



GCC Food Industry

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"The recent economic history of the GCC countries and the UAE has shown remarkable resilience even after being subject to variables outside its control, like the international Financial Crisis and global oil prices. Luckily, the Government is carrying instrumental decisions that will shape the future of the country, having a positive cascading effect on the industries including the Food Industry, like the economic stimulus packages announced in Dubai and Abu Dhabi. The UAE's growth rate has been above the region's average over the past decade, a sign of positive outlook in the years ahead."

The governments' policy to reduce oil dependency has had a positive impact on favorable policies for the Food Industry. However, the Food Production industry has not reached saturation yet in view of the sizeable production food deficit to overcome. There is a responsibility for the industry to grow further.

The Food Industry's growth is facilitated by the growth of three major sectors in the country which are the Wholesales & Retail Trade, Manufacturing and Agriculture. The Food Industry contributes 72% to the Wholesale & Retail Trade. Other factors to stimulate the growth of the Food Industry will be about understanding the consumer, anticipating the consumer behavior and changing demography. A unique population structure which leads to a complex environment of consumer needs will translate into high demand. It is expected that consumer confidence will remain consistent. Consumer behavior is evolving through increase of online shopping, smarter shoppers through repetitive purchases, price perception, retail trader's promo abuse, health and food wastage consciousness.

Major trend now is imports dependent. However, leveraging upon the country's infrastructure may turn the UAE in becoming the major hub for food in the GCC. Future evolution of the industry will be driven necessarily by consumer needs, rise of Health consciousness, online shopping, increasing in sales of packaged goods, multi-cultural consumer base and Foods Value Chain digitalization."

Joachim Yebouet

Chief Executive Officer

FOODCO Holding PJSC, UAE

"The GCC Food market is likely to follow the population growth of the region. The higher percentage of young population makes the overall category outlook even more attractive. The driving factors for the industry are going to be Health, Taste, Nutrition, Convenience and Cost. The key manifestation for 'health and nutrition' is going to be Fresh, Natural, Preservative-free, Non-GMO, Organic and simple to understand ingredients list. These requirements will make local production and sourcing even more compelling. 'Ordering in' and 'Eating out' is going to significantly increase. Traditional Food Supply Chain systems will need to adapt to the said changes. Distribution systems will need to support not only brick and mortar retail and food service outlets but will also learn to be "aggregators" for dark, cloud and virtual kitchens, the proliferation of which is happening at a reasonable speed. Food Companies will need to "Innovate" to provide localized thematic offerings with greater speed by making investments in food technologists, technology, labs, equipment's and supply chain systems. However, the Food Industry does face challenges which is in the form of skilled technologists, cost disruption in key raw material ingredients, higher supply chain costs and lack of incentive to support R&D due to the relative ease of import substitution."

A F Merchant

Executive Director

IFFCO, UAE



"While majority of the GCC produce less food, Oman food production has witnessed ample growth during the last ten years. This rise is driven by high demand, better efficiency and continued creation of awareness by relevant government and NGO's who emphasize the need for better nutrition and work very closely with local food producers to enhance fortification programs across the food value chain. The demographics play a major role in the GCC in sustaining and maintaining current levels of volume; however, Oman enjoys a better position due to the fact that the potential for improving consumption from the protein group is promising with the advent of newly established projects in the areas of dairy, poultry, red meat, fisheries and feed."

Whilst the GCC needs to attract more investors to food production, a better business friendly ecosystem has to be continually fostered by relevant government institutions.

Oman was very successful in driving major initiatives in this regard where the InvestEasy platform and newly established Investment Center plays a major role in creating an investment easy environment which encouraged more local investors and FDI's to invest in agriculture, fisheries, food processing and food logistics.

Oman Food Investment Group (OFIC) is mandated to drive major investment in the multi food spectrum by announcing a number of projects that will position Oman as a major GCC food supplier and a source for high standard-freshly-produced food. This will only be attained by attracting best local and global talent coupled with improved investment appetite and attractive funding ".

Saleh Mohamed Alshanfari

Chief Executive Officer

Oman Food Investment Group (OFIC), Oman

"Overall consumption in the region is expected to rise owing to the population growth and evolving consumer preferences. The economy is being boosted by rising tourism which will not only drive food sector growth but also improve consumer confidence. The UAE has one of the highest internet penetration rates in the world, with 98.4% of its population using the internet in 2017. This is an important factor which is boosting e-commerce activities, thereby lifting Food & Beverage sales. At the same time, consumption of staple carbs, snacks and meat substitutes are also growing strongly by value and volume.

One key challenge facing the sector is to increase self-sufficiency and reduce the import bill of the region. This is being addressed by encouraging local and international investments. For example, the UAE is investing more than US\$ 5 billion in India in order to buy more food products at cheaper prices. This will allow for the creation of the India-UAE food corridor which will significantly boost the export of food products such as poultry, vegetables, fruits and cereals from India to the UAE.

We can see several emerging trends in the food sector. Rising rate of obesity and other lifestyle related diseases augment the demand of organic and healthy food. The trend to adopt popular diets like Keto and Paleo are changing consumer views towards carbohydrates and fats. These diets encourage consumption of fat over carbohydrates which will bring about a change in consumption patterns. Digital penetration and tech savvy consumers are making better purchasing decisions using digital platforms and tools. In order to stay ahead in a competitive market, FMCG companies are going an extra mile by customizing their products to make them stand out. These positive trends bode well for the growth of the food sector."

Iqbal Hamza

Group Chief Executive Officer

National Food Products Company, UAE



"The GCC Food Industry, particularly the processed food segment has witnessed a steady growth over the past nine years. Higher rates of economic growth, rising affluence and hectic lifestyles have amplified the demand for ready-to-cook and frozen processed food."

"The processed food segment is highly technology driven and to ensure that they remain competitive, companies have to invest in modern technology to build units as per international standards. In addition, commitment to high quality and halal standards is essential in this market. We expect the GCC Food Industry to continue to grow at a steady pace on the back of economic growth in the region. Additionally, a high influx of tourists, preference towards international cuisine and changing demographics would drive growth in the sector."

Atul Subberwal

Chief Executive Officer

AI Kabeer Group of Companies, UAE

"We expect to witness a moderate growth in the GCC Food sector. Economic recovery led by improving oil prices, population growth, high GDP per capita and rising tourist arrivals would be the driving factors. Changing demographics and rising health awareness have fueled the demand for organic food items, which has led the private labels to diversify their product portfolio. The food services sector is also seeing a surge of opportunities in preparation of mega events like EXPO 2020 and FIFA World Cup 2022. The region remains highly dependent on imports and vulnerable to fluctuations in global food prices. To mitigate these challenges the regional governments are taking several initiatives to improve food security."

"Trends like ordering online, eating out and opting for quick & easy to prepare meals have paved a way for international delivery platforms and food processing facilities to increase their foothold in the market. With companies looking to strengthen their geographic presence and meet the growing demand, several intra-regional and cross-border deals closed during the past two years. Also, with increasing investments towards food security by the regional governments, we expect to see significant M & A activity taking place in the sector to satisfy investor appetite."

Rohit Walia

Executive Chairman

Alpen Capital (ME) Ltd, UAE

1. Executive Summary

The GCC food sector continues to witness a steady growth momentum on the back of rising population, high per capita income and increasing tourist inflow. Growing health awareness and changing lifestyle have altered consumer preferences leading to increased appetite for organic, packaged and international food in the region. Despite recent economic slowdown and implementation of value added tax (VAT), the GCC food sector has demonstrated strong resilience and maintained a steady growth based on governments' support to drive non-oil economy. The growing demand for food is well supported by the increasing popularity of modern distribution formats and growing food services segment. Additionally, the regional governments are focusing on implementing various food security initiatives to reduce dependency on food imports.

1.1. Scope of the Report

As an update to Alpen Capital's GCC Food Industry report dated February 22, 2017, the publication gives an overview of the current scenario of the food sector in the GCC. The report covers the demand-supply dynamics in the GCC across major food categories. The report further highlights the key trends, growth drivers and challenges prevailing in the industry, along with the sector outlook until 2023. Some of the leading food and beverage companies in the region have been briefly profiled in this report with their financial metrics and market valuation.

1.2. Industry Outlook

- Demand for food in the GCC is expected to grow at a CAGR of 3.3% from an estimated 51.5 million MT in 2018 to 60.7 million MT in 2023. Primarily, increase in population, growing tourism, a high per capita income and a recovering economy are likely to drive growth of the food sector in the region.
- Being the staple food of the region, cereals will continue to remain the most consumed food category. Share of most of the food categories is anticipated to have minimal change through 2023.
- Home to the largest consumer base in the GCC, Saudi Arabia and the UAE are likely to remain the major food consumers through 2023. The country-wise food consumption share is projected to have no significant change during the period.
- Saudi Arabia's food consumption is projected at 39.0 million MT in 2023, showing an annual average growth of 3.2% since 2018. During the forecast period, food consumption in Oman and the UAE is expected to grow the fastest across the GCC at a CAGR of 4.6% and 3.5%, respectively.

1.3. Key Growth Drivers

- The GCC population is forecasted to grow at a CAGR of 2.3% during 2018-2023 to reach 63.4 million in 2023, thus adding 6.8 million individuals. An expanding consumer base will drive the growth in food consumption in the region. Increasing urbanization and a growing affluence of expatriates continue to drive the demand of packaged and international food.
- Due to high prevalence of lifestyle diseases in the region, there is a growing awareness of healthy eating habits, which has boosted the demand for organic food and food items that are sugar & fat free, low in salt and with no preservatives.
- The GCC countries are devoting increasing levels of attention to tourism in an ongoing effort to diversify their oil based economy. Collectively, they hosted about 38 million international tourists in 2017, which is seen as one of the key factors to drive food consumption. Most of the countries are hosting seasonal events

including sports, shopping festivals, recreational facilities and exhibitions with an aim to boost tourism in the country.

- Food services sector in the region is likely to support the food consumption growth on account of various international events, increasing deal activity and investments in the sector. The sector is expected to grow at a CAGR of 8.4% annually until 2023.

1.4. Key Challenges

- Due to unfavorable climate, limited water resources and arable land in the region, the GCC countries import around 85% of the total food consumed. This has exposed the region to food price fluctuations. Moreover, the current unstable socio-political environment also poses a threat to the source countries and vital trade routes.
- The recent economic slowdown in the GCC due to decrease in oil prices as well the ongoing global trade disruption has widened the uncertainties and fiscal deficit of the GCC economies. Governments are rationalizing expenditure reforms by reducing wage bills and lowering subsidy spends. Some governments have introduced VAT thus indirectly affecting the food sector.

1.5. Key Trends

- A high expatriate population, rising number of working couples and hectic lifestyles are driving demand for packaged food in the GCC.
- Growing popularity of modern retailing has strengthened the demand of private label products. As consumers are becoming more price sensitive, retailers including large supermarkets, hypermarkets and even discounters continue to invest in private labels, which have emerged as an important source of revenue with high margins.
- High levels of obesity and increasing health awareness in the region continue to augment the demand for healthy and organic food.
- An increasing number of companies are investing in major food processing facilities within the GCC. In addition to local producers, many international firms are also building facilities to serve the regional market.
- Technology is re-defining the F&B sector in the GCC as the rising youth population is more tech-savvy and values the access to information and convenience along with the experience.
- To reduce imports dependency and build a sustainable supply, the GCC countries are looking at ways to boost the domestic food production by investing in modern agriculture methods like aquaculture, hydroponics and vertical farms. Some of the countries are also investing in overseas farmlands.

The GCC's demographics and robust macro factors are expected to continue to bolster its food industry. The inherent growth potential of the industry coupled with the regional governments' efforts to enhance local food production is encouraging international as well as local players to expand their foothold in the sector.



2. The GCC Food Industry Overview

Demand for food in the GCC region remains strong on the back of growing population, high per capita income, rising tourist arrivals and evolving consumer preferences

Demand for food in the GCC region remains strong on the back of growing population, high per capita income, rising tourist arrivals and evolving consumer preferences. Though the GCC food sector faced challenging times in recent years following the economic slowdown and implementation of value added tax (VAT) in Saudi Arabia and the UAE, this has been partially offset by stabilizing oil prices and governments' agenda to drive non-oil economy. Food consumption continues to grow to meet the changing preferences of an expanding consumer base, supported by modern retail formats and new delivery channels. With limited arable land, the GCC countries continue to rely heavily on imports to meet their food requirements. Food security initiatives therefore remain a priority for the local governments in their efforts to reduce the dependency on imports and secure a steady supply of food for a growing population.

Population of the GCC region grew at a CAGR of 2.6% since 2013 to reach nearly 57 million in 2018 (see Exhibit 1). Changing demographics, increase in the number of working couples and growing influence of global culture is driving the demand of international cuisines, ready to eat meals and food delivery platforms. Further, due to rising incidence of lifestyle-related diseases such as obesity, diabetes and hypertension, people are becoming health-conscious and increasingly consuming nutritious and organic foods. The regional governments are also promoting healthy eating habits by introducing taxes on alcohol and sugary drinks.

Massive oil reserves and absence of any tax regimes (before 2018) have elevated the per capita income of the GCC individuals. The per capita income in the GCC was estimated at US\$ 55,137 in 2018, substantially higher (20.3%) than the average of advanced economies in the world (see Exhibit 2), which further exemplifies higher food consumption in the region.

Exhibit 1: Population Growth in the GCC

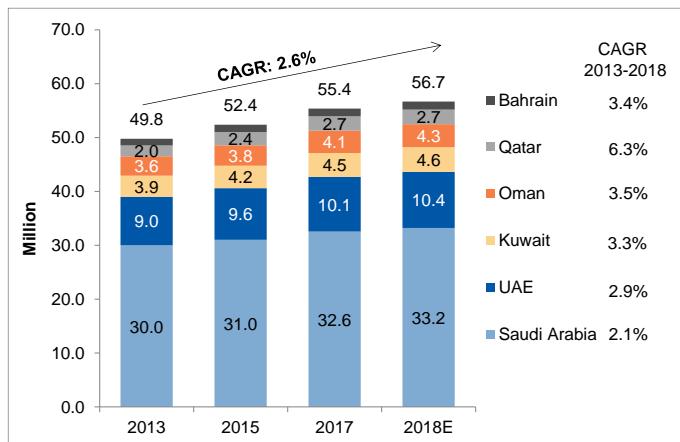
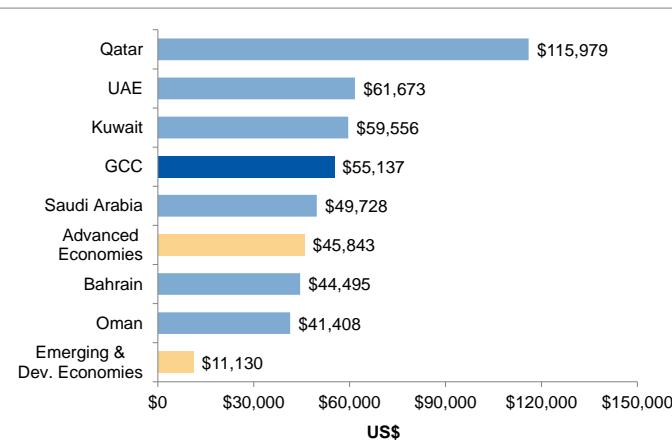


Exhibit 2: GDP Per Capita (PPP) in the GCC (2018E)



Source: IMF – April 2019

Source: IMF – April 2019

In 2016, the GCC region consumed 49.0 million MT of food products, with an annual consumption of 908.5 kilogram (kg) per person

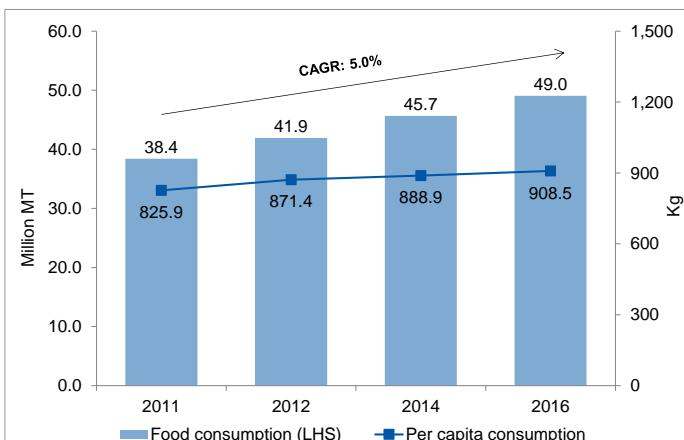
In 2016, the GCC region consumed 49.0 million MT of food products, with an annual consumption of 908.5 kilogram (kg) per person¹ (see Exhibit 3). The total consumption grew at a CAGR of 5.0% since 2011, driven by population growth, influx of tourists and strong GDP per capita. Saudi Arabia and the UAE accounted for about 81% of the food

¹ Source: AOAD, FCSA of UAE, NCSI of Oman, CIO of Bahrain, MDPS Qatar, GAS of Saudi Arabia, IMF, FAO



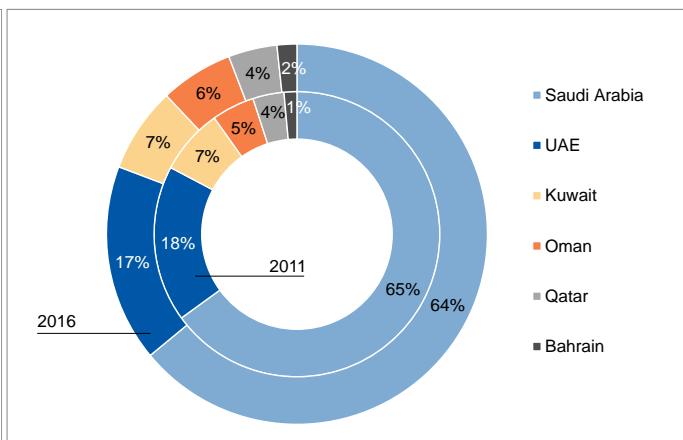
consumption of the region, given their large population base² (see Exhibit 4). Smaller countries like Oman and Qatar saw their food consumption proportion increase during the period, while the share of Saudi Arabia and the UAE witnessed a decline of 2.0 percentage points (ppt) between 2011 and 2016.

Exhibit 3: Food Consumption in the GCC



Source: AOAD, FCSA of UAE, NCSI of Oman, CIO of Bahrain, MDPS Qatar, GAS of Saudi Arabia, IMF, FAO

Exhibit 4: Country-wise Food Consumption Share

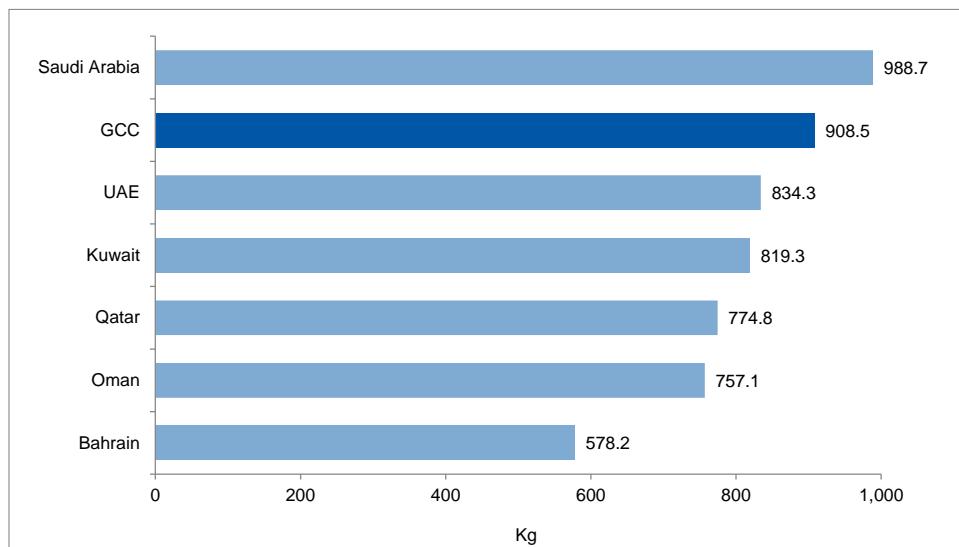


Source: AOAD, FCSA of UAE, NCSI of Oman, CIO of Bahrain, MDPS Qatar, GAS of Saudi Arabia, IMF, FAO

Saudi Arabia recorded the highest per capita food consumption at 988.7 kg, while Bahrain had the lowest at 578.2 kg in 2016

Amongst the individual countries, Saudi Arabia recorded the highest per capita food consumption at 988.7 kg, while Bahrain had the lowest at 578.2 kg (see Exhibit 5) in 2016³. The wide disparity is mainly due to a high per capita consumption of cereals in Saudi Arabia compared to the other GCC countries and food segments. Consequently, Saudi Arabia's per capita food consumption remained higher compared to the average consumption in the GCC of 908.5 kg during 2016.

Exhibit 5: Per Capita Food Consumption in the GCC (2016)



Source: AOAD, FCSA of UAE, NCSI of Oman, CIO of Bahrain, MDPS Qatar, GAS of Saudi Arabia, IMF, FAO

² Source: AOAD, FCSA of UAE, NCSI of Oman, CIO of Bahrain, MDPS Qatar, GAS of Saudi Arabia, IMF, FAO

³ Source: AOAD, FCSA of UAE, NCSI of Oman, CIO of Bahrain, MDPS Qatar, GAS of Saudi Arabia, IMF, FAO



Cereals was the most consumed food category in the GCC countries in 2016, as it remains a staple food item for Arabs and other Asian expatriates

Cereals was the most consumed food category (47.0% of the total consumption) in the GCC countries in 2016, as it remains a staple food item for Arabs and other Asian expatriates. The consumption of cereals, meat and potato (a part of the others category) grew at a quicker pace compared to other segments, translating in an increase in their share in the total food consumption (see Exhibits 6 and 7). Food categories which are rich in carbohydrates and proteins like dairy and cereals, are being preferred in the form of breakfast cereals, cereal bars, flavored milk and low-fat dairy products due to increased globalization and rising health awareness. This demand is over and above the traditional consumption of bread, rice, laban, fresh milk and yogurt. Fresh white milk, laban, yogurt and cheese are among the major items consumed within the dairy segment.

Exhibit 6: Category-wise Food Consumption Share

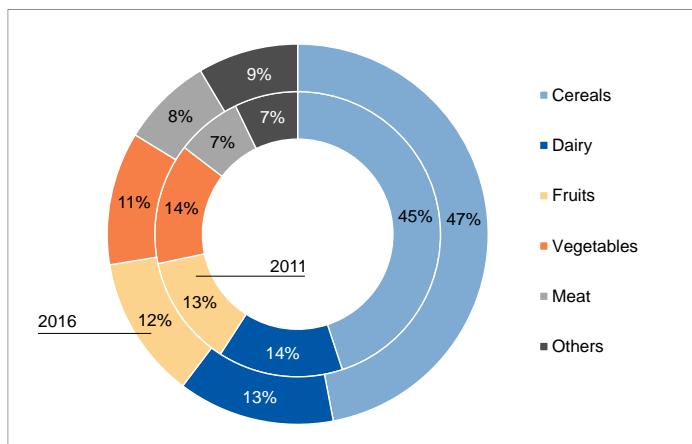
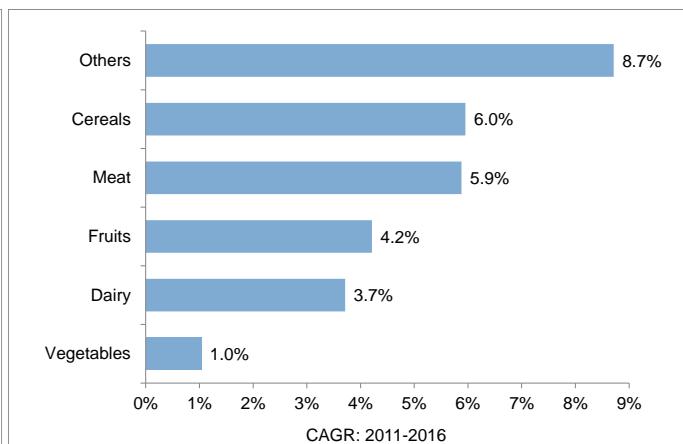


Exhibit 7: Category-wise Food Consumption Growth



Source: AOAD, FCSA of UAE, NCSI of Oman, CIO of Bahrain, MDPS Qatar, GAS of Saudi Arabia, FAO

Source: AOAD, FCSA of UAE, NCSI of Oman, CIO of Bahrain, MDPS Qatar, GAS of Saudi Arabia, FAO

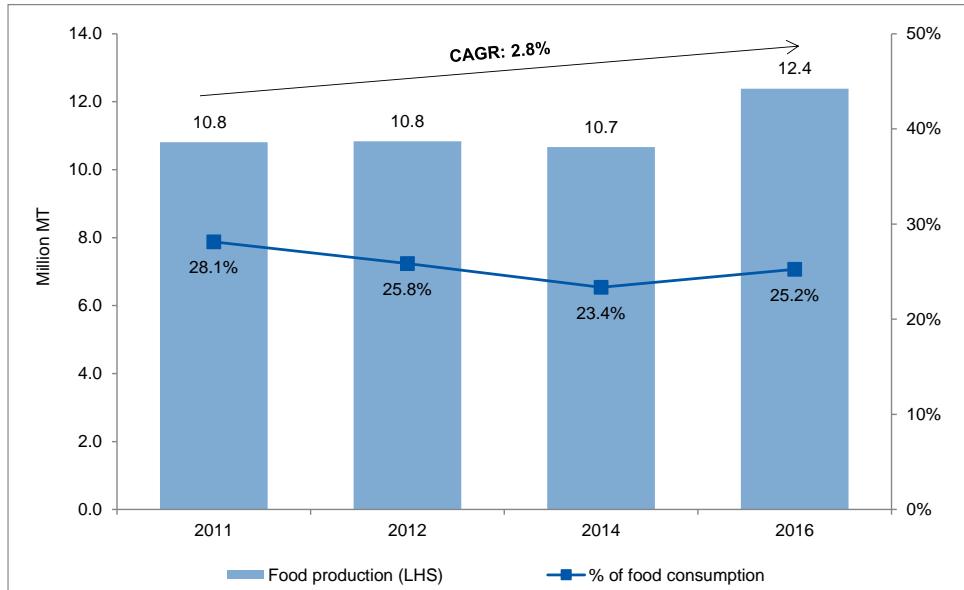
Less than 1% of the total land in the GCC was under cultivation in 2016, with Saudi Arabia holding the largest cultivable land area of 1,136 hectares

With hot and arid climatic conditions, majority of land area in the GCC lacks freshwater resources, which limits the growth of conventional agriculture in the region. It is understood that arable land is quite limited, averaging around 14.7% of the total land area in the GCC region. It reduces further as a result of urbanization, desertification and grazing. Subsequently, less than 1% of the total land in the GCC was under cultivation in 2016, with Saudi Arabia holding the largest cultivable land area of 1,136 hectares (79.7% of total land under cultivation in the GCC)⁴. Total food production in the region grew at a CAGR of 2.8% between 2011 and 2016 to reach 12.4 million MT. Saudi Arabia accounted for 72.8% of the region's total food production (9.0 million MT) in 2016. The Saudi Arabian government has taken various measures to scale back its highly water reliant crops in order to avoid acute water crisis and hence, its gradual phasing out over the last three decades has reduced the region's total food production. The self-sufficiency ratio (proportion of total food production to total food consumption) for the region, has reduced from 28.1% in 2011 to 25.2% in 2016, largely on the back of relatively higher growth in consumption compared to production during the period. In order to ensure sufficient supply, the regional governments have taken steps to ensure food security with coordinated assistance from their global counterparts.

⁴ Source: "Arab Agricultural Statistics Yearbooks", AOAD



Exhibit 8: Food Production in the GCC



Source: AOAD, FCSA of UAE, NCSI of Oman, CIO of Bahrain, MDPS Qatar, GAS of Saudi Arabia, FAO

While Saudi Arabia is the largest food producer in the region, the nation's food consumption share has seen a declining trend over the past few years

While Saudi Arabia is the largest food producer in the region, the nation's food consumption share has seen a declining trend over the past few years (-4 ppts from 2011 [see Exhibit 9]), because of gradual phasing out of wheat crop and decreased acreage for vegetables⁵. On the other hand, the share of other smaller countries like Oman, Kuwait and Qatar has increased due to their efforts to improve domestic productivity. Total production of fruits and vegetables in the GCC dropped at a CAGR of 0.4% and 3.1%, respectively since 2011, on the back of lower production in Saudi Arabia. The impact of this was, to an extent, mitigated by an increase in production of other food categories. Of all the categories, vegetables, fruits and dairy constituted 63.2% of the total food produced in the region (see Exhibit 10).

Exhibit 9: Country-wise Food Production in the GCC

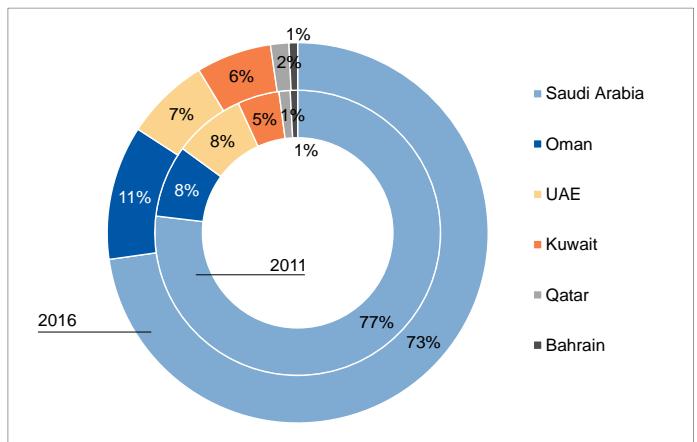
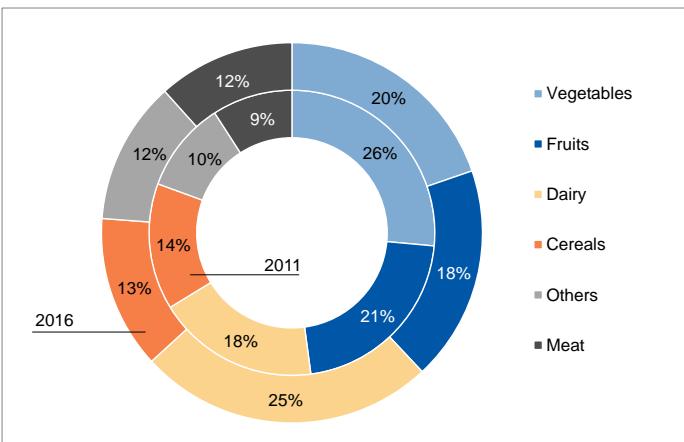


Exhibit 10: Category-wise Food Production in the GCC



Source: AOAD, FCSA of UAE, NCSI of Oman, CIO of Bahrain, MDPS Qatar, GAS of Saudi Arabia, FAO

Source: AOAD, FCSA of UAE, NCSI of Oman, CIO of Bahrain, MDPS Qatar, GAS of Saudi Arabia, FAO

⁵ Source: AOAD, FCSA of UAE, NCSI of Oman, CIO of Bahrain, MDPS Qatar, GAS of Saudi Arabia, FAO



The GCC countries are meeting most of their food demand from imports, due to limited internal resources for production

The GCC countries are meeting most of their food demand from imports, due to limited internal resources for production. Net food product imports grew at a CAGR of 5.2% between 2011 and 2016 to reach 41.9 million MT⁶. Total net import value has grown at a 3.1% CAGR during the period to reach US\$ 29.5 billion⁷ (see Exhibit 12). The high dependency of food imports poses a significant challenge for the GCC economies, given the sluggish economic environment. The Gulf countries have been constantly looking for ways to improve local production to maintain a sustainable supply of food.

Exhibit 11: GCC Net Food Imports by Volume

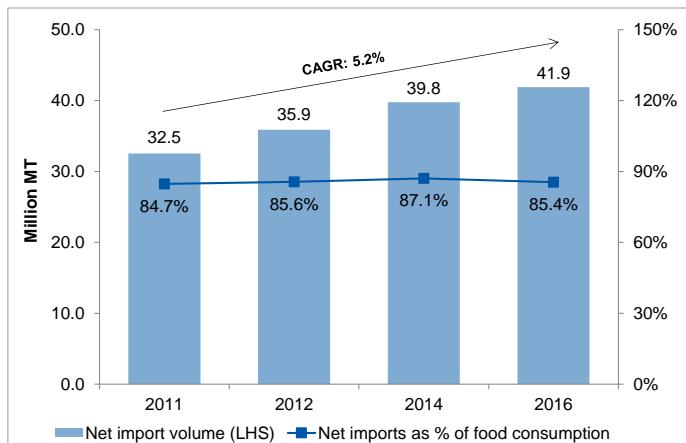
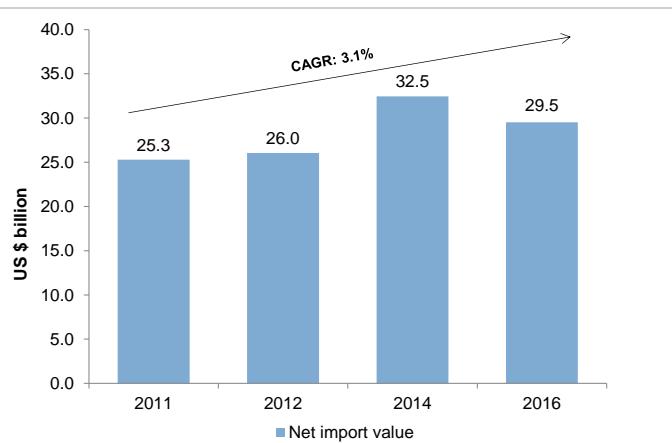


Exhibit 12: GCC Net Food Imports by Value



Source: AOAD, FCSA of UAE, NCSI of Oman, CIO of Bahrain, MDPS Qatar, GAS of Saudi Arabia, FAO

Source: AOAD, FCSA of UAE, NCSI of Oman, CIO of Bahrain, MDPS Qatar, GAS of Saudi Arabia, FAO

Saudi Arabia and the UAE remained the major importers, given the large consumer base in the nations

Saudi Arabia and the UAE remained the major importers, given the large consumer base in the nations. During 2016, both nations collectively accounted for 80% of the region's net imports⁸ (see Exhibit 13). Total volume of net food imports in Oman, Qatar and Bahrain grew at an annualized rate of 11.5%, 8.6% and 7.8%, respectively between 2011 and 2016, fairly faster than Saudi Arabia (5.3%) and the UAE (3.1%). On the composition of imports, cereals and dairy remained the most imported food item, accounting for 54.4% and 11.2% of the net food imports respectively in the GCC in 2016, (see Exhibit 14). Net imports of cereals, fruits, vegetables, meat and others grew in the range of 4% to 7% between 2011 and 2016 (in CAGR terms), while that of dairy and vegetables grew at a slower pace of 1.3% and 2.7%, respectively⁹.

⁶ Source: AOAD, FCSA of UAE, NCSI of Oman, CIO of Bahrain, MDPS Qatar, GAS of Saudi Arabia, FAO

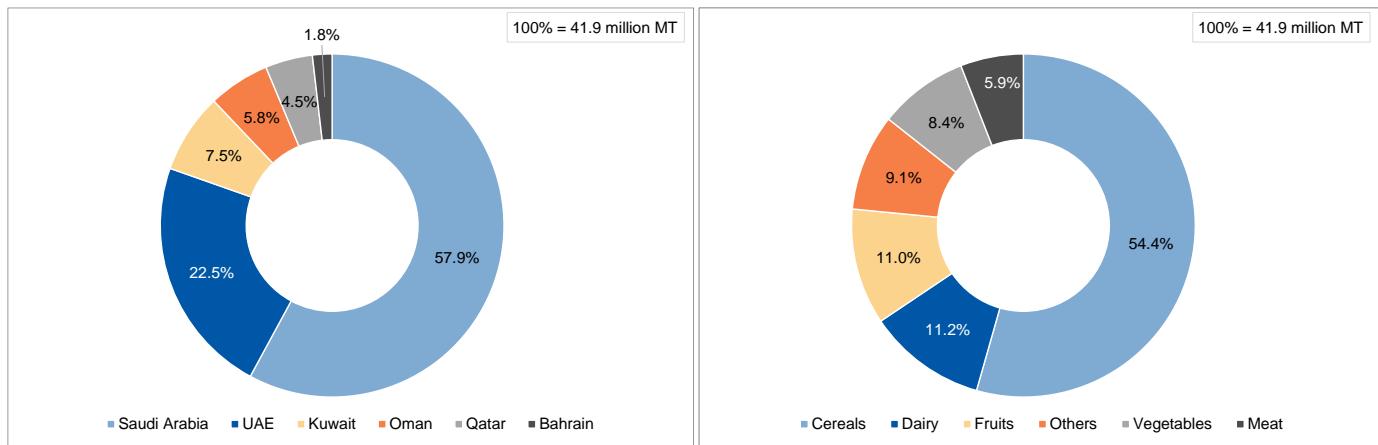
⁷ Source: AOAD, FCSA of UAE, NCSI of Oman, CIO of Bahrain, MDPS Qatar, GAS of Saudi Arabia, FAO

⁸ Source: AOAD, FCSA of UAE, NCSI of Oman, CIO of Bahrain, MDPS Qatar, GAS of Saudi Arabia, FAO

⁹ Source: AOAD, FCSA of UAE, NCSI of Oman, CIO of Bahrain, MDPS Qatar, GAS of Saudi Arabia, FAO



Exhibit 13: Country-wise Composition of Net Food Imports Volume (2016) **Exhibit 14: Category-wise Composition of Net Food Imports Volume (2016)**



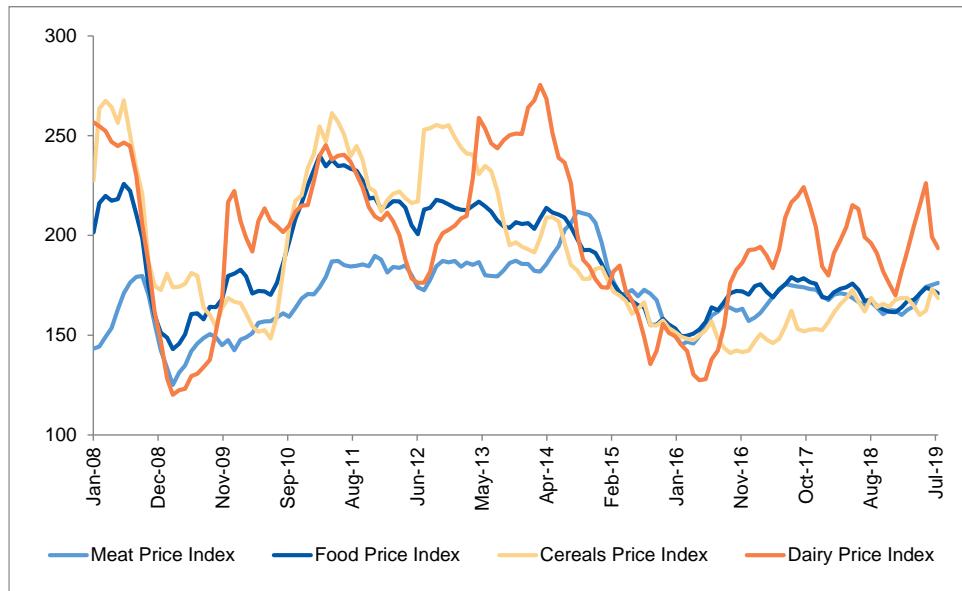
Source: AOAD, FCSA of UAE, NCSI of Oman, CIO of Bahrain, MDPS Qatar, GAS of Saudi Arabia, FAO

Source: AOAD, FCSA of UAE, NCSI of Oman, CIO of Bahrain, MDPS Qatar, GAS of Saudi Arabia, FAO

The GCC countries are largely vulnerable to food price fluctuations, as they are highly dependent on food imports

The GCC countries are largely vulnerable to food price fluctuations, as they are highly dependent on food imports. Food prices have rebounded after falling sharply between 2016 and 2017. The food price index grew 2.3% y-o-y to reach 170.9 in July 2019, remaining near the highest levels in twelve months¹⁰. Price rise in dairy and meat products, contributed to the overall increase in the food price index during the period (see Exhibit 15). In order to hedge against any food price shocks and supply disruptions, the GCC government provides direct and indirect food subsidies to supply food at affordable prices.

Exhibit 15: Global Food Price Indices



Source: Bloomberg

Note: The base year for the indices is 2002-2004; The Food Price Index tracks the global prices of five major food groups including cereals, meat, dairy products, vegetable oils and sugar

¹⁰ Source: "FAO Food Price Index at par with last year, but with changes in the sub-indices", FAO Food Price Index, July 4, 2019



2.1. Country-wise Market Overview

Saudi Arabia

Saudi Arabia remains the largest producer and consumer of food products in the GCC, given the nation's large consumer base and sizeable cultivable land at their disposal

A CAGR of 4.7% for Saudi Arabia's total food consumption has outpaced the nation's population growth of 2.3% between 2011 and 2016

Net import volume in Saudi Arabia grew at a CAGR of 5.3% between 2011 and 2016 to 24.3 million MT

Saudi Arabia remains the largest producer and consumer of food products in the GCC, given the nation's large consumer base (~60% of the regional population) and sizeable cultivable land at their disposal (80% of the total cultivable land in the region)¹¹. The nation accounted for 64.0% and 72.8% of the total regional food consumption and production in 2016, respectively¹². Apart from the large population base in the GCC, the nation is also a key beneficiary of a large and diverse group of expatriates, rising religious tourism, increasing proportion of women in the working population and unprecedented government focus on expanding the entertainment industry. These factors augur well for the local food industry. Reinstating the annual bonuses of state employees is also expected to contribute positively to the consumption pattern in the country¹³.

Change in the eating patterns, especially among the youth have shifted the food preferences amongst the Saudi consumers. Incidences of lifestyle related diseases like diabetes have resulted in Saudis turning health conscious. This has led to increased demand for healthier foods such as whole grains, organic food, fruits and vegetables. Consequently, demand for highly processed food witnessed a dip. The government has also recognized the importance of healthy eating habits and accordingly launched the Healthy Food Strategy in September 2018, which saw leading companies signing a voluntary pledge to reduce sugar, salt and fat content in their products and placing clear nutritional labels on them¹⁴.

A CAGR of 4.7% for Saudi Arabia's total food consumption has outpaced the nation's population growth of 2.3% between 2011 and 2016. From 2011, food consumption in the Kingdom grew at a CAGR of 4.7% to 31.4 million MT in 2016, significantly higher than the domestic production of 9.0 million MT (+1.6% CAGR since 2011) (see Exhibit 16). With bread and rice being a key part of the diet of the locals and expatriates from the Asian continent, cereals continued to remain the major food category consumed, with a share of 55.3% in 2016. Dairy was the second most consumed food category, with a share of 15.1%¹⁵.

With a large variance between production and consumption, total food shortfall grew at a CAGR of 6.1% between 2011 and 2016, while self-sufficiency ratio declined from 33.3% in 2011 to 28.7% in 2016 (see Exhibit 17). During 2016, Saudi Arabia's self-sufficiency was the highest for vegetables (63.8%), followed by dairy products (56.9%) and fruits (49.7%). The lowering of production of wheat crop in the last three decades to conserve water has led to reduced self-sufficiency ratio for cereals at 8.8% in 2016¹⁶.

In light of increased consumption and reduced local production, the country imported food worth US\$ 13.1 billion in 2016. Net import volume grew at a CAGR of 5.3% between 2011 and 2016 to 24.3 million MT¹⁷. The Kingdom is a beneficiary of Generalized System of Preferences (GSP) with major global food suppliers like New Zealand, Turkey and Russia¹⁸. The top food products imported are barley, wheat, rice and corn, among others.

¹¹ Source: AOAD

¹² Source: AOAD, FCSA of UAE, NCSI of Oman, CIO of Bahrain, MDPS Qatar, GAS of Saudi Arabia, FAO

¹³ Source: "Saudi Arabia restores perks to state employees, boosting markets", Reuters, April 23, 2017

¹⁴ Source: "SFDA launches Healthy Food Strategy", Arab News, September 18, 2018

¹⁵ Source: AOAD, GAS of Saudi Arabia

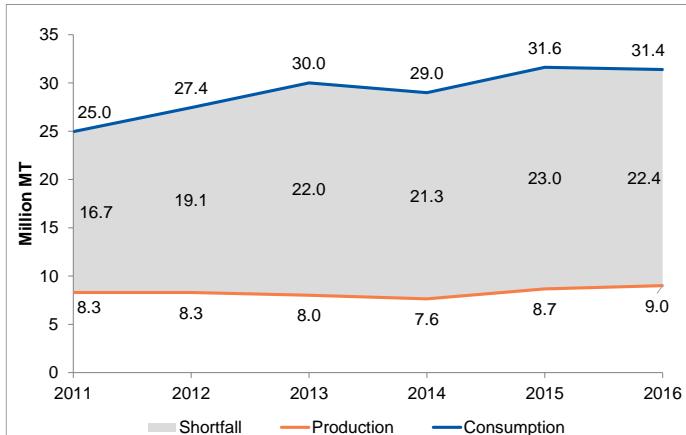
¹⁶ Source: AOAD, GAS of Saudi Arabia

¹⁷ Source: AOAD, GAS of Saudi Arabia

¹⁸ Source: "The Food and Beverage Market Entry Handbook", European Commission, July, 2017

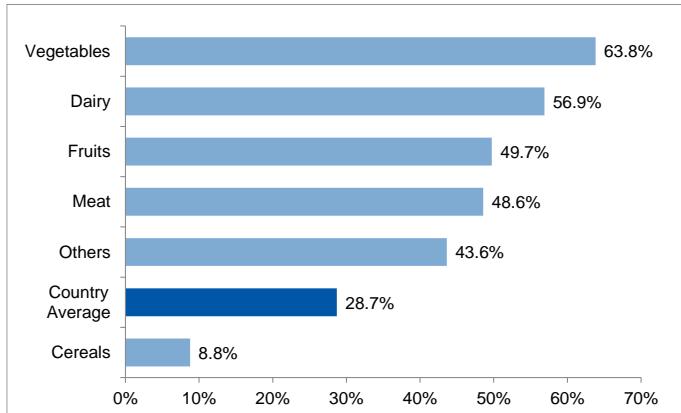


Exhibit 16: The Saudi Arabian Food Landscape



Source: AOAD, GAS of Saudi Arabia

Exhibit 17: Self-sufficiency Ratio in Saudi Arabia (2016)



Source: AOAD, GAS of Saudi Arabia

UAE

Demand for packaged food in the UAE stood at US\$ 5.7 billion in 2018, up from about US\$ 1.4 billion in 2014

The UAE has been the second largest market in the GCC's food and beverage sector, given the nation's population base of 10.4 million people in 2018 and expected sustained influx of over 17 million tourists in the nation^{19, 20}. With expatriates comprising of 85% of the population, the multi-cultural communities have increased the demand for a variety of cuisines. Hectic lifestyles and working couples are among the primary drivers behind the growth in packaged foods. Demand for packaged food stood at US\$ 5.7 billion in 2018, up from about US\$ 1.4 billion in 2014²¹. Driven by health awareness the country has witnessed an increasing demand for healthier, organic and natural food products. In addition, rising popularity of the halal food market has boosted food consumption in the nation.

The Emirati government is making all possible efforts to boost tourism in order to strengthen the current pace of tourist influx in the nation. Dubai has the largest hotel footprint and enjoys the highest per overnight visitor spend per day²². Additionally, year 2020 is likely to be a landmark year for the nation, as the Expo is expected to attract as much as 25 million visitors from across 190 countries. These factors would further substantiate food demand in the nation.

The UAE Government introduced a series of reforms in 2018, such as providing permanent residency to expatriates and waiving off government fees in certain sectors, which are likely to draw foreign investments over the long term. In 2019, the government has also announced 100% foreign ownership in selected sectors to boost foreign investment.

In 2016, the UAE produced about 886,000 MT of food in 2016, meeting only 10.8% of its total food consumption of 8.2 million MT

In 2016, the UAE produced about 886,000 MT of food, meeting only 10.8% of its total food consumption of 8.2 million MT (see Exhibits 18 and 19). The nation's overall food production has remained broadly stagnant at a meagre 5-year CAGR of 0.2% during 2011 to 2016. Among the individual food products, dates, tomatoes, cucumber and melons remained the most produced items. Total food consumption has increased at an annualized rate of 3.8% between 2011 and 2016 to reach 8.2 million MT. Fruits and Cereals collectively accounted for 52.8% of the total food consumed. The country's net import volume grew at a CAGR of

¹⁹ Source: IMF – April 2019

²⁰ Source: "International Tourism Highlights - 2019 Edition", UNWTO, 2019

²¹ Source: United Arab Emirates Country Profile, Food Export, 2019

²² Source: Mastercard's Global Destination Cities Index (GDCI) 2018



In 2016, the UAE remained fairly self-sufficient in dairy products and 33.6% of its total demand had been met through domestic production

3.1% to 9.4 million MT between 2011 and 2016²³. Total investments in the country's F&B sector stood at US\$ 10.8 billion, 21% of which is foreign capital, according to Dubai Export Department²⁴.

In 2016, the country has remained fairly self-sufficient in dairy products and 33.6% of its total demand had been met through domestic production. While the self-sufficiency ratio for dairy products has witnessed a rising trend over the period of five years, the ratio has declined for all other segments. Self-sufficiency was the lowest for cereal products (1.9%) in 2016. As a result, the overall self-sufficiency in the UAE has dropped over the period of five years from 12.9% in 2011 to 10.8% in 2016.

Exhibit 18: The UAE Food Landscape

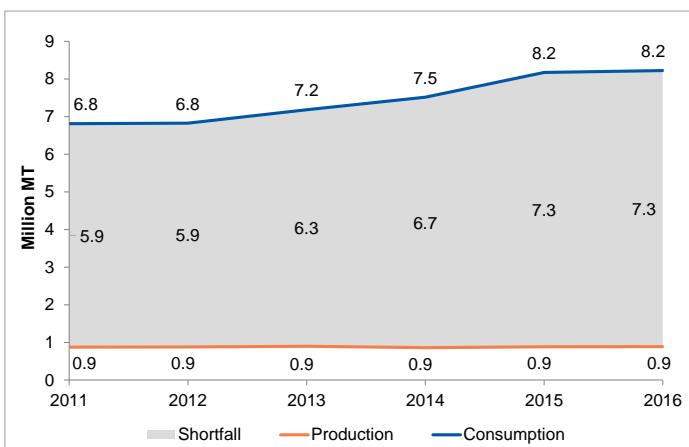
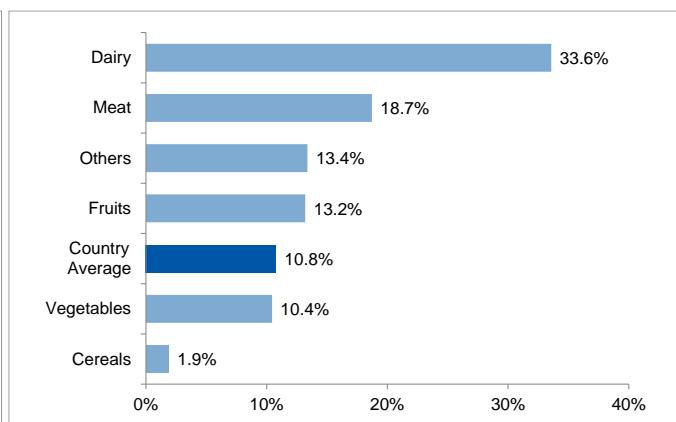


Exhibit 19: Self-sufficiency Ratio in the UAE (2016)



Source: AOAD, FCSA of UAE

Source: AOAD, FCSA of UAE

Kuwait

Food consumption in Kuwait is largely stimulated by two factors, first being the high per capita income, which is the third highest in the GCC and second being the fast population growth of 3.1% CAGR between 2011 and 2018. Furthermore, rising urbanization trends because of the young population and government's diversification measures have led to an increased presence of expatriates in the nation (to about 70%), which has brought about increased global influence of eating and living habits leading to a shift in the preference from traditional Arabic food to diverse cuisines²⁵. Hectic lifestyles coupled with western habits increased the demand for processed foods and fast food restaurants. This has resulted an increase in obesity among the local population where 54.3% of Kuwaiti adults were reported as obese²⁶. However, people are becoming aware of the health consequences of consuming processed and fast food, which is likely to result in a shift to consumption of healthy food.

Kuwait also enjoys strong internet connectivity and penetration (95%), which has experienced food digitization way back in 2004 following the establishment of the first ever food aggregator Talabat. Digitization in the nation's food and beverage sector received an international flavor with the entry of the UK-based restaurant aggregator Deliveroo in 2019²⁷. Furthermore, Germany-based Delivery Hero acquired a local Carriage in May 2017 for about

People are becoming aware of the health consequences of consuming processed and fast food, which is likely to result in a shift to consumption of healthy food

²³ Source: AOAD, FCSA of UAE

²⁴ Source: "Food and Beverages Sector In UAE", Dubai Exports, January 2018

²⁵ Source: "Kuwait Population 2019", World Population Review

²⁶ Source: "US National Library of Medicine National Institute of Health", February 2019

²⁷ Source: "Deliveroo launches in Kuwait with 900 restaurants", Arabian Business, February 20, 2019



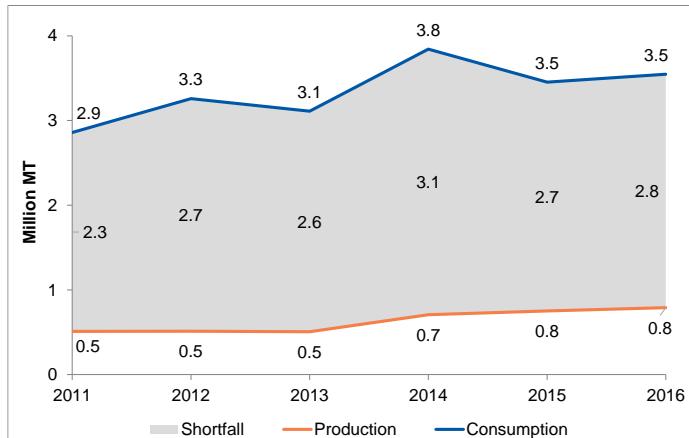
Kuwait, with its limited land area cultivates crops with the help of artificial techniques, animal fodder and water treatment

US\$ 100 million²⁸. The entry of international players underscored the fundamental potential of the Kuwaiti food market. Kuwaiti accelerator Savour Ventures, curated by Creative Startups a global start-up accelerator, established itself to support startups in the food sector to bring their products and services to the market²⁹.

Kuwait, with its limited land area cultivates crops with the help of artificial techniques, animal fodder and water treatment. Funding in the sector has also increased, largely driven by government subsidies. The country's production grew at a CAGR of 9.1% between 2011 and 2016 to over 790,000 MT³⁰. Food consumption increased at an annualized rate of 4.4% to 3.5 million MT (see Exhibit 20). Cereals, dairy and vegetables collectively accounted for 69.8% of the total consumption in 2016. Consumption of fruits and vegetables grew at an annualized rate of 25.3% and 8.7%, respectively, between 2011 and 2016. On the other hand, consumption of meat and dairy products witnessed a decline during the period. This shows that the trend is moving towards healthy eating habits. Overall, a faster increase in the consumption compared to local production has led to a 4.8% annualized rise (in five years) in the net imports to 3.2 million MT in 2016. For the same year, the food import bill incurred by the country was of US\$ 2.7 billion³¹.

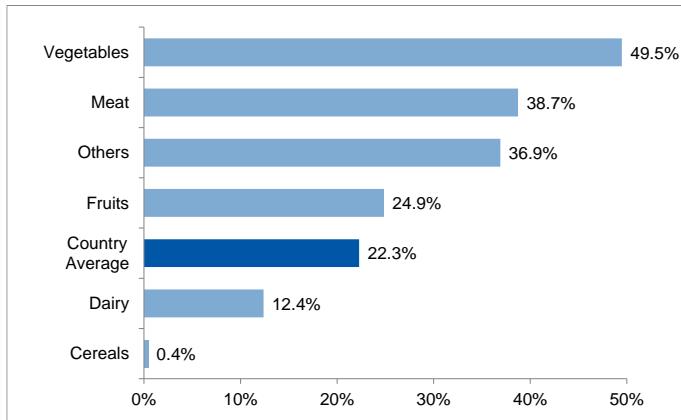
In 2016, the nation's domestic food production was able to meet only 22.3% of its total consumption (see Exhibit 21). The country was able to meet up to 49.5% and 38.7% of the vegetables and meat demand during the year, respectively and remained highly dependent on cereals import.

Exhibit 20: The Kuwaiti Food Landscape



Source: AOAD

Exhibit 21: Self-sufficiency Ratio in Kuwait (2016)



Source: AOAD

Oman

Presence of young and urban population, along with increasing international tourist arrivals in the country supported the demand for food in Oman

Presence of young and urban population, along with increasing international tourist arrivals in the country supported the demand for food in Oman. The country's GDP (constant prices), which grew at a CAGR of 4.0% between 2011 and 2017 to reach US\$ 172.8 billion, further underscores the demand for food products³². These favorable dynamics have attracted food

²⁸ Source: "Delivery Hero announces acquisition of Middle Eastern delivery service Carriage", Delivery Hero, May 29, 2017

²⁹ Source: "Kuwait Accelerator Savour Wants To Help MENA's Food Startups", Entrepreneur, July 13, 2017

³⁰ Source: AOAD

³¹ Source: AOAD

³² Source: IMF – April 2019



Oman's total food production has grown at a CAGR of 9.8% between 2011 and 2016 to reach over 1.4 million MT

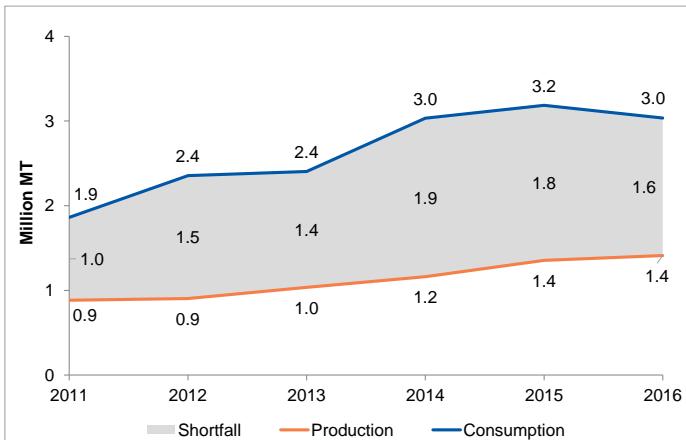
Oman met over 80% and 70% of the vegetables and fruits demand, respectively through local produce in 2016

retail and service providers in the country. Moreover, popular retail brands like Carrefour and Lulu have also increased their footprint in the nation.

Oman's total food production has grown at a CAGR of 9.8% between 2011 and 2016 to reach over 1.4 million MT³³. Vegetables and meat production witnessed a staggering 15% growth annually during the period³⁴. Total food consumption grew at an annualized rate of 10.3% between 2011 and 2016 to reach 3.0 million MT in 2016 (see Exhibit 22). The most consumed food category, cereals, increased by 8.4% annually during the period. Meat demand grew by 22.9%, while dairy and vegetables demand grew by nearly 14%³⁵. With a faster increase in demand compared to production, the country's reliance on imports has increased significantly, as net import volume grew at a CAGR of 11.5% between 2011 and 2016 to 2.4 million MT, which translates into an import bill of US\$ 2.1 billion³⁶. Food imports mainly include grains, seasonal fruits, dairy products, poultry and meat.

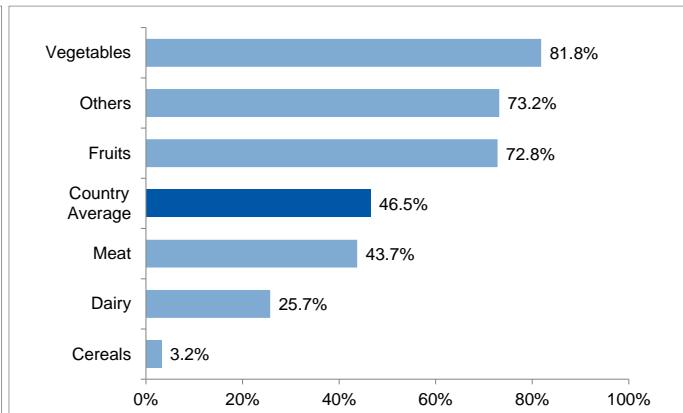
Oman enjoyed the highest food self-sufficiency as compared to the other GCC nations at 46.5% in 2016 (see Exhibit 23). The country met over 80% and 70% of the vegetables and fruits demand, respectively through local produce in 2016. This was achieved because of government investment of US\$ 4.9 billion in agriculture and fisheries-related infrastructure projects during the eighth five-year economic development plan (2011-15)³⁷. On the other hand, Oman is able to meet only a quarter of the demand for dairy products. In order to increase its self-sufficiency for dairy products, the nation has established Mazoon Dairy Co in Al Sunaynah region. The firm has imported 1,600 cows from Australia and is expected to begin operations before the year-end³⁸.

Exhibit 22: The Omani Food Landscape



Source: AOAD, NCSI of Oman

Exhibit 23: Self-sufficiency Ratio in Oman (2016)



Source: AOAD, NCSI of Oman

Qatar

Government's economic diversification efforts in line with the FIFA 2022 World Cup and Vision 2030 preparations have attracted huge expatriate inflow to Qatar. This has resulted in a change of demographics with about 70% of the population falling under the age group

³³ Source: AOAD, NCSI of Oman

³⁴ Source: NCSI of Oman

³⁵ Source: AOAD, FAO, NCSI of Oman

³⁶ Source: AOAD, NCSI of Oman

³⁷ Source: "Food imports likely to touch \$4.8bn by 2020", Oman Daily Observer, April 2018

³⁸ Source: "Oman's new dairy company Mazoon set to begin operations this year as cows arrive", Gulf Business, February 4, 2019



In line with its GCC counterparts, the Qatari Government is also stressing the importance of healthy eating habits

Qatar's food production grew at a CAGR of 7.1% to reach nearly 0.2 million MT in 2016

of 25 – 64 years. Qatar is considered as one of the richest countries globally, with a GDP per capita (PPP at constant prices) of US\$ 115,979 in 2018³⁹. This further underscores the significant resources at the consumers' disposal to spend on dining. In the recent budget, the Qatari Government allocated 9% more funds towards salaries, as it plans to hire more personnel to support its initiatives⁴⁰. All these factors are very accretive for the growth of the food sector in Qatar. During 2016, Qatar had about 3,000 operational outlets offering food items, which generated about US\$ 1.9 billion in revenue (+11.7% CAGR since 2011) during the corresponding period⁴¹.

In line with its GCC counterparts, the Qatari Government is also stressing the importance of healthy eating habits. In February 2019, the Ministry of Public Health started the "Fat, Sugar and Salt reduction Initiative" with an aim to limit the usage of such ingredients in food and beverages manufactured locally and in those imported from outside countries⁴². Other related initiatives taken by the government include implementation of 100% taxes on health-damaging food and beverages including alcohol, energy drinks, etc. effective January 1, 2019.

Qatar's food production grew at a CAGR of 7.1% to reach nearly 0.2 million MT in 2016 (see Exhibit 24). At the same time, food consumption increased at an annualized rate of 8.4% to 2.0 million MT, resulting in an 8.6% annualized growth (2011-2016) in net imports to 1.9 million MT⁴³. Demand for cereals grew at the fastest pace with 12.5% during the period under consideration, followed by over 10% growth in dairy and fruits. Qatar met just 9.5% of its food consumption requirement through domestic produce in 2016 (see Exhibit 25), decreasing marginally from 10.1% in 2011. The country was most self-sufficient with dairy products at 26.8% and least with cereals at 0.2% in 2016.

Exhibit 24: The Qatari Food Landscape

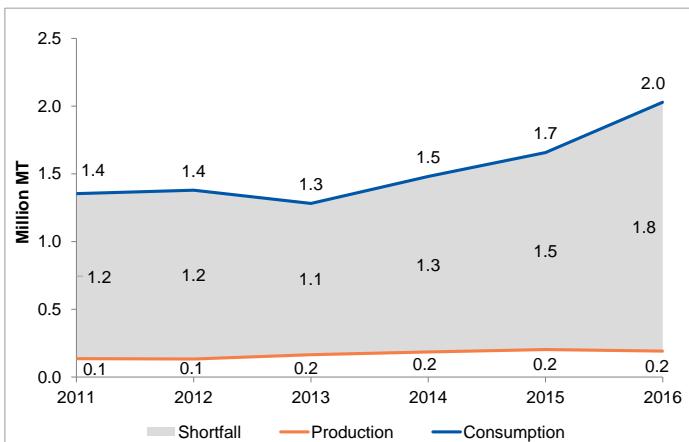
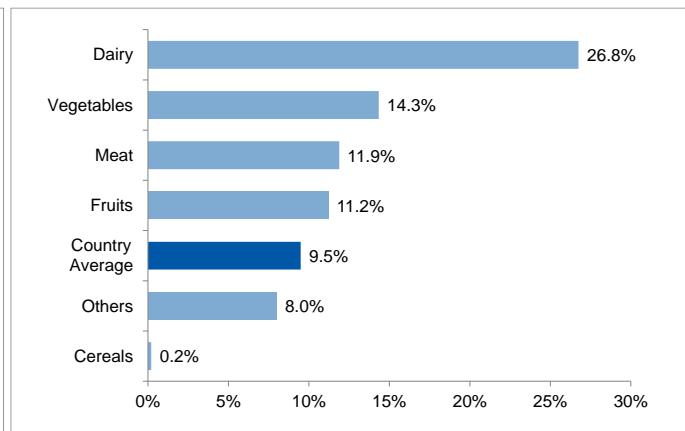


Exhibit 25: Self-sufficiency Ratio in Qatar (2016)



Source: MDPS Qatar, AOAD

Source: MDPS Qatar, AOAD

Bahrain

Bahrain's growing population (+3.1% between 2011 and 2018), high proportion of expatriates and rising inbound tourists (1.2 million in 2017) have driven the demand for food in the country. Enhanced standard of living alongside rising influence of global culture has

³⁹ Source: IMF – April 2019

⁴⁰ Source: Qatar Budget 2019, Ministry of Finance

⁴¹ Source: "Qatar Food & Beverage Sector – Sector Analysis", MERRatings, March 2019,

⁴² Source: "MoPH launches new initiative to reduce fat, sugar & salt use", The Peninsula, January 30, 2019

⁴³ Source: MDPS Qatar, AOAD

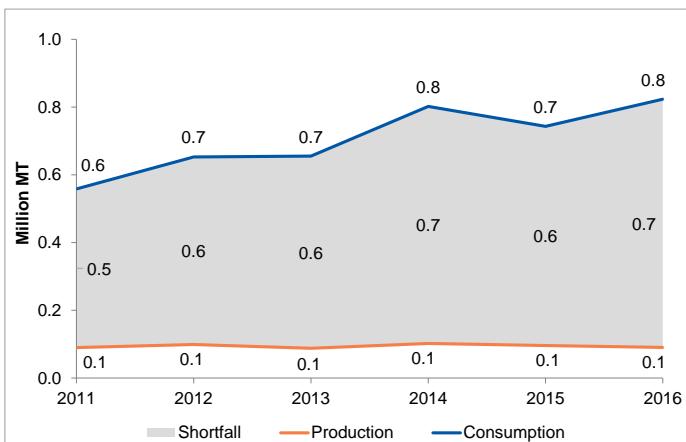


shifted the food consumption habits. Consequently, total number of American fast food restaurants have increased considerably in the nation, resulting in rising imports of meat and food ingredients. However, growing consumption of fast food and sedentary lifestyle has led to an increasing prevalence of obesity with 64% male and 69% female in the country reported either overweight or obese in 2016⁴⁴. The government is undertaking various health awareness campaigns urging people to change their lifestyle and eating habits. Such efforts are likely to fuel the demand for more healthy and organic food products going forward.

Between 2011 and 2016, Bahrain's food production has remained broadly unchanged at 0.1 million MT as growth in vegetables and fruits was offset by fall in meat and dairy production⁴⁵. The Bahraini government has been focusing on improving domestic production by encouraging the private sector to play a greater role in agricultural investment and by providing loans and input subsidies to farmers. However, food consumption during 2011-2016 increased at an annualized rate of 8.1% to reach 0.8 million MT (see Exhibit 26). Cereals and vegetables remained the most consumed food categories, with the intake of vegetables and dairy increasing at a rapid pace of about 14% annually during 2011-2016. Consumption of fruits also increased by around 12% during the same period. Due to lack of domestic production, Bahrain has high reliance on food imports, which has increased over the years. Net food imports grew at a CAGR of 7.8% to 0.8 million MT between 2011 and 2016. The country met only 11.0% of its food consumption needs from production in 2016 compared to 16.2% in 2011 and has remained fully dependent on imports for cereals (see Exhibit 27).

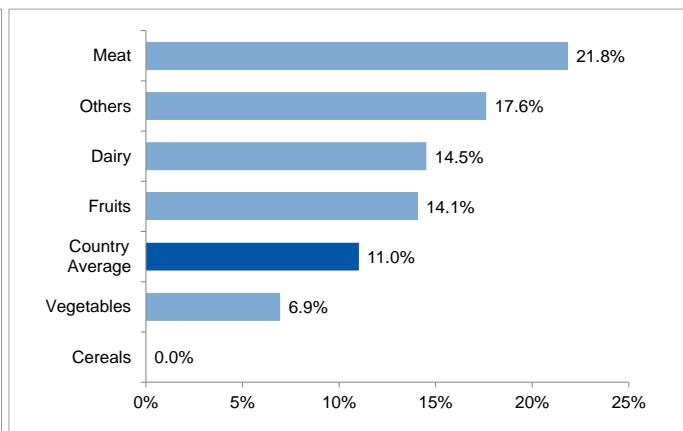
Due to lack of domestic production, Bahrain has high reliance on food imports which has increased over the years

Exhibit 26: The Bahraini Food Landscape



Source: AOAD, CIO of Bahrain

Exhibit 27: Self-sufficiency Ratio in Bahrain (2016)



Source: AOAD, CIO of Bahrain

⁴⁴ Source: "Health Promotion and Obesity in the Arab Gulf States: Challenges and Good Practices", Hindawi, June 2019

⁴⁵ Source: AOAD, CIO of Bahrain



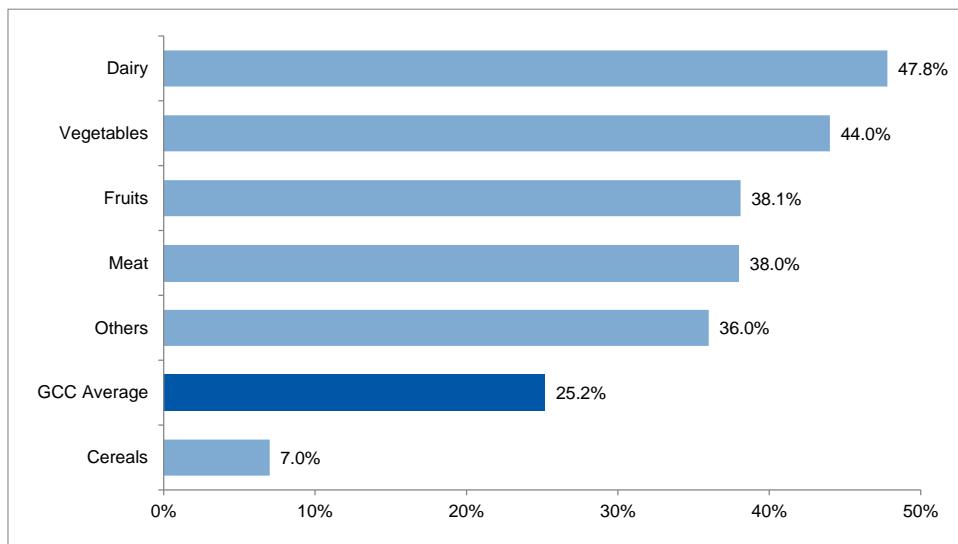
In 2016, vegetables, fruits and dairy products were among the major food items produced in the GCC with a combined share of 63.2%

2.2. Demand and Supply of Major Food Categories

In 2016, vegetables, fruits and dairy products were among the major food items produced in the GCC with a combined share of 63.2%⁴⁶. On the consumption front, cereals remained the major food item with a share of 47.0%, driven by the broad-based eating preference of the GCC individuals. Amongst the individual food items, meat and dairy products witnessed their share rising by about 2.5 ppts and 6.8 ppts, respectively, as compared to 2011. The proportionate share of cereals, vegetables and fruits witnessed a decline in the range of 1 – 7 ppts.

In terms of self-sufficiency, the domestic food production has been able to meet 25.2% of the local demand in 2016 (see Exhibit 28), which is lower as compared to 28.1% in 2011. The decline in self-sufficiency comes on the back of initiatives taken to safeguard the already scarce water resources in the region by reducing the cultivation of certain high water consuming agricultural crops. However, various efforts are underway to increase the domestic production by implementing organic farming, hydroponics and investing in poultry, dairy and fisheries projects.

Exhibit 28: Self-sufficiency Ratio in the GCC (2016)



Source: AOAD, FCSA of UAE, NCSI of Oman, CIO of Bahrain, MDPS Qatar, GAS of Saudi Arabia, FAO

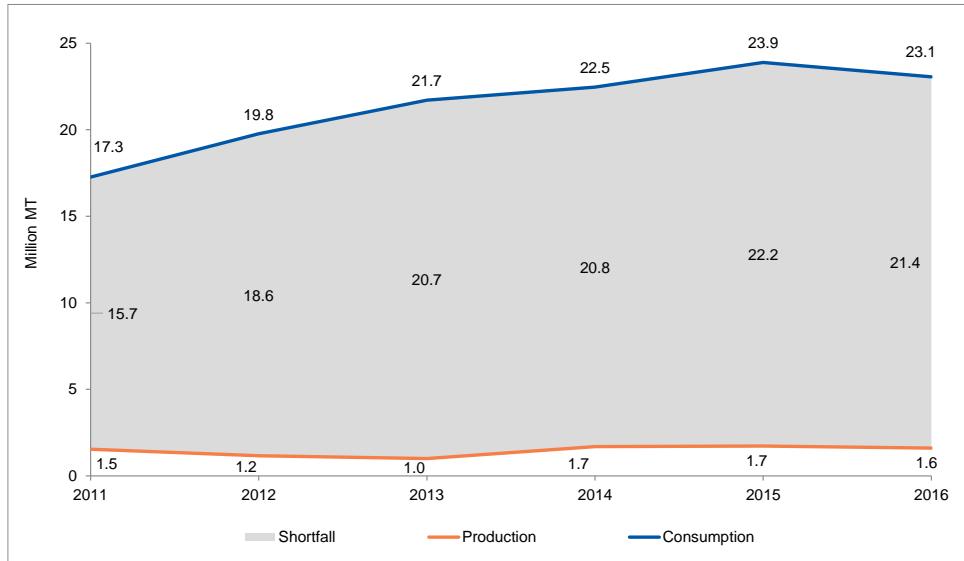
Cereals

In 2016, total cereals consumption stood at 23.1 million MT, growing at a CAGR of 6.0% from 2011

In 2016, total cereals consumption stood at 23.1 million MT, growing at a CAGR of 6.0% from 2011⁴⁷ (see Exhibit 29). Rice, barley, wheat and maize are among the major forms of cereals consumed in the GCC region. The domestic production grew at a marginal rate of 0.8% (2011-2016) as an increase in production from Saudi Arabia was offset by a decrease in production from UAE and Kuwait. Saudi Arabia made up for nearly 95% of the GCC's total cereals produced in 2016. Bahrain, with no local production of cereals is fully dependent on imports. Total net imports of cereals in the region have grown at a five-year CAGR of 6.2% to 22.8 million MT in 2016.

⁴⁶ Source: AOAD, FCSA of UAE, NCSI of Oman, CIO of Bahrain, MDPS Qatar, GAS of Saudi Arabia, FAO

⁴⁷ Source: AOAD, FCSA of UAE, NCSI of Oman, CIO of Bahrain, MDPS Qatar, GAS of Saudi Arabia, FAO

Exhibit 29: Demand-Supply of Cereals in the GCC


Source: AOAD, FCSA of UAE, NCSI of Oman, CIO of Bahrain, MDPS Qatar, GAS of Saudi Arabia

Dairy

Saudi Arabia remained the largest consumer of dairy products, followed by Kuwait and the UAE in 2016

The region's self-sufficiency for dairy products increased from 36.5% in 2011 to 47.8% in 2016

Dairy products were among the second most consumed food category in the region. Total consumption has increased at an annualized rate of 3.7% between 2011 and 2016 to reach 6.5 million MT⁴⁸ (see Exhibit 30). Saudi Arabia remained the largest consumer of dairy products (72.8% of the total consumption), followed by Kuwait (8.7%) and the UAE (8.2%) in 2016. Production of dairy products has grown at a fast pace of 9.4% between 2011 and 2016 to reach 3.1 million MT in comparison to other categories. Consistent increase in production from Qatari, Saudi and Emirati producers contributed to the overall growth. Saudi Arabia continued to remain the major producer in the region accounting for 86.7% of the total production in 2016.

With overall production in the GCC growing at a faster pace as compared to consumption, net imports of the dairy products grew marginally at 1.3% between 2011 and 2016 to reach 4.7 million MT. Consequently, the region's self-sufficiency for dairy products increased from 36.5% in 2011 to 47.8% in 2016. Self-sufficiency of dairy in 2016 was highest in Saudi at 56.9% followed by the UAE at 33.6%⁴⁹. Going ahead, dairy production is likely to see further increase, as Saudi Arabia's Almarai has collaborated with Germany-based GEA Group to build the nation's largest dairy processing facility⁵⁰. Oman's Mazoon Dairy would also help increase the nation's dairy production capacity following its import of 1,600 cows⁵¹. Qatar in its quest to improve self-sufficiency for dairy products has also taken efforts to increase milk production. Post the embargo in 2017, 4,000 cows were airlifted into Qatar to set up a dairy farm and address the nation's growing demand for dairy products⁵².

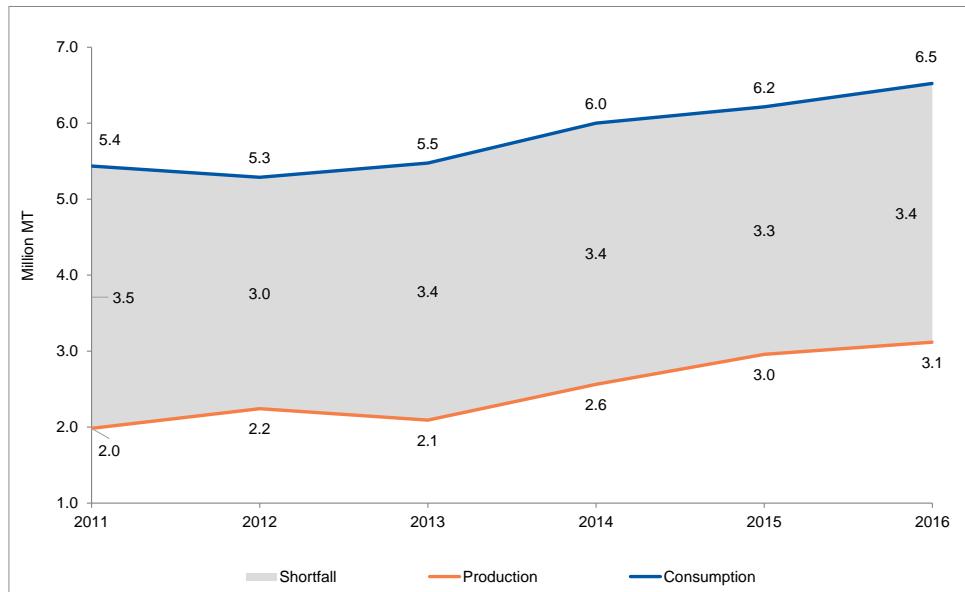
⁴⁸ Source: AOAD, FCSA of UAE, NCSI of Oman, CIO of Bahrain, MDPS Qatar, GAS of Saudi Arabia, FAO

⁴⁹ Source: AOAD, FCSA of UAE, NCSI of Oman, CIO of Bahrain, MDPS Qatar, GAS of Saudi Arabia, FAO

⁵⁰ Source: Almarai unites with GEA to build new dairy facility in Saudi Arabia, FoodBev Media, July 19, 2018

⁵¹ Source: "Oman's new dairy company Mazoon set to begin operations this year as cows arrive", Gulf Business, February 4, 2019

⁵² Source: "Desert dairy made Qatar self-sufficient in milk production in wake of blockade", Dairy Reporter, June 12, 2019

**Exhibit 30: Demand-Supply of Dairy Products in the GCC**

Source: AOAD, FCSA of UAE, NCSI of Oman, CIO of Bahrain, MDPS Qatar, GAS of Saudi Arabia, FAO

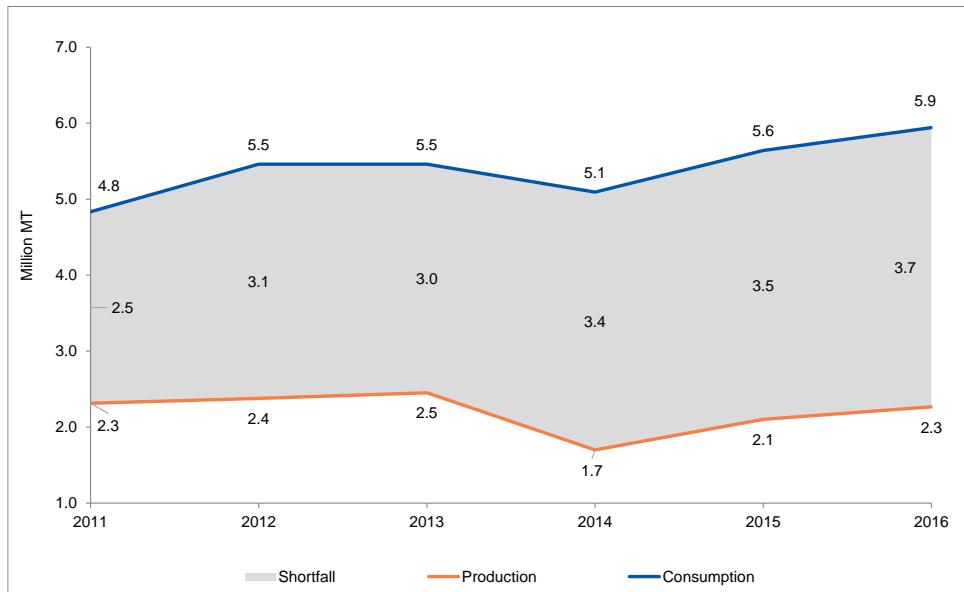
Fruits

Dates is the most popular fruit produced in the GCC which makes the region self-sufficient in dates consumption and also a major exporter

Fruits contributed to about 18.3% of the total production and 12.1% of the total consumption in the GCC region in 2016⁵³. Dates is the most popular fruit produced in the GCC, which makes the region self-sufficient in its consumption and a major exporter. The region consumed 5.9 million MT of fruits (see Exhibit 31) in 2016, indicating an annualized average growth of 4.2% since 2011. During the period, production declined marginally by 0.4% to 2.3 million MT⁵⁴. Saudi Arabia contributed about 64.5% of the total fruits production in the region in 2016, followed by Oman at 19.6%. Oman recorded the highest self-sufficiency under the segment by producing 72.8% of the local demand in 2016, followed by Saudi Arabia at 49.7%. The region's net fruits imports stood at 4.6 million MT in 2016, exhibiting a growth of 6.8% annually since 2011.

⁵³ Source: AOAD, FCSA of UAE, NCSI of Oman, CIO of Bahrain, MDPS Qatar, GAS of Saudi Arabia

⁵⁴ Source: AOAD, FCSA of UAE, NCSI of Oman, CIO of Bahrain, MDPS Qatar, GAS of Saudi Arabia

**Exhibit 31: Demand-Supply of Fruits in the GCC**

Source: AOAD, FCSA of UAE, NCSI of Oman, CIO of Bahrain, MDPS Qatar, GAS of Saudi Arabia

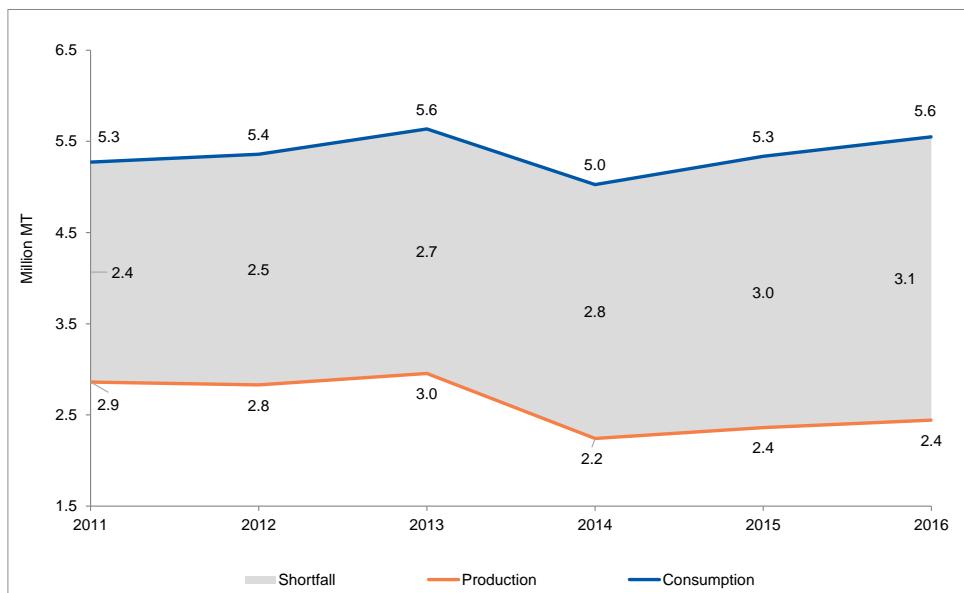
Vegetables

Overall vegetables production in the GCC region stood at 2.4 million MT in 2016, declining at an annualized rate of 3.1% since 2011

Tomatoes, eggplant, zucchini, pumpkins, carrot and cucumber are the major varieties of vegetables produced in the GCC. Overall vegetables production in the GCC region stood at 2.4 million MT in 2016 (see Exhibit 32), declining at an annualized rate of 3.1% since 2011⁵⁵. This was due to lower production in Saudi Arabia, which actually remained the largest producer in the region, contributing 59.7% of the total vegetables production followed by Oman (16.2%) and Kuwait (14.9%) in 2016. Saudi Arabia's vegetables consumption declined at a CAGR of 3.5% between 2011 and 2016 to reach 2.3 million MT, due to production decline of 8.3% during the period. However, this was offset by an increase in consumption in Oman (+14.6%) and Bahrain (+14.0%). The UAE remained the second largest vegetables consumer which saw a marginal increase of 1.1% (2011-2016) to 1.5 million MT in 2016. Kuwait with 0.74 million MT and Oman with 0.48 million MT remained the third and fourth largest vegetables consumers in the GCC in 2016, respectively. Consequently, total vegetables consumption in the GCC grew at an annualized rate of 1.0% during the five-year period to reach 5.6 million MT in 2016. Decline in production resulted in an increase of net vegetables imports (as a percentage of consumption) from 58.8% in 2011 to 63.6% in 2016⁵⁶. Vegetables remained the second self-sufficient food category (after dairy) in the region.

⁵⁵ Source: AOAD, FCSA of UAE, NCSI of Oman, CIO of Bahrain, MDPS Qatar, GAS of Saudi Arabia
⁵⁶ Source: AOAD, FCSA of UAE, NCSI of Oman, CIO of Bahrain, MDPS Qatar, GAS of Saudi Arabia



Exhibit 32: Demand-Supply of Vegetables in the GCC

Source: AOAD, FCSA of UAE, NCSI of Oman, CIO of Bahrain, MDPS Qatar, GAS of Saudi Arabia

Meat

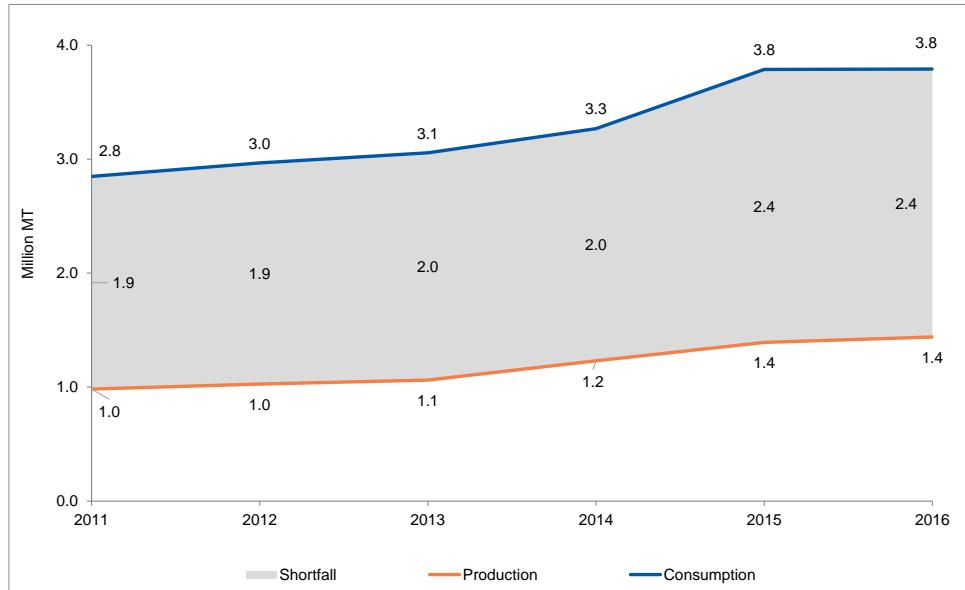
Total meat consumption stood at 3.8 million MT in 2016, translating into an annualized growth of 5.9% since 2011

Meat is an integral part of the diet in the GCC region. Total meat consumption stood at 3.8 million MT in 2016 (see Exhibit 33), translating into an annualized growth of 5.9% since 2011⁵⁷. The meat products that are imported and consumed in the region have to be halal certified. Out of the total meat consumption, Saudi Arabia consumed more than a majority (53.8%), followed by the UAE (22.1%), Oman (8.3%), Kuwait (7.2%), Qatar (5.8%) and Bahrain (2.8%). Meat production in the region grew at a CAGR of 7.9% during 2011-2016 to reach nearly 1.4 million MT and was able to meet 38.0% of the region's demand. The self-sufficiency in 2016 remained low in the UAE (18.7%) and Qatar (11.9%) whereas highest in Saudi Arabia (48.6%) followed by Oman (43.7%), Kuwait (38.7%) and Bahrain (21.8%). Overall, net imports of meat in the region grew at a five-year CAGR of 4.8% between 2011 and 2016 to reach 2.5 million MT. Similar to consumption, Saudi Arabia and the UAE were also the biggest importers of meat constituting 45.4% and 28.3% of region's total import respectively in 2016. Saudi and the UAE were followed by Oman (8.2%), Qatar (7.8%), Kuwait (6.9%) and Bahrain (3.4%) in terms of meat imports.

⁵⁷ Source: AOAD, FCSA of UAE, NCSI of Oman, CIO of Bahrain, MDPS Qatar, GAS of Saudi Arabia



Exhibit 33: Demand-Supply of Meat in the GCC



Source: AOAD, FCSA of UAE, FCSI of Oman, CIO of Bahrain

Fish and Eggs

Total production of fish and eggs in the region grew at an annualized rate of 7.6% between 2011 and 2016 to reach 0.9 million MT

Total production of fish and eggs in the region grew at an annualized rate of 7.6% between 2011 and 2016 to reach 0.9 million MT⁵⁸. In terms of individual categories, Saudi Arabia remained the largest producer of eggs accounting for 64.0% of the total produce of 0.4 million MT in 2016. On the other hand, Oman was the largest producer of fishes in the region, accounting for 56.5% of the total production of 0.5 million MT in 2016, as the nation has invested heavily in boosting its aquatic production.

Despite a strong annualized growth witnessed during 2011-2016 in the UAE's (+17.4%) and Oman's (+15.6%) egg production, egg imports by both the nations increased by about 20% in the corresponding period, which signifies the growing demand for eggs in these countries. Demand for eggs in Saudi Arabia also grew as the country registered a consumption growth of 12.7% (CAGR) during 2011-2016. This was well supported by imports which grew at a CAGR of 71% during the period.

Overall fish consumption in the region grew at a CAGR of 4.4% during 2011-2016 to reach 0.8 million MT⁵⁹. Saudi Arabia, the UAE and Oman are the key consumers of fish, accounting for 86.7% of the regions total consumption in 2016. Besides being the largest consumer of fish in the region, Saudi Arabia is also the largest importer of fish with a share of 41.7% of the total imports in the GCC in 2016. The UAE closely followed Saudi Arabia with import share of 38.1%. Remaining 20.2% of imports were distributed among the other four GCC nations. Fish imports in the region grew at a CAGR of 5.6% during 2011-2016 to reach 0.6 million MT. The overall self-sufficiency for fish in the region was 61.9% in 2016. Fish production grew at a CAGR of 6.5% during 2011-2016 to reach 0.5 million MT, with more than half of production coming from Oman (56.5%) alone followed by Saudi Arabia (21.6%), UAE (14.8%), Bahrain (3.1%), Qatar (2.9%) and Kuwait (1.2%).

Saudi Arabia, the UAE and Oman are the key consumers of fish, accounting for 86.7% of the regions total consumption in 2016

⁵⁸ Source: AOAD, FCSA of UAE, NCSI of Oman, CIO of Bahrain, MDPS Qatar, GAS of Saudi Arabia
⁵⁹ Source: AOAD, FCSA of UAE, NCSI of Oman, CIO of Bahrain, MDPS Qatar, GAS of Saudi Arabia



Food production has been challenging for the GCC countries for years due to limited arable land, lack of fresh water resources and arid/hyper-arid climatic conditions

2.3. Food Security Initiatives

Food production has been challenging for the GCC countries for years due to limited arable land, lack of fresh water resources and arid/hyper-arid climatic conditions. The increased food demand and lower production rates has created a deficit making the GCC countries rely heavily on foreign markets for food security. This brings in a change in nutrition/food-demand choices and also directly affects the public debt and food-import bill thus exposing countries to food price volatility.

Despite the above challenges, to attain optimal food security, the member countries have been taking numerous steps to improve food production in the region. This is being achieved by using new & innovative methods like drip irrigation, vertical farming, hydroponics, aeroponics, aquaponics, etc. Further, initiatives like soil improvement techniques, seawater harvesting, groundwater management, microalgae production, marine aquaculture, etc. have played a complementary role in augmenting production. The GCC economies are also making efforts to gain control of the overall food supply chain, including increasing their basic food reserves through ongoing policy initiatives by developing food storage facilities and food parks. Also, there has been an increasing trend of the GCC nations investing in cultivable lands in several African and Asian countries. The UAE and Saudi Arabia are particularly more active in investing in lands abroad. Private sector players are also doing their bit as they look to increase their footprint in the region by producing more for domestic consumption. Additionally, some of the companies are even investing in agri and food manufacturing companies to secure food supply.

According to the Global Food Security Index (GFSI) 2018, which is based on three core dimensions of food security- affordability, availability, quality and safety, Qatar ranks relatively high among its GCC peers. In 2018, Qatar was ranked 22nd among the total 113 countries analyzed by the GFSI, followed by Kuwait (28), Oman (29), UAE (31) and Saudi Arabia (32). Bahrain, which imports close to 94% of its food requirements, highest in the region, secured the lowest rank (41)⁶⁰. In general, the GCC countries have achieved a better overall assessment in the score during the last five years, owing to their continuous efforts to boost food security in the region (see Exhibit 34).

Exhibit 34: GCC Rankings in the Global Food Security Index

Country	Overall Score and Ranking										5-year change in score	
	2014		2015		2016		2017		2018			
	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank		
Qatar	77.9	20	78.3	20	79.3	20	78.1	33	76.5	22	-1.4	
Kuwait	75.4	25	74.7	26	75.1	27	75	30	74.8	28	-0.6	
Oman	72.6	26	72.8	27	74.0	26	74.2	32	74.4	29	1.8	
UAE	69.5	30	70.9	30	71.4	30	71.7	41	72.5	31	3.0	
Saudi Arabia	70.9	32	71.9	31	72.3	32	72	36	72.4	32	1.5	
Bahrain	65.9	33	69.9	33	70.1	33	68.3	40	67.8	41	1.9	

Source: Economist Intelligence Unit

Note: Scores are out of 100 and rankings are amongst a total of 113 countries

⁶⁰ Source: "Global Food Security Index 2018", The Economist, October 2, 2018



In light with the ongoing National Transformation Program 2020 to diversify the economy to become a non-oil dependent, the Kingdom is making significant agricultural investments domestically and overseas

Saudi Arabia

Saudi Arabia is ensuring that their protein and energy needs are being met by making all possible efforts to spur the domestic production of regular foodstuffs such as meat, dairy and eggs. In light of the ongoing National Transformation Program 2020 (NTP) to diversify the economy and become non-oil dependent, the Kingdom is making significant agricultural investments domestically and overseas. The government is investing in newer technologies and techniques to produce crops in the arid climate of the Kingdom. The Kingdom intends to use technologies such as remote sensing, artificial intelligence, machine learning and data analytics to boost domestic production⁶¹. The country continues to purchase farmland in different parts of the world with the most recent one being in Sudan and Australia in December 2018 and April 2019, respectively⁶².

Saudi Arabia has also been collaborating with different agencies to strengthen their food security. These collaborations are in the areas of improving proper usage of agricultural resources, reinforcing innovative ways for fish production and consumption, promoting livestock disease prevention and control, refining crop production and protection and establishing direct connection between small farmers and agricultural producers with the market. In February 2019, Saudi Arabia signed a US\$ 93 million agreement with FAO which will help to improve the production, processing and marketing of Arabic coffee, bee keeping, fruit, fish, livestock and cultivation of rain-fed crops in the country⁶³.

Keeping in mind Saudi Arabia's Vision 2030, the Ministry of Environment, Water and Agriculture (MEWA) pledged to invest SAR 1.3 billion (USD 347 million) to promote aquaculture projects⁶⁴. In line with above plans, Saudi's Agricultural Development Fund (ADF) too announced its plan to fund 70% of new aquaculture projects developed under the government's Fish Farming Support Program. In 2018, Saudi Arabia produced 131 MT of fish⁶⁵. The MEWA has set a production target of 600 MT by 2030, as the Kingdom looks to promote fish consumption using large scale awareness campaigns.⁶⁶

One of the other areas where Saudi intends to promote food security is by reducing food waste through collaboration with private sector players, where the government plans to prepare legislative framework to implement rules regarding wastage⁶⁷.

Exhibit 35 covers some key developments in the Kingdom of Saudi Arabia towards food security.

Exhibit 35: Recent Developments to Improve Food Supply

Date	Key Developments
19-May-19	The Saudi government announced to impose a special tax on electronic cigarettes and sugary drinks. The General Authority of Zakat and Tax levied a 100% tax on electronic cigarettes and their components and a 50% tax on sugared drinks. The taxes fall under the category of selective taxes on products deemed harmful to public health.
14-May-19	Red Sea Farms, a Saudi based startup developing salt water-tolerant crops and saltwater-based greenhouses in the Middle East, secured US\$ 1.9 million in

⁶¹ Source: "Saudi Arabia's high-tech plan to guard food security", Arab News, February 28, 2019", Arab News, March 29, 2019

⁶² Source: "New Saudi Investments in Sudan's Agriculture", Asharq Al-Awsat, December 3, 2018

⁶³ Source: "FAO and Saudi Arabia renew fruitful cooperation", FAO, February 13, 2019

⁶⁴ Source: "At SEG, Saudi Arabia touts USD 347 million fund for aquaculture development", SeaFoodSource, May 8, 2019

⁶⁵ Source: "Fund to support 70% of fish farming projects in Saudi Arabia", Arab News, March 12, 2019

⁶⁶ Source: "Aquaculture In Saudi Arabia, Innovation Norway - Dubai Office", February 2019

⁶⁷ Source: "National initiative to reduce food waste launched", Saudi Gazette, February 19, 2019

	funding from King Abdullah University of Science and Technology (KAUST). The funds will be utilized to build a 2,000 sqm saltwater greenhouse in Saudi Arabia, which is likely to produce 50 tons of tomatoes a year, beginning 2020.
5-Apr-19	Saudi Agricultural and Livestock Investment Company (SALIC) announced the acquisition of Baladjie, a land mass of over 200,000 hectares of farming in Western Australia's wheat belt that also carries a 40,000-head Merino sheep flock. The transaction is SALIC's first investment in Australia as well as first investment in sheep production.
11-Jan-19	King Salman bin Abdulaziz inaugurated the Sustainable Rural Agricultural Development Programme 2019-2025. The program is focused on eight main sectors including traditional agriculture; Arabic coffee; beekeeping; rose cultivation; fruits production; fish farming; livestock production and rain-fed crops. The program is expected to aid small producers across the Kingdom and support the country's food-security initiatives by fulfilling 43.0% of the total food required in target areas and 19.0% of the total food needs of the Kingdom.

Source: Arabnews, Fruitnet, The Poultry Site, Economic Times, Arabian Business, The Guardian, Gulf news, Zawya

UAE

In the past two years, the UAE has made investments or partnerships in agricultural development in Egypt, Liberia, India, Mozambique, Romania, Sudan, Uganda and Uzbekistan

The UAE too has laid down multiple plans to promote food security initiatives in the country like investments in technology and conducting research and development to acquire farmland and food companies in foreign territories. Accordingly, in the past two years, the UAE has made investments or partnerships in agricultural development in Egypt, Liberia, India, Mozambique, Romania, Sudan, Uganda and Uzbekistan⁶⁸. Within the UAE, investments in advanced greenhouses have been undertaken, which utilize approximately 67.0% lesser water than traditional greenhouses. Exhibit 36 shows some of the developments aimed at boosting the country's food supply.

Exhibit 36: Recent Developments to Improve Food Supply

Date	Key Developments
26-May-19	The Environment Agency of Abu Dhabi, announced a Sustainable Aquaculture Policy for the emirate, focused on promoting the growth of local aquaculture industry that will assist in reducing pressure on the local fisheries.
15-May-19	The Abu Dhabi government announced an AED 1.0 billion (US\$ 272.3 million) incentive package to support the development of the domestic agri-tech industry. The package is a part of the government's accelerator programme, Ghadan 21. The scheme targets three agricultural segments to increase food production - precision farming and agricultural robotics, bioenergy and indoor farming. The programme offers rebates up to 75.0% of R&D costs, along with other fiscal and regulatory concessions, to firms working in the area.
6-May-19	According to the data from ESMA, the number of organic farms in UAE have grown by over 53.0% in the 6 months ending March 2019. The number of products also increased by 89.0%, from 1,240 in the Q4-18 to 2,356 in the Q1-19. According to the Director of ESMA, 1.0 million sqm of organic farmland in the UAE produced 1,116 new organic products, including vegetables, fruits and dates, meat, poultry, eggs and other products.
25-Mar-19	The Crown Prince of Abu Dhabi approved an AED 5.6 billion (US\$ 1.52 billion) in support of the R&D scheme as part of the Ghadan 21 programme. He has directed

⁶⁸ Source: Farmlandgrab.org

	the executive council to conduct research and provide solutions pertaining to water scarcity, food security and use of artificial intelligence in agriculture.
28-Oct-18	Al Dahra BayWa Greenhouse, which aims to reduce the dependency on imported produce, was inaugurated in October-18. The facility is expected to produce 3,000 tons of tomatoes per annum and consume 67% less water than traditional greenhouses

Source: Gulf News, Zawya, Arabian Business, WAM

Kuwait

Over the years, Kuwait has been working closely with FAO to support food security initiatives and achieve sustainable agricultural development in the region

Kuwait ranks second as per the GFSI 2018 in the GCC region. Over the years, Kuwait has been working closely with FAO to support food security initiatives and achieve sustainable agricultural development in the region. Kuwait Investment Authority (KIA), a sovereign wealth fund, has been instrumental in driving the nation's food security initiatives. Recently, KIA came up with a plan to design a US\$ 20 billion investment program with Pakistan, where the main focus is to provide financial and technical assistance to food security projects⁶⁹. Exhibit 37 below highlights some of the other major developments related to increase in food supply.

Exhibit 37: Recent Developments to Improve Food Supply

Date	Key Developments
25-May-19	Many cooperative societies in Kuwait have declared their readiness in the event of any escalation of geopolitical tensions by providing a strategic stock of basic commodities, food and some consumer goods sufficient for over 6 months.
20-May-19	Kuwait Investment Authority (KIA) announced a mega investment program across Pakistan, worth an initial investment of US\$ 20.0 billion. The representative of the KIA highlighted that Kuwait is largely concentrated on addressing the challenges of food security and seeks to provide financial and technical assistance for governmental projects focused on enhancing food security.
17-Mar-19	The construction and the logistics warehouses at Sulaibiya has been completed, which is going to be the largest logistics warehouses in Kuwait. The warehouses will provide adequate supply of food stocks catering to requirements in the country.

Source: Arab Times, FAO, Global Village Space

Oman

The government is developing projects to boost self-sufficiency of red meat, dairy, vegetables and poultry

Oman remained focused on strengthening their food security by implementing initiatives to increase the food production and meet the domestic food demand which is mostly import driven. A combination of food security concerns and an emphasis on economic diversification have made agriculture and fisheries an area of priority investment for the government in recent years. Food security has been at the heart of the Sultanate's agricultural policy since the spike in global food prices in 2007-08⁷⁰. The government is developing projects to boost self-sufficiency of red meat, dairy, vegetables and poultry⁷¹. It

⁶⁹ Source: "Kuwait plans big investment across Pakistan", The Express Tribune, May 18, 2019

⁷⁰ Source: "Oman poultry giant says to double production in \$116m expansion", Arabian Business, March 15, 2019

⁷¹ Source: "OMR29mn project to come up at Duqm", Times of Oman", May 29, 2019

is also supporting the local fish production through investments in fisheries in Ibri and Duqm. Exhibit 38 covers the key developments in the Sultanate towards boosting food supply.

Exhibit 38: Recent Developments to Improve Food Supply

Date	Key Developments
9-Jul-19	OFIC signed an agreement with Oman Animal, Plant & Genetic Resources Centre (OAPGRC) to collaborate work on a series of food security related research and innovation activities and projects. The move aims to increase the nation's food self-sufficiency.
5-Jun-19	In an attempt to bolster the country's food security, Mazoon Dairy, the government's flagship dairy project is set to commence production in Q3 2019. Mazoon Dairy is part of OFIC, a state-owned enterprise mandated to promote national food security. It is expected to produce approximately 202 million liters of milk in 2026 and 985 million liters in 2040.
4-Jun-19	Bank Nizwa signed an OMR 18.0 million (US\$ 46.8 million) worth sharia-compliant financing agreement with OFIC, to invest in new projects and promote its portfolio of food companies.
29-May-19	The Omani-Gulf joint investment, International Marine Product Company, was established for production of canned tuna and sardines. The project will be established in the fishing port in the Economic Zone in Duqm and is anticipated to produce 72,000 tons of sardines and 17,000 tons of tuna annually.
28-Apr-19	OFIC is considering 3 projects in the Sultanate as a part of its three-point strategy for food security - an integrated fruits and vegetables marketing company, an improved logistics program and a food techno park.
15-Mar-19	A'Saffa Foods (fully integrated poultry project), announced that it is working on its plans to double chicken & meat production capacity at its farm site in Thumrait. The OMR 45.0 million (US\$ 116.8 million) project will be commissioned in two phases. The expansion includes the setting up of 90 new broiler houses and hatchery equipment in phase 1 while phase 2 will include a new processing plant and feed mill. The proposed expansion is expected to increase the annual poultry meat production to 42,000 MT.
12-Feb-19	Minister of Agriculture and Fisheries, inaugurated OMR 100.0 million (US\$ 259.8 million) Namaa Poultry Project in Ibri. The project will be spread over an area of 70.0 sq. km and produce 66,000 tons of high-quality white meat per annum. The facility will also have hatcheries with an annual capacity of 70 million eggs, capable of increasing its capacity to 100 million eggs per year.
3-Nov-18	Oman's government has planted over a million fruit trees in the Sultanate which will result in an increase in the number of locally-grown fruits by 2023.
18-Jul-18	The eighth session of the India-Oman Joint Commission Meeting was held in Muscat in July 2018. The key areas of discussion in the meeting included cooperation in areas such of space, renewable energy, start-ups, SMEs, food security including durable food and packaging, services sector, tourism sector, exchange of ideas and visit of young entrepreneurs.

Source: Janjagrosh, Muscatdaily, Al Bawaba, Arabian Business, Times of Oman

Qatar

As of 2018, Qatar faced an agricultural trade deficit of QAR 4.4 billion (US\$ 1.2 billion)

Qatar imports over 90% of its food requirements as the nation faces food production challenges including scarcity of water for irrigation, poor quality of soil and uncertain climatic conditions. As of 2018, the country faced an agricultural trade deficit of QAR 4.4 billion (US\$ 1.2 billion)

1.2 billion)⁷². To tackle this Qatar began to introduce efficient technologies to establish a sustainable approach to food security. Accordingly, in 2008, they launched the Qatar National Food Security Program (QNFSP), which became more important after the other GCC countries imposed an embargo in 2017. The program not only helps to develop recommendations to draw food security policies but also intends to partner with international agencies and other organizations to develop best practices for efficient utilization of resources in the agricultural sector.

Various food security initiatives are being implemented to cater the growing demand of fodder, poultry, fish and dairy. Qatar is currently working jointly with companies from Spain to build modern green house facilities and accelerate the food production for its consumption and export. These state-of-the-art greenhouse facilities spread across 100 hectares (about 250 acres) of land require an initial investment outlay of about QAR 430.0 million (US\$ 117.6 million)⁷³.

The QNFSP has pursued a pilot project called ‘Sahara Forest Project’, which aims to demonstrate the potential for cultivating desert land and making it arable. The project facility boasts outdoor vertical evaporators which creates humid environment for cultivation. It also has ponds for salt production and experimentation with cultivation of salt tolerant plants and a state of the art system for cultivation of algae⁷⁴.

With several food security initiatives in place, Qatar has achieved a 24% self-sufficiency in vegetables, which is expected to reach 70% by 2023

With several food security initiatives in place, Qatar has achieved a 24% self-sufficiency in vegetables, which is expected to reach 70% by 2023⁷⁵. Similarly, fish production is expected to reach 90% in 2023, from the current 74%⁷⁶. Self-sufficiency in the production of poultry, meat and dairy has already reached 100% in the country. Exhibit 39 shows some of the developments aimed at boosting the country’s food supply.

Exhibit 39: Recent Developments to Improve Food Supply

Date	Key Developments
27-May-19	The Department of Agricultural Affairs imported 350 greenhouses and installed and distributed them across 85 farms in the country. The Ministry also provided 500,000 packing boxes to 100 farms at the rate of 5,000 boxes per farm. The government further allocated about QAR 70.0 million (US\$ 19.1 million) annually to support the agricultural sector over the next 5 years to increase local production of vegetables, animals and fish.
20-Mar-19	The Qatar Ministry of Municipality and Environment announced measures to increase the rate of self-sufficiency in vegetables production. The ministry offered 10 projects to private investors to grow vegetables in greenhouses and produce about 21,000 tons of vegetables per annum in order to push the nation closer to self-sufficiency.
13-Mar-19	According to a Qatar Ministry official, the country has made significant progress in food production in the past two years, as local production of agricultural, fish, animal and dairy products has multiplied 4 times since 2017 and annual fresh food trade volume reached QAR 10.0 billion (US\$ 2.7 billion). The Ministry of Municipality and Environment plans to increase livestock and fish production by 30% and 65%, respectively by 2022.
25-Feb-19	Australia, a major food surplus country, is expected to be roped in as one of the important partners for achieving the objective of strategic food security project

⁷² Source: “Food Security Strategy in Qatar”, EcoMENA, May 26, 2019

⁷³ Source: “MME installs 350 greenhouses in 85 local farms to raise production”, Menafn, May 28, 2019

⁷⁴ Source: “MME installs 350 greenhouses in 85 local farms to raise production”, Menafn, May 28, 2019

⁷⁵ Source: “Qatar keen to support food security projects”, says minister, Qatar Tribune, March 15, 2019

⁷⁶ Source: “Qatar on track for green revolution in food security”, Gulf Times, March 25, 2019



	worth QAR 1.6 billion (US\$ 437.6 million) at Hamad Port. The port has a capacity of storing food for 3 million people for approximately two years as well as to re-export foodstuffs to the nearby countries.
29-Dec-18	According to the Director of Animal Wealth Department at the Ministry of Municipality and Environment, Qatar has achieved a considerable increase in the number of domestic animals and animal products throughout 2018. The increase was primarily driven by the commissioning of 37 new projects pertaining to dairy production, meat production / processing and poultry products and raising various types of cattle.
21-Nov-18	Qatar Investment Authority's investment arm, Hassad Food, has actively invested in Australian food sector. Hassad Australia operates on a land area of over 152,000 hectares with annual production of approximately 130,000 tons of grain and 160,000 heads of sheep.

Source: The Peninsula Qatar, Freshplaza, Gulf Times, MenaFN, farmlandgrab.org

Bahrain

In the last few years, Bahrain witnessed rapid economic growth with a change in demographics, consumption pattern and rise in per capita income, which led to increased demand for food. This added to the growing dependency of food imports from abroad. However, the government has taken steps for agricultural development to support production, which have encouraged participation from both public and private investors.

The nation has also tied up with agencies like FAO to serve the purpose of increased food security. The collaboration provides technical expertise to enhance the food and nutrition security and provides advice for efficient management and conservation of natural resources. The collaboration is expected to support fisheries, livestock and crop production subsectors as well⁷⁷.

Alternative agricultural practices such as hydroponic farming facilities are becoming increasingly popular in the country. This has resulted in increased production of locally grown vegetables and salad greens. A successful hydroponic operation occupies a land area of 180,000 sqm, which aims to produce over 5,000 tons of fruits and vegetables annually⁷⁸.

Alternative agricultural practices such as hydroponic farming facilities are becoming increasingly popular in Bahrain

Exhibit 40: Recent Developments to Improve Food Supply

Date	Key Developments
19-April-18	Bahrain government announced to build a research centre to study soil degradation, water use and food security. Construction of the 1,117 sqm facility falls under the vision of Bahrain's royal family to develop sustainable agricultural practices, boost food security and protect animal and plant health.

Source: Construction Week Online

⁷⁷ Source: "FAO Regional Office for Near East and North Africa", FAO, October 15, 2018

⁷⁸ Source: "Hydroponic Farming in Bahrain, EcoMENA", June 16, 2018



3. The GCC Food Industry Outlook

3.1. Forecasting Methodology

The report forecasts the size of the food industry in each GCC country in terms of consumption volume across the major food categories, through 2023. Region-wide projections are derived as aggregate of food consumption volumes of all the six member countries.

The data-points considered for the projections include:

- Historical food consumption data from Arab Organization for Agricultural Development (AOAD), Food and Agriculture Organization of the United Nations (FAO) and national statistics offices of the GCC member nations
- Population and GDP (at constant prices) forecast from the IMF (last updated April 2019)

Assumptions:

- The combined population of all the six GCC nations is forecasted to grow at a CAGR of 2.3% during 2018-2023 to reach 63.4 million in 2023, up from 56.7 million in 2018
- Similarly, the region's GDP (at constant prices) is expected to increase at an annualized rate of 2.5% during 2018-2013
- The GCC countries have experienced a sluggish consumer spending, due to slow and dragging economic recovery still reeling from downturn, thus leaving the per capita food consumption volumes in the region mostly untouched during 2018.

While doing the macroeconomic analysis, it is understood that population and GDP growth data over the last decade presents a strong correlation with food consumption growth in the region. Accordingly, regression analysis has been used to compute long-term forecasts for the GCC food market. Expected stability and growth in oil prices in the coming years, along with growing support from non-oil economy is likely to lift the income levels, resulting in increasing demand for food in the GCC countries.

Note: Due to changes in forecasting methodology and the IMF's population and GDP estimates, market projections in this report are not comparable to the forecasts in Alpen's GCC Food Industry report dated February 22, 2017.

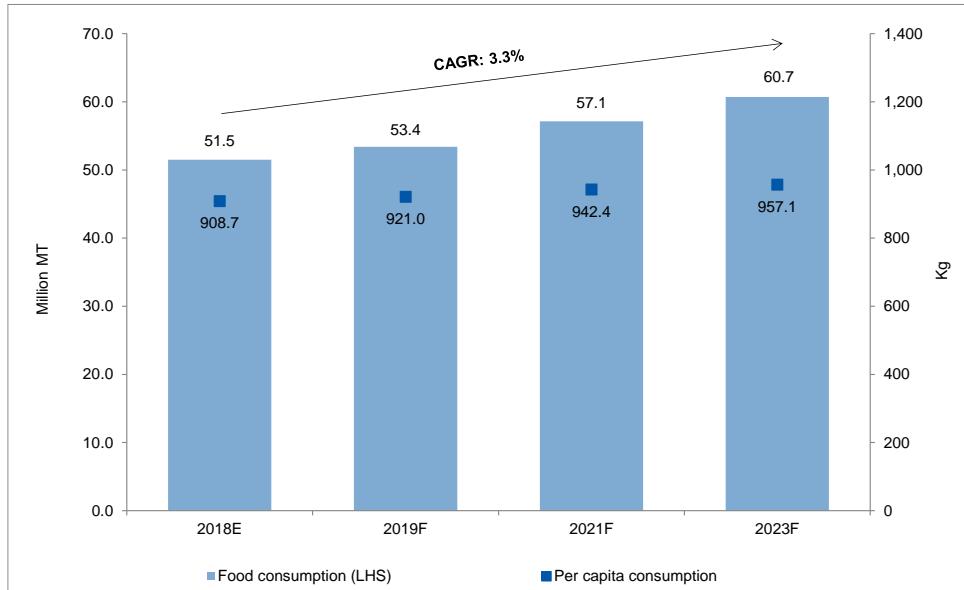
3.2. The GCC Food Consumption Forecast

Food consumption in the GCC is expected to grow at a CAGR of 3.3% to reach 60.7 million MT in 2023 from 51.5 million MT in 2018

Backed by encouraging macroeconomic drivers, food consumption in the GCC is expected to grow at a CAGR of 3.3% to reach 60.7 million MT in 2023 from 51.5 million MT in 2018 (see Exhibit 41). This growth is likely to be driven by an increase in population, growing tourism, a high per capita income and overall economic growth arising from a sustained increase in oil prices. Additionally, changing dietary preferences, increasing penetration of food services sector and mega events like Dubai Expo 2020 and FIFA World Cup 2022 are also expected to augment food consumption in the region. Investments from both government and private sectors are being encouraged to increase domestic food production to achieve higher self-sufficiency even as securing supply from other resource-rich countries remains a key priority.



Exhibit 41: Forecast of Food Consumption in the GCC



Source: IMF – April 2019, Alpen Capital

Note: E – Estimated, F – Forecasted

Category-wise Food Consumption

As a staple food of the region, cereals will remain the most consumed food category

Share of most of the food categories is anticipated to have minimal change through 2023 (see Exhibit 42). As a staple food of the region, cereals will remain the most consumed food category. The increasing demand for milk products, baked goods and rice will fuel the growth in consumption of dairy and cereals alongside the ‘Others’ segment (see Exhibit 43). Consumption of egg and fish especially in Saudi Arabia and the UAE and of potatoes and fats & oil by the food services sector, will contribute to the growth of the “Others” category. Consumption of organic and healthy food items is also likely to increase on the back of rising awareness and the governments’ efforts to curb the intake of unhealthy food products.

Exhibit 42: Category-wise Split of Overall Food Consumption

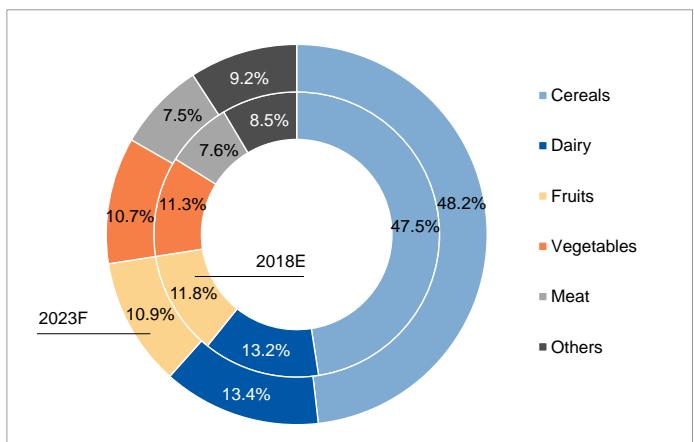
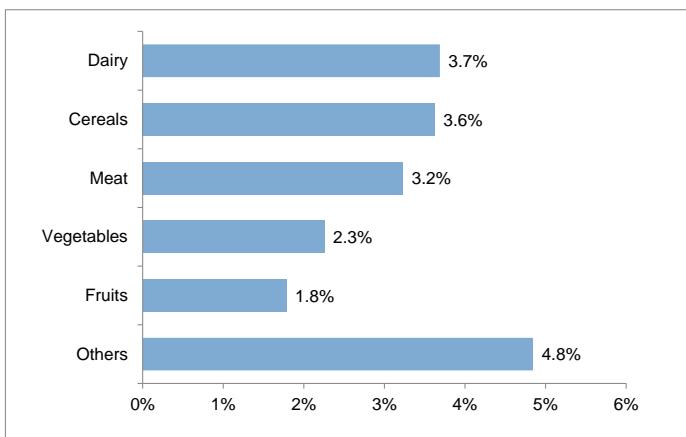


Exhibit 43: Category-wise Food Consumption Growth (CAGR: 2018E – 2023F)



Source: IMF – April 2019, Alpen Capital

Note: E – Estimated, F – Forecasted; ‘Others’ food category comprises potatoes, pulses, fats & oil, honey, fish and eggs

Source: IMF – April 2019, Alpen Capital

Note: E – Estimated, F – Forecasted; ‘Others’ food category comprises potatoes, pulses, fats & oil, honey, fish and eggs

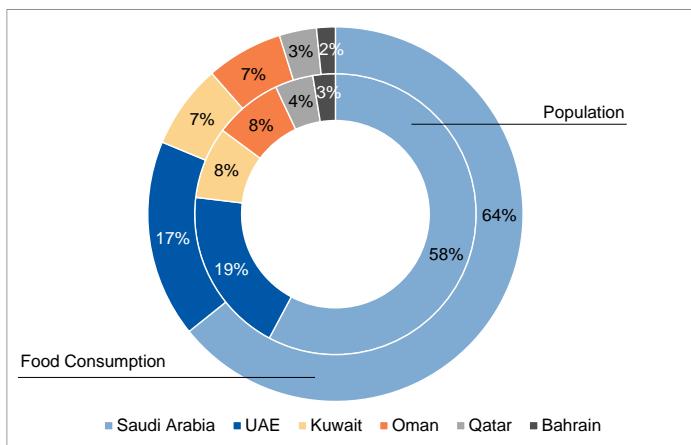


The combined share of food consumption of Saudi Arabia and the UAE is projected to reach 81% in 2023

Country-wise Food Consumption

The country wise food consumption share in the GCC is projected to change marginally through 2023. As home to a large proportion of the GCC population, Saudi Arabia and the UAE are expected to remain the largest food consuming nations in the foreseeable future. The combined share of food consumption of both the countries is projected to reach 81% in 2023 (see Exhibit 44). Oman is expected to experience the fastest annualized growth of 4.6% in food consumption, followed by UAE at 3.5%. Qatar and Bahrain may witness a sluggish growth with a CAGR of 2.3% and 3.1%, respectively (see Exhibit 45). The forecasted growth rates largely reflects the population and GDP projections for the countries.

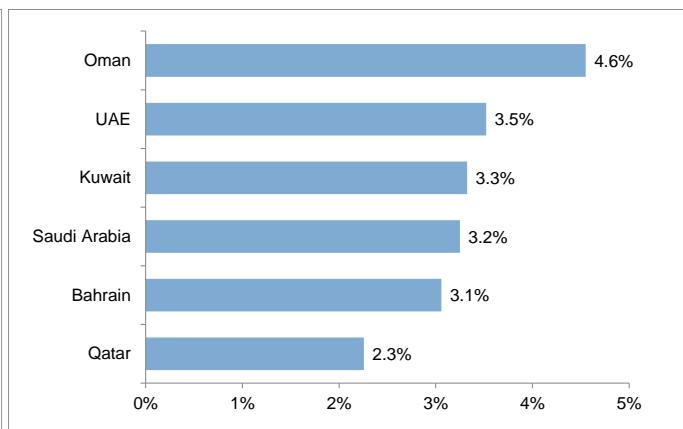
Exhibit 44: Country-wise Split of Overall Food Consumption and Population (2023F)



Source: IMF – April 2019, Alpen Capital

Note: E – Estimated, F – Forecasted

Exhibit 45: Country-wise Food Consumption Growth (CAGR: 2018E – 2023F)



Source: IMF – April 2019, Alpen Capital

Note: E – Estimated, F – Forecasted

3.3. Country-wise Market Size Forecast

Saudi Arabia

Saudi Arabia's food consumption is forecasted to reach 39.0 million MT in 2023, up from 33.2 million MT in 2018, indicating an annualized growth rate of 3.2% during the period

Saudi Arabia's food consumption is forecasted to reach 39.0 million MT in 2023 from 33.2 million MT in 2018, indicating an annualized growth rate of 3.2% during the period (see Exhibit 46). Population growth and increased consumer spending will fuel the food consumption growth in the Kingdom. Consumer spending is expected to increase even with the ongoing trend of expatriates leaving the country. Estimates indicate that between 2016 and 2025, up to 5 million expatriates would be leaving the country, but this in turn will create 3 million job opportunities for Saudis. Given that the average salary and household spending of a Saudi family is higher than that of an expatriate family, there would be increased per capita level of consumer spending⁷⁹.

Additionally, tourism and increasing urbanization rate will also play a major role in supporting the food demand especially for packaged food and ready meals. Proposed expansion of the Grand Mosque in Mecca and Prophet's Mosque in Medina along with the reversal of tourist visa restriction in 2018 will help boost tourist inflow in the country^{80,81}. In 2017, Saudi Arabia

⁷⁹ Source: "Saudi food trends: Demographic changes and health issues set to shape consumer spending", Food Navigator Asia, December 19, 2018

⁸⁰ Source: "Grand Mosque Expansion Highlights Growth Of Saudi Arabian Tourism Industry", Cornel Real Estate Review, March 21, 2018

⁸¹ Source: "Saudi Arabia Will Begin Issuing Tourist Visas Next Month", One Mile At A Time, March 2, 2018



Upcoming projects like Red Sea Project and Qiddiya Entertainment City will aid in increasing urbanization rate and attract more expatriate population

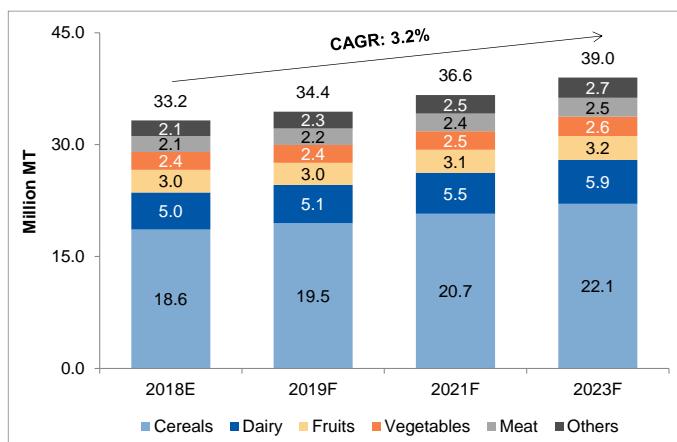
hosted 16.1 million international tourist arrivals, which is forecasted to increase 5.7% per year to reach 22.5 million in 2023⁸². Religious tourism will drive the growth as the Kingdom aims to attract 30 million pilgrims by 2030⁸³. Upcoming projects like Red Sea Project and Qiddiya Entertainment City will aid in increasing urbanization rate and attract more expatriate population.

In 2018, with a view to offset the effect of VAT, the government distributed an annual bonus for state employees and also offered a monthly allowance of SAR 1,000 (US\$ 267 million) to the employees⁸⁴. While these would largely fuel food consumption pattern in the nation, any reduction in energy subsidies, in line with their earlier plans, may offset the disposable income of the individuals.

Increasing government efforts to reduce the risk of nutrition related ailments such as obesity and overweight, diabetes, hypertension, anemia, vitamin D deficiency, etc. will also influence changing consumption patterns⁸⁵. These concerns will also influence the per capita spending in certain food categories. It is estimated that more than 40% of Saudi citizens are obese (nearly 70% can be considered overweight) and that there are 3.8 million people with diabetes (representing 19% of the adult population). These high numbers can be largely attributed to unhealthy eating habits and hence there is an expected change in food consumption⁸⁶. Food categories such as dairy and poultry are expected to see increased demand as they provide functional benefits such as protein, probiotics, vitamins, etc.

The ‘Others’ category is projected to grow at a pace of 5.5%, supported by rising consumption of potato, fats & oil and eggs. Cereals is projected to be growing at an annualized growth of 3.5% between 2018 and 2023, followed by meat and dairy at 3.4% each (see Exhibit 47). Cereals consumption growth will be driven by increasing demand of wheat and rice, which forms the staple diet for locals, expatriates and pilgrims alike.

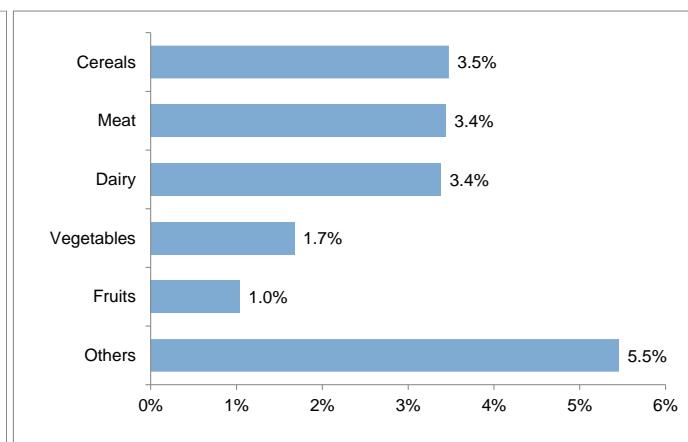
Exhibit 46: Forecast of Food Consumption in Saudi Arabia



Source: IMF – April 2019, Alpen Capital

Note: E – Estimated, F – Forecasted

Exhibit 47: Category-wise Food Consumption Growth in Saudi Arabia (CAGR: 2018E – 2023F)



Source: IMF – April 2019, Alpen Capital

Note: E – Estimated, F – Forecasted; ‘Others’ food category comprises potatoes, pulses, fats & oil, honey, fish and eggs

⁸² Source: “International Tourism Highlights - 2019 Edition”, UNWTO, 2019

⁸³ Source: “Saudi Arabia: “Saudi Tourism Sector Worth Over \$70 billion in 2019”, Greek Travel Pages, April 22, 2019

⁸⁴ Source: “Saudi Arabia eases austerity after ‘very negative’ response”, January 9, 2018

⁸⁵ Source: “Dairy Market in GCC 2019 Analysis by Type – Fresh Milk, Butter, Yogurt, Cream, UHT Milk, Cheese”, EIN News, February 8, 2019

⁸⁶ Source: “More than 40% of Saudis are obese”, Arab News, April 16, 2019



UAE

The UAE's food consumption is forecasted to grow at an annualized rate of 3.5% from an estimated 8.7 million MT in 2018 to 10.3 million MT in 2023

The UAE's food consumption is forecasted to grow at an annualized rate of 3.5% from an estimated 8.7 million MT in 2018 to 10.3 million MT in 2023 (see Exhibit 48). A growing population - majorly driven by high percentage of expatriates and high disposable income of the consumers will continue to garner demand for food in the country. The population and real GDP of the UAE is expected to grow at a CAGR of 3.1% and 3.0%, respectively during the period. Additionally, growing influx of international tourists also forms an important factor creating food demand. It has been observed that international tourist arrivals in the country has outnumbered its population. For instance in 2017, the UAE hosted 15.8 million tourists compared to its population of 10.1 million⁸⁷. This trend is likely to continue with the upcoming Dubai Expo 2020, which is expected to host 25 million visitors out of which 17.5 million will be foreign visitors⁸⁸. Increasing number of foreign tourists is also good news for the food services sector as it fuels the demand for food. It is estimated that F&B sales worth US\$ 545 million is expected onsite during the six-month long event, with an estimated 85,000 meals served per hour⁸⁹.

Consumption of dairy and cereals is expected to grow at 4.4% and 4.0%, respectively through 2023, followed by fruits at 2.8%, which is closely followed by meat at 2.7% (see Exhibit 49). Despite abundant sunlight, more than 90% of the UAE population is Vitamin D deficient. The Director of Clinical Nutrition at Dubai Health Authority has notified individuals to include dairy products in their meals to have sufficient Vitamin D content. Such awareness campaigns are likely to support demand for dairy products over the long term⁹⁰. Increasing health awareness of consumers and manufacturers response with healthy options (higher nutritional value, lactose free, vegan, milk substitutes like rice, soya, almond milk as well as yogurt substitutes from soya and coconut, etc.) will drive the demand of dairy products. New product varieties such as "Super Milk" (rich in Vitamin A, D, E among others), camel based milk powders, organic varieties (hormone and lactose free milk) will also influence demand⁹¹. The presence of a large number of Asian expatriates is likely to support the demand for cereals. Others category too is expected to increase at a CAGR of 4.8% mainly due to increase in consumption of pulses and oil & fats.

Exhibit 48: Forecast of Food Consumption in the UAE

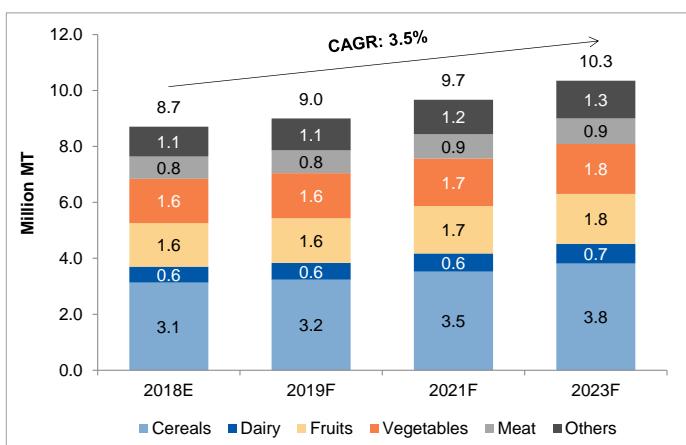
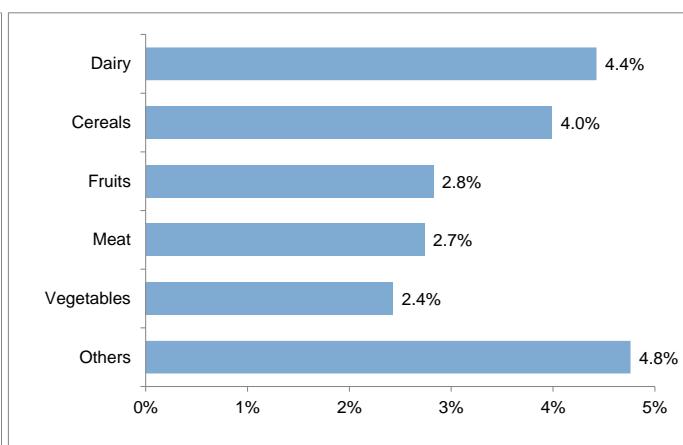


Exhibit 49: Category-wise Food Consumption Growth in the UAE (CAGR: 2018E – 2023F)



Source: IMF – April 2019, Alpen Capital

Note: E – Estimated, F – Forecasted

Source: IMF – April 2019, Alpen Capital

Note: E – Estimated, F – Forecasted; 'Others' food category comprises potatoes, pulses, fats & oil, honey, fish and eggs

⁸⁷ Source: "International Tourism Highlights - 2019 Edition", UNWTO, 2019

⁸⁸ Source: "Welcome the Future" campaign to woo 25m visitors to Expo 2020", Khaleej Times, March 29, 2019

⁸⁹ Source: Expo 2020 Dubai

⁹⁰ Source: "90% of UAE population Vitamin D deficient, says DHA official", Gulf News, October 26, 2017

⁹¹ Source: "World Milk Day: Dairy sector on the boil", Gulf News, May 31, 2018

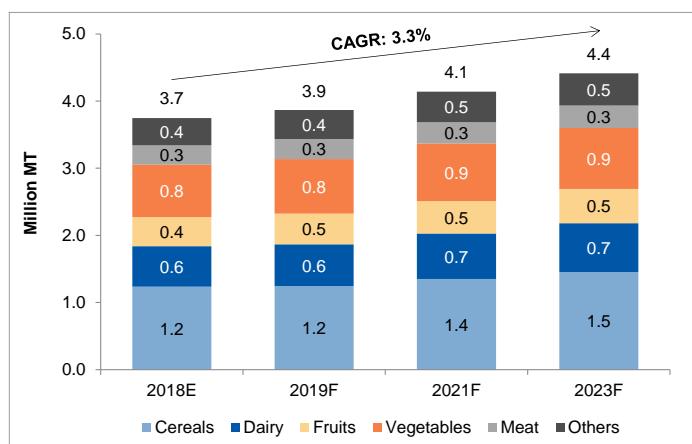


Kuwait

Kuwait's food consumption is forecasted to reach 4.4 million MT in 2023, up from 3.7 million MT in 2018, translating an annualized growth rate of 3.3% during the period

Kuwait's food consumption is forecasted to reach 4.4 million MT in 2023, up from 3.7 million MT in 2018, translating an annualized growth rate of 3.3% during the period (see Exhibit 50). The growth is likely to be driven by a 2.8% compounded annual growth in population as well as 2.7% growth in real GDP during the period. Market projections are also made based on economic recovery that the country experienced in the last couple of years after witnessing a severe downfall in per capita income between 2013 to 2016, due to declining oil prices. Increase in per capita income will lead to more consumer spending which is likely to support the growing demand for food. Dairy is expected to witness the fastest growth in consumption at 3.9% during the forecast period, followed by cereals and fruits at 3.3% and 3.2%, respectively (see Exhibit 51).

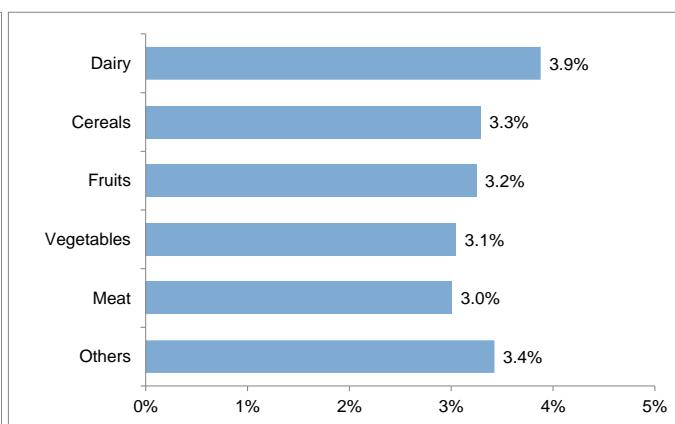
Exhibit 50: Forecast of Food Consumption in Kuwait



Source: IMF – April 2019, Alpen Capital

Note: E – Estimated, F – Forecasted

Exhibit 51: Category-wise Food Consumption Growth in Kuwait (CAGR: 2018E – 2023F)



Source: IMF – April 2019, Alpen Capital

Note: E – Estimated, F – Forecasted; 'Others' food category comprises potatoes, pulses, fats & oil, honey, fish and eggs

Oman

Within the GCC, Oman is likely to witness the highest growth at 4.6% in terms of food consumption which is anticipated to grow from 3.2 million MT in 2018 to 4.0 million MT in 2023

Within the GCC, Oman is likely to witness the highest growth at 4.6% in terms of food consumption which is anticipated to grow from 3.2 million MT in 2018 to 4.0 million MT in 2023 (see Exhibit 52). Population and real GDP growth of 3.2% and 2.5%, respectively during the period will be a major factor driving the food consumption in the country. Tourism will also play a key role in defining the upcoming food demand. It is expected that the tourist arrivals in Oman is likely to grow at a CAGR of 5.5% between 2018 and 2023 to reach 3.3 million⁹². The government is initiating several growth intensive steps to promote tourism such as introduction of e-visa system, expansion and transformation of Muscat International Airport and establishing attractions by encouraging public private partnerships⁹³. The recent commencement of production at the Khazzan tight gas field will be a boost to gas output and in turn government revenues, over the coming years. This should result in a substantial uptick to the real GDP growth and thus improve the per capita income thereby lifting all sectors including food⁹⁴.

⁹² Source: "Oman tourists expected to rise to 3.5m by 2023", Arabian Business, March 6, 2019

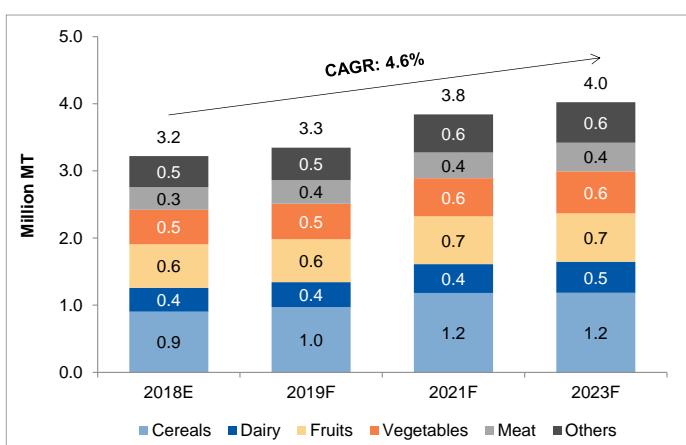
⁹³ Source: "Oman launches e-visa system to boost tourism", Saudi Gazette, March 25, 2019

⁹⁴ Source: Oman's economy to accelerate in 2018-19 on energy exports, BMI says, March 22, 2018



Among all food categories dairy consumption is likely to grow fastest at 5.6% during 2018 to 2023 followed by cereals at 5.5% (see Exhibit 53). Growth in dairy consumption can be attributed to changing food preferences of the people towards more healthy food. Rice and wheat, which forms the core ingredients of staple diet will drive the demand for cereals. To meet the growing demand for dairy, Oman Food Investment Holding Company's (OFIC) flagship project, Mazoon Dairy is set to commence operation of its US\$ 260 million facility in Q3 2019. In the initial stages, the facility is targeting to produce 350,000 litres of milk per day, which will be scaled up to one million litres on a daily basis within a ten-year period⁹⁵,⁹⁶. Being the largest fish producers and exporters in the region, the Omani government is using several technology initiatives to boost local production which is likely to increase the consumption, thus contributing to the 5.4% annualized consumption growth in the 'Others' category.

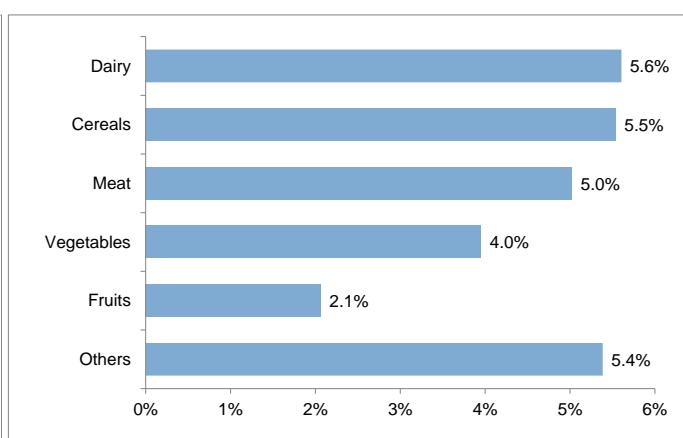
Exhibit 52: Forecast of Food Consumption in Oman



Source: IMF – April 2019, Alpen Capital

Note: E – Estimated, F – Forecasted

Exhibit 53: Category-wise Food Consumption Growth in Oman (CAGR: 2018E – 2023F)



Source: IMF – April 2019, Alpen Capital

Note: E – Estimated, F – Forecasted; 'Others' food category comprises potatoes, pulses, fats & oil, honey, fish and eggs

Qatar

Qatar's food consumption is forecasted to grow at an annualized rate of 2.3% from an estimated 1.7 million MT in 2018 to 1.9 million MT in 2023

Qatar's food consumption is forecasted to grow at an annualized rate of 2.3% from an estimated 1.7 million MT in 2018 to 1.9 million MT in 2023 (see Exhibit 54). Growth in food consumption is likely to be aided by high disposable income (highest in the region), increasing number of young and urbanized consumer base and a growing expatriate population. During 2018-2023, per capita income and real GDP are likely to increase at CAGR of 3.5% and 2.8%, respectively. With a view to offset the impact of embargo, the government has boosted the production of food items locally, which is likely to positively influence the food consumption.

Food consumption is also dependent on the growing influx of tourist in the country. The upcoming 2022 FIFA World Cup is expected to attract 3.1 million tourist for the 28-day sporting event⁹⁷. The number is quite high when compared to 2.3 million tourist arrivals in 2017⁹⁸. The government is also taking numerous steps to encourage local companies to

⁹⁵ Source: 'New Oman dairy set to produce a million litres of milk a day', Arabian Business, July 10, 2019

⁹⁶ Source: "Securing supplies: Oman government's biggest dairy initiative to begin operation next month", Food Navigator, June 5, 2019

⁹⁷ Source: "Qatar Food & Beverages Sector - Sector Analysis", MERatings, March 2019

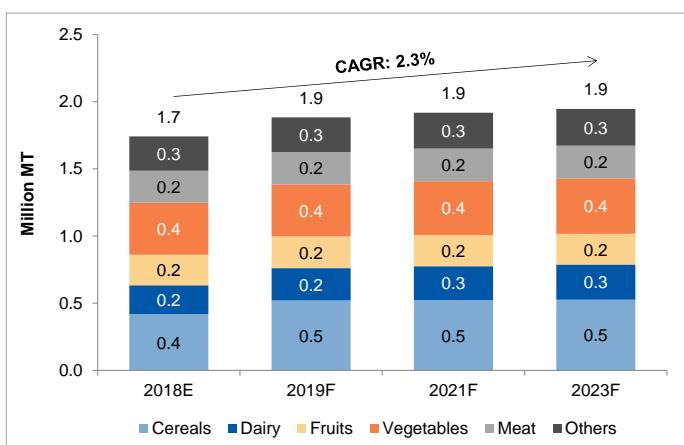
⁹⁸ Source: "International Tourism Highlights - 2019 Edition", UNWTO, 2019



invest in regional and international market as envisioned in Qatar National Vision 2030. Some of these initiatives include establishment of Hamad Port, participation in food expos and development of new malls and hotels⁹⁹.

Cereals and dairy are likely to be the fastest growing food categories consumed between 2018 and 2023, displaying an annualized growth of 4.7% and 4.0%, respectively (see Exhibit 55). Fruits and vegetables are set to grow at a modest of 0.2% and 1.3% (annualized growth), respectively between the period under consideration. “Others” is set to witness a 1.4% annualized growth between 2018 and 2023.

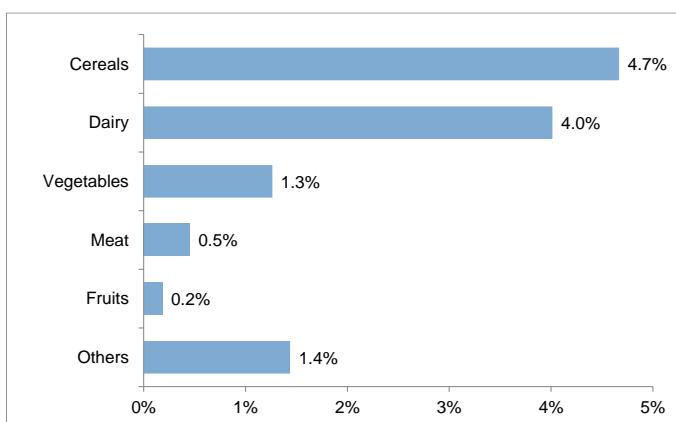
Exhibit 54: Forecast of Food Consumption in Qatar



Source: IMF – April 2019, Alpen Capital

Note: E – Estimated, F – Forecasted

Exhibit 55: Category-wise Food Consumption Growth in Qatar (CAGR: 2018E – 2023F)



Source: IMF – April 2019, Alpen Capital

Note: E – Estimated, F – Forecasted; ‘Others’ food category comprises potatoes, pulses, fats & oil, honey, fish and eggs

Bahrain

Food consumption in Bahrain is expected to grow at a CAGR of 3.1% to 1.0 million MT in 2023, from an estimated 0.8 million MT in 2018

Food consumption in Bahrain is expected to grow at a CAGR of 3.1% to 1.0 million MT in 2023, from an estimated 0.8 million MT in 2018 (see Exhibit 56). The growth in food consumption is likely to be fueled by growth in inflow of expatriates and tourists in the country. In 2017, Bahrain hosted 1.2 million visitors which is expected to reach 1.3 million in 2018 and 1.8 million in 2023, translating into an annualized 6.7% growth from 2018^{100, 101}. Tourism plays an important role in Bahrain, where it contributed 6.5% towards the economy in 2018 and is expected to grow to 8.3% in 2022¹⁰².

Dairy is likely to be the fastest growing food category with a CAGR of 5.9% during the forecast period. Growing preference towards healthy eating habits will drive the growth of dairy in the country. Dairy is followed by meat at 3.4% growth during the period (see Exhibit 57). The consumption of fruits and vegetables are set to grow more or less at a similar pace of 2.3% and 2.0%, respectively over the five-year period ending 2023.

⁹⁹ Source: “Qatar Food & Beverages Sector - Sector Analysis”, MERatings, March 2019

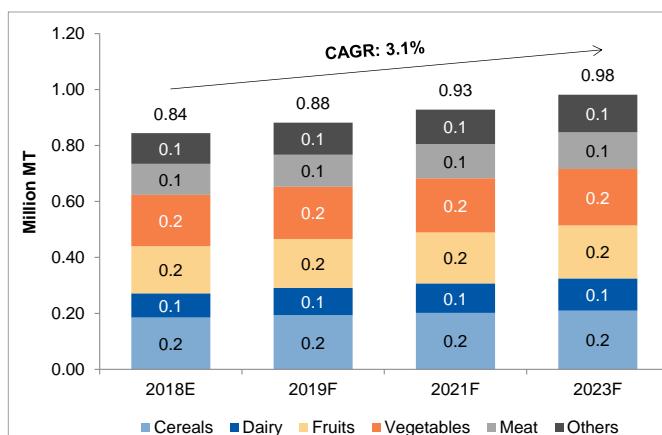
¹⁰⁰ Source: “International Tourism Highlights - 2019 Edition”, UNWTO, 2019

¹⁰¹ Source: Alpen Capital

¹⁰² Source: “Bahrain to get ‘significant’ GDP boost from tourism: expert”, Arabian Business, January 24, 2019



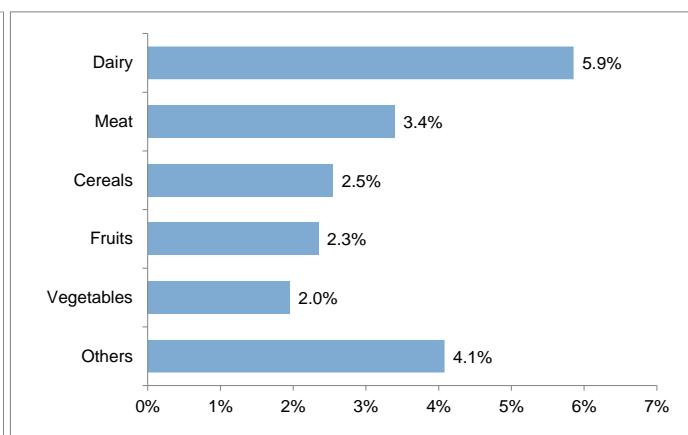
Exhibit 56: Forecast of Food Consumption in Bahrain



Source: IMF – April 2019, Alpen Capital

Note: E – Estimated, F – Forecasted

Exhibit 57: Category-wise Food Consumption Growth in Bahrain (CAGR: 2018E – 2023F)



Source: IMF – April 2019, Alpen Capital

Note: E – Estimated, F – Forecasted; 'Others' food category comprises potatoes, pulses, fats & oil, honey, fish and eggs



4. Growth Drivers

Rapid Population Growth and Rising Urbanization

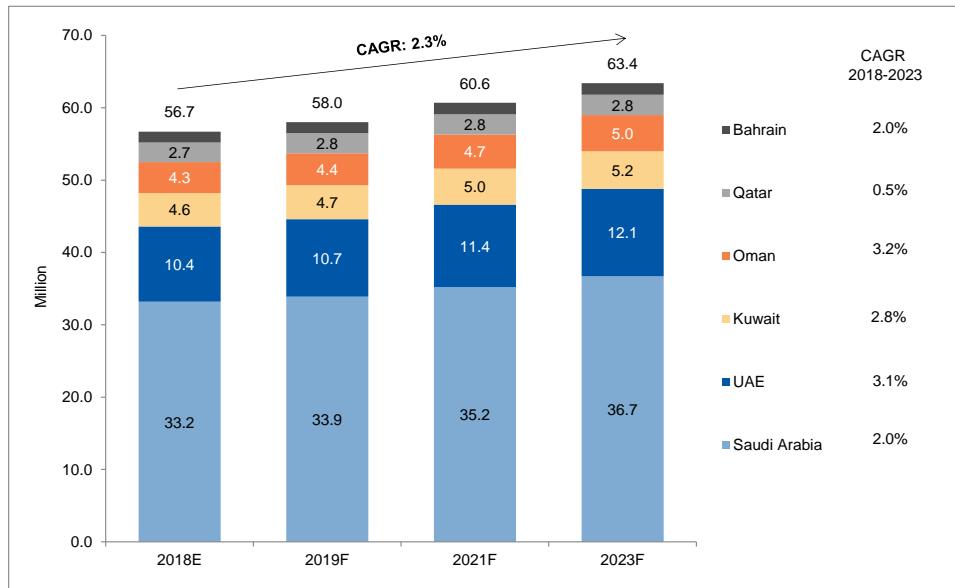
The GCC is one of the most highly urbanized regions in the world with 85% of the population living in cities in 2016, which is expected to rise to 90% by 2050

The GCC population is booming and the middle class is expanding rapidly over the years, driven by a sizeable number of expatriates who account for 52% of the total regional population¹⁰³. The GCC is one of the most highly urbanized regions in the world with 85% of the population living in cities in 2016, which is expected to rise to 90% by 2050¹⁰⁴. Nearly 35% of the people are under 25 years of age and another 50% remain in the age group of 25-49 years¹⁰⁵.

Saudi Arabia has the largest population in the region, with over 33 million residents in 2018, growing at an annual rate of 2.0%¹⁰⁶. Youth representing over 50% (under 25 years of age) of the Saudi Arabia's population are particularly influenced by global consumer trends, which drives the demand for international food and foreign cuisines¹⁰⁷. In the UAE, the population is expected to reach 12.1 million by 2023 with a CAGR of 3.1% during 2018-2023. With growing affluence and a high percentage of expatriates (89.7% of the total UAE 2019 population) the country has developed an international palate demanding a wide range of international foods.^{108, 109, 110}

Demand for food will continue to grow as total residents are expected to reach 63.4 million by the end of FY 2023, registering a CAGR of 2.3% over FY 2018. The growth will be driven by inflow of expatriates, which would also introduce new food consumption habits in the region.

Exhibit 58: GCC Population Forecast



Source: IMF – April 2019

Note: E – Estimated, F – Forecasted

¹⁰³ Source: "Demographic and Economic Database (2017-18)", GLMM

¹⁰⁴ Source: "Middle East Megatrends: Transforming our region", PwC

¹⁰⁵ Source: "United Nations Population Division", United Nation

¹⁰⁶ Source: IMF – April 2019

¹⁰⁷ Source: "Investment opportunities in the Saudi food sector", Arab News, April 14, 2019

¹⁰⁸ Source: IMF – April 2019

¹⁰⁹ Source: "Dubai Population and Nationalities", Guide2Dubai, April 14, 2019

¹¹⁰ Source: "Consumer Profile – The United Arab Emirates", Government of Canada, May 2019



Growing awareness of healthy eating habits is likely to boost the demand for organic food in the GCC

Increasing Awareness of Healthy Eating Habits

While the continuous influx of expatriates from different geographies would introduce diverse cuisines in the region, growing awareness of healthy eating habits is likely to boost the demand for organic food in the GCC. Consumers are becoming more health conscious, driving the demand for food items that are sugar free, fat free, low in salt and do not contain preservatives and chemicals and functional foods that offer specific health benefits¹¹¹. Between November 2016 and October 2017 about 18% and 10% of food and drink launches in the UAE and Saudi Arabia, respectively, used the 'organic' label claim. The rising awareness of the organic food habits was evident from the recent stocking and buying trends. The estimated retail space stocking organic products in the UAE has increased by 60% over the last four years, while about 38% of the consumers purchased more organic products in the last 12 months compared to the preceding year^{112, 113}.

Increasing Investment to Boost Tourism

In their effort to augment non-oil revenue segments to diversify their economy, the GCC governments are devoting time and effort in other sectors as well with special focus on the tourism industry. In 2017, the tourism sector attracted around 38 million international visitors, which is forecasted to reach 56.2 million in 2023, translating into an annualized 6.6% growth from 2018¹¹⁴. While there was a slight decline in the total number of visitors, the total expenditure incurred by them remained higher compared to 2016¹¹⁵.

Religious tourism, sporting events, shopping festivals, recreational facilities and meetings, incentives, conferences and exhibitions (MICE) are the main attractions of the region. Dubai has exemplified the region's focus on enhancing its offering by having a vision of welcoming 20 million international visitors by 2020, with Expo 2020 alone projected to attract 17.5 million foreign visitors¹¹⁶. Abu Dhabi is aiming to be a cultural city. It continues to boost its attractiveness with the opening of the Louvre Abu Dhabi in November 2017, which hosted over one million visitors during its first year of operation¹¹⁷. Abu Dhabi is also targeting high net worth individuals from China with an aim to attract 600,000 Chinese tourists annually by 2021, a 265% increase from 2016¹¹⁸. Meanwhile, Ras Al Khaimah is solidifying its reputation as an outdoor pursuit hub¹¹⁹. The country is building 213 new hotels in order to accommodate the expected growth in visitors¹²⁰.

Saudi Arabia is expanding the Grand Mosque at Mecca (to hold 2.5 million worshippers) and the King Abdulaziz International Airport to accommodate more religious tourists throughout the year, while the opening of entertainment projects like Qiddiya will attract non-religious visitors as well^{121, 122, 123}. Overall, the Kingdom expects to welcome 30 million tourists annually by 2030¹²⁴.

Oman's US\$ 35 billion tourism plan aims to attract 11.7 million annual visitors in 2040, a 388% increase from 2.4 million visitors in 2017^{125, 126}. Focusing on cultural and natural

¹¹¹ Source: "Investment opportunities in the Saudi food sector", Arab News, April 14, 2019

¹¹² Source: "UAE Embraces The Growing Trend For Organic Foods", Mintel, January 25, 2019

¹¹³ Source: "UAE consumers buying more organic food, survey shows", Gulf News, September 19, 2018

¹¹⁴ Source: "International Tourism Highlights - 2019 Edition", UNWTO, 2019

¹¹⁵ Source: "A Glimpse at Tourism Statistics in the GCC Countries for 2017", GCC Stat, October 2018

¹¹⁶ Source: "Dubai public 'positive' about Expo 2020 survey says", The National, March 25, 2019

¹¹⁷ Source: "One million visitors to Louvre Abu Dhabi in first year", Khaleej Times, November 10, 2018

¹¹⁸ Source: "Abu Dhabi to increase Chinese tourist numbers by 265% by 2021", Hospitality, February 2017

¹¹⁹ Source: "GCC travel and tourism: An industry in transit?", Gulf Business, April 28, 2018

¹²⁰ Source: "How Food service Leaders Can Adapt to - and Thrive in - the Middle East's New Normal", Aaronallen and Associates, September 21, 2018

¹²¹ Source: "Phase 3 expansion brings Saudi Arabia's Grand Mosque to 1.5km²", Construction Week Online, August 06, 2019

¹²² Source: "King Abdulaziz International Airport Expansion", ProTenders, July 15, 2019

¹²³ Source: "Saudi Arabia's mega entertainment project Qiddiya reveals master plan" Arab News, June 26, 2019

¹²⁴ Source: "30 million pilgrims 'will visit Saudi Arabia by 2030'", Arab News, January 09, 2019

¹²⁵ Source: "Oman's 2040 tourism plan 'will cost \$35bn', says senior official", Arabian Business, April 28, 2016

¹²⁶ Source: "International Tourism Highlights - 2019 Edition", UNWTO, 2019



attractions, Oman is likely to do well among millennial tourists who value experience over luxury when they travel.

Qatar is hosting the FIFA World Cup 2022, which is expected to attract more than 1.5 million tourists in the country. The country's authorities are expected to spend US\$ 100 billion on developing stadiums, transport infrastructure and hotels to support the FIFA 2022 World Cup¹²⁷. Apart from this, Qatar will also be hosting the World Championships in Athletics this year along with the World Aquatics Championships in 2023.

Additionally, seasonal events such as Ramadan promotions, shopping festivals and food festivals will continue to increase food consumption in the region. During the holy month of Ramadan, food sales in Saudi Arabia and the UAE increases by 10% compared to the non-Ramadan periods¹²⁸. The GCC countries also host annual food festivals, which present a wide range of culinary offerings. The Dubai Shopping Festival and Dubai Food Festival (DFF) form part of Government of Dubai's strategic initiatives, which are aimed at enhancing UAE's global status as the region's tourism hub¹²⁹.

Flourishing Food Services Sector

The GCC's food services sector has been witnessing rapid growth over the past decade and is expected to outperform the overall GCC F&B sector, growing by around 8.4% annually until 2021¹³⁰. The market growth was supported by growing disposable income and shifting preference towards dining-out. Takeaways and food delivery fuelled by online ordering platforms also grew in the region thus driving the food services sector¹³¹. The market has also witnessed a significant rise over the past couple of years, driven in parts by domestic brands with strong financial backup from regional PE players and family-owned businesses. The private equity players have clearly preferred to increase their investment focus in the food services sector amid rising volatility and decline in oil prices since 2014¹³².

The GCC's food services market is estimated to witness a better-than-expected outlook on account of various international events, increasing deal activity and investments in the sector. The influx of several global brands coupled with the fast growing Quick Service Restaurant (QSR) segment. QSR formats like food trucks and pop-up kiosks are capitalizing on the region's international flavor and spreading home-grown dining options¹³³.

To cater to the growing population and tourist arrivals, an increasing number of standalone restaurants are opening in the region. In Saudi Arabia and the UAE, governments are heavily investing in the hotel and retail spaces to turn the region into a hub for hospitality brands. As of 2017, the UAE had over 16,000 food and beverage outlets which is expected to increase to more than 19,000 by 2020¹³⁴. Over the last decade, the regional food service market, specifically for these countries, has witnessed the growth of several international QSR chains and home grown brands offering varied cuisines suiting the changing consumer preference.

Franchise model will be key to the rise of QSR chains which will fuel the growth of food services sector in the region. Regional authorities, for example Saudi government, have started providing incentives to franchisees and franchisers to attract international brands as well as investors who would be interested to enter the market with the help of experienced local players¹³⁵.

¹²⁷ Source: "Qatar: \$100 Billion On World Cup Infrastructure", WeBuildValue Digital Magazine, August 01, 2018

¹²⁸ Source: "The Ramadan Effect – Reflecting on Food Consumption in United Arab Emirates and Saudi Arabia", Nielsen, July 13, 2015

¹²⁹ Source: "GCC F&B industry experiencing unprecedented growth", HotelierMiddleEast.com, December 2016

¹³⁰ Source: "GCC F&B sector to be worth \$196bn by 2021", Arabian Business, February 16, 2018

¹³¹ Source: "Middle East Restaurant Project Report 2019-2020", The Restaurant Show, July 16, 2018

¹³² Source: "Private Equity Deals Make Their Mark On the Middle East Restaurant Industry", Aaron Allen Associates, February 14, 2017

¹³³ Source: "Middle East Restaurant Project Report 2019-2020", The Restaurant Show, July 16, 2018

¹³⁴ Source: "UAE's F&B sector needs a rethink on growth mix", Gulf News, January 1, 2018

¹³⁵ Source: "Middle East Restaurant Project Report 2019-2020", The Restaurant Show, July 16, 2018

The private equity players have clearly preferred to increase their investment focus in the food services sector amid rising volatility and decline in oil prices since 2014

As of 2017, the UAE had over 16,000 food and beverage outlets which is expected to increase to more than 19,000 by 2020



5. Challenges

Greater Reliance on Food Imports

The GCC's food imports advanced at a CAGR of 3.1% between 2011 and 2016

Dependence of the GCC countries on food imports has been increasing over the years, primarily on account of limited resource availability and incompatible climatic conditions. Not only the cultivable land area is limited but the region also suffers from inadequate water resources. At the same time, the regional food consumption is on the rise, leading to rising import food bill. The GCC's food imports advanced at a CAGR of 3.1% between 2011 and 2016. Saudi Arabia was the largest importer with a share of 44.2%, followed by the UAE (30.6%) and Kuwait (9.1%). Higher dependence on imports has exposed the region to food price fluctuations and geopolitical tensions. Against this backdrop, the GCC governments are stepping up their food security measures, in order to ensure sufficient food supply by investing in international farmlands like Ethiopia, Madagascar, Mali, Serbia, Sudan, Tanzania and Zambia, establishing strong trade relations and increasing domestic produce.

Limited water resources and arable land

Total renewable water resources per capita in the GCC stood at 86.6 cubic meters in 2014, compared to a global average of 17,575 cubic meters

Water scarcity is one of the leading problems for the GCC countries as the region has been facing a deficit of more than 20 billion cubic meters¹³⁶. Arid climatic conditions, strong heat waves and limited rainfall are among the primary factors which have resulted in water scarcity in the region. Total renewable water resources per capita in the GCC stood at 86.6 cubic meters in 2014, compared to a global average of 17,575 cubic meters¹³⁷.

The GCC countries rely heavily on desalination which leads to other side effects. For instance, Kuwait, Qatar, Saudi Arabia and the UAE together account for about one third of the world's total desalination capacity¹³⁸. However, the process remains significantly energy sensitive, which can have far-reaching environmental effects.

With a view to preserve its water resources, Saudi Arabia has gradually reduced its wheat production, which requires high water content. While the move has partially addressed the concern of the nation, it has led to increased dependence on imports.

Vulnerability to global food price fluctuations

Global food prices have experienced a trend reversal after reaching multi-period low levels between 2015 and 2016

High dependence on food imports exposes the GCC countries to global food price fluctuations. Global food prices have experienced a trend reversal after reaching multi-period low levels between 2015 and 2016. The FAO Food Price Index stood at 173.0 points in June 2019, considerably above the average in the past couple of years. The FAO Cereals Price index has also witnessed a similar trend with an average of 166.3 points during YTD June 2019, the highest since 2014. Thus, prices of the largest consumed food item in the GCC remain at elevated levels, posing immediate risk to food inflation in the region. A persistent increase in food prices can endanger the fiscal position of the GCC countries in an environment wherein the governments are trying to rationalize expenditures.

Geopolitical risks

North America, South America and Europe are among the major sources of food imports for the GCC countries. Food items are shipped through the Suez Canal in Egypt, the Strait of Hormuz adjoining Iran and Iraq and the Bab-el-Mandeb Strait between Yemen on the Arabian Gulf and Southwest Africa. A history of political instabilities makes these vital trade

¹³⁶ Source: "Water Resource Management in GCC – Issues and Challenges", EcoMENA, January 12, 2015

¹³⁷ Source: "GCC must adopt sustainable water conservation practices", Khaleej Times, June 4, 2018

¹³⁸ Source: "Desalination Has a Waste Problem", Circle of Blue, 2019



Over one-third of the grain imported by the GCC members passes through at least one maritime chokepoint, where there are no alternative routes

routes highly vulnerable. Closure or any disruptions in the routes can have an adverse impact on the food supply to the region.

Over one-third of the grain imported by the GCC members passes through at least one maritime chokepoint, where there are no alternative routes. The diplomatic crisis between Saudi Arabia and Qatar drew attention to these vulnerabilities. Qatar was challenged by the regional embargo imposed by Bahrain, Saudi Arabia and the UAE in June 2017 as 40% of its food imports entered the country across the Saudi border¹³⁹. The reliance of Qatar on maritime chokepoints is even more worrisome as 80% of its cereal imports transit through the Strait of Hormuz and 30% of its wheat imports come from Russia through the Turkish Straits¹⁴⁰. The Gulf crisis has highlighted the stark reality of chokepoint exposure in a region where a political crisis could rapidly turn into a food security emergency.

Economic Slowdown

The ongoing global trade disruption and mounting Brexit uncertainties have created strong headwinds for global growth. European Union and China were the largest trading partners for the UAE in 2018¹⁴¹. Factors such as slowdown in Italy and China and no-deal Brexit could have a negative impact on trading volume with these countries and could also negatively affect foreign fund flow into the region.

With a view to boost the regional growth, European Central Bank is likely to loosen its monetary stance further¹⁴². This would weaken Euro against the dollar-pegged GCC currencies and could negatively affect tourist influx in the GCC from these destinations. Moreover, the ongoing trade war between the US and China will affect both the superpowers and the world as whole, thus causing spillover effects in the GCC nations.

Rationalization of fiscal expenditures and introduction of tax regimes

The Saudi government reduced its wage bill by about 4% for FY 2019 in order to control its expenses

During 2018, Dubai experienced “white-collar recession” wherein the emirate reported one of the biggest loss in jobs, especially in the high paying jobs category, since the global financial crisis¹⁴³. The GCC governments are in process to rationalize the fiscal expenditures. The Saudi government reduced its wage bill by about 4% for FY 2019 in order to control its expenses¹⁴⁴. The introduction of VAT in Saudi Arabia and the UAE also impacted the consumption pattern in these countries¹⁴⁵. Thus, government’s measures to rationalize expenses and boost income have influenced the consumer sentiment in the countries. The other GCC nations are likely to impose VAT in the coming period and the subsequent economic recovery in countries like Oman and Bahrain could have adverse consequences on the food and beverage intake.

¹³⁹ Source: “Choking trade: What the Qatar crisis tells us about food supply risk”, The New Arab, June 27, 2017

¹⁴⁰ Source: “Food Security in the Gulf Cooperation Council”, Rand Corporation, December 2018

¹⁴¹ Source: “How will a slowing EU impact the GCC?”, Khaleej Times, February 24, 2019

¹⁴² Source: “European Central Bank paves way for fresh stimulus package”, Financial Times, July 25, 2019

¹⁴³ Source: “White-Collar Recession’ Ripples Through Dubai’s Economy”, The Wall Street Journal, November 14, 2018

¹⁴⁴ Source: Ministry of Finance – Saudi Arabia

¹⁴⁵ Source: Almarai Annual report – FY 2018



6. Trends

Growth of Packaged Food Remains Intact

The GCC food consumption patterns are changing rapidly driven by the growth in the region's population, societal changes like increase in the number of working women, healthy per capita income levels and growing tourism industry. Additionally, the growing urbanization, hectic lifestyles, increasing popularity of large modern food retail formats and the entry of multinational food companies continue to boost the popularity of packaged food among consumers.

Convenience of quick food preparation and lack of adequate time to prepare the food are strengthening the demand for packaged food in the GCC

Convenience of quick food preparation and lack of adequate time to prepare the food are strengthening the demand for packaged food in the GCC. Better taste and wide range of products, freshness and the quality of the ingredients used for making these products remain a critical point among the people to consume packaged food products. The products with health benefits are likely to perform better in the region due to the increasing awareness of growing health conscious consumer base in the region.

A high expatriate population and entry of women in the workforce are driving demand for packaged food in the GCC particularly when consumers are becoming more price sensitive and health conscious. The primary feature of a packaged food product is that it provides protection from contamination and is a convenient option for the current changes in lifestyle. The main packaged food items include bakery and dairy products, canned and frozen processed food, ready-to-eat meals, diet snacks, processed meat, health products and drinks.

Despite the above-mentioned drivers, the packaged food sector experienced various growth hurdles including implementation of VAT in the UAE and Saudi Arabia and shopper price sensitivity. Implementation of VAT led to cautious consumer spending during 2018, which led to a slowdown in growth of packaged food consumption. Consumers who were used to tax-free living had to adjust to increasing cost of packaged food. However, it seems that consumers have started accepting the higher cost and are returning to normal buying behavior.

Though there is wide scope for growth in the segment, greater price sensitivity, changing taste patterns, lower shelf life of products and need for adequate infrastructure and equipment in the supply chain such as controlled ambient temperature, are some of the challenges for the packaged food sector. Over the next few years, the packaged food market is likely to benefit from the region's push towards strengthening the non-oil economy, growth in tourism and local manufacturing, attractive demographics and changing lifestyle patterns.

Growing Private Label Segment

The consistent growth of modern retailing is strengthening sales of private label in many countries across the GCC

The consistent growth of modern retailing is strengthening sales of private labels in many countries across the GCC. Private labels are gaining popularity and have emerged as an important source of revenue for large supermarkets and hypermarkets as they continue to invest into private labels to address growing demand for budget-friendly healthy food. For example, supermarket chain like Carrefour continues to invest in the development of Carrefour branded products to redefine its stores' product lines. Their products include cereals, biscuits, jams, pasta, spices, vegetable cans, frozen food, dairy products, baby food, among others. The company has introduced a number of exclusive sub-brands under its flagship brand. The product lines offer complete traceability and are available only at



Carrefour outlets. Family packs and products that serve the needs of local diverse nationalities are also prioritised by Carrefour in its private label selection¹⁴⁶.

The Private labels market in the GCC is also likely to benefit from the introduction of the discounter concept in the region¹⁴⁷. Discount stores operate on the model of offering high quality products at lower price. Discount retail shops offer a complete shopping experience and are located near densely populated areas. These stores offer both food and non-food products to cater to large customer base. Mainly all the discount stores have “less is more strategy” which translates to selling every-day value products composed largely of cheaper and private label brands. Strong operating efficiencies allow them to offer lower prices without sacrificing margins and overall profitability. The retail shops achieve operating efficiencies as they purchase their products directly from the manufacturers and spend minimal on advertising as they attract customers through word of mouth. Also, the land on which they operate is either owned or leased. Discount shops have strong distribution network with their suppliers which aids in achieving economies of scale. The large sized companies enjoy good purchasing power and bargaining leverage with suppliers. In addition the large size of distribution network allows them to achieve better cost efficiencies thereby attaining better margins.

The discounter concept is taking prominence especially in an environment where consumers throughout the GCC are rethinking their spending habits as a result of implementation of additional taxes. The examples of discounters include Dukan in Saudi Arabia and Viva started by Landmark Group in the UAE¹⁴⁸.

Shifting Food Preference towards a Healthy Lifestyle

Around 30% of the population in the GCC region is considered obese and more than 60% have a weight range higher than normal

Around 30% of the population in the GCC region is considered obese and more than 60% have a weight range higher than normal. The highest rates are seen in Saudi Arabia, Kuwait and Qatar, which is similar (more than 10%) to other Eastern Mediterranean countries but higher than the rates recorded in Australia, the US and the UK¹⁴⁹. The alarming levels of obesity and overweight have prompted the GCC nations to develop health promotion strategies during the last few years.

The GCC governments are trying to lower the rate of obesity and diabetes through policy initiatives such as 50% tax on carbonated soft drinks and 100% tax on energy drinks¹⁵⁰. In June 2016, the GCC Secretariat adopted the decision to levy excise taxes on selected goods and introduce VAT, however the member states failed to agree on a uniform implementation schedule. Saudi Arabia was the first country to impose excise taxes in June 2017, followed by the UAE in October 2017 and Bahrain at the end of 2017. Qatar initiated the policy in January 2019 and very recently Oman too joined its GCC peers, with the announcement of 100% tax on tobacco, energy drinks, alcohol and pork products and a 50% levy on carbonated soft drinks. Within the GCC, Kuwait has not yet announced a date to impose excise taxes¹⁵¹. Besides taxes the governments are taking additional initiatives such as Saudi's "Quality of Life Program 2020," which aims to encourage community participation in sports and physical activities¹⁵². Another example is the UAE's ongoing health awareness campaigns and early intervention programs for children and adults.

¹⁴⁶ Source: "Carrefour Brands - Top Quality Brands & Best Prices - Carrefour UAE", Carrefour

¹⁴⁷ Source: "The footprint and future of Private Label", AdBrand, February 24, 2019

¹⁴⁸ Source: "The footprint and future of Private Label", AdBrand, February 24, 2019

¹⁴⁹ Source: "Health Promotion and Obesity in the Arab Gulf States: Challenges and Good Practices", Hindawi, June 9, 2019

¹⁵⁰ Source: "EU, US complain about GCC excise tax on carbonated, energy drinks", Gulf Business, July 17, 2018

¹⁵¹ Source: "Oman's new 'sin tax' to come into effect in June", The National, March 14, 2019

¹⁵² Source: "Saudi Arabia launches SAR130 billion 'Quality of Life Program 2020'", Khaleej Times, May 4, 2018



The UAE organic packaged food and beverages market is valued at US\$ 38.1 million in 2017 and is expected to grow at a CAGR of 10.4% to reach US\$ 51.2 million in 2020

According to ESMA, the number of organic farms in the UAE grew by 53% in the first six months of 2019

The increasing awareness among consumers is likely to have a strong influence on packaged food segment, where companies are expected to introduce more health and wellness products. It is estimated that sales of functional food in the GCC was valued around US\$ 4.8 billion in 2014, which is expected to reach US\$ 9.1 billion by 2020, growing at a CAGR of 10.9% during the period¹⁵³. Saudi market alone will be valued at around US\$ 4.2 billion in 2020.¹⁵⁴

The products with reduced fat and sugar content are gaining shelf-space, especially in categories such as ice cream, dairy, confectionery and oils and fats. The producers are also ensuring that the product brands clearly mention associated health benefits and nutrient content.

Organic Food Witnesses Accelerated Demand

Though the demand for healthy food is growing rapidly, the organic food segment still remains fairly young with large headroom for growth. According to available market estimates, the UAE organic packaged food and beverages market is valued at US\$ 38.1 million in 2017 and is expected to grow at a CAGR of 10.4% to reach US\$ 51.2 million in 2020. Similarly, the Kuwaiti market is valued at US\$ 13.5 million in 2017 and is poised to grow at a CAGR of 10.7% to reach US\$ 18.3 million in 2020. Qatar's market for organic packaged food and beverages is estimated at US\$ 11.3 million in 2017, which is projected to grow at CAGR of 8.4% through 2020¹⁵⁵. Changing consumer preferences and habits have driven the consistent growth in demand. Though the popularity started with fruits and vegetables, the other food categories such as organic dairy, meat and grocery items are also now witnessing wide acceptance and demand. According to the survey conducted by YouGov and commissioned by Arla Foods in 2018, 61% of UAE consumers purchase organic food more than once a month, 57% of consumers believe organic food is healthy and 47% consider it safer for consumption in comparison to non-organic food¹⁵⁶. Some major food brands in the organic food category include Arla that launched Organic Milk in the UAE, Nestle launched Nido One Plus Organic growing up milk in UAE, Markal branded cereals and pulses, Probios and Heinz Organic Tomato Ketchup.

Timely availability and high price remains a challenge for the organic food segment. The regional governments are taking necessary actions to increase the domestic production as well as supply. For instance, the UAE government is trying to boost domestic organic production by providing farming inputs such as fertilizers, seeds and pesticides to organic farmers. According to Emirates Authority for Standardization and Metrology (ESMA), the number of organic farms in the UAE grew by 53% in the first six months of 2019¹⁵⁷.

Increased Focus on Food Processing Segment

Across the GCC, investment from government and private players is more inclined towards augmenting the domestic food production capacity and supply, in addition to securing food sources from other resource-rich countries. According to the Saudi Arabia General Investment Authority (SAGIA), the Kingdom is likely to receive US\$ 59 billion worth of investments in its food industry by 2021¹⁵⁸.

¹⁵³ Source: "GCC Functional Food Market Poised to Register 10.9% CAGR through 2020", Future Market Insights, 2018

¹⁵⁴ Source: "Functional food market growing in Saudi Arabia – Creates opportunities for Finnish food companies", Team Finland, February 3, 2019

¹⁵⁵ Source: "Global Organic Trade Guide", Kuwait, Qatar and the UAE

¹⁵⁶ Source: "UAE consumers buying more organic food, survey shows", Gulf News, September 19, 2018

¹⁵⁷ Source: "Number of UAE organic farms grows 53% in 6 months", Arabian Business, May 6, 2019

¹⁵⁸ Source: "Investment opportunities in the Saudi food sector" Arab News, April 14, 2019

An increasing number of companies are investing in major food processing facilities within the GCC, such as UAE based National Food Product Company (NFPC) and Cargill^{159, 160}. In addition to local producers, many international firms are also building facilities to serve the regional market such as Brazil's BRF and India's Bakers Circle. Most recently in July 2019, Dubai Industrial City, one of the largest industrial hubs in the region, announced partnership with Baofeng Grain Mills, part of the Chinese Baofeng Grain & Oil Group, to commence the region's first fresh rice noodle factory¹⁶¹. In addition, the construction work on US\$ 1.5 billion Dubai Food Park project is progressing well. The project aims to enhance the Emirate's competitiveness as a leading regional hub in the food sector, particularly in re-export of foodstuffs. The modern and integrated food park will provide all food-related services under one umbrella¹⁶².

Digital Innovations Driving Food Distribution Efficiencies

Technology is re-defining the F&B sector in the GCC as the rising youth population is more tech-savvy and values the access to information and convenience along with the experience

Technology is re-defining the F&B sector in the GCC as the rising youth population is more tech-savvy and values the access to information and convenience along with the experience¹⁶³. As the sector is moving from being offline to online, the third-party aggregators (apps) and logistics companies are building a strong foothold in the region, especially in the UAE¹⁶⁴.

According to leading analyst estimates, the amount spent per person per year on restaurant delivery in the GCC region is as high as it is in the developed countries like Netherlands, the UK and the US¹⁶⁵. Ordering food online is transforming the business model of region's food retailers, manufacturers and service providers. The growing trend is visible throughout the GCC, especially in the UAE, where close to 87% food operators are listed on food delivery apps. In addition, 60% of consumers in the UAE use an app to order food in comparison to 18% of the US consumers who use a delivery app or website to place food orders¹⁶⁶. Riding on the wave of digitization, Talabat is one such example. Launched in 2004, when online-food ordering was non-existent in the GCC, Talabat has since then played a leading role in transforming the way people experience food. Other global players in the F&B logistics space like Delivery Hero generated 46% of its revenue in FY18 from the MENA region. Other few local and global players include Deliveroo, Zomato, Uber Eats, Tawseel, Careem (recently acquired by UBER), Carriage Food Delivery, Foodonclick and Foodpanda.

Growing Attention on Food Security

Due to limited ability to cultivate crops, the GCC region relies heavily on food imports to meet local food demand

Due to limited ability to cultivate crops, the GCC region relies heavily on food imports to meet local food demand. The GCC region imports ~85% of the food it consumes¹⁶⁷. According to the EIU's Food Security Index, food security has been a priority for Oman, Saudi Arabia and the UAE having improved their food security positions between 2012 and 2017. Although the region is import dependent and lacks agricultural capacity with limited access to freshwater, it is well positioned geographically. The region is a trade hub with high volumes flowing from Asia to Europe and Africa and vice versa. The regions' ports are world class and embrace advanced technologies.

The GCC region faces unique agronomic challenges including limited arable land, notably high temperatures, water scarcity and rising groundwater salinity, which limits the choice of

¹⁵⁹ Source: "UAE dominates the GCC's industrial projects market", Meed Business Intelligence, February 6, 2019

¹⁶⁰ Source: "Cargill and ARASCO open corn milling facility in Saudi Arabia", FoodBev Media, January 22, 2018

¹⁶¹ Source: "Dubai Industrial City continues to attract Chinese investments", Zawya, July 10, 2019

¹⁶² Source: "Construction continues on \$1.5bn Dubai Food Park", Arabian Business, November 7, 2018

¹⁶³ Source: "Digitisation in the GCC: attracting the next generation through e-commerce", Business Chief, November 18, 2016

¹⁶⁴ Source: "Food delivery business gets crowded in the UAE", Gulf News, February 22, 2019

¹⁶⁵ Source: Morgan Stanley research report on Delivery Hero, May 2018

¹⁶⁶ Source: "Desert heat lights a fire under Dubai's food delivery market", CNN, May 1, 2018

¹⁶⁷ Source: AOAD, FCSA of UAE, NCSI of Oman, CIO of Bahrain, MDPS Qatar, GAS of Saudi Arabia, IMF, FAO



With the emergence of controlled systems using technologies, the GCC has started experimenting hydroponics and vertical farms

crops that could be grown in the region. With the emergence of controlled systems using technologies, the GCC has started experimenting hydroponics (growing plants without soil) and vertical farms. Though some of the GCC countries have been experimenting with hydroponics for decades, they moved towards developing commercial scale farms only in recent years.

Investments in Aquaculture

The GCC countries have formed plans to achieve food security through various initiatives and investments. Among the various options that the governments are exploring, aquaculture has gained prominence as the fastest growing food-processing sub-segment in the region. All the GCC countries are promoting aqua-farming and working on creating the required infrastructure and conducive environment for fish farming. Saudi Arabia and Oman are the largest investors in the region's aquaculture sector¹⁶⁸. According to Ithraa (Oman's inward investment and export development agency), aquaculture presents a significant opportunity to attract inward investments, create jobs, boost exports as well as enhance the country's food security¹⁶⁹.

In 2018, the UAE's Ministry of Climate Change and Environment (MOCCAE) announced signing of a MoU with Dubai World Central (DWC) to scale up the local aquaculture industry by setting up a fish farm. As per the agreement terms, MOCCAE will facilitate the registration and licensing procedures for the DWC fish farm and provide consultancy advice.

Before the 2017 embargo, Qatar imported most of its food items from Saudi Arabia and UAE

Before the 2017 embargo, Qatar imported most of its food items from Saudi Arabia and UAE¹⁷⁰. Since then, the Qatari government has undertaken a number of initiatives to reach food self-sufficiency. Investing US\$ 28 million in the agriculture industry was one such initiative that enabled the nation to significantly increase its production of vegetables and attain self-sufficiency in dairy products and fresh poultry¹⁷¹. The nation plans to replicate the same strategy for its seafood sector and targets to cater to growing demand with lower reliance on imports. For FY 2018, Qatar's total demand for seafood products reached to a level of 21k tons whereas the country produced ~15k-16k tons, indicating a deficit of 6k tons¹⁷². Qatar aims to bridge this deficit by adding new aquaculture facilities that will harvest local fish species like hamour and tilapia.

Kuwait's extremely hot climate and highly saline water makes the environmental condition incompatible for marine/aquaculture. Kuwait largely depends on fish imports (70%) to fulfill its overall demand, as only 30% of the country's domestic demand is met through local production¹⁷³. The availability of fresh and sweet water is critical for aquaculture. In order to boost supply of primary fresh water the country is investing and developing infrastructure for water desalination. With these initiatives, the nation plans to become self-sufficient and reduce its dependence on imports.

Investments in Overseas Farmlands

The GCC countries are looking at ways to boost the domestic produce while also making investments in farmlands overseas. These countries have found Africa's rich and underdeveloped agricultural lands to be an advantage along with its geographic proximity to the Gulf. Saudi Arabia is the top investor in Africa, undertaking large-scale investments in countries like Ethiopia, Madagascar, Mali, Sudan, Tanzania and Zambia. Similarly in 2018,

¹⁶⁸ Source: "Danish Aquaculture delegation to Saudi Arabia & Oman", Royal Danish Embassy, November 27, 2018

¹⁶⁹ Source: "Oman's Ithraa shaping a new investment & export future", Zawya, May 12, 2019

¹⁷⁰ Source: "Qatar food imports hit after Arab nations cut ties", Reuters, June 5, 2017

¹⁷¹ Source: "Business Opportunities in Qatar - Agriculture and Aquaculture", Innovation Norway, May 2019

¹⁷² Source: "Investment opportunities in the Saudi food sector" Arab News, April 14, 2019

¹⁷³ Source: "Bridging the gap in Kuwait's supply and demand of fish", Kuwait Institute for Scientific Research



Qatari government announced plans to invest US\$ 500 million in Sudan's agricultural and food sectors¹⁷⁴.

Most recently, the UAE and Saudi Arabia have indicated interest in investing in the Indian agricultural sector¹⁷⁵. By using India as a base for food security, both these countries want to invest in both organic as well as food processing industries. Under the project, the UAE will invest more than US\$ 5 billion in India, benefiting 2 million farmers and creating 200,000 more jobs across India. UAE plans to invest in mega food processing parks, cold storage facilities, warehousing, logistics and transport; and would then buy food from India at a cheaper price. The UAE has also expressed interest to strengthen food and agricultural production partnership with Egypt.

¹⁷⁴ Source: "Qatar invests half billion dollars in Sudan agriculture, food sectors," Al Araby, June 20, 2018

¹⁷⁵ Source: "UAE, Saudi Arabia to invest in India for food security; to benefit farmers, says Suresh Prabhu," First Post, January 16, 2019



7. Merger and Acquisition (M&A) Activities

The corporates pursued inorganic growth to capitalize on the growing food demand in the region

M&A activities across the GCC food sector remained fairly active over the past two years, as a total of 21 major deals were undertaken in the GCC's F&B sector during February 2017 to August 2019 period. The deal activity included number of intra-regional and cross border transactions targeted at strengthening geographic presence and product portfolio expansion. Saudi Arabia and the UAE attracted most number of deals compared to the other GCC countries. The corporates pursued inorganic growth to capitalize on the growing food demand in the region. Almarai Co. was the most active of the companies in M&A with three deals during the period. With increasing focus on food security among regional governments because of growing food demand, the F&B sector is expected to witness a healthy M&A activity in the near term.

Exhibit 59: Major M&A Deals in the GCC Food Industry

Acquirer	Acquirer's Country	Target Company	Target's Country	Year	Consideration (US\$ Million)	Percent Sought (%)
Kerry Group	Ireland	AATCO Food Industries LLC and Fleischmann's Vinegar Company, Inc.	Oman	2018	415.1	100%
BRF SA, Qatar Investment Authority	Brazil and Qatar	Banvit Bandirma Vitaminli Yem Sanayii AS	Turkey	2017	400	79%
Savola Group Co. SJSC	Saudi Arabia	Al Kabeer Group	UAE	2018	150	51%
BRF SA, Qatar Investment Authority	Brazil and Qatar	Banvit Bandirma Vitaminli Yem Sanayii AS	Turkey	2017	70	12%
Almarai Co.	Saudi Arabia	Premier Foods	UK	2019	28.7	100%
Saudi Agricultural and Livestock Investment Co.	Saudi Arabia	United Farmers Holding Co	Saudi Arabia	2019	28	33%
Gulf Capital	UAE	CHO Group	Tunisia	2019	22	NA
Almarai Co.	Saudi Arabia	Pure Breed Poultry Co.	Saudi Arabia	2018	5.4	14%
Tabuk Agriculture Dvlp Co	Saudi Arabia	Afaq Food	Saudi Arabia	2018	3.8	50%
Almarai Co.	Saudi Arabia	Al Awaal Food Industries Co	Saudi Arabia	2019	NA	100%
Lactalis-Halawa Group	Egypt	Greenland Group	Egypt	2019	NA	100%
Switz Group	UAE	Kriton Artos SA	Greece	2019	NA	60.55%
Mitsubishi Corp	Japan	Al Islami Foods	UAE	2018	NA	NA
Gulf Japan Food Fund LP	Japan	Country Hill International LLC	UAE	2018	NA	NA
Sokotra Capital Ltd	UAE	Aquaculture Tunisienne	Tunisia	2018	NA	100%
Agthia Group	UAE	Delta Bottled Water Factory Co LLC	Saudi Arabia	2017	NA	100%
Amira Nature Foods Ltd	UAE	Euro Basmati GmbH (portfolio of specialty rice brands)	Germany	2017	NA	100%

Source: Bloomberg, Thomson Reuters

Note – Data sourced for the period 1 February 2017 to 23 August 2019. Only completed deals under consideration.

**Exhibit 59: Major M&A Deals in the GCC Food Industry (Contd...)**

Acquirer	Acquirer's Country	Target Company	Target's Country	Year	Consideration (US\$ Million)	Percent Sought (%)
Elite Agro	UAE	Marmum Dairy Farm	UAE	2017	NA	100%
Kuwait Food Co KSCP	Kuwait	BIFCO Foods	UAE	2017	NA	100%
Majid Al Futtaim Capital LLC	UAE	Retail Arabia International	UAE	2017	NA	100%
Gulf Japan Food Fund LP	UAE	Yamanote Atelier Restaurant LLC	UAE	2017	NA	NA

Source: Bloomberg, Thomson Reuters

Note – Data sourced for the period 1 February 2017 to 23 August 2019. Only completed deals under consideration.



8. Financial and Valuation Analysis

8.1. Financial Performance

In this section, we have analyzed the financial performance of a selected set of 19 listed food companies in the GCC (see Exhibit 60). Based on their primary business activity, these companies have been categorized into the following five sub-segments:

- Diversified
- Agri & agri processing
- Dairy
- Processed and frozen food
- Livestock (meat and poultry)

Revenue Analysis

Total revenue of the shortlisted 19 listed food companies in the GCC stood at US\$ 14.1 billion in FY 2018, about 4% lower compared to FY 2017

The average EBITDA margin of the selected GCC food companies was 15.7% during FY 2018, about 260 bps lower compared to FY 2017

Total revenue of the selected 19 listed food companies in the GCC stood at US\$ 14.1 billion in FY 2018, about 4% lower compared to FY 2017. The diversified segment (which contributed about 78% of the total revenue) underperformed the overall industry, with an average revenue drop of ~5% during the period. The three largest companies, Savola Group, Almarai Co. and Mezzan Holding, collectively represented nearly three-fourth of the region's food industry revenue during FY 2018.

Profitability Analysis

The average EBITDA margin of the selected GCC food companies was 15.7% during FY 2018, about 260 bps lower compared to FY 2017¹⁷⁶. Among the individual segments, average EBITDA margin of the livestock segment was the highest (17.7%), followed by the processed & frozen food segment (17.3%), in FY 2018.

Overall Return on Assets (ROA) and Return on Equity (ROE) averaged at 7.3% and 11.4%, respectively, during FY 2018. The livestock segment recorded the highest ROE and ROA within the GCC food industry.

¹⁷⁶ Source: Bloomberg



Exhibit 60: Financial Performance of Major Food Companies in the GCC (FY 2018)

Company Name	Country	Market Cap# (US\$ Million)	Revenue (US\$ Million)	Revenue Growth 2 yr avg. (%)	EBITDA Margin (%)	Net Income Margin (%)	ROA (%)	ROE (%)
Diversified								
Mezzan Holding Co. KSCP	Kuwait	609.2	686.7	0.0%	6.9%	3.7%	3.5%	7.0%
Agthia Group PJSC	UAE	571.7	544.9	(0.3%)	15.8%	10.5%	7.1%	11.0%
Savola Group SJSC	Saudi Arabia	4,483.9	5,814.1	(9.0%)	1.7%	(2.4%)	(2.3%)	(6.5%)
Almarai Co. SJSC	Saudi Arabia	13,195.4	3,657.4	(2.2%)	32.8%	14.6%	6.3%	13.8%
BMMI BSC	Bahrain	314.6	275.3	3.7%	10.3%	8.1%	7.6%	12.1%
<i>Sub-segment Average</i>				(1.5%)	13.5%	6.9%	4.4%	7.5%
Processed & Frozen Foods								
Dubai Refreshments PJSC	UAE	249.9	162.3	(19.5%)	15.6%	7.1%	3.7%	4.7%
Foodco Holding PJSC	UAE	94.1	106.9	33.8%	20.7%	15.1%	5.2%	10.6%
Halwani Brothers Co. Ltd	Saudi Arabia	292.1	231.2	(6.3%)	14.1%	5.0%	4.5%	9.6%
Oman Refreshment Co. SAOG	Oman	181.8	197.5	(0.8%)	20.7%	15.5%	15.7%	20.2%
Trafco Group BSC	Bahrain	67.6	104.7	(2.1%)	8.4%	4.7%	4.6%	6.4%
Zad Holding Company SAQ	Qatar	542.5	347.01	1.1%	17.4%	16.8%	10.3%	13.7%
Herfy Foods Co. SJSC	Saudi Arabia	900.0	327.1	3.0%	24.4%	16.6%	14.2%	21.9%
<i>Sub-segment Average</i>				1.3%	17.3%	11.6%	8.3%	12.4%
Dairy								
Saudia Dairy & Foodstuff Co. SJSC	Saudi Arabia	1,053.5	451.3	(7.6%)	16.1%	12.0%	11.4%	16.3%
National Agriculture Dev. Co. SJSC	Saudi Arabia	546.9	558.6	(1.9%)	16.4%	0.1%	0.0%	0.1%
<i>Sub-segment Average</i>				(4.7%)	16.3%	6.1%	5.7%	8.2%
Agri & Agri Processing								
Oman Flour Mills Co. SAOG	Oman	266.7	224.8	1.4%	17.4%	14.7%	12.1%	16.0%
Salalah Mills Co. SAOG	Oman	73.4	135.1	(4.7%)	12.0%	6.2%	5.0%	9.8%
Bahrain Flour Mills Co. BSC	Bahrain	21.1	18.8	4.7%	11.9%	16.8%	4.8%	6.3%
<i>Sub-segment Average</i>				0.5%	13.8%	12.6%	7.3%	10.7%
Livestock (Meat / Poultry)								
A'Saffa Foods SAOG	Oman	186.4	83.8	2.6%	16.7%	8.7%	5.1%	6.7%
Widam Food Co. QSC	Qatar	305.9	141.1	7.5%	18.6%	21.0%	16.6%	29.7%
<i>Sub-segment Average</i>				5.1%	17.7%	14.8%	10.9%	18.2%
GCC Food Industry								
<i>Average</i>				0.1%	15.7%	10.4%	7.3%	11.4%
<i>High</i>				33.8%	32.8%	21.0%	16.6%	29.7%
<i>Low</i>				(19.5%)	1.7%	(2.4%)	(2.3%)	(6.5%)

Source: Bloomberg, Alpen Capital

Note: *Last updated on August 5, 2019



Segment-wise Performance

Diversified

In FY 2018, total revenue of covered diversified companies amounted to US\$ 11.0 billion, compared to US\$ 11.6 billion in FY 2017, down 5.1% YoY

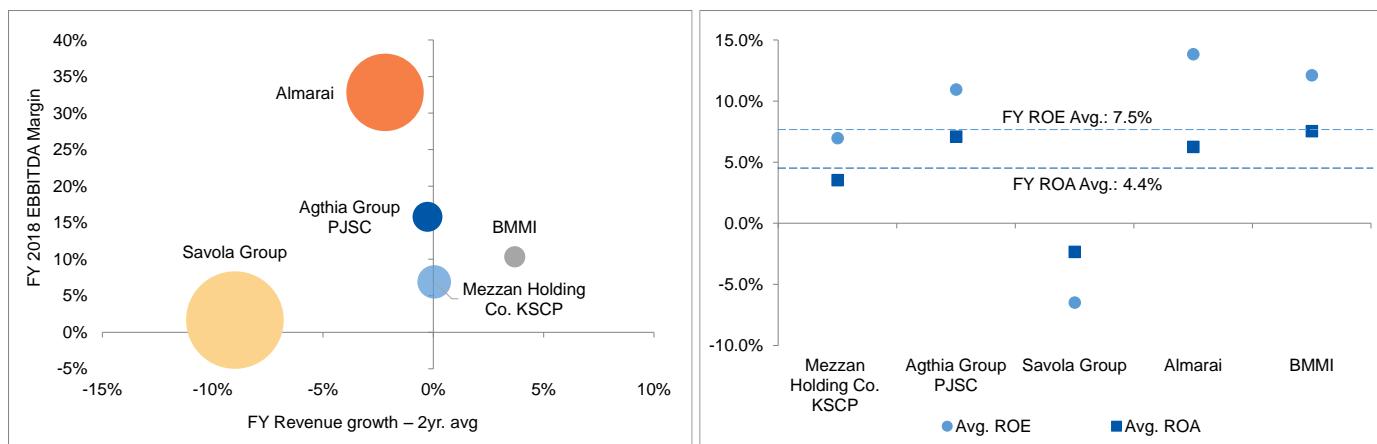
EBITDA margin of the diversified companies averaged at 13.5% in FY 2018, compared to 14.3% in the previous year

In FY 2018, total revenue of covered diversified companies amounted to US\$ 11.0 billion, compared to US\$ 11.6 billion in FY 2017, down by 5.1% YoY. The decline in revenue was largely due to lower sales reported by Savola Group and Almarai, which collectively accounted for 86.3% of the total revenue during the period. Savola Group reported 8.5% y-o-y decline in its revenue in FY 2018, driven by 5% decrease in FMCG sales during the period¹⁷⁷. In addition, the lower revenue from food processing (-14.5%) and retail (-4.5%) segments weighed on the overall sales growth of the company. The UAE-based Agthia Group also reported a 2.3% y-o-y decline in its revenue, largely on the back of pricing pressure in the bottled water business. Against the decline trend witnessed among peers, Kuwait-based Mezzan Holding reported a growth of 1.4% in its FY 2018 revenue. Five of the seven business divisions of the company reported positive sales performance during the period. In addition, the imposition of VAT also largely affected the revenues from Saudi and UAE markets.

EBITDA margin of the diversified companies averaged at 13.5% in FY 2018, compared to 14.3% in the previous year. The companies reported mixed performance, as two of the five companies reported sharp decline in EBITDA margins. Almarai (32.8%) and Savola (1.7%) reported the largest and the smallest EBITDA margin, respectively during the year (see Exhibit 61).

The average ROA and ROE for diversified companies stood at 4.4% and 7.5% respectively in FY 2018 (see Exhibit 62). Bahrain-based BMMI reported the highest ROA of 7.6%, followed by the UAE-based Agthia Group (7.1%). Almarai led the pack with 13.8% reported ROE, while Savola Group reported the lowest ROE of -6.5%.

Exhibit 61: Two-year Average Revenue Growth and FY 2018 Exhibit 62: FY 2018 Average ROE and ROA
EBITDA Margin



Source: Bloomberg, Alpen Capital

Note: The size of the bubble is indicative of the FY revenue

Source: Bloomberg, Alpen Capital

¹⁷⁷ Source: Annual Report 2018, Savola Group



Total revenue of the selected companies in the processed and frozen food segment stood at US\$ 1.5 billion in FY 2018, down 1.2% compared to FY 2017

Qatar-based Zad Holding Co. remained the largest revenue contributor with a modest 1.1% annualized revenue growth in the last two years

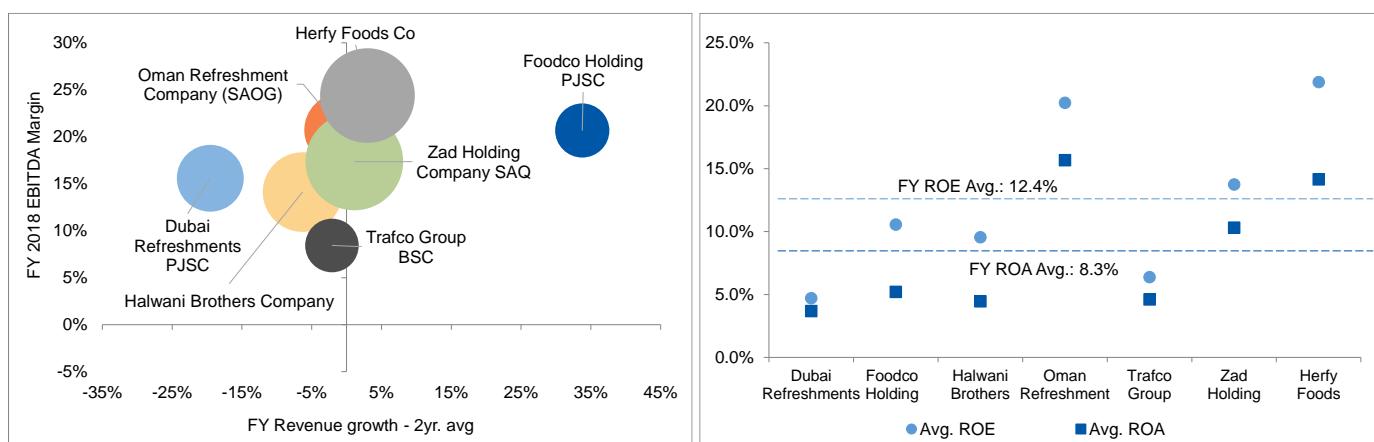
Processed and Frozen Food

Total revenue of the selected companies in the processed and frozen food segment stood at US\$ 1.5 billion in FY 2018, down by 1.2% compared to FY 2017. The segment's revenue increased at an annualized rate of 1.3% between FY 2016 and FY 2018. The companies in this segment witnessed mixed performance, as three of the seven selected companies reported positive revenue growth, while the remaining posted a revenue decline. The UAE-based Foodco Holding reported the strongest annualized sales growth during the two-year period, while Dubai Refreshments remained the underperformer, reporting a consistent decline in its annualized sales growth in the past two years (see Exhibit 63).

During FY 2018, the segment's EBITDA margin averaged at 17.3%. Herfy Foods (second largest revenue contributor) enjoyed the highest EBITDA margin, followed by Oman Refreshment. The high-margin food trading activities of Foodco Holding supported the healthy EBITDA margin, while Herfy benefitted from its high-margin restaurant business. Qatar-based Zad Holding Co. remained the largest revenue contributor with a modest 1.1% annualized revenue growth in the last two years. The company's EBITDA margins stood at 17.4% during FY 2018, broadly in line with the segment's average EBITDA margin.

The segment's ROE and ROA averaged 12.4% and 8.3%, during FY 2018 (see Exhibit 64). Oman Refreshment, with ROE and ROA of 20.2% and 15.7%, respectively, outperformed its peers while Dubai Refreshments remained the underperformer.

Exhibit 63: Two-year Average Revenue Growth and FY 2018 Exhibit 64: FY 2018 Average ROE and ROA EBITDA Margin



Source: Bloomberg, Alpen Capital

Note: The size of the bubble is indicative of the FY revenue

Source: Bloomberg, Alpen Capital

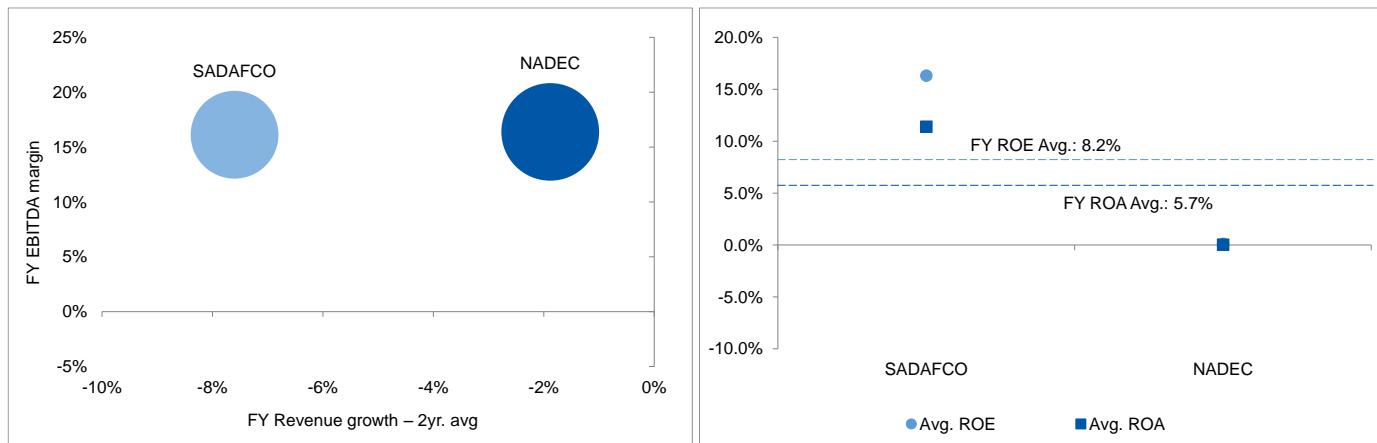
Dairy segment's average ROE and ROA stood at 8.2% and 5.7%, respectively

Dairy

Dairy segment analyzes performance of Saudia Dairy & Foodstuff Company (SADAFCO) – a manufacturer of dairy and other foodstuffs and National Agriculture Development Company (NADEC) – producer of dairy and agricultural products. The two dairy companies reported a combined revenue of US\$ 1.0 billion during FY 2018 registering an average decline of 4.7% in the last two years. The EBITDA margins for the segment stood at 16.3%, with both companies reporting steady margins (see Exhibit 65). Dairy segment's average ROE and ROA stood at 8.2% and 5.7%, respectively. SADAFCO's ROE (16.3%) and ROA (11.4%) remained comfortably above that of NADEC's (ROE - 0.1% and ROA 0.04%) during FY 2018 (see Exhibit 66).



Exhibit 65: Two-year Average Revenue Growth and FY 2018 Exhibit 66: FY 2018 Average ROE and ROA EBITDA Margin



Source: Bloomberg, Alpen Capital

Note: The size of the bubble is indicative of the FY revenue

Source: Bloomberg, Alpen Capital

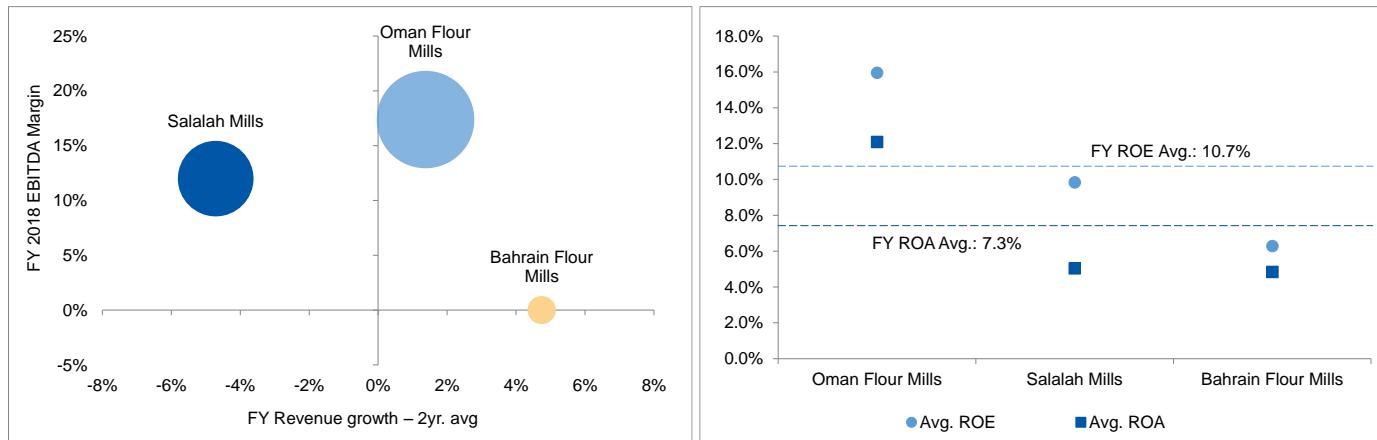
The combined revenue of selected agri & agri processing companies stood at US\$ 378.8 million during FY 2018, compared to US\$ 390.5 million in FY 2017

Agri & Agri Processing

The combined revenue of selected agri & agri processing companies stood at US\$ 378.8 million during FY 2018, compared to US\$ 390.5 million in FY 2017. Oman-based Salalah Mills registered a sharp decline (~9% y-o-y) during the period, amid muted performance in the domestic and African markets. During FY 2018, the EBITDA margin for the companies averaged at 13.8%. Oman Flour Mills reported the highest EBITDA margin (17.4%) (see Exhibit 67).

The segment's ROE and ROA averaged 10.7% and 7.3%, respectively, during FY 2018 (see Exhibit 68). Oman Flour Mills recorded the highest ROE (16.0%) and ROA (12.1%). On the other hand, Bahrain Flour Mills reported the lowest ROE (6.3%) and ROA (4.8%).

Exhibit 67: Two-year Average Revenue Growth and FY 2018 Exhibit 68: FY 2018 Average ROE and ROA EBITDA Margin



Source: Bloomberg, Alpen Capital

Note: The size of the bubble is indicative of the FY revenue

Source: Bloomberg, Alpen Capital

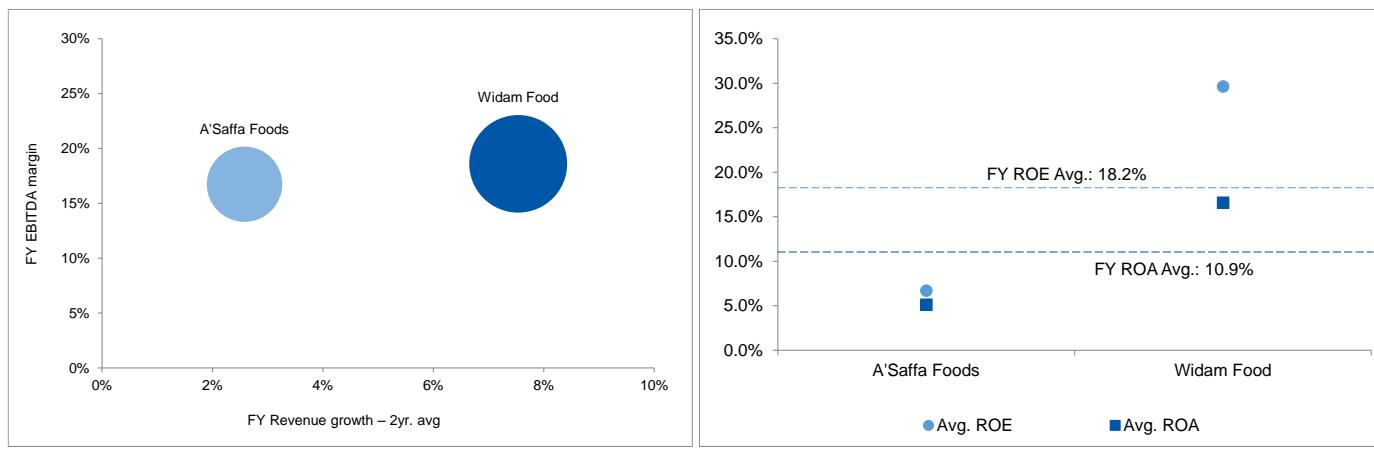


Livestock

We have analyzed, A'Saffa Foods – a manufacturer and distributor of poultry products and Widam Food – an importer and seller of live and frozen meat products. Widam Food is a larger company in terms of revenue, however, A'Saffa Foods had higher EBITDA margin (see Exhibit 69). Revenue of Widam Food increased at an annual average of 7.5% during the two-year period. The revenues of A'Saffa Foods (+2.6%) increased at a slower pace during the two-year period, compared to that of Widam Food (+7.5%).

The profitability of A'Saffa Foods is strongly driven by its fully integrated operations, from poultry farms to wholesale distribution. The two-year average ROE and ROA of Widam Food stood at 30.6% and 17.1%, respectively, compared to 8.6% and 6.5%, respectively, for A'Saffa Foods (see Exhibit 70).

Exhibit 69: Two-year Average Revenue Growth and FY 2018 Exhibit 70: FY 2018 Average ROE and ROA EBITDA Margin



Source: Bloomberg, Alpen Capital

Note: The size of the bubble is indicative of the FY revenue

Source: Bloomberg, Alpen Capital



8.2. Valuation Analysis

In this section, we have analyzed the valuation ratios of the listed food companies in the GCC in comparison with some of the prominent players in the US, Western Europe and Asia Pacific (emerging) in each of the five sub-segments.

Diversified

The average P/E and EV/EBITDA of selected diversified companies in the GCC F&B sector stands at 18.2x and 12.4x, respectively

The average (TTM) P/E and (TTM) EV/EBITDA of selected diversified companies in the GCC F&B sector stands at 18.2x and 12.4x, respectively (see Exhibits 71 and 72). Saudi-based Almarai and Kuwait-based Mezzan Holding trade at an above industry average P/E multiple, while Agthia Group and BMMI trade below the industry average. In terms of EV/EBITDA, Mezzan Holding, Almarai and BMMI have their multiples above the industry average. The average P/E and EV/EBITDA multiples of the selected diversified GCC F&B companies are below the average multiples in the US and Western Europe. However, the EV/EBITDA multiple of the selected regional companies remain above Asia Pacific (Emerging) companies.

Exhibit 71: LTM P/E Relative Valuation

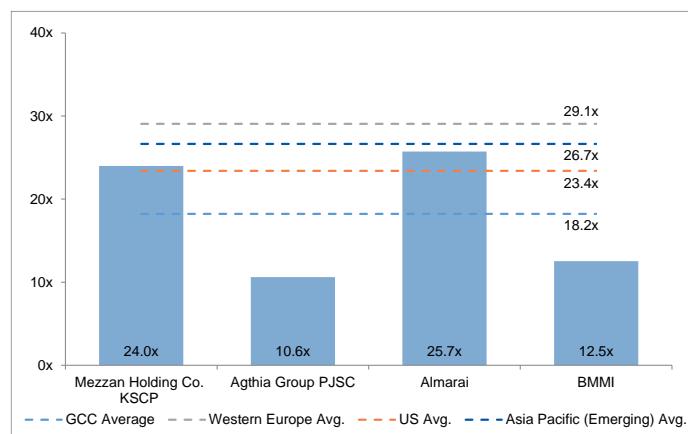
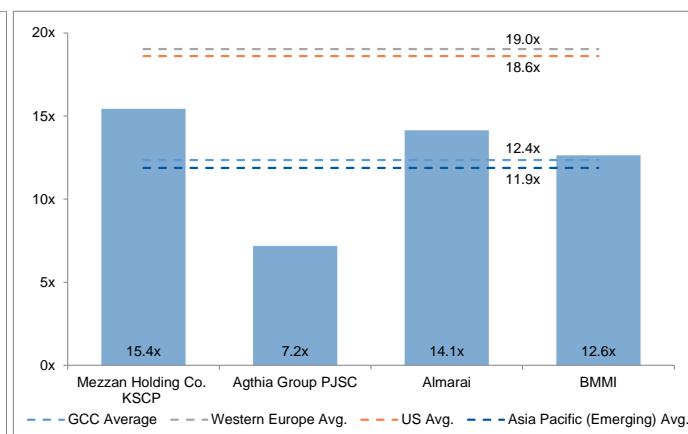


Exhibit 72: LTM EV/EBITDA Relative Valuation



Source: Bloomberg (as on August 5, 2019), Alpen Capital

Notes: 1) Savola has been excluded from the above P/E valuation due to net loss during 2018 and very high EV/EBITDA multiples, 2) Averages for the US, Western Europe and Asia Pacific (emerging) have been calculated based on the multiples of agri & agri processing companies in these regions

Processed and Frozen Food

The selected GCC food processing companies are trading at an average P/E multiple of 17.2x, below the average multiples of the Western Europe and emerging markets of Asia Pacific

The selected GCC food processing companies are trading at an average P/E multiple of 17.2x, below the average multiples of the Western Europe and emerging markets of Asia Pacific (see Exhibit 73). In terms of EV/EBITDA multiple, the average of selected companies is substantially lower compared to that of US, Western Europe and emerging Asia Pacific region (see Exhibit 74).



Exhibit 73: LTM P/E Relative Valuation

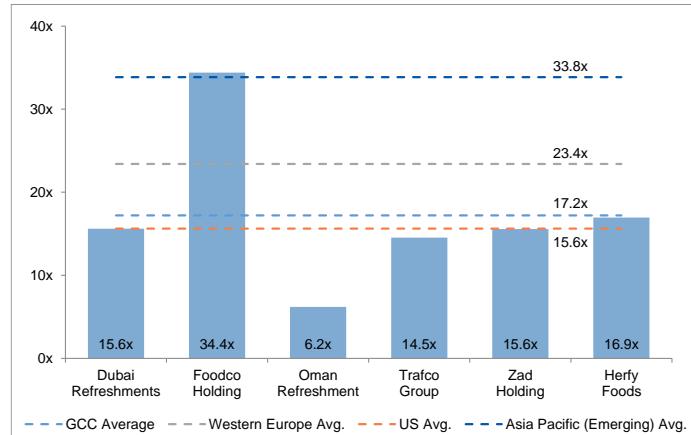
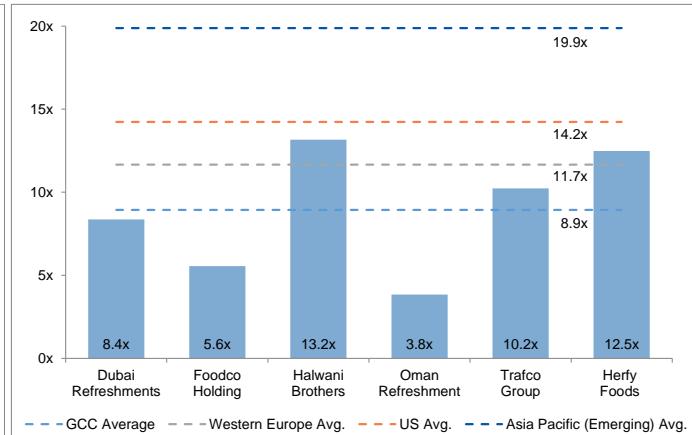


Exhibit 74: LTM EV/EBITDA Relative Valuation



Source: Bloomberg (as on August 5, 2019), Alpen Capital

Notes: 1) Halwani Brothers has been excluded from P/E analysis due to very high multiple, 2) Zad Holding is excluded from EV/EBITDA valuation due to partial financial reporting from the company, 3) Averages for the US, Western Europe and Asia Pacific (emerging) have been calculated based on the multiples of processed and frozen food companies in these regions

Dairy

The EV/EBITDA multiple of SADAFCO's local peer, NADEC remains largely in line with the regional peers

With a P/E and EV/EBITDA multiple of 17.4x and 11.1x, respectively (see Exhibit 75 and 76), SADAFCO trades at a discount compared to its US, Western Europe and Asia Pacific (Emerging) market peers. The EV/EBITDA multiple of SADAFCO's local peer, NADEC remains largely in line with the regional peers. The average EV/EBITDA multiple of the selected GCC-based dairy companies trades below the US, Western Europe and Asia Pacific (emerging) average multiples.

Exhibit 75: LTM P/E Relative Valuation

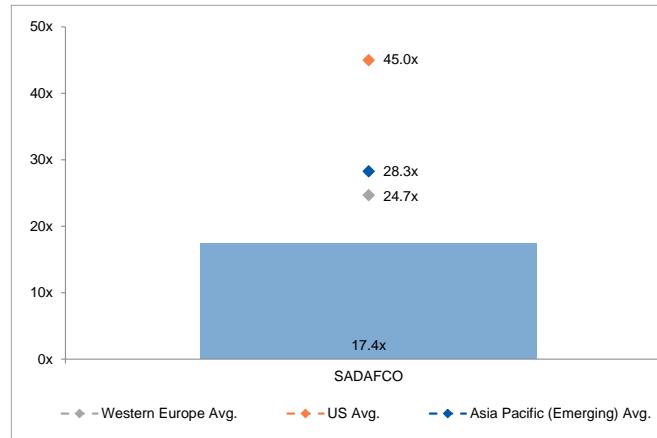
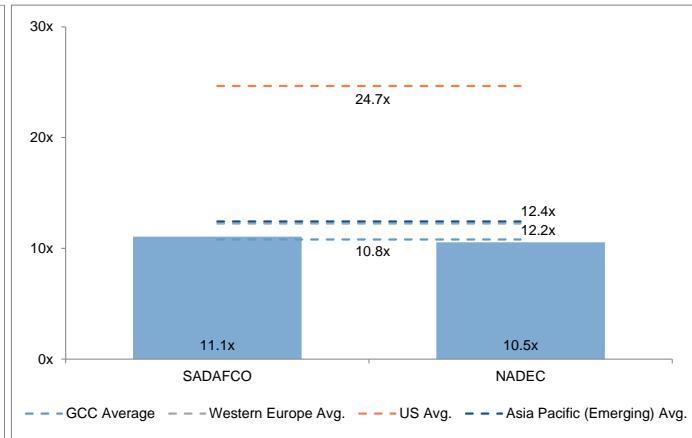


Exhibit 76: LTM EV/EBITDA Relative Valuation



Source: Bloomberg (as on August 5, 2019), Alpen Capital

Note: 1) NADEC has been excluded from the P/E valuation due to losses reported by the company in Q1 2019 and Q4 2018, 2) Averages for the US, Western Europe and Asia Pacific (emerging) have been calculated based on the multiples of dairy companies in these regions

Agri & Agri Processing

The average P/E and EV/EBITDA of selected agri & agri processing companies in the GCC stands at 8.6x and 6.7x, respectively (see Exhibits 77 and 78). Two of the GCC companies



are trading at P/E multiples above the industry average, except Bahrain Flour Mills which has the lowest multiple. The average P/E multiples of the selected GCC companies are below the average multiples in the Asia Pacific (Emerging), the US and Western Europe. Similarly, the average EV/EBITDA multiple of agri & agri processing companies in the GCC is substantially below the average multiples in the Asia Pacific (Emerging), the US and Western Europe.

Exhibit 77: LTM P/E Relative Valuation

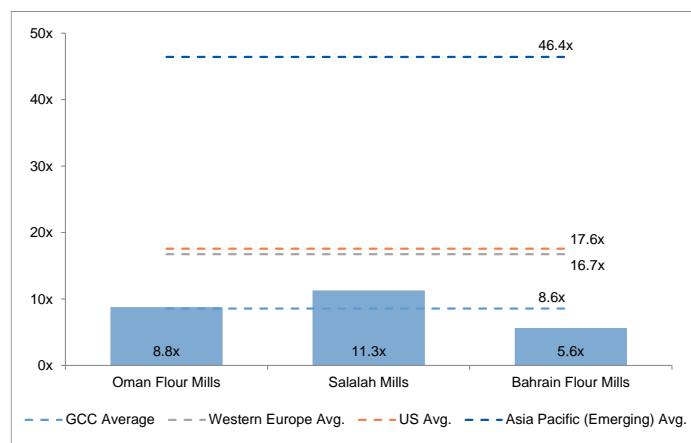
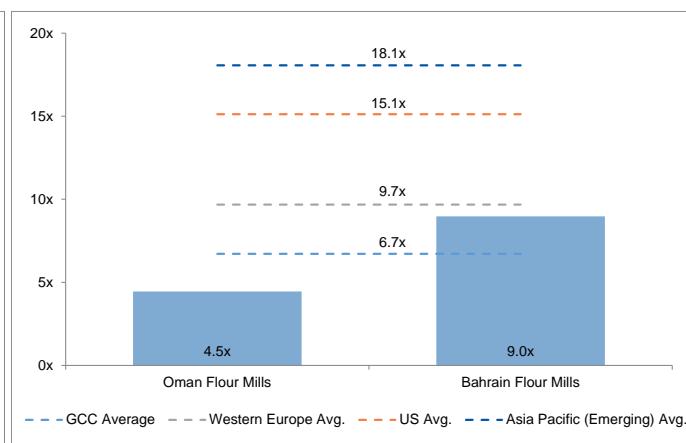


Exhibit 78: LTM EV/EBITDA Relative Valuation



Source: Bloomberg (as on August 5, 2019), Alpen Capital

Notes: 1) Averages for the US, Western Europe and Asia Pacific (emerging) have been calculated based on the multiples of agri & agri processing companies in these regions

Livestock

With a P/E and EV/EBITDA multiple of 46.4x and 22.4x, respectively (see Exhibits 79 and 80), Oman-based A'Saffa Foods trades at a premium compared to the US, Western Europe and Asia Pacific (Emerging) market peers. On the other hand, Widam Food trades at a discount to its regional, US, Western Europe and Asia Pacific (Emerging) counterparts.

Exhibit 79: LTM P/E Relative Valuation

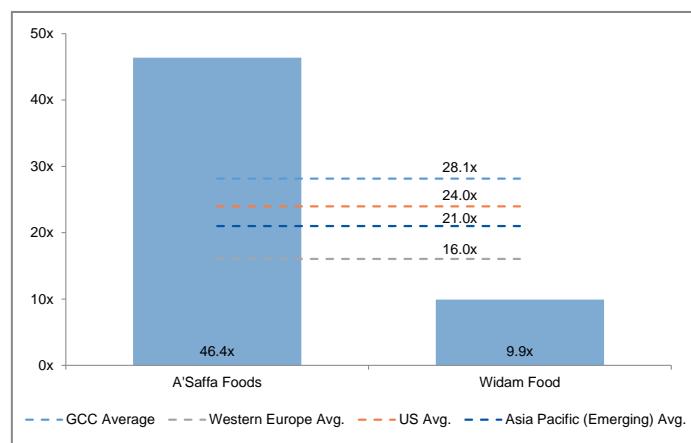
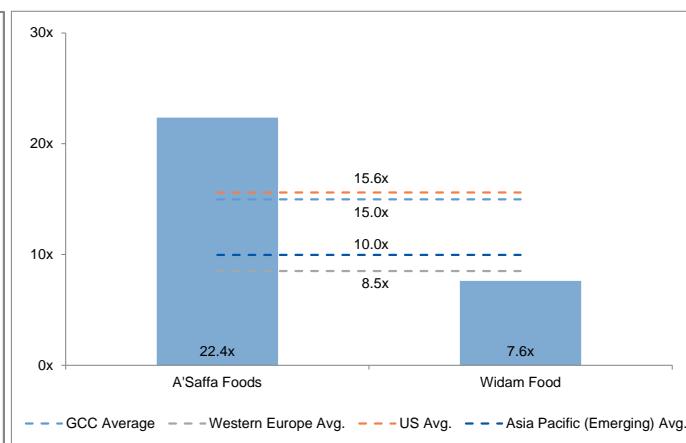


Exhibit 80: LTM EV/EBITDA Relative Valuation



Source: Bloomberg (as on August 5, 2019), Alpen Capital

Note: 1) Averages for the US, Western Europe and Asia Pacific (emerging) have been calculated based on the multiples of livestock companies in these regions

Country Profiles



Saudi Arabia

Key Growth Drivers

- Population:** According to latest IMF estimates, the nation's population is likely to increase at a CAGR of 2.0% from 2018-2023, to reach 36.7 million by 2023. Large portion of youth, expatriates and rising number of working women remain an integral part of the expanding consumer base in the nation. This attractive demographic mix is driving the demand for packaged and fast food products, in addition to the essential food items.
- Per capita income:** IMF forecasts Saudi Arabia's GDP per capita to recover gradually from 2018 to 2023. Slow and steady growth post economic slowdown coupled with growing urbanization rate is expected to drive the consumer propensity to buy high-value food products.
- Tourism:** Increasing Haj and Umrah pilgrims and other tourists would sustain the demand for food demand. Government initiatives such as easing of visa regulations and global tourism campaigns are likely to strengthen the sector, a major driver for food demand.
- Government initiatives:** With a view to ensure sufficient food supply the Saudi Ministry of Environment Water and Agriculture announced a project to develop aqua-culture ventures, dates processing plants and adopting new farming technologies. The government is likely to provide funding amounting to US\$ 281 billion to support these initiatives.
- Growing food sector:** During 2018, the food industry contributed 10% to the Saudi's GDP, with an average household spending of about 18% of its total expenditure on F&B products. The Saudi Arabia General Investment Authority forecasted that the nation is expected to witness investments worth US\$ 59 billion until 2021.

Recent Industry Developments

- In May 2019, Red Sea Farms secured US\$ 1.9 million funding from King Abdullah University of Science and Technology, which will be utilized to build a 2,000 sqm saltwater greenhouse producing 50 tons of tomatoes a year, beginning 2020.
- In May 2019, the Saudi government announced to impose a special 100% and 50% tax on e-cigarettes and sugary drinks.

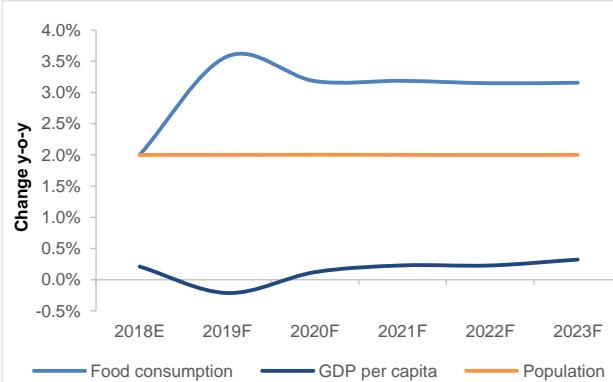
Macro-economic Indicators

Indicators	Unit	2018E	2019F	2023F
GDP growth at constant prices	%	2.2	1.8	2.3
GDP per capita at constant prices	US\$	49,728	49,622	50,071
Population	mn	33.2	33.9	36.7
Inflation	%	2.5	-0.7	2.1
Food consumption	mn MT	33.2	34.4	39.0

Source: IMF – April 2019, Alpen Capital

Note: E – Estimated, F – Forecasted

Change in Food Consumption vis-à-vis Population and GDP



Source: Alpen Capital, IMF

Note: E – Estimated, F – Forecasted

Key Players

Company	Food Segments
Almarai Co.	Dairy and Livestock
Al Jouf Agricultural Development Co. SJSC	Agri & agri processing
Halwani Brothers Co. Ltd.	Processed and frozen food
The National Agriculture Development Co.	Dairy
National Food Industries Co.	Processed and frozen food, Dairy and Beverages
Saudi Fisheries Co. SJSC	Livestock
Saudia Dairy and Foodstuff Co.	Dairy and Beverages
Savola Group Co. SJSC	Agri & agri processing
Sunbulah Group	Processed and frozen food
Tabuk Agriculture Development Co. SJSC	Agri & agri processing

Converted at exchange rate of 0.27

Source: Gulf Business, SeafoodSource, Agroberichten Buitenland, Arab News, AgFunder News, Reuters



UAE

Key Growth Drivers

- Population:** The population of the UAE is estimated to grow at a CAGR of 3.1% between 2018 and 2023 (Source: IMF). In addition to domestic population growth, the rapidly increasing expatriate population is likely to drive the growth in UAE's F&B sector. The number of expatriates in the nation increased to 9.6 million in 2019 from 7.8 million in 2013. According to estimates the sales of fresh food is likely to grow at a CAGR of 8.3% over the period of 2018-2021. (Source: Euromonitor International).
- Per capita income:** Despite muted growth in per capita income during 2015-2017, the UAE's per capita food expenditure is likely to stay healthy. The per capita food spend in the UAE was amongst the highest in the world i.e. US\$ 2,950 in 2016 which is 23% higher than in the US and same as the average person's spend in Bahrain and Kuwait combined.
- Tourism:** The strong growth in country's tourism sector is leading well to the retail sector and competitive restaurant industry. Globally, Dubai is ranked 4th in terms of the number of international overnight visitors and 1st in terms of spend in the F&B sector. Besides Dubai, Abu Dhabi too is witnessing healthy growth in tourist inflow. According to a report from MasterCard, Abu Dhabi was named as the fastest growing city in the Middle East and Africa, with overnight visitor arrival CAGR of 18.2% between 2009 and 2017.

Recent Industry Developments

- In May 2019, Dubai Municipality issued a circular mentioning that the food establishments in the Emirate should reveal the calorie content in their menus for all ready-to-eat food items.
- In March 2019, Abu Dhabi's Crown Prince approved a series of initiatives amounting to US\$ 272 million in the field of local and international agricultural technology.
- In March 2019, Abu Dhabi's Crown Prince announced that the emirate would invest US\$ 1.5 billion for research and development for food security and water scarcity.
- In October 2018, the UAE committed to invest US\$ 5.0 billion in the India-UAE food corridor project over the following three years and would import as many as 20 items from the scheme.

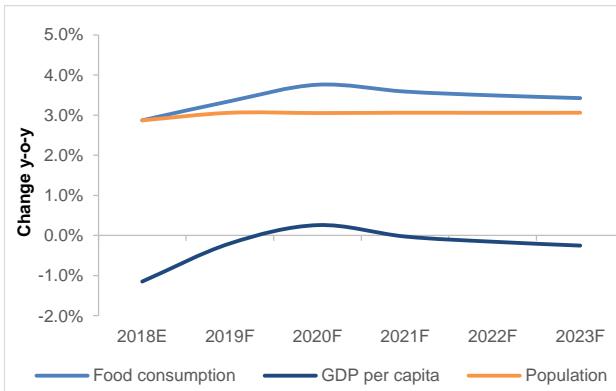
Macro-economic Indicators

Indicators	Unit	2018E	2019F	2023F
GDP growth at constant prices	%	1.7	2.9	2.8
GDP per capita at constant prices	US\$	61,673	61,550	61,443
Population	mn	10.4	10.7	12.1
Inflation	%	3.1	2.1	2.1
Food consumption	mn MT	8.7	9.0	10.3

Source: IMF – April 2019, Alpen Capital

Note: E – Estimated, F – Forecasted

Change in Food Consumption vis-à-vis Population and GDP



Source: Alpen Capital, IMF

Note: E – Estimated, F – Forecasted

Key Players

Company	Activity
Agthia Group PJSC	Agri & agri processing
Al Ain Farms	Livestock
Al Islami Food PSC	Processed and frozen food
Al Kabeer Group of Middle East	Processed and frozen food
Al Khaleej Sugar Co. LLC	Agri & agri processing
Al Rawabi Dairy Co.	Dairy and Beverages
Dubai Refreshments PJSC	Processed and frozen food and Beverages
Foodco Holding PJSC	Processed and frozen food
IFFCO International Foodstuffs Co. LLC	Processed and frozen food, Agri & agri processing and Dairy
National Food Products Co.	Dairy and Beverages
Unikai Foods PJSC	Dairy
United Foods Co. PSC	Agri & agri processing

Converted at exchange rate of 0.27

Source: Guide2dubai, Knoema, MasterCard, Khaleej Times, Gulf News



Kuwait

Key Growth Drivers

- Population:** Kuwait's population reached to 4.6 million people in 2018 compared to 4.5 million in 2017, with expatriates being 70% of the total residents. The population is estimated to grow at a CAGR of 2.8% between 2018 and 2023 and is likely to be the primary driver for growth in the F&B sector.
- Per capita income:** In 2018, Kuwait's GDP per capita reached US\$ 59,556 and is likely to witness a marginal decline over the next three years. Despite this, Kuwait remains the third largest market in the GCC region, driven by higher per capita income and increasing youth population that supports the demand for high-value food products, including packaged and global food.
- Tourism:** Kuwait government added US\$ 1.0 billion to its campaign for promoting tourism industry investment. The country is preparing to welcome 0.4 million visitors by 2023, up from 0.2 million in 2017. Strong inflow of tourist into the nation is likely to support the growth in demand for food products.
- Key initiatives:** The Kuwaiti government aims to become world's food capital by 2030. The nation is focused on supporting launch of food tech startups and food accelerators like Savour Ventures that supports startups in the food sector to bring their products and services to the market, culinary schools, relevant events and conferences and more innovative concepts.

Recent Industry Developments

- In May 2019, Kuwait Investment Authority announced a mega investment program across Pakistan, worth US\$ 20 billion. This will help to address the challenges of food security and seek to provide financial and technical assistance to governmental projects focused on enhancing food security.
- In March 2019, the construction of the logistics warehouses at Sulaibiya was completed, which is going to be the largest logistics warehouses in Kuwait. The warehouses will provide food security to cooperative societies throughout the country in the absence of the stores or a shortage of storage places.

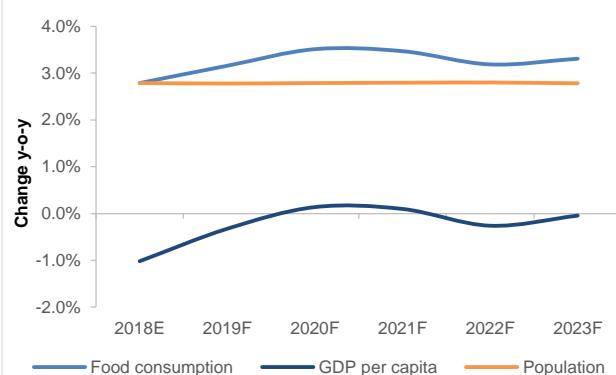
Macro-economic Indicators

Indicators	Unit	2018E	2019F	2023F
GDP growth at constant prices	%	1.7	2.4	2.7
GDP per capita at constant prices	US\$	59,556	59,362	59,319
Population	mn	4.6	4.7	5.2
Inflation	%	0.7	2.5	3.0
Food consumption	mn MT	3.7	3.9	4.4

Source: IMF – April 2019, Alpen Capital

Note: E – Estimated, F – Forecasted

Change in Food Consumption vis-à-vis Population and GDP



Source: Alpen Capital, IMF

Note: E – Estimated, F – Forecasted

Key Players

Company	Activity
Danah Al Safat Foodstuff Co. KPSC	Livestock and Catering
Kuwait Food Co.	Processed and frozen food and Restaurants
Kuwait Dairy Co.	Dairy and Beverages
Livestock Transport and Trading Co. KPSC	Livestock
Mezzan Holding Co. KSCP	Agri & agri processing
Sadita Holding Co.	Processed and frozen food



Oman

Key Growth Drivers

- Population:** The population of Oman is forecasted to grow at a CAGR of 3.2% between 2018 and 2023 to reach 5.0 million (Source: IMF). This would increase the food consumption to reach 4.0 million MT in 2023 from 3.2 million tons in 2018 at a CAGR of 4.6%
- Tourism:** As per World Tourism Organization, tourist arrivals in Oman is forecasted to increase at a CAGR of 5.5% between 2018 and 2023 to reach 3.3 million, leading to increase in the food demand. In order to pursue economic diversification, the government has already planned investments worth OMR 18.9 billion (US\$ 49.2 billion) in multiple phases under the Oman Tourism Strategy 2040. This investment would increase the contribution of tourism to the GDP by 6-10%, thus creating 535,000 jobs and achieving over 11 million domestic and international tourist.
- Government initiatives:** The Oman Food Investment Holding Company (OFIC), the food sector investment arm of the Omani government, plans to invest around US\$ 260 million into six new ventures including dairy & milk processing, poultry farming & white meat processing, red meat production, cow & camel milk and dates marketing, with the aim to further strengthen the Sultanate's strategic food security goals.

Recent Industry Developments

- In June 2019, Bank Nizwa signed an OMR 18.0 million (US\$ 46.8 million) worth sharia-compliant financing agreement with OFIC, to invest in new projects and promote its portfolio of food companies.
- In May 2019, OFIC invited local investors to support the development of an OMR 18.0 million (US\$ 52.0 million) Integrated Food Logistics Project. The project will provide integrated freight and storage, temperature controlled and value-added services focusing food sector.
- In February 2018, OFIC and Oman Global Logistics Group (OGLG) signed a MoU to cooperate on enhancing the agriculture and fisheries supply chain, including focusing on R&D to improve the management of food security and the development of food processing, storage and distribution clusters.

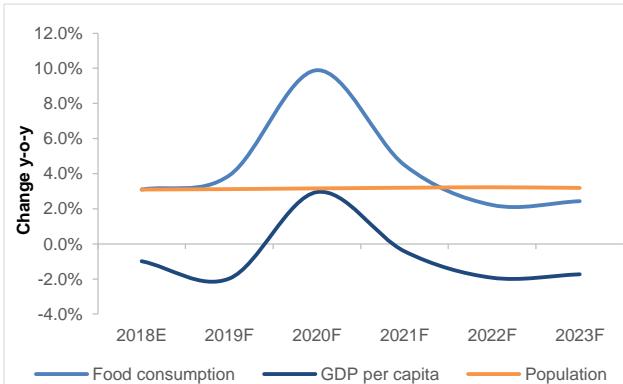
Macro-economic Indicators

Indicators	Unit	2018E	2019F	2023F
GDP growth at constant prices	%	2.1	1.1	1.4
GDP per capita at constant prices	US\$	41,408	40,591	40,105
Population	mn	4.3	4.4	5.0
Inflation	%	0.9	1.5	2.8
Food consumption	mn MT	3.2	3.3	4.0

Source: IMF – April 2019, Alpen Capital

Note: E – Estimated, F – Forecasted

Change in Food Consumption vis-à-vis Population and GDP



Source: Alpen Capital, IMF

Note: E – Estimated, F – Forecasted

Key Players

Company	Activity
A'Safwah Dairy	Dairy and Beverages
Ali and Abdul Karim Trading Co. LLC	Processed and frozen food and Beverages
Ali Shaihani Group of Industries	Processed and frozen food and Beverages
A'Saffa Foods	Livestock
Oman Flour Mills Co.	Agri & agri processing
Oman Food Investment Holding Co. SAOC	Agri & agri processing, Dairy and Livestock
Oman Foodstuff Factory LLC	Dairy and Beverages, Processed and frozen food
Oman Refreshment Co. SAOG	Processed and frozen food and Beverages
Salalah Mills Co. SAOG	Agri & agri processing

Converted at exchange rate of 2.60

Source: Time of Oman, Oman Tourism, Trade Arabia, UNWTO, Oman Observer, Construction Business News



Qatar

Key Growth Drivers

- Population:** The population of Qatar is forecasted to grow at a CAGR of 0.5% between 2018 and 2023 (Source: IMF). On the other hand, the ongoing infrastructure and construction projects in the country ahead of the 2022 FIFA World Cup has been attracting an increasing number of expatriate workers in the country. This expanding consumer base augurs well for the growth of the food sector.
- Per capita income:** Qatar's GDP per capita is projected to expand at a CAGR of 2.4% between 2018 and 2023 (Source: IMF). It holds the highest per capita income amongst the GCC. Continued investment and infrastructure spending to support the construction projects related to FIFA World cup would lead to increase in GDP. The income levels to support food consumption in the country would also increase.
- Tourism:** Qatar National Tourism Sector Strategy 2030 aims to attract 5.6 million visitors to Qatar annually by 2023, double the number in 2016. Additionally, upcoming events like 2022 FIFA World Cup will fuel the rise in tourist, as Qatar targets to achieve 72% occupancy rate in hotels, via increasing demand and diversifying nation's tourist accommodation.
- Government initiatives:** The Qatari government has undertaken numerous initiatives including establishment of Hamad Port, participation in food expos and development of new malls & hotels. This will help the country to strengthen the food sector and meet the standards of rising population, tourism and developing tastes of global cuisines.

Recent Industry Developments

- In March 2019, the Qatar Ministry of Municipality and Environment announced measures to increase the rate of self-sufficiency in vegetables production. It offered 10 projects to private investors to grow vegetables in greenhouses and produce ~21,000 tons of vegetables every year.
- In October 2018, Italy announced partnership with Qatar in agro-food industry with the aim to open Italian-Qatari companies to handle the distribution of Italian food in Doha to meet the fast-growing demand for the outlets of international quality food required to create a sophisticated offer for expatriates, tourists by 2022.

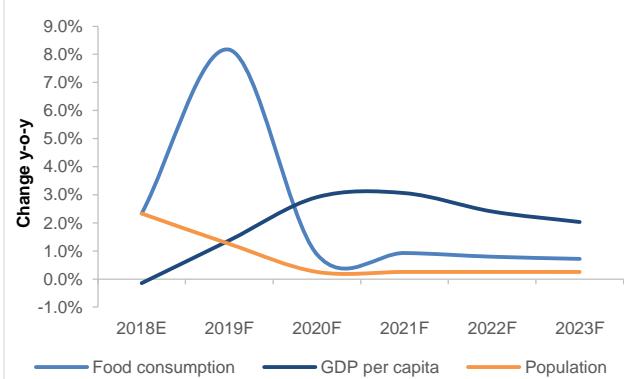
Macro-economic Indicators

Indicators	Unit	2018E	2019F	2023F
GDP growth at constant prices	%	2.2	2.6	2.3
GDP per capita at constant prices	US\$	115,979	117,575	130,295
Population	mn	2.7	2.8	2.8
Inflation	%	0.2	0.1	2.0
Food consumption	mn MT	1.7	1.9	1.9

Source: IMF – April 2019, Alpen Capital

Note: E – Estimated, F – Forecasted

Change in Food Consumption vis-à-vis Population and GDP



Source: Alpen Capital, IMF

Note: E – Estimated, F – Forecasted

Key Players

Company	Activity
Ali Bin Ali Group	Beverages
AI-Sanabel Al-Qataria WLL	Livestock
Baladna Food Industries	Dairy and Beverages
Hassad Food	Agri & agri processing
Paris Group	Agri & agri processing, Beverages, Livestock, Processed and canned food and Supermarkets
Widam Food Co. QSC	Livestock
Zad Holdings Co. SAQ	Processed and frozen food

Converted at exchange rate of 0.27

Source: The Peninsula, Doha News, Gulf Times



Bahrain

Key Growth Drivers

- Population:** The population in Bahrain is set to grow at a CAGR of 2.0% between 2018 and 2023 (Source: IMF). In fact, Euromonitor suggests that the population is projected to nearly double and hit 2.6 million by 2030, majorly driven by immigration and expatriate labor force.
- Per capita income:** Bahrain's GDP per capita is expected to have sluggish growth (CAGR of 0.3%) between 2018 and 2023 to reach US\$ 45,168. However, high disposable incomes of locals as well as the expatriates are likely to support discretionary spending on high-value food products.
- Tourism:** Bahrain is investing heavily to promote tourism. Bahrain Food Festival launched in February 2019 attracted 150,000 visitors. Bahrain Tourism and Exhibition Authority's (BTEA) strategic vision seeks to enrich the tourism sector by organizing a variety of tourism initiatives, which would work towards enhancing Bahrain's position as a regional destination in the culinary world.
- Government initiatives:** Bahrain conducted its first ever Hospitality & Restaurant Expo, BHR Expo 2018. The government considers it a promising sector that is expected to grow significantly thereby contributing to national economy.

Recent Industry Developments

- Bahrain marked its debut at the SIAL Middle East 2018 (an influential event related to F&B and hospitality sector) by introducing five leading Bahraini companies and entities, such as the National Initiative for Agricultural Development, Al Ghalia Farms, Aljaser Factory Company and Peninsula Farms.
- In June 2018, Dividend Gate Capital (DGC) announced the investment of US\$ 4 million in Bahrain's F&B industry to expand local SMEs. Additionally, the aim of DGC is to expand from two to seven branches across Bahrain and the GCC by 2021.
- In December 2017, the Bahrain Economic Development Board (EDB) revealed that investments in Bahrain's tourism infrastructure reached over US\$ 13 billion, which covered 14 prominent projects that will help to boost growth in the tourism and leisure sector which will drive the F&B sector as well.

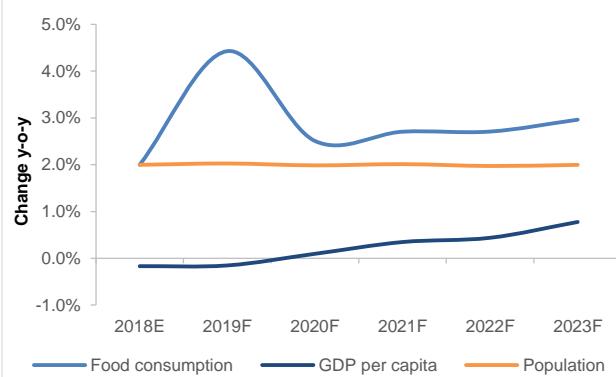
Macro-economic Indicators

Indicators	Unit	2018E	2019F	2023F
GDP growth at constant prices	%	1.8	1.9	2.8
GDP per capita at constant prices	US\$	44,495	44,427	45,168
Population	mn	1.5	1.5	1.6
Inflation	%	2.1	3.3	2.1
Food consumption	mn MT	0.8	0.9	1.0

Source: IMF – April 2019, Alpen Capital

Note: E – Estimated, F – Forecasted

Change in Food Consumption vis-à-vis Population and GDP



Source: Alpen Capital, IMF

Note: E – Estimated, F – Forecasted

Key Players

Company	Activity
Ali Rashid Al Amin Co. BSC	Agri & agri processing and Food Retail
Bahrain Flour Mills Co.	Agri & agri processing
BMMI BSC	Processed and frozen food
Hasan & Habib Sons of Mahmood Co. WLL	Processed and frozen food
Trafco Group	Processed and frozen food

Company Profiles



Agthia Group PJSC (Publicly Listed)

UAE

Company Description

Founded in 2004, Agthia Group PJSC's (Agthia) principal activities include establishment, investment, trade and operation of companies involved in the food and beverage sector. More than 4,500 employees are engaged in manufacturing, distribution and marketing various F&B products. The Company's assets are located in the UAE, Oman, Egypt and Turkey. Agthia supplies its products in the GCC, Turkish and Middle East markets. Agthia is a subsidiary of General Holding Corporation PJSC.

Business Segments/Product Portfolio

- **Consumer Business:** Agthia's consumer division is composed of water, beverage and food categories. The segment contributed 54% of total revenue in FY 2018.
 - **Water:** Consists of bottled water and 5-gallon water. The Company manufactures and distributes water under Al Ain, Alpin, Al Bayan, Ice Crystal, Bambini and Delta brands.
 - **Beverages:** Manufacturing and distribution of Capri Sun single-serve juice drinks are under this category. The Company also markets its in-house brand of fresh juices - Al Ain Fresh.
 - **Food:** The Company provides a variety of food products ranging from dairy to frozen and ambient bakery products. Products under this category are marketed under the Yoplait, Al Ain and Grand Mills brands.
- **Agri Business:** Agthia provides flour and animal feed products under its brand Grand Mills and Agrivita. In FY 2018, this segment contributed 46% of total revenue.

Recent Developments/Future Plans

- In April 2019, Agthia launched four new camel feed products under the Agrivita brand at Global Forum for Innovations in Agriculture in Abu Dhabi.
- In March 2019, Agthia held its 14th annual general meeting, where the shareholders approved a cash dividend of 15% for an amount of US\$ 24.5 million.
- In December 2018, Agthia unveiled 'Al Ain Bambini', a bottled drinking water designed for infant consumption.

Financial Performance

- Agthia's revenues decreased 2.3% y-o-y to reach US\$ 545 million in FY 2018 as compared to US\$ 558 million in FY 2017. Net profit for the same period increased by 2.1% y-o-y to reach US\$ 57 million as compared to US\$ 56 million in FY 2017.
- Revenues and profit reported for FY 2018 does not include financial impact of transactions, which was present in FY 2017.
- Total Group assets reached US\$ 807 million in FY 2018, increasing marginally by 0.7% over FY 2017.

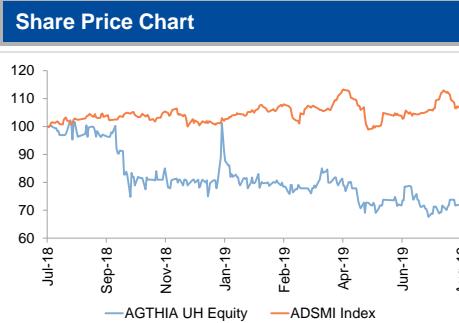
Current Price (US\$)	0.97
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Price as on September 4, 2019

Stock Details	
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Bloomberg ticker	AGTHIA UH
52 week high/low	1.36 / 0.86
Market Cap (US\$ mn)	572
Enterprise value (US\$ mn)	617
Shares outstanding (mn)	600

Average Daily Turnover ('000)		
	AED	US\$
3M	506	138
6M	861	235



Valuation Multiples			
	2017	2018	2019E
P/E (x)	14.0	14.1	11.7
P/B (x)	1.6	1.5	1.0
EV/S (x)	1.4	1.5	1.1
Dividend yield (%)	3.0	4.1	3.7

Shareholding Structure	
General Holdings KK	51.00%
Emirates International Investment Co.	5.00%
Others	44.00%

Key Financials (US\$ mn)			
	2016	2017	2018
Sales	548	558	545
EBITDA	98	85	86
Net Income	69	56	57
Total Assets	693	801	807
Total Debt	128	161	142
Total Equity	459	503	531



AI Ain Farms (Privately Owned)

UAE

Company Description

Established in 1981, Al Ain Farms established the first dairy farm in the UAE with a total of 200 cows, to deliver dairy products in the country. Apart from dairy products, the Company also sells poultry products, such as, fresh chicken and eggs. Al Ain Farms sells all of their products under one Al Ain brand.

Business Segments/Product Portfolio

- **Milk:** The Company offers different types of milk products such as full cream, low fat, skimmed and double cream under this category. The company also sells long life and flavored milk.
- **Laban:** The Company offers Laban in a variety of choices such as full fat, low fat, Al Ain Up and flavored Al Ain Up.
- **Yoghurt:** The Company sells full fat and low fat yoghurt. The yoghurt is also available in a variety of flavors such as strawberry, mango, peach & apricot and fruits of the forest.
- **Camelait:** The Company supplies camel milk and related products across 900 stores in the UAE and Saudi Arabia.
- **Juice:** Retailing of pure fruit juices and mixed fruit drinks are included under this category.
- **Poultry:** The Company trades in fresh and frozen poultry and poultry products such as eggs and fresh chicken. Every year more than 7 million fed chickens are produced at the Al Ain Farm's facilities. Also, each year 90 million fresh egg make way to the supermarkets.

Recent Developments/Future Plans

- N/A



AI Kabeer Group (Privately Owned)

UAE

Company Description

Founded in 1974, AI Kabeer Group (AI Kabeer) is engaged in the procurement, manufacturing and distribution of frozen food products. The Company has manufacturing and cold storage facilities across 15 countries. The Company supplies over 300 varieties of products including meat, poultry, seafood, vegetables and fruits and ready-to-eat meals to ~20,000 retail outlets spread across the GCC and international markets. The Company strictly adheres to Islamic laws for processing the imported meat and poultry products. AI Kabeer processing plants are built as per international standards and are approved by the US Armed Forces and the Australian Quarantine Board.

Business Segments/Product Portfolio

- **Vegetables & Fruits:** AI Kabeer sells packaged vegetables, sweet corn, paneer, fruits & pulp.
- **Meat & Poultry:** The Company sells raw meat, including boneless meat (beef and veal mince, beef cubes and veal legs), mutton (mince, rib chops and cubes) and chicken parts, in addition to grilled chicken.
- **Seafood:** Products like frozen freshwater and marine fish, prawns as well as ready-to-eat products such as fish fillets and fish fingers are included under this category.
- **Snacks Corner:** AI Kabeer offers a wide range of ready-to-serve snacks such as samosas, spring rolls, zingers, kebabs and cutlets, falafel, kibbeh, meat balls, jalapeno-cheese sticks, chicken fillets, barbecue chicken wings, hot dogs and sausages.
- **Kids' Corner:** The Company sells products designed for kids such as burgers, chicken-cheese sticks, chicken popcorn, French fries, nuggets and potato wedges.
- **Ready Meals:** AI Kabeer's wide range of ready-to-eat meals includes biryani, chicken tikka makhani, pilau rice, parathas and tortilla wraps.

Recent Developments/Future Plans

- In December 2018, Saudi-based Savola Group completed the acquisition of 51% stake in AI Kabeer in a deal amount worth US\$ 150.8 million. The purchase agreement was announced in May 2018.



Al Khaleej Sugar Company LLC (Privately Owned)

UAE

Company Description

Established in 1992, Al Khaleej Sugar Company LLC (Al Khaleej Sugar) refines and distributes raw sugar, refined sugar and its derivatives. The Company's plant is located at Jebel Ali, Dubai. The Company has a production capacity of 7,000 tons of refined white sugar per day and accounts for ~3% of the global refined sugar production. The Company applies the carbonation process for raw sugar purification. Al Khaleej Sugar caters to F&B, pharmaceuticals and industrial sectors worldwide and exports the processed sugar products to over 50 countries. Al Khaleej Sugar holds membership in international sugar organizations such as Sugar Association of London and Refined Sugar Association of London.

Business Segments/Product Portfolio

- **Raw Sugar:** Al Khaleej Sugar procures several grades of raw sugar for captive refining. The Company re-exports raw sugar regularly to meet the requirements of buyers in the sugar refining industry and other industrial applications.
- **Refined Sugar:** Under this product line, the Company supplies coarse grain, fine grain and extra-fine refined white sugar.
 - **Sugar Syrup/Molasses:** Al Khaleej Sugar sells sugar syrup and molasses, the by-products of sugar derived in the process of refining. Molasses, being an excellent blend of macro and micro - nutrients, it is used as animal feeds and in construction chemicals.

Recent Developments/Future Plans

- In February 2018, Al Khaleej Sugar Refinery agreed to build a major agro-industrial complex to produce beet sugar, under a deal signed with the Egyptian government. The project, named Al Canal Sugar, will be located about 200 km from its market.
 - The project is expected to have an investment of around US\$ 1.0 billion and would produce 800,000 tons of sugar annually, filling a supply gap in the market and making Egypt self-sufficient in sugar. The mill is expected to start production in 2021.
- Al Khaleej Sugar resumed its operations in February 2019, which was halted in mid-December 2018 due to decline in demand of the white sugar export market.



Ali Bin Ali Group (Privately Owned)

Qatar

Company Description

Established in 1945, Ali Bin Ali Group (ABA) is a conglomerate engaged in diverse business activities such as bottling and distribution of beverages, hospitality and contracting and property management. The Company is also engaged in distribution of food and non-food consumer products, ownership and operation of hotels and restaurants, event management, supermarkets, sports and lifestyle, IT solutions, printing and publishing, medical equipment supplies and travel and cargo services.

Business Segments/Product Portfolio

- **Beverages:** ABA owns a water treatment unit, a production facility for plastic bottles and a factory for bottling and packaging of beverages. The Company offers a range of soft drinks and other beverage products of PepsiCo.
- **FMCG & Distribution:** The Company is engaged in the sales and distribution of a wide range of food and non-food consumer products through its various divisions including Ali Bin Ali & Partners, International Agencies, Qatar Quality Products, Prime Consumer Products, ABA Logistics and Dohatna Innovative Distribution.
- **Supermarkets:** ABA operates retail outlets of Monoprix SA, a French city-center retailer, in Kuwait that offers food products, household items, clothing, perfumes and gift items.
- **Contracting & Property Management:** ABA specializes in the production of furniture, interior fit-outs and decoration works. The Company caters to the hospitality and residential sectors.
- **Hospitality:** ABA develops luxury hotels and distinct restaurant concepts. Some of its restaurants include Crepaway, Wagamama, Top Catering, Al Mayass, Sormani and Nestle Toll House Café.
- **Production & Digital House Events Planning:** Through Digitek, the Company provides event management, video production and filming, photography and digital printing and framing services.
- **Information & Communication Technology:** Through ABA Technology Solutions and iSpot, ABA offers solutions such as enterprise resource planning, customer relationship management, content management, virtualization, hardware, storage, infrastructure and mobility.
- **Luxury & Fashion:** Through its network of exclusive boutiques, ABA offers luxury and fashion products such as fine timepieces, exquisite jewelry, classical writing instruments and sophisticated accessories of world's renowned brands.
- **Medical Supplies:** The Company imports and distributes medical and surgical equipment, sports and physio-therapeutic equipment, lab and dental equipment, hospital and lab furniture and pharmaceutical and natural food products.
- **Printing, Publishing & Media:** The Company offers interactive media solutions, directory services, cinema advertising, print related solution and magazine publishing services.
- **Travel & Cargo:** ABA acts as a sales agent for various airlines and offers passenger, cargo and aircraft handling services.
- **Sponsorships and Affiliates:** ABA explores opportunities for strategic partnerships and JVs to support business growth.

Recent Developments/Future Plans

- N/A



Almarai Co. (Publicly Listed)

Saudi Arabia

Company Description

Established in 1977, Almarai Co. (Almarai) is a vertically integrated dairy company in Saudi Arabia. Having commenced operations as a dairy producer, over the years, the company has diversified into other product lines of juices, bakery, poultry and infant nutrition. Almarai conducts dairy farming in Saudi Arabia and Jordan; feedstock farming in Saudi Arabia, Argentina and the US; and poultry farming in Saudi Arabia. The company has manufacturing facilities across Saudi Arabia, Egypt and Jordan. Additionally, the company has an integrated transport and logistics infrastructure and a wide network of distribution centres that enables it to cater to over 100,000 customers across the GCC, Egypt and Jordan.

Business Segments/Product Portfolio

- **Dairy and Juice:** Almarai manufactures and sells natural fruit juices and dairy products such as milk and flavored milk, powder milk, evaporated milk, yoghurt, whipping cream, desserts and cheese under the Almarai, Beyti and Teeba brands. This is the Company's largest business segment and accounted for 72.7% of revenues in FY 2018.
- **Poultry:** The Company sells whole chicken, minced chicken, chicken parts and marinated chicken under the Alyoum brand. This is the Company's second largest segment and accounted for 13.2% of the total revenue in FY 2018.
- **Bakery:** Under the 7Days and L'usine brands, the Company offers bakery products like cakes, buns, sandwich rolls, puffs, croissants, Swiss rolls and wafers sticks. Bakery is third largest revenue source that made 12.7% of the total revenues.
 - Mother and Child Nutrition: Under the Nura, Nuralac, NuraMama and Nurababy brand, the Company sells variety of products such as nutritional supplements for mothers, infant cereal, growing up milk formula for kids etc.

Recent Developments/Future Plans

- In May 2019, Almarai approved a five-year business plan to invest US\$ 1.9 billion. Under the 2020–2024 plan, Almarai said that each of its business units will drive the Company forward through growth and innovation across channels, with its operating model transformed by more automated processes.
- In February 2019, Moody's Investors service assigned an issuer rating of Baa3 to Almarai for the first time.

Financial Performance

- Net profit for FY 2018 was US\$ 535 million, as compared to US\$ 582 million in FY 2017, with net revenues decreasing by 1.5% to reach US\$ 3,657 million. The ongoing and successful cost optimization programmes has helped Almarai to maintain profitability and strong market share across core business segments.
 - Saudi Arabia accounted for 67% of the revenue in FY 2018, followed by UAE at 10%, which is the second largest market for Almarai.

Current Price (US\$)	13.07
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Price as on September 4, 2019

Stock Details	
Bloomberg ticker	ALMARAI AB
52 week high/low	16.27 / 10.88
Market Cap (US\$ mn)	13,038
Enterprise value (US\$ mn)	16,739
Shares outstanding (mn)	1,000

Average Daily Turnover ('000)		
	SAR	US\$
3M	41,948	11,186
6M	42,321	11,286



Valuation Multiples			
	2017	2018	2019E
P/E (x)	25.2	24.4	22.2
P/B (x)	3.7	3.4	3.3
EV/S (x)	4.7	4.5	4.5
Dividend yield (%)	1.8	1.6	1.7

Shareholding Structure	
Savola Group	34.5%
Al Saud Sultan Mohammed	23.7%
Public Investment Fund	16.3%
Others	25.5%

Key Financials (US\$ mn)			
	2016	2017	2018
Sales	3,823	3,716	3,657
EBITDA	1,156	1,201	1,201
Net Income	573	582	535
Total Assets	7,781	8,505	8,615
Total Debt	3,095	3,414	3,690
Total Equity	3,593	3,968	3,869

Converted at exchange rate of 0.27

Source: Company Website, The National, Bloomberg, Khaleej Times, Zawya



A'Saffa Foods SAOG (Publicly Listed)

Oman

Company Description

Established in 2001, A'Saffa Foods SAOG (A'Saffa) manufactures and distributes poultry meat in Oman. The Company owns and operates poultry farms and slaughterhouses. A'Saffa also runs a bottling plant of natural mineral water. Through its main subsidiaries, the company produces fresh, frozen and processed poultry products, vegetables, fruit pulps and seafood products. The Company offers fresh and frozen poultry produce under the A'Saffa, Khayrat and Taybat brand names. The products are also exported to the other GCC, Middle East and Asian markets.

Business Segments/Product Portfolio

- **A'Saffa:** The Company sells frozen and fresh chicken and delicacies under this brand.
- **Ekhtiari:** Under this brand, the Company sells breaded chicken burger, chicken burger, chicken franks, chicken nuggets, breaded chicken fingers and breaded chicken fillets.
- **A'Saffa Zingle Range:** Chicken strips, chicken lollipop, chicken drumettes, breaded chicken popcorn and chicken fillets are sold under this brand.
- **Khayrat:** Under this brand the Company sells delicacies, fruit and fruit pulp, processed sea food range and frozen vegetables.
- **Taybat:** In this segment the Company sells delicacies including chicken burgers, breaded chicken burgers, chicken fingers, chicken fillet, chicken popcorn, chicken nuggets, chicken mince, chicken franks, beef burger, beef mince, chicken burger bag and natural mineral water.

Recent Developments/Future Plans

- In March 2019, A'Saffa Foods announced that its US\$ 116.8 million strategic expansion project is on track. The project aims to raise chicken & meat production capacity by 100% at their farm-site in Thumrait.

Financial Performance

- A'Saffa reported a minimal increase of 0.1% in total revenue of US\$ 84 million in FY 2018. However, net profit for the year declined sharply by 35.4% to US\$ 7.3 million during the period.

Current Price (US\$)

1.53

Price as on September 4, 2019

Stock Details

Bloomberg ticker	SPFI OM
52 week high/low	1.53 / 1.23
Market Cap (US\$ mn)	186
Enterprise value (US\$ mn)	238
Shares outstanding (mn)	120

Note: The information on average daily turnover is not available

Share Price Chart



Valuation Multiples

	2017	2018	2019E
P/E (x)	16.0	26.0	10.3
P/B (x)	1.7	1.7	1.9
EV/S (x)	2.2	2.3	2.8
Dividend yield (%)	3.5	3.4	3.3

Shareholding Structure

Zulal Investment	33.25%
Gulf Investment Corp GSC	20.01%
Alhosn Investment SAOC	13.24%
Natl United Engineering	10.00%
Others	23.50%

Key Financials (US\$ mn)

	2016	2017	2018
Sales	80	84	84
EBITDA	18	18	14
Net Income	12	11	7
Total Assets	139	142	142
Total Debt	19	11	15
Total Equity	102	108	108



Bahrain Flour Mills Company BSC (Publicly Listed)

Bahrain

Company Description

Founded in 1970, Bahrain Flour Mills Company BSC (BFM), also known as Al-Matahin, is a Bahraini public shareholding company registered with the Ministry of Industry and Commerce in the Kingdom of Bahrain. The principal activities of the Company are the import of wheat, the production of wheat flour and related products, which are sold to the Bahraini and international market. The Company markets its products to bakeries, hotels and restaurants, supermarkets and hypermarkets. Bahrain Flour Mills Company BSC is a subsidiary of Bahrain Mumtalakat Holding Company BSC.

Current Price (US\$)	0.84
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Price as on September 4, 2019

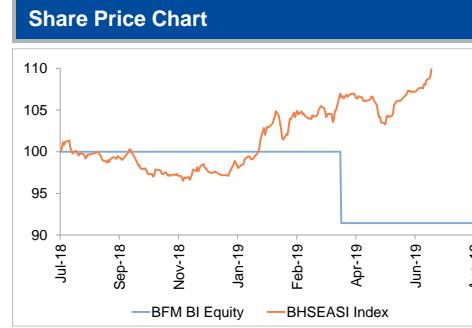
Stock Details	
Bloomberg ticker	BFM BI
52 week high/low	0.84 / 0.84
Market Cap (US\$ mn)	21
Enterprise value (US\$ mn)	30
Shares outstanding (mn)	25

Note: The information on average daily turnover is not available

Business Segments/Product Portfolio

Key products of the company marketed under Al-Matahin brand includes:

- Flour no. 0
- Flour no. 2
- Pizza Flour
- All-Purpose Flour
- Dumpling Mix with Yeast
- Hab Harees
- Jereesh
- Semolina
- Wheat Bran
- Wheat Germ



Recent Developments/Future Plans

- In 2019, BFM received US\$ 7.4 million from the Government of Bahrain in the first three months of the year as a subsidy to BFM to overcome the losses it has borne. The subsidy amount is 21% higher as compared to 2018
- In September 2018, the Board of Directors of BFM appointed Henry Wayne Craig as the new Chief Executive Officer (CEO).
- In April 2017, BFM and Bahrain Bourse (BHB) signed an agreement to assign BHB as a Registrar for the shares of the company.

Valuation Multiples			
	2017	2018	2019E
P/E (x)	N/A	N/A	N/A
P/B (x)	N/A	N/A	N/A
EV/S (x)	N/A	N/A	N/A
Dividend yield (%)	5.7	3.1	N/A

Shareholding Structure		
Bahrain Mumtalakat Holding Co.	65.73%	
Kuwait Flour Mills & Bakeries Co.	7.44%	
Abdulhameed Zainal	6.08%	
Others	20.75%	

Key Financials (US\$ mn)			
	2016	2017	2018
Sales	17	19	19
EBITDA	(19)	(18)	(23)
Net Income	2	13	3
Total Assets	60	58	65
Total Debt	4	8	13
Total Equity	49	49	50

Financial Performance

- BFM reported an increase of 1.5% in total revenue of US\$ 18.8 million in FY 2018, up from US\$ 18.5 million in FY2017. Whereas the net profit for the year took a big hit and declined sharply by 76.1% to US\$ 3.2 million during the period.



Dubai Refreshments PJSC (Publicly Listed)

UAE

Company Description

Founded in 1959, Dubai Refreshments PJSC (DRC) is primarily engaged in the business of bottling and selling of soft drinks and related beverage products of PepsiCo, Inc. in Dubai, Sharjah and other Northern Emirates in the UAE. The Company also exports other products pursuant to an authorization from PepsiCo. The Company has a wide distribution network, ensuring products are readily available to customers all over the UAE and many parts of the world. The company has a production facility in Greenfield at Dubai Investment Park (DIP) comprising five production lines with annual capacity of 120 million cases.

Business Segments/Product Portfolio

The company operates in a single reporting segment of canning, bottling, distribution and trading soft drinks and related beverage products.

- **Carbonated Soft Drinks:** The Company offers carbonated soft drinks of brands such as Pepsi, 7UP, Mirinda, Mountain Dew, Evervess, Britvil and Shani.
- **Confectionary:** This branch offers cakes, brownies, wafer biscuits, cup cakes, among others. These products are offered under Edita and Snack Time brands.
- **Ice Cream:** Offers Nestle ice-cream brands including Extreme Vanilla, Extreme Brownies, Kit-Kat, Mega, Paradise, Maxibon, Wich and Squizz.
- **Non-Carbonated Soft Drinks and Water:** The Company offers ice tea of different flavors under the Lipton, Aquafina and Mirinda Joosy brands.

Recent Developments/Future Plans

- In March 2019, DRC unveiled a large solar power plant at its manufacturing facility in Dubai Investment Park 2. The 45,000 sqm plant has a production capacity of 3.7 mega watts, making it one of the largest private solar power plants in the UAE.
- In March 2019, DRC and Skyline University College (SUC) entered into a MoU. The MoU highlights the scholarship fund allocated by SUC to enable DRC employees and their families to pursue higher education and identify training opportunities to further enhance their workplace skills which will result in higher productivity.

Financial Performance

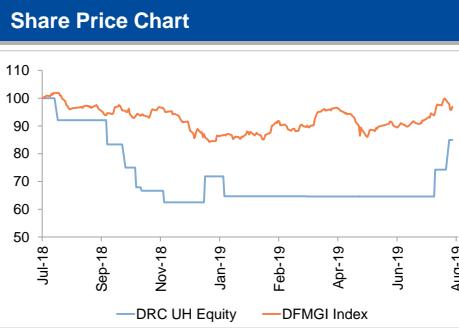
- In FY 2018, DRC saw a decline in revenues in both domestic and export market. Total revenue declined to US\$ 162 million down from US\$ 237 million in FY 2017. The drop in revenues was to some extent mitigated by savings in input cost, which resulted in dip in operating expenses.
- Net profit declined by 54% y-o-y in FY 2018 to reach US\$ 12 million or 6.5% of net revenues. FY 2017 net profit amounted to US\$ 25 million or 10.5% of the revenues.

Current Price (US\$)	2.78
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Price as on September 4, 2019

Stock Details	
Bloomberg ticker	DRC UH
52 week high/low	3.13 / 2.04
Market Cap (US\$ mn)	250
Enterprise value (US\$ mn)	273
Shares outstanding (mn)	90

Note: The information on average daily turnover is not available



Valuation Multiples			
	2017	2018	2019E
P/E (x)	14.9	20.0	N/A
P/B (x)	1.4	0.9	N/A
EV/S (x)	1.4	1.3	N/A
Dividend yield (%)	8.1	4.6	N/A

Shareholding Structure	
Shahmed Rashid Saeed Almak	20.00%
Mohd & Obaid Al Mulla Pvt Ltd	9.96%
Al Majid Jumaa Abdulla	5.32%
Others	64.72%

Key Financials (US\$ mn)			
	2016	2017	2018
Sales	251	237	162
EBITDA	43	38	25
Net Income	32	25	12
Total Assets	338	337	312
Total Debt	40	28	18
Total Equity	254	259	244



Foodco Holding PJSC (Publicly Listed)

UAE

Company Description

Founded in 1979, Foodco Holding PJSC (Foodco), formerly known as Abu Dhabi National Foodstuff Co. PJSC together with its subsidiaries, primarily imports and distributes foodstuff and household items in the UAE. The Company also specializes in packaging and repacking food products and provides marine, air and land shipment services, as well as offers custom clearance and warehouses services. Foodco also undertakes investment, development and management of real estate and commercial enterprises. The Company also operates Figaro's Pizza restaurant business and Dana Plaza, a department store, offering men's and women's fashions, jewelry, shoes, housewares and novelty items, among others.

Business Segments/Product Portfolio

The company reports their revenue through trading and freight forwarding & storage segment and provides its products through the following subsidiaries

- **Foodco LLC:** Comprises of a wide range of FMCG products, including rice of all varieties, sugar, edible oil, pasta, canned food, tuna, olives, olive oil, tea, evaporated milk, saffron, frozen chicken and meats, frozen vegetables, household aluminum foil and facial tissues. The subsidiary acts as a wholesale distributor of food products to public and private organizations across UAE. Some of the key brands includes Pasta ZARA, Virginia, Gloden Gate, Lajawab etc.
- **Foodco National Foodstuff PJSC:** This subsidiary, formerly known as Sense Gourmet Food Company PSC, is engaged in the provision of catering services through Abu Dhabi National Catering LLC and holds the franchise rights of Figaro's Pizza outlets in the Middle East and Caffe Verri in the UAE.
- **Oasis National Foodstuff Company LLC:** This subsidiary is engaged in packaging, repacking, grinding, shrink-wrapping and tapping food products for private labels, hotels, restaurants and military. The subsidiary also owns and operates a flourmill, which grinds, mixes and packs a range of spices. Operates out of a 1,800 sqm high-capacity, state of the art facility in Abu Dhabi,
- **5PL Logistics LLC:** This subsidiary offers marine, air and land shipment services, in addition to managing and operating stores and warehouses.

Recent Developments/Future Plans

- N/A

Financial Performance

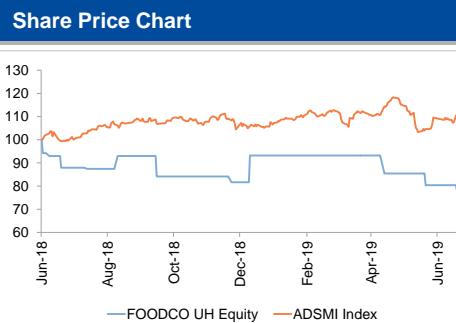
- Foodco revenues for FY 2018 increased 24.4% y-o-y to reach US\$ 107 million, up from US\$ 86 million in FY 2017.
- Net profit declined by 11.7% y-o-y in FY 2018 to reach US\$ 16 million as compared to US\$ 18 million in FY 2017.

Current Price (US\$)	0.84
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Price as on September 4, 2019

Stock Details	
Bloomberg ticker	FOODCO UH
52 week high/low	1.01 / 0.71
Market Cap (US\$ mn)	101
Enterprise value (US\$ mn)	165
Shares outstanding (mn)	120

Note: The information on average daily turnover is not available



Valuation Multiples			
	2017	2018	2019E
P/E (x)	8.5	7.5	N/A
P/B (x)	1.0	0.8	N/A
EV/S (x)	1.9	1.4	N/A
Dividend yield (%)	5.4	3.2	N/A

Shareholding Structure		
National Leap Insurance Co.		22.81%
Al Dhaheri Ali Khalfan		22.81%
Gulf Arab Food Co.		12.97%
Others		41.41%

	2016	2017	2018
Sales	60	86	107
EBITDA	(2)	24	22
Net Income	15	18	16
Total Assets	239	278	310
Total Debt	88	113	122
Total Equity	129	139	153



Halwani Brothers Co. Ltd (Publicly Listed)

Saudi Arabia

Company Description

Founded in 1950 as a family business, Halwani Brothers Co. Ltd. (Halwani Bros) has grown to become a manufacturer and distributor of a wide range of food products, facial tissues and packaging materials. The company has ISO 9001 certificate of high quality, in addition to HACCP, the certificate for the systematic management of food safety. The products are distributed under the trademarks of Halwani Bros, Al Nakhla, Al Fallaha and Mukhtarat, among others. In addition to having distribution presence in Saudi Arabia, the company exports its products to 32 countries.

Business Segments/Product Portfolio

- **Halawa:** Under the Al Nakhla brand, the Company offers a variety of halawa sweet products such as halawa with pistachio, halawa chocolate, halawa with sorbitol, halawa plain and halawa deluxe plain.
- **Maamoul:** Maamoul is one of the most popular sweet products of Halwani Bros, available in different varieties such as baby maamoul, finger maamoul, whole-wheat maamoul, maamoul with dates and maamoul with fruit and coconut.
- **Meat:** The Company offers frozen chicken, beef and turkey in a variety of preparations.
- **Jams:** The Company offers normal and sugar free jams in a variety of flavors such as apricot, pineapple, strawberry, cheery and orange, among others.
- **Tahina:** Under the Al Nakha brand, the company offers tahina, a middle eastern condiment in various package sizes.
- **Dairy:** The Company retails dairy products such as yogurt, cream, labneh and cheese under its Al Fallaha trademark.
- **Juice:** Under its Sahten trademark, the Company offers a variety of juices such as Orange, Strawberry and Tamarind.
- **Others:** The Company offers pickles and oils, ice creams, grains, spices, sugar and wet wipes.

Recent Developments/Future Plans

- In May 2019, Halwani Bros signed a MoU with the King Abdulaziz University for establishing a Center of Excellence to ensure that the knowledge and technology of the new graduates will be utilized in the Kingdom as part of the Vision 2030.

Financial Performance

- For FY 2018, Halwani Bros reported a 39.3% y-o-y decline in net profits, primarily driven by rise in input cost in Saudi and Egypt, along with higher discounts in the two countries and a decrease in export sales due to geo-political situation in the region.
- The revenues for the period rose by 3.9% to US\$ 231 million in FY 2018 from US\$ 223 million a year earlier. The growth resulted from re-evaluating provisions and insurance compensation.

Current Price (US\$)	8.85
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Price as on September 4, 2019

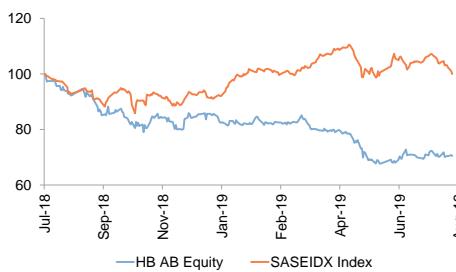
Stock Details

Bloomberg ticker	HB AB
52 week high/low	12.24 / 8.64
Market Cap (US\$ mn)	279
Enterprise value (US\$ mn)	364
Shares outstanding (mn)	31

Average Daily Turnover ('000)

	SAR	US\$
3M	1,411	376
6M	1,357	362

Share Price Chart



Valuation Multiples

	2017	2018	2019E
P/E (x)	20.3	29.8	42.6
P/B (x)	2.7	2.9	2.6
EV/S (x)	2.1	1.8	1.5
Dividend yield (%)	4.9	5.5	2.0

Shareholding Structure

Aseer Arab Indus Invest Co.	55.5%
Halawani Mohamed Abdulhami	6.99%
Mohammed Abdul Hameed Hal	5.73%
Others	31.78%

Key Financials (US\$ mn)

	2016	2017	2018
Sales	263	223	231
EBITDA	47	39	33
Net Income	14	19	12
Total Assets	267	257	258
Total Debt	85	78	88
Total Equity	141	141	121

Source: Company Website, Saudi Gazette, Market Screener, Bloomberg

Converted at exchange rate of 0.27



IFFCO International Foodstuffs Co. LLC (Privately Owned)

UAE

Company Description

Established in 1975, IFFCO International Foodstuffs Co. LLC (IFFCO) is a manufacturer and distributor of a range of agricultural, processed food products, related derivatives and intermediates such as bakery pre-mixes and food ingredients, oils and specialty fats for institutional and food service applications. The Group also engaged in the manufacture and supply of solvent and water-based polymers and packaging products along with a range of animal feed products for regional livestock and poultry segments. IFFCO conducts its business through 75 operations spread across 39 countries. Some of its well-known brands include Allana, London Dairy, Igloo, Tiffany, Savannah, Noor, Rahma, Hayat, Allegro, Al Baker and Al Khazna. The company caters to a diverse set of consumers spread across the Middle East, Africa, Europe, West Asia, Far East, Australia and the US.

Business Segments/Product Portfolio

- **Impulse Foods:** Under this segment, the Company sells a range of impulse foods including biscuits, wafers, snacks, chocolates, confectioneries, cakes and ice creams under the brands – London Dairy, Igloo, Quanta, Tiffany, Piccadeli, Tom, Nabil.
- **IFFCO Beauty:** The Company manufactures a variety of soaps, cleansers, body spray and hair care under the brands Savannah, Royal Leather, Eva and Jini.
- **Agri Business:** The Company offers a variety of products from flour and pasta to pulses and spices, poultry and eggs, fruits, frozen foods and animal nutrition. The company's brands include Al Baker, Swarna and Hayat (flour); Allegro, Hayat, Tiffany, Alfa and Pasta Express (pasta); Al Khazna and A'Rayaf (poultry); Khaleej (eggs); Shama (Spices and Seasoning), Pristine (baking solutions); Al Baker and Khaleej (frozen foods); and Energizer RP10 and Energizer L10 (animal nutrition).
- **Oils and Fats:** The Company provides a range of cooking oils and related products including sunflower oil, olive oil, corn oil, vegetable oil, vegetable ghee, pure ghee, margarine, butter, specialty fats, olives and vinegar. The products are labeled under the brands such as Noor, Rahma, Sunny, Hayat, Alfa, Sunflow and Golden Maize. The company also manufactures and supplies a wide range of fats and oils for applications in food industry, animal feed, healthcare sector, cosmetics and paint manufacturing. In addition to a range of culinary products including ketchup and sauces, mayonnaise, dressings and creams (Whipping and Cooking creams) under the brands Noor, Tiffany, Hayat and Alfa.
- **Packaging:** The Company sells packaging and industrial products such as – PET preform and closure, corrugated boxes, die and molds, PVC compound, waterstop profile and masterbatch under the Empet, Emcap and Emform brands.
- **Chemicals:** The Company offers solvent and water-based polymers, adhesives and sealants, oleo chemicals, PU systems, phenolic polymers for decorative and industrial coating applications.
- **Sales & Distribution:** Serving the industry with quality offers, IFFCO provides complete solutions to bakeries, beverage industry, hotels, restaurants, fast food chains, Quick Service Restaurants, caterers and cafeterias. It's dedicated food service team provides professional advice, ingredients solutions and unmatched service by combining innovation in product development and creating value across a wide range of products and categories, i.e. IFFCO Professional, IFFCO Beverage Solutions, Pristine Baking Solutions, Industrial Solutions and Culinary Solutions. Further, the company has distribution networks in the UAE, Saudi Arabia, Oman, Kuwait and Africa, comprising warehouses and transportation fleet to distribute its own products.

Recent Developments/Future Plans

- In 2018, London Dairy ventured into a new Bistro concept for the first time in UAE and opened its new outlet situated within the emirate of Dubai.



Kuwait Dairy Company (Privately Owned)

Kuwait

Company Description

Founded in 1960, Kuwait Dairy Company (KDC) is a leading dairy and juice company in Kuwait. KDC commenced its operations as a dairy producer and gradually diversified into juices. KDC is engaged in the production, processing and packaging of dairy products, ice cream from fresh milk and juices. The Company manufactures and sells its products under its flagship brands KD Cow, Nativia, Rawan and Queenshe in Kuwait. KDC acquires 93.5% of the fresh milk produced by the Union of Kuwait Dairy Producers and the Company's market share is about 50% in the Kuwaiti fresh milk market. The Company supplies fresh milk and its products to all Kuwait government and private hospitals and a number of different ministries. KDC runs a variety of production lines on an area of 22,000 sqm and a production capacity of 350 tons per day.

Business Segments/Product Portfolio

- **Fresh Dairy:** Under this segment the Company produces fresh milk, laban, yogurt, sour cream, low fat cheese, natural margarine, Nabulsi cheese under the brands Kdcow, Nativia and Fresh.
- **Long-life Milk:** The Company produces long-life milk, long-life flavored milk and thick cream under this branch under the Kdcow brand.
- **Ice Cream:** KDC has over 44 types and different sizes of ice cream products produced from natural milk under Kdcow and Nativia brands
- **Juices:** In this segment KDC manufactures Nectar juices (orange, mango, cocktail, guava) according to the highest international standards taking into account the latest health requirements. Operates under two brands - Rawan and Kdcow

Recent Developments/Future Plans

- N/A



Mezzan Holding Co. KSCP (Publicly Listed)

Kuwait

Company Description

Mezzan Holding Co. KSCP (Mezzan) is a vertically integrated manufacturer, distributor and seller of food and non-food products in the Middle East. The company has a consumer products portfolio of over 25,000 stock keeping units (SKUs), spread across more than 360 regional and global brands. Mezzan has production units in Kuwait, Qatar, Afghanistan and the UAE, in addition to which it operates in Iraq, Jordan and Saudi Arabia through its 29 subsidiaries.

Business Segments/Product Portfolio

Food Business Line:

- Food (Manufacturing and distribution):** Mezzan manufactures and distributes F&B under their own as well as third-party brands. The products include chips, snacks, cakes, biscuits, meat, bottled water, dairy and canned foods. These are offered under the brands – Khazan, Kitco, Aqua Gulf, Dana, Al Wazzan, Daniah, Red Bull and Lurpak, among others. The company generated 49.0% of its FY 2018 revenues from this segment.
- Catering:** The Company offers contract-based catering services to corporations, hotels, industrial sites, airlines and ministries in Kuwait, Qatar and the UAE. The company serves about 100,000 meals per day. The catering segment accounted for 18.3% of its revenues during FY 2018.
- Services:** Mezzan provides food supply services ranging from manufacturing to retail and ancillary services like storage, logistics and maintenance. This segment contributed 7.5% to the company's topline during FY 2018.

Non-food Business Line:

- FMCG:** The Company distributes beauty, healthcare, pharmaceutical and household products through agency agreements and exclusive supplier rights. Mezzan also manufactures and distributes household products under own brand, Softy, in Kuwait and Jordan. This segment accounted for 22.5% of the total revenue in FY 2018.
- Pharmaceutical:** Under this segment, the Company distributes medical, wellness and healthcare products with the help of wholesale and retail channels. The Company also own and operates 16 pharmacies in the domestic market.
- Industrial:** Accounting for nearly 3% of the company's FY 2018 revenue, this segment is engaged in the manufacturing of plastic materials and cartons used for packaging and automotive and industrial lube oil.

Financial Performance

- For FY 2018, Mezzan's revenue increased by 1.4% y-o-y to reach US\$ 687 million.
- Net profit for FY 2018 totaled US\$ 25 million, down 40.7% y-o-y. Decrease in profits was due to recent reforms in regulatory and tax policies in the region that influenced the consumer behavior.

Current Price (US\$)	1.97
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Price as on September 4, 2019

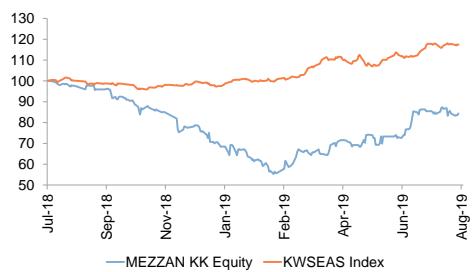
Stock Details

Bloomberg ticker	MEZZAN KK
52 week high/low	2.32 / 1.33
Market Cap (US\$ mn)	600
Enterprise value (US\$ mn)	795
Shares outstanding (mn)	305

Average Daily Turnover ('000)

	KWD	US\$
3M	49,857	164,038
6M	57,878	190,380

Share Price Chart



Valuation Multiples

	2017	2018	2019E
P/E (x)	18.6	20.1	17.1
P/B (x)	2.2	1.4	NA
EV/S (x)	1.4	1.0	NA
Dividend yield (%)	3.6	4.4	3.7

Major Shareholders

Al Wazzan Capital	63.26%
General Org. for Social Insurance	5.56%
Uberoi Dhiraj K	2.55%
Uberoi Sudheer K	2.55%
Mezzan Holding Co.	2.16%

Key Financials (US\$ mn)

	2016	2017	2018
Sales	686	674	687
EBITDA	76	68	47
Net Income	57	43	25
Total Assets	693	698	718
Total Debt	164	166	205
Total Equity	365	381	364



National Agriculture Development Company (Publicly Listed) Saudi Arabia

Company Description

Established in 1981, The National Agriculture Development Company (NADEC) operates as an agricultural and livestock production company in the Middle East and North Africa. It also engages in reclamation of agricultural land and food processing and marketing, as well as agricultural production and dairy production. NADEC has two key businesses – NADEC Foods (consumer products) and NADEC Agriculture (agricultural produce). The Company's head office is located in Riyadh and also owns six dairy farms with around 75,000 cows and two processing plants with a total capacity of 1.5 million litres of milk daily.

Current Price (US\$)	6.64
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Price as on September 4, 2019

Stock Details	
Bloomberg ticker	NADEC AB
52 week high/low	8.61 / 6.09
Market Cap (US\$ mn)	568
Enterprise value (US\$ mn)	1,061
Shares outstanding (mn)	85

Average Daily Turnover ('000)		
	SAR	US\$
3M	3,981	1,062
6M	4,948	1,319



Valuation Multiples			
	2017	2018	2019E
P/E (x)	68.8	1472.5	279.4
P/B (x)	1.9	1.7	N/A
EV/S (x)	2.3	2.0	1.9
Dividend yield (%)	3.9	N/A	N/A

Shareholding Structure	
The Public Investment Fund	20.0%
Al-Othman Abdul Aziz Mohd.	5.29%
Al Rajhi Abdullah Bin Abdul Aziz	5.04%
Others	69.67%

Key Financials (US\$ mn)			
	2016	2017	2018
Sales	580	542	559
EBITDA	133	110	92
Net Income	25	11	0
Total Assets	1,077	1,092	1,056
Total Debt	477	538	489
Total Equity	378	380	386

Recent Developments/Future Plans

- In March 2019, NADEC hired GEA to build and supply the equipment for a new olive oil mill located in Al-Jouf region of Saudi Arabia. The order marks the second phase of an ongoing project and will enhance the existing olive oil plant in Saudi Arabia.
- In March 2018, NADEC acquired privately held Danone Saudi Arabia (Al Safi Danone) through a capital increase of US\$ 143 million.

Financial Performance

- For FY 2018, NADEC recognized a total revenue of US\$ 559 million, which was 3.1% higher as compared to US\$ 542 million in FY 2017.
- NADEC reported a net profit of US\$ 0.48 million for FY 2018, a 95.6% y-o-y drop from FY 2017's net profit of US\$ 11 million due to impairment losses on agricultural assets and trade receivables and higher general and administrative expenses.



National Food Industries Company (Privately Owned)

Saudi Arabia

Company Description

Founded in 1993, National Food Industries Company (NFIC) also known as Luna, operates within the agricultural and packaged foods products sector. NFIC is involved in the processing and packaging of a wide variety of canned products under its flagship brands - Luna and Green Farms. Luna is a popular brand in Saudi Arabia. Green Farms brand is a premium quality product of Luna. The company also offers its products under other brands like – Al Bustan, Al Hamra and Rotana in the Middle East, Europe, Africa and Latin America markets. NFIC operates as a subsidiary of Hayel Saeed Anam & Company.

Business Segments/Product Portfolio

- **Dairy Products:** The Company offers dairy products such as full cream evaporated milk, milk powder, sterilized cream, cream cheese spread, sweetened condensed milk, UHT full cream milk, cheddar cheese and iced coffee & flavored milk, all under umbrella brand of Luna.
- **Foul & Beans and Paste:** Under this product line, NFIC offers products such as baked beans in tomato sauce, green peas, chick peas, white beans, chana dal and tomato paste, again all under Luna brand.
- **Other Products:** This product line comprises Luna branded canned lupin beans, whole kernel corn, chick peas in glass jar and peanut butter.

Recent Developments/Future Plans

- N/A



National Food Products Company (Privately Owned)

UAE

Company Description

Established in 1971, National Food Products Company (NFPC) is UAE-based manufacturer and distributor of beverage and dairy products. The company commenced operations as a dairy producer and then entered into the production of packaged juice and bottled drinking water. Since its inception, NFPC has expanded its business through strategic acquisitions and by engaging in JVs with international companies.

Business Segments/Product Portfolio

- **Milco:** Under this brand, NFPC produces and markets a wide range of dairy products. The company's product portfolio includes milk, smoothie, provita laban, yoghurt, flavored milk, labneh and cheese. The products are manufactured at its plant located in Abu Dhabi.
- **Lacnor:** NFPC acquired France-based beverage maker Lacnor which operates in over 30 countries. The company's key products include milk and milk-based beverages, fruit juices and tomato paste.
- **Oasis:** Founded in 1984, Oasis is NFPC's subsidiary which is one of the leading water brand in UAE, offering packaged drinking water. The company offers a wide range of bottled drinking water, ranging from 100ml cups to 5 gallon.
- **Industrium:** Founded in 1977, Industrium manufactures plastic packaging solutions for milk and dairy products in UAE. Industrium has consolidated its brands like MPC (Milco Plastic Co), Solid green and many others. The company's business line comprises of food packaging solutions, transportation packaging and designing and manufacturing products.
- **Arla – Arla NFPC:** Arla is a farmer-owned dairy co-operative, involved in production and distribution of dairy products including milk, cream, cheese, yoghurt, spreads, butter and milk powder. NFPC offers products under the brands Lurpak, Castello and Puck through a JV with Arla Foods.

Recent Developments/Future Plans

- In April 2019, Lacnor launched 'Lacnor Kids Fit Squad' to promote healthy eating and an active lifestyle, especially among children. The company has successfully collaborated with 10 schools and plans to organize the health initiative with another 60 schools by the end of 2019.



Oman Food Investment Holding Co. SAOC (Privately Owned)

Oman

Company Description

Established in 2012, Oman Food Investment Holding Co. SAOC (OFIC) is a wholly owned subsidiary of the government of Oman and was established to ensure food security in the nation, through partnerships with government agencies, private operators and investors. OFIC aims to boost Oman's food security and economic well-being by investing in domestic and international food projects in partnership with food companies, investors and other stakeholders.

Business Segments/Product Portfolio

- **Mazoon Dairy Company (SAOC):** Founded in 2015, the Company is responsible for handling the flagship dairy project in Oman. Mazoon operates dairy farms that produces milk and milk products. The project has a capital outlay of OMR 100 million (US\$ 260 million) with a Debt Equity mix of 50:50. OFIC's contribution in the equity is 20%.
- **Oman Flour Mills Company (SAOG) (OFM):** Established in 1977, OFM is a public limited company with 51% ownership by Oman Foods Investment Holding Company SAOC. OFM operates through five segments: Flour mill, Feed mill, Poultry farm of MPF, Atyab Bakery LLC and Others. OFM has two production facilities of flour and feed milling having a flour capacity of 850 tons per day and over 1000 tons of animal feed. It has more than 20 varieties of flour and allied products distributed under the brand "Dahabi" and more than 20 different animal feeds distributed under the brands "Barakat" & "Alpha".
- **Al Namma Poultry Co. (SAOC):** Al Namma Poultry is a closely held shareholding company incorporated in the Sultanate of Oman, as a National Food Security initiative of the nation. The Company produces poultry meat and products by using latest technology and processes starting from hatchery to slaughtering.
- **Omani National Livestock Development Co. (SAOC):** Established in 1998, the company produces animal feed, poultry feed and premixes for animals.
- **Al Bashayer Meat Company (SAOC):** The Company was founded in 2016 for supplying meat in Oman. The company's strategy is to offer red meat products to the Omani retail and institutional clients.
- **Omani Fisheries Company SAOG:** Established in 1987, the company is engaged in the procurement, processing and sale of fresh, frozen and coated fish, fishing and the sale of fishing rights. The company has processing and cold storage facilities across Oman.
- **Al Moroож Dairy Co. (SAOC):** Al Moroож Dairy Co. has been established as a closed joint-stock firm and is engaged in manufacturing raw milk, butter, cheese and other dairy products.

Recent Developments/Future Plans

- In April 2019, OFIC announced its plan to introduce a three project strategy to strengthen the food security in Oman. OFIC plans to establish fruit and vegetable marketing company to work closely with farmers and SMEs to form a systematic process from collection until packaging of items. Secondly, it wants to build a food logistic company, which is single faceted and dedicated only for food logistics. And, lastly to build a food techno park to bring together food and agriculture services provider under one roof.



Oman Foodstuff Factory Ltd (Privately Owned)

Oman

Company Description

Oman Foodstuff Factory LLC (OFF) is one of the leading manufacturer of FMCG products in Oman. The Company is principally involved in the production of chips, milk powder and tomato paste. The Company manufactures tin cans, packaging products, snack foods and distributes chips, crackers, milk powder and tomato paste through its subsidiaries. The Company sells its products locally and in regional and African markets. OFF's UAE operation include Ami's Food Industries which is engaged in producing Indian snacks and Oman Foodstuff Trading Company which handles the trade of OFF's products. OFF also has registered offices in Saudi Arabia and Kuwait for distribution and the products are distributed through a third party distributor in Qatar and Bahrain.

Business Segments/Product Portfolio

- **Chips:** The Chips Factory's manufacturing unit is built on internationally accepted preparation methods which is equipped with latest technology and machinery. This not only helps in the preparation, but also in maintaining international quality standard in packaging and storage. The products manufactured are branded under its flagship Al Mudhish brand.
- **Milk:** The Company markets milk powder through its Al Mudhish and Ami's brands. OFF produces milk powder with latest international technologies in different sizes and weights and supplies to the GCC and African countries.
- **Tomato Paste:** Tomato Paste is manufactured at the Company's Rusyl, Salalah and Raysut plants. The Company procures natural and fresh tomato paste from its reliable suppliers, which is then processed, packaged and stored with the help of latest technologies. Products under this segment are marketed under the Al Mudhish and Ami's brands.
- **Cans:** Muscat Cans Co. LLC produces cans and packaging products for catering in-house packaging needs of the Al Mudhish and Ami's brand as well as other private labels. Additionally, the company also serves the food packaging industries.
- **Manar Food Industries:** Manar Food Industries LLC was established in 2000, produces savory snacks of over 40 different types. These snacks are distributed all over Oman and is also exported in foreign countries.
- **Oman Milk Products (Dairy) Co.:** It is a subsidiary to OFF and is engaged in manufacturing of FMCG products. Oman Milk Products (Dairy) Co. SFZCO LLC manufactures evaporated milk, UHT flavored milk, juices, nectars, still drinks, breakfast drinks and cream, sweetened condensed milk.
- **Ami's Food Industries FZCO:** It has been incorporated in October 2002, in Jebel Ali Free Zone, Dubai. Ami's Food manufactures Indian snacks and ready to eat products under the Ami's brand. Ami's has achieved the HACCP certification.

Recent Developments/Future Plans

- N/A



Oman Refreshment Company (SAOG) (Publicly Listed)

Oman

Company Description

Founded in 1974, Oman Refreshment Company SAOG (ORC) is primarily involved in bottling and distribution of soft drinks, water and juices in the country under the franchise rights of PepsiCo, Inc. The Company also holds rights to distribute a range of chips, ice creams and other beverages. ORC also trades in various snacks products of the international brand. In addition, the company produces and distributes juices under its own brand, Top Fruit. The Company's head office and plant are located in Al Ghubra, its distribution network covers the entire nation through nine remote distribution centres.

Current Price (US\$) 3.46

Price as on September 4, 2019

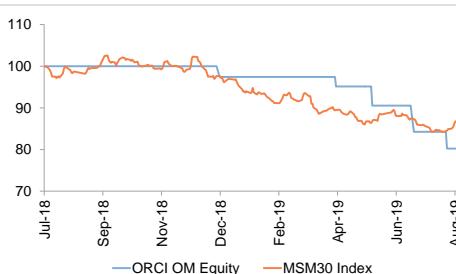
Stock Details

Bloomberg ticker	ORCI OM
52 week high/low	4.51 / 3.33
Market Cap (US\$ mn)	175
Enterprise value (US\$ mn)	143
Shares outstanding (mn)	50

Average Daily Turnover ('000)

	OMR	US\$
3M	0.77	1.97
6M	1.04	2.66

Share Price Chart



Business Segments/Product Portfolio

- Beverages:** This segment include carbonated soft drinks, tea and coffee of PepsiCo Inc. Key brands include Pepsi, Mountain Dew, Mirinda, 7 Up, Shani, Evervess Soda and Aquafina Water. Lipton Ice Tea, Bario, Sting, Rabea Tea and Tropicana Fruitz are also included under this category.
- Snacks:** ORC distributes PepsiCo's range of snacks products including Lays potato chips, Doritos, Cheetos, Sunbites and Euro Cake.
- Oats:** Quaker range of food products comprises oat cookies, pasta, soups and base oats.
- Ice Cream:** The Company distributes leading brands like Nestle, Daim, Cadbury, among others.

	2017	2018	2019E
P/E (x)	9.5	7.2	N/A
P/B (x)	2.0	1.5	N/A
EV/S (x)	1.1	1.1	N/A
Dividend yield (%)	4.5	4.8	N/A

Recent Developments/Future Plans

- In October 2018, ORC acquired a new business line of vending machines and hot drinks distribution in Sultanate of Oman through 100% share acquisition of Arabian Auto Vending Machine Company LLC.
- In January 2017, ORC launched a new line of 'ready to eat' bakery products in the Sultanate. The new range, marketed under the brand name 'Eurocake', includes croissants, cupcakes, chocolate chip brownies, muffins and pound cakes.

Shareholding Structure		
Mohamed & Obaid Al Mulla L	16.79%	
Dubai Refreshments Co. PSC	14.22%	
Others	68.99%	

	2016	2017	2018
Sales	201	202	197
EBITDA	38	40	40
Net Income	27	28	31
Total Assets	167	171	196
Total Debt	23	13	16
Total Equity	116	131	152



Saudia Dairy & Foodstuff Company (Publicly Listed)

Saudi Arabia

Company Description

Founded in 1976, Saudia Dairy & Foodstuff Company (SADAFCO) produces and distributes dairy products, beverages and various foodstuff in Saudi Arabia, Poland and other Gulf and Arab countries. SADAFCO operates three manufacturing facilities in Jeddah and Dammam; three distribution centers in Jeddah, Riyadh and Damman; and a network of 20 depots across Saudi Arabia, Qatar, Bahrain, Kuwait and Jordan. The Company offers around 124 Stock Keeping Units (SKU) with its core products being marketed under its flagship Saudia brand. Other trademarks in the portfolio include Crispy, Baboo, Majestique, Sensations and JUMP. SADAFCO is a subsidiary of Al Qurain Petrochemicals Industries Company.

Current Price (US\$) 35.69

Price as on September 4, 2019

Stock Details

Bloomberg ticker	SADAFCO AB
52 week high/low	36.78 / 19.07
Market Cap (US\$ mn)	1,130
Enterprise value (US\$ mn)	985
Shares outstanding (mn)	33

Average Daily Turnover ('000)

	SAR	US\$
3M	7,125	1,941
6M	8,716	2,375

Share Price Chart



Valuation Multiples

	2018	2019	2020E
P/E (x)	14.2	14.7	16.3
P/B (x)	3.4	2.9	3.0
EV/S (x)	2.1	1.9	1.9
Dividend yield (%)	3.0	3.2	3.5

Shareholding Structure

Al Qurain Petrochemical Industries Co.	40.11%
Al Samh Trading Company Ltd	11.68%
Others	48.21%

Key Financials (US\$ mn)

	2017	2018	2019
Sales	476	451	483
EBITDA	102	91	78
Net Income	81	70	58
Total Assets	438	470	511
Total Debt	N/A	N/A	N/A
Total Equity	337	352	362

Recent Developments/Future Plans

- In April 2019, SADAFCO announced that its Jeddah Central Warehouse has become operational. The facility has a capacity up to 42,000 pallets. Total building, automation & semi-automation and engineering & equipment costs amounted to US\$ 39 million.
- In August 2018, SADAFCO acquired the Polish dairy producer, Mlekoma through its subsidiary SADAFCO Poland for US\$ 32 million. Post acquisition, SADAFCO holds 76% stake in Mlekoma Sp z.o.o and its unit Foodexo sp.z o.o.

Financial Performance

- SADAFCO recognized a total revenue of US\$ 483 million in FY 2019, reflecting a y-o-y increase of 7.1% from US\$ 451 million in FY2018.
- Net profit for the year stood at US\$ 58 million, which decreased 16.9% y-o-y from US\$ 70 million in FY 2018.



Savola Group Co. SJSC (Publicly Listed)

Saudi Arabia

Company Description

Established in 1979, Savola Group Co. SJSC (Savola), through its subsidiaries, manufactures and distributes edible oils, sugar, seafood, pastas, confectioneries and agricultural products in local and international markets. The Company also operates over 400 grocery retail stores, largely in Saudi Arabia, through its subsidiary – Panda Retail Co. Savola also holds strategic majority interests in the two well-known GCC-based food companies, Almarai Co. and Al Kabeer Co. It also holds stake in Saudi-based Kinan International Company which is into real estate development.

Business Segments/Product Portfolio

- Food:** The food business, which accounts for 44.6% of the total FY 2018 revenues, is conducted through its subsidiary Savola Foods Co. The subsidiary has manufacturing units in Saudi Arabia, Egypt, Iran, Turkey, Algeria, Morocco and Sudan. It offers a wide range of food products that are sold across 30 countries under brands such as Afia, Al Arabi, Rawaby, Al Tayeb, Italiano and Al Malikah.
- Retail:** The Panda Retail Co. is a grocery store chain conducting the group's retail business through 214 stores in 40 cities in Saudi Arabia, serving over 116 million customers annually. Panda is a leading player in the kingdom's grocery retail sector in terms of market share and retail space. Savola's retail business accounts for 51.0% of the total FY 2018 revenues.
- Investment and Other Activities:** Savola has invested in key food companies such as Almarai Co. and Herfy Food Services Co. and owns interests in several real estate companies including Kinan International and financial services companies – Swicorp, Swicorp Joussour Fund and Intaj Capital Ltd. Fund.

Recent Developments/Future Plans

- In December 2018, Savola completed the acquisition of 51% stake in Al Kabeer Group for US\$ 150.8 million. The purchase agreement was announced in May 2018.

Financial Performance

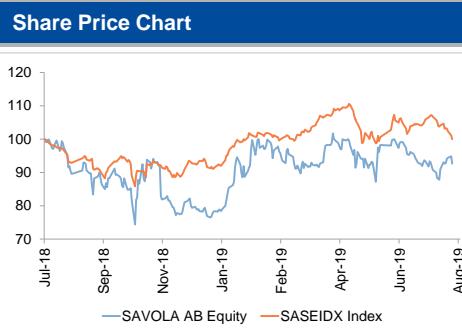
- Savola recognized a total revenue of US\$ 5.8 billion in FY 2018, as compared to US\$ 6.4 billion in FY 2017.
- The Group incurred net losses of US\$ 139 million, as compared to net profit of US\$ 273 million a year earlier, driven by higher zakat expenses, increased cost of financing and currency exchange losses.

Current Price (US\$)	8.08
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Price as on September 4, 2019

Stock Details	
Bloomberg ticker	SAVOLA AB
52 week high/low	9.32 / 6.69
Market Cap (US\$ mn)	4,264
Enterprise value (US\$ mn)	7,365
Shares outstanding (mn)	534

Average Daily Turnover ('000)		
	SAR	US\$
3M	29,087	7,757
6M	26,200	6,987



Valuation Multiples			
	2017	2018	2019E
P/E (x)	20.9	N/A	77.0
P/B (x)	2.4	2.0	2.2
EV/S (x)	1.2	1.0	1.3
Dividend yield (%)	2.4	3.7	0.4

Major Shareholders	
Assilah Investment	11.23%
General Org for Social Insurance	10.26%
Abdul Qadir Al Muhaidib & Sons Co.	8.23%
Al Rabeah Abdullah Bin Saad	8.21%

	2016	2017	2018
Sales	7,020	6,354	5,814
EBITDA	131	228	97
Net Income	(97)	273	(139)
Total Assets	6,740	6,223	5,932
Total Debt	2,484	2,044	2,200
Total Equity	2,465	2,589	2,138

Converted at exchange rate of 0.27

Source: Company Website, Saudi Gazette, Argaam, Bloomberg



Sunbulah Group (Privately Owned)

Saudi Arabia

Company Description

Founded in 1980, Sunbulah Group (Sunbulah) operates as a food processing, manufacturing and distribution company in Jeddah, Saudi Arabia. The Company has strong presence across different food categories including frozen pastry and vegetables, frozen processed meat, premium cheese & natural honey. Sunbulah products are available in the GCC, Middle East (Egypt, Jordan, Yemen & Lebanon), Far East (Indonesia) and European (UK) markets through a network of distributors. Some of its leading brands like Sunbulah, Alshifa, Sary and Walima are present in around 35 countries. The company operates as a subsidiary of Saudi Brother's Commercial Company.

Business Segments/Product Portfolio

Sunbulah products are broadly bifurcated into two categories - Frozen Foods and Chilled & Dry Products:

Frozen Foods:

- **Pastries:** With over 150 products under the Sunbulah brand, including puff pastry dough and square with different sizes and flavors, samosa dough, konafa dough, spring roll dough, baklava filo and many others.
- **Fruits and Vegetables:** Wide range of frozen fruits and vegetables picked from the best source and branded under Sunbulah and Walima.
- **Bread Products:** Variety of bread and bread roll items such as baguettes, ciabatta, croissant and kaiser rolls. Also offers Danish range and donuts under the Sunbulah brand name.
- **Cakes:** Offers a collection of frozen ready to defrost and serve cakes range under the Sunbulah branding. Offers a large section of pound cakes available in different flavors: vanilla, chocolate, banana, sultana, dates and orange.
- **Convenience Products:** Wide range of prepared and ready-to-cook products. This Sunbulah branded range includes pizza, filled samosa, spring rolls, etc.
- **Ready Meals:** Range of pre-cooked and ready to-eat meals.
- **Meat & Poultry Products:** Processed by Sunbulah, including burgers, kebabs and chicken nuggets with Subulah branding.
- **Fish Products:** Including burgers, fish finger and breaded shrimps, marketed under Sunbulah and Walima brand.
- **Cheese & Dairy Products:** Shredded mozzarella, Canadian mozzarella, Turkish labneh, offered under Sunbulah and Walima brand.

Chilled & Dry Products:

- **Honey:** Brands includes Al Shifa and Sary sourced from the farms in South America, Australia and other rich sources. Over 30 varieties including mono-flora honey and multi-flora honey.
- Jams, dairy products, condiments olive products.

Recent Developments/Future Plans

- N/A



Trafco Group BSC (Publicly Listed)

Bahrain

Company Description

Founded in 1977, Trafco Group BSC (Trafco) is a Bahrain-based company that is engaged in trading in various kinds of food products. Trafco is a FMCG conglomerate which offers a range of canned, frozen & dry food and non-food products. The Company operates a chain of supermarkets and also imports meat from Australia, Brazil, Europe, the Far East, India, UK, US, Pakistan, besides Arab and Middle East countries. In order to expand its presence Trafco has invested in and acquired companies both locally and in the GCC region since its inception.

Current Price (US\$)	0.83
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Price as on September 4, 2019

Stock Details	
Bloomberg ticker	TRAFCO BI
52 week high/low	0.84 / 0.79
Market Cap (US\$ mn)	67
Enterprise value (US\$ mn)	91
Shares outstanding (mn)	81

Note: The information on average daily turnover is not available



Valuation Multiples			
	2017	2018	2019E
P/E (x)	13.6	N/A	N/A
P/B (x)	0.9	N/A	N/A
EV/S (x)	0.7	N/A	N/A
Dividend yield (%)	5.7	5.7	N/A

Shareholding Structure	
Zainal Ahameed Zainal	10.45%
Zainal Ebrahim Mohammed Ali	2.34%
Fakhro Esam Abdullah Yousuf	1.96%
Others	85.25%

	2016	2017	2018
Sales	109	106	105
EBITDA	8	8	9
Net Income	5	4	5
Total Assets	102	106	105
Total Debt	14	12	8
Total Equity	69	73	76

Recent Developments/Future Plans

- In August 2018, Trafco Group renewed its lease contract with Bahrain Real Estate Investment Company (Edamah), in which Edamah will continue to provide land for enabling business and logistics operations of Trafco.

Financial Performance

- Trafco recognized a total revenue of US\$ 105 million in FY 2018, a decrease of 0.9% y-o-y as compared to US\$ 106 million in FY 2017. Bahrain accounted for 92.3% of the total revenue with the rest 7.7% coming from Kuwait.
- The net profit for FY 2018 increased 9.8% to reach US\$ 5 million.



Zad Holding Company SAQ (Publicly Listed)

Qatar

Company Description

Established in 1969, Zad Holding Co. SAQ (Zad), through its subsidiaries, is primarily engaged in the import of wheat and production and distribution of flour, bakery products, processed frozen meat and other packaged food products. Further, Zad is engaged in the activities of contracting for building, investing, establishing and managing of industrial projects. Zad also looks into activities in real estate, selling and rental of heavy equipment, manufacturing and supply of ready mix concrete and asphalt, crushing services, providing transport services and investment in financial instruments.

Business Segments/Product Portfolio

- Trading, Manufacturing, Distribution and Services:** The Company is engaged in several businesses, which includes manufacturing and distribution of wheat flour and distribution of bran and barley; manufacturing of bakery products; marketing flour oil, animal feed and other foodstuffs. The Company operates its businesses with the help of five subsidiaries – Qatar Flour Mills, Qatar Food Industries, Umm Said Bakery, Arzak Marketing, QFM Trading and National Food Co. The segment contributed 72% of the revenues in FY 2018.
- Contracting, Real Estate and Others:** Zad provides civil construction, investing, establishing & managing industrial and real estate facilities on a contractual basis. The Company also sells and leases heavy construction equipment and supplies ready-mix concrete and asphalt. Zad provides such services with the help of its subsidiary named Meeda Projects. The segment contributed 28% of the total revenue in FY 2018.
- Investment and Managed Services:** This segment provides management and support services to its affiliates, investments in financial securities and commodities.

Recent Developments/Future Plans

- NA

Financial Performance

- For FY 2018, Zad registered a total revenue of US\$ 347 million, a y-o-y growth of 8.9%, as compared to a year before of US\$ 333 million.
- Net profit grew by 7.7% to US\$ 58 million in FY 2018, from US\$ 54 million in the previous year.

Current Price (US\$)	3.71
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Price as on September 4, 2019

Stock Details	
Bloomberg ticker	ZHCD QD
52 week high/low	4.18 / 2.47
Market Cap (US\$ mn)	531
Enterprise value (US\$ mn)	471
Shares outstanding (mn)	144

Average Daily Turnover ('000)		
	QAR	US\$
3M	288	79
6M	572	157



Valuation Multiples			
	2017	2018	2019E
P/E (x)	8.8	11.5	N/A
P/B (x)	1.1	1.6	N/A
EV/S (x)	1.2	1.7	N/A
Dividend yield (%)	5.7	6.3	N/A

Shareholding Structure	
Horizon Investment Co.	7.08%
Al-Jabr Real Estate Investment	6.93%
Al Thani Talal Bin Mohammed Bin Jaber	5.82%
Others	80.17%

Key Financials (US\$ mn)			
	2016	2017	2018
Sales	340	333	347
EBITDA	69	66	60
Net Income	46	54	58
Total Assets	589	612	566
Total Debt	86	103	59
Total Equity	390	415	420



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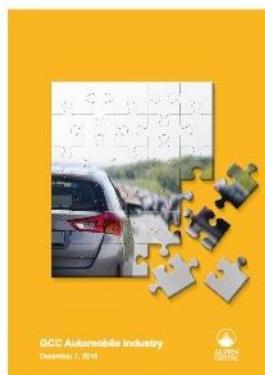
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**Sale of 51% Equity Stake in
Al Kabeer Group of Companies**



to
Savola Group



Financial Advisor



**Dubai Investment Park
Development Company LLC**
(A wholly owned subsidiary of Dubai Investments PJSC)
Rated 'BB with Stable Outlook' by Standard & Poor's

US\$ 300,000,000
Debut Sukuk Offering - 5 years

Joint Lead Managers



Financial Advisor



AL Bayan Group of Companies
Sale of 100% Equity stake in the water bottle
manufacturing, purification and distribution business.



to
Agthia Group PJSC



Financial Advisor



**Cholamandalam Investment and Finance
Company Limited**

INR 10,570,000,000
(~US\$150 million)

Non Convertible Debentures

Investor



Asian Development Bank

Financial Advisor



National Savings Bank

US\$ 100,000,000

Term Facility

Financial Advisor



US\$ 67,500,000

Syndicated Senior Term Facility

US 32,500,000

Arranger and Facility Agent



US\$ 20,000,000 US\$ 15,000,000



Financial Advisor



Techno Blue W.L.L.
Sale of 100% Equity stake



to



Financial Advisor



Private Equity Placement in



ESDS Software Solution Private Limited

by



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