exhibit 7: Size of Retail Trade in Kuwait



Source: Central Statistical Office, Bloomberg

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

The Bahraini Retail Market

Bahrain is one of the most diversified economies of the GCC region

Bahrain is one of the most diversified economies of the GCC region, with only a quarter of its income dependent on the oil sector. However, unlike most of the other GCC countries,

²⁶ Source: "A Generous Helping of Food Retail Growth in GCC", A.T. Kearney, Alpen Capital

The Bahraini retail sector largely depends on tourism, with a majority of tourists from its neighbor, Saudi Arabia

The size of retail trade in Bahrain grew 3.6% y-o-y in 2013 to reach US\$ 1.3 billion or 4.0% of the GDP

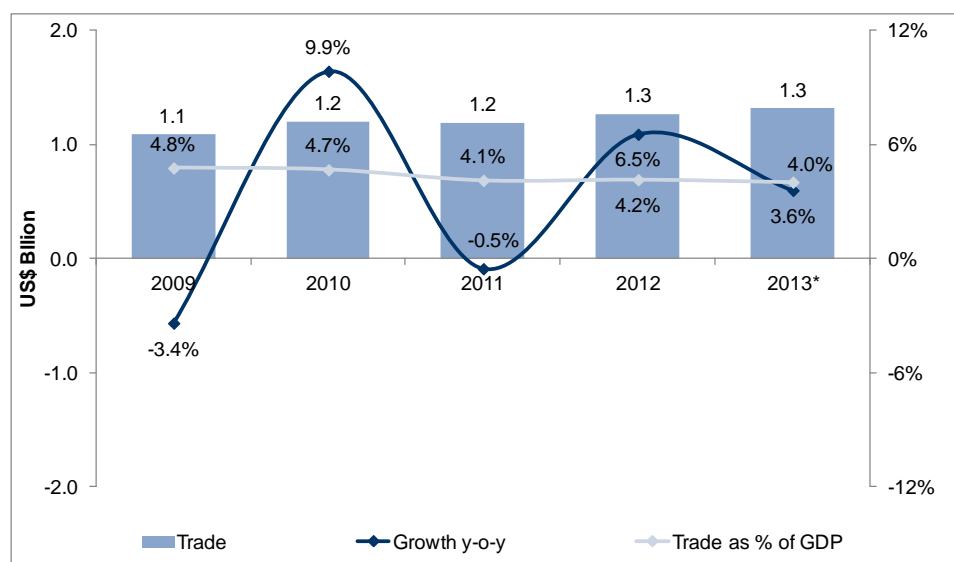
Bahrain was affected by the Arab Spring²⁷ for a prolonged period. Nevertheless, its economic recovery began in mid-2012. In 2013, the GDP (constant price) grew at 5.3% y-o-y²⁸ due to high oil prices, rising government spending and infrastructural development.

The Bahraini retail market is the smallest in the region due to its small population base and lowest GDP per capita. However, with rising consumer confidence resulting in increased spending, the retail market is gearing for a significant transformation. The sector largely depends on tourism, with a majority of tourists from its neighbor, Saudi Arabia. The country also hosts tourists at its yearly Grand Prix event. The non-food retail segment contributes significantly to the total retail sales in Bahrain. Increasing interest from international players and the development of new retail formats such as malls are gradually transforming the industry landscape. In 2013, the completed modern retail sales area in the country was approximately 0.1 million sq m²⁹.

The country is gaining political stability after the Arab Spring and gradually creating increased investor interest. Strong potential in the retail sector has succeeded in bringing in luxury retailers such as Gucci, Saks Fifth Avenue and Burberry, in addition to many other foreign retailers such as the French retail chains Géant and Carrefour. Regional hypermarket giant, LuLu, is scheduled to open three hypermarkets by the end of 2015.

The size of retail trade in Bahrain grew 3.6% y-o-y in 2013 to reach US\$ 1.3 billion or 4.0% of the GDP at current prices (see Exhibit 8). Earlier, the size of retail trade had stagnated in 2011 due to political unrest in the country, followed by a moderate recovery in 2012.

Exhibit 8: Size of Retail Trade In Bahrain



Source: Central Informatics Organization, Bloomberg

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

²⁷ The Arab Spring is a revolutionary wave of demonstrations and protests (both non-violent and violent), riots, and civil wars in the Arab world which spread throughout the Arab League countries and their surroundings

²⁸ Source: IMF, October 2014

²⁹ Source: "A Generous Helping of Food Retail Growth in GCC", A.T. Kearney, Alpen Capital

The Omani Retail Market

Oman holds a small population base and has one of the lowest per capita GDP among the GCC countries. However, it houses many high net worth individuals. The country's GDP (constant price) grew at 4.8% y-o-y³⁰ in 2013 due to strong growth in its hydrocarbon sector that accounts for 49% of its GDP³¹.

Oman has witnessed a sustained 7% y-o-y retail sales growth since 2011

Oman's retail industry is driven by a rising number of expatriates and tourists, the growing appeal and awareness of international trends, low market saturation, political stability and increasing disposable income. Oman featured for the first time on A.T. Kearney's GRDI in 2012 at the eighth position. However, it fell to the 17th spot on the 2013 index. The country maintained its ranking in 2014, backed by a sustained 7% y-o-y retail sales growth since 2011³². Oman's third position on Knight Frank's Luxury Opportunity Index³³ of countries with the fastest growing spending potential in the short and medium term, in 2014, also sends a positive signal to retailers and luxury brands.

In 2013, the completed modern retail sales area in Oman was approximately 0.3 million sq m

The number of hypermarkets and supermarkets is also increasing in the country, although at a slower rate of penetration compared to other GCC countries. In 2013, the completed modern retail sales area in Oman was 0.3 million sq m³⁴. Overall, retailers regard the Omani market as stable rather than fast growing, as a result of its small economy with a relatively low GDP growth.

In Muscat, the trend of developing smaller malls with an area of 3,000 sq m to 10,000 sq m is gaining traction

The Omani retail market is characterized with the presence of many large regional and international retailers. Among the local players is the Khimji Ramdas Group, which runs more than 50 Khimji's Mart supermarkets across Oman. The group also manages a chain of welfare markets for the Royal Oman Police. Foreign players like the LuLu Group have a robust hypermarket network across Oman. Other major brands such as LVMH, Marks & Spencer and L'Occitane also have a strong presence.

Muscat is the country's major retail hub. New projects such as the Muscat Grand Mall, the Mustafa Sultan complex, the Avenue and the Panorama Mall are expected to strengthen the country's retail sector going forward. In addition to the larger shopping malls in Muscat, the trend of developing smaller malls with an area of 3,000 sq m to 10,000 sq m to cater to the population in their vicinity is also gaining traction³⁵. The trend of smaller malls is seen as one of the significant drivers of the country's retail sector.

The wholesale and retail trade size at market prices in Oman was US\$ 5.8 billion in 2013 (see Exhibit 9), contributing about 7.3% to its GDP³⁶.

³⁰ Source: "Oman GDP Annual Growth Rate 2000-2014", Trading Economics, November 2014

³¹ Source: "GCC Budget Analysis", Alkhabeer Capital, August, 2014

³² Source: "Full Stream Ahead for Global Retailers", A.T. Kearney, 2014

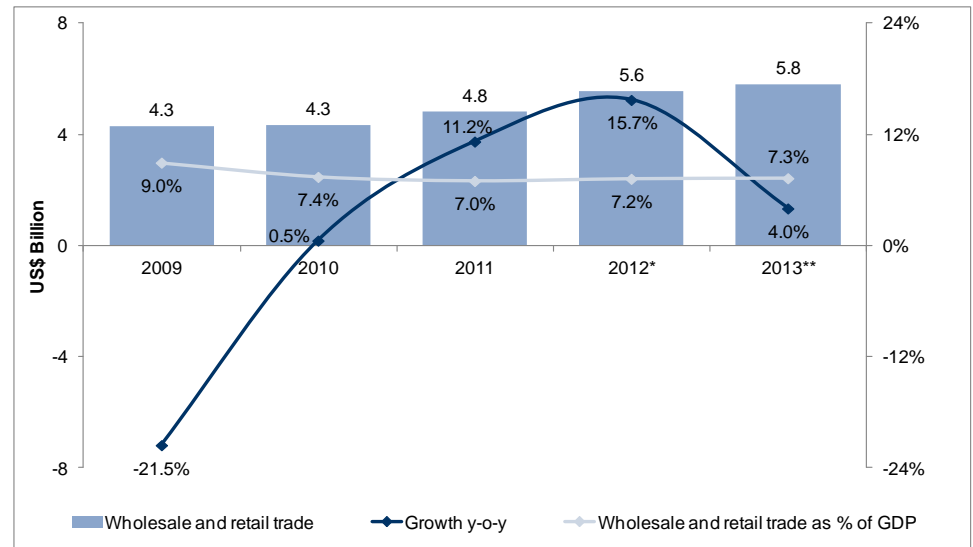
³³ The index was published by Knight Frank in Wealth Report 2014

³⁴ Source: "A Generous Helping of Food Retail Growth in GCC", A.T. Kearney, Alpen Capital

³⁵ Source: "Oman's retail space needs an equitable mix", Gulf News, June 1, 2014

³⁶ Source: Central Bank of Oman, 2014

Exhibit 9: Size of Retail Trade in Oman



Source: Central Bank of Oman, Bloomberg

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

2.2 GCC Supermarket/Hypermarket Overview

Retail structure in the GCC region is undergoing significant transformation, driven by the social and economic developments

Hypermarkets and supermarkets in the Gulf particularly cater to the food retail segment

The UAE was one of the earliest adopters of the modern retail formats in the GCC region

In 2013, supermarkets contributed 26% of the food retail sales in Saudi Arabia

The retail structure in the GCC region is undergoing significant transformation, driven by the social and economic developments. Key factors influencing the market include a growing population comprising a large proportion of expatriates, rising purchasing power, changing consumption patterns, increasing penetration of international retail players and favorable government policies and initiatives. Such transformation is resulting in an increase in modern retail formats such as hypermarkets and supermarkets. The organized large retail formats are increasing in appeal as they offer a variety of products under one roof, a hassle-free shopping experience and other value-added facilities.

Hypermarkets and supermarkets in the GCC particularly cater to the food retail segment. With its climatic conditions unsuitable for agriculture, the region depends on the import of food to meet its demand. The resulting market opportunity has drawn many international food retailers, who bring modern concepts of retail into the region. Hypermarkets continue as the fastest growing retail channel in the region.

The UAE was one of the earliest adopters of the modern retail formats in the GCC. Consequently, the large hypermarket and supermarket retail format is more mature in the country compared to its other regional counterparts. With new retail formats such as specialty stores and e-commerce being explored in the UAE, many major hypermarkets have launched online stores. The real estate boom resulted in an increase in the number of commercial towers that hold convenience stores and supermarkets, prompting a corresponding change in the shopping habits. Busy consumers prefer shopping at such stores and supermarkets in their vicinity to meet their daily needs, even as they visit hypermarkets for bulk shopping on a weekly or monthly basis. Direct imports have enabled hypermarket retailers such as Carrefour to offer food at competitive prices. Majid Al Futtaim Hypermarkets and EMKE Group are some of the major grocery retailers in the UAE, with a 20% and 12% market share by value in 2013, respectively³⁷.

Saudi Arabia's retail market has also seen an increase in the modern formats. The supermarket model is less developed in Saudi Arabia, with most supermarkets largely offering food items. In 2013, supermarkets contributed 26% of the food retail sales in the country³⁸. On the other hand, increased demand for non-food items is leading to the growth of hypermarkets, which provides a comprehensive product offering. As of 2013, the country had 90 hypermarkets located in the major cities of Riyadh, Jeddah and Dammam. In addition to hypermarkets, convenience stores, known as "bakalas"³⁹, are also likely to grow. Aimed at meeting the daily needs of the areas in their vicinity, such stores are expected to benefit from the restrictive driving regulations for women in the country. In Saudi Arabia, shopping at hypermarkets and supermarkets is considered as a form of entertainment due to limited other entertainment options and extreme climatic conditions. With 150 supermarkets and hypermarkets across the GCC region and a plan to expand the number to 250 by 2020³⁸, the Savola Group owns the largest hypermarket and supermarket food retail chain in the country. Many regional retail players have tried to explore the online retail format in Saudi Arabia, but met with little success due to lack of awareness and low customer demand. Other factors such as low internet penetration and lack of credit card usage also contributed to the failure of e-commerce retail sites.

The hypermarket and supermarket sector is relatively underdeveloped in Qatar. However, the modern retail formats are expected to benefit from the anticipated growth in the country's infrastructure on account of upcoming FIFA World Cup 2022. Many international

³⁷ Source: "International Grocery Retailers in the United Arab Emirates", Euromonitor, April 2014

³⁸ Source: "Consumer Goods and Retail Report - Saudi Arabia", EIU, September 2014

³⁹ Bakalas are the conventional retail stores of Saudi Arabia

Retailers in Oman are transitioning from the traditional “souk” format to launching stores in larger shopping malls

retail players are already targeting Qatar as a market for these new retail formats. Spar Group has signed a licensed agreement with the Khimji Ramdas Group to open supermarkets across the GCC region, with the major share of this investment directed towards Qatar.

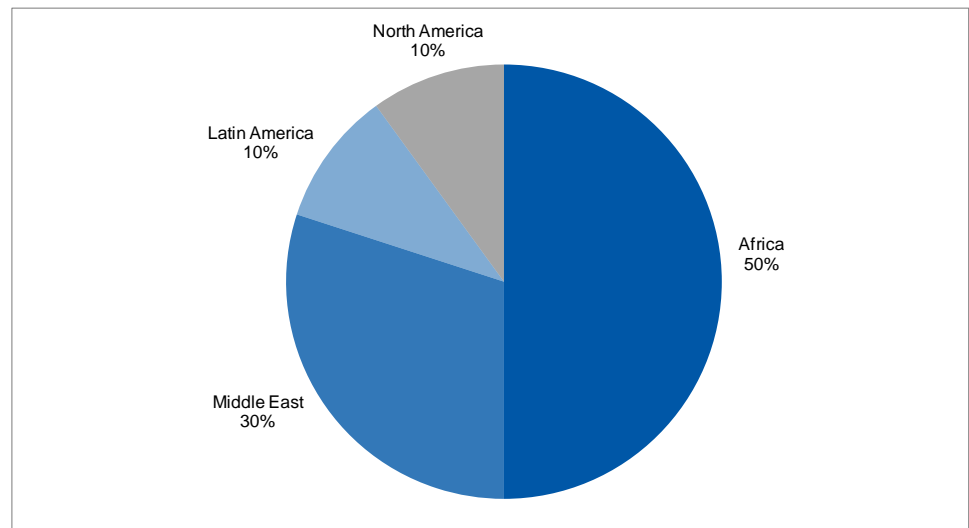
Modern retail formats currently account for a small share of Kuwaiti, Bahrain and Oman retail market, presenting a huge growth potential. With Bahrain’s economy now stabilizing, the country is now seeing progress in the supermarket and hypermarket format of retailing. The country has caught the attention of several supermarket and hypermarket players. In 2014, Al Adil Supermarket announced plans to open ten outlets in Bahrain, while Géant opened its second hypermarket in the country after 2001. The overall urbanization of the region has put the spotlight on Oman as well, lending a welcome push to the growth of its retail market. Retailers in Oman are transitioning from the traditional “souk” format to launching stores in larger shopping malls and the country is gaining attention from the major regional players. Qatar’s Al Meera Holding purchased the retail assets of Oman’s Safeer Stores in November 2012, thus marking its first overseas foray.

Qatar, the UAE and Oman hold the top three positions on the 2014 Knight Frank Luxury Opportunity Index

2.3 GCC Luxury Retail Market Overview

The GCC region has generally exhibited a healthy appetite for luxury goods. In 2014, Knight Frank's Luxury Opportunity Index ranked the Middle East as the second largest luxury retail destination, after Africa⁴⁰ (see Exhibit 10). Qatar, the UAE and Oman hold the top three positions on the index, with the fastest growing spending potential in the short and medium term. Rankings on the index are based on parameters such as the number of luxury retail outlets, premium air travel, air traffic, ability to create wealth and economic growth.

Exhibit 10: Luxury Opportunity Market Share By Regions



Source: *The Knight Frank Wealth Report, 2014*

The luxury retail market of the GCC has shown a continuous growth over the years, with a yearly growth rate of 5%-8%

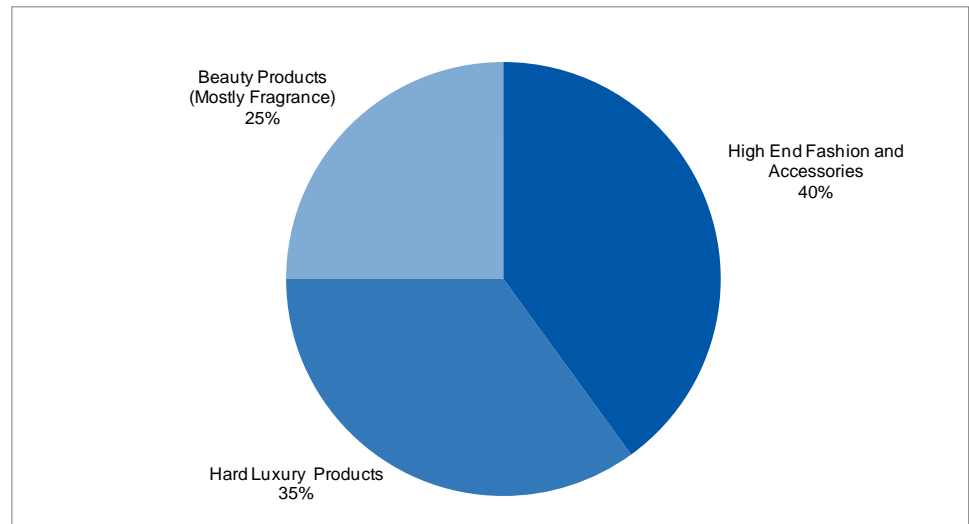
The luxury retail market of the GCC has shown a continuous growth over the years, with a yearly growth rate of 5%-8%⁴¹, showing an uninterrupted growth even during the global economic meltdown. Factors such as high disposable income, increasing exposure to the western world due to urbanization, large expatriate population and high tourism growth have added to the appeal of the GCC region as a lucrative market for the top global luxury brand retailers.

The high-end fashion and accessories segment represented 40% of the GCC luxury retail market in 2013, while hard luxury products (such as watches and jewelry) accounted for 35%. The beauty products segment, especially fragrance, accounted for 25% of the market in the year⁴¹ (see Exhibit 11).

⁴⁰ Source: "Knight Frank Wealth Report", 2014

⁴¹ Source: "GCC's luxury goods market continues to grow fast", BQ Doha, September 16, 2014

Exhibit 11: Luxury Products Market Composition in the GCC



Source: *Luxury Goods Worldwide Market Study, Spring 2014*

Dubai alone represents 30% of the total Middle East luxury sales and 60% of the UAE's luxury sales

Dubai is the most popular shopping destination for high net worth individuals, largely from China, Russia and other Asian and Arab countries. Dubai alone represents 30% of the total Middle East luxury sales and 60% of the UAE's luxury sales⁴². Qatar is also a growing market for luxury retailers, driven by one of the largest per capita disposable incomes in the world. Qatari nationals spend more than US\$ 5,000 a month on luxury products⁴². However, despite the presence of many luxury brands in the country, Qatari customers prefer to shop in Paris, Milan, London, New York and Dubai, impacting the luxury sales of the country⁴². With economic growth, Saudi Arabia's luxury retail market is emerging as the second largest market in the GCC region. The demand for luxury goods in the country is increasing with a rising young and affluent population. Saudi Arabian consumers spent US\$ 34.4 per capita on premium perfumes, one of the largest segments in the region, in 2012⁴².

Oman's presence on the 2014 Luxury Opportunity Index has attracted major luxury retailers towards the country

Kuwait's per capita GDP growth is among the highest in the Gulf. The country is also one of the fastest growing luxury retail markets in the region, attracting many investors. However, like consumers across many of the GCC nations, Kuwaitis also prefer shopping overseas. Bahrain and Oman have a comparatively smaller luxury retail market, mainly because of their small population base and relatively low disposable income levels. Nevertheless, Oman's presence on the 2014 Luxury Opportunity Index has attracted major luxury retailers towards the country.

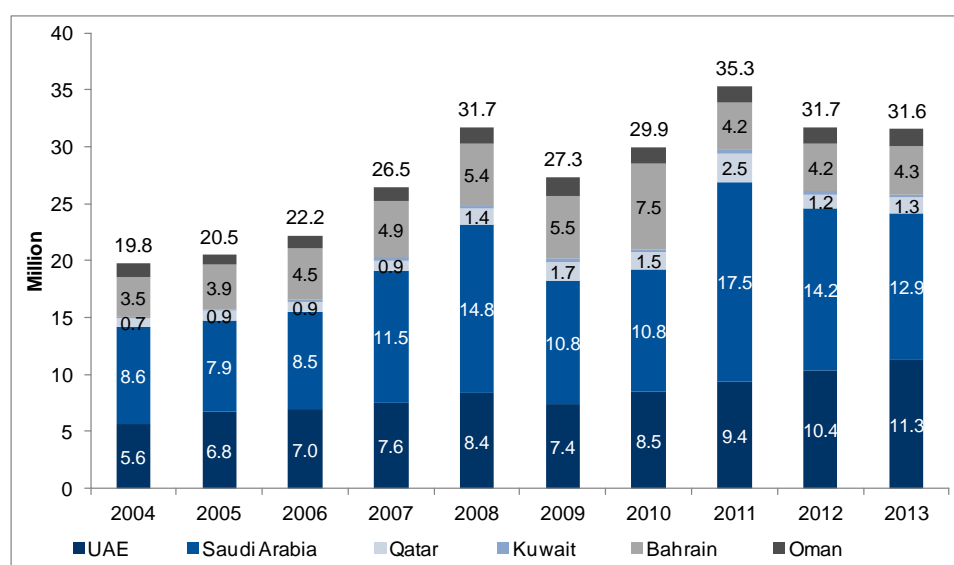
⁴² Source: "GCC's luxury goods market continues to grow fast", BQ Doha, September 16, 2014

2.4 GCC Airport Retail Market Overview

The Middle East garnered US\$ 3.9 billion as total airport duty free sales in 2013

The Middle East garnered US\$ 3.9 billion as total airport duty free sales in 2013⁴³. Leading airports in the GCC continue to account for a lion's share of this market. International tourist arrivals in the Gulf displayed a 5.3% CAGR between 2004 and 2013 to touch 31.6 million (see Exhibit 12), outpacing the global annual average of 4.1% over the same period (see Exhibit 13)⁴⁴. The region is expecting a spurt in international tourist arrivals in light of its transition as a hub of business and leisure tourism and the rise of niche segments such as Meetings, Incentives, Conferences and Exhibitions (MICE). The upcoming events such as Expo 2020 and FIFA World Cup 2022 are seen as major drivers of tourist inflow into the region. The resultant expansion of the tourism industry is expected to fuel the growth of airport retail sales in the region.

Exhibit 12: International Tourist Arrivals in the GCC



Source: World Travel and Tourism Council (WTTC), 2014, Alpen Capital

Exhibit 13: Comparison of International Tourist Arrivals (Million)

Region	2004	2013	CAGR
Global	755	1,080	4.1%
GCC	19.8	31.6	5.3%

Source: WTTC, 2014, Alpen Capital

Airport retail growth in the region is supported by the strong performance of Dubai, Qatar and Abu Dhabi duty free retails

The region's geographical location, presence of large expatriate population and its emergence as a popular shopping destination have favorably positioned its duty free retail market. Airport retail growth in the region is supported by the strong performance of Dubai, Qatar and Abu Dhabi duty free retails.

⁴³ Source: Generation Research

⁴⁴ Source: WTTC, 2014, Alpen Capital

In 2013, DDF represented 5.1% of the global airport duty free business and about 3% of the total global duty free travel retail sales

Dubai is the most attractive tourist destinations of the region with annual events such as the Dubai Shopping Festival and the Dubai Racing World Cup. In 2013, Dubai Duty Free (DDF) represented 5.1% of the global airport duty free business and about 3% of the total global duty free travel retail sales⁴⁵. With a share of 45.7% in airport sales, DDF is the largest single airport retail entity in the Middle East⁴⁶. In 2013, the company's sales increased by 11.4% y-o-y to US\$ 1.8 billion. This sales growth was contributed by the expansion of retail sales area, with the addition of Concourse A dedicated to Emirates Airline fleet and the opening of the passenger terminal at Dubai World Central's Al Maktoum International Airport⁴⁷. Cosmetics and fragrance formed the highest selling segment, with US\$ 289 million of sales in 2013. Passenger traffic at Dubai International Airport grew by over 15% to 66.4 million in the year. By 2018, Dubai International Airport and Dubai World Central are together projected to handle 108.3 million passengers⁴⁸.

Passenger traffic at Abu Dhabi International Airport grew by 12.4% in 2013

Abu Dhabi Duty Free is also a major airport retail entity in the UAE. Passenger traffic at Abu Dhabi International Airport grew by 12.4% to 16.5 million in 2013⁴⁹, contributing to the 13% increase in sales at the duty free to US\$ 248 million⁵⁰. Abu Dhabi Duty Free achieved record sales of US\$ 132.8 million in the first half of 2014, an increase of 11.5% compared to the same period last year⁵¹. The total number of transactions in the period was over 2 million, 12.8% higher y-o-y. Abu Dhabi International Airport is expected to handle 20 million passengers in 2014⁵², signaling a robust growth in airport retail sales.

Qatar Duty Free is the second largest duty free operator in the region

Qatar Duty Free, the second largest duty free operator in the region, has shown a strong double-digit annual growth over the last several years. The passenger traffic at Doha International Airport grew by 10.0% to 23.2 million in 2013, boosting its airport retail sales. The country expects a high inflow of passengers in light of the FIFA World Cup 2022 and growth in new infrastructural facilities, helping sustain the double-digit growth of the airport retail sales going forward. The Hamad International Airport (HIA) started its operations in April 2014, enhancing Qatar's connectivity with the world and thereby adding to the opportunities in its retail sector. Qatar Duty Free has opened a new retail outlet at the HIA to benefit from the anticipated growth in passengers due to the improved connectivity.

Passenger traffic through Bahrain International Airport saw a growth of 10.8% in the first nine months of 2014

Bahrain Duty Free has been impacted in the past by political instability in the country, which also led to the cancellation of the Formula One Grand Prix in 2011. However, the business clawed its way back to partial recovery in 2012. In the following year, the passenger traffic at Bahrain's airport was affected again after Bahrain Air discontinued its operations due to financial difficulties. Bahrain Duty Free sales dropped 5.3% y-o-y to US\$ 69.1 million in 2013⁵³. Thereafter, a stable political environment has benefited the market, with the passenger traffic through Bahrain International Airport seeing a growth of 10.8% in the first nine months of 2014 and duty free sales growing by 8.6% to US\$ 54.9 million⁵⁴. Recovering sales are expected to help sustain the country's airport retail market.

⁴⁵ Source: "Dubai Duty Free reclaims title as world's biggest airport retail operation", The Moodie Report, October 16, 2014

⁴⁶ Source: "Dubai Duty Free Regains Its No.1 Position in the World", Dubai Duty Free, October 16, 2014

⁴⁷ Source: "Dubai Duty Free Annual Sales Soar To Dhs6.65 Billion (US\$1.8 Billion)", January 2, 2014

⁴⁸ Source: Dubai Airports

⁴⁹ Source: Abu Dhabi Airports

⁵⁰ Source: "The GCC duty free bonanza", BQ Doha, November 22, 2014

⁵¹ Source: Abu Dhabi Duty Free

⁵² Source: "Abu Dhabi International expects 20 million passengers this year", www.ameinfo.com, August 20, 2014

⁵³ Source: Bloomberg

⁵⁴ Source: Bahrain Duty Free, 2013

3. GCC Retail Industry Outlook

Despite the global economic uncertainty and continued socio-political unrest in the Middle East, the GCC retail market has so far remained largely stable. Over the last few years, overall retail market growth in the region has been positive. As favorable macroeconomic and demographic factors help maintain the expansion mode of the industry, the new investor interest generated by the future mega events of a global stature lends an added push. The ongoing as well as upcoming stream of activities in the construction, hospitality and tourism sectors is likely to result in a substantial rub-off effect on all major segments of the retail industry in the GCC region.

3.1 Forecasting Methodology

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

- The assessment of the demand-driven growth in the retail industry is based on various key drivers including population, tourist inflow, airport passenger traffic, growth of organized retail and inflation. Most of the data for these growth drivers have been sourced from globally-tracked databases maintained by the IMF, EIU and WTTC.
- To assess supply-driven growth in the retail industry, we have examined the per capita modern retail sales area currently under planning and development in each GCC country. Using a range of occupancy rates enabled us to present a broader picture of the probable demand for new retail space.

3.2 Demand-side Estimates

Key Assumptions

- The GCC region's GDP per capita measured at PPP, in US dollars, is expected to rise at a 2.6% CAGR between 2013 and 2018.
- The region's population is assumed to expand at an annual average rate of 2.9% over the next five years.
- International tourist arrivals in the region are assumed to reach 45.7 million passengers by 2018, from 31.6 million in 2013.
- Food and non-food demand per head in the future is assumed to remain constant at 2013 levels in volume terms, but to grow at the rate of inflation in value terms.

GCC Retail Sales Growth

Total retail sales in the GCC are expected to grow 6.8% y-o-y to US\$ 213.4 billion in 2014. Despite maintaining a positive trend as projected in Alpen Capital's GCC Retail Industry report dated December 9, 2012, the market expanded at a slower-than-expected pace in the past few years. This was primarily an outcome of the region's residents not spending as much on food as forecasted earlier as well as the downward revision in the number of

Total retail sales in the GCC are expected to grow 6.8% y-o-y to US\$ 213.4 billion in 2014

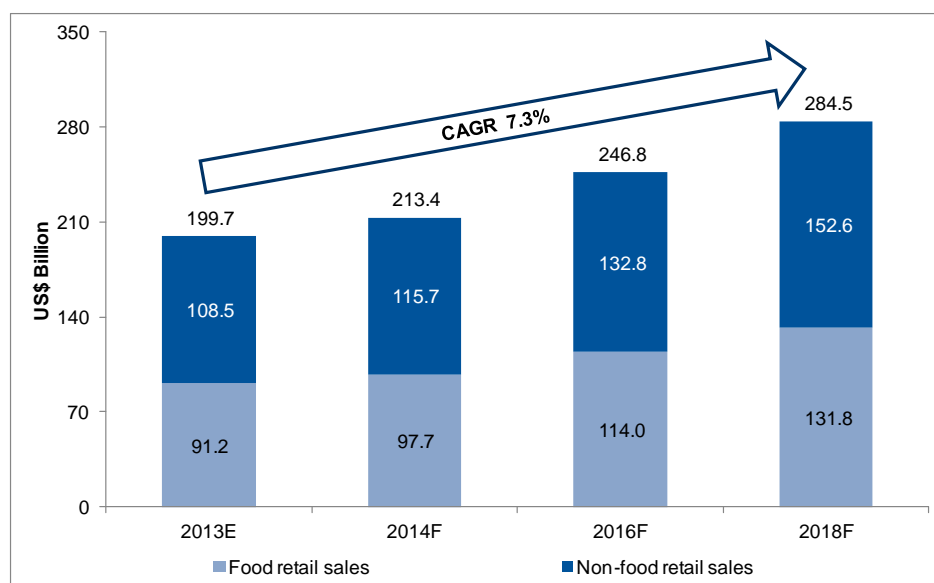
Between 2013 and 2018, the GCC retail sales are projected to expand at a CAGR of 7.3% to US\$ 284.5 billion

The food retail sales growth is forecasted to outperform that of non-food retail sales

international tourist arrivals. However, our expectation of the region's retail market registering a mid-to-high single digit average annual growth over the five-year forecast period remains intact. Between 2013 and 2018, the GCC retail sales are projected to expand at a CAGR of 7.3% to US\$ 284.5 billion (see Exhibit 14). The retail industry growth during this period will be supported by its growing GDP, increasing young population, increase in infrastructure investments and continuous influx of tourists in the region.

The food retail sales growth is forecasted to outperform that of non-food retail sales due to higher demand for healthier and high-value food in the region. Between 2013 and 2018, food retail sales are anticipated to expand at a 7.7% CAGR, while non-food retail sales are expected to grow at a CAGR of 7.1%. Although non-food sales are likely to continue accounting for a majority of retail sales in the GCC region, the share of food sales is expected to increase marginally from 45.6% in 2013 to 46.3% in 2018 with the segment size expanding from US\$ 91.2 billion to US\$ 131.8 billion.

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



Source: Alpen Capital

Note: E – Estimated, F – Forecasted

The UAE's contribution to the total retail sales of the GCC is expected to decline from 26.1% in 2013 to 24.6% in 2018

Country-Wise Contribution to the GCC Retail Market

Saudi Arabia continues to hold the largest share in the region's retail industry. Estimated at 46.4% of the region's total retail sales in 2013, in line with the projection in Alpen Capital's GCC Retail Industry report dated December 9, 2012, the country's share in region's retail sales is likely to increase to 47.1% in 2018. The UAE's contribution to the total retail sales of the GCC is expected to decline from 26.1% to 24.6% during the forecast period (see Exhibit 15).

While retail sales growth across all the GCC countries is expected to remain positive between 2013 and 2018, the outlook for Qatar is most optimistic (see Exhibit 16). During the period, the Qatari retail market is expected to grow at a CAGR of 9.8%, when the remaining countries are seen registering an annual average growth rate of 6%-7%. The growth projection for Saudi Arabia has been revised substantially downwards from Alpen Capital's GCC Retail Industry report dated December 9, 2012 to reflect a slower-than-previously expected expansion in the population base as well per capita retail spending.

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

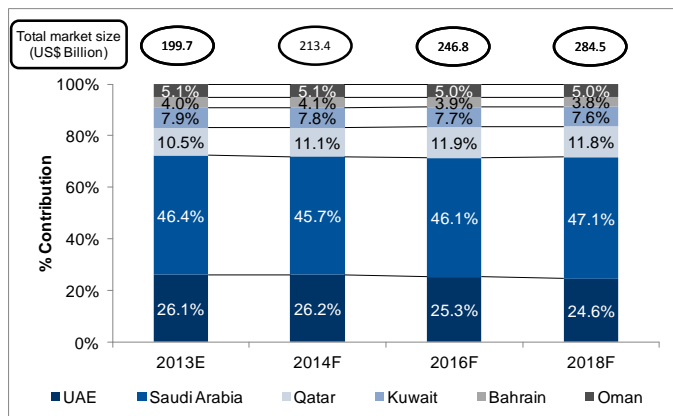
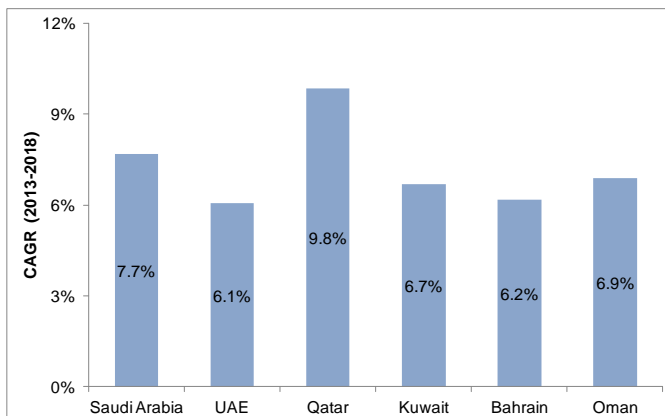


Exhibit 16: Country-wise Retail Sales Growth



Source: Alpen Capital

Note : E – Estimated, F – Forecasted

Supermarket/Hypermarket Retail Sales

Supermarket and hypermarket retail sales in the GCC region are expected to touch US\$ 59.3 billion in 2018 from US\$ 38.2 billion in 2013

Collective retail sales of supermarkets and hypermarkets in the GCC region are expected to touch US\$ 41.5 billion in 2014 from US\$ 38.2 billion in 2013 (see Exhibit 17). In 2018, the segment's size is projected at US\$ 59.3 billion, translating into a five-year CAGR of 9.2%. This growth is expected to be driven by increasing disposable incomes and modernization of the industry. The five-year growth forecast for the segment has been revised downward from Alpen Capital's GCC Retail Industry report dated December 9, 2012 to primarily reflect the underperformance of food retail sales in Saudi Arabia.

Nevertheless, Saudi Arabia remains one of the best-performing markets in terms of the expected supermarket/hypermarket annual average retail sales growth, in addition to Qatar and Kuwait (see Exhibit 18). At the end of the forecast period, Saudi Arabia is projected to account for 52.6% share of the regional market, compared to 49.0% in 2013.

Exhibit 17: Supermarket/Hypermarket Sales Forecast for the GCC

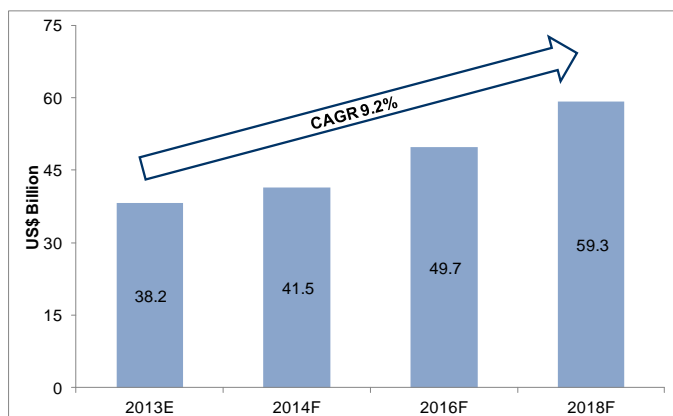
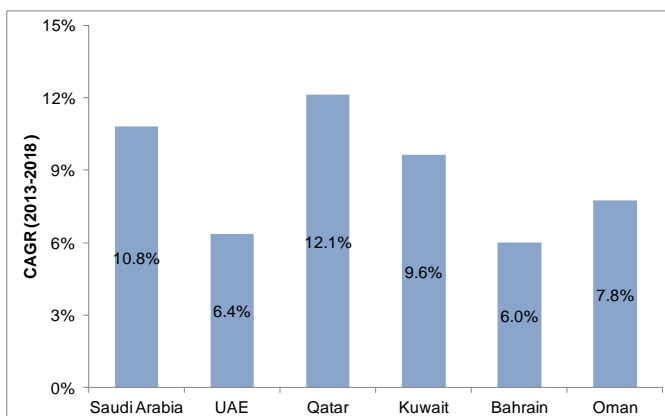


Exhibit 18: Country-wise Supermarket/Hypermarket Sales Growth



Source: Alpen Capital

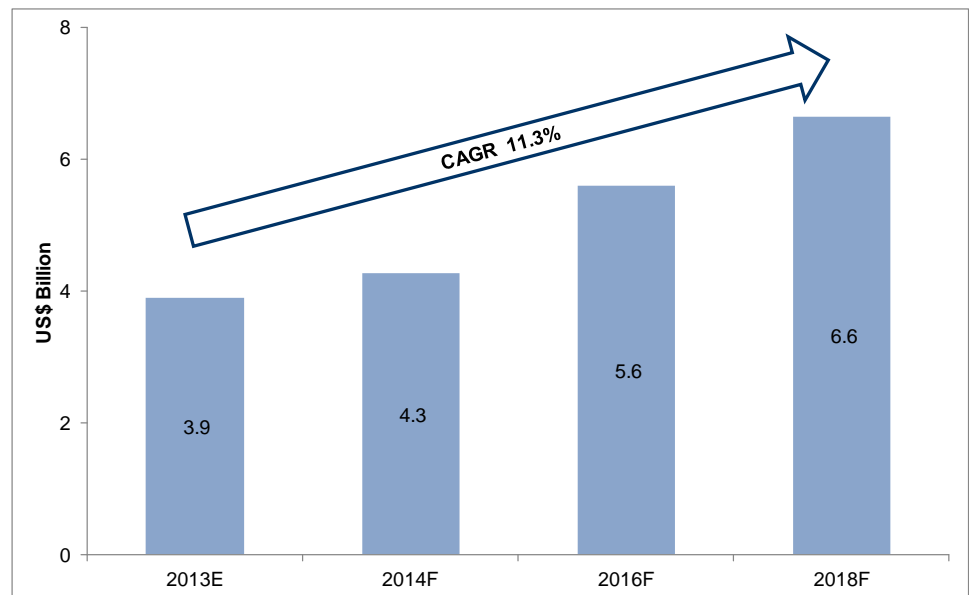
Note : E – Estimated, F – Forecasted

Airport-based duty free sales in the Middle East are projected to reach US\$ 6.6 billion in 2018

Airport-based Duty Free Sales

Airport-based duty free sales in the Middle East are projected to reach US\$ 4.3 billion in 2014, broadly in line with the projection in Alpen Capital's GCC Retail Industry report dated December 9, 2012. The segment is forecasted to increase from US\$ 3.9 billion in 2013 to US\$ 6.6 billion in 2018, a CAGR of 11.3% (see Exhibit 19), primarily driven by an increase in passenger traffic at the major airports. Passenger traffic at the two Dubai international airports is expected to grow at a CAGR of around 10% during the forecast period. The Abu Dhabi International Airport's passenger traffic is likely to grow at an even faster rate in the coming years. Qatar, with its new international airport, is also expected to register a robust growth in passenger traffic. Bahrain International Airport is witnessing a rebound in passenger traffic in 2014 after a double-digit dip in 2013.

Exhibit 19: Airport-based Duty Free Sales Forecast for the Middle East



Source: Alpen Capital

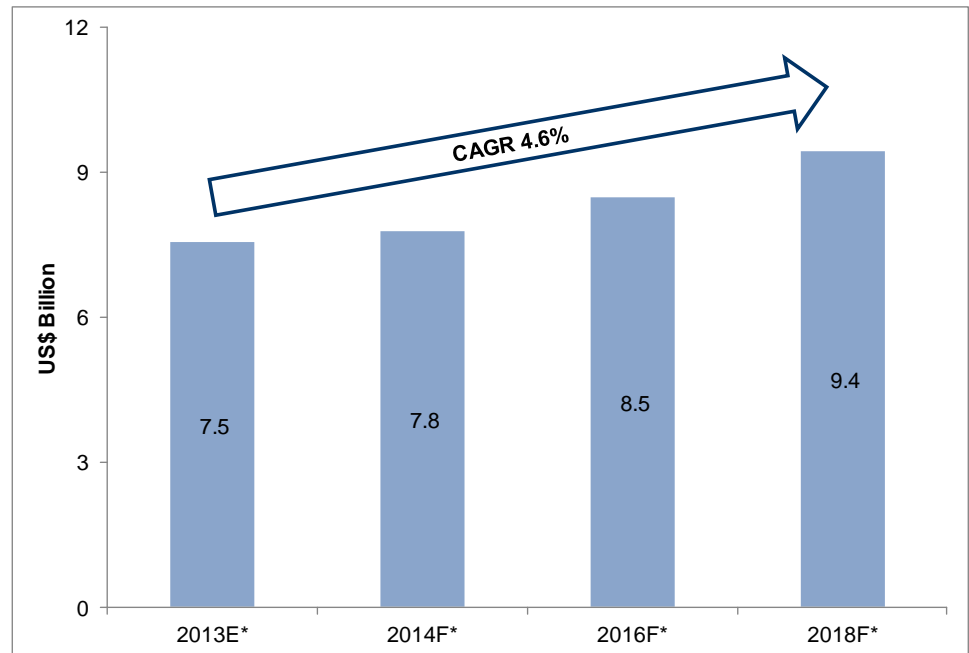
Note: E – Estimated, F – Forecasted

Size of personal luxury goods sales in the Middle East is expected to reach US\$ 9.4 billion in 2018 from US\$ 7.5 billion in 2013

Luxury Retail Sales

Size of personal luxury goods sales in the Middle East is forecasted to grow 3.0% y-o-y to US\$ 7.8 billion in 2014. The segment is expected to grow subsequently to US\$ 9.4 billion in 2018, recording a CAGR of 4.6% since 2013 (see Exhibit 20). The five-year growth projection for the Middle East personal luxury goods market is more or less in line with the expected global market growth.

Exhibit 20: Luxury Retail Sales Forecast for the Middle East



Source: Alpen Capital

Note: E – Estimated, F – Forecasted

* To neutralize the impact of exchange rate movements, we have converted the historical and projected industry size numbers using the current EUR/US\$ exchange rate

3.3 Supply-side Estimates

Modern Retail Sales Area Growth in the GCC

An estimated 1.7 million sq m of new modern retail sales area is expected to be added to the existing retail space by 2018

The pipeline of upcoming projects strongly indicates that the GCC is on track to meet the growing demand of modern retail space

The completed modern retail sales area in 2013 was approximately 5.3 million sq m. An estimated 1.7 million sq m of new modern retail sales area is expected to be added to the existing retail space by 2018. Assuming a 100% occupancy rate (Optimistic Growth scenario), the total occupied modern retail sales area in the GCC is forecasted to reach 5.6 million sq m in 2014 and further increase to 7.0 million sq m by 2018 (see Exhibit 21).

The number of shopping malls is increasing in the region, which are a highly modern mode of shopping compared to the traditional souks and neighborhood stores. This new format is preferred due to its hot climate and limited entertainment avenues. Also in light of the upcoming events, the region is expected to see the construction of new malls and addition of retail space. This will create room for more retailers and brands wanting to establish themselves in the GCC.

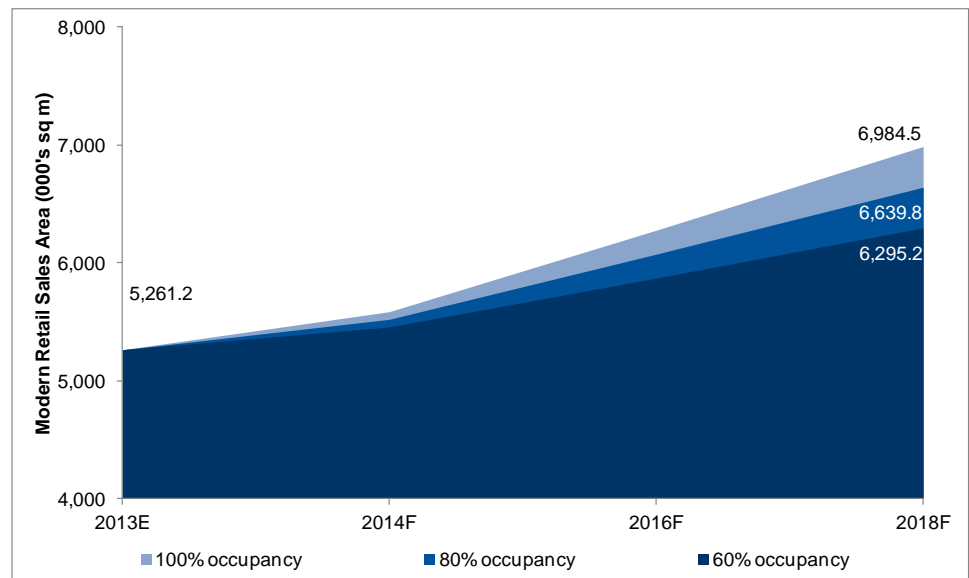
Shopping area expansion is expected across the Gulf. Currently under construction, the Vendome Mall at Lusail in Qatar is among the leading projects in the region. The Yas Mall in Abu Dhabi, which became operational in 2014, houses over 400 stores of both international and regional retailers. It has strengthened the UAE's leadership position in the region's retail industry. Construction of the Mall of the World is likely to begin in the first quarter of 2015 in Dubai and its first phase is expected to be ready in three years. The complete project will take approximately 10 years, and once complete, it will be the world's largest mall spread across an area of 48 million sq ft. Other leading projects in the GCC include the Al Diriyah Festival City in Saudi Arabia and the Muscat Festival City Mall in

At 80% occupancy rate, occupied modern retail sales area in the region is forecasted to reach 6.6 million sq m in 2018

Oman. With the construction of such large malls and many other projects in the pipeline, the region is slated to see a huge addition to its existing retail space.

The demand for modern retail sales area is strong in the GCC region and is expected to enjoy a healthy absorption rate throughout the forecast period. However, to factor in the possibility of a glut in the supply of retail space and a slowdown in the take-up of new space, we have also calculated the expected supply of retail space at 80% occupancy over the next five years (Moderate Growth scenario), and at a 60% occupancy (Conservative Growth scenario). Under the Moderate Growth scenario, the occupied modern retail sales area in the Gulf is forecasted to reach 5.5 million sq m in 2014 before expanding to 6.6 million sq m in 2018. Under the Conservative Growth scenario, the cumulative occupied modern retail sales area in the region is likely to reach 5.5 million sq m in 2014 and 6.3 million sq m in 2018.

Exhibit 21: Forecast of Occupied Modern Retail Sales Area in the GCC



Source: Alpen Capital, A.T. Kearney

Note: E – Estimated, F – Forecasted

Assuming full absorption, occupied modern retail sales area in the GCC is expected to grow at a CAGR of 5.8% between 2013 and 2018

Based on our Optimistic Growth scenario, the occupied modern retail sales area in the GCC region is expected to grow at a CAGR of 5.8% between 2013 and 2018. Expected growth in the supply of modern retail sales area over the forecast period is partially lower than the demand-side CAGR estimate for retail sales. This underlines the fact that part of the region's retail industry will continue to be run in the form of unorganized and traditional store format. Based on our Moderate Growth scenario, the occupied modern retail sales area is likely to grow at a CAGR of 4.8% during the same period. With the modernization of the GCC retail industry, the demand for modern retail sales area is increasing. The supply of new modern retail sales area is expected to adequately meet the increasing demand for retail space over the next five years. Also, it is reasonable to expect that a part of new additions may witness lower initial occupancy rates.

4. Growth Drivers

Economic Growth and Diversification

Despite the impact of the global financial crisis and political instability in the Middle East, all the GCC countries expanded between 2009 and 2013

Between 2009 and 2013, GDP (at constant price) of all the GCC countries expanded in mid-single digit on average, except Qatar, despite the impact of the global financial crisis and political instability in the Middle East. Qatar grew at a much faster rate, especially during the initial phase of the period, driven by oil and gas exports. The trend is expected to continue in the coming five years as well (see Exhibit 22).

Over the years, the region's economy has emerged as one of the richest and fastest growing in the world, largely on the back of its proven crude oil reserves. The region is comparable to some of the strongest developed economies of the world, supported by its cash-rich governments, healthy credit ratings and strong currency reserves. Fluctuating oil demand and prices, in line with the global dynamics, are however pushing the GCC countries to diversify in order to secure the stability and sustainability of their economies. In recent years, the GCC governments have accelerated their effort to reduce their oil sector dependence. As a result, the hydrocarbon sector accounted for 33% of the total real GDP of the GCC in 2013, significantly down compared to 41% in 2000⁵⁵. A strong economic growth and the ongoing diversification taking place in the GCC region have positioned it as an attractive destination for retailers.

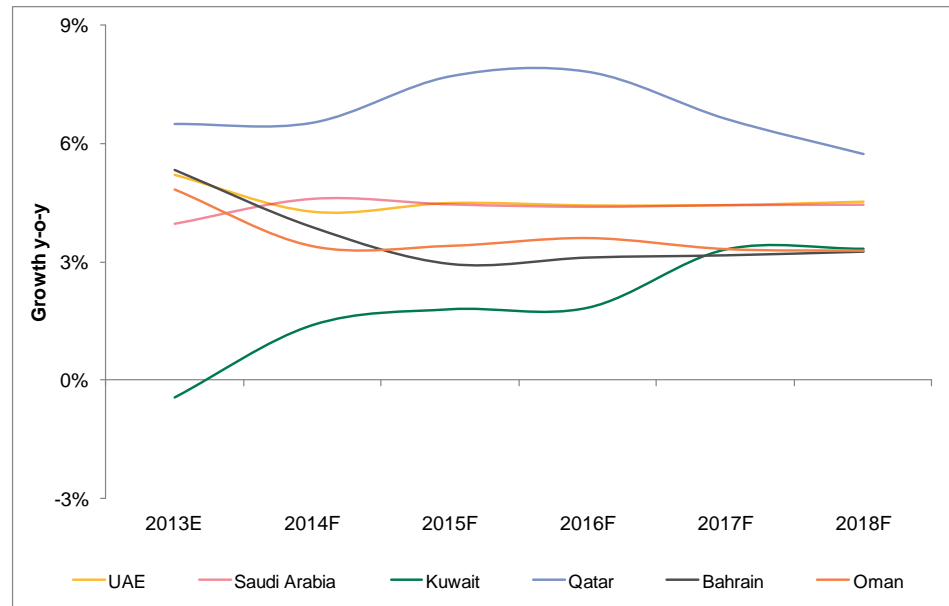
Qatar's non-oil sector is predicted to increase by more than 10% in 2014

Dubai's successful bid to host the World Expo 2020 paves the way for further growth of its non-oil sector, lending momentum to the construction, tourism and hospitality sectors. Qatar's non-oil sector is predicted to increase by more than 10% in 2014, stimulated by its major infrastructure projects such as the Doha Metro and the Hamad International Airport⁵⁶. Saudi Arabia is also undertaking gradual steps towards diversification. Between 2014 and 2017, the country's non-oil sector is forecasted to grow at CAGR of 4.7%⁵⁶.

⁵⁵ Source: "IIF forecasts strong growth prospects for GCC countries", www.gulfnews.com, May 5, 2014

⁵⁶ Source: "BUSINESS – Exciting times for GCC entrepreneurs", The Middleeast Online, November 2014

Exhibit 22: Expected GDP Growth (at Constant Price) in the GCC Countries



Source: IMF, October 2014

Note: E – Estimated, F – Forecasted

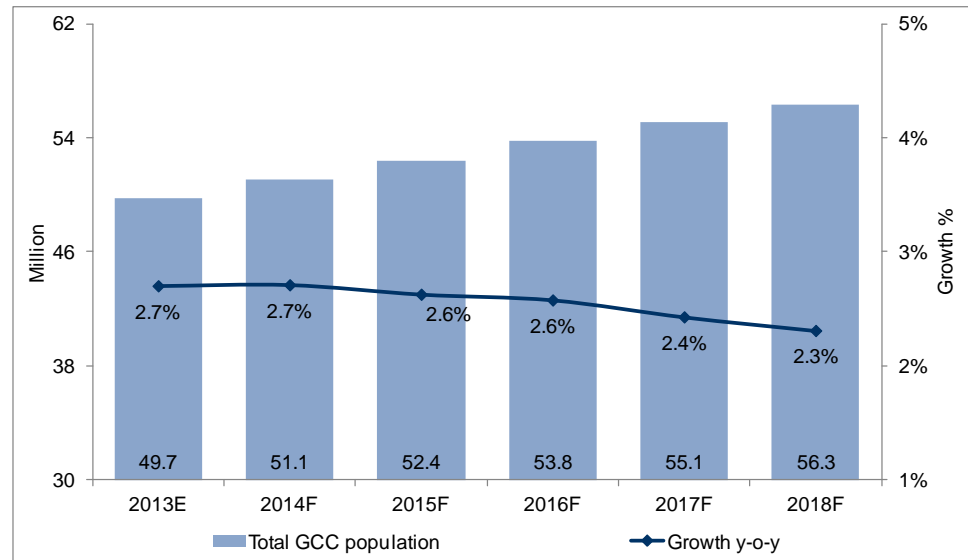
A Growing, Young and Diverse Population

The GCC population rose at a 2.9% CAGR between 2009 and 2013, and is expected to expand at 2.5% in the next five years

The GCC region's retail industry receives an inherent growth thrust from its young, diverse and expanding population base. The population of the region rose at a 2.9% CAGR between 2009 and 2013⁵⁷, one of the fastest growing in the world. Between 2013 and 2018, it is expected to grow at a CAGR of 2.5% (see Exhibit 23). This population rise has been supported by the inflow of expatriates, increased life expectancy and improved standards of living. The growing consumer base is directly translating into higher market demand for retail products, making the region one of the most attractive prospects for retailers.

⁵⁷ Source: IMF, 2014

Exhibit 23: The GCC Population Trend



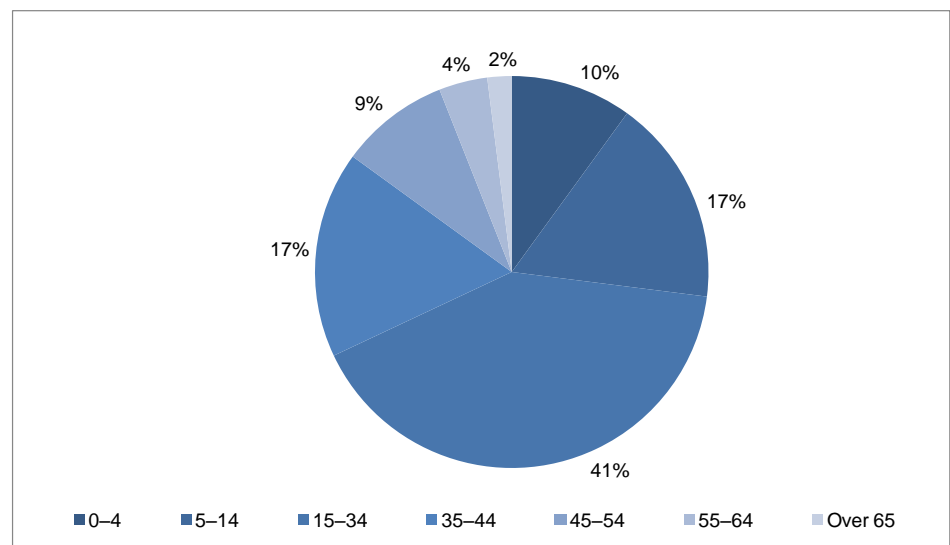
Source: IMF, October 2014

Note: E – Estimated, F – Forecasted

Nearly 41% of the GCC population is aged between 15 and 34 years

Nearly 41% of the GCC population is aged between 15 and 34 years⁵⁸ (See Exhibit 24). Saudi Arabia, Qatar, Oman and the UAE have the highest proportion of young population. Increased awareness of the latest trends among the youth and high inclination towards premium clothing and accessories is encouraging international and local retailer brands to set up shop in the region.

Exhibit 24: Composition of the GCC Population (Ages in Years)



Source: Al Masah Capital Research

Note: E – Estimated, F – Forecasted

⁵⁸ Source: "GCC Foodservice Sector", Al Masah Capital, April, 2014

The Gulf is also home to expatriates from 200 countries with diversified taste and preference

The Gulf is also home to expatriates from 200 countries with diversified taste and preference. Retailers are attracted to the region by this blend of people of various nationalities and cultures showing different buying patterns. Expatriates, mainly from the western countries, have brought along their food habits of eating processed and fast foods with them. This has had an influence on the food habits of locals as well, especially the youth. With increasing urbanization and limited avenues of entertainment outside the cosmopolitan cities of the region, people see eating out as a form of social gathering.

Growing Affluence

The rise in GDP, government-mandated pay hikes and a liberal personal tax regime have increased the per capita disposable income of the GCC inhabitants, thereby allowing increased discretionary spending on food and non-food items. Rising income levels have also led to acquiring a taste for lifestyle products. Having noticed this trend, retailers are tapping the potential created by the anticipated rise in demand for such products. With the government spending substantially on building infrastructure, retailers are slated to enjoy the platform to cater to this demand faster and more efficiently.

The affluent population in the Middle East is expected to grow by over 30% by 2023

The Middle East, dominated by the GCC region, is home to many high net worth individuals. With a high degree of spending power, they display a liking towards premium and high value products. This population of the wealthy tops the priority of international luxury retailers entering the region. The affluent population in the Middle East is expected to grow by over 30% by 2023 (See Exhibit 25). This presents a fertile landscape for the local as well as international players. The international retailers thus see the GCC as a major hub for luxury retailing.

Exhibit 25: The Middle East Wealth Trend

Type	2013	2023	% Change
Number of Ultra High Net Worth Individuals (+US\$ 30 million)	7,052	9,498	35%
Number of Centa-Millionaires (US\$ 100 million)	1,508	2,044	36%
Number of Billionaires	108	146	35%

Source: *The Knight Frank Wealth Report, 2014*

People are attracted to the Middle East, especially the UAE for the most promising shopping, dining and indoor entertainment experiences

Increase in Travel and Tourism

The GCC has been consolidating its presence in the international tourism industry. Its tourism sector is being promoted as a bustling center for sports, adventure, MICE and leisure activities. The region aims to further promote its countries as international tourist hubs to reduce its reliance on the oil sector. People are attracted to the Middle East, especially the UAE, for the most promising shopping, dining and indoor entertainment experiences it offers. To boost tourism, the region hosts annual shopping festivals such as the Dubai Shopping Festival, the Dubai Summer Surprises, the Abu Dhabi Shopping Festival and the Doha Trade Fair. The Gulf also plans to launch a unified visa program for international tourists, aimed at simplifying the travel formalities. With regional and international tourists visiting the Middle East countries, retail tourism is expected to surge threefold by 2030⁵⁹. Pilgrimage to Mecca and Medina in Saudi Arabia (e.g., Haj and Umrah) represents religious tourism with significant socio-cultural effects on the urban

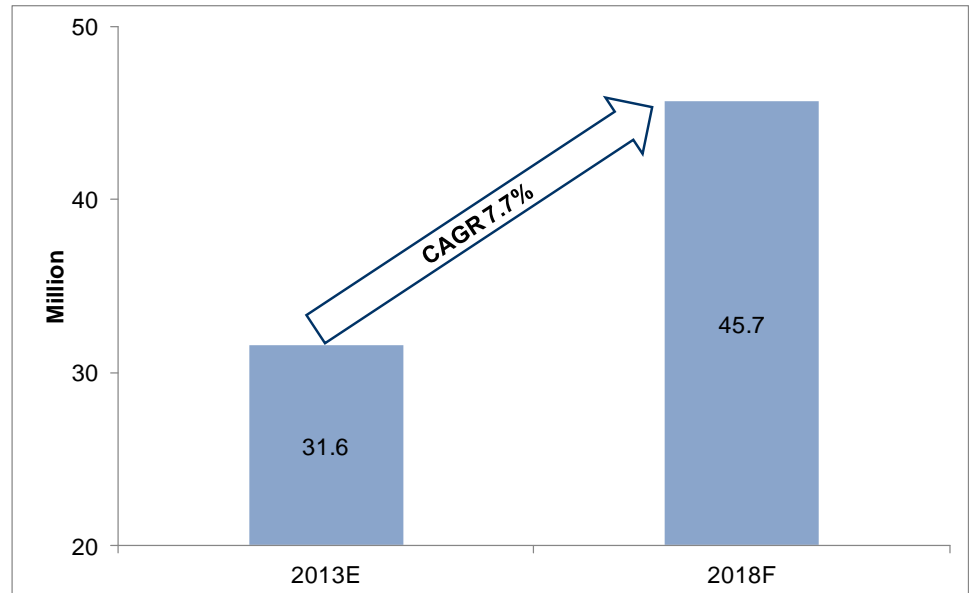
⁵⁹ Source: "Promising future ahead for retail", Khaleej times, June 8, 2014

International tourist arrivals in the GCC are forecasted to grow at a 7.7% CAGR between 2013 and 2018 to 45.7 million

development of the holy cities and their local economies. Also, with its healthcare sector development, the region is likely to see an increase in medical tourism.

International tourist arrivals in the GCC are forecasted to expand at an annual average growth rate of 7.7% between 2013 and 2018 to 45.7 million passengers⁶⁰ (see Exhibit 27).

Exhibit 26: Expected International Tourist Arrivals in the GCC Region



Source: WTTC, 2014, Alpen Capital

Note: E – Estimated, F – Forecasted

The liberal corporate tax regime further pulls investors towards the region

Favorable Corporate Tax Structure

Governments across the GCC region are undertaking initiatives to encourage the local and international retail companies by offering attractive tax sops. The liberal corporate tax regime further pulls investors towards the region. The tax structure allows the companies to retain most of the profits from their business in the region. General corporate tax in the UAE and Bahrain is nil (see Exhibit 26). These countries levy most taxes on the highly profitable oil and gas sector.

⁶⁰ Source: WTTC, 2014, Alpen Capital

Exhibit 27: Corporate Tax Structure in the GCC

Country	Corporate Tax Rate	Exceptions
UAE	Nil	<ul style="list-style-type: none"> Oil and gas exploration and production companies are taxed at flat rates of 50% in Dubai and 55% in Abu Dhabi. Branches of foreign banks are taxed at rates agreed upon with the ruler of the Emirate in which they operate, generally at a flat rate of 20%.
Saudi Arabia	20%	<ul style="list-style-type: none"> Local enterprises and portions of joint enterprises incorporated or registered in Saudi Arabia are not subjected to tax. Corporate tax on natural gas projects is 30%. Tax on oil and other hydrocarbon production is 85%.
Qatar	10%	<ul style="list-style-type: none"> Tax on oil and gas operations is 35%.
Kuwait	15%	<ul style="list-style-type: none"> N/A
Oman	12%	<ul style="list-style-type: none"> Companies registered in Oman and permanent establishments of foreign companies are not subjected to any tax on their first US\$ 78,000 of taxable income, above which, the applicable tax rate is 12%. Oil exploration and production companies are taxed at a rate of 55%.
Bahrain	Nil	<ul style="list-style-type: none"> Profits of oil and gas companies are taxed at 46%.

Source: ITR World Tax

Growing E-Commerce

The GCC region represents a significant untapped e-commerce opportunity

The GCC region represents a significant untapped e-commerce opportunity. Although the region is home to a large young population that is comfortable with technology, it displays low e-commerce penetration. The contribution of e-commerce to the Middle East's total retail sales is less than 1% and that to the GCC region's is only 2%⁶¹. Only 15% of the retailers in the region have an online presence.

E-commerce is gaining popularity among women in Saudi Arabia who can now shop from the comfort of their homes

However, e-commerce is gaining popularity, even among the women in Saudi Arabia who can now shop from the comfort of their homes. The online retail model entails lesser capital investment and overhead costs, thereby, enabling online retailers to offer better deals while maintaining their margins. The young population is enthused by the competitive offers and is showing an increasing preference towards this medium. With growth in credit card penetration and establishment of secure payment options, online shopping promises to become a smoother experience than before. This is expected to boost the region's still nascent e-commerce industry.

The UAE's e-commerce industry showed a growth of over 20% y-o-y in 2013 and is expected to touch US\$ 5.1 billion in 2015

The level of penetration and growth of the e-commerce industry is different among the GCC countries. However, these countries are displaying a healthy potential for future growth in their e-commerce industry. This belief is reinforced by the statistics from the region. The number of e-commerce customers in the UAE stands at 3.6 million, the highest in the region. The UAE's e-commerce industry showed a growth of over 20% y-o-y

⁶¹ Source: "Only 15% of GCC businesses are online", BQ Doha, July 07, 2014

E-commerce market in the GCC is expected to grow at a CAGR of 18.6% to US\$ 15 billion between 2012 and 2015

The UAE and Saudi Arabia have one of the highest rates of smartphone penetration in the world

The GCC region's m-commerce sales are expected to reach US\$ 3 billion by 2015

Expo 2020 is expected to play host to exhibitors from across 180 destinations and at least 25 million visitors

in 2013 and is expected to touch US\$ 5.1 billion in 2015⁶². The Saudi Arabian e-commerce sector is expected to grow to US\$ 2.7 billion in 2015 from US\$ 1 billion in 2012. In Qatar, the e-commerce sector is forecasted to grow to US\$ 1.2 billion in 2015 from US\$ 0.7 billion in 2012. While Oman is currently lagging in terms of its e-commerce penetration, the country is expected to gather steam going forward, in line with the trend in most parts of the region. Subsequently, with increased internet penetration and the rising popularity of the format, the e-commerce market in the GCC is expected to grow at a CAGR of 18.6% to US\$ 15 billion between 2012 and 2015.

Some of the well known e-commerce vendors in the Gulf are Wyasda, Groupon, Amazon, MarkaVIP, Souq.com, Etsy.com and Tradus.com. To increase their popularity, some online retailers are now launching specialized offerings compatible with the region's indigenous values. In October 2014, Malaysia-based Zilzar launched its online market for selling halal products under various categories including food and beverages, clothing and fashion, electronics, medicines and media.

The m-commerce market in the region is also growing. The UAE and Saudi Arabia have one of the highest rates of smartphone penetration in the world. Retailers have also recognized the prospects of the mobile channel and are devising strategies to tap them. IKEA has launched a mobile app where customers can browse through its expansive collection and plan their visit to the store. In the future, the application capabilities are likely to be extended to a more comprehensive m-commerce environment where mobile payment and self-scanning solutions will be made available. In February 2014, Souq.com launched its app in English and Arabic that helps consumers to browse, search and buy products and also track orders. A sizeable proportion of all transactions on Souq.com now happen through mobiles and tablets. In November 2014, Souq.com launched the "White Friday" scheme for three days under which 20 top brands launched their biggest and exclusive deals through the online platform. The first day of "White Friday" was live only through its mobile application. To take advantage of the growing m-commerce medium, PayPal has also launched a mobile app in Arabic and is looking to set up a customer service base to cater to its Arabic-speaking users.

The GCC region's m-commerce sales are expected to increase from US\$ 0.9 billion in 2012 to US\$ 3 billion in 2015⁶². In 2012, m-commerce accounted for only 10% of the region's B2C e-commerce sales. This share is expected to reach 20% by 2015.

Upcoming Mega Events

The UAE and Qatar are hosts to Expo 2020 and FIFA World Cup 2022, respectively. A number of projects are being implemented in these two nations as well as their neighboring countries to support the huge anticipated inflow of visitors at these events. This is helping to boost the infrastructure, hospitality, tourism and retail sectors in the region. The developments will also attract additional foreign direct investment, new businesses, and skilled workers, resulting in further economic progress and higher disposable income, in general.

Expo 2020 is expected to play host to exhibitors from across 180 destinations and at least 25 million visitors⁶³. In view of the expo, approximately 200,000 new businesses will be established in Dubai⁶⁴. The expo is expected to generate around 275,000 new jobs, providing employment in various sectors. Mall space in Dubai is estimated to double by 2020 to accommodate the tourists during Expo 2020⁶⁵. Qatar is preparing to welcome

⁶² Source: "Only 15% of GCC businesses are online", BQ Doha, July 07, 2014

⁶³ Source: "Start ups are well placed to enjoy the benefits of Dubai's Expo 2020 preparations", Expo 2020 Dubai

⁶⁴ Source: "Expo 2020 win to give retailers a boost", gulfnews.com, November 28, 2013

⁶⁵ Source: Dubai Department of Tourism and Commerce Marketing

about one million international tourists at the FIFA World Cup 2022. The country is preparing to host the event with the construction of malls such as the Doha Festival City (which is one of the largest retail developments in Qatar), the Marina Mall, the Mall of Qatar, the North Gate Mall, the Tawar Mall and the Al Gharafa Mall (Gulf Mall).

Huge infrastructure projects and influx of new visitors in the run-up and during the actual events are expected to provide a major boost to the tourism and retail industries in the region over the coming years.

Easy Availability of Credit and Interest Payment Plans

To encourage the usage of plastic money and increasing spending, credit providers and retailers are adopting new incentive plans

Schemes encourage customers to make high value purchases even if they do not have as much liquidity at that time

The spending behavior of consumers in the Gulf is changing with the penetration of plastic money (Debit and Credit cards). To encourage the usage of plastic money and increasing spending, credit providers and retailers are adopting new incentive plans. Among the most popular are the zero interest credit offers, under which credit card users can make purchases through credit card for immediate delivery and the purchase amount can be repaid in fixed term installments of 3, 6 or 12 months at no extra cost. It is commonly known in the industry as “Zero per cent Easy Payment Plan”. Such schemes encourage customers to make high value purchases even if they do not have as much liquidity at that time. HSBC Bank offers such plans to its card holders by collaborating with retailers like Virgin Megastores, Emax, PAN Emirates, Joyalukkas and Malabar Gold & Diamonds, to name a few. Mashreq, one of the UAE's leading national financial institutions, has also launched the plan for its card holders through partnership with over 100 retailers including Sharaf DG, Emax, Jacky's, Jumbo, Damas, Joyalukkas, Mark and Spencer, LuLu and Carrefour. The LuLu Group, along with Abu Dhabi Commercial Bank, has launched the ADCB LuLu Credit Card that enables consumers to shop and pay in easy installments at low interest rate. The shoppers earn loyalty points with every purchase made through the card which can be redeemed at any LuLu outlets in next shopping.

5. Challenges

Falling Oil Prices

Heavy dependence on the hydrocarbon sector exposes the GCC region to the risks arising out of price fluctuations

Economic slowdown in other oil-dependent countries may lead to lower tourist inflow from these countries into the GCC

After holding up close to the US\$ 90 – US\$ 100 levels for several months, the global crude oil prices have lately shown significant weakness due to an imbalance between demand and supply factors. Heavy dependence on the hydrocarbon sector (see Exhibit 28) is also exposing the GCC region to the risks arising out of price fluctuations.

Even an optimistic assumption of oil prices at US\$ 75 per barrel for a prolonged period translates into a nearly 1% dent in the GDP of the GCC countries and a US\$ 175 billion contraction in their aggregate fiscal surpluses⁶⁶. Materialization of such risks may prompt the governments to curtail spending and reduce subsidies on energy, utilities and other areas where they partly fund consumer expenses⁶⁷. Certain infrastructure projects could face a delay or may get stalled. The resultant dip in the disposable income levels could affect the region's retail sector adversely. Economic slowdown in other oil-dependent countries may also lead to lower tourist inflow from these countries into the GCC, further affecting the retail market. Soft oil prices could have a widespread impact particularly on Saudi Arabia, the largest economy in the Gulf. As we go to print, the NYMEX crude oil future contract for March 2015 is quoted at US\$ 45.19 per barrel⁶⁸.

Exhibit 28: Share of Hydrocarbon and Non-hydrocarbon Sectors in Nominal GDP (2013)

Countries	Hydrocarbon	Non-Hydrocarbon
UAE	33%	67%
Saudi Arabia	47%	53%
Qatar	54%	46%
Kuwait	64%	36%
Bahrain	28%	72%
Oman	49%	51%

Source: Alkhabeer Capital, August 2014

Increase in Retail Rental Rates

Average retail rent per sq m in Dubai's primary super regional malls increased by 54.0% y-o-y in the third quarter of 2014

Retail rent account for a significant proportion of overall costs for retailers. Despite the increase in total retail space and expected GLA supply in the coming years, retail rental rates in many Gulf cities have been on an uptrend. Average retail rent per sq m in Dubai's primary super regional malls⁶⁹ increased by 54.0% y-o-y in the third quarter of 2014, while it grew by 39.1% in the secondary super regional malls during the same period⁷⁰. The increase in retail rental rates was relatively moderate in other major cities in the UAE and Saudi Arabia. Rents are expected to expand further in the coming months in Dubai and Riyadh. Such overhead escalations can have a negative bearing on retailers' margins if

⁶⁶ Source: "IMF warns GCC countries of \$175 billion hole created by falling oil prices", The National Business, October 27, 2014

⁶⁷ Source: The National, October 2014

⁶⁸ Source: Bloomberg

⁶⁹ Super regional malls are defined as malls having a GLA of more than 90,000 sq m

⁷⁰ Source: "Dubai Real Estate Market Overview", JLL, Q3 2014

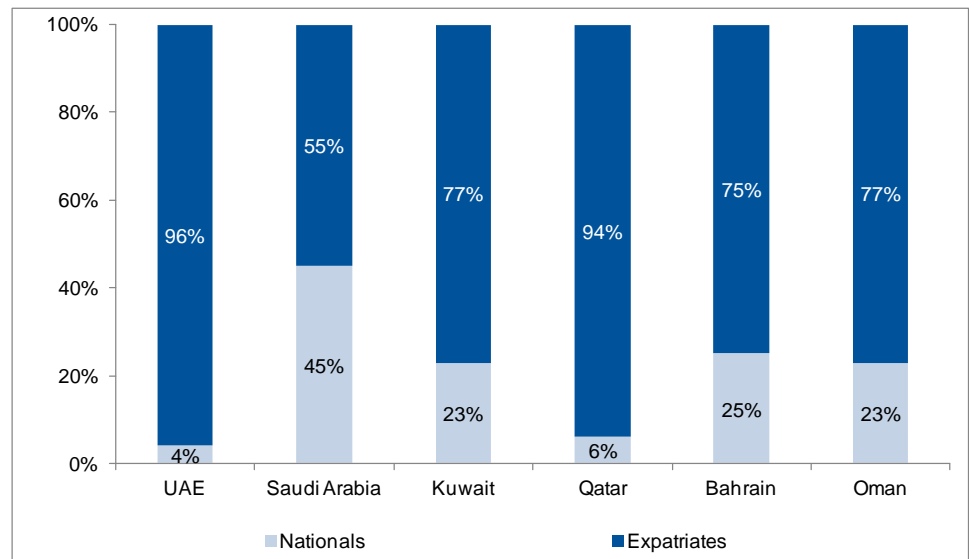
Expatriates constitute more than 80% of the workforce in most of the GCC countries

they are not able to offset the higher costs with increase in product prices and/or improved operating efficiencies.

Dependence on an Expatriate Workforce

Traditionally, the GCC region has been relying heavily on expatriates for both skilled and unskilled jobs. Expatriates constitute more than 80% of the workforce in most of the GCC countries, largely employed in the private sector (see Exhibit 29). To support its continued growth, the retail industry is likely to demand more human resources in the future.

Exhibit 29: Composition of the GCC Workforce



Source: *Source: Arab Gulf States: An Assessment of Nationalisation Policies, 2014*

One of the major challenges in maintaining a large expatriate workforce is the high attrition rate since many foreign workers prefer to return to their home countries after making significant savings. Retailers are thus faced with the challenge of hiring and retaining talented and capable employees.

Last year, the Saudi Arabian government deported thousands of expatriates from the country

On the other hand, governments also need to address the challenges faced by working expatriates to make the region a friendlier destination for the global workforce. Last year, the Saudi Arabian government deported thousands of expatriates, mainly unskilled workers from South Asia. To correct the demographic imbalance between nationals and expatriates and reduce reliance on foreigners, the Kuwaiti government has passed a bill for unskilled and semi-skilled expatriates residing in the country. The bill imposes a five-year residency cap on foreigners, bans them from bringing their families into the country and limits the size of any expatriate community to less than 10% of the Kuwaiti population⁷¹. From February 2015, it is estimated that 280,000 expatriates will be leaving Kuwait every year for the next five years. Such arbitrary actions may deter people from migrating to the GCC region, posing a threat to its economic stability and growth. It may also discourage retailers from entering or expanding into the region as they would have to spend significant resources on periodically recruiting and selecting new expatriate staff. Governments need to formulate clear policies for migrants that instill a sense of confidence and security.

⁷¹ Source: "More than 2.4 million expats live in Kuwait", gulfnews.com, December 8, 2014

Increasing competition and limitation of quality retail space have threatened the growth of retailers

Major challenges to the growth of online retail in the region are insufficient internet infrastructure and logistics facilities

Counterfeiting is resulting in financial loss and reputational damage to several leading retailers and brands

Increase in Competition

Increasing retail space and number of local and regional retailers in the Gulf have intensified competition in this sector in the recent years. The major shopping hubs of the region have attracted many international brands from across the globe, further fragmenting the market. The increasing competition and limitation of quality retail space have threatened the growth of retailers. To overcome this challenging environment, retailers are now exploring new geographies for expansion, improving services and developing new-concept malls like women-only malls and theme-based malls.

Inadequate Infrastructure for Online Retail

The GCC online retail sector is currently underdeveloped due to lack of efficient internet infrastructure as well as a general lack of trust among consumers. The number of internet users opting for online transactions is very low in the region. Online retailing faces additional challenges related to the delivery of products due to under-developed inventory nodes, warehouses and stocking points in the region. To keep up with the changing market dynamics, the region needs to improve its delivery structure.

Major challenges faced are the lack of customer trust related to the online ecosystem and low penetration of credit cards. The most preferred mode of e-commerce transaction in the region is cash on delivery (COD). The retailers find COD as an obstacle to their growth since they have to take special precautions before delivering the products. The chances of the products getting returned or undelivered can be as high as 40%, which is not sustainable for them. Another issue that hampers the growth of online retail is the high rate of interest levied on online transactions by credit card companies.

Counterfeit Products

Counterfeiting has been posing a serious threat to retailers in the GCC for the past several years. With its presence spread across multiple product categories, it is resulting in financial loss and reputational damage to several leading retailers and brands. Counterfeiting is difficult to track as it remains unaccounted for in the financial system. The governments of the region have taken a serious view of the issue and are implementing remedial measures to curb the trade of counterfeit products in the retail sector.

6. Trends

A Shift towards Healthy and Convenience Food Items

With increasing health consciousness, consumers in the GCC are seeking protein-rich diets and high value processed foods are more in demand compared to the carbohydrate-rich staple foods. The region is home to the highest number of overweight people in the world, with obesity levels between 60% and 80%⁷². Over 15% of the population of the GCC countries is diabetic. Low fat foods are, therefore, fast gaining popularity.

Convenience foods such as pre-cut vegetables, salad, fruits and pre-marinated meats are in demand

Changing lifestyles are also creating demand for healthy and convenience food items. Preserved ready-to-eat meals are making way for fresh ready-to-cook products. Convenience foods such as pre-cut vegetables, salad, fruits and pre-marinated meats are in demand. With a 35% market share in convenience food retail sales, the UAE's Barakat Quality Plus is one of the prominent convenience foods retailers in the GCC offering fresh, preservative-free juices as well as pre-cut and peeled fruits and vegetables. Like the UAE, the healthy and convenience food segment in Saudi Arabia is growing, fuelled by surging demand from educated women and youth. Although the country's current regulations restrict the sale of fresh products such as meats and fish in small stores, this policy is likely to be reconsidered in the long run. In order to tap the convenience foods opportunity in the GCC region, retailers such as Del Monte, Spinneys, LuLu Hypermarket and Carrefour are strengthening their presence in this retail category.

The convenience foods retailing is still at its nascent stage in the region. However, with the surge in consumer demand and advancement of retailing, the segment is likely to witness substantial growth in the future.

Mushrooming of Homegrown Brands

The concept of homegrown brands has been slowly picking up in the GCC, particularly in the fashion and grocery segments

The concept of homegrown brands has been slowly picking up in the recent years in the GCC, particularly in the fashion and grocery segments. Under the homegrown brands set-up, the retailers either locally manufacture their products or import semi-finished goods and convert them into finished goods within their own territorial boundaries. This helps retailers to understand the customers' needs, customize their products and ensure high margin.

The homegrown brands concept is a highly profitable option for retailers, as they cut off the intermediaries in the value chain and increase profit margins. Retailers either opt to keep the additional margin or offer products at competitive prices. Shoemart, a homegrown brand of the Landmark Group, is a leading name in fashion, footwear and accessories for men, women and children. In the food retail segment, Carrefour, LuLu, Spinneys and Waitrose have already entered the homegrown brands segment with their offerings of basic frozen foods and grocery, along with electronics, health and beauty products. Consumers are also gradually gaining confidence in the homegrown branded products and are accepting them. At Othaim Markets, sale of homegrown brands has been gaining traction and they currently represent 10% of its total sales.

Homegrown brands are trying to position themselves as premium brands by offering superior product quality and services

However, the acceptance of homegrown brands is still a major challenge for retailers in the region owing to strong popularity of international brands among the consumers. To address this challenge, homegrown brands are trying to position themselves as high quality brands by offering quality and services at par with that of international retailers

⁷² Source: "A Generous Helping of Food Retail Growth in GCC", A.T. Kearney

Customers with a fast moving lifestyle prefer to shop at convenience stores for their daily requirements

Convenience stores sales in the UAE are forecasted to grow at a CAGR of 16.3% between 2013 and 2018

Development of community malls has gaining traction in the GCC in the last few years

Community malls are gaining popularity among customers due to the convenience of shopping they offer

Modern Convenience Stores – Changing the Shopping Format

Convenience stores are one of the highly promising segments of the retail industry in the Gulf. The format was first adopted in the region by the UAE. With local and international retail chains opening convenience stores, the format has seen many innovations. The size of convenience stores ranges between 1,000 sq m and 2,200 sq m. Customers with a fast moving lifestyle prefer to shop at these stores, typically located in the neighboring towers, for their daily requirements.

In Abu Dhabi, a new regulation for store standards and appearance was introduced in 2013, which is likely to stimulate the growth of convenience stores in the emirate. The new transformation policies encourage local stores to modernize. Considering the changing buying pattern of consumers, many international players are entering the market with new small stores. The Spar retail chain has launched an express convenience store in the Abu Dhabi Tourist Club Area. It offers an extensive range of fruits and vegetables, a butcher counter and a wide range of grocery and dairy products to service the everyday needs of local customers. Majid Al Futtaim, owner of the Carrefour franchise, recently launched Carrefour City, a chain of convenience-sized stores, in the UAE with opening of the first store in Dubai in November 2014. Circle K, which currently has 33 convenience stores, plans to launch around 500 such stores. Freshplus owned by Emarat, the UAE's leading petroleum retailer that operates 85 convenience stores, is another entrant in the convenience store segment. With further evolution of the retail industry structure, the concept of modern convenience stores is also likely to gain prominence in other parts of the GCC.

The format is gaining popularity in the GCC as convenience stores tend to be less crowded and provide customers with a more pleasant shopping experience. The retailers also find opening these stores attractive as the set-up cost is lesser as compared to large modern outlets. These stores occupy a small area in nearby vicinity, where rents are typically lower than the in big malls and shopping centers. Also, the stores do not require a large staff for managing daily operations. The convenience stores sales in the UAE are forecasted to grow at a CAGR of 16.3% between 2013 and 2018⁷³.

Community Malls

A community mall, also known as neighborhood shopping center, is usually spread over a retail area of 9,300 to 32,500 sq m and serves a primary area of 4.8-9.7 kilometers. Community malls have an integrated portfolio of shops and services, including fashion, sports, food, entertainment, health and wellness along with offers rewards, cultural activities, entertainment and excellent customer services. Development of community malls has been gaining traction in the GCC in the last few years. Despite the growing number of mega malls, community malls catering to a specific residential community are here to stay. The Al Barsha Mall and The Beach, which cater to the residents of the Al Barsha and Jumeirah Beach Residence areas, respectively, are examples of community malls in Dubai. Presence of community centers is higher in the UAE compared to other GCC countries. There are more than 100 community malls in the UAE and many more in pipeline⁷⁴.

Community malls are gaining popularity among customers due to the convenience of shopping they offer. Located within walking reach of communities, smaller size of the malls makes it easier for shoppers as they spend less time and efforts to reach their favorite

⁷³ Source: "Tempting opportunities as convenience stores lead UAE retail growth", Business Monitor, November 19, 2014

⁷⁴ Source: "Small malls retain appeal", Khaleej Times, November 17, 2014

outlets. Also, the malls offer attractive promotions and rewards throughout the year. From the retailers' perspective, community malls help in growth of home brands and local small and medium enterprises. The Aswaaq Group allocates at least 20% of available shops for rent in each of its community malls to members of Dubai SME.

7. Merger and Acquisition (M&A) Activities

Socio-political stability coupled with the government initiatives directed at increasing economic diversification is creating a positive environment for investors in the GCC. Various non-hydrocarbon sectors, especially construction and service oriented industries like retail, are experiencing a good momentum. With the stage set for continued growth, the retail sector in the Gulf remains a hotbed for M&A activities.

Majid Al Futtaim Holding acquired 25% in Majid Al Futtaim Hypermarkets from Carrefour Group for US\$ 680.5 million

Since November 2012, several deals have taken place in the sector (see Exhibit 30). The largest deal during the period under consideration was the acquisition of 25% additional equity stake in Majid Al Futtaim Hypermarkets by Majid Al Futtaim Holding from the Carrefour Group for US\$ 680.5 million. A number of other M&A transactions involved some of the region's leading retailers including the Savola Group, Damas International, LuLu Group and Al Meera Consumer Goods Co.

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

Acquirer	Acquirer's Country	Target Company	Target's Country	Year	Consideration (US\$ Million)
Majid Al Futtaim Holding LLC	UAE	Majid Al Futtaim Hypermarkets	UAE	2013	680.5
Savola Group Company	Saudi Arabia	Al Azizia Panda United Company	Saudi Arabia	2013	190.0
Mannai Corp. QSC	Qatar	Damas International Ltd	UAE	2014	150.0
Qatar Holding	Qatar	Tiffany & Co.	US	2013	103.5
Fawaz Abdulaziz Alhokair & Co.*	Saudi Arabia	42 shopping outlets	Saudi Arabia	2014	102.1
Marka PJSC	UAE	Retailcorp Brands	UAE	2014	59.9
Tiger Global Management	USA	Cobone.com	UAE	2013	40.0
Al Meera Consumer Goods Company	Qatar	Safeer Stores – Oman	Oman	2013	32.1
Esterad Investment Company BSC	Bahrain	Bahrain Duty Free Shop Complex Company BSC	Bahrain	2013	2.8**
LuLu Group International*	UAE	The East India Company Limited	UK	2014	N/A
LuLu Group International*	UAE	East India Fine Foods Ltd	UK	2014	N/A
The Swatch Group	Switzerland	Rivoli Group	UAE	2013	N/A

Source: Zawya, Bloomberg

Note : * - Deals pending completion (as on January 22, 2015)

** - The consideration reflects acquisition of only 1.36% stake in Bahrain Duty Free Shop Complex Company BSC

Country Profiles

UAE

Key Growth Drivers

- **Consumer base:** The IMF expects the population of the UAE, the second-most populated country in the GCC region, to grow at a 2.9% CAGR between 2013 and 2018. The country's population has a progressive lifestyle and is adaptive to modern retailing concepts, particularly due to a rapid rate of urbanization and strong presence of expatriates.
- **Spending power:** The UAE's GDP per capita (PPP) in 2013 was estimated to be higher than that of a number of major developed economies. Global retailers are attracted to the country due to continued economic growth in the medium term. The absence of personal income tax levies and high public spending helps boost the spending power of the resident population.
- **Tourist influx:** The UAE is the leading tourist destination in the Middle East, especially for leisure travelers. Luxurious retail malls, competitively-priced tax free shops, adventure sports facilities and convention centers are huge tourist attractions. The right to host the World Expo 2020 in Dubai further fuels growth and investment into the retail and tourism sectors. The country's political stability adds to its attractiveness as a major tourist hub.

Recent Industry Developments

- In December 2014, Foodmark, the food and beverage division of the Landmark Group launched its first Jamba Juice outlet at the Yas Mall in Abu Dhabi.
- In November 2014, the Jumbo Group invested US\$ 1 million, by tying up with the online mall Tejuri, to start its new online shopping portal with the aim of unifying its online and physical retail stores.
- In November 2014, Dubai-based Global Hotels Management LLC signed a strategic partnership with Vietnam's largest coffee grower Trung Nguyen to launch a luxury coffee chain and distribute premium coffee products in the Middle East and Africa region.
- In September 2014, Marka opened its first four retail food and beverage outlets in the Yas Mall, Abu Dhabi and the Galleria Mall, Dubai.

Macro-economic Indicators

Indicators	Unit	2013	2014F	2018F
GDP growth at constant prices	%	5.2*	4.3	4.5
GDP per capita, constant prices	AED	120,393*	121,889	129,517
GDP per capita, PPP	US\$	63,181*	65,037	74,731
Population	mn	9.0*	9.3	10.4
Inflation	%	1.1*	2.2	4.0
International tourist arrivals	mn	11.3	12.2	19.6

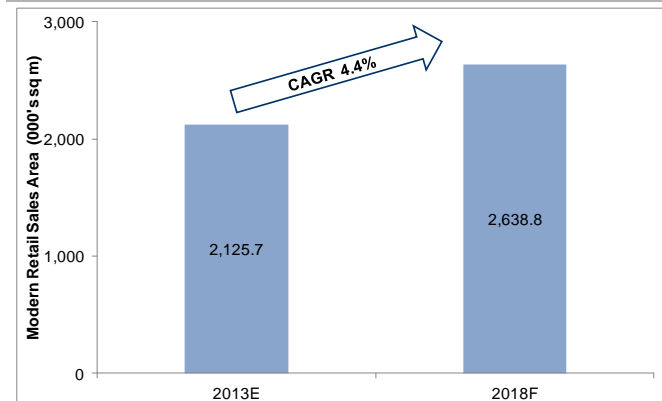
Source: IMF, October 2014, WTTC, Alpen Capital

Note: * – Estimated figures, F – Forecasted figures

Key Players

Company	Type
Al Tayer Group	Luxury retailer
Apparel Group	Lifestyle retailer
Azadea Group	Lifestyle retailer
Chalhoub Group	Luxury retailer
Damas	Jewelry and watch retailer
EMKE Group	Hypermarket/supermarket operator
Joyalukkas Group	Jewelry retailer
Jumbo Electronics	Electronics and IT retailer
Landmark Group	Grocery and lifestyle retailer
Majid Al Futtaim Group/Carrefour	Hypermarket operator

Expected Modern Retail Sales Area Addition by 2018



Source: A.T. Kearney, Alpen Capital

Saudi Arabia

Key Growth Drivers

- **Economic growth:** Although the Saudi Arabian economy continues to benefit from its oil reserves and high exports, the government is spending heavily in the non-oil and industrial areas. Such state spending is contributing towards boosting the economy and elevating the living standard of its people.
- **Demographic strengths:** Saudi Arabia is the most populous country in the GCC, with youth accounting for one-third of the base. The IMF expects the population to expand at a CAGR of 2.0% between 2013 and 2018. Population in urban areas is growing at an even faster pace as a result of migration of rural inhabitants to cities in search of livelihood.
- **Religious tourism:** Saudi Arabia is the most-visited country in the region, with a growing number of pilgrims visiting the holy Islamic cities of Mecca and Medina each year.
- **Online retail:** Increased internet penetration and planned future initiatives such as the availability of secure online payment gateway, governmental support and educational programs to spread awareness about online shopping are expected to fuel the growth in the online retail segment.
- **Retail space per capita:** Retail space per capita in Saudi Arabia is currently lagging compared to other regional markets such as Dubai, thus providing ample scope for retail infrastructure expansion in the future.

Recent Industry Developments

- In December 2014, Ministry of Labor initiated the process of nationalization of the retail sector (especially "baqalas") by setting up cooperative consumer societies. The aim behind the move is to reduce the expatriate share in the sector and encourage young Saudis towards it.
- In October 2014, the Abraaj Group announced to buy a majority stake in the fast-food chain Kudu.
- Saudi Arabia-based Olayan Financing Co., in July 2014, announced its acquisition of a 51% stake in Gulf Union Food Co.
- In July 2014, Apple signed an agreement with Jarir Marketing Company to supply its products directly in the Middle East and subsequently provide the after-sales services.

Macro-economic Indicators

Indicators	Unit	2013	2014F	2018F
GDP growth at constant prices	%	4.0	4.6	4.4
GDP per capita, constant prices	SAR	42,485*	43,525	47,827
GDP per capita, PPP	US\$	51,779*	53,935	64,089
Population	mn	30.0*	30.6	33.1
Inflation	%	3.5	2.9	3.4
International tourist arrivals	mn	12.9	14.4	16.6

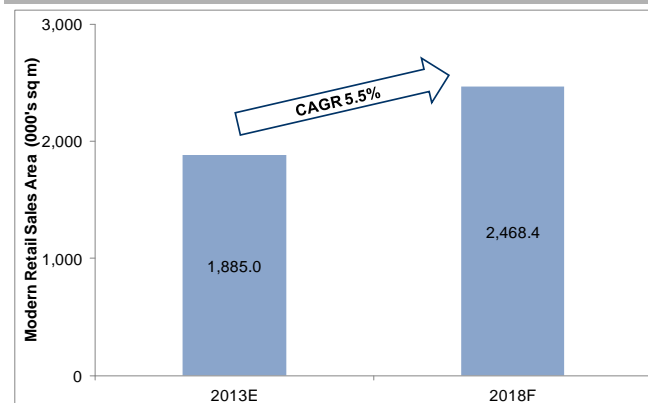
Source: IMF, October 2014, WTTC, Alpen Capital

Note: * – Estimated figures, F – Forecasted figures

Key Players

Company	Type
Abdullah Al Othaim Markets Company	Hypermarket & supermarket operator
Al Azizia Panda United	Hypermarket & supermarket operator
Fawaz Abdulaziz Alhokair & Co.	Fashion retailer
Ghassan Sulaiman Furniture Trading Company Ltd.	Furniture retailer
Jarir Marketing Company	Electronics and appliances retailer
Olayan Group	Food franchisee
United Electronics Company	Electronics and appliances retailer

Expected Modern Retail Sales Area Addition by 2018



Source: A.T. Kearney, Alpen Capital

Qatar

Key Growth Drivers

- **Demography:** The IMF forecasts Qatar's population to grow at a 6.4% CAGR between 2013 and 2018, signaling a strong expansion in its consumer base. The country enjoys close to 100% urbanization and a high presence of expatriates.
- **Disposable income:** According to the IMF, Qatar has the highest GDP per capita (PPP) in the world. The economy has consistently clocked double-digit CAGR in the past few years and is likely to expand respectably in the future, driven by oil and gas exports. Private consumption per head in Qatar is among the highest in the region.
- **Tourism:** Tourist inflow is boosted by an economic boom and the country's highly reputed national airline. Upcoming FIFA World Cup 2022 is also expected to drive tourists into the country. Qatar has already invested over US\$ 200 billion towards infrastructure projects to support tourism and prepare for such sports events.
- **Business environment:** In order to diversify its revenue sources, Qatar offers a favorable business environment and low corporate tax rates to foreign investors. New foreign investments, backed by government support, are expected to bring international retail brands, expatriate workforce and business tourists into the country.
- **Retail space:** Given the current undersupply and vast potential, Qatar may see substantial growth in its retail space over the next few years.

Recent Industry Developments

- In November 2014, Qatar Duty Free opened a Giorgio Armani boutique at Hamad International Airport.
- In August 2014, Ministry of Municipality and Urban Planning announced the development of 20 roads into commercial streets dedicated to retail shops and outlets.
- In July 2014, a partnership was announced between Doha Festival City and the Ali Bin Ali Group to bring the first full-size Monoprix store into Doha.
- A Memorandum of Understanding was signed between the Qatar Foundation and the LuLu Group International in July 2014 to establish an online shopping portal for Qatar.

Macro-economic Indicators

Indicators	Unit	2013	2014F	2018F
GDP growth at constant prices	%	6.5	6.5	5.7
GDP per capita, constant prices	QAR	177,517	172,836	181,162
GDP per capita, PPP	US\$	145,894	144,427	163,702
Population	mn	2.0	2.2	2.8
Inflation	%	3.1	3.4	3.4
International tourist arrivals	mn	1.3	1.4	1.7

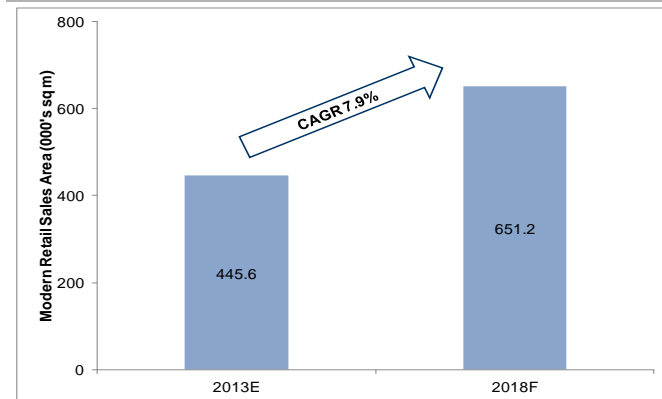
Source: IMF, October 2014, WTTC, Alpen Capital

Note: F – Forecasted figures

Key Players

Company	Type
Abu Issa Holding	Diversified Fashion Retailer
Ali Bin Ali Group	Conglomerate
Al Meera Consumer Goods Company	Supermarket operator
Al Mana Fashion Group	Fashion retailer
Fifty One East	Diversified retailer
Salam Studio and Stores	Lifestyle stores operator

Expected Modern Retail Sales Area Addition by 2018



Source: A.T. Kearney, Alpen Capital

Kuwait

Key Growth Drivers

- **Population profile:** Kuwait is one of the most urbanized economies in the world, with almost all of its inhabitants residing in cities. The IMF forecasts its population to grow at a 2.7% CAGR between 2013 and 2018. Expatriates account for around 85% of the country's workforce. Large numbers of expatriates, along with a significant percentage of young residents, create a robust landscape for growth of the retail industry.
- **Per capita income:** High per capita income is supported by a continued inflow of petrodollars; large scale government spending on health, education and infrastructure and absence of personal income tax or wealth tax. These factors positively impact the disposable income of consumers.
- **Lower penetration of modern retail formats:** The Kuwaiti retail landscape is yet to develop to the fullest of its potential due to limited development of modern retail space. However, formats such as hypermarkets and supermarkets have started emerging and new players are entering the market, thus leading to expansion of gross leasable area. Nevertheless, modern formats still hold the lowest market share in Kuwait among all the GCC economies, allowing further scope for growth and expansion.

Recent Industry Developments

- In December 2014, Baume & Mercier collaborated with the Behbehani Group in Kuwait to launch its Promesse collection.
- Canada's leading fashion retailer, Groupe Dynamite, entered the GCC region through the launch of its first Dynamite store, spreading across 1,800 sq ft, at the Gate Mall in August 2014.
- Marks & Spencer opened a new 12,594 sq m store in the Avenues Mall in March 2014, making it its third store in Kuwait and the 27th in the Middle East.
- LuLu International opened the 230,000 sq ft LuLu Hypermarket in Dajeej in February 2014. The company also stated its plans to open four additional outlets in Kuwait by 2016 as part of its expansion strategy in the GCC.

Macro-economic Indicators

Indicators	Unit	2013	2014F	2018F
GDP growth at constant prices	%	-0.4	1.4	3.3
GDP per capita, constant prices	KWD	10,500	10,357	10,264
GDP per capita, PPP	US\$	70,785	70,992	76,080
Population	mn	3.9	4.0	4.5
Inflation	%	2.7	3.0	4.0
International tourist arrivals	mn	0.2	0.3	0.3

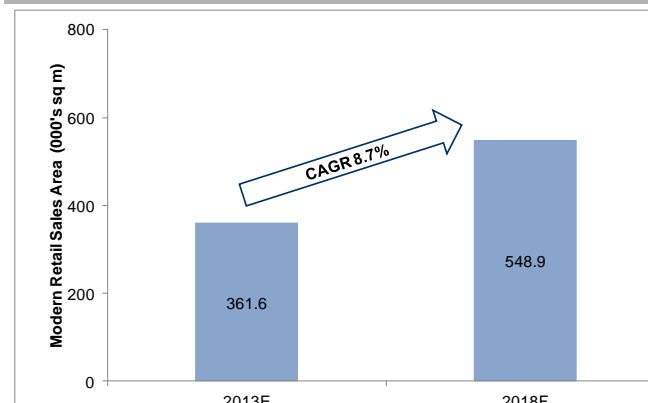
Source: IMF, October 2014, WTTC, Alpen Capital

Note: F – Forecasted figures

Key Players

Company	Type
Alghanim Industries	Electronics and IT retailer
Al Yasra Fashion Company	Fashion retailer
Boushahri Group	Hypermarket & supermarket operator
M.H. Alshaya Group	Lifestyle retailer and restaurant operator
The Sultan Center	Hypermarket & supermarket operator

Expected Modern Retail Sales Area Addition by 2018



Source: A.T. Kearney, Alpen Capital

Bahrain

Key Growth Drivers

- **Demography:** Around 89% of Bahrain's population is urbanized, with its median age in early-30s. The country's population is expected to grow at a 2.0% CAGR between 2013 and 2018, driven by expatriates, who already account for more than half the country's population. These characteristics suggest significant opportunities for growth in the retail industry.
- **Increasing income levels:** GDP per capita based on PPP is likely to increase at a 3.2% CAGR between 2013 and 2018. Higher income levels are expected to have a direct bearing on retail spending.
- **Tourism:** Most of Bahrain's international tourists are from Saudi Arabia. A new visa policy being implemented may further attract international tourists. Also, the Bahraini government and the private sector are significantly upgrading the country's tourism infrastructure.

Recent Industry Developments

- In December 2014, Godrej Locking Solutions and Systems announced its expansion plan in Bahrain to increase its strength from the present 180 retailers to 300 retailers within a three-year span.
- In November 2014, Bahrain-based Investcorp bought Italian safety apparel maker, Dainese, from its founder Lino Dainese for a total consideration of EUR 130 million (US\$ 163 million).
- In November 2014, the Jewellery Arabia 2014 exhibition in Bahrain hosted more than 600 exhibitors from 30 nations.
- The renowned coffee retail chain, Starbucks, launched its first Starbucks Reserve Store in the Bahrain City Centre in October 2014.
- The Dubai-based perfumes and cosmetics maker, Rasai Perfumes, opened a new store at Bahrain City's Sultan Mall in October 2014.
- In August 2014, Ghassan Ahmed Al Sulaiman Furniture Trading Co. Ltd. announced plans to open the first IKEA store in Bahrain, to be spread across 30,000 sq m in Manama.
- Fashion brand, twenty4, launched a 2,000 sq m retail outlet at the Enma Mall in June 2014.

Macro-economic Indicators

Indicators	Unit	2013	2014F	2018F
GDP growth at constant prices	%	5.3	3.9	3.3
GDP per capita, constant prices	BHD	9,152*	9,320	9,737
GDP per capita, PPP	US\$	49,633*	51,394	58,061
Population	mn	1.2*	1.2	1.3
Inflation	%	3.3*	2.5	2.7
International tourist arrivals	mn	4.3	4.5	5.3

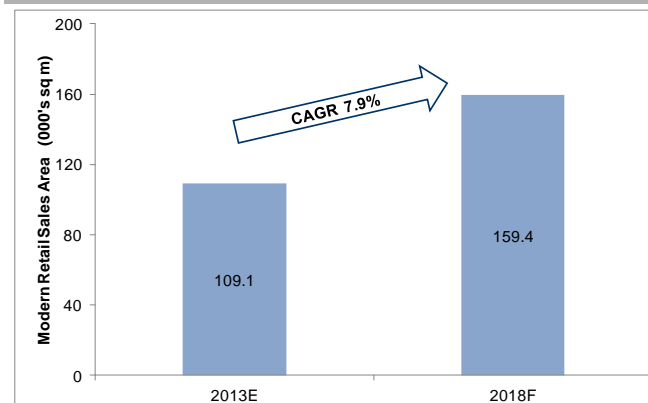
Source: IMF, October 2014, WTTC, Alpen Capital

Note: * – Estimated figures, F – Forecasted figures

Key Players

Company	Type
Al Muntazah Market	Hypermarket & supermarket operator
Almeer Group W.L.L.	Hypermarket & supermarket operator
Bahrain Duty Free	Airport retailer
Jawad Group	Grocery store operator
Mirza Al Helli & Sons B.S.C	Hypermarket & supermarket operator

Expected Modern Retail Sales Area Addition by 2018



Source: A.T. Kearney, Alpen Capital

Oman

Key Growth Drivers

- **Population:** The IMF expects the Omani population to grow at a 3.2% CAGR between 2013 and 2018 to reach 4.2 million. In March 2014, expatriates represented over 44% of the total population. Growing national as well as expatriate population is likely to fuel higher consumer spending, encouraging the entry of new retail players into the country.
- **Higher disposable income:** Government measures such as increasing the minimum wages of citizens by more than 60% and the standardization of salaries of civil employees has increased the disposable income of Omani nationals. In October 2014, the Central Bank of Oman decreased the upper limit on interest rates charged by banks on personal loans. These measures are expected to have a positive impact on the retail industry.
- **Tourist arrivals:** Oman's tourism industry, accounting for 6.4% of the GDP in 2013, is making its significance felt in the development of its economy. According to WTTC's forecast, tourism in Oman is expected to increase by 9.4% in value in 2014 and is likely to contribute 8.2% to the GDP by 2024. Further, the country is likely to initiate the 72-hour visa facility for transit passengers, which may translate into higher footfalls at airport retail counters.

Recent Industry Developments

- In December 2014, Oman Oil Marketing Company (Omanoil) opened eight new Ahlain convenience stores as part of its expansion plan in Oman.
- In November 2014, Oman's Ministry of Defense signed an agreement with the Dubai-based LuLu Group to run a military commercial complex. The complex would have a commercial area of 17,000 sq m and was expected to consist of a shopping mall, stores and other commercial facilities.
- In November 2014, Titan Company Ltd., an Indian watch and jewelry maker, announced its plan to invest OMR 5 million (US\$ 13 million, derived using exchange rate as of November 10, 2014) in the GCC. Around 20% of this investment was expected to be targeted at Oman.
- In October 2014, Al Meera Hypermarket re-opened its store in Barka after its refurbishment. The remodeled store was expected to offer collections from many international brands.

Macro-economic Indicators

Indicators	Unit	2013	2014F	2018F
GDP growth at constant prices	%	4.8	3.4	3.3
GDP per capita, constant prices	OMR	7,015	7,021	7,083
GDP per capita, PPP	US\$	43,304	44,062	48,070
Population	mn	3.6	3.7	4.2
Inflation	%	1.2	2.8	3.3
International tourist arrivals	mn	1.5	1.7	2.1

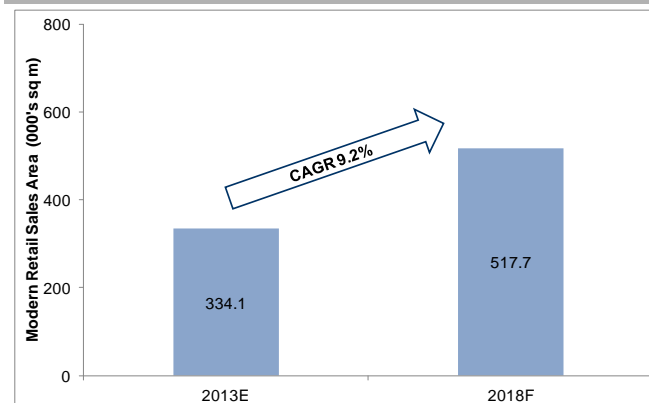
Source: IMF, October 2014, WTTC, Alpen Capital

Note: F – Forecasted figures

Key Players

Company	Type
Assarain Group	Furniture retailer
Hashimani Furniture	Furniture retailer
Jawad Sultan Group LLC	Conglomerate
Khimji Ramdas	Lifestyle retailer

Expected Modern Retail Sales Area Addition by 2018



Source: A.T. Kearney, Alpen Capital

Company Profiles

Abdullah Al Othaim Markets Company (Publicly Owned)

Saudi Arabia

Company Description

Founded in 1980, Abdullah Al Othaim Markets Company (AAOMC) is primarily engaged in retail and wholesale of food products and consumer goods in Saudi Arabia. As on December 2013, the company operated 121 branches in the country. Additionally, the company, through its subsidiaries, has investments in other countries including Egypt, Bosnia & Herzegovina and Turkey.

Business Segments/Product Portfolio

- **Retail and Wholesale Food:** AAOMC operates supermarkets, hypermarkets, groceries and convenience stores. It also provides online retail services.
- **Real Estate Investment:** AAOMC constructs, invests and leases commercial malls.

Key Strengths

- Strong presence in Saudi Arabia's retail and wholesale food industry with nationwide operations.

Recent Developments/Future Plans

- AAOMC signed a memorandum of understanding (MoU) with AGAD United Food for Investment in October 2014 for establishing a limited liability company with a share capital of SAR 100 million (US\$ 26.7 million, derived using exchange rate as of October 16, 2014). The new company shall obtain licenses for launching, operating and managing the Al Baik restaurants in Al-Qassim. AAOMC is expected to hold 25% of the company.
- In September 2014, NCB Capital projected AAOMC to achieve an organic average annual growth of 8%-10% till 2018 due to the new stores added by the company.
- In June 2014, Al Othaim Real Estate and Investment Co., a sister company of AAOMC and the owner of five shopping malls in Saudi Arabia, announced its plan to issue sukuk bonds. The company was expected to raise funds between SAR 500 million (US\$ 133 million) and SAR 1 billion (US\$ 267 million) through this issue.
- In March 2014, Capital Market Board approved AAOMC's request to double its outstanding share capital by issuing one bonus share against every share owned by the shareholders.
- Through its subsidiary Thamarat Al Qassim Company, AAOMC acquired about 1.7 million sq m of agricultural land in the Al Qassim Province in December 2013 from a related party at SAR 6.5 per sq m.

Current Price (US\$) 28.21

Price as on January 22, 2015

Stock Details

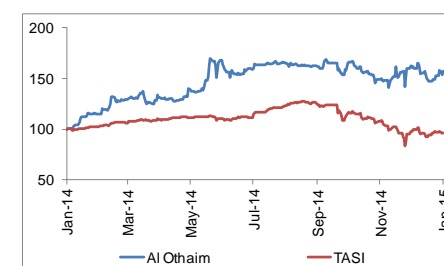
Bloomberg ticker	AOTHAIM AB
52 week high/ low	30.71/18.13
Market Cap (US\$ mn)	1,275. 5
Enterprise value (US\$ mn)	1,313.6
Shares outstanding (mn)	45.0

Source: Bloomberg

Average Daily Turnover ('000)

	SAR	US\$
3M	17,879.6	4,763.8
6M	22,826.4	6,083.8

Share Price Chart



Valuation Multiples

	2013	2014	2015E
P/E (x)	14.6	22.1	19.2
P/B (x)	3.5	N/A	4.4
EV/S (x)	0.7	N/A	0.8
Dividend yield (%)	-	N/A	2.1

Source: Bloomberg

Shareholding Structure

Al Othaim Holding Company	27.60%
Abdullah Bin Saleh Ali Al Othaim	6.00%
Public	66.40%
Total	100.00%

Source: Zawya

Financial Performance				
US\$ Million	2012	2013	Change (%)	<ul style="list-style-type: none"> Revenue rose by 7.4% y-o-y to US\$ 1,221.3 million in FY2013 on account of growth across the company's business segments. Operating income increased 8.7% y-o-y to US\$ 46.0 million on account of sales growth and increase in annual progressive rebate. Operating margin increased from 3.7% in FY2012 to 3.8% in FY2013. Net income grew 12.0% to US\$ 51.3 million in FY2013 from US\$ 45.8 million in 2012 due to sales growth and decrease in finance expenses during the year.
Revenue	1,137.3	1,221.3	7.4%	
COGS	1,050.6	1,015.7	-3.3%	
Operating Income	42.3	46.0	8.7%	
Operating Margin (%)	3.7	3.8		
Net Income	45.8	51.3	12.0%	
Net Income Margin (%)	4.0	4.2		
Return on Equity (%)	25.2	23.9		
Return on Assets (%)	9.7	9.6		

Source: Zawya, Company filings

Al Azizia Panda United (Privately Owned)

Saudi Arabia

Company Description

Founded in 1978, Al Azizia Panda United (APU) is a key private retailer in Saudi Arabia, which was acquired by a leading food retail company, the Savola Group, in 1998. APU enjoys the largest market share in Saudi Arabia's retail space. After the acquisition of Giant supermarkets and Géant stores in Saudi Arabia during 2008 and 2009, the company further strengthened its position in the highly fragmented Saudi Arabian food retail market. APU operates and manages approximately 260 supermarkets and hypermarkets within and outside Saudi Arabia, with employee strength of more than 19,000.

Business Segments/Product Portfolio

- **Food and Beverage:** This division sells and distributes products such as sweets, frozen food, dairy items, assorted juices, carbonated drinks, bakery items, seafood, poultry and fresh meat.
- **Electronics and Home Appliances:** Through this division, the company offers products such as computers & accessories, home & kitchen appliances, cameras & video games and cutleries, among others.
- **Apparels and Baby Products:** The company's product portfolio under this division includes sportswear, clothing for men, women & children as well as baby accessories and goods, among others.
- **Health and Beauty Products:** This division offers products under the categories of hair care and dental care, in addition to women hygiene and cosmetics.
- **Cleaning Products and Home Needs:** This segment sells products such as cleaning tools, cleaning agents, disinfectants, room fresheners as well as home products such as dinner sets, trays and cookers.
- **Stationery and Others:** Under this division, the company offers stationery, school bags, water bottles, furniture, toys, car accessories and gifts.

Key Strengths

- A prominent player in the Saudi Arabian retail market.
- Strong backing provided by the parent company which has a significant presence in the MENA region.
- A diversified product portfolio.

Recent Developments/Future Plans

- With an aim to provide enhanced service quality and innovative product offering, APU inaugurated the renewed Hyper Panda store at the Dubai Festival City in August 2014.
- During the same month, APU announced plans to invest between AED 2 billion and AED 3 billion (US\$ 545 million and 817 million, considering the foreign exchange rate as of August 28, 2014) to launch 8 to 12 supermarkets and hypermarkets in the UAE over a span of three years.

Al Meera Consumer Goods Company (Publicly Owned)

Qatar

Company Description

The Al Meera Consumer Goods Company (Al Meera) is a leading retailer and wholesaler of consumer goods in Qatar. Currently, the company owns and manages 33 supermarkets and convenience stores in the country. In November 2011, Al Meera acquired Qatar Markets Company W.L.L. and Al Oumara Bakery as part of its strategy to expand and increase sales and profitability. Al Meera tied up with WHSmith Bookstores in 2012, giving it exclusive franchise rights to offer its customers the latter's internationally-renowned books and also provide access to best in class children's stationery. The company also entered into an agreement with the France-based Casino Group to benefit from its wide retail experience and adopt international standards.

Business Segments/Product Portfolio

- **Al Meera Hypermarket and Supermarket:** This segment of the company sells consumer goods, in addition to holding bookstores, restaurants, cafes and other commercial spaces.
- **Géant Hypermarket:** It caters to food, home appliances, computer supplements, cleaning and other requirements of the customers.
- **WHSmith Bookstores:** It offers books, magazines, newspapers, stationery and other lifestyle products as well as runs 550 libraries.

Key Strengths

- Strong brand name that is associated with quality.
- Diversified products across customer categories and adherence to international quality standards.
- A robust pipeline of new stores under development.

Recent Developments/Future Plans

- In December 2014, the company announced its plan to open nine new stores in the country by the beginning of 2015.
- Al Meera revamped its Al Barka branch in Oman from a supermarket to a hypermarket in September 2014, as a part of its continuing strategy to strengthen its presence in Qatar and regional markets.
- In September 2014, Al Meera stated that it has opened a new mall in Legtaifiya and plans to construct eight new malls in addition to opening one store in the Gulf Mall by 2014.
- Al Meera's net profit for the nine months ended September 2014 grew by 95.8% y-o-y to QAR 112.8 million (US\$ 30.9 million, using the average foreign exchange rate for the period).

Current Price (US\$) 55.61

Price as on January 22, 2015

Stock Details

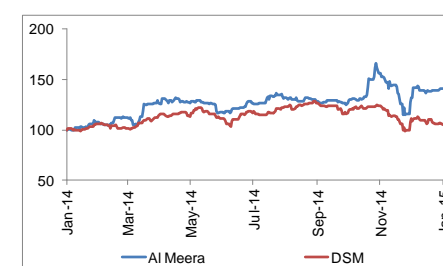
Bloomberg ticker	MERS QD
52 week high/ low	65.80/39.27
Market Cap (US\$ mn)	1,112.2
Enterprise value (US\$ mn)	976.3
Shares outstanding (mn)	20.0

Source: Bloomberg

Average Daily Turnover ('000)

	QAR	US\$
3M	24,390.5	6,698.1
6M	16,754.6	4,601.0

Share Price Chart



Valuation Multiples

	2013	2014E	2015E
P/E (x)	13.0	24.6	21.9
P/B (x)	2.0	3.1	3.0
EV/S (x)	1.0	1.6	1.2
Dividend yield (%)	6.0	4.0	4.0

Source: Bloomberg

Shareholding Structure

Government	26.00%
Public	74.00%
Total	100.00%

Source: Zawya

Financial Performance				
US\$ Million	2012	2013	Change (%)	<ul style="list-style-type: none"> Revenue grew by 29.4% y-o-y to US\$ 534.4 million in FY2013, mainly due to new store launches and increased footfalls at revamped stores. Operating income increased by 21.2% y-o-y to US\$ 105.0 million, backed by revenue growth and an 11.7% y-o-y rise in income from shop rentals. However, operating margin declined from 20.9% in FY2012 to 19.6% in FY2013. Net income rose by a significant 85.9% to US\$ 53.9 million, due to gain on the expropriation of land and building.
Revenue	412.9	534.4	29.4%	
COGS	342.7	446.7	30.3%	
Operating Income	86.6	105.0	21.2%	
Operating Margin (%)	20.9	19.6		
Net Income	29.0	53.9	85.9%	
Net Income Margin (%)	7.0	10.1		
Return on Equity (%)	34.9	14.4		
Return on Assets (%)	10.1	10.9		

Source: Zawya, Company filings

Al Tayer Group (Privately Owned)

UAE

Company Description

Established in 1979, the Dubai-headquartered Al Tayer Group LLC has operations in 12 countries in the Middle East and beyond. The group is involved in several activities including contracting, engineering, distribution, lifestyle retail, luxury retail, automotive and travel. Operating over 180 stores in the Middle East and employing a staff of more than 7,900, the Al Tayer Group holds franchises of several of the world's leading brands. Additionally, the group has investments in various sectors including real estate and manufacturing, among others.

Business Segments/Product Portfolio

- **Al Tayer Al Tijariya:** It is a leading distributor of perfumes, cosmetics and accessories. It is the sole distributor for over 60 internationally-renowned brands across the premium to volume segments, which are marketed through the company's three divisions – Ghadeer Trading, Tejan Middle East and Wishah Perfumes.
- **Al Tayer Insignia:** It is among the largest luxury retailers in the Middle East and has a portfolio of some of the world's best luxury brands in the fashion, jewelry and home segments.
- **Al Tayer Trends:** It operates over 125 lifestyle retail stores in the GCC, representing 20 brands across its four divisions: Beauty, Home, Fashion and Food & Beverage.
- **Al Tayer Industries:** It comprises Aati Contracts, a leading player in the interior turnkey projects space and Obaid Humaid Al Tayer Engineering, which represents some of the best known companies in the engineering world.
- **Al Tayer Motors:** Started in 1982, it represents European and American automobile companies such as Ford, Lincoln, Ferrari, Maserati, Land Rover, Jaguar, Spyker and DAF Trucks across the UAE.
- **Investments & Partnerships:** The Al Tayer Group has investments in the fields of construction, supply chain management, residential & commercial real estate, precision tools manufacturing and travel.

Key Strengths

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

Recent Developments/Future Plans

- In October 2014, the Al Tayer Group announced plans to launch the first Macy's store beyond the US and its second Bloomingdale's store, at the Al Maryah Central in Abu Dhabi. Macy's and Bloomingdale's are popular worldwide for their apparel, accessories, home and beauty brands.
- Magnolia Bakery, famed for its classic American desserts offerings, opened its second store at The Beach at Jumeira Beach Residence, Dubai, in September 2014.
- In June 2014, Giorgio Armani announced the opening of a new Armani Jeans store at the Mirdif City Centre, Dubai, launched through the Al Tayer Group. Brand Armani is globally renowned for its contemporary line of clothing, accessories, footwear and small leather goods.
- One of the leading jewelry houses in the world, Bulgari, extended and strengthened its collaboration with the Al Tayer Insignia by entering into a joint venture in May 2014.

Ali Bin Ali Group (Privately Owned)

Qatar

Company Description

Established in 1945, the Ali Bin Ali Group (ABAG) offers a wide range of international products and services to Qatari consumers through multiple business streams and affiliates. Since its inception, the group has grown into a well-diversified conglomerate through its several successful partnerships with leading international brands.

Business Segments/Product Portfolio

- **Contracting & Property Management:** Called Ali Bin Ali Contracting, this division offers customized furniture and specializes in the manufacturing of loose and soft furniture, interior fit out, interior decoration and partition works.
- **FMCG & Distribution:** ABAG offers distribution services to a range of international brands and products through this business stream. The company also distributes its own products across Qatar through this distribution network.
- **Hospitality:** Launched in 2004, this division offers a range of fine dining options including Crepaway, Top Catering, Wagamama, Sormani, Al Mayass, Cioccolatoitaliani and Nestle Toll House Cafe. The company is presently developing two luxury hotels.
- **Luxury & Fashion:** The company operates a number of watch and jewelry boutiques in Qatar.
- **Medical Supplies:** ABAG imports and distributes medical and surgical equipment as well as pharmaceutical and natural food products.
- **Supermarkets:** ABAG launched the French retail chain Monoprix under this business stream. Monoprix offers international food, cosmetic and fashion brands through its 585 stores located within and outside of France.
- **Beverages:** Established in 1961, Ali Bin Ali Beverages produces carbonated soft drinks and plastic bottles. It also operates a water treatment plant as well as a bottling and packaging factory.
- **Travel & Cargo:** Ali Bin Ali Travel Bureau acts as a general sales agent for nine airlines including Alitalia, Austrian Airlines, China Airlines, Cubana, Gulf Air, Oman Air, Saudi Arabian Airlines, SriLankan Airlines and Sudan Airways.
- **Printing, Publishing & Media:** Ali Bin Ali Printing and Publishing and ABA Printing Press undertake printing related activities.
- **Other business streams** of the company include imaging & electronics and information & communication technology.

Key Strengths

- One of the largest retail and distribution companies in Qatar.
- A well-diversified retail conglomerate.
- Partnership with several leading brands from across the globe with diverse business activities.

Recent Developments/Future Plans

- In October 2014, Ali Bin Ali Luxury & Fashion division introduced Luxury Italian jewelry brand Buccellati to the Qatari market.
- In October 2014, the ABAG announced plans to launch the first full-sized Monoprix store (7,200 sq m) in partnership with the Doha Festival City.
- In July 2014, Ali Bin Ali Technology Solutions announced the successful implementation of a network of radio-frequency identification devices at Qatar Public Prosecution.
- In June 2014, the group launched three luxury clothing brand stores QuisQuis, Philipp Plein and Ermanno Scervino in Doha.
- In May 2014, the ABAG opened Jeddah's first Piaget boutique in partnership with Piaget, a globally-renowned luxury watch maker.

Al Mana Group (Privately Owned)

Qatar

Company Description

The Al Mana Group is one of the largest and the most successful organizations in Qatar. Having started operations as an importer and trader in 1960, the Al Mana Group diversified into the fields of investment management, automotive, construction, real estate as well as oil and engineering. Eventually, the group's original business model expanded aggressively, with its foray into the sectors of luxury fashion retail, FMCG as well as media and hotels.

Business Segments/Product Portfolio

- **Retail:** The group is the largest luxury retailer in Qatar, offering premium global brands including Hermes, Giorgio Armani, John Lobb, Chloe, Balenciaga and Roberto Cavalli. Its product offering includes fashion apparel, shoes, handbags, accessories, eyewear, perfumes, jewelry, sports goods and furniture.
- **Food Services:** Under this segment, it offers food and beverages in partnership with premium brands including McDonald's, Domino's Pizza, Espressamente Café, Haagen Dazs and Gloria Jean's. It also offers bakery products under the brand name Bateel and is a food supplier to Katara Hospitality (previously known as Qatar National Hotels), Qatar Airways and the American base.
- **Automotive:** This segment provides end-to-end automotive solutions entailing the purchase, leasing and renting of a single or a fleet of vehicles. It is the exclusive distributor for Nissan and Renault Motors in Qatar. The group is also an authorized dealer and service provider for brands such as Chrysler, Jeep, Peugeot, Ford, Dodge and Lincoln Motors. It is known as a reliable source for quality used cars.
- **Media:** This business unit caters to the advertising and marketing needs of the companies within the group, while managing its public relations and events.
- **Contracting:** This business segment offers electro-mechanical, steel fabrication and industrial insulation services to the petrochemical, industrial, commercial and residential clients. It also offers interior decoration and furnishing solutions to individual and premium commercial clients.
- **Real Estate:** This unit develops and manages commercial, industrial and residential properties, including luxury and standard compound villas, luxury hotels, residential apartments, commercial buildings and showrooms, warehouses and workshops.
- **Ancillary Business Unit:** This division offers a wide range of professional services including IT solutions and currency exchange and remittances. It also makes arrangements for corporate travels.
- **International Trading:** This business of the group is subdivided into the oil and gas division as well as the air conditioning and maintenance division. The oil and gas division offers consultancy services to international companies to help them secure contracts and manage major infrastructure projects. The air conditioning and maintenance division specializes in the operation and maintenance of mechanical and electrical equipment for chilled water systems, air conditioning, main power stations and plumbing services for petrochemicals, industrial, commercial and residential clients.

Key Strengths

- Presence across the GCC region.
- Reputed entity with diversified business portfolio through strong business partnerships.

Recent Developments/Future Plans

- N/A

Apparel Group (Privately Owned)

UAE

Company Description

Started in 1999, the Apparel Group is a UAE-based conglomerate that offers a wide range of global fashion and lifestyle brands. It represents more than 50 international brands including some of the best known fashion labels such as Nine West, Tommy Hilfiger, Kenneth Cole and Aldo. The group currently operates more than 950 stores, with plans to increase to 1,200 stores by 2015 and employs a multi-cultural staff of over 9,000 across four continents.

Business Segments/Product Portfolio

- **Fashion:** This segment offers famous global brands across categories such as footwear, handbags, accessories and apparel for men, women and kids.
- **Footwear:** This segment offers trendy footwear from popular brands across the globe.
- **Accessories & Watches:** The segment offers a range of international watch brands and other accessories such as handbags, eyewear and jewelry through the popular brands of Aldo Accessories, Ninewest Accessories, Princess & Cult and Qup Accessories.
- **Cosmetics:** The segment represents popular Italian beauty brands such as Bottega Verde and Gossip Milano. It also offers Inglot, a leading retailer of a wide array of quality cosmetics at affordable prices.
- **Food:** The group's food product line includes a variety of ice creams, cakes and shakes from the American brand Cold Stone Creamery. The company also operates Tim Horton's outlets that sell hot beverages, sandwiches and baked food.
- **Books:** Through its Booksplus brand, the group offers a wide range of books, DVDs, CD-ROMs and magazines, among others.

Key Strengths

- Diversified lifestyle retail product offerings.
- A vast network of stores.
- Presence in the GCC region as well as in Europe and Asia.

Recent Developments/Future Plans

- Toms Shoes, the designer and seller of shoes as well as eyewear, appointed the Apparel Group as its exclusive distributor across the Middle East region in September 2014.
- The Apparel Group, through its upcoming fashion retailer R&B, revealed intentions to open 150 stores in the GCC region in July 2014.
- In April 2014, Tim Hortons opened its new Cafe and Bake Shop restaurant at the Dubai Chamber of Commerce and Industry by Dubai Creek.
- The group announced plans to open the first LC Waikiki store, a leading Turkish fashion chain, at the Al Wahda Mall, Abu Dhabi, in May 2014.
- In March 2014, the group announced plans to open 18 new stores at the Bawabat Al Sharq Mall, Abu Dhabi.
- In November 2013, the Apparel Group signed a deal with Line Investment & Property for opening 40 plus new units between 2013 and 2014.

Azadea Group (Privately Owned)

Lebanon

Company Description

Lebanon-headquartered the Azadea Group is a retailer of fashion and lifestyle products, managing more than 50 international brands. Founded in 1978, it currently represents leading international brand names in fashion and accessories, sports goods, food and beverage, home furnishing and multimedia. The group employs over 10,000 and operates more than 500 stores across the MENA, Europe and Asia.

Business Segments/Product Portfolio

- **Sporting Goods:** Under this business division, the group operates retail outlets of the prominent France-based sporting goods brand Decathlon.
- **Fashion:** This unit operates retail outlets of fashion brands such as Zara, Bershka, Marella, Salsa and Gap, among others.
- **Accessories:** Through this segment, the group sells trendy jewelry, sunglasses and bags from several brands including Mango Touch, Moa and Sunglass Hut.
- **Food and Beverages:** Through this business, the group runs food and beverage outlets in partnership with international names such as Argo Tea, Columbus Café, The Butcher Shop & Grill, Pulp Juice, Paul and Köşebaşı.
- **Home Furnishings:** The group sells high-quality, ready-made furniture with brands such as Singways, MOOD and Zara Home, through this unit.
- **Multimedia:** The group has partnered with Virgin Megastore to operate retail stores that offer books and video games. In addition, the group operates IQube Retail, which offers the entire Apple product range.

Key Strengths

- Association with a number of international fashion brands.
- A strong network of outlets across the MENA region, Europe and Asia.
- Team strength of 10,000 highly skilled personnel.

Recent Developments/Future Plans

- The Azadea Group opened its first Argo Tea Café in Kuwait in October 2014. With seven Argo Tea cafés operational in the Middle East, the group had plans to open two each in Doha, Kuwait and Abu Dhabi.
- The group opened its seventh Zara store in Lebanon at ABC Achrafieh in August 2014.
- The Azadea Group partnered with the Canadian fashion retailer Group Dynamite to open the first Dynamite store in the GCC region at the Gate Mall, Kuwait, in August 2014 and the second at the Avenues Mall, Kuwait, in September 2014.

Bahrain Duty Free Shop Complex BSC (Publicly Owned)

Bahrain

Company Description

Incorporated in July 1990, Bahrain Duty Free Shop Complex BSC (BDFSC) primarily operates several duty free shops at the Bahrain International Airport and the Khalifa Bin Salman Port. The company also offers training services in Bahrain through its subsidiary Bahrain International Retail Development Centre WLL. Bahrain International Airport Development Company, which provides warehousing facilities at the Bahrain International Airport, is an associate of BDFSC.

Business Segments/Product Portfolio

- **Duty Free Shops:** The company's duty free shops offer perfumes, cosmetics, jewelry, fashion and lifestyle products, liquor, confectionery and tobacco from globally reputed brands.

Key Strengths

- Competitively-priced product range.
- Striking promotional offers to attract tourists.
- Diversified product offering.

Recent Developments/Future Plans

- In November 2014, BDFSC reported sales and y-o-y net income growth of 8.6% and 12.3%, respectively, for the first nine months of 2014. This growth was largely attributed to 10.8% passenger growth at the Bahrain International Airport during the same period.
- In July 2014, BDFSC re-launched its upgraded Shop & Collect facility at the Bahrain International Airport. The company expects its upgraded facility to substantially decrease the processing time and also improve its communication with customers during the process.
- In June 2014, the company re-launched its Swarovski jewelry showroom after upgrading the outlet's area to 40 sq m.
- The company launched a new promotional campaign named 'Dream Castle' in June 2014 to be run for four months at its retail outlets at the Bahrain International Airport Departure and Arrivals hall.
- In March 2014, BDFSC announced that it had allocated around BHD 1 million (US\$ 2.7 million) towards the renovation of its Bahrain International Airport stores. The company further reported that it would add new fashion brands to its existing offerings and continue to engage a strong marketing company for its business development.

Current Price (US\$) 2.33

Price as on January 6, 2015

Stock Details

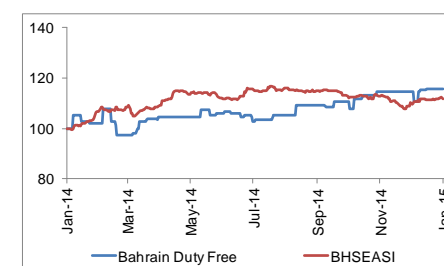
Bloomberg ticker	DUTYF BI
52 week high/ low	2.33/1.96
Market Cap (US\$ mn)	249.5
Enterprise value (US\$ mn)	227.3
Shares outstanding (mn)	106.9

Source: Bloomberg

Average Daily Turnover ('000)

	BHD	US\$
3M	4.0	10.6
6M	3.8	10.0

Share Price Chart



Valuation Multiples

	2013	Current
P/E (x)	12.8	13.3
P/B (x)	2.0	2.2
EV/S (x)	2.5	3.1
Dividend yield (%)	7.2	N/A

Source: Bloomberg

Shareholding Structure

Esterad Investment Company	9.17%
Global Express	8.09%
Rouben's Stores	6.51%
Farouk Yousif Khalil Al-moayyed	5.05%
Public	71.18%
Total	100.00%

Source: Zawya

Financial Performance				
US\$ Million	2012	2013	Change (%)	<ul style="list-style-type: none"> Revenue declined 5.4% y-o-y to US\$ 69.1 million in FY2013, due to drop in passenger traffic at the Bahrain International Airport. Operating income also dropped 7.4% to US\$ 10.9 million during the same period. Operating margin declined from 16.1% in FY2012 to 15.8% in FY2013. Despite decline in turnover and operating income, net income remained broadly flat y-o-y at US\$ 17.0 million in FY2013 on the back of improved investment returns and the company's financial discipline.
Revenue	73.0	69.1	-5.4%	
COGS	40.7	37.7	-7.4%	
Operating Income	11.8	10.9	-7.6%	
Operating Margin (%)	16.1	15.8		
Net Income	16.8	17.0	0.9%	
Net Income Margin (%)	23.1	24.6		
Return on Equity (%)	16.9	15.4		
Return on Assets (%)	14.2	13.0		

Source: Zawya, Company filings

BMA International Group (Privately Owned)

UAE

Company Description

Established in 1997, BMA International Group (BMA International) is one of the fastest growing retailers in the GCC. The company has a prominent presence in retail, fashion and lifestyle-related markets across the region. BMA International operates two divisions – a) Hypermarket/Supermarkets/Mall Management and b) Value retail of fashion and homeware products. The company also has a 50% share in Orangerie Advertising.

Business Segments/Product Portfolio

- **Hypermarket/Supermarkets/Mall Management:** BMA International operates hypermarkets, supermarkets, convenience stores and malls. It holds the master franchise for France-based Groupe Casino's Géant hypermarket brand in the Gulf (excluding Saudi Arabia). BMA International also runs three supermarket formats throughout the region, namely, the Le Marche Supermarket (a supermarket chain offering world-class shopping standards at convenient locations), Last Chance Supermarkets (a supermarket chain in Bahrain) and GulfMart Supermarket (one-stop stores at convenient locations in Kuwait).
- **Value Retail Fashion and Homeware:** BMA International operates a chain of value fashion and home ware stores under two brands, RedTag and twenty4. RedTag is a fashion and home store brand for value-conscious customers. BMA International recently launched twenty4, a fashion retail chain, to offer clothing and accessories for men, women and children at affordable prices across the GCC region.
- **Advertising:** BMA International owns a 50% stake in Orangerie Advertising (Orangerie). Orangerie is a Dubai-headquartered medium-sized advertising agency, with offices in Bahrain and Kuwait. Orangerie's clientele includes the RedTag Group, Géant, Géant Easy, Gulf Mart, the Bahrain Mall, Emirates Holidays, Arabian Adventures, Congress Solutions International, Ducab, Jamaica Blue, Sky Jewellery, Diabodelite, Clariden Leu, Standard Chartered and Sungard Higher Education.

Key Strengths

- A strong infrastructure and logistics network
- Presence in multiple retail formats
- A strong presence in the food, fashion and lifestyle retail market

Recent Developments/Future Plans

- In December 2014, the company opened a Géant hypermarket at Abu Dhabi's Yas Mall. Spread over an area of 120,000 sq ft, the store is the largest in the region.
- In December 2014, the company opened its first twenty4 store in Oman. Earlier, in September, the company had launched the third twenty4 fashion store in Bahrain at the Ramil Mall. With these two launches, the total number of twenty4 fashion stores in the region stood at 21.

Chalhoub Group (Privately Owned)

UAE

Company Description

Established in 1955, the Chalhoub Group is one of the leading retailers in the luxury business segment in the Middle East region. The company has huge experience in the retail and distribution of well-known brands in the beauty, fashion and gifts segments. It employs a staff of 9,000 and operates over 470 retail outlets across 14 countries. The group houses brands such as Baccarat, Christofle, Christian Dior, Louis Vuitton and Nina Ricci, among others.

Business Segments/Product Portfolio

- **Distribution:** The Chalhoub Group distributes international brands through its companies based in the UAE, Bahrain, Kuwait, Egypt and Saudi Arabia. The company also helps define business plans and execute marketing strategies to establish a regional network for perfumeries, pharmacies, department stores and boutiques.
- **Retail:** This division operates over 350 retail outlets at leading shopping destinations in the region. It functions in various business formats such as concept stores, franchisees, joint ventures and partnerships.
- **Travel Retail:** With 25 years of travel retail experience, the group has ties with suppliers, duty free operators and leading regional airlines. It supplies a wide range of products, uniforms and other amenities for in-flight duty free. It also manages outlets such as the airport duty free at the Cairo Airport.
- **Marketing Services:** This unit performs as a marketing agency to represent brands in the region. It provides services such as selecting a suitable network of agents, distributors and retailers, in addition to ancillary customer support services like training and merchandizing.
- **Communication:** This division of the group offers a broad range of communication services including advertising and public relations, event management, strategic planning, media planning and graphic designing.
- **Support Services:** This includes providing services in the fields of human resources, legal, financial, market research and IT support.

Key Strengths

- Strong local and regional distribution network.
- Team strength of 9,000 highly skilled personnel.
- Industry experience of 59 years.
- Unique focus on luxury goods.

Recent Developments/Future Plans

- The Chalhoub Group partnered with Aldar Properties in June 2014 to set up a retail space sprawling 200,000 sq ft at the Yas Mall, Abu Dhabi, which will showcase more than 200 global brands.
- In April 2014, Chalhoub Inc., one of the Chalhoub Group companies, signed a partnership agreement with Ice-Watch to increase the sales turnover and create brand awareness in Middle East.
- The Chalhoub Group announced the launch of the Emirati Graduate Program in April 2014, designed to create the group's future leaders, while also providing career development opportunity to young Emiratis.
- In December 2013, the Chalhoub Group and Jashanmal along with US-based Coty Inc. entered into a joint venture, aiming at boosting Coty's business in the UAE.

Damas (Privately Owned)

UAE

Company Description

Dubai-headquartered Damas is a leading retailer of branded jewelry and watches in the Middle East since 1907. It currently operates over 300 stores across six countries, with a majority located in the GCC region. In addition to its own brands, Damas retails a large portfolio of renowned global luxury brands. In April 2012, the company was acquired by Mannai Corporation QSC and EFG Capital Partners Limited. Since March 2014, Damas is a wholly-owned subsidiary of Mannai Corporation QSC. In the year ended March 31, 2013, the company reported total revenues of QAR 3,129.8 million (US\$ 859.7 million, derived using the average currency conversion rate for 2013) and net income of QAR 322.4 million (US\$ 88.6 million, derived using average currency conversion rate for 2013).

Business Segments/Product Portfolio

- **Jewelry:** Damas offers a range of jewelry products such as anklets, bracelets, earrings, necklaces, pendants and bangles, among others, through its vast network of stores spread across the Middle East.
- **Watches:** The company is the exclusive retailer for some of the prominent Swiss watch brands such as Parmigiani, Eberhard, Arminstrom and Chronoswiss in the region.
- **Gifts:** Damas offers a range of gifts for all occasions for men, women and kids, in addition to corporate gifts.

Key Strengths

- A wide network of stores in the GCC.
- A strong brand name globally.
- An aggressive promotion and publicity strategy.

Recent Developments/Future Plans

- Damas renewed its partnership with India's Titan in October 2014, to re-introduce the popular Tanishq range of branded jewelry in the Middle East markets.
- The company opened its first luxury boutique in Riyadh in September 2014, marking its fourth new store in Saudi Arabia during the year.
- Damas launched the Italian jewelry brand Utopia at all its 21 stores in Kuwait in September 2014. Damas also launched its OneSixEight diamond brand throughout the GCC region during the same month.
- In September 2014, Damas opened a luxury boutique at Dubai's Zabeel Ladies Club showcasing contemporary high fashion jewelry, diamonds and precious gemstones from the world's leading designers.
- In June 2014, the company opened a new luxury boutique at Dubai's exclusive Jumeirah Zabeel Saray.
- The company re-opened its revamped store at the Muscat City Centre in June 2014, dividing it into Damas and Damas Collections.

EMKE Group (Privately Owned)

UAE

Company Description

The EMKE Group (also known as the LuLu Group International), headquartered at Abu Dhabi, is a diversified group of companies with presence in 31 countries across the Middle East, Asia and Africa. It is primarily in the business of owning and operating popular brands of retail chains like the LuLu chain of supermarkets, department stores and hypermarkets, in addition to shopping malls. With 110 stores spread across the GCC region, Yemen and Egypt and over 22.5 million sq ft retail space. Other activities of the group include the manufacture, import & export, wholesale, retail and distribution of consumer products. It also has business interests in the fields of IT, education and travel & tourism.

Business Segments/Product Portfolio

- **Retail:** Under its retail division, the company operates branded retail outlets and malls that include the LuLu chain (supermarkets, department stores and hypermarkets), the Al Foah Mall, the Khalidiyah Mall, the Al Wahda Mall, the Mazyad Mall, the Al Raha Mall and the Mushrif Mall, among others.
- **Manufacturing & Export:** This division is involved in activities like manufacturing, sourcing and exporting of a wide range of products from Asian countries to the Middle East and other parts of the world. Product line includes garments, commodities, footwear, agriculture products, metals & minerals, halal meat, etc.
- **Import & Distribution:** This business unit handles huge imports and distribution of foods, edible oils, toiletries, FMCG products, consumer goods and household appliances. It enjoys economies of scale on account of large imports and then distributes to hotels, palaces and large retailing outlets. Through its sub-segment Al Tayeb, the company imports and distributes international brands of frozen meat, poultry, vegetables and dairy as well as other FMCG products. One of its divisions also imports and distributes processed meat from its plants located in India.
- **Business Services:** Line Investments & Property, one of the sub-units of this business division, carries development and management of shopping centers and other mixed products. Through its subsidiaries, Syscoms Information Technologies and Syscoms College, it has presence in the field of IT solutions, undergraduate education and IT training. The LuLu International Travel & Tourism unit runs a well-established travel agency, Space International Travels. Huda Shipping takes care of clearing and forwarding and other imports and exports related activities.

Key Strengths

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

Recent Developments/Future Plans

- In November 2014, the LuLu Group announced its plan to invest US\$ 3 billion for the expansion of its operations in new and existing markets.
- In October 2014, the LuLu Group bought 10% stake in the UK-based The East India Company and 40% stake in its fine foods subsidiary for total consideration of US\$ 85 million.
- In July 2014, the LuLu Group opened the LuLu Mall in Fujairah, UAE.
- In May 2014, Tablez, the F&B division of LuLu International announced a franchise agreement with the South African casual dining restaurant chain Galito to open 25 outlets and develop its brand across India, the Middle East and Sri Lanka.
- To establish presence in Malaysia, the LuLu Group signed an agreement with FELDA Malaysia in May 2014 to build six LuLu Hypermarkets in Malaysia.

Fawaz Abdulaziz Alhokair & Co. (Publicly Owned)

Saudi Arabia

Company Description

Fawaz Abdulaziz Alhokair & Co. (Fawaz Alhokair), established in 1989, has retail and real estate as its core businesses. However, it has also diversified into other sectors including construction, financial services, healthcare and hospitality. The company operates over 1,800 stores across 15 countries, representing more than 80 international brands including a number of well-known brands like such as Zara, Massimo Dutti, Gap, Monsoon and Marks & Spencer.

Business Segments/Product Portfolio

- **Fashion Retail:** This unit operates retail outlets selling branded apparel, lingerie, shoes and accessories. It owns close to 1,000 stores and houses in excess of 50 international fashion brands in Saudi Arabia. Outside Saudi Arabia, the company operates outlets in Azerbaijan, Egypt, Jordan, Kazakhstan, Morocco and the US.
- **Food & Entertainment:** Having entered this space in 2005, the group currently owns 10 franchises in various F&B categories such as coffee, sweets, juices and sandwiches. It also operates a Lebanese restaurant at Khobar in Saudi Arabia.
- **Arabian Centres:** This division has expertise in the construction, development and management of malls in Saudi Arabia and Egypt. It has a network of 13 malls, including 12 in Saudi Arabia, with over 1.2 million sq m of retail space.
- **FARE Construction:** It provides engineering, project management and construction services, with expertise in the design and construction of shopping malls, hospitals, residential compounds, hotels, commercial buildings and public sector projects.
- **Tadares Najed Securities:** Established in 2003, this segment provides security and safety services to the public and private sectors.
- **FAS Hotels:** This unit develops hotels and focuses on the ownership of 4-star and 5-star hotels in partnership with Aloft, Courtyard Marriott and Four Points.

Key Strengths

- Long-lasting associations with a number of globally-celebrated brands.
- A diverse range of products across customer categories.

Recent Developments/Future Plans

- In July 2014, Fawaz Alhokair's shareholders approved to increase its share capital from SAR 1,050 million to SAR 2,100 million through a one-for-one bonus issue.
- Through a five-year sukuk issue of SAR 500 million (US\$ 133 million, as per the foreign exchange rate as of June 26, 2014) in June 2014, Fawaz Alhokair completed its first issue of an Islamic bond.
- In March 2014, the company opened its first hotel Alanda Hotel in Marbella, Spain.

Current Price (US\$) 24.02

Price as on January 22, 2015

Stock Details

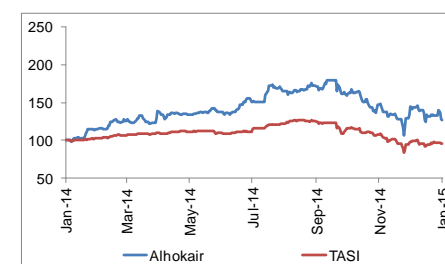
Bloomberg ticker	ALHOKAIR AB
52 week high/ low	34.16/18.66
Market Cap (US\$ mn)	5,029.9
Enterprise value (US\$ mn)	5,612.5
Shares outstanding (mn)	210.0

Source: Bloomberg

Average Daily Turnover ('000)

	SAR	US\$
3M	40,102.8	10,685.0
6M	39,205.9	10,449.3

Share Price Chart



Valuation Multiples

	2013	2014	2015E
P/E (x)	14.0	24.5	20.5
P/B (x)	4.3	7.8	6.8
EV/S (x)	2.1	3.7	2.8
Dividend yield (%)	2.4	1.5	2.8

Source: Bloomberg

Shareholding Structure

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

Source: Zawya

Financial Performance				
US\$ Million	2013	2014	Change (%)	<ul style="list-style-type: none"> Revenue grew by 17.7% y-o-y to US\$ 1,462.0 million in FY2014 from US\$ 1,242.3 million. Operating profit increased by 23.4% y-o-y to US\$ 192.1 million from US\$ 155.7 million, in line with the revenue growth. Operating margin increased from 12.7% in FY2013 to 13.3% in FY2014. Net income increased by 24.4% y-o-y to US\$ 205.7 million in FY2014 due to a 34.4% increase in other income.
Revenue	1,242.3	1,462.0	17.7%	
COGS	940.8	1,089.2	15.8%	
Operating Income	155.7	192.1	23.4%	
Operating Margin (%)	12.7	13.3		
Net Income	165.3	205.7	24.4%	
Net Income Margin (%)	13.3	14.1		
Return on Equity (%)	30.7	31.8		
Return on Assets (%)	15.2	15.4		

Source: Zawya, Company filings

Fifty One East (Privately Owned)

Qatar

Company Description

Fifty One East (previously known as Modern Home) is a Qatar-based luxury retail chain offering premium brands in men's & women's fashion wear, watches, jewelry, cosmetics, musical instruments and consumer electronics. The company's outlets are located in the Al Maha Center, the City Center Doha and the Lagoon Mall. Fifty One East is a wholly-owned subsidiary of Darwish Holding.

Business Segments/Product Portfolio

- **Ladies Fashion:** The company offers ladies apparel from top brands such as Carolina Herrera, Diane Von Furstenberg, Monique Lhuillier, Oscar De La Renta, Roksan, Tony Ward and Viktor and Rolf.
- **Gents Fashion:** The company offers men's apparel brands such as Brioni, Kiton, Lanvin, Smalto and Vanlaack.
- **Shoes:** Fifty One East's premium footwear product portfolio includes brands such as Bally Shoes, Le Silla and Moreschi for both men and women.
- **Accessories:** The company offers fashion accessories from Brioni and Nancy Gonzalez.
- **Timepieces & Jewellery:** Fifty One East offers premium watch collection from globally-renowned brands such as Rolex, Boucheron, Faberge, Tudor, H. Moser & Cie and Fitzroy. The company's jewelry collection includes brands such as Boucheron, Pasquale Bruni, Diamanti and Joelli.
- **Beauty & Fragrance:** The company offers cosmetic products from Fendi and Givenchy.
- **Musical Instruments:** Fifty One East Music Square outlets offer pianos, keyboards, strings, guitars, trumpets, saxophones and acoustic and electric drums from premium brands such as Yamaha, Gibson, Meinl, Remo, Bosendorfer and Marshall.
- **Consumer Electronics:** The company's consumer electronics collection includes mobile phones, televisions, home theatres, computers, laptops, tablets, cameras, video cameras, music speakers and headphones from Apple, Bang & Olufsen, Beats, Bose, Sony, Sony Mobile and Yamaha Technology.

Key Strengths

- Exclusive dealership of some of the top brands in the world.
- Operates in niche luxury sub-segments.

Recent Developments/Future Plans

- In September 2014, Fifty One East was awarded the 'International Retail Achievement Award' at the 2014 Arabian Business Achievement Awards function, a premier event held in Qatar that is heavily attended by the Middle Eastern business world.
- In September 2014, Fifty One East launched three new series of Sony's BRAVIA 4K LED TV collection in Qatar. Earlier in the same month, the company had launched Sony's Alpha a7S full-frame camera model. The model is part of the a7 and a7R family, famous for the world's smallest full-frame interchangeable lens.
- In September 2014, the company was awarded the 'Enterprise Agility Achiever in the Retail Sector for 2014' at the inaugural 'Qatar Enterprise Agility Awards: Entrepreneur of the Year in association with Barclays'.
- In June 2014, the company announced plans to offer the Sony Experia Z2 water resistant smart phones at its outlets at the Al Maha Centre, the City Centre Doha and the Lagoon Mall.

Ghassan Sulaiman Furniture Trading Co. (Privately Owned)

Saudi Arabia

Company Description

Established in 1983, Ghassan Sulaiman Furniture Trading Company enjoys the exclusive franchise rights for the globally-renowned furniture brand IKEA in Saudi Arabia and Bahrain. The company presently operates three IKEA stores, one each, in Riyadh (28,500 sq m), Jeddah (28,500 sq m) and Dhahran (25,000 sq m), with future expansion plans. As on October 2014, the company employed a staff of around 1,300 in Saudi Arabia. Ghassan Sulaiman Furniture Trading Company is a wholly-owned subsidiary of Ghassan Ahmed Al-Sulaiman Development Company Ltd., an investment holding and business development company.

Business Segments/Product Portfolio

- **Home Furnishings:** The company sells a variety of products and solutions such as sofas, cushions, lounging & relaxing furniture, dining furniture, chairs, TV & media furniture, storage furniture, lightning products, cutlery, glassware, beds, mattresses, cooking accessories, bathroom furniture and washes basins.
- **Business Furnishings:** Under this category, the company offers furniture for use in office and the sectors of retail and hospitality.

Key Strengths

- Exclusive franchise rights for IKEA stores in Saudi Arabia and Bahrain.

Recent Developments/Future Plans

- In August 2014, the company announced plans to launch the first IKEA store in Bahrain, to be spread across an area of around 30,000 sq m in Manama.

Jarir Marketing Company (Publicly Owned)

Saudi Arabia

Company Description

Established in October 2000, Jarir Marketing Company is a Saudi Arabian retail and wholesale trader of office supplies, school supplies, engineering equipment, mobile phones, computer products and books. It also includes purchase of residential and commercial buildings and the acquisition of land to construct buildings for sale or lease purchase. As on September 30, 2014, the company operated 39 showrooms and wholesale outlets in Saudi Arabia, Kuwait, Qatar and the UAE. In addition, Jarir Marketing Company is engaged in real estate investments in Egypt through its subsidiary, Jarir Egypt Financial Leasing Company SAE.

Business Segments/Product Portfolio

- **Consumer Electronics:** Through its subsidiary, Jarir Bookstore, the company offers a wide range of computers, laptops, smart phones, television sets, cameras and audio players.
- **Books:** Jarir Bookstore offers a diverse range of Arabic and English books.
- **Office and School Supplies:** Jarir Bookstore sells stationery and engineering equipment used in offices.
- **Gaming Consoles:** Jarir Bookstore sells Xbox and PlayStation gaming consoles and related accessories.

Key Strengths

- Saudi Arabia's largest office supplies, school supplies, books and electronics retailer.
- Partnership with Apple for the distribution of Apple products in Saudi Arabia.

Recent Developments/Future Plans

- In October 2014, the company revealed its plan to double its number of stores over a period of five years through investments worth SAR 1.1 billion (US\$ 293 million) by opening new stores in Saudi Arabia and other GCC countries as well as Egypt.
- The company opened its 31st Jarir Bookstore showroom in Saudi Arabia in October 2014, spread across 4,000 sq m in Riyadh and at an investment of more than SAR 45 million (US\$ 12.0 million, derived using exchange rate as of October 16, 2014).
- Under the terms of the company's agreement with Apple in July 2014, the latter is expected to directly supply its products to Jarir Bookstore.
- In March 2014, the company opened its 29th showroom in Saudi Arabia, which is the first Jarir Bookstore showroom in Khamis Mushait. The company invested more than SAR 22 million (US\$ 5.9 million, derived using exchange rate as of March 11, 2014) towards the store, which is spread across around 4,000 sq m.

Current Price (US\$) 50.30

Price as on January 22, 2015

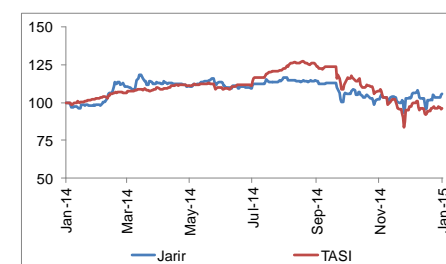
Stock Details	
Bloomberg ticker	JARIR AB
52 week high/ low	56.66/44.55
Market Cap (US\$ mn)	4,526.8
Enterprise value (US\$ mn)	4,529.5
Shares outstanding (mn)	90.0

Source: Bloomberg

Average Daily Turnover ('000)

	SAR	US\$
3M	14,419.3	3,841.9
6M	14,866.3	3,962.2

Share Price Chart



Valuation Multiples

	2013	2014	2015E
P/E (x)	21.9	22.6	19.3
P/B (x)	12.2	12.3	11.1
EV/S (x)	2.8	2.9	2.5
Dividend yield (%)	3.5	3.3	4.2

Source: Bloomberg

Shareholding Structure

Nasser Abdulrahman Nasser Al Agil	9.00%
Abdulsalam Abdulrahman Nasser Agil	9.00%
Public	55.00%
Others	27.00%
Total	100.00%

Source: Zawya

Financial Performance				
US\$ Million	2013	2014	Change (%)	<ul style="list-style-type: none"> Revenue grew by 8.7% y-o-y to US\$1,519.3 million in FY2014, on account of expansion of the company's retail network. All the product categories, except laptops and tablets, witnessed a positive sales growth. Operating income increased from 12.2% to US\$ 193.8 million during the same period, while operating margin improved from 12.4% to 12.8%. The company's net income also increased 13.3% y-o-y to US\$ 197.4 million in FY2014, attributable to revenue growth, higher other income and decline in financial charges.
Revenue	1,397.9	1,519.3	8.7%	
COGS	1,186.1	1,282.9	8.2%	
Operating Income	172.8	193.8	12.2%	
Operating Margin (%)	12.4	12.8		
Net Income	174.2	197.4	13.3%	
Net Income Margin (%)	12.5	13.0		
Return on Equity (%)	59.4	58.6		
Return on Assets (%)	31.2	31.8		

Source: Bloomberg, Company filings

Jawad Business Group (Privately Owned)

Bahrain

Company Description

Bahrain-based the Jawad Business Group (JBG) enjoys a leadership position in the consumer, retail and hospitality space. This diversified group has business interests in the fields of convenience stores, distribution of FMCG goods, fashion and footwear, restaurants and other services in the areas of travel, rent-a-car and fuel retail. Currently, it employs more than 5,000 people and operates over 600 stores across the GCC region.

Business Segments/Product Portfolio

- **Fashion:** Under this business division, the company operates retail outlets of fashion brands such as Adams, BHS, Celio, Hobbs and Mango, to name a few.
- **Restaurants & Cafes:** This division runs franchisees of international restaurants and café brands including Burger King, Chili's, Costa Coffee, Papa John's Pizza and Delifrance across the GCC states. The JBG is one of the largest international franchise partners of Costa Coffee in the world.
- **Supermarkets & Convenience Stores:** Having launched its first supermarket store in 1960 in Manama, Bahrain, the company currently operates several supermarkets across the country through stores such as 24 Hours Market, Jawad Express, Jawad Metro and Jawad Supermarket.
- **Home:** The JBG offers home decors through popular UK brands like Lakeland and The White Company, which specialize in accessories for the kitchen and home, respectively.
- **Travel, Tourism, & Automobile:** This segment provides a number of travel and tourism services such as travel packages, hotel reservations, travel insurance, visa and passport services and auto rental services through banners like Al Fanar Travels and Avis. The Group holds exclusive distribution rights for JAC Motors which are sold at its showroom Auto-o's.
- **Malls:** The JBG operates all-in-one malls in Bahrain such as The Centre at Nuwaidrat and Jawad Dome at Barbar.
- **Service Station:** This division operates Jawad Service Station, the fuel station that caters to car maintenance requirements.
- **Logistics:** The JBG provides distribution and warehousing facilities through its logistics firms Velocity and Jawad FZCO.
- **Sales & Distribution:** The JBG is a major wholesaler and distributor of more than 100 renowned FMCG brands to hypermarkets, supermarkets, cooperatives and grocery stores in Bahrain and Qatar.

Key Strengths

- Strong footprint in the GCC region.
- Franchisee agreements with several leading global brands and companies across sectors.

Recent Developments/Future Plans

- In February 2014, the JBG acquired two former Waitrose stores at Nuwaidrat and Barbar in Bahrain to re-launch them as Jawad-branded supermarkets.

Jawad Sultan Group (Privately Owned)

Oman

Company Description

A well-known name in Oman, the Muscat-headquartered Jawad Sultan Group has diverse business interests across industries. Founded in 1998, the group is present in the fields of lifestyle/luxury brand retailing; telecommunications and technology solutions; entertainment, media and publishing; food and catering services; real estate investment and property management and hospitality, including tours and travels.

Business Segments/Product Portfolio

- **Lifestyle and Luxury:** Capital Store LLC is the group's flagship store in this segment offering a wide range of products such as cosmetics, perfumes, luggage, eyewear, crystal ware, chinaware and writing instruments. It also represents global brands such as Dior, Clarins, Guerlain, Sisley, Loewe, Mont Blanc, Wedgwood and Rosenthal, among others.
- **Travel, Tourism and Hospitality:** This segment caters to the travel and tourism needs of retail and institutional clients with its two IATA-registered travel agencies, namely, International Travel Agencies and Jawad Sultan Travel Agency. It also owns and operates hotel properties.
- **Real Estate:** This vertical focuses on real estate development including multiplexes and office as well as commercial complexes.
- **Food Services and Catering:** Through its subsidiary Sultan Restaurants & Catering LLC, the group operates a specialty Chinese restaurant called Mandarin.
- **Technology Solutions:** This division specializes in offering state-of-the-art telecommunication and call center solutions. It also provides internet banking, security and surveillance systems, in addition to network infrastructure and project contracting assignment solutions for telecom companies. NEC Infrontia, Lucent-Avaya, 3M and Lexmark are some of the major overseas associations of the group.
- **Entertainment and Media:** This business unit operates multiplexes under the name and style of City Cinema in Muscat, Sohar and Sur.

Key Strengths

- Diversified business activities.
- More than 60 years of business experience in Oman.
- A wide range of premium products in partnership with leading global brands.

Recent Developments/Future Plans

- The Jawad Sultan Group partnered with the UAE-based food retailer Just Falafel in July 2014 to open 10 restaurants over the next couple of years.

Joyalukkas (Privately Owned)

UAE

Company Description

The Joyalukkas Group was established in 1987 with the launch of its first jewelry showroom in the UAE. The group currently employs a team of over 6,000 across ten countries including India, the UK, Qatar, Oman, Bahrain, Kuwait, Saudi Arabia and Singapore. Joyalukkas is the first jeweler in the Middle East to hold both the ISO 9001:2008 and the ISO 14001:2004 certifications. The group's other business interests include money exchange, luxury air charter, fashion & silks and malls.

Business Segments/Product Portfolio

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

- **Gold:** The company offers gold jewelry under various brands such as Akshaya, Aamira, Mayuri, Veda, Li'l Joy and Bakiamore, among others.
- **Diamond:** Magnus, Perfekt, Eleganza and Bouquet are the group's diamond jewelry brands.
- **Pearl:** The group sells necklace sets, pendant sets, earrings, rings, strings and bracelets under the brand Masaaki Pearls.
- **Precious Gems:** The group's precious stone collection is sold under the Ratna brand.

Key Strengths

- A well-recognized name for quality in the GCC region.
- Strong presence in the Middle East and the Asia.

Recent Developments/Future Plans

- In November 2014, the group inaugurated the Joyalukkas – International Jewellery Showroom with its international jewelry collections at Coimbatore.
- The group opened its third showroom in Gujarat, India, in October 2014, at Rajkot.
- In August 2014, the group opened its first showroom in Pune, India.
- In July 2014, Joyalukkas inaugurated its signature large format design showrooms with over one million designs across a range of jewelry forms at Tirupati and Rajahmundry in Andhra Pradesh, India.
- In June 2014, a new Joyalukkas showroom was inaugurated in Sohar, Oman.
- In April 2014, the group launched its money exchange center, Joyalukkas Exchange, at the Mall of Joy Thrissur, India.
- In December 2013, Joyalukkas opened the largest jewelry outlet at the Global Village, Dubai.

Jumbo Electronics (Privately Owned)

UAE

Company Description

Set up in 1974, the Dubai-headquartered Jumbo Electronics Company Ltd. (Jumbo Electronics) is the flagship company of the Jumbo Group, which has business interests in the fields of consumer electronics, home appliances, office automation, telecommunications, IT and entertainment. The company has a network of around 30 retail stores and 9 service centers across the UAE. Jumbo Electronics also has presence in Oman, Qatar, Bahrain, India, Kurdistan and Kuwait.

Business Segments/Product Portfolio

- **Distribution:** This vertical mainly distributes Sony's consumer electronics products and mobiles in the UAE and Oman. It is also a trusted partner for global brands such as Acer, Casio, Lenovo and Dyson, among others. Supra is the company's private label brand offering quality brown and white goods.
- **Retail:** Jumbo Electronics has a strong direct presence with the customers in Oman and India through its 18 retail stores.
- **Enterprise (B2B) Solutions:** This vertical offers computing, printing, IT infrastructure services and audiovisual integration services to corporate clients in sectors such as hospitality, retail, education, healthcare, oil & gas and finance.
- **Mechanical, Electrical and Plumbing Projects Business (Jumbo Engineering LLC):** This vertical offers mechanical, electrical and plumbing contracting and annual maintenance contracts/projects for villas and buildings.
- **Light Manufacturing:** Jumbo Electronics provides original equipment manufacturing services through its manufacturing unit with an installed capacity of 60,000 freezers at Jebel Ali.
- **Support Services:** This vertical ensures adherence to quality and offers after-sales support through its dedicated 70,000 sq ft service center at Jebel Ali (Jumbo SERVE) and round-the-clock customer hotline (800JUMBO).

Key Strengths

- A leading position in the UAE's consumer electronics and home appliances retail market.
- A multi-disciplinary conglomerate with presence across all the seven emirates.
- Reputation of providing best-in-class uncompromised customer service.

Recent Developments/Future Plans

- In October 2014, at the GITEX Shopper 2014, Jumbo Electronics witnessed an increase in sales revenue close to 20% and also achieved a 58% increase in smartphone sales.
- In September 2014, Jumbo Electronics was appointed as the exclusive distributor for Obi mobiles in the Middle East.
- Jumbo Electronics and Yoto Devices launched the YotaPhone in the UAE in May 2014.
- In March 2014, Jumbo Electronics entered into a partner supply agreement with Unify Communications (formerly Siemens Enterprise Communications) for the sale, installation and maintenance of Unify products and solutions throughout Oman.
- In March 2014, Jumbo Electronics announced its plans to grow its B2B business through its the enterprise business division and is also seeking to expand its retail footprint in the GCC, India and Iran.
- In January 2014, Jumbo Electronics entered into a strategic partnership with Admiral Overseas Corporation (AOC) and MMD, the brand license partner for Philips, to offer their products in Oman, Bahrain, Kuwait, Qatar and Iraq.

Khimji Ramdas (Privately Owned)

Oman

Company Description

Founded in 1870, Khimji Ramdas LLC is one of the largest business conglomerates in Oman, with employee strength of around 3,500. It has maintained a leading position in retail segments such as consumer goods and lifestyle products as well as in sectors such as infrastructure and industries. Overall, the company's portfolio comprises more than 400 global brands.

Business Segments/Product Portfolio

- **Consumer Products Group:** This division retails and distributes FMCGs, foodstuff, commodities as well as beauty & healthcare products and services. It operates 26 supermarkets, 10 social welfare markets and 24 Oman Oil Quick Shops. The upcoming SPAR supermarkets will provide high quality fresh foods along with wide range of premium products.
- **Lifestyle Group:** The wide range of offerings under this division includes luxury lifestyle products, watches, restaurants, computers, education and information and communication technology services. The company owns franchise rights of some leading lifestyle brands in the categories of clothing, beauty, perfumes and luggage, among others. It also owns a watch showroom offering several international brands and represents the Pizza Hut restaurant chain in Oman.
- **Infrastructure Group:** At its flagship showroom, Bait Al Aham, Khimji Ramdas offers home furnishing products including tiles, sanitary ware, furniture and electronic home appliances. It also provides paints, electrical products, tools & machineries and construction and building materials, in addition to storage and warehousing solutions.
- **Project & Logistics Group:** This segment provides core logistics solutions to the shipping industry, along with services such as providing insurance, managing defense logistics and manufacturing firefighting equipments & tools.

Key Strengths

- A diversified product and services portfolio.
- Rich experience in retailing consumer products.
- A strong distribution network with multiple branches, over 3,500 direct distribution points and world-class warehousing facilities across Oman.
- Strategic partnerships with multinational companies such as P&G, Philip Morris, IBM, Siemens, Bel Group and Rolex, built for over two decades.

Recent Developments/Future Plans

- In August 2014, the group announced its plans to open 10 more Al Asalah supermarkets over the next two years in Oman.
- The group tied up with the Netherland-based retailer SPAR International in August 2014 to open nine stores in Oman by end-2016.
- The infrastructure vertical of the group, KR Infra, inaugurated the state-of-the-art commercial complex for the company's infrastructure business in Ghala in April 2014.

Landmark Group (Privately Owned)

UAE

Company Description

Established in 1973 in the UAE, the Landmark Group is one of the largest and the most successful retail organizations in the Middle East region, with a staff of more than 50,000. The group is present in 18 countries across the Middle East, Asia and Africa, with a total retail space spread over 24 million sq ft. It operates its retail stores under different formats to sell fashion products, home and electronic appliances, foodstuff and confectionaries. The Landmark Group intends to expand its retail footprint to 29 million sq ft through more than 2,000 stores in 20 countries and targets to exceed revenue of US\$ 5.0 billion by 2015. The group aims to increase its store count to over 550 and retail area to 8 million sq ft in the UAE alone by adding 50 stores by end-2015.

Business Segments/Product Portfolio

- **Retail:** This business segment offers various home-grown Landmark brands, in addition to international names. It operates over 1,350 stores under brands such as Lifestyle Departmental Stores, Shoe Mart, SPAR Hypermarkets, Splash, Centre Point, Home Box and SportsOne. Its product range covers apparel, footwear, home decor, grocery, meat products, bakery products and electronics, among others.
- **Hospitality:** With the launch of this segment in 1999, the group forayed into the leisure, food and hotels segment. The first outlet was started in 1999. Today, the group operates over 27 restaurants and more than 43 family entertainment centers, in addition to a number of fitness clubs and hotels across different countries. The services include fine and casual dining, education & family entertainment, fitness & relaxation services, healthcare (iCARE clinics), confectionary and value hotels.
- **Malls:** This unit operates the Oasis Centre Mall spanning across 1.4 million sq ft in the UAE.

Key Strengths

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

Recent Developments/Future Plans

- In December 2014, the Landmark Group open 21 new stores in the Yas Mall in Abu Dhabi, taking the total store count in the UAE close to 550 and the total retail area to almost 8 million sq ft.
- The group's multi-brand sporting goods arm, SportsOne, entered into an agreement with GEMS School in November 2014 to offer gift vouchers and discounts on sportswear relevant to the GEMS Sports Series for the academic year.
- At the GITEX Shopper 2014 in October 2014, the overall sales revenue of the group's electronics retail arm Emax surged 40%, surpassing its target growth rate of 30%.
- In October 2014, the group announced plans to increase its footprint in Egypt by adding up 20 new stores over the next 12 to 24 months.
- Citymax hit the milestone of 100 stores in Saudi Arabia with the opening of its 100th store at Al Roudah Plaza, Hofuf, Dammamin in July 2014.

M.H. Alshaya Co. (Privately Owned)

Kuwait

Company Description

Founded in 1890 in Kuwait, M.H. Alshaya Co. (Alshaya Retail) is part of the wider Alshaya Group. The group expanded significantly in the 1960s and the 1970s by foraying into real estate development, construction, hotels and trading. In 1983, the Alshaya Group launched its retail division with the commencement of franchise operations for Mothercare. Today, Alshaya Retail employs a staff of over 40,000, holds more than 70 brand partnerships and operates more than 2,600 stores occupying 850,000 sq m of retail space across the MENA region, Russia, Turkey and Europe.

Business Segments/Product Portfolio

- **Fashion & Footwear:** Alshaya Retail provides fashion accessories and clothing for men, women and kids through its franchise stores of famous brands such as Mothercare, Debenhams, H&M, Evans, Topshop and Payless ShoeSource, among others.
- **Food:** The company operates several franchise restaurants and cafes like Starbucks, Texas Roadhouse and Pizza Express.
- **Health & Beauty:** Alshaya Retail offers a range of cosmetics and personal care and beauty products through popular brands such as Victoria's Secret Beauty & Accessories, The Body Shop, M.A.C and Bath & Body Works, among others.
- **Pharmacy:** The company operates Boots stores, the UK's leading health and beauty retailer.
- **Optics:** Alshaya Retail provides fashion sunglasses and eye care services at its franchise stores of Solaris and Vision Express, respectively.
- **Home Furnishings:** The company offers contemporary home décor through stores such as Pottery Barn and West Elm.
- **Leisure & Entertainment:** Alshaya Retail manages KidZania Kuwait, a popular amusement center that combines entertainment and education for kids.

Key Strengths

- An extensive network of stores.
- Strong presence across several countries in the MENA region.
- Deep knowledge of the retail market due to sector experience of over three decades.

Recent Developments/Future Plans

- Alshaya Retail announced in November 2014, that it will open outlets of 42 brands at the Yas Mall, Abu Dhabi. Few of the brands like Victoria's Secret, The Cheesecake Factory, COS, Texas Roadhouse, Muji, River Island, Jo Malone and West Elm will open their debut store in Abu Dhabi.
- World's leading coffee retail chain Starbucks opened its first Starbucks Reserve store in Bahrain at the Bahrain City Centre in October 2014.
- EQUATE Petrochemical Company installed a petrochemicals plant at KidZania Kuwait in October 2014, making it the first petrochemicals firm to be present at KidZania.
- In July 2014, a popular US retailer of fashionable jewelry and accessories Icing opened in first store outside America in Kuwait. The new store in the country was to be operated by M.H. Alshaya Co.
- In March 2014, Payless ShoeSource opened its eighth store in Cairo, Egypt.

Majid Al Futtaim Holding LLC (Privately Owned)

UAE

Company Description

Majid Al Futtaim Holding LLC (MAF), started in 1992, is a UAE-based group of companies. It is one of the leading hypermarket and mall operators in the GCC. MAF operates through its three main business lines, Majid Al Futtaim Properties, Majid Al Futtaim Retail and Majid Al Futtaim Ventures. Its retail segment encompasses 56 hypermarkets, 53 supermarkets and an online store. MAF has a highly integrated business model with strong linkages among all the segments. Apart from the modern grocery stores, it owns exclusive licensing rights to market a number of international brands in the MENA region. The group's revenues increased 14% y-o-y to US\$ 3.5 billion in H1 2014, of which US\$ 2.9 billion were contributed by Majid Al Futtaim Retail.

Business Segments/Product Portfolio

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

Key Strengths

- Strong presence across the GCC retail market.
- Collaboration with one of the largest hypermarket chains in the world.
- Complementing business segments providing cross-synergy and reduced business risk.
- Ownership of high-quality retail space in the GCC.

Recent Developments/Future Plans

- In November 2014, Majid Al Futtaim Leisure & Entertainment in collaboration with the LEGO Group opened its first LEGO certified store at the Yas mall in Abu Dhabi.
- In October 2014, MAF announced that it will launch the Mall of Egypt, the third mall in Egypt at an investment of EGP 4.9 billion (US\$ 686 million taking exchange rate as of October 26, 2014) which is expected to open in 2016.
- In October 2014, MAF announced the launch of a convenient corner store Carrefour City – The Neighboring Store to meet the daily shopping needs of customers.
- In September 2014, MAF announced that it will invest OMR 27 million (US\$ 70 million taking exchange rate as of September 3, 2014) towards the phase two expansion of the City Centre, Muscat, expected to be completed in 2015. The plan is to set up 60 new options for shopping and dining across 10,000 sq mt of new retail space.
- In August 2014, MAF opened a 5,780 sq mt new Carrefour Hypermarket in BurJuman.
- In August 2014, MAF announced the phase two of strategic development of the Mall of the Emirates with an estimated cost of around AED 1 billion (US\$ 272 million taking exchange rate as of August 26, 2014). The plan involved introducing new fashion brands, an improved dining experience and a state-of-the-art cinema experience by expanding the mall by a gross leasable area of 25,000 sq m.

Olayan Group (Privately Owned)

Saudi Arabia

Company Description

Established in 1947 in Saudi Arabia, the multinational Olayan Group operates through its 50 subsidiaries and affiliated businesses. The entity has business interests in the areas of manufacturing, wholesale, retail and distribution of consumer products, investment services, food services, healthcare products & services and industrial services. It is also involved in the management of infrastructure, residential and commercial projects and offers logistics solutions. In addition, the group invests in public and private equities, real estate and other specialized asset classes globally.

Business Segments/Product Portfolio

- **Consumer Products – Manufacturing & Distribution:** This division of the group offers bottling, distribution, manufacturing and marketing of beverages, bakery products and personal care products. Coca-Cola, Nestle, Colgate-Palmolive and Huggies are some of the brands with which the group is associated.
- **Food Service:** Through this division, the group manages the master franchisees and franchisees for Burger King and Texas Chicken in Saudi Arabia and other GCC countries.
- **Financial & Investment Services:** It makes investments in public equity in Saudi Arabia and other GCC countries.
- **Health Care Supplies & Service:** This segment offers medical products from Baxter, Cardinal Health and other healthcare companies. It also manufactures disposable surgical coverings locally in partnership with Kimberly-Clark.
- **Industrial Equipment Distribution:** This division offers sales and after-sales services of industrial products such as trucks, engines, generator sets, farm equipment, pivot sprinkler, compressors and tools.
- **Industrial Services & Fabrication:** This division is involved in activities like inspection, repair, hazardous waste management, precision parts fabrication, etc. for the oil industry along with Descon, Weir and Tuboscope/Varco as technology partners.
- **Manufacturing & Office Automation:** The Manufacturing division deals with the production of aluminum extrusion & building products, solar panels, reinforcing steel and PVC pipes, among others. The Office Automation division deals with the sales and after-sales service of hi-tech office equipment.
- **Project, Supply Chain and Real Estate & Property Management:** These sub-segments plan and implement infrastructure, residential and commercial projects. The supply chain division, in a joint venture with Exel Overseas Limited, provides logistics services in-house and to third-party companies in Saudi Arabia.

Key Strengths

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

Recent Developments/Future Plans

- The Middle East arm of the Olayan Group, the Olayan Financing Company, acquired a controlling stake of 51% in Gulf Union Foods Company in July 2014.
- In June 2014, the Olayan Group completed the acquisition of the largest single real estate property, Paris Real Estate, from Risanamento S.p.A.

Salam Studio and Stores (Privately Owned)

Qatar

Company Description

Salam Studio and Stores started its operations in Qatar in 1952 by providing photography services. It entered the retail arena through its first department store in the 1960s. Currently, the company offers over 300 brands of luxury and designer apparel, perfumes, photography equipment, jewelry, home products and accessories. In addition to Qatar, it owns and operates department stores in the UAE, Oman and Jordan. Salam Studio and Stores also operates extensive distribution and wholesale networks in these countries. Over the years, it has expanded its reach to cover Abu Dhabi, Dubai, Amman, Al Ain and Muscat.

Business Segments/Product Portfolio

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

Key Strengths

- A wide range of products for all consumer categories, i.e. women, men and children.
- Offers a large umbrella of premium branded products.
- A strong footprint across the entire supply chain through its significant presence in retail and wholesale markets.

Recent Developments/Future Plans

- In October 2014, Salam Studios and Stores signed leasing agreements with Doha Festival City in line with its commitment to offer diverse selections of its dining, fashion and entertainment brands.

United Electronics Company (Publicly Owned)

Saudi Arabia

Company Description

Founded in April 2003, United Electronics Company (eXtra) is a wholesale and retail distributor of consumer electronics, home appliances and gaming consoles. The company also sells furniture, fixtures and office equipment. As on September 30, 2014, the company operated a network of 36 stores across Saudi Arabia and one store each in Bahrain and Oman.

Business Segments/Product Portfolio

- **Consumer Electronics:** eXtra offers a wide range of mobile phones, telephones, computers, television sets, cameras and audio players.
- **Home Appliances:** The company offers several kitchen appliances, home care equipment, health and beauty products and cloth care products, among others.
- **Gaming Consoles:** eXtra sells Xbox and PlayStation gaming consoles and related accessories.

Key Strengths

- Strong footprint in the consumer electronics and home appliances segment in Saudi Arabia.

Recent Developments/Future Plans

- In December 2014, eXtra opened Apple stores in Riyadh and Al Khobar in Saudi Arabia.
- In August 2014, eXtra acquired 7,048 sq m of land in Muscat for opening its second store there (third outside Saudi Arabia) against a consideration of SAR 33 million (US\$ 8.8 million, derived using exchange rate as of August 28, 2014). The store is likely to be opened in the first quarter of 2015.
- eXtra opened its 38th store in Khamis Mushait in May 2014, its first outlet in the city.
- In March 2014, the company was among the 'Top 100 Saudi Brands', a list based on a poll conducted by a leading Saudi publication. The poll expected Saudi consumers to name their top local brands across sectors such as retail, services and industrials.

Current Price (US\$) 22.89

Price as on January 22, 2015

Stock Details

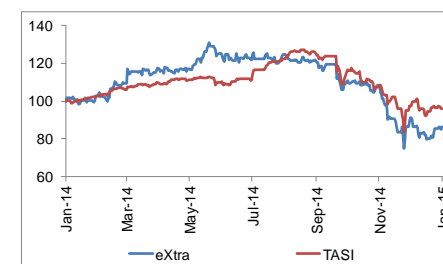
Bloomberg ticker	EXTRA AB
52 week high/ low	34.80/19.87
Market Cap (US\$ mn)	686.6
Enterprise value (US\$ mn)	682.6
Shares outstanding (mn)	30.0

Source: Bloomberg

Average Daily Turnover ('000)

	SAR	US\$
3M	10,266.1	2,735.3
6M	11,245.2	2,997.1

Share Price Chart



Valuation Multiples

	2013	2014	2015E
P/E (x)	17.7	19.9	13.7
P/B (x)	6.1	N/A	4.1
EV/S (x)	0.9	N/A	0.6
Dividend yield (%)	3.3	N/A	4.6

Source: Bloomberg

Shareholding Structure

Abdullatif & Mohammad Al Fozan Company	45.40%
Abdulaziz Alsaghyir Commercial Investment Company	14.90%
Public	39.70%
Total	100.00%

Source: Zawya

Financial Performance				
US\$ Million	2012	2013	Change (%)	<ul style="list-style-type: none"> Revenue grew by 12.4% y-o-y to US\$ 903.4 million in FY2013, primarily driven by its expansion within and outside Saudi Arabia. Operating income increased 5.5% y-o-y to US\$ 46.0 million in FY2013, despite a 26.3% y-o-y increase in selling and distribution expenses. However, operating margin declined from 5.4% in FY2012 to 5.1% in FY2013. Net income expanded 5.4% to US\$ 44.6 million in FY2013 from US\$ 42.3 million in FY2012.
Revenue	803.8	903.4	12.4%	
COGS	662.4	743.0	12.2%	
Operating Income	43.6	46.0	5.5%	
Operating Margin (%)	5.4	5.1		
Net Income	42.3	44.6	5.4%	
Net Income Margin (%)	5.3	4.9		
Return on Equity (%)	33.6	34.3		
Return on Assets (%)	16.8	15.9		

Source: Zawya, Company filings

Other Leading Supermarket Chains in the UAE

Al Maya: Al Maya was founded in 1982, after L.K Pagarani took the ownership of a standalone grocery store in Ajman. Having started with food as its main trading commodity, the company continues to focus primarily on retail food trade. Al Maya's core businesses include supermarkets & hypermarkets, retail franchises for apparels, stationary & books and distribution of FMCG and apparel. The company is the largest distributor in the UAE, with exclusive rights for the distribution of popular FMCG brands across the GCC region. Through its associates, Al Maya is also involved in businesses such as salon & spa, restaurant and bakery, among others. In September 2014, the company launched three new supermarkets, two of which are in Abu Dhabi and one in Ajman. In June 2014, Al Maya opened its sixth supermarket in Oman.

Choithrams: Launched in the UAE in 1974, Choithrams currently operates a network of over 31 supermarkets in the country. The company's three business segments are Food Service, Light Household & Garments and Logistics & Distribution. The first division caters to the hospitality sector, in partnership with international hotels, clubs and airlines. The second segment offers a wide variety of household appliances, toys, fashion wear and children's garments, among others. The third business unit caters to the stock requirements of the supermarkets and ensures a smooth distribution of products for its retail and food service business. Choithrams' operations in the UAE are part of T. Choithram and Sons, which was founded in 1944 in West Africa and is currently present in Europe, North America, Africa and the Middle East. Choithrams leverages its parent group's knowledge of international markets, experience and network built over the last seven decades. In May 2014, the company signed an exclusive agreement with the Mena Holdings Group to become the sole retailer of Tesco's products in the UAE.

Géant: Fu-Com LLC (a part of BMA International) partnered with Groupe Casino, one of the world's largest hypermarket chains, to launch Géant supermarkets and hypermarkets in the Middle East. Having started its first store in Bahrain in 2001, Géant opened its first hypermarket in Dubai in 2005. The company stocks and sells groceries, food products, bakery products, electronics, jewelry, perfumes, household items, accessories and seafood, among others. Géant caters to consumers across low to high income level groups. Géant currently operates three hypermarkets and eight supermarkets in the UAE. The company had launched the country's first online hypermarket in June 2013.

Spinneys: The Spinneys retail chain was first founded in 1924 in Egypt by Arthur Rawdon Spinney. Since then, it has expanded its supermarket operations across the Middle East in Lebanon, Egypt, Qatar, Jordan and the UAE. Spinneys' entry into the UAE dates back to early 1960s. Operating on a franchise model, the company runs a mix of supermarkets and convenience stores that offer fresh food produce, bakery items, meat & poultry, seafood, cheese, flowers and other products in the country. Over the years, Spinneys has focused on establishing a strong reputation for freshness, quality and customer service. In October 2014, the company launched a series of 'Happy' discount stores across the country. In June 2014, the company opened its third and biggest branch in Doha, Qatar, at the Pearl-Qatar's Medina Centrale District. In the same month, Spinneys announced plans to open a new cold storage and distribution center at the Khalifa Industrial Zone in Abu Dhabi.

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Sale of Edible Oils & Fats Business
to
BUNGE
Bunge India Private Limited

USD 80,000,000

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&
Inter-Chemi International Limited

Acquired by
ANCHOR ALLIED FACTORY LTD.

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Bin Omran Trading & Contracting Co. W.L.L.
to
Hector Real Estate Investments W.L.L.,
advised by
The First Investor

Exclusive Transaction Advisor
ALPEN CAPITAL



Strategic equity stake in
Empire Aviation Group FZCO

acquired by
AIRWORKS

Financial Advisor
ALPEN CAPITAL



Nico Middle East Limited

US\$ 125,000,000
Islamic Vessel Finance (Jensh / Irtana) Facility

Financial Advisor
ALPEN CAPITAL




JET AIRWAYS
Jet Airways (India) Limited

US\$ 150,000,000
Dual Currency Syndicated Term Loan Facility

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mashreq, ADCB, CBI

Lead Arrangers
Financial Advisor
ALPEN CAPITAL



Dubai Aerospace Enterprise (DAE) Limited

US\$ 230,000,000
Commodity Murabaha Financing

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