



GCC Retail Industry – Opportunities and Challenges

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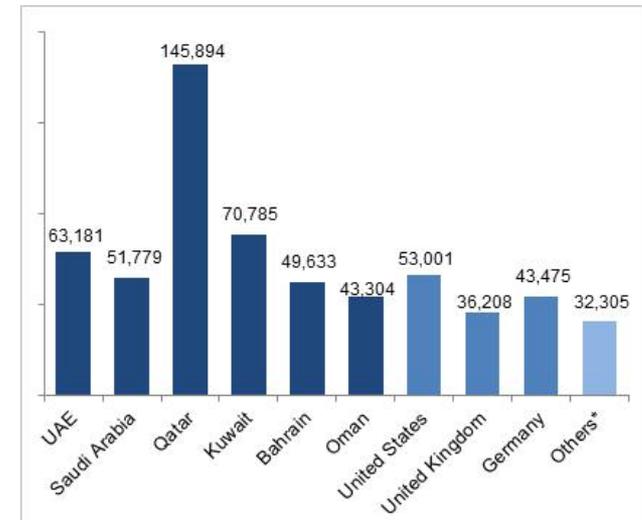
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It's all about Retail!

Regional Retail

- **Contributes 12% of the region's GDP***
- **Strong growth over the last 5 years (7% CAGR)**
 - Rising purchasing power; region has one of the highest GDP per capita in the world
 - Growing young and brand-savvy population
 - Recognition as a major tourist destination
- **Global Recognition**
 - Four GCC countries ranked as most attractive retail destinations (A.T.Kearney's GRDI) #
 - Dubai is the region's leading retail destination, with presence of second largest number of global brands after London
- **Dynamic Market - Undergoing significant transformation**
 - Induction of modern retail formats - Community malls
 - Increasing popularity of homegrown brands
- **Immense opportunity over the next few years**
 - Hosts to World Expo 2020 and FIFA 2022, would further popularize region as major touristic/business destination

GDP Per Capita (based on PPP) Comparison (2013), Amounts in USD



Source: IMF, October 2014

*Others include China, India and Brazil

Comparison on GRDI Parameters

Countries	GRDI Score	2014 Rank
UAE	60.5	4
Kuwait	54.0	8
Saudi Arabia	49.1	16
Oman	48.1	17

Source: A. T. Kearney GRDI 2014, based for 30 developing countries

* EIU, Bloomberg, Central Statistic Office

Global Retail Development Index (GRDI) 2014 for 30 developing countries. All the countries are assigned a score and rank based on four main parameters – Market attractiveness, Country risk, Market saturation and Time pressure

It's all about Retail!

UAE Retail

▪ **Thriving retail sector**

- High disposable income levels, increasing consumerism, growing tourism, presence of major international branded stores

▪ **Most developed retail market within the GCC region**

- Dubai accounted for approx. 65% of UAE's retail sales*
- Abu Dhabi's retail is driven by public-private partnerships

▪ **Completed modern retail space - 2.1 mn sq. meters[#], the highest across the region**

- Another 0.5 million sq. m. in pipeline over the next 5 years

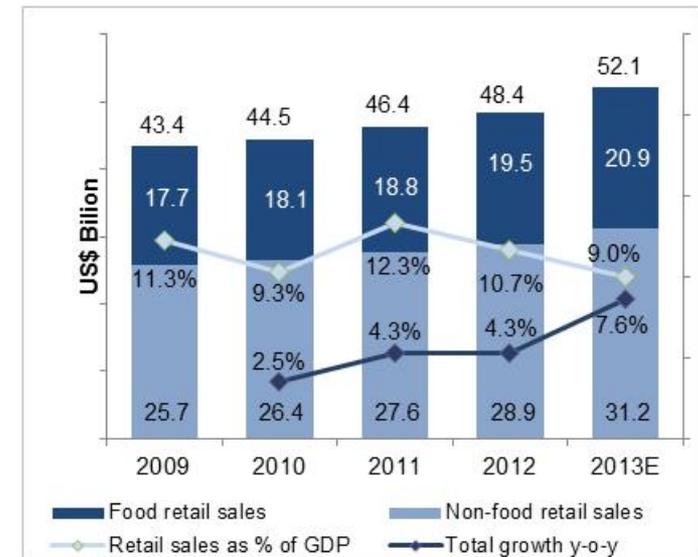
▪ **Recognized as a major transshipment hub**

- Free-market and easy access environment further attracts retailers - conducive business environment, low/no taxes

▪ **Expansion of homegrown brands to set-off the next big wave in the retail sector**

- *Lulu, Homechoice (Spinneys), Carrefour, Red Tag, Max etc.*

Size of Retail Sales in the UAE



Source: Economic Intelligence Unit, August 2014

* Dubai's wholesale and retail trade sector overview for 2013, Emirate NBD, June 30, 2014

A.T. Kearney - for the year 2013

Retail Industry - The Good, The Bad, The Ugly

Growth Drivers

- **Young, brand conscious and diverse population**

- Population to reach 57.6 million in 2019; 58% of the population is aged between 15 to 44*
- Increased awareness and high inclination towards premium clothing
- Over 200 nationalities with diverse taste and preferences

- **Growing Affluence**

- Fertile landscape for retailers - Affluent population to grow by over 30% by 2023
- High spending power and resultant consumerism

- **Rising tourism**

- Tourists to grow at a CAGR of 7.7% to 45.7 mn by 2018[#]
- Religious tourism in Saudi Arabia; Burj Khalifa/Dubai Mall, DSF (Dubai) attracting over 35 million visitors a year
- GCC is the hub to three of the world's largest airlines

- **Others** - Host to Mega-events, Modern Infrastructure (hotels, logistics), Favorable tax structure, Availability of Credit

The Middle East Wealth Trend

Type	2013	2023	% Change
Number of Ultra HNIs (+US\$ 30 million)	7,052	9,498	35%
No. of Centa-Millionaires (US\$ 100 million)	1,508	2,044	36%
Number of Billionaires	108	146	35%

Source: The Knight Frank Wealth Report, 2014

Retail Industry - The Good, The Bad, The Ugly (cont'd)

Challenges

▪ **Dependence on Expatriate Workforce**

- More than 80% of the workforce within this industry are expats
- High attrition, visa constraints and regulations for unskilled workers

▪ **Increase in Competition**

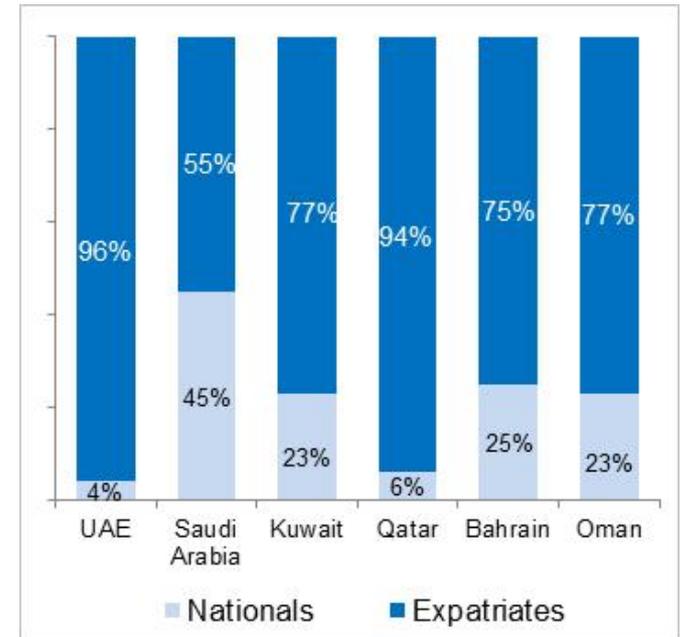
- Major international brands vying for space in catchment areas, limited quality retail space
- Growth of homegrown brands – further fragmentation of the market

▪ **Inadequate infrastructure to boost Online Retail**

- Online retail lags behind developed countries – under- developed inventory and delivery nodes
- Lack of trust amongst consumers for online shopping – consumers still opt for cash on delivery

▪ **Others** - Counterfeit Products

Composition of the GCC Workforce



Source: Arab Gulf States: An Assessment of Nationalization Policies, 2014

Retail Industry - The Good, The Bad, The Ugly (cont'd)

Areas of Concern

▪ Soaring Rental Rates

- Average retail rent in Dubai increased by 54% in primary malls and by approximately 40% in secondary malls* since 2013
- Negative bearing on retailer's margins - not able to completely pass-on through product pricing

▪ Dip in Oil Prices and Dependence on Hydrocarbon sector

- Continued weakness will result in reduction in government infrastructure/welfare spending
 - Potentially lead to loss of employment, thereby reducing overall purchasing power and retail spending
- Lower tourist inflow from oil-dependent countries

▪ Others - Rising Dollar!! (is it really helping the economy?); Political Stability (Instability?)

Share of Hydrocarbon and Non-hydrocarbon Sectors in Nominal GDP

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

Movers and Shakers

Emerging Trends

▪ Moving from the 'E' to 'M' Commerce

- Growing penetration into the smart-phone segment, driven by apps
- Significant discounts being offered by retailers for use of such applications



▪ Mushrooming of Homegrown brands

- Highly profitable option for food retailers – eliminating intermediaries in the value chain
- Gaining prominence within both the food and non-food segments



▪ Rebirth of the Modern Convenience Stores

- Located in communities, high-rise towers, commercial areas to meet the daily requirements of the residents
- Adopted quickly by large franchises – Express outlets



▪ Community Malls

- Promotes growth of home grown brands and SME segment



Retail all the Way!

Robust Outlook (GCC)

- **Expected to grow at a 7% CAGR between 2013 and 2018 to reach US\$ 285 billion**

- Increasing population – especially young and brand conscious population
- Influx of tourists in the region; upcoming theme parks in UAE, religious tourism, shopping festivals being organized by other GCC countries
- Significant investments in online infrastructure to boost E/M-commerce

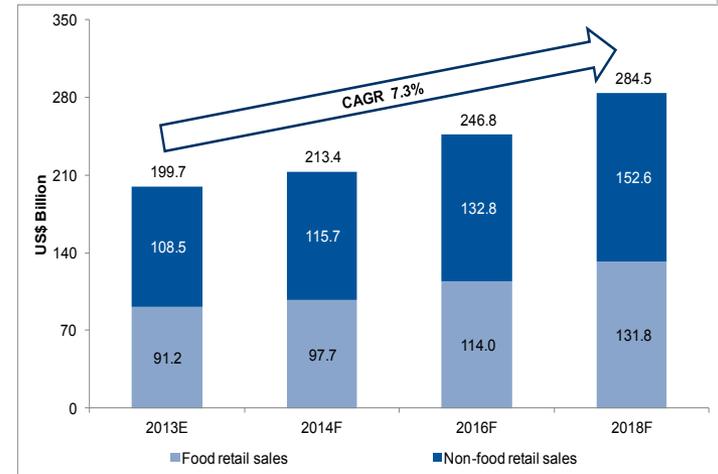
- **Food retail to out-grow non-food retail**

- Popularity of ready-to-eat selections
- Higher demand for healthier and processed food

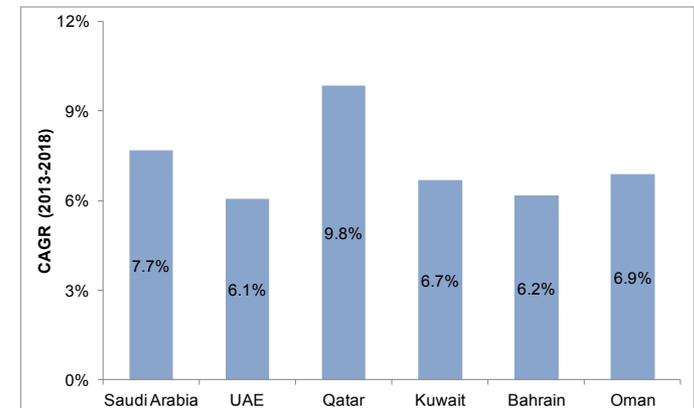
- **Qatar to be the most promising market – CAGR of 10% over the next 5 years (host to FIFA WC in 2022)**

- Saudi Arabia continues to be the largest market, contributing 47% in 2018
- UAE's contribution to the total retail sales to be 25% in 2018

GCC Retail Industry Growth forecast



GCC Country wise growth forecast



Source: Alpen Capital

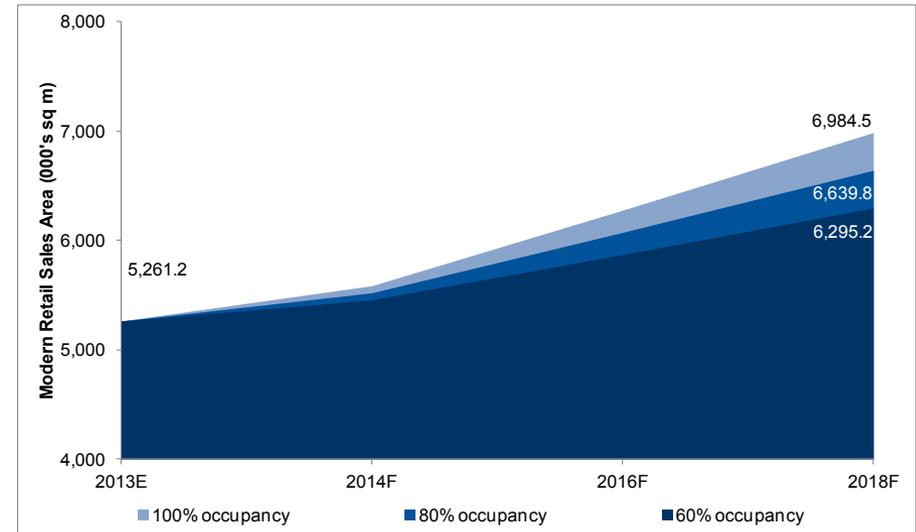
Note : E – Estimated ; F – Forecasted

Retail all the Way!

Supply side estimates – modern retail sales area (GCC)

- **Completed modern retail sales area of 5.3 mn sq. meters in 2013**
- **Estimated 1.7 mn sq. meters of modern retail sales area to be added by 2018**
 - Shopping malls/modern retail outlets opening across the GCC countries – The Vendome (Qatar); Mall of the World (Dubai), Dubai Canal project
 - Extension of existing malls (Mall of the Emirates, Dubai Mall, JBR)
 - Community malls – such as Box Park (Dubai), City Walk (Dubai), Al Wakra Souq (Qatar), The Wave (Oman)
- **Occupied modern retail sales area in the GCC expected to reach 6.6 million sq. m in 2018 (at 80% occupancy)**

Forecast of modern occupied retail sales in the GCC

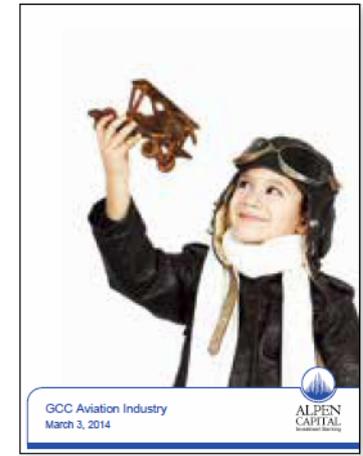


Source: Alpen Capital
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Q & A

Our Industry Research

- Awarded the Banker Middle East Industry Award for Best Research House in 2011, 2013 and 2014
- Our industry research analysts keep a close eye on the latest developments in the markets, carry out special studies and offer a range of key economic and financial forecasts on selected industries/sectors relevant to GCC economies.
- All our research is available on our website – www.alpencapital.com



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acquired by
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Financial Advisor




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