GCC Food Industry

February 22, 2017

Alpen Capital was awarded the "Best Research House" at the Banker Middle East Industry Awards 2011, 2013, and 2014

ALPEN CAPITAL

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"Overall consumption will continue to rise, given population growth and demographics. Trends that are expected to emerge include healthy and organic, but the scale of those categories is still small. Whilst there's a lot of concern regarding diabetes and sugar consumption, numbers show that categories such as confectionary, bakery and sweets continue to see robust growth. We saw Saudi Arabia impose a tax to fizzy drinks in the budget. Convenience and value will be the big drivers of category selection in the medium term especially in urban centres.

However, the biggest challenge is probably embedded in the supply chain on the FMCG side, with large costs associated with distribution and no reliable independent provider of scale. The best networks are captive today. The dependence on imports further augments this challenge and limits the ability to expand price offering. Easier regulatory pathways to set up local manufacturing bases, access to third party logistics that is reliable and especially labour regulation, can help support local manufacturers. Easier and more importantly reliable custom procedures and timelines would support importers.

Looking at avenues to boost local production up the value chain within the climate restrictions, is going to be important in the long term. There is a focus on cost management emanating from the general slowdown and rising costs in places like Saudi Arabia. Although we do not have a "search for growth" like the developed market players, we are witnessing deceleration and to compensate companies are looking at costs, new categories and even consolidation. Having said that, we are also seeing a lot of focus on food, from investors."

Huda Al Lawati

Chief Investment Officer

Savola Group Co. SJSC, Saudi Arabia

"The GCC food market will likely see continued growth despite the recent slowdown in the overall economy. The changing demographics in the region, driven by a youthful population and a growing middle class, have resulted in a preference for quick and easy meal options, giving an impetus to the packaged foods market. On the other hand, we have noticed that the demand for healthy and international foods is rising due to high health awareness and a developing taste for a westernized diet. However, the challenge of heavy reliance on imports to meet the growing demand for food continues to remain a matter of concern. With regional governments' efforts on ensuring food security through various means, this challenge can be alleviated in the long term.

The favourable demographics with a higher urbanization rate, upcoming global events in the GCC like the EXPO 2020 and FIFA 2022, government measures, hypermarkets and supermarkets gaining popularity, and introduction of newer distribution channels, are some of the factors that will drive the growth of this industry in the coming years."

Suresh Subberwal

Chairman

Al Kabeer Group of Companies, UAE

"Despite weaker commodity prices, the food and beverage sector in the Gulf has remained robust and we expect this to continue notwithstanding continued regional and global economic challenges. Population growth paired with upward economic mobility is already changing the face of the food sector in the region, with a greater number of consumers seeking organic, locally grown and produced, healthy and nutritious products.

As one the pioneers of food manufacturing and importers in the Gulf, Al Islami Foods has built its brand of providing halal food based on the core pillars of quality and trust. Today this now applies for the diverse people that now reside in the Gulf and call this region their home.

Whilst we remain confident in the dynamics and growth of the regional markets, as a local brand the global halal food industry provides outstanding opportunities to companies such as ours - not only the first trusted providers of halal food, but only providing halal food is part of our DNA.

We therefore see the tables turning somewhat. It is now for the regional producers and manufacturers to show the world our expertise and quality. A challenge that us all in the Gulf should be proud to embrace."

Brent Pearson

Chief Financial Officer

Al Islami Foods, UAE

"The market conditions last year have been challenging and are likely to remain so in the next couple of years. This has been further dampened by increasing commodity costs, regional governments' measures such as reduction in public wages, removal of subsidies on food commodities, and subsidies on water and electricity. Having said that there are certain pockets of opportunities like growth in every day consumables, non-discretionary food products and agri products that are produced in the region as consumers shift their behavior to reflect the new reality.

The biggest factor impacting the sector is population, the growth of which has slowed down considerably in last few years. Not just that, the population mix has changed considerably affecting the consumption of certain commodities, particularly premium products. The regional legislation changes like KSA introducing an increase in visa fees for dependents thereby impacting the family size, reducing public sector salaries, etc. will impact the overall consumption. With daily expenses growing, the consumers have become cost conscious and are always looking for better deals. We also see a fall in the trend of spontaneous shopping. The tourist arrival numbers have also softened a bit due to the slowdown in the economy in Europe and Russia. All these factors coupled with reduction in government spending will make the coming years challenging for the industry. However, those with strong balance sheets and well managed working capital and cash flows, will sustain and eventually grow. Those with expensive distribution channels will start looking for alternatives.

In addition to that, this market will also offer opportunities for consolidation. A lot of third tier brands will drop out or will be taken over. With commodity prices stabilizing worldwide, there will be a rippling effect on the sector that will help in growth of the sector."

Garry Walsh

Chief Executive Officer

Mezzan Holding Co. KSCP, Kuwait

"We expect the GCC food sector to grow over the next few years though at a slower rate owing to the global economic climate. One of the major developments that the food industry is witnessing over the past few years is the increased preference for healthier and more need specific functional foods (i.e.: lactose free, gluten free, exotic juice flavorings) and we expect this trend to continue. We feel that few factors can further aid the growth of the sector such as identifying areas of import substitution and promoting national industries in their place which will also help in growing our local talent organically. The sector could also receive an additional boost with the provision of grants and lowered utility rates for national companies or organizations.

The food sector, though on a growth path is not devoid of challenges. The implementation of VAT which is due to take effect in 2018 will impact the overall retail pricing of specific categories of products within the food industry. The current economic climate has resulted in organizations operating at lower capacities. Food companies are looking to achieve greater utilization by either identifying new markets for sales or renovation; opportunities than can enable utilization of present set of machines. Additionally, local quality standards are available but not marketed and hence there is a lack of awareness among key industry players be it manufacturers, retailers as well as consumers. Finally, organizations within the food industry are competing on cost rather than through differentiation and innovation. Intense competition from international players as well as companies in Saudi Arabia are resulting in cost competition leading to an overall drop in margins."

Neeraj Vohra

Chief Executive Officer

Unikai Foods PJSC, UAE

"The GCC Food sector is set to grow at a sustainable and balanced pace. Despite a recent slowdown in the backdrop of sluggish economic conditions, factors like favorable demographics, changing dietary habits and preferences, rising tourist arrivals, increasing penetration of organized retail formats such as hypermarkets and supermarkets, drove the consumption growth. However, this has further increased the reliance on imports thereby increasing the exposure to the fluctuating global food prices. To mitigate the risk, the regional governments' are making efforts to adopt new farming practices, develop domestic livestock projects, and secure farmlands abroad.

In light of growing trade, we see a trend of several food processing companies being established in the region. In addition to processed foods, we have noticed an increase in demand of healthy and organic foods. With consumers becoming more tech-savvy, a significant transformation in distribution channels like adoption of online food ordering platforms, food trucks, etc., are taking place. Other trends like the demand of halal food and international foods have also gained momentum in the recent years.

The sector witnessed several intra-regional as well as cross-border deals during the period, as companies attempted to strengthen their businesses by gaining entry into new markets and expanding product portfolio. In view of increasing significance of food security and growing food demand in the GCC region, the M&A space will continue to remain vibrant in the long term."

Rohit Walia

Executive Chairman

Alpen Capital (ME) Limited

1. Executive Summary

An expanding multi-ethnic, young and affluent society, supplemented by a growing tourism sector continue to drive the GCC region's appetite for food. Furthermore, fast-paced lifestyle and gastronomic diversity of the region have led people to develop a penchant for packaged and international foods. To meet the growing demand, several food processing units, restaurants and modern grocery retail outlets have been establishing presence in the region. Newer food service channels such as mobile trucks and online retail and delivery platforms are also making inroads. Beyond these driving forces, the regional governments' efforts to adopt new farming practices, develop domestic livestock projects and secure farmlands abroad are reinforcing the GCC food landscape.

1.1 Scope of the Report

This report is an update to Alpen Capital's GCC Food Industry Report dated April 28, 2015. It presents the state of the food industry while covering demand-supply dynamics across various food categories in the GCC nations. The report also covers the recent trends, growth drivers and challenges in the industry, along with the sector outlook until 2021. The report profiles some of the prominent food companies in the region, while highlighting their financial and valuation metrics.

1.2 Industry Outlook

- Food consumption in the GCC is expected to expand at a CAGR of 4.2% from an estimated 48.1 million MT in 2016 to 59.2 million MT in 2021. This growth is primarily attributable to increase in the consumer base coupled with a higher per capita income, as the GCC economies stage a sustained economic recovery from the recent downturn.
- Cereals will continue to remain the most consumed food category in the region. Respective share of most of the food categories in the overall consumption is anticipated to remain broadly unchanged through 2021.
- Saudi Arabia and the UAE are likely to remain the major food consumption centers during the forecast period. The country-wise share in total GCC food consumption is anticipated to remain largely unchanged until 2021.
- During the forecast period, food consumption in Saudi Arabia is expected to grow at an annualized average rate of 4.2% to 37.7 million MT and that in the UAE is projected to grow by 4.4% to 10.1 million MT.

1.3 Key Growth Drivers

- The GCC population is expected to witness an addition of 6.5 million individuals between 2016 and 2021. The increasing consumer base will continue to act as the chief contributor to the growth in food consumption in the region. A growing proportion of working couples has led to an increase in demand for packaged foods and ready meals.
- Economic growth in the GCC is anticipated to gradually gather momentum in line with stability in the oil prices and expansion of the non-oil sectors. Subsequently, GDP per capita in the region is projected to expand at an annual average rate of 3.7% between 2016 and 2020, a strong indicator of increasing food consumption.
- Increasing number of tourist arrivals in the GCC is strengthening the role of tourism sector in growth of food consumption. Additionally, seasonal events such as Ramadan, shopping festivals and food festivals will continue to boost food consumption in the region.
- Increasing penetration of organized retail formats such as hypermarkets and supermarkets is likely to support the region's demand for packaged, healthy and processed foods.

- To strengthen food security and build a sustainable supply, the GCC countries are looking at ways to boost the domestic produce. Such developments, if fruitful, are likely to increase the scale of the food sector and reduce import dependency.

1.4 Key Challenges

- Hot and arid climatic conditions, limited arable land and inadequate water resources in the GCC have resulted in a high dependency on food imports. This has exposed the regional economies to global food price fluctuations and geopolitical tensions pertaining to the source countries and vital trade routes.
- The oil price weakness starting second half of 2014 has widened the fiscal deficit of the oil-dependent GCC economies. Consequently, regional governments' have taken measures such as reduction in subsidy spend and public wages to trim down expenditure. Such measures, alongside a subdued job market, are likely to affect consumer spending power and profitability of domestic food producers.
- Inadequate number of warehouses and cold storages as well as shortage of transportation infrastructure in the GCC region has resulted in food wastage. With increasing quantity of food imports, the need for setting up a robust logistics infrastructure is being felt across the region.

1.5 Key Trends

- Sale of packaged foods continues to rise amidst the busy working-class people in the GCC, who account for nearly half of the population. Consequently, grocery retailers are introducing more packaged products under private labels, as they are more profitable and attract customers due to low price points.
- As people in the region become health conscious due to rising incidence of lifestyle diseases, demand for healthy and organic foods is on a rise.
- The number of food processing units in the GCC is increasing, with rising imports and re-export potential. While Saudi Arabia and the UAE have already established themselves as the food processing hubs, their regional counterparts are also gradually catching up.
- From influencing consumer tastes to changing the way food products are sold, served or manufactured, digital technologies are reshaping the food value chain.
- Online shopping is gathering steam in the GCC, particularly in the UAE, as signaled by the proliferation of several online grocery and food delivery platforms.
- Operation of food trucks is also increasing in the GCC, with the opening of couple of dedicated food truck parks in the UAE and announcements by the regulators in Abu Dhabi and Qatar to grant licenses for operations.
- While global demand for halal food is growing, the sector faces operational challenges due to lack of a unified global halal standard. Dubai has remained at the forefront of creating a global halal international accreditation network, which is likely to strengthen its position as a key global trading hub for halal food.
- Presence of people from various nationalities has carved a large market for international foods in the region. While multiple culinary options are available, the Japanese cuisine has been gaining popularity.

Although economic activity dampened in the last couple of years, corrective measures being undertaken to mitigate the adverse impact, complemented with an expected stability in oil prices, are charting a path for sustainable and balanced growth in the GCC. The subsequent improvement in the job market and consumer spending, coupled with an expanding consumer base, will support the growth of the region's food sector.

2. The GCC Food Industry Overview

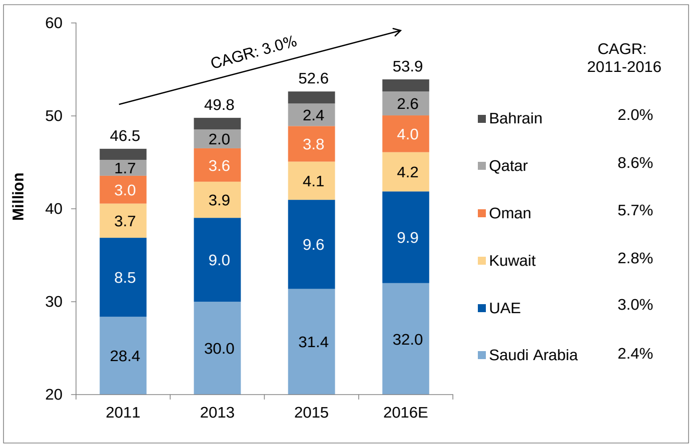
Despite the present economic downturn, the demand for food – a basic necessity – is likely to continue growing in the face of an expanding consumer base

Growing population, high disposable incomes, rising tourist arrivals, increasingly urbane lifestyles and evolving consumer preferences have been propelling food consumption growth in the GCC. However, this has further increased the reliance on imports, owing to limited arable land, hot and arid climate, and fresh water shortage. Against this backdrop, food security remains a key priority for the GCC governments, which have not only been taking measures to enhance domestic productivity, but also are investing in farmlands overseas. While the countries are import-reliant, some of the GCC cities act as key food re-export hubs due to their strategic location at the crossroads of the East and West. In light of growing trade, several food processing companies have been established in the region. Despite the present economic downturn, the demand for food – a basic necessity – is likely to continue growing in the face of an expanding consumer base.

Population of the GCC region is estimated to have grown at an annualized rate of 3.0% since 2011 to reach nearly 54 million in 2016

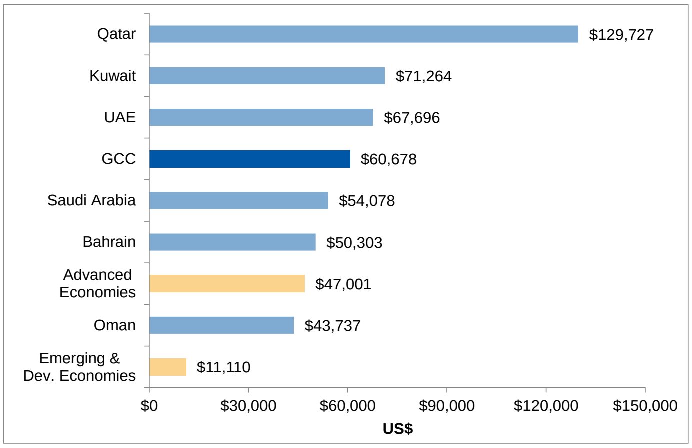
Population of the GCC region is estimated to have grown at an annualized rate of 3.0% since 2011 to reach nearly 54 million in 2016[1] (see Exhibit 1). While demand for traditional food products persists, the youth and working class are developing new tastes and preferences, and driving demand for international and processed foods. 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 diet foods. At the same time, there is an increasing frequency of eating out as part of socializing and entertainment. Such food consumption patterns are befitting to the region's high affluence level. The per capita income in the GCC is estimated at US$ 60,678 in 2016, significantly higher than the average of advanced economies in the world[1] (see Exhibit 2). Moreover, the large accumulated wealth of the oil exporting nations has facilitated high food imports and investments abroad for securing food supply.

Exhibit 1: Population Growth in the GCC



Source: IMF – October 2016

Exhibit 2: GDP Per Capita (PPP) in the GCC (2016E)



Source: IMF – October 2016

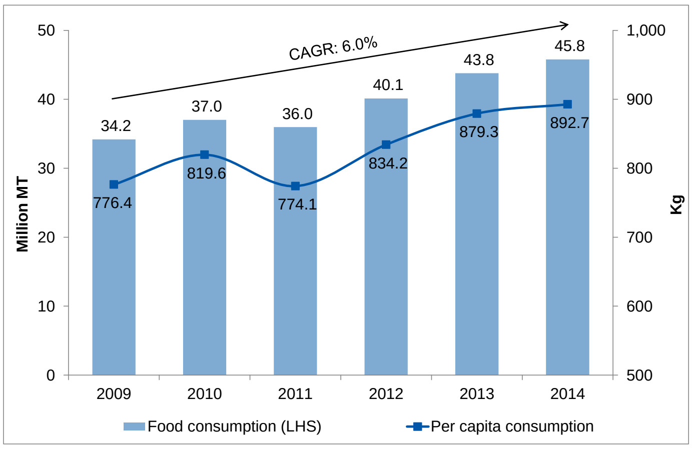
The GCC region consumed 45.8 million MT of food products in 2014, posting a CAGR of 6.0% since 2009

The GCC region consumed 45.8 million MT of food products in 2014, signifying an annual consumption of 892.7 kilograms (kg) per person[2] (see Exhibit 3). The total consumption has increased at a CAGR of 6.0% since 2009, primarily driven by rising population, tourist arrivals and income levels. The composition of food consumed corresponds to the population concentration in the GCC countries. Home to 78.1% of the GCC population in

[1] Source: "World Economic Outlook Database", International Monetary Fund (IMF), October 2016
[2] Source: AOAD, FCSA of UAE, NCSI of Oman, CIO of Bahrain, IMF

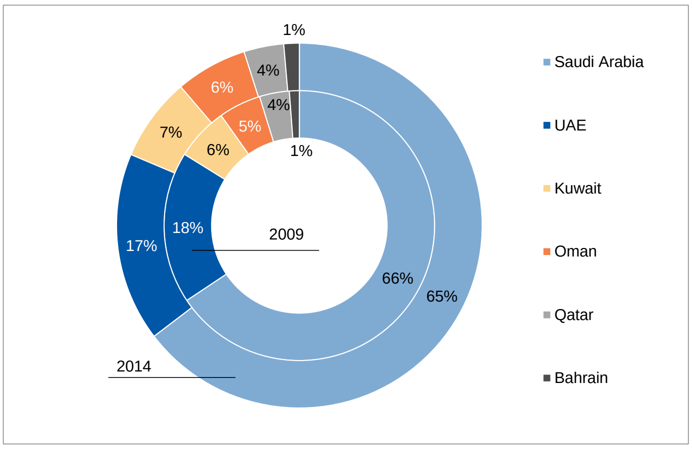
2014, Saudi Arabia and the UAE represented 81.4% of total food consumed in the region[3] (see Exhibit 4). However, the share of each of these two countries has declined by 1 percentage point (ppt) between 2009 and 2014, while that of the smaller countries like Kuwait and Oman has increased.

Exhibit 3: Food Consumption in the GCC



Source: AOAD, FCSA of UAE, NCSI of Oman, CIO of Bahrain, IMF

Exhibit 4: Country-wise Food Consumption Share

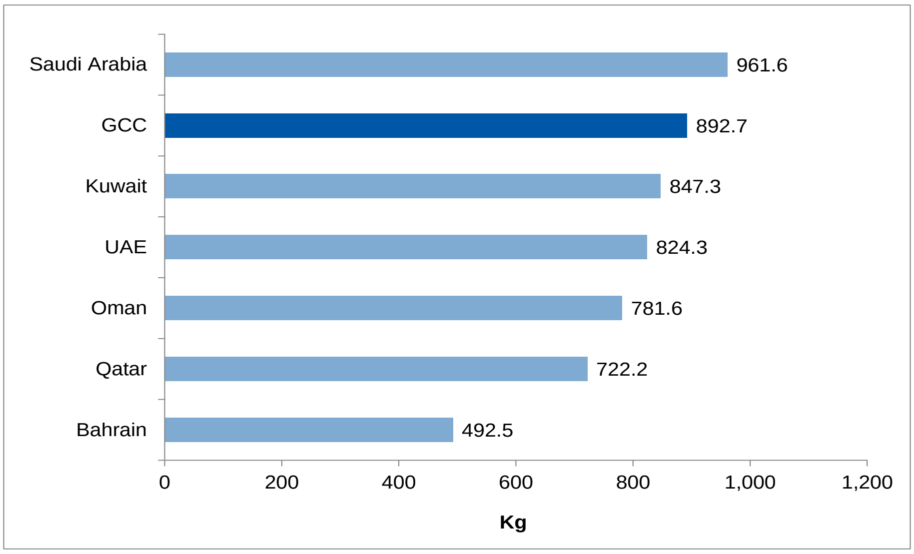


Source: IMF, AOAD, FCSA of UAE, NCSI of Oman, CIO of Bahrain

In 2014, Saudi Arabia recorded the highest per capita food consumption at 961.6 kg, while Bahrain had the lowest at 492.5 kg

In 2014, Saudi Arabia recorded the highest per capita food consumption at 961.6 kg, while Bahrain had the lowest at 492.5 kg[3] (see Exhibit 5). The wide disparity is mainly due to a high per capita consumption of cereals in Saudi Arabia compared to other GCC countries and food segments. Meanwhile, the per capita consumption across food segments in Bahrain is quite balanced. People in Saudi Arabia consume more bread, which is made of wheat, than other people in the world[4]. Presence of large number of blue-collared workers coupled with government subsidies to the wheat sector has supported the bread intake.

Exhibit 5: Per Capita Food Consumption in the GCC (2014)



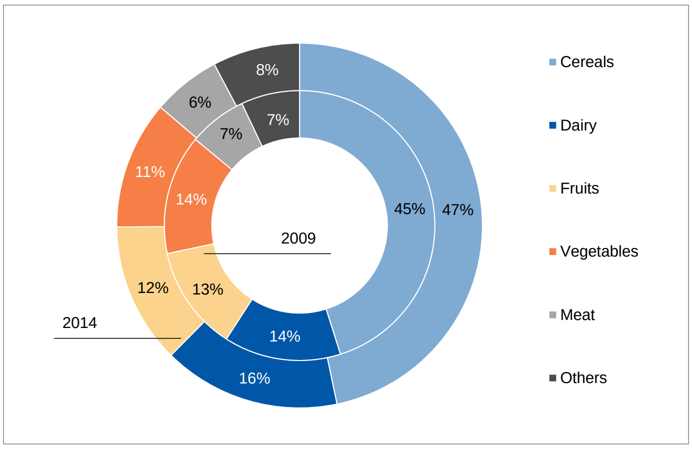
Source: IMF, AOAD, FCSA of UAE, NCSI of Oman, CIO of Bahrain

[3] Source: AOAD, FCSA of UAE, NCSI of Oman, CIO of Bahrain, IMF
[4] Source: "Saudi Arabia Bread Consumption Highest in the World, Critics Point To High Levels Of Waste", International Business Times, June 15, 2015

Being a staple food item in the diets of Arabs as well as Asian expatriates, cereals accounted for nearly half of the food consumed across the GCC countries in 2014

Being a staple food item in the diets of Arabs as well as Asian expatriates, cereals accounted for nearly half of the food consumed across the GCC countries in 2014[5]. Between 2009 and 2014, the consumption of cereals, dairy and pulses (a part of the Others[6] category) grew at a faster pace compared to rest of the segments, resulting in an increase in their share in the total food consumption (see Exhibits 6 and 7). Cereals and dairy, which are rich in carbohydrates and proteins respectively, are being preferred in the form of breakfast cereals, cereal bars, flavored milk, and low-fat dairy products by the health-conscious consumers. This demand is over and above the traditional consumption of bread, rice, laban, fresh milk, and yogurt. People consider dairy as an integral part of their daily diet as it keeps their body hydrated and cool in the hot and arid climate.

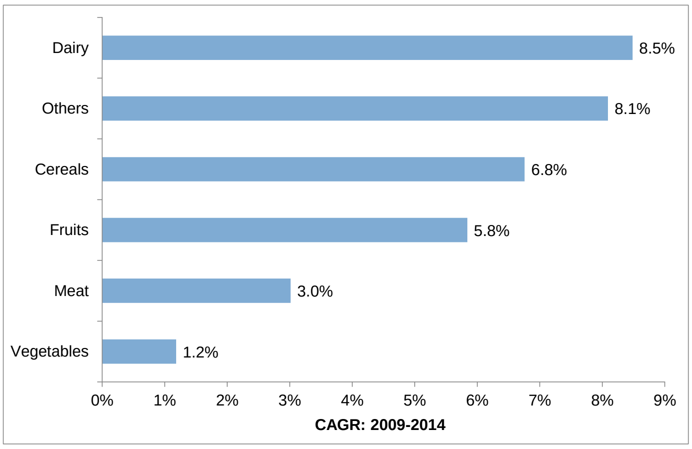
Exhibit 6: Category-wise Food Consumption Share



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

Note: 'Others' food category comprises potatoes, pulses, fats & oil, fish, and eggs

Exhibit 7: Category-wise Food Consumption Growth



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

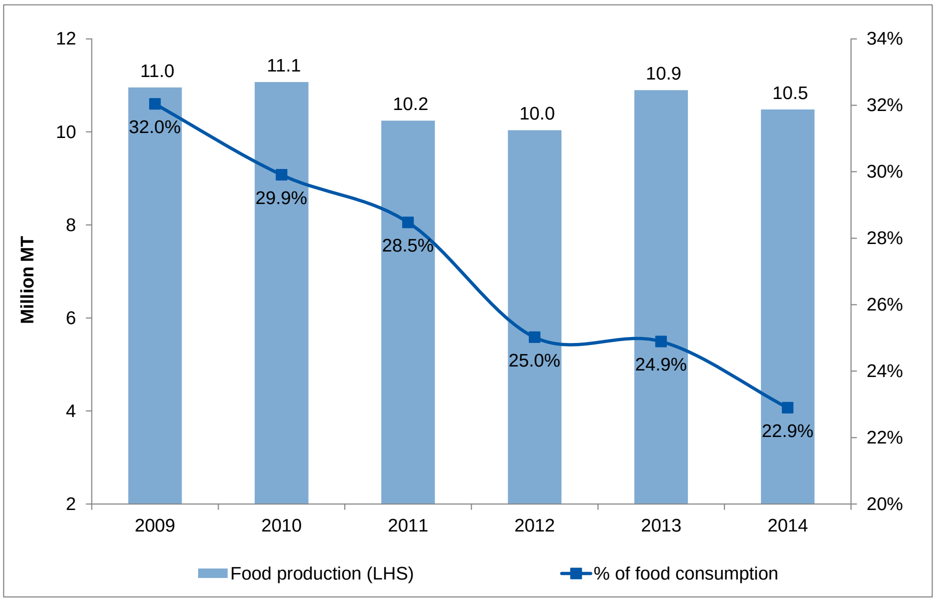
Note: 'Others' food category comprises potatoes, pulses, fats & oil, fish, and eggs

The region's total produce was able to meet 22.9% of its consumption requirement in 2014

Even as the food demand continues to grow, domestic production remains a challenge due to limited scope of agricultural activities in the GCC. More than 90% of the land in the region is not suitable for agriculture[7]. Arable land available for cultivation has reduced further as a result of urbanization, desertification and grazing. Subsequently, less than 2% of the total land in the GCC was under cultivation in 2014[8], with Saudi Arabia holding the largest cultivable land area of 4,192 hectares (94.3% of total land under cultivation in the GCC). Consequently, Saudi Arabia accounted for 73.4% of the region's total food production of 10.5 million MT in 2014[5]. In view of the depleting water resources, Saudi Arabia has undertaken initiatives to stop cultivation of highly water reliant crops such as wheat and green fodder. Wheat was one of the key food items produced in the region, and hence, its gradual phasing out over the last three decades has reduced the region's total food production. The region's total produce was able to meet 22.9% of its consumption requirement in 2014 (see Exhibit 8). Overall self-sufficiency has dropped during the period under review, 2009-2014, as food consumption continued to grow while domestic produce declined. Although regional governments are undertaking measures to enhance domestic output, large-scale implementation of new farming techniques may take time.

[5] Source: AOAD, FCSA of UAE, NCSI of Oman, CIO of Bahrain
[6] This category comprises potatoes, pulses, fats & oil, fish, and eggs
[7] Source: "90% of GCC land 'not fit for agriculture", Arab News, September 25, 2016
[8] Source: "Arab Agricultural Statistics Yearbooks", AOAD

Exhibit 8: Food Production in the GCC

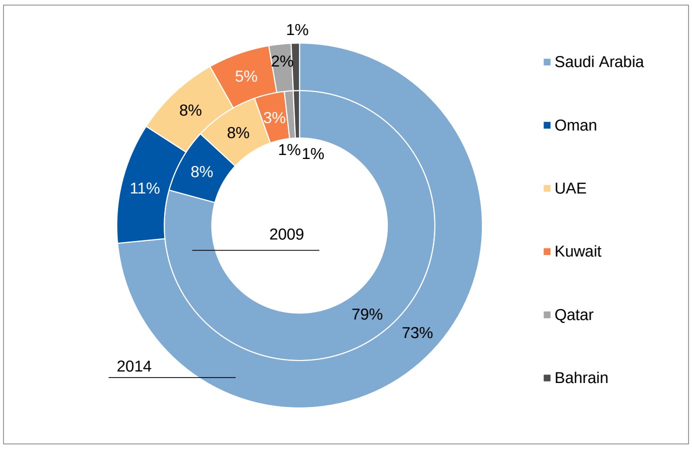


Source: AOAD, FCSA of UAE, NCSI of Oman, CIO of Bahrain

The Kingdom's share of total food produced in the region has dropped by nearly 6 ppts during 2009-2014

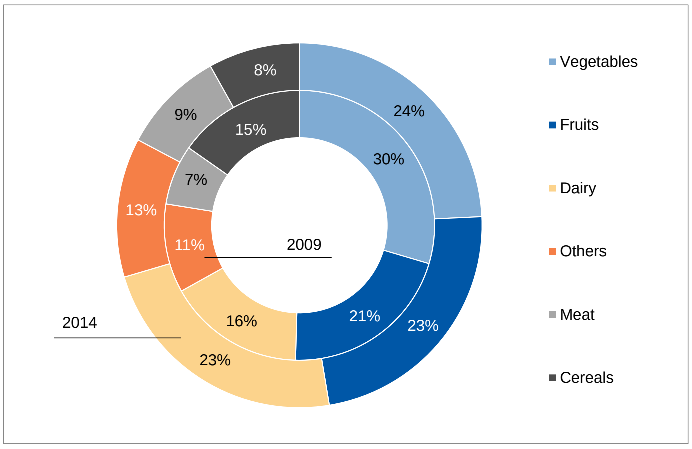
Although Saudi Arabia dominated the food production landscape, the Kingdom's share has dropped by nearly 6 ppts from 2009[9] (see Exhibit 9), due to the gradual phasing out of wheat crops and decrease in acreage for vegetables. At the same time, the share of Oman, Kuwait and Qatar increased as these countries are undertaking efforts to improve domestic productivity. Due to less produce in Saudi Arabia, total production of cereals and vegetables in the GCC dropped at an annual average rate of 12.7% and 4.7%, respectively, since 2009. The impact of this was, to an extent, mitigated by an increase in production of other food categories. Consequently, vegetables, fruits and dairy constituted 70.4% of the total food produced in the region (see Exhibit 10).

Exhibit 9: Country-wise Food Production in the GCC



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

Exhibit 10: Category-wise Food Production in the GCC



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

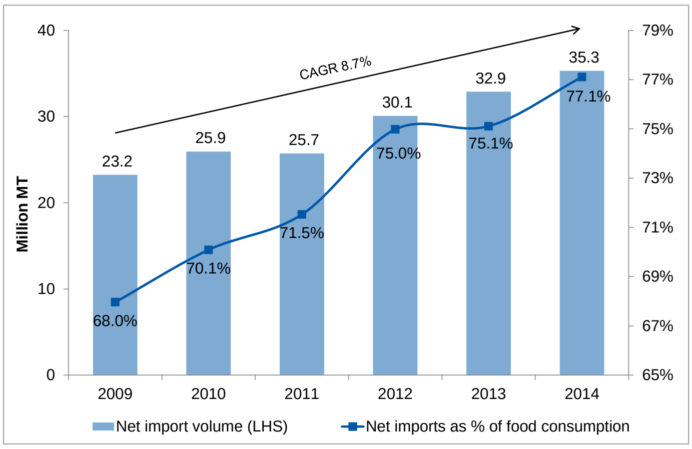
Note: 'Others' food category comprises potatoes, pulses, fats & oil, fish, and eggs

[9] Source: AOAD, FCSA of UAE, NCSI of Oman, CIO of Bahrain

The GCC countries have been meeting the food demand of its diverse population largely through imports

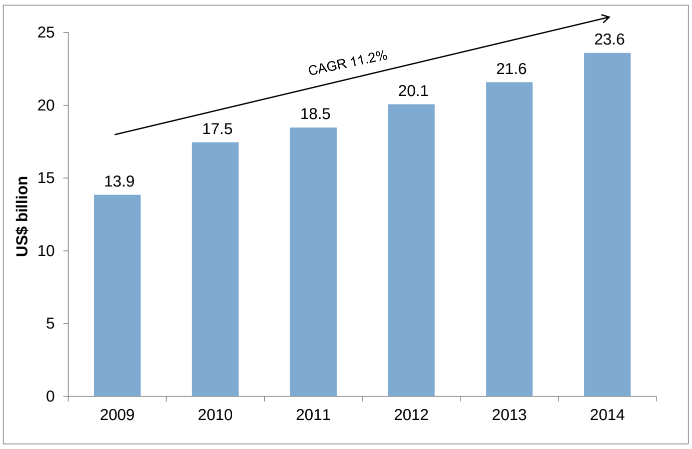
Owing to limited scale of production, the GCC countries have been meeting the food demand of its diverse population largely through imports. Net import volume of the region grew at a CAGR of 8.7% between 2009 and 2014 to reach 35.3 million MT, representing over three-fourth of the region's food consumption[10] (see Exhibit 11). During the period, the value of net imports increased at an annualized rate of 11.2% to US$ 23.6 billion (see Exhibit 12). The high reliance on imports poses a significant challenge for the GCC economies, given the sluggish economic environment. The Gulf countries have been constantly devising strategies and taking steps to improve local production to maintain a sustainable supply of food.

Exhibit 11: GCC Net Food Imports by Volume



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

Exhibit 12: GCC Net Food Imports by Value



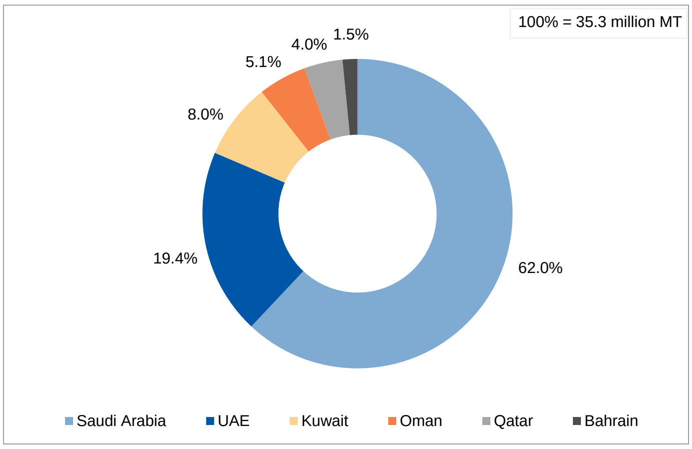
Source: AOAD, FCSA of UAE, NCSI of Oman, CIO of Bahrain

Saudi Arabia and the UAE were the major importers, collectively accounting for over 80% of the region's net imports in 2014

The largest consumers in the GCC, Saudi Arabia and the UAE, were the major importers, collectively accounting for over 80% of the region's net imports in 2014[10] (see Exhibit 13). However, the volume of net food imports in these countries grew at CAGRs of 9.7% and 5.0%, respectively, between 2009 and 2014, slower than that of Oman (14.8%) and Bahrain (11.2%). Reflecting the composition of consumption, cereals continued to remain the most imported food category, accounting for more than half of the net food imports in the GCC in 2014 (see Exhibit 14). Dairy formed the second most imported food segment during the year. Net imports of cereals, fruits, vegetables and dairy grew in the range of 8% to 10% between 2009 and 2014 (in CAGR terms), while that of meat grew at a slower pace of 2.5%.

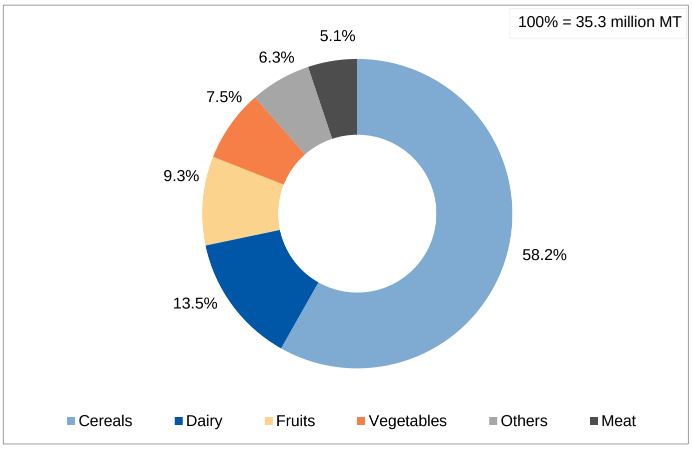
[10] Source: AOAD, FCSA of UAE, NCSI of Oman, CIO of Bahrain

Exhibit 13: Country-wise Composition of Net Food Imports Volume (2014)



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

Exhibit 14: Category-wise Composition of Net Food Imports Volume (2014)



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

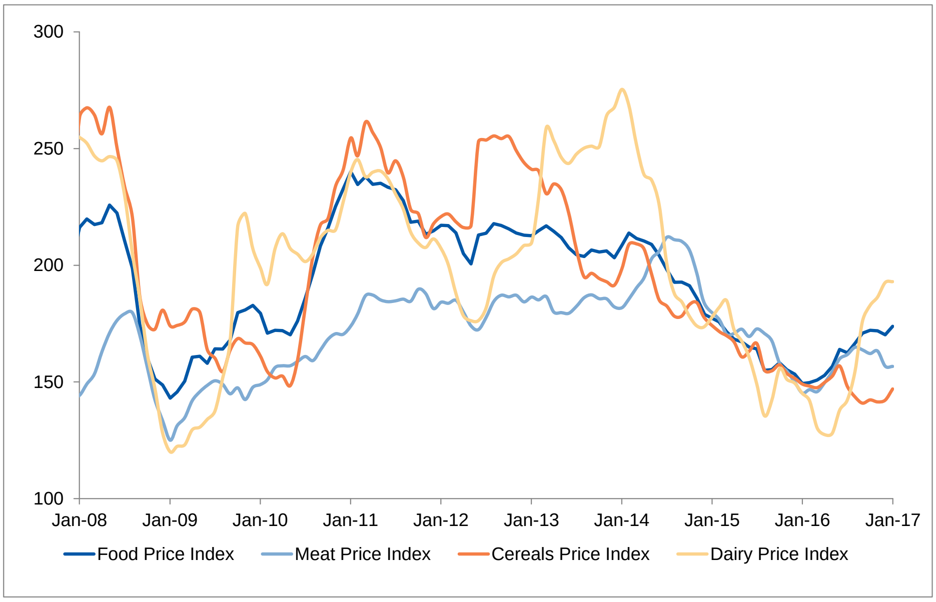
Note: 'Others' food category comprises potatoes, pulses, fats & oil, fish, and eggs

The global food prices have cooled down from the peak in 2011, providing respite to the import-reliant GCC countries

Due to the high import dependency, the GCC countries are susceptible to global food price shocks. The surge in prices in 2008 had raised food security concerns across the globe, due to a tight demand-supply situation. Several food exporting countries implemented export restrictions to meet domestic demand, which alerted the import-dependent economies, like the GCC nations, to better secure food supply for the future. Food prices have remained volatile since then, with intermittent spikes during 2011-2014, particularly in cereals, dairy and meat[11] (see Exhibit 15). The increase in food prices has been primarily due to unfavorable weather, geopolitical tensions, surging transportation costs and stock hoarding. The GCC governments have insulated consumers against the rise in global food prices by providing direct and indirect subsidies and fixing prices of essential items. Although there has been an upward movement in the food price index since March 2016 to reach 173.8 (+16.4% y-o-y) in January 2017, the global food prices have cooled down from the peak in 2011 led by high inventories, a strong US dollar, and low crude oil prices. This provides respite to the import-reliant GCC countries at a time when their fiscal deficits have widened.

[11] Source: Food and Agriculture Organization of the United Nations (FAO), Bloomberg

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

2.1 Country-wise Market Overview

Saudi Arabia

Home to about 60% of population and encompassing nearly 95% of the cultivated land in the GCC, Saudi Arabia remains firm as the region's largest food producer and consumer

Home to about 60% of population and encompassing nearly 95% of the cultivated land in the GCC, Saudi Arabia remains firm as the region's largest food producer and consumer. The Kingdom represented 64.6% and 73.4% of the total food consumed and produced in the GCC in 2014, respectively[12]. In addition to the size of population, other factors shaping the country's food ecosystem include presence of a large number and diverse group of immigrants, youth exposed to global influences, bustling religious tourism and increasing proportion of working women. These factors have led to changes in lifestyle and food consumption patterns over the years. With busy lives and a penchant for westernized diet, demand for packaged foods and ready meals have gained momentum. Presence of a large proportion of youngsters, who love to socialize, has increased spending on dining at restaurants and fast food centers. Consequently, the Kingdom has witnessed proliferation of homegrown as well as international food manufacturers, retailers, restaurant chains and other service providers.

The phasing out of wheat crops, which was running from the last three decades in a bid to conserve water, has led to reduction in the food production in Saudi Arabia. Total food produced in the Kingdom dropped to 7.7 million MT in 2014 from 8.7 million MT in 2009[12] (see Exhibit 16). The production of wheat and flour has more than halved during the period, resulting in a 14.7% annualized fall in total cereal production. However, an over 5% annual increase in production of meat and dairy products during the same period helped reduce the overall impact of wheat decline. From 2009, food consumption in Saudi Arabia increased at a CAGR of 5.7% to ~30 million MT in 2014. With bread and rice forming key ingredients of the diets of the locals and expatriates from the Asian continent, cereals

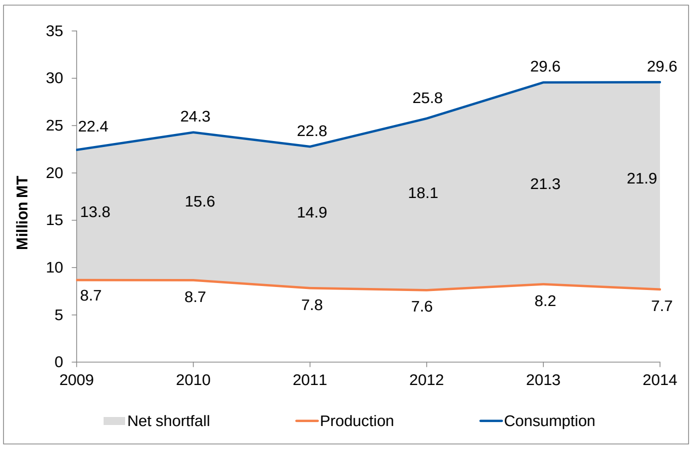
[12] Source: "Arab Agricultural Statistics Yearbooks", AOAD

Net import volume of food in Saudi Arabia grew at a CAGR of 9.7% between 2009 and 2014 to 21.9 million MT

continued to remain the major food category consumed, with a share of 52.9% in 2014[13]. Fruits replaced vegetables to become the second most consumed food category. Consumption of dairy, meat and cereals grew the fastest in the range of about 6% to 10% annually during the five years to 2014. To meet the demand amid falling production, the country imported food worth US$ 13.0 billion in 2014. Net import volume grew at a CAGR of 9.7% between 2009 and 2014 to 21.9 million MT. The Kingdom has bilateral trade agreements with Ukraine, Russia, India and Pakistan for supply of food[14]. The top food products imported are barley, wheat, rice, chicken and sheep.

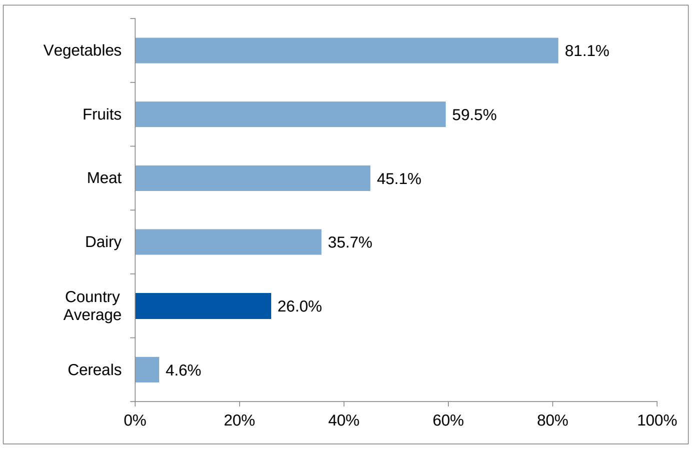
Saudi Arabia was able to meet only one-fourth of its food demand through local produce in 2014 (see Exhibit 17). The country is more than self-sufficient in eggs and dates[15] and strong enough to meet most of the demand for vegetables.

Exhibit 16: The Saudi Arabian Food Landscape



Source: AOAD

Exhibit 17: Self-sufficiency Ratio in Saudi Arabia (2014)



Source: AOAD

UAE

The food sector in the UAE has remained active, given the large consumer base comprising nearly 10 million inhabitants and 17 million annual international visitors

The food sector in the UAE has remained active, given the large consumer base comprising nearly 10 million inhabitants and 17 million annual international visitors[16], as well as its position as a major re-export hub. Several domestic and international food service providers have established brick-and-mortar presence in the country to tap the market. With expatriates representing over 88% of the population, the multi-cultural society has fostered the demand for different types of cuisines, apart from the traditional Arabic food. Factors such as influx of expatriates and business / leisure visitors are driving demand for packaged foods, a market that grew at an annualized rate of 8.2% between 2010 and 2015 to US$ 4.3 billion[17]. Additionally, people in the country are becoming health-conscious, due to high prevalence of chronic diseases such as obesity, diabetes and hypertension. This has translated into demand for organic, low-fat and gluten-free food products. Although representing less than 15% of the packaged food market, sales of health and wellness food products grew at a CAGR of 12.2% during 2010-2015.

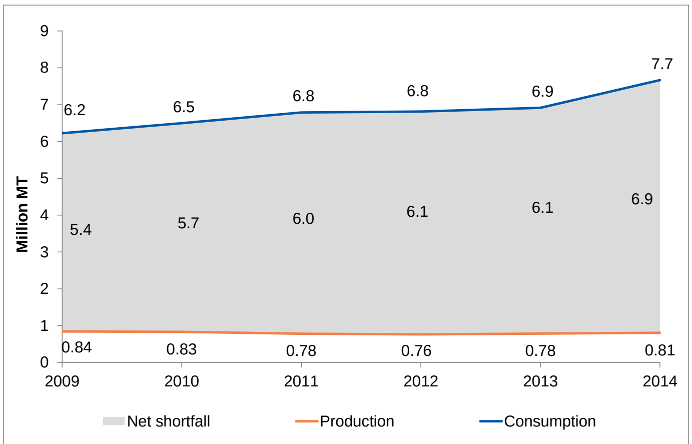
[13] Source: "Arab Agricultural Statistics Yearbooks", AOAD
[14] Source: "Food and Water Security in the Kingdom of Saudi Arabia", Future Directions International, July 28, 2015
[15] Source: "The Report: Saudi Arabia 2014: Agriculture", Oxford Business Group
[16] Source: IMF, SCAD, Statistics Centre - Abu Dhabi, Dubai Statistics Center, "Expats In Middle East — Statistics and Trends", Go-Gulf, March 31, 2016
[17] Source: "Packaged Food in the United Arab Emirates", Agriculture and Agri-Food Canada, May 2016

The UAE produced over 807,000 MT of food in 2014, sufficient to meet only 10.5% of its overall food requirement of 7.7 million MT

The UAE produced over 807,000 MT of food in 2014, sufficient to meet only 10.5% of its overall food requirement of 7.7 million MT[18] (see Exhibits 18 and 19). Production has remained almost unchanged in the five years to 2014, creating a wider food trade deficit compared to its counterparts. Dates, tomatoes, cucumber and melons are the major food items produced in the country. In addition, there are several local firms engaged in production of meat, milk and fish. Consumption of food in the country grew at an annualized rate of 4.3% during 2009-2014, with consumption of cereals and fruits growing by more than 6%, while that of dairy products declining. Cereals, fruits and vegetables remained the top food categories, accounting for nearly 75% of the food consumed in the country. Between 2009 and 2014, the country's net import volume grew at a CAGR of 5.0% to 6.9 million MT. The country has been a large re-exporter of food products to other GCC countries, East Africa, India, Pakistan and Russia[19]. Coffee, tea, sugar and rice constitute the top food re-exports.

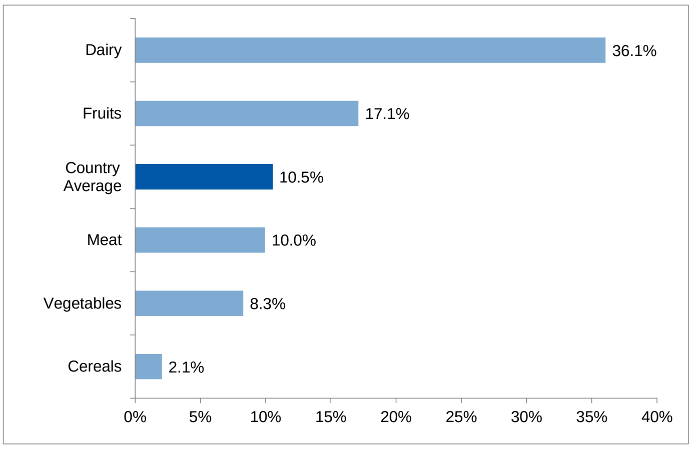
The country has remained self-sufficient in dates and was able to meet 36.1% of its dairy demand through local production in 2014. Although self-sufficiency in dairy and cereals has increased over the period of five years, the ratio has declined in other segments. As a result, the overall self-sufficiency in the UAE has dropped over the period and is the lowest in the GCC region.

Exhibit 18: The UAE Food Landscape



Source: AOAD, FCSA of UAE

Exhibit 19: Self-sufficiency Ratio in the UAE (2014)



Source: AOAD, FCSA of UAE

Kuwait

High per capita income, alongside a rising population, has stimulated food consumption in Kuwait

High per capita income, alongside a rising population, has stimulated food consumption in Kuwait. Hectic lifestyle, westernized habits and a large youth base have increased the popularity of fast food restaurants and processed foods. Snacks and confectionary foods are especially gaining traction. This is evident from the fact that Kuwait has one of the highest proportions of overweight and obese adults in the world[20]. Moreover, the availability of food at low prices has led to overconsumption as well as food wastage[21]. In a survey conducted among the residents in 2012, more than half of the respondents revealed that they prepare more food than required and almost 45% admitted to not eating

[18] Source: "Arab Agricultural Yearbooks", AOAD; FCSA of UAE
[19] Source: "Intelligent logistics 'to help cut 5pc UAE food wastage", Trade Arabia, October 29, 2016; "GCC Food Imports To Reach US$ 53.1 billion In 2020", Gulfood
[20] Source: "Kuwait is country with the fattest people in the world – Highest rate of stomach stapling", Arab Times, June 20, 2016
[21] Source: "Kuwait: Food and Water Security", Future Directions International, September 1, 2015

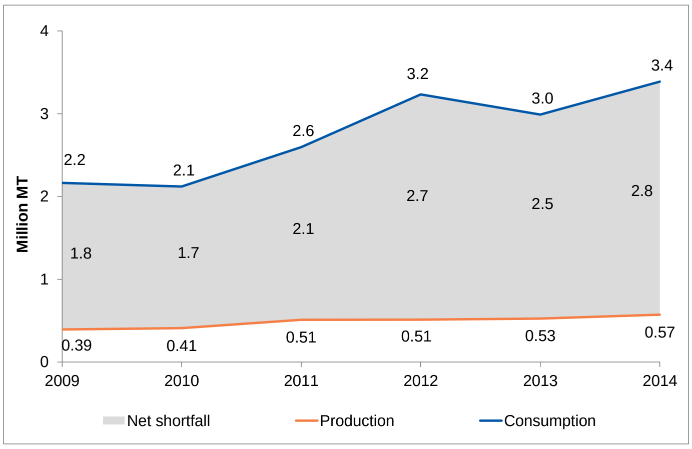
the leftover food[22]. Nevertheless, people are becoming aware of the health consequences of consuming processed and fast foods, which is likely to result in a shift to consumption of healthy food. The country is home to over 2 million foreigners, who collectively spend US$ 3.5 billion annually at restaurants[23]. Many mass grocery retail outlets and restaurants have established presence in the country to benefit from the increasing demand for food.

Food consumption in Kuwait increased at a CAGR of 9.4% to 3.4 million MT between 2009 and 2014

Kuwait has a miniscule area suitable for agriculture and the crops are grown through artificial techniques. Government support in the form of subsidized animal feed, water treatment and funding has led to increase in local production. The country's production grew at an annualized rate of 7.7% between 2009 and 2014 to over 570,000 MT[24]. During the period, food consumption increased at a CAGR of 9.4% to 3.4 million MT (see Exhibit 20). Cereals, dairy and vegetables accounted for 72.0% of the total consumption in 2014. While cereals and dairy grew at annualized rates of 9.5% and 3.9% between 2009 and 2014, consumption of fruits and vegetables increased at a strong pace of 28.3% and 14.1%, respectively, while meat consumption fell. Overall, a faster increase in consumption compared to production led to a 9.7% annualized rise in net imports to 2.8 million MT in 2014. The country incurred a net import bill of US$ 1.7 billion during the year.

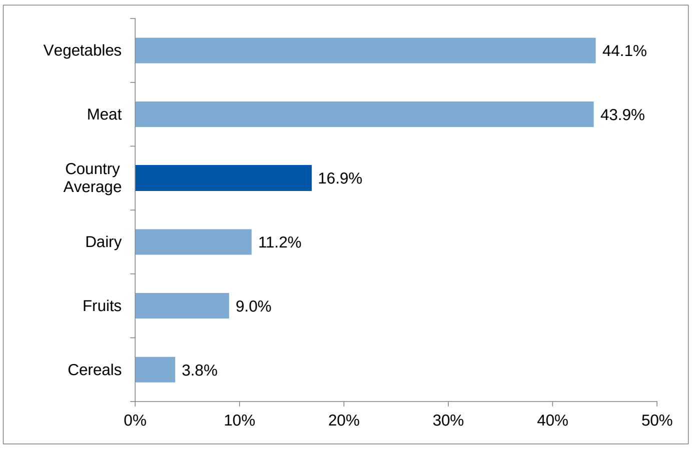
Kuwait's domestic food produce was able to meet only about 17% of its consumption in 2014 (see Exhibit 21). The country catered to ~44% of the vegetable and meat demand during the year, however, remained highly reliant on cereals imports.

Exhibit 20: The Kuwaiti Food Landscape



Source: AOAD

Exhibit 21: Self-sufficiency Ratio in Kuwait (2014)



Source: AOAD

Oman

A rising young and urban population, coupled with increasing number of international tourist arrivals, is driving the food market in Oman

A rising young and urban population, coupled with increasing number of international tourist arrivals, is driving the food market in Oman. Additionally, rising public wages[25] and revenue diversification over the years have increased the household spending, a large portion of which is incurred on food and related products. Such favorable factors have drawn food retail and service providers to the country. The popularity of hypermarkets has been notably driven by demand from different types of consumers. Brands such as Lulu

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[22] Source: "Food Consumption and Waste in Kuwait: the Prospects for Demand-Side Approach to Food Security", Business Research Papers, September 2012
[23] Source: "Country Report: Kuwait In The Balance", Hotel News
[24] Source: "Arab Agricultural Yearbooks", AOAD
[25] Source: "3% annual hike mandatory only for Omanis in private sector: MoM", Muscat Daily, October 30, 2013

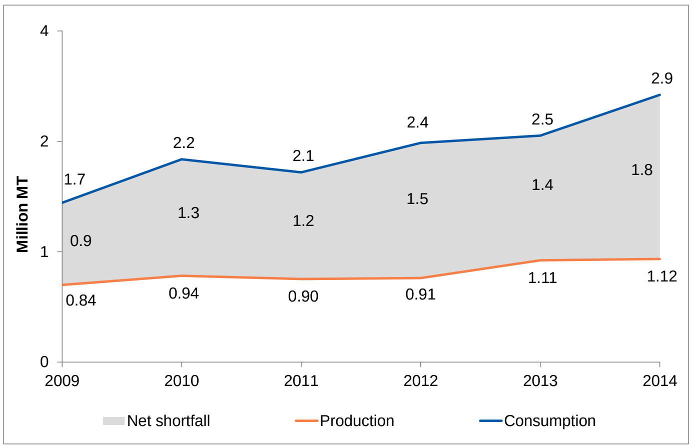
and Carrefour have increased their presence in the country. Hypermarkets account for about 70% of the grocery sales in Oman[26].

Food production in Oman has grown at an annual average rate of 6.0% between 2009 and 2014[27], supported by government measures to enhance agricultural productivity using modern irrigation techniques. Production of vegetables, dairy and meat has increased by over 12% annually during the five-year period. At the same time, total food consumption grew at an annualized rate of 10.9% to reach 2.9 million MT in 2014 (see Exhibit 22). Demand for the most consumed food category, cereals, increased by 18.2% annually during the five years. Dairy consumption grew by 15.8%, while consumption of vegetables and fruits grew by nearly 8%. With a faster increase in demand compared to production, the country's reliance on imports has increased, as net import volume grew at a CAGR of nearly 15% between 2009 and 2014 to 1.8 million MT and ran into a bill of US$ 1.4 billion.

Compared to the other GCC counterparts, Oman had the highest food self-sufficiency at 38.6% in 2014

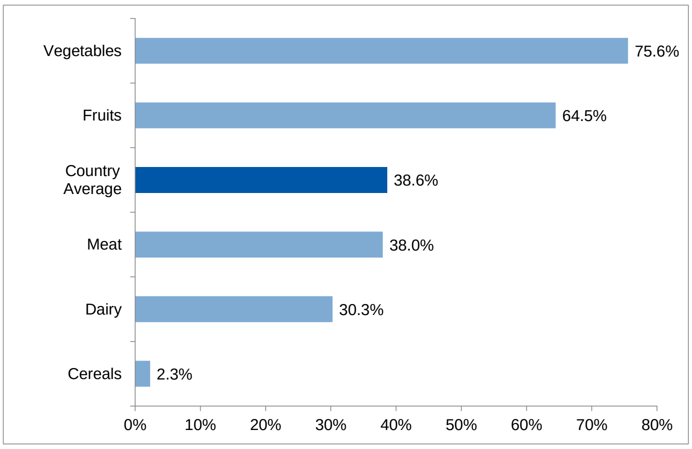
Compared to the other GCC counterparts, Oman had the highest food self-sufficiency at 38.6% in 2014 (see Exhibit 23). The country was able to meet over three-fourth of the vegetable demand and nearly 65% of fruit demand through domestic produce in the year. Self-sufficiency for vegetables and meat has increased over the years, even as overall self-sufficiency has dropped due to a higher shortfall in domestic production of cereals.

Exhibit 22: The Omani Food Landscape



Source: AOAD, NCSI of Oman

Exhibit 23: Self-sufficiency Ratio in Oman (2014)



Source: AOAD, NCSI of Oman

Qatar

A high spending power allows residents of Qatar to indulge in activities like dining out and shopping at supermarkets and hypermarkets

Increasing revenue diversification measures of the government and the entailing investments have attracted several expatriates from across the world to avail job opportunities in Qatar. A high spending power, in terms of GDP per capita (PPP), allows residents of Qatar to indulge in activities like dining out and shopping at supermarkets and hypermarkets. Such consumer patterns have been increasing consumption of food. The inflow of foreign immigrants and tourists is likely to increase, as the country gears up to host the FIFA World Cup in 2022 by building infrastructure, hotels, stadiums and tourist attractions. Such factors augur well for the growth of the food sector.

Land under cultivation has increased in the five years to 2014, due to the expansion of area used for growing green fodder and vegetables. While there has been an increase in

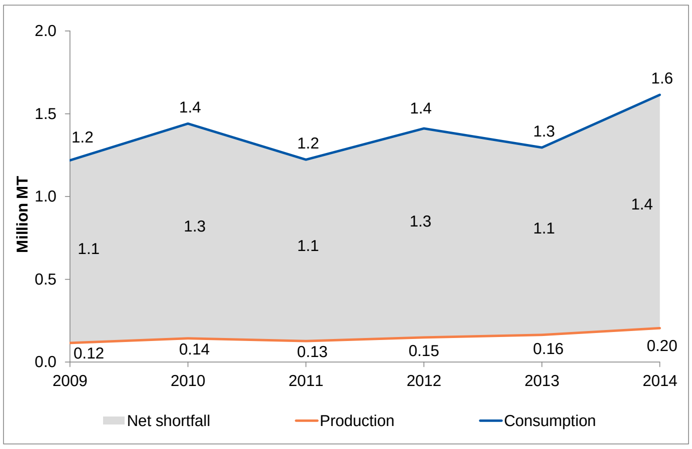
[26] Source: "Oman ranks 17th among the world's most attractive retail markets", Muscat Daily, July 6, 2014
[27] Source: "Arab Agricultural Yearbooks", AOAD; NCSI of Oman

Food consumption in Qatar increased at an annualized rate of 5.8% to 1.6 million MT between 2009 and 2014

harvest of dates, cucumbers and green peppers during the period, the highest growth was witnessed in fodder for livestock. Correspondingly, dairy production in the country has grown at a CAGR of 32.1% between 2009 and 2014[28]. Overall, food produced in the country grew at an annual average rate of 12.2% to reach nearly 0.2 million MT in 2014 (see Exhibit 24). At the same time, food consumption increased at an annualized rate of 5.8% to 1.6 million MT, resulting in a 5.0% growth in net imports. In terms of CAGR during 2009-2014, demand for vegetables grew at the fastest pace of 14.6%, followed by over 7% growth in cereals and fruits.

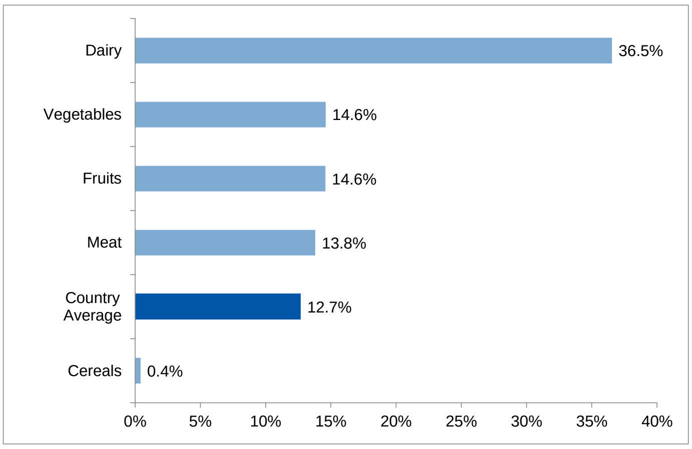
Qatar met 12.7% of its food consumption requirement through domestic production in 2014 (see Exhibit 25), having increased from 9.4% in 2009. The country was most self-sufficient in dairy.

Exhibit 24: The Qatari Food Landscape



Source: AOAD

Exhibit 25: Self-sufficiency Ratio in Qatar (2014)



Source: AOAD

Bahrain

Increasing population, with a high proportion of expatriates, and tourism have remained the key drivers of food demand in Bahrain

Increasing population, with a high proportion of expatriates, and tourism have remained the key drivers of food demand in Bahrain. Rising standard of living coupled with globalization have led to a shift in dietary patterns towards western foods that have a higher carbohydrate and fat composition. Resultantly, there has been a rapid increase in the number of American fast food restaurants, thereby increasing imports of meat and food ingredients. High consumption of fast food and a sedentary lifestyle have increased prevalence of obesity, with 70% of adults in the country reported either overweight or obese[29]. The government is undertaking health awareness campaigns urging people to change their lifestyle and eating habits. Such efforts are likely to fuel demand for healthier food products going forward.

The government has been focusing on improving domestic productivity by providing loans and input subsidies to farmers. It provides an 84% subsidy on the cost of machinery services, 40% on modern irrigation equipment and 50% on the price of pesticides[30]. However, the land available for cultivation has reduced over the years owing to rising urbanization, water-logging and soil salinization. Between 2009 and 2014, Bahrain's food

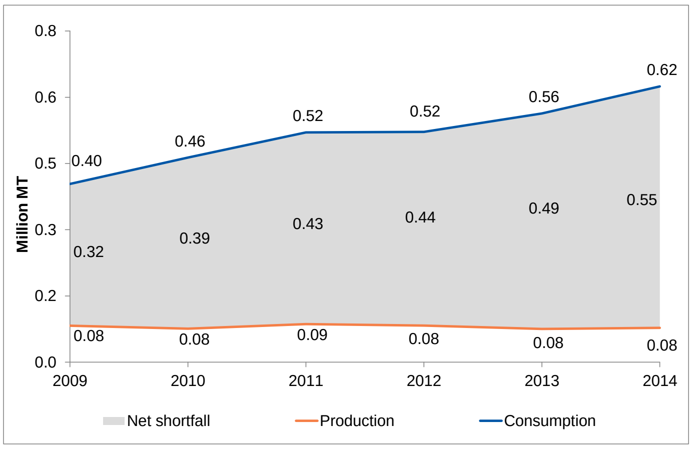
[28] Source: "Arab Agricultural Yearbooks", AOAD
[29] Source: "70pc adults in Bahrain 'overweight or obese", Trade Arabia, April 29, 2015
[30] Source: "Bahrain Food and Water Security", Future Directions International, August 11, 2015

Between 2009 and 2014, food consumption in Bahrain increased at an annualized rate of 9.1% to reach 0.6 million MT

production declined by 1.2% annually, led by a fall in vegetable produce[31]. During the period, consumption increased at an annualized rate of 9.1% to reach 0.6 million MT (see Exhibit 26). Cereals and vegetables remained the most consumed food categories, with the intake of vegetables increasing at a rapid pace of 17.6% annually during the five-year period. Consumption of fruits and meat also increased by over 10% during the period. With depleting local produce, the country's reliance on imports has increased over the years. Net imports between 2009 and 2014 grew at a CAGR of 11.2% to 0.5 million MT.

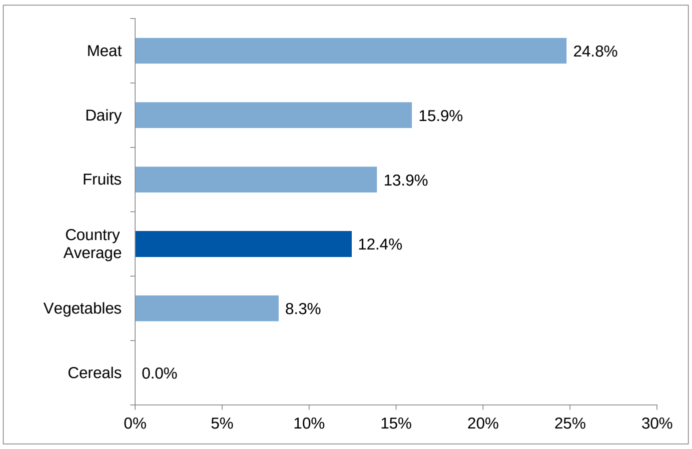
The country met only 12.4% of its food consumption needs in 2014 and has remained fully dependent on imports for cereals (see Exhibit 27).

Exhibit 26: The Bahraini Food Landscape



Source: AOAD, CIO of Bahrain

Exhibit 27: Self-sufficiency Ratio in Bahrain (2014)



Source: AOAD, CIO of Bahrain

2.2 Demand and Supply of Major Food Categories

Vegetables, fruits and dairy products remained the major food categories produced in the region in 2014, with a collective share of 70.4%

Vegetables, fruits and dairy products remained the major food categories produced in the GCC region in 2014, with a collective share of 70.4%[32]. At the same time, cereals being a staple food of the GCC diet, accounted for ~47% of the region's total consumption. While the shares of cereals and dairy in total food consumption increased by ~2 ppts each compared to 2009, there was a decline in shares of vegetables by 3 ppts and fruits and meat by less than 1 ppt. Overall, the region's domestic food production met 22.9% of its demand in 2014 (see Exhibit 28). Self-sufficiency across the food categories, except meat, has dropped in 2014 compared to 2009. The fall is a consequence of termination or reduced plantation of certain high water consuming crops to safeguard the already scarce water resources. Nevertheless, efforts are being made to increase local produce by adopting organic farming or hydroponics and investing in poultry, dairy and fisheries projects.

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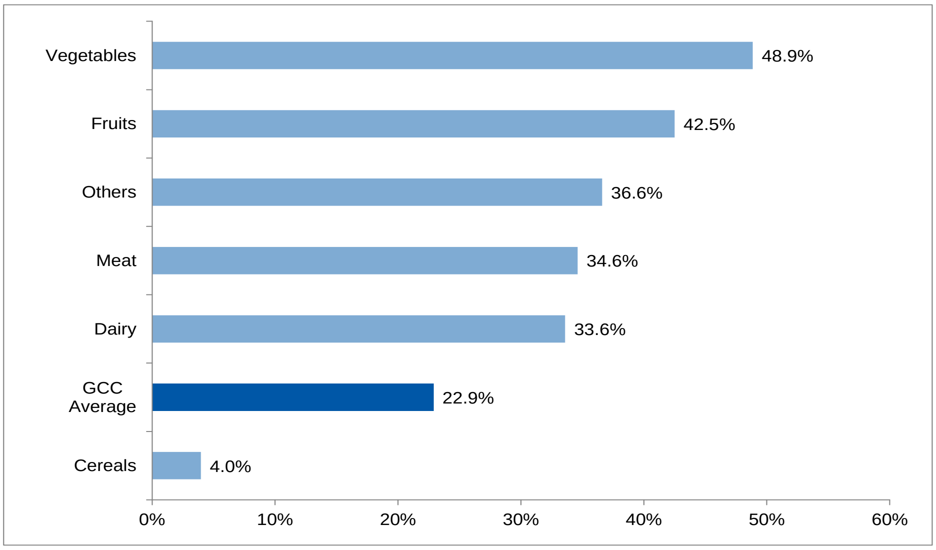
[31] Source: "Arab Agricultural Statistics Yearbooks", AOAD, CIO of Bahrain
[32] Source: "Arab Agricultural Statistics Yearbooks", AOAD, FCSA of UAE, NCSI of Oman, CIO of Bahrain

Exhibit 28: Self-sufficiency Ratio in the GCC (2014)



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

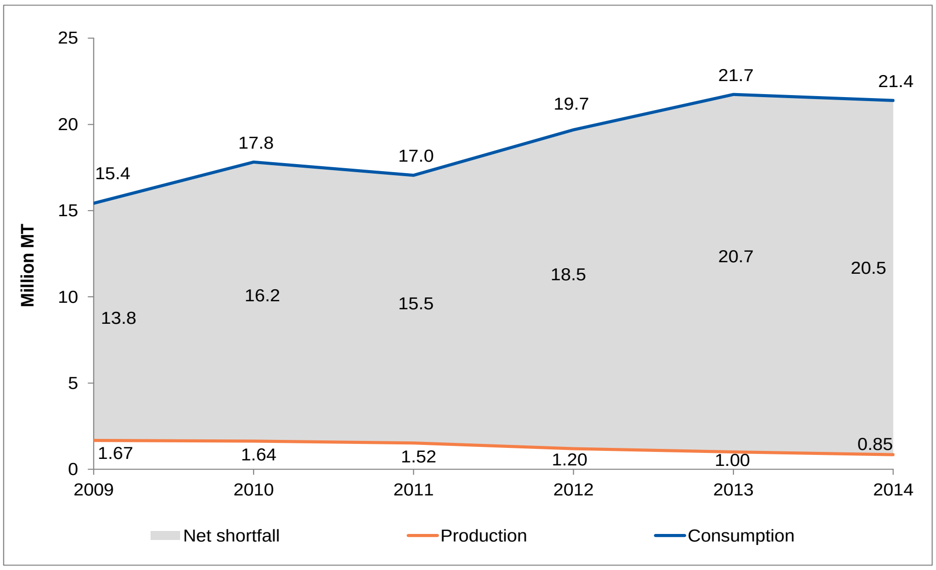
Note: 'Others' food category comprises potatoes, pulses, fats & oil, fish, and eggs

Cereals

Consumption of cereals has grown at an annual average rate of 6.8% to 21.4 million MT in 2014 from 15.4 million MT in 2009

Rice, wheat, barley and maize represented the most consumed cereals in the GCC. Consumption of cereals grew at an annual average rate of 6.8% to 21.4 million MT in 2014 from 15.4 million MT in 2009[33] (see Exhibit 29). However, the domestic production has continued to drop, as Saudi Arabia, the largest producer, gradually phased out wheat production. Despite the decline in wheat production, Saudi Arabia accounted for nearly 85% of the GCC's total cereals produced in 2014. Bahrain, with no local production of cereals, is fully dependent on imports. Since 2009, overall net imports of cereals in the region have grown at an annualized rate of 8.4% to 20.5 million MT in 2014.

Exhibit 29: Demand-Supply of Cereals in the GCC



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

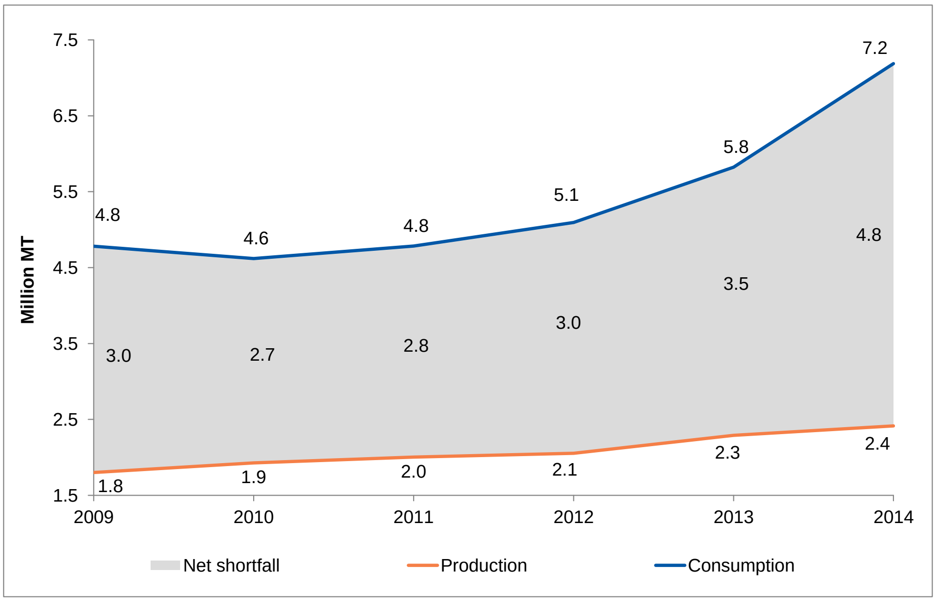
[33] Source: "Arab Agricultural Statistics Yearbooks", AOAD, FCSA of UAE, NCSI of Oman, CIO of Bahrain

Dairy

With consumption of 7.2 million MT in 2014, dairy surpassed vegetables to become the second most consumed food category in the GCC

With consumption of 7.2 million MT in 2014, dairy surpassed vegetables to become the second most consumed food category in the GCC[34] (see Exhibit 30). Consumption of dairy products has expanded at a CAGR of 8.5% since 2009, faster than other food categories in the region. Laban was the main dairy product consumed in the region with a market share of 26%, followed by fresh milk (23%), long-life milk (21%), and milk powder (19%)[35]. Fresh milk and laban are preferred due to their inherent health benefits. While laban is preferred for its digestive benefits amidst harsh weather conditions and by lactose intolerant people, fresh milk continues to be part of daily diet owing to its nutrient composition. With growing health awareness, there are various milk and yogurt variants such as flavored, low-fat, vitamin-enriched, organic and lactose-free being introduced in the market. Dairy production in the GCC increased at a CAGR of 6.0% between 2009 and 2014, driven by a robust increase in output in Qatar and Oman. Saudi Arabia continued to remain the major producer and consumer of dairy products in the region, accounting for 82.6% of the total GCC dairy production and 77.8% of the region's dairy consumption in 2014. The faster increase in consumption compared to production resulted in a 9.9% annualized increase in net dairy imports during 2009-2014. At the end of 2015, the government of Saudi Arabia announced plan to cease cultivation of green fodder crops within three years. This is likely to have an impact on the operating margin of dairy producers in the country, as they will have to incur additional expenditure on sourcing the feed from other countries.

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



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

Fruits

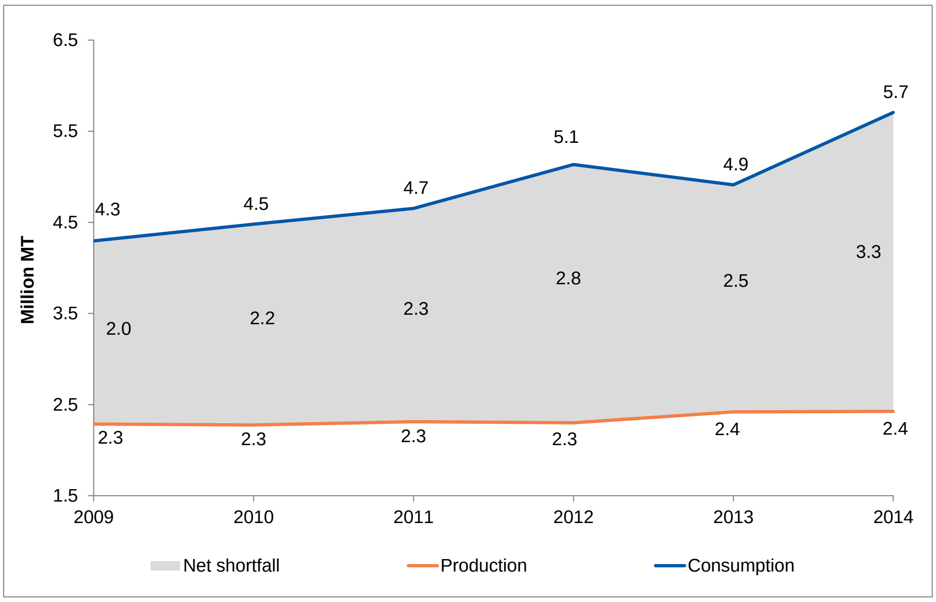
Fruits accounted for 23.1% of the total production and 12.5% of the total consumption in the GCC region in 2014[34]. Dates, grapes, watermelons and bananas are the principal varieties produced. Most of the GCC countries are self-sufficient in and major exporters of

[34] Source: "Arab Agricultural Statistics Yearbooks", AOAD, FCSA of UAE, NCSI of Oman, CIO of Bahrain
[35] Source: "Agriculture & Food Industries Sector" Albilad Capital, March 14, 2016

In 2014, the region consumed 5.7 million MT of fruits, indicating an annual average growth of 5.8% since 2009

dates. In 2014, the region consumed 5.7 million MT of fruits (see Exhibit 31), indicating an annual average growth of 5.8% since 2009. During the period, production grew at a slower pace of 1.2% to 2.4 million MT[36]. Saudi Arabia accounted for nearly 70% of the fruits production in the region in 2014, followed by Oman at 16.8%. Oman enjoyed the highest self-sufficiency in fruits by producing 64.5% of its requirement in 2014, followed by Saudi Arabia at 59.5%. The region's net fruit imports stood at 3.3 million MT in 2014, exhibiting a growth of 10.3% annually since 2009.

Exhibit 31: Demand-Supply of Fruits in the GCC



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

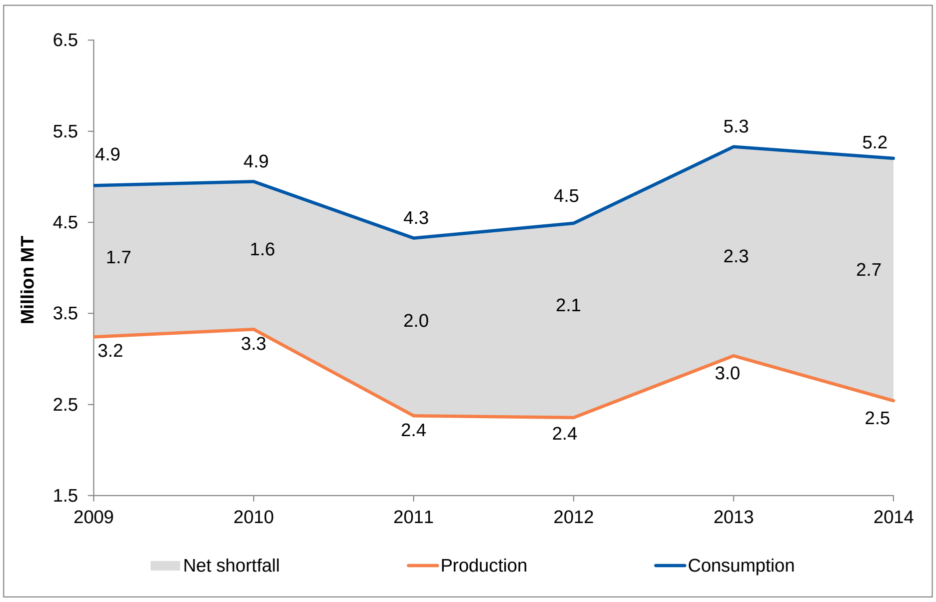
Vegetables

Vegetable consumption in the GCC grew at an annualized rate of 1.2% during the five-year period

The main vegetables grown in the region are tomatoes, eggplant, cabbage and cucumber. Vegetable production in the region stood at 2.5 million MT in 2014[36] (see Exhibit 32), declining at a CAGR of 4.7% since 2009. This was due to lower production in Saudi Arabia and the UAE, which collectively accounted for 76.6% of the region's vegetable production in 2014. The consumption of vegetables in Saudi Arabia declined at a CAGR of 4.6% between 2009 and 2014. However, this decline was offset by an increase in consumption in Kuwait, Bahrain and Qatar in the mid-teens to high-teens. Consequently, total vegetable consumption in the GCC grew at an annualized rate of 1.2% during the five-year period. Decline in production amid a slow growth in consumption has resulted in net vegetable imports (as a percentage of consumption) to increase from 33.9% in 2009 to 51.1% in 2014. Nonetheless, the region has the highest self-sufficiency in vegetables compared to other food categories.

[36] Source: "Arab Agricultural Statistics Yearbooks", AOAD, FCSA of UAE, NCSI of Oman, CIO of Bahrain

Exhibit 32: Demand-Supply of Vegetables in the GCC



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

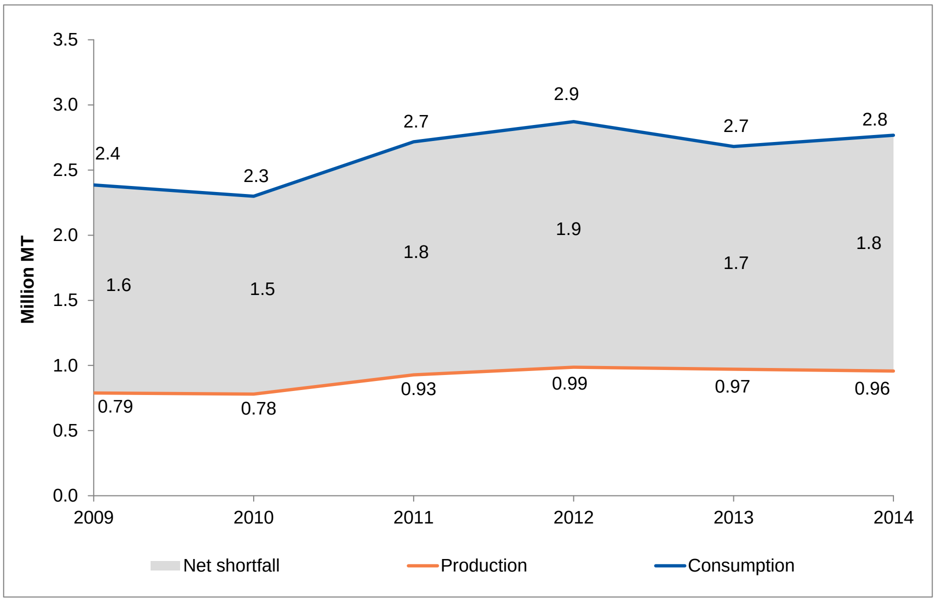
Meat

Consumption of meat stood at 2.8 million MT in 2014, translating into an annualized growth of 3.0% since 2009

Consumption of meat – an integral part of the GCC diet – stood at 2.8 million MT in 2014 (see Exhibit 33), translating into an annualized growth of 3.0% since 2009[37]. The types of meat available in the region include red, poultry, camel, beef, and buffalo. The meat products entering and consumed in the region have to be halal certified. Saudi Arabia is the largest consumer, accounting for 56.7% of the region's meat consumption, followed by the UAE at 21.2%. Meat production in the region grew at a CAGR of 4.0% during 2009-2014 to reach nearly 1 million MT, and was able to meet 34.6% of the region's demand. The self-sufficiency was low in the UAE and Qatar and highest in Saudi Arabia. Overall, net imports of meat in the region grew at an annual average rate of 2.5% between 2009 and 2014 to reach 1.8 million MT.

[37] Source: "Arab Agricultural Statistics Yearbooks", AOAD, FCSA of UAE, NCSI of Oman, CIO of Bahrain

Exhibit 33: Demand-Supply of Meat in the GCC



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

Fish and Eggs

The fisheries sector in the region is viewed as a key area to promote food self-sufficiency and increase exports

Fish and eggs accounted for only 2.2% of the total food consumed in the GCC in 2014[38]. The fisheries sector in the region is viewed as a key area to promote food self-sufficiency and increase exports. Significant investments are channeled into boosting the aquatic produce, particularly in Oman and Saudi Arabia.

Saudi Arabia, the UAE and Oman are the key consumers of fish, accounting for 90.9% of the region's total consumption in 2014. Oman remained the largest fish producer in the region, contributing 49.2% to the total production in 2014, followed by Saudi Arabia at 22.7% and the UAE at 17.0%. Oman is a net exporter of fish, while Bahrain and Qatar are nearly self-sufficient with a ratio of over 80%. While fish production grew at an annual average rate of 2.6% between 2009 and 2014, consumption rose by 5.5% during the same period, resulting in an 11.9% annualized increase in net imports across the region.

Saudi Arabia is the major producer as well as consumer of eggs in the GCC. The country, along with Kuwait, produces more eggs than their respective domestic requirements. The consumption of eggs in the GCC has declined at an annualized rate of 1.1% between 2009 and 2014. In contrast, production grew by 1.9% annually, making the region a net exporter of eggs.

[38] Source: "Arab Agricultural Statistics Yearbooks", AOAD, FCSA of UAE, NCSI of Oman, CIO of Bahrain

2.3 Food Security Initiatives

The GCC governments have been taking various measures to improve food security by purchasing farmlands abroad and investing in domestic production

Given the arid climate, limited cultivable land and scarce water resources, the GCC region faces a serious challenge in achieving food security through domestic food production. The member countries have been trying to mitigate the issue by promoting cultivation of high-value and low water-reliant crops through the use of new agricultural techniques such as drip irrigation and hydroponics. Despite efforts to boost domestic production, the region remains largely dependent on imports to feed its growing population. Moreover, the high reliance on import exposes the countries to global food price shocks and any risks related to foreign trade pacts with key export partners. Governments across the GCC have been consistently implementing various strategic plans to improve food security. These include purchasing farmlands abroad, investing in domestic livestock farming and aquaculture, developing required infrastructure to boost the food supply chain, promoting private sector participation in agriculture, and investing in research and technology to enhance agricultural productivity.

Based on food affordability, availability, and quality and safety, Qatar ranked first in the GCC and 20th among the total 113 countries analyzed in the Global Food Security Index (GFSI) 2016[39]. Having taken sincere efforts over the past several years to boost food security, the overall scores of the GCC nations have improved in the five years to 2016 (see Exhibit 34).

Exhibit 34: GCC Rankings in the Global Food Security Index

Country	Overall Score and Ranking										5-year change in score
	2012		2013		2014		2015		2016		
	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	
Qatar	76.6	21	76.1	22	76.8	20	76.5	20	77.5	20	+0.9
Oman	71.9	29	71.8	27	72.8	26	72.7	27	73.6	26	+1.6
Kuwait	72.6	26	73.0	25	73.2	25	72.8	26	73.5	27	+0.9
UAE	69.6	33	71.4	31	71.8	30	71.7	30	71.8	30	+2.2
Saudi Arabia	70.0	32	68.9	34	70.2	32	70.8	31	71.1	32	+1.1
Bahrain	69.0	34	69.6	33	70.0	33	70.6	33	70.1	33	+1.1

Source: Economist Intelligence Unit

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

Saudi Arabia

Over the years, Saudi Arabia has been making efforts to secure food supply by improving domestic productivity of meat, dairy and eggs as well as making agricultural investments overseas. The government has been investing in farmlands under the 'King Abdullah Initiative for Saudi Agricultural Investment Abroad'. The Kingdom had invested in Sudan, Lebanon, Syria and Egypt, but the unstable political climate in these countries diverted the food firms in Saudi Arabia to Australia, Pakistan and some European countries[40]. In addition to securing food supply from overseas, the government is also looking at

[39] GFSI ranks nations based on their food affordability, availability, nutritional quality, and safety
[40] Source: "Saudi firm moves toward 100% use of imported animal feeds", Arab News, April 15, 2014

In addition to securing food supply from overseas, the government is also looking at augmenting domestic production

augmenting domestic production by encouraging farmers to adopt sustainable ways of farming, including techniques such as drip irrigation (less water intensive) and organic farming to produce high-value crops. With the end of wheat production in 2016, the government has chalked out a back-up plan that includes allowing three additional seaports to receive wheat imports (taking the total to five), privatization of Saudi Grain Organization, and addition and expansion of silos to increase the storage capacity.

Despite having a large coastline, the country is dependent on imports for seafood. This is due to depletion of aquatic resources caused by global warming, dumping of sewage water, coastal erosion and lack of rain[41]. However, the fishing industry is seen as an important avenue for boosting local food produce. The Ministry of Agriculture in December 2013 announced a plan to invest US$ 10.6 billion into aquaculture projects to reach production of 1 million tonnes of fish in the next 16 years[42]. The country had produced 98,000 tonnes of fish in 2014.

Under Saudi Arabia's Vision 2030, the Kingdom aims to build safe and sufficient strategic food reserves

Under Saudi Arabia's Vision 2030, the Kingdom aims to build safe and sufficient strategic food reserves, to combat against any food crisis. It intends to promote aquaculture and encourage strategic partnerships with countries rich in natural resources. The country aims to prioritize the use of water for agriculture in areas with natural and renewable water sources. Additionally, it aims to continue collaborating with consumers, food manufacturers and distributors to control resource wastage. Exhibit 35 covers some key developments in the Kingdom towards food security.

Exhibit 35: Recent Developments to Improve Food Supply

Date	Key Developments
22-Jul-16	The Sudanese parliament approved an agricultural bill permitting Saudi Arabia to cultivate one million feddans (1.0 million acres[43]) of land in Upper Atbara for 99 years. As per the bill, Saudi Arabia would invest US$ 10 billion during the first 10-year phase to construct the infrastructure and then will move to the next phase of land reformation.
17-Jun-16	To strengthen the country's efforts to secure food supply, Saudi Agricultural and Livestock Investment Co. (SALIC) increased its investment in G3 Canada Ltd., its agri-logistics joint venture (JV) with Bunge Ltd., from 49% to 75%.
13-Apr-16	The Egyptian authorities agreed to assign 500,000 acres of arable lands to Saudi Arabian investors. This was subsequent to the signing of a memorandum of understanding (MoU) between the agriculture ministries of Saudi Arabia and Egypt to invest in agriculture and food industries.
08-Feb-16	In a meeting with a Zambian delegation, SALIC expressed willingness to invest over US$ 100 million to cultivate wheat, maize and soya beans in Zambia, as part of the country's food security initiative.
10-Jan-16	Almarai Co. invested US$ 31.8 million to purchase a land in California to secure the supply of animal feed, alfalfa hay. This development comes past the government's decision to phase out cultivation of green fodder crops.
23-Dec-15	SALIC agreed to buy a 20.0% stake in Minerva Foods SA, a Brazilian beef exporter, for US$ 188.4 million. Minerva Foods SA is one of the largest beef producers in South America and exports to 100 countries.

Source: Thomson Reuters Eikon, farmlandgrab.org, Media reports

41 Source: "Aquaculture in Saudi Arabia", Innovasjon Norge, February 2016
42 Source: "GCC adopting aquaculture", BQ Magazine, July 23, 2014
43 Conversion metric – 1 feddan = 1.038 acres

UAE

The UAE has developed comprehensive plans to secure food supply, which include investments in farmlands abroad as well as improving domestic productivity by using new technologies

The UAE has developed comprehensive plans to secure food supply, which include investments in farmlands abroad as well as improving domestic productivity by using new technologies. The country has already invested in countries like Namibia, South Africa, Tunisia, Morocco, Algeria, Sudan and Egypt to secure food supply[44]. However, weak infrastructure, local hostility, poor security and political risks have affected some of the projects[45]. The country has hence, shifted focus to safer havens such as Eastern Europe, Australia, and North and South America. The UAE government has also invested heavily in providing the technology required to improve land and water management and boost the agricultural sector. To enhance crop productivity and reduce agricultural costs, the country is attempting to deploy space technology. This involves using satellites equipped with remote sensing technology for monitoring plant growth and activity, irrigation needs and environmental conditions.

In March 2016, the FAO praised the UAE's efforts towards supporting food security, despite the fact that its agricultural sector is facing challenges in terms of water and climate. Exhibit 36 shows some of the other developments aimed at boosting the country's food supply.

Exhibit 36: Recent Developments to Improve Food Supply

Date	Key Developments
07-Dec-16	Al Dahra Holding, an Abu Dhabi-based agriculture company, announced the launch of a rice factory in Khalifa Industrial Zone (Kizad) in an attempt to boost the country's food security. Spanning across 100,000 square meters (sq m), the AED 140 million (US$ 38.1 million[46]) plant is expected to produce up to 120,000 tonnes of rice per year.
23-Mar-16	Dubai-based Al Rawabi Dairy Co. announced its plan to invest US$ 100 million in a dairy farm in Abu Dhabi in an effort to increase the size of its herd to over 15,500 cows from the existing 12,500. The company also stated that it is exploring expansion opportunities in Yemen, Libya, Bahrain and Saudi Arabia.
08-Dec-15	The UAE's Ministry of Environment and Water (MEW) signed an MoU with Palestine's Ministry of Agriculture to develop and strengthen cooperation between the two countries in the field of agriculture, livestock and fisheries. Under the MoU, both the countries aim at sharing expertise and experiences in the areas of agricultural scientific research and using salt water in agriculture.
08-Dec-15	Unidentified UAE investors entered into three agreements with Morocco's Ministry of Agriculture and Fisheries to invest around EUR 37 million (US$ 40.2 million[47]) in six agriculture projects in Morocco.
08-Jun-15	Al-Dahra Holding announced its intention to invest US$ 10 billion to acquire 2.4 million acres of land in Al-Hawad valley in Sudan. The valley is known to be one of the most fertile agricultural lands in Sudan, primarily for maize cultivation.

Source: Thomson Reuters Eikon, farmlandgrab.org, Media reports

[44] Source: "UAE's food imports to rise to $400b in 10 years", Gulf News, March 31, 2015
[45] Source: "Scarcity and Abundance: UAE Food and Water Security", Future Directions International, November 25, 2014
[46] Converted using exchange rate of 0.272
[47] Converted using exchange rate of 1.086

Kuwait

Kuwait has been constantly collaborating with the FAO to achieve a sustainable agricultural production

Kuwait has been constantly collaborating with the FAO to achieve a sustainable agricultural production. Kuwait Investment Authority, a sovereign wealth fund, has been instrumental in securing food supply by investing in major international food companies and agricultural lands overseas. Additionally, Public Authority for Agriculture Affairs and Fish Resources (PAAF) in Kuwait, responsible for the agricultural development and boosting food security, has entered into cooperation agreements with countries such as Mexico, Sudan, and Albania to gain expertise in the development of agriculture and fisheries sectors. Exhibit 37 shows some of the other developments aimed at boosting the country's food supply.

Exhibit 37: Recent Developments to Improve Food Supply

Date	Key Developments
04-Sep-16	PAAF entered into an MoU with the National Fund for Small and Medium Enterprise Development to assist small businesses in the agricultural field.
26-May-16	PAAF and Mexico's Secretariat of Agriculture, Livestock, Rural Development, Fisheries and Food signed a cooperation agreement that aims at strengthening research and exchange of information and scientific data for the development of agriculture, livestock and fisheries in both the countries.
24-Mar-16	The government of Kuwait signed a memorandum of cooperation with Albania's Ministry of Agriculture in the field of agriculture and fisheries through joint-cooperation programs involving exchange of research & agricultural practices.
18-Mar-16	PAAF announced that it is in talks with the Government of Sudan to enter into a cooperation agreement for exchanging experiences in agriculture and benefiting from the expertise in crops and livestock farming.
29-May-15	Kuwait's Al-Badel International Development Co. announced its plan to launch a US$ 1.5 billion project to grow sugarcane in the southern Mozambican province of Gaza.

Source: Thomson Reuters Eikon, farmlandgrab.org

Oman

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

Oman has remained active in strengthening its food security by increasing domestic production, as part of its plan to raise the agricultural contribution to 3.1% of the GDP by 2020[48] from 1.6% in 2015[49]. The government is developing four mega projects to boost self-sufficiency of red meat, dairy and poultry. These projects, undertaken by state-owned Oman Food Investment Holding with an investment of OMR 270 million (US$ 699 million[50]), are likely to commence production over the next three years[51]. The government is also supporting the local fisheries sector through an investment of US$ 1.6 billion under the National Fisheries Development Strategy 2013-2020. The strategy aims at increasing fisheries production from over 200,000 MT in 2014 to 480,000 MT by 2020 and creating 20,000 jobs[52]. As part of the plan, the government will build a Fisheries Industrial Zone in Al Duqm SEZ, encompassing 60 processing facilities, cooling and freezing stores, and

[48] Source: Oman Agriculture & Fisheries Research & Analysis 2016, Oxford Business Group
[49] Source: World Development Indicators, World Bank
[50] Converted using exchange rate of 2.588
[51] Source: "Four food projects coming up in Oman", Times of Oman, March 5, 2016
[52] Source: "$1.6 billion strategy to double fishery sector's share of GDP", Oman Daily Observer, March 23, 2014

ship maintenance and repair workshops[53]. Exhibit 38 covers the key developments in the Sultanate towards food security.

Exhibit 38: Recent Developments to Improve Food Supply

Date	Key Developments
23-Dec-16	Oman's Ministry of Agriculture and Fisheries (MoAF) announced its plan to develop large-scale aquaculture projects with an aim to produce 236,000 tonnes of fish annually in the country. MoAF is analyzing 40 projects, worth US$ 1.8 billion, for commercial production of different kinds of fish.
02-Oct-16	Safwa Group & Partners launched a pilot project of open ocean farming named 'Sahwa', in the Al Batinah North Governorate. In partnership with small and medium enterprises (SMEs) and fishing communities in Oman and a US-based open ocean fish farming company, Forever Oceans, the project aims to bolster Oman's food security goals and meet 25% of its aquaculture production target.
22-Aug-16	Mazoon Dairy Co. floated a tender to build a major dairy farm in Buraimi at an investment of OMR 100 million (US$ 259.9 million[54]). The company aims to produce 202 million litres of milk by 2026 and 985 million litres by 2040.
10-Jul-16	Oman-based Al Hosn Investment Co. acquired a 15% stake in KAT-Aqua, a fish farming project in the Sur Industrial Area. The project, using Re-circulating Aquaculture System technology, aims to produce 600 tonnes of orange spotted grouper, a native hamour species of Oman.
29-Jun-16	Oman Aquaculture Development Co. signed a cooperation agreement with the MoAF to operate and manage a finfish hatchery in Al Bustan area. The hatchery will have an annual production capacity of 15 million fingerlings and support development of the fisheries sector.
18-Jun-16	Osool Poultry SAOC announced its plan to establish a major project for broiler breeding and hatching operation at an investment of OMR 61 million (US$ 158.4 million[55]). The project will help the country in achieving the goal of 70% self-sufficiency in poultry meat production by 2030.
12-Mar-16	Al Bashair Meat Co. announced its plan to make an initial investment of OMR 37 million (US$ 95.9 million[56]) in a red meat project, with an aim to cover the shortage in local meat production that currently stands at 80%.
17-Feb-16	Oman expressed interest in investment opportunities in Iran's agricultural sector in the Khuzestan province and other parts to strengthen food security.
25-Oct-15	State General Reserve Fund, Oman's sovereign wealth fund, entered into an agreement with Japanese institutions to set up Gulf Japan Food Fund with a capital investment of US$ 400 million. The fund will facilitate direct investment in food and agribusiness industries in the GCC. At least 35% of the fund's investments are expected to be directed to Oman.
15-Jun-15	Oman Sugar Refinery Co. signed a US$ 300 million engineering, procurement, and construction agreement with China's Sinolight Corp. to build Oman's first sugar refinery at the Port of Sohar. Expected to start operation in Q1 2018, the refinery will have an annual capacity of 1 million tonne of refined sugar.

Source: Thomson Reuters Eikon, farmlandgrab.org, Media reports

[53] Source: "Duqm economic zone floats tender for fishing harbor", Times of Oman, January 12, 2016
[54] Converted using exchange rate of 2.599
[55] Converted using exchange rate of 2.597
[56] Converted using exchange rate of 2.591

Qatar

The government of Qatar remains determined to achieve 40% self-sufficiency by 2030 as part of the Qatar National Food Security Programme

The government of Qatar remains determined to achieve 40% self-sufficiency by 2030 as part of the Qatar National Food Security Programme initiated in 2008[57]. The program also intends to double the number of farms in the country from 1,400 to 3,000. It focuses on investing in renewable energy, desalination and water management, agricultural production, and food processing and management to boost the local produce. The government has also proposed construction of a new port to transform the country into a regional as well as international trading hub for food products. Some of the other major projects that are likely to boost domestic food supply include an already commenced US$ 55 million meat processing plant, an under development US$ 63.2 million aquatic research center and an upcoming US$ 206 million chicken farm complex[58]. In addition to boosting the domestic produce, Qatar also remains committed to investing in overseas farmlands. Exhibit 39 covers the major developments in Qatar towards securing food supply.

Exhibit 39: Recent Developments to Improve Food Supply

Date	Key Developments
18-May-16	Qatar Flour Mills, the country's only wheat milling facility, announced plans to increase its daily milling capacity from 670 tonnes to 820 tonnes in July 2016.
17-May-16	Qatar's Ministry of Municipality and Environment entered into an agreement with Japan's Mitsui & Co. Ltd. for cooperation in agriculture development. The deal aims to develop and advance Qatar's agriculture sector with the transfer of agricultural technology and enhancement of research capabilities.
12-May-16	In a meeting with the Ministry of Agriculture of Azerbaijan, Qatar expressed interest in investing in agricultural production in Azerbaijan. Qatar seeks to develop projects in the areas of animal husbandry, dairy farming, vegetable production and agricultural processing in Azerbaijan.
04-May-16	Qatar and Georgia signed two MoUs in the areas of veterinary health, livestock production, and economic, scientific, and technical collaboration in agriculture, thus expanding the scope of existing collaboration between the two countries.
14-Mar-16	Qatar announced its intention to make significant investments in Turkey's agriculture sector, with an initial outlay of around US$ 500 million.
01-Mar-16	In a meeting with Deputy of Sudan Ambassador to Qatar, the Ministry of Agriculture and Forestry of Qatar expressed interest to support cooperation between the two countries in the agriculture domain. Sudan agreed to support Arab investors by way of providing incentives and encouraging partnerships.
08-Oct-15	Qatar Holding LLC, an arm of Qatar's sovereign wealth fund, announced its interest in buying a minority stake in the agriculture business of Swiss-based Glencore Plc.
15-Feb-15	Hassad Food announced that it is looking to purchase sugar and poultry assets in Brazil and grain assets in North America and Canada.
09-Feb-15	Hassad Food acquired a significant minority interest in A'Saffa Foods SOAG, the largest local poultry project in Oman. Through such acquisitions, Hassad Food intends to expand its existing poultry operations and diversify into other parts of the value chain over the next three to five years.

Source: Thomson Reuters Eikon, farmlandgrab.org, Media reports

[57] Source: "Food and Water Security in Qatar", Future Directions International, July 21, 2015
[58] Source: "A Journey from Farm to Fork", Foodex Qatar

Bahrain

To boost agricultural production, Bahrain plans to intensify its farming practices through the implementation of modern agricultural techniques

The government of Bahrain has undertaken a series of short-term and long-term measures for improving food and water security in the country. To expand domestic food production, the government is encouraging participation from both private and public sector. For augmenting crop productivity, it is providing economic incentives such as subsidies on farming inputs. Bahrain also plans to intensify its farming practices through the implementation of modern agricultural techniques. Further, it aims to improve food-processing facilities and develop the poultry and fisheries sectors.

In May 2016, the Undersecretary for Agriculture and Marine Resources signed an agreement with Yam Consulting and Development Co. for conducting an economic and environmental feasibility study for the Khairat Al-Bahrain agricultural project in Sudan[59]. The agreement is believed to be an important step towards strengthening cooperation between the two countries and vital for achieving a sustainable food supply for Bahrain. The country is also exploring investment opportunities in the agriculture and aquaculture projects in Egypt to meet domestic food demand and enhance food security[60].

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[59] Source: "Feasibility study agreement of Khairat Al-Bahrain signed", Bahrain News Agency, May 31, 2016
[60] Source: "Bahraini-Egyptian talks on investment in food security", Bahrain News Agency, April 6, 2016

3. The GCC Food Industry Outlook

3.1 Forecasting Methodology

We have forecasted the size of the food industry in each GCC country in terms of consumption volume across the major food categories, through 2021. 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 Agricultural Statistics Yearbooks and statistical websites of the GCC nations
- Population and GDP at current prices from the IMF (last updated October 2016)

Assumptions:

- The GCC population is forecasted to grow at a CAGR of 2.3% from an estimated 53.9 million in 2016 to 60.5 million in 2021.
- During the same period, the region's GDP (at current prices) is expected to increase at an annualized rate of 6.7%.
- Although the GCC countries experienced a fall in consumer spending amidst the economic slowdown, the per capita food consumption volumes in the region have not been affected during 2016.

Analysis of macroeconomic data over the last decade reveals a strong correlation between growth of food consumption and that of population and GDP. Accordingly, we have used regression analysis to arrive at long-term forecasts for the GCC food industry. Going ahead, expected stability in oil prices alongside growth of the non-oil sector is likely to lift the income levels, and hence, the demand for food in the GCC countries.

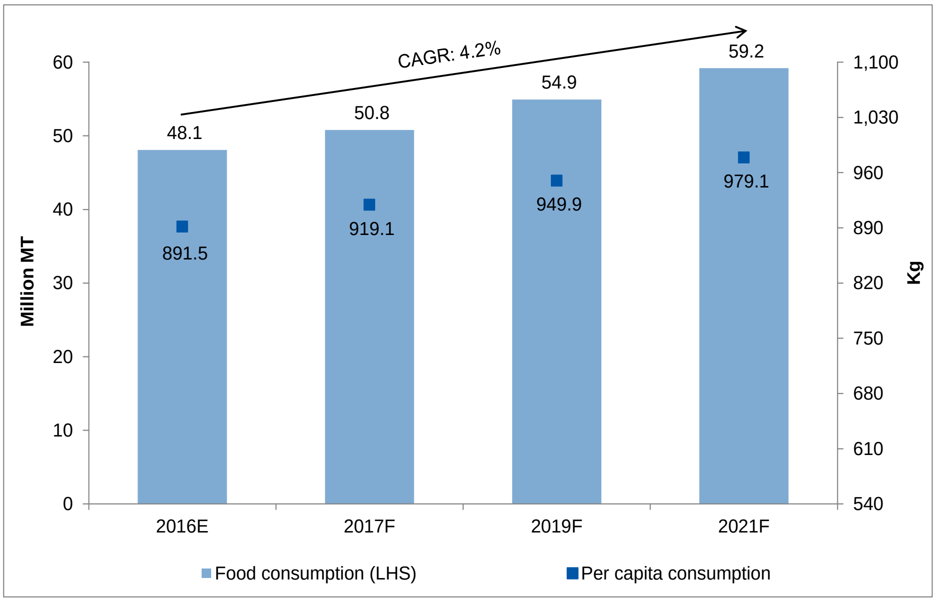
Note: Due to changes in our forecasting methodology and the IMF's population and GDP estimates, industry projections in this report are not comparable to the forecasts in Alpen's GCC Food Industry report dated April 28, 2015.

3.2 The GCC Food Consumption Forecast

Food consumption in the GCC is expected to expand at a CAGR of 4.2% from an estimated 48.1 million MT in 2016 to 59.2 million MT in 2021

Food consumption in the GCC is expected to expand at a CAGR of 4.2% from an estimated 48.1 million MT in 2016 to 59.2 million MT in 2021 (see Exhibit 40). This growth is primarily attributable to increase in the consumer base coupled with a higher per capita income, as the GCC economies stage a sustained economic recovery from the recent downturn. Additionally, a growing tourism market, changing dietary habits and preferences and increasing penetration of organized retail are also likely to fuel the consumption growth. Government as well as private sector investments are being channeled towards augmenting the domestic food production capacity and supply, even as securing food sources in other resource-rich countries remains a key priority.

Exhibit 40: Forecast of Food Consumption in the GCC



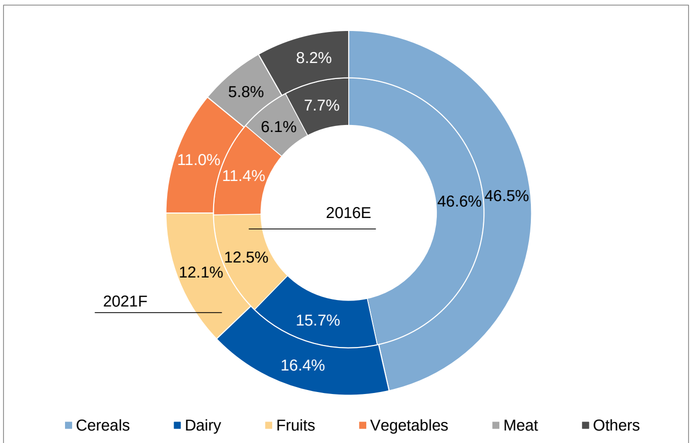
Source: IMF – October 2016, Alpen Capital
Note: E – Estimated, F – Forecasted

Category-wise Food Consumption

Share of most of the food categories is anticipated to remain broadly unchanged through 2021

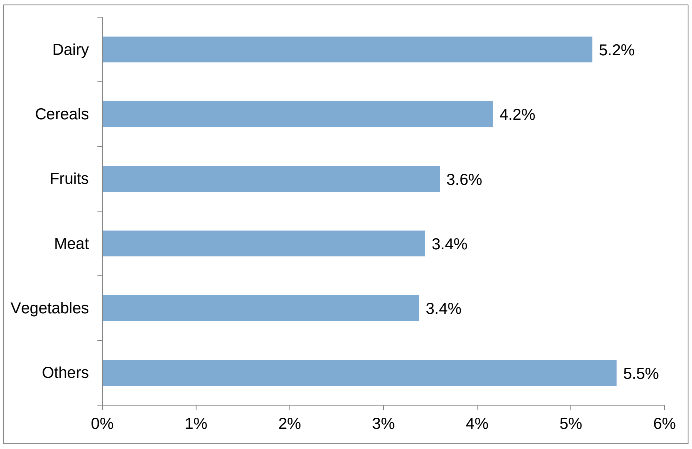
With bread and rice forming the main ingredients of the GCC food plate, cereals will continue to remain the most consumed food category in the region. Share of most of the food categories is anticipated to remain broadly unchanged through 2021 (see Exhibit 41). With an increase in demand for bakery products, rice, and a variety of dairy products, consumption of cereals and dairy is expected to grow at the fastest pace alongside the 'Others' segment (see Exhibit 42). Rise in consumption of fish, a source of proteins, in Saudi Arabia, Kuwait and Oman is anticipated to contribute to the increase in 'Others' segment.

Exhibit 41: Category-wise Split of Overall Food Consumption



Source: IMF – October 2016, Alpen Capital
Note: E – Estimated, F – Forecasted; 'Others' food category comprises potatoes, pulses, fats & oil, fish, and eggs

Exhibit 42: Category-wise Food Consumption Growth (CAGR: 2016E – 2021F)



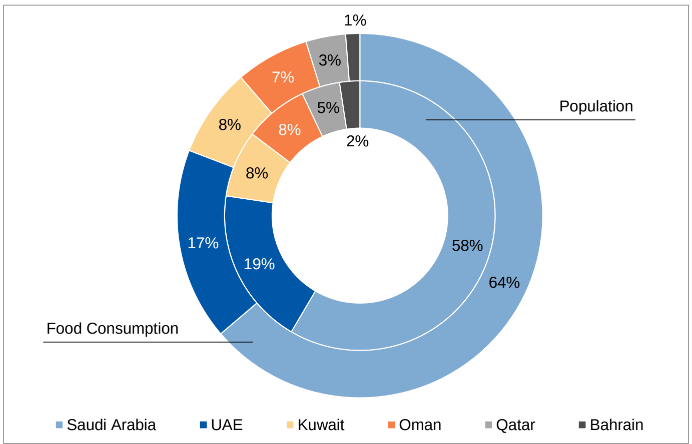
Source: IMF – October 2016, Alpen Capital
Note: E – Estimated, F – Forecasted; 'Others' food category comprises potatoes, pulses, fats & oil, fish, and eggs

Country-wise Food Consumption

The country-wise food consumption share is anticipated to remain largely unchanged through 2021

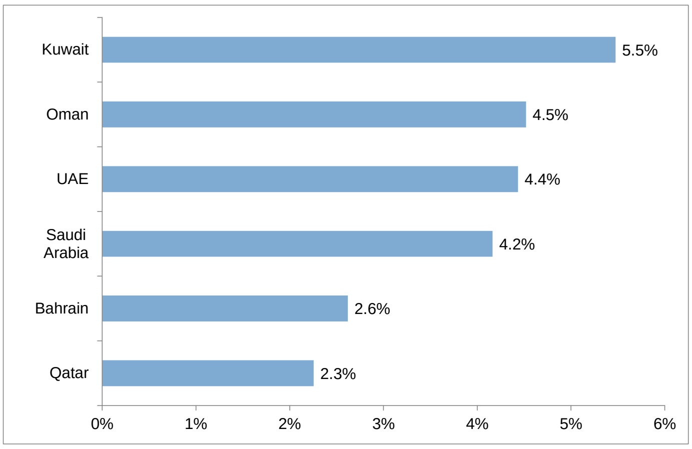
Saudi Arabia and the UAE are likely to remain the major food consumption centers, owing to their large population size. Collectively, their share of total food consumed in the region is projected at over 80% in 2021 (see Exhibit 43). Saudi Arabia's share of food consumption is likely to remain higher than its share in total GCC population, due to a high per capita consumption level compared to the other GCC nations. The country-wise food consumption share is anticipated to remain largely unchanged through 2021. Food consumption in Kuwait is expected to register the fastest annualized growth of 5.5% between 2016 and 2021, while that in Qatar and Bahrain may witness a slower increase (see Exhibit 44). The expected growth rates largely mirror the population and GDP projections for the countries.

Exhibit 43: Country-wise Split of Overall Food Consumption and Population (2021F)



Source: IMF – October 2016, Alpen Capital
Note: E – Estimated, F – Forecasted

Exhibit 44: Country-wise Food Consumption Growth (CAGR: 2016E – 2021F)



Source: IMF – October 2016, Alpen Capital
Note: E – Estimated, F – Forecasted

3.3 Country-wise Market Size Forecast

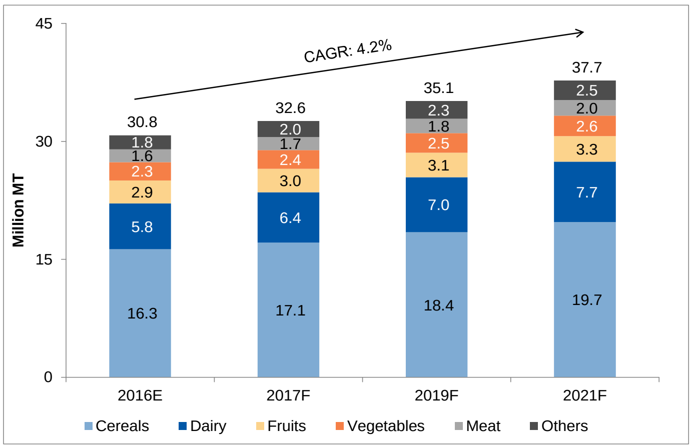
Saudi Arabia

Food consumption in Saudi Arabia is forecasted to grow at an annualized average rate of 4.2% from an estimated 30.8 million MT in 2016 to 37.7 million MT in 2021

Food consumption in Saudi Arabia is forecasted to grow at an annualized average rate of 4.2% from an estimated 30.8 million MT in 2016 to 37.7 million MT in 2021 (see Exhibit 45). The growth is likely to be driven by a 2.0% compounded annual growth in population as well as an increase in consumer spending. Capacity expansion of the holy mosques in Mecca and Medina, relaxation of the visa policy and development of new attractions are expected to boost tourist inflow in the country. The rising tourist arrivals alongside an increasing rate of urbanization are likely to support demand for packaged foods and ready meals.

Within the main food categories, dairy is expected to witness the fastest growth in consumption at 5.7% between 2016 and 2021, followed by cereals and meat at 3.9% (see Exhibit 46). While the expected growth in dairy and meat products underlines the global trend of embracing a protein-rich diet, increasing consumption of bread due to presence of large number of blue-collared workers are the key factors driving cereals consumption higher in the coming years. The 'Others' category is also expected to grow at a strong pace, supported by rising consumption of fish and eggs, which are also vital sources of proteins.

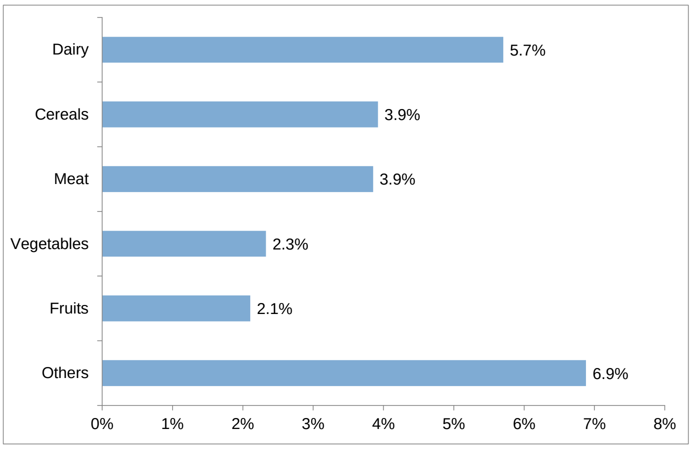
Exhibit 45: Forecast of Food Consumption in Saudi Arabia



Source: *IMF – October 2016, Alpen Capital*

Note: E – Estimated, F – Forecasted

Exhibit 46: Category-wise Food Consumption Growth in Saudi Arabia (CAGR: 2016E – 2021F)



Source: IMF – October 2016, Alpen Capital

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

UAE

Food consumption in the UAE is projected at 10.1 million MT in 2021, indicating an annual average growth rate of 4.4% from 2016

Food consumption in the UAE is projected at 10.1 million MT in 2021, indicating an annual average growth rate of 4.4% from 2016 (see Exhibit 47). The large consumer base, characterized by high proportion of expatriates and strong disposable income levels, will continue to support the country's appetite for food. During 2016-2021, the country's population is projected to expand at a CAGR of 3.0% and real GDP at an annual average rate of 3.2%. International tourist arrivals in the UAE are also expected to soar, as it is developing several tourist attractions and is set to host the six-month long World Expo 2020. While about 17 million international tourists visited the country in 2015[61], the expo alone is anticipated to draw 25 million visitors[62]. In a country where international tourist arrivals are likely to outnumber the population, tourists are an important source of food demand. The increasing penetration of organized retail stores and demand for international and healthy foods are the other factors adding to the demand.

Consumption of fruits and cereals is anticipated to grow by over 5% through 2021, followed closely by vegetables at 4.4% (see Exhibit 48). While the presence of a large number of Asian expatriates is likely to support the demand for cereals, a high purchasing power and health-conscious attitude of the inhabitants is expected to drive the demand for fruits and vegetables.

[61] Source: Statistics Centre - Abu Dhabi, Dubai Statistics Center, MasterCard
[62] Source: Expo 2020 Dubai

Exhibit 47: Forecast of Food Consumption in the UAE

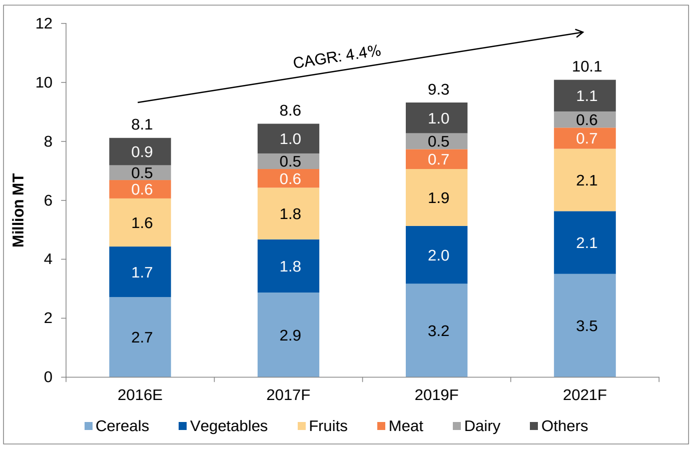
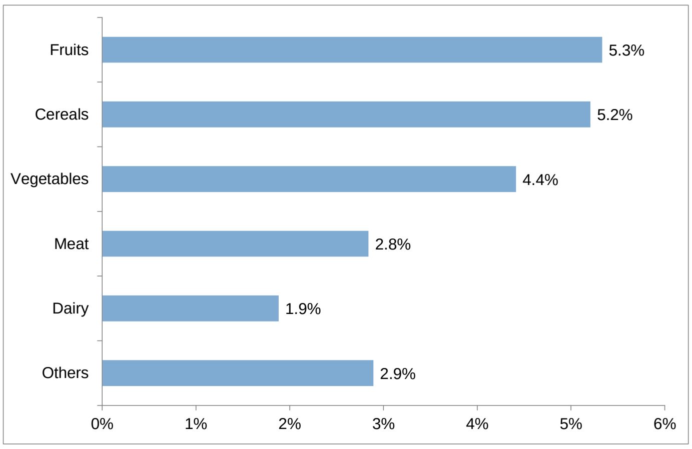


Exhibit 48: Category-wise Food Consumption Growth in the UAE (CAGR: 2016E – 2021F)



Source: IMF – October 2016, Alpen Capital

Note: E – Estimated, F – Forecasted

Source: IMF – October 2016, Alpen Capital

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

Kuwait

Food consumption in Kuwait is anticipated to reach 4.7 million MT in 2021, registering a CAGR of 5.5% from 2016, the highest in the region

Food consumption in Kuwait is anticipated to reach 4.7 million MT in 2021, registering a CAGR of 5.5% from 2016, the highest in the region (see Exhibit 49). This is mainly attributable to the projected 5.4% annualized increase in GDP per capita at current prices, the second fastest in the GCC. The strong growth projections mark the economic revival from a low base, after per capita income having dropped by more than 30% y-o-y in 2015 and by 5.8% in 2016. This coupled with an increase in population at a CAGR of nearly 3% is likely to support demand for food and lift consumer spending on dine-outs and high-value food products. Subsequently, consumption of fruits is likely to display a 7.9% annualized growth between 2016 and 2021 (see Exhibit 50). Demand for overall food products is also likely to be supported by an increase in the country's tourism activity.

Exhibit 49: Forecast of Food Consumption in Kuwait

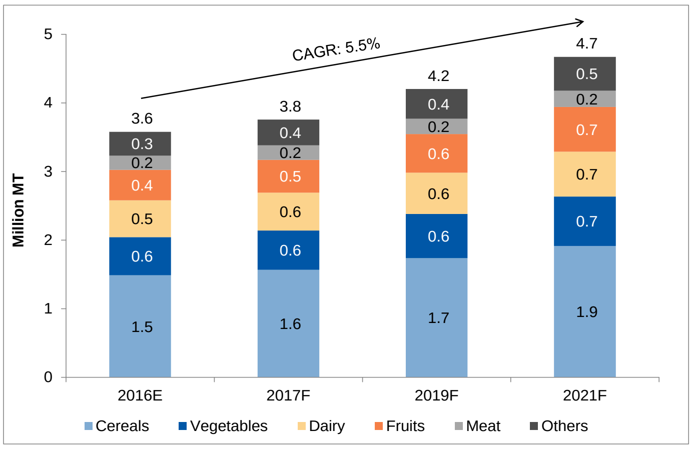
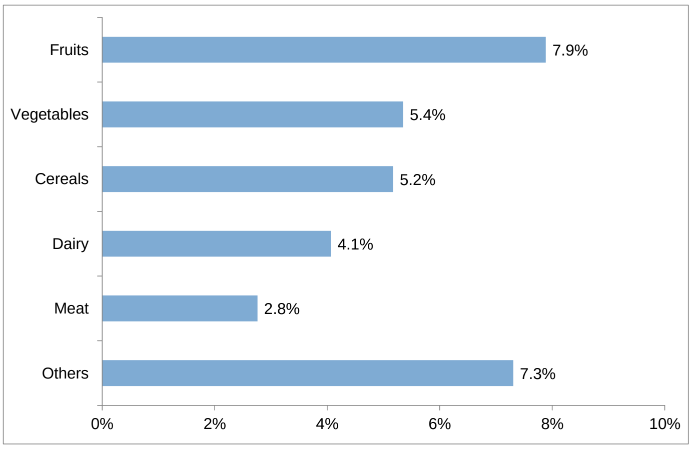


Exhibit 50: Category-wise Food Consumption Growth in Kuwait (CAGR: 2016E – 2021F)



Source: IMF – October 2016, Alpen Capital

Note: E – Estimated, F – Forecasted

Source: IMF – October 2016, Alpen Capital

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

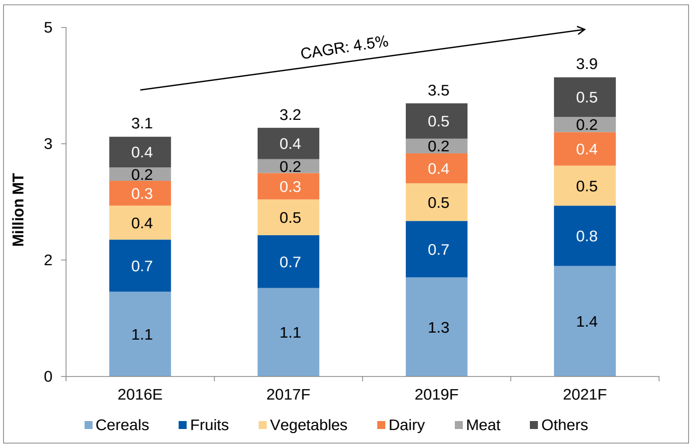
Oman

Food consumption in Oman is likely to grow at a CAGR of 4.5% to 3.9 million MT in 2021 from an estimated 3.1 million MT in 2016

Food consumption in Oman is likely to grow at a CAGR of 4.5% to 3.9 million MT in 2021 from an estimated 3.1 million MT in 2016 (see Exhibit 51). This growth is attributable to a 3.1% and 2.4% annualized increase in population and real GDP, respectively, during the period. Further, demand is likely to be supported by tourist arrivals that are anticipated to increase on the back of the government's plan to strengthen the tourism sector through development of tourist spots and by encouraging private investments[63].

Dairy consumption is likely to witness the fastest growth at 6.1% between 2016 and 2021, followed closely by cereals consumption at 5.4% (see Exhibit 52). While the consumption of cereals is set to rise due to its prominence in the daily meal, that of dairy is driven by increasing awareness about the associated health benefits. To meet the growing local demand for dairy, Mazoon Dairy Co. is expected to soon commence operation of a US$ 260 million dairy project, substantially reducing the country's import dependency[64]. Consumption of fish is also likely to increase in the country going forward, contributing to the 5.2% annualized consumption growth in the 'Others' category.

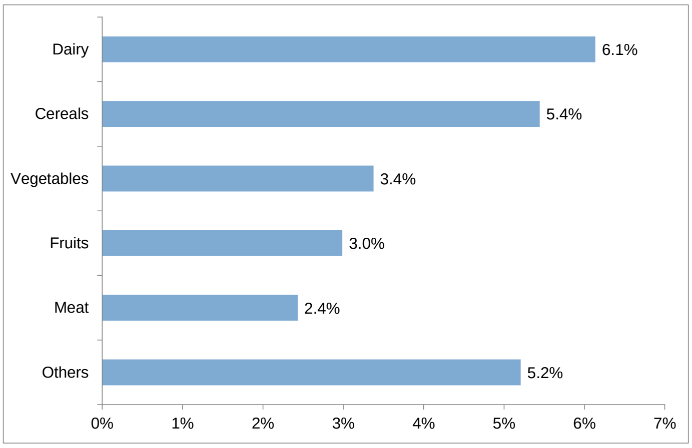
Exhibit 51: Forecast of Food Consumption in Oman



Source: IMF – October 2016, Alpen Capital

Note: E – Estimated, F – Forecasted

Exhibit 52: Category-wise Food Consumption Growth in Oman (CAGR: 2016E – 2021F)



Source: IMF – October 2016, Alpen Capital

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

Qatar

Food consumption in Qatar is expected to reach 2.1 million MT in 2021, translating into an annualized 2.3% growth from 2016

Food consumption in Qatar is expected to reach 2.1 million MT in 2021, translating into an annualized 2.3% growth from 2016 (see Exhibit 53). High disposable incomes and urbanization rate, coupled with an expanding consumer base, are the primary factors aiding growth in food consumption. Government investments in developing tourist attractions and other infrastructure in the build-up to the soccer world cup in 2022 are likely to increase tourist arrivals, and hence, the demand for food. During the forecast period, population and real GDP are anticipated to increase at CAGR of 1.5% and 2.8%, respectively.

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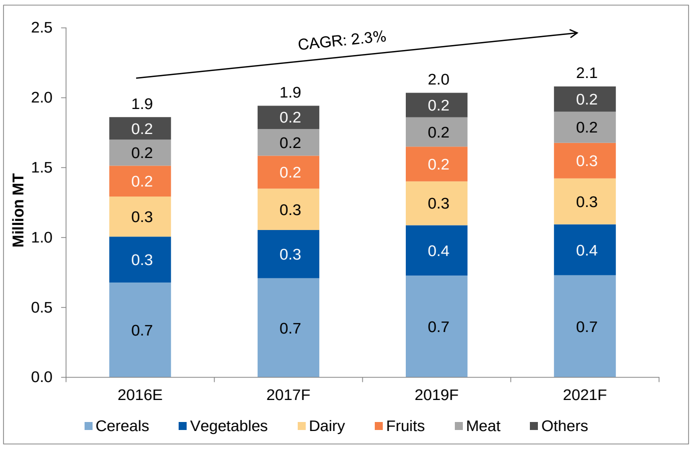
[63] Source: "Oman's 2040 tourism plan 'will cost $35bn', says senior official", Arabian Business, April 28, 2016
[64] Source: "Mazoon Dairy awards initial contract for mega dairy project in Buraimi", Times of Oman, December 21, 2016

Meat consumption in the country is expected to grow at a CAGR of 3.7% between 2016 and 2021, followed by fruits and dairy by nearly 3% (see Exhibit 54). The country's high affluence levels have backed the locals' demand for such high-value products.

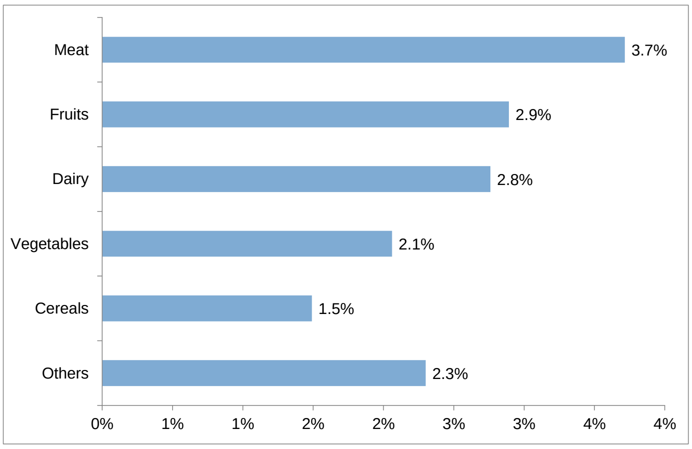
Exhibit 53: Forecast of Food Consumption in Qatar



Source: IMF – October 2016, Alpen Capital

Note: E – Estimated, F – Forecasted

Exhibit 54: Category-wise Food Consumption Growth in Qatar (CAGR: 2016E – 2021F)



Source: IMF – October 2016, Alpen Capital

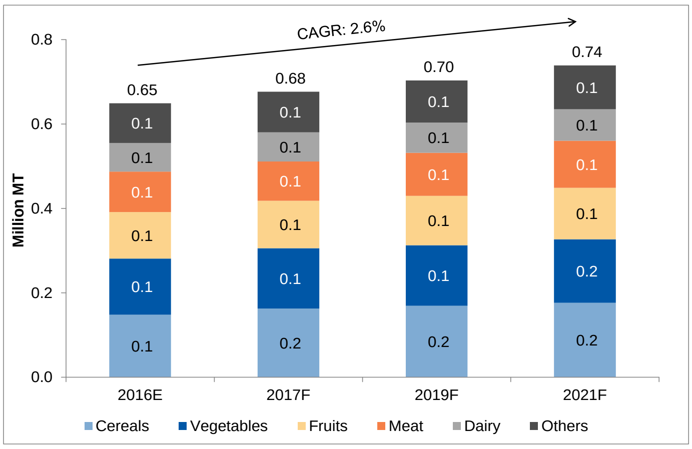
Note: E – Estimated, F – Forecasted; 'Others' food category comprises potatoes, pulses, fats & oil, fish, and eggs

Bahrain

Bahrain's food consumption is projected to grow at an annual average of 2.6% from 2016 to reach 0.7 million MT in 2021

Bahrain's food consumption is projected to grow at an annual average of 2.6% from 2016 to reach 0.7 million MT in 2021 (see Exhibit 55). The expectation is on the back of an increase in the number of expatriates and tourists as well as higher general income levels. During the forecast period, population and real GDP are projected to grow at an annual average rate of 2% each. Cereals and meat consumption are likely to grow by over 3% during the period (see Exhibit 56). A growing influx of expatriates, primarily from the Asian continent, has been increasing the demand for these products, which form an integral part of the diet of the locals as well.

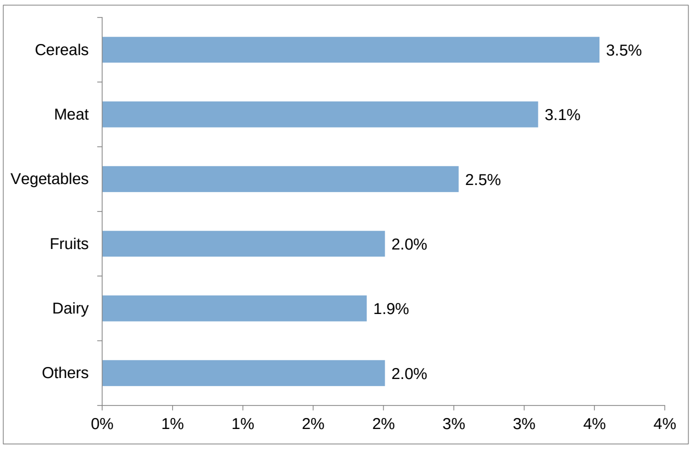
Exhibit 55: Forecast of Food Consumption in Bahrain



Source: IMF – October 2016, Alpen Capital

Note: E – Estimated, F – Forecasted

Exhibit 56: Category-wise Food Consumption Growth in Bahrain (CAGR: 2016E – 2021F)



Source: IMF – October 2016, Alpen Capital

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

4. Growth Drivers

Growing Population and High Rate of Urbanization

Population in the GCC has grown considerably over the years, primarily attributable to the increased influx of expatriates from different parts of the world. The urbanization rate of the constituent countries in 2015 averaged ~89%[65]. Nearly 40% of the people are under 25 years of age and another half in the age group of 25-49 years[66]. Moreover, the number of women participating in the GCC workforce is increasing, given the encouragement from government in the form of job creation coupled with increase in interest to work and pursue higher education to gain the desired skills. This is further supported by the private sector through the promotion of gender diversity. Several women in the region are also setting up their own ventures. Oman and Saudi Arabia, which have the lowest female participation rate in the region, witnessed an increase of 2-3 ppts in the five years to 2014 to reach 29.3% and 20.4%, respectively[67]. The other GCC countries have also registered an increase during the period, with Qatar and the UAE having the highest participation rates of 50.7% and 46.4%, respectively.

The GCC population is expected to add 6.5 million individuals between 2016 and 2021 to surpass 60 million in size

The GCC population continues to expand, and is expected to add 6.5 million individuals between 2016 and 2021 to surpass 60 million in size[68] (see Exhibit 57). The growing consumer base, which is also a confluence of distinct cultures and food habits, will continue to act as the chief contributor to the growth of food consumption in the region over the coming years.

Changes in the GCC demographics has not only contributed to the increase in food consumption, but has also led to structural changes in the dietary habits and preferences

Such a demographic set-up has not only contributed to the increase in overall food consumption, but also has led to structural changes in the dietary habits and preferences in the region. People belonging to diverse cultures and geographies have brought along their local tastes and cuisines, thus creating demand for various types of international foods alongside the traditional Arab flavors. The urban youth is receptive to different palates, and with on-the-go lifestyle, has become major consumers of fast foods and packaged products. On the other hand, the growing use of technology and social media is making people aware of benefits associated with the intake of healthy foodstuff, another category that is growing in popularity in the GCC. A growing number of working couples has increased the spending on packaged foods as well as ready meals, in the form of take away or orders. Moreover, their hectic lifestyles, alongside awareness about nutritional baby foods, have led to a rise in demand for products such as milk formula and dried and prepared baby food. Sales of baby food in the UAE were estimated at AED 511 million (US$ 139.1 million[69]) in 2016 and projected to reach AED 677 million (US$ 184.3 million) in 2021[70], indicating an annualized growth rate of 5.8%.

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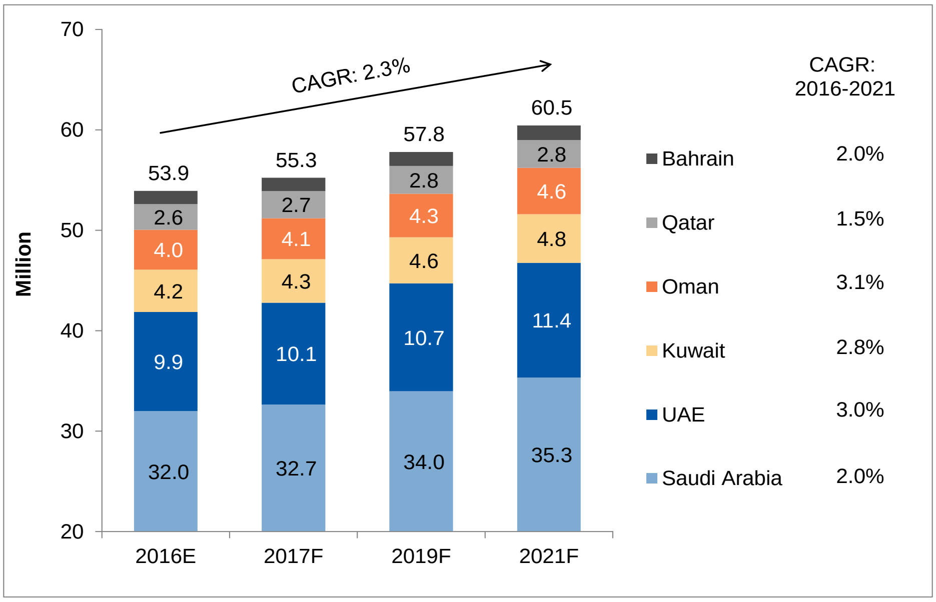
[65] Source: World Bank
[66] Source: United Nations Population Division
[67] Source: World Bank
[68] Source: IMF
[69] At the exchange rate of 0.2723
[70] Source: "Baby Food in the United Arab Emirates", Euromonitor International, October 2016

Exhibit 57: GCC Population Forecast



Source: IMF – October 2016
Note: E – Estimated, F – Forecasted

Revival of the GCC Economies

Capitalizing on its vast energy reserves, the GCC region has over the years created immense wealth in the form of petrodollars from exports of oil and gas to the energy-deficient nations, particularly in Asia. These export revenues have accommodated the elaborate government budgets and created high disposable incomes in the hands of people, thus being the dominant force behind development of every sector. With GDP per capita (PPP) of US$ 129,727 in 2016, Qatar is ranked as the wealthiest nation in the world and is accompanied by member nations like Kuwait (US$ 71,264) and the UAE (US$ 67,696) in the list of top ten wealthiest countries[71]. Foreign currency reserves generated from the energy exports have also enabled the food imports-dependent GCC countries to successfully meet their requirements and secure future supplies through investments in domestic and international food projects.

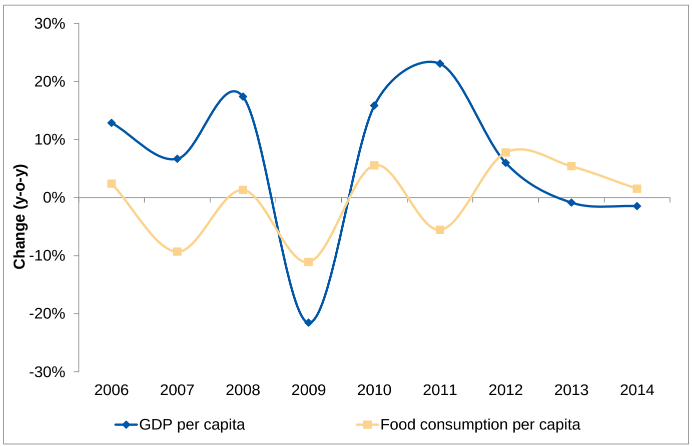
Economic growth in the GCC is expected to gradually gather momentum in line with stability in the oil market, further supported by expansion of the non-oil sectors

Historically, growth in per capita food consumption in the GCC has broadly moved in tandem with the trend in GDP per capita (see Exhibit 58). The weakness in oil prices in the recent years has resulted in a significant drop in fiscal balances of the GCC economies and impacted the consumption patterns. State austerity measures such as removal of subsidies have further dampened consumer sentiments. In response, consumers are spending less on high-priced food items and eating out. Nevertheless, the recent developments indicate that the worst phase for the oil prices in current times may be over. Oil prices have started to recover following the decision of OPEC[72] to reduce oil output. Brent crude oil prices are anticipated to average US$ 55.8 per barrel in 2017 and US$ 65 per barrel in 2020 from an average of US$ 45.1 per barrel in 2016[73] (see Exhibit 59). Economic growth in the GCC is expected to gradually gather momentum in line with

[71] Source: "The Richest Countries in the World", Global Finance Magazine, February 13, 2017; IMF
[72] The Organization of the Petroleum Exporting Countries comprising 13 member countries
[73] Source: Bloomberg

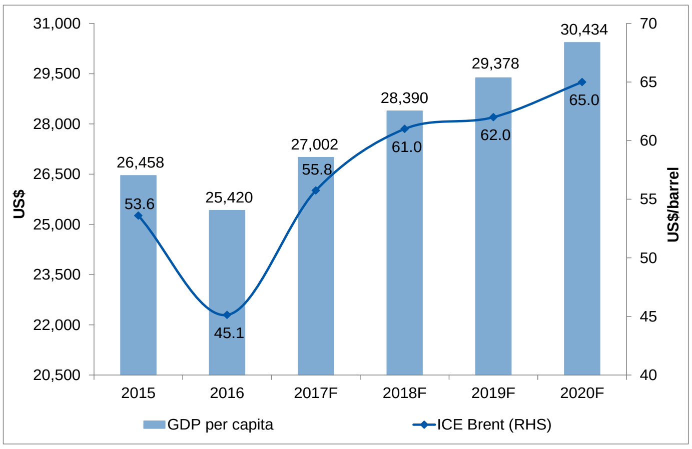
stability in the oil market, further supported by expansion of the non-oil sectors. Subsequently, the GDP per capita in the region is projected to expand at an annualized rate of 3.7% between 2016 and 2020[74], a strong indicator of increasing food consumption during the period.

Exhibit 58: Growth in GDP and Food Consumption (Per Capita)



Source: IMF – October 2016, AOAD, FCSA of UAE, NCSI of Oman, CIO of Bahrain

Exhibit 59: Oil Price and GDP Per Capita Forward Trend



Source: IMF – October 2016, Bloomberg

Growing Tourism Sector

Increasing number of tourist arrivals is strengthening the role of tourism sector in the growth of food consumption

The GCC tourism sector, which hosted over 50 million international tourists[75] in 2015, is seen as one of the key enablers of revenue diversification and job creation in the region. Religious monuments, sporting events, shopping festivals, recreational facilities, and meetings, incentives, conferences, and exhibitions (MICE) are the main attractions for the region's tourists. The sector continues to receive impetus, as the governments run international promotion campaigns, focus on infrastructure development and attract private investments. International visitor arrivals in the GCC are anticipated to grow, driven by the mega international events such as Expo 2020 and FIFA World Cup 2022, new tourist attractions and other MICE events. Increasing number of tourist arrivals is strengthening the role of tourism sector in the growth of food consumption. To cater to the growing number of tourist arrivals as well as satiate the appetite of locals, an increasing number of standalone restaurants and those within the hotel premises are opening in the region. Nearly 19,000 new food and beverage outlets are projected to come up in the UAE alone by 2019[76].

Demand for food products are at peak during festive periods

International as well as domestic tourist footfalls during festivals / events support food consumption. Demand for food products are at peak during festive periods of Ramadan, Eid al-Adha, Christmas, New Year, shopping festivals and food festivals. Food sales in Saudi Arabia and the UAE increase by 10% during the holy month of Ramadan compared to the non-Ramadan periods[77]. Moreover, promotions and discounts offered by retailers during this period add to the demand. Categories such as powdered beverages, dates, soups, oats, concentrated juices, milk powder, condensed milk and dry desserts witness exceptional demand during the month. The GCC countries also host annual food festivals,

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74 Source: "World Economic Outlook 2016", IMF
75 Overnight visitors
76 Source: "Huge appetite for UAE's food and beverage sector", Gulf News, November 16, 2015
77 Source: "The Ramadan Effect – Reflecting on Food Consumption in United Arab Emirates and Saudi Arabia", Nielsen, July 13, 2015

which present a wide range of culinary offerings. Such seasonal events are expected to continue to boost food consumption in the region.

Maturing Food Retail Ecosystem

Modern retail outlets such as hypermarkets and supermarkets have proliferated in the region

Rising inflow of expatriates and high rate of urbanization coupled with strong purchasing power, have reinforced growth of the GCC retail sector. Modern retail outlets such as hypermarkets and supermarkets have proliferated in the region. These large organized establishments offer a wide array of food products at competitive prices in a convenient set-up, to provide an overall hassle-free shopping experience to consumers.

Saudi Arabia and the UAE are the largest markets in the GCC, accounting for three-fourth of the region's total food retail market[78]. The food retail market in the Emirates has grown substantially to meet the needs of diverse communities, with penetration of modern grocery outlets at over 60%, second only to Bahrain. Several international retailers such as Spinneys, Carrefour and Geant have created a large footprint in the UAE, alongside homegrown giants like Lulu Group, Choithrams and Al Maya Group. These large retailers are further widening their reach by opening new outlets in the upcoming commercial / residential complexes set to open ahead of the Expo 2020 event. Due to busy lifestyles and increasing road traffic, people prefer to purchase their daily grocery from stores located within their vicinity, even as they visit hypermarkets for bulk shopping. To capitalize on this trend and enhance revenue, the big brands are focusing on opening smaller format convenience stores. They are also looking at offering a variety of organic and high-quality foods to meet the growing demand for such products. Online food retail is also gaining traction in the UAE, and a growing number of brick-and-mortar retailers are establishing digital presence to battle out the mushrooming grocery start-ups. Some of the online grocery shopping start-ups include El Grocer, QuickShop.ae and trolley.ae[79].

The retail food market in Saudi Arabia has a huge room for expansion, considering only 52% penetration of modern retail stores

The retail food market in Saudi Arabia has a huge room for expansion, considering only 52% penetration of modern retail stores[80]. With the popularity of such formats, major food retailers have laid down plans to expand presence in the Kingdom. In June 2016, the Kingdom permitted foreign investors to own 100% interest in retail and wholesale businesses, subject to certain terms[81]. This regulation is likely to intensify competition with additional stores opening in the country, as new players enter the market and existing players look at increasing market share. Increasing penetration of organized retail formats is likely to support the country's demand for packaged, healthy and processed foods. While the food retail markets in the other GCC countries remain relatively underdeveloped, rising number of western expatriates, who prefer to shop at the organized retail formats, is likely to attract more such outlets.

Government Measures to Boost Domestic Agricultural Produce

To strengthen food security and build a sustainable supply of food, the GCC countries are looking at ways to boost the domestic produce

To strengthen food security and build a sustainable supply of food, the GCC countries are looking at ways to boost the domestic produce while also making investments in farmlands overseas. The Ministry of Environment and Water in the UAE is encouraging farming by bearing half of the cost of farmers on equipment, fertilizers, pesticides and seeds. To support and fund new farming practices, the Abu Dhabi Farmers Services' Centre had

[78] Source: "Opportunities for Supply Chain Consolidation in GCC Food Sector", Farrelly & Mitchell, January 2015
[79] Source: "UAE start-ups take on might of the big grocery stores with online retail", The National, May 1, 2016
[80] Source: "Opportunities for Supply Chain Consolidation in GCC Food Sector", Farrelly & Mitchell, January 2015
[81] Source: "Saudi Arabia approves 100% foreign ownership in retail", Arabian Business, June 15, 2016

formed an AED 100 million (US$ 27.2[82]) agricultural investment fund in 2013, which is in the process of disbursing 20% funds annually until 2017[83]. Several new farming technologies are being experimented in an agricultural center in Al Dhaid[84] to identify best possible farming solutions. One technology that the ministry has been promoting is hydroponics, which is 70% more water-efficient than traditional methods. A new farming technique named Oasis has been identified in Abu Dhabi[85] that is undergoing a feasibility study and aims at reusing treated wastewater, which otherwise gets discharged in the sea. Other techniques being looked at include vertical farming and biodegradable microbeads[86] farming. In order to improve the farming methods, the UAE government has also set up educational institutions offering courses in agricultural engineering.

The government of Saudi Arabia, on its part, has collaborated with the FAO to develop a sustainable system of agricultural production[87]. Under this collaboration, the Ministry of Agriculture of Saudi Arabia devised the Strategy for Sustainable Development of Agriculture in KSA up to 2030[88]. The strategy aims at making an efficient and sustainable use of agricultural and natural resources, achieving sustainable food security, enhancing institutional and human efficiency to accomplish sustainable agricultural and rural development, and attaining social stability. Among the major achievements of the strategy include establishment of extension centers for integrated farms[89]. These centers assist the Ministry of Agriculture in identifying innovative agricultural technologies and farm management tools. Four centers have been established under the program at A-Hasa, Hail, Kharj and Jazan. These centers include plantations, irrigation systems and water management tools, barns for animal production, a unit to manage agricultural waste, and clinics for diagnosing agricultural pests and diseases.

Oman's Ministry of Agriculture and Fisheries is developing integrated agricultural and fisheries projects

Oman has also established several projects to augment domestic food production. Greenhouse is a primary technique adopted in the Sultanate, as the method could increase agricultural productivity up to 12 times[90]. Accordingly, the country's Research Council has funded a study to gather data on greenhouses in Oman and develop strategic plans and methods to increase production using the technology. The Ministry of Agriculture and Fisheries is developing integrated agricultural and fisheries projects, wherein it will allocate agricultural plots to youth and small and medium-sized enterprise owners with the aim of creating jobs and enhancing food production[91]. The farms allotted will include plantation of vegetables such as potatoes, onions, watermelons, melons and carrot in open fields; plantation of tomatoes, cucumber, capsicum, strawberry and beans in greenhouses; and setting up of aquaculture units that will use recycled irrigation water.

Other GCC countries have also devised long-term plans for improving self-sufficiency by adopting new farming practices. Such developments, if fruitful, are likely to increase the scale of the food sector and reduce dependency on imports.

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[82] At the exchange rate of 0.272
[83] Source: "UAE government supports farmers with fund", Gulf News, May 10, 2014
[84] Source: "The future of farming in the UAE is vertical", The National, March 2, 2015
[85] Source: "New sustainable farming method could save Abu Dhabi groundwater", The National, July 30, 2016
[86] A microbead is a tiny plastic sphere, which when integrated with fertility-boosting elements, helps in waste break-down, aerates soil, enhances the water-use efficiency of crops, and improves nutrient uptake
[87] Source: "Saudi Arabia and FAO", FAO, 2015
[88] Source: "Saudi Arabia: Strategy for Sustainable Development of Agriculture in KSA Up to 2030", FAO, 2010
[89] Source: "KSA pushes strategy for sustainable agriculture", Arab News, January 23, 2015
[90] Source: "Greenhouses are good for farming in Oman", Times of Oman, August 15, 2016
[91] Source: "Four Layouts for Integrated Agricultural Projects", Sultanate of Oman – Ministry of Information, October 9, 2016

5. Challenges

High Dependence on Imports

High dependency on imports has exposed the GCC economies to global food price fluctuations and geopolitical tensions

Extremely hot and arid climatic conditions, limited arable land and inadequate water resources in the GCC have resulted in a high dependency on food imports. In 2014, the region's net imports stood at 77.1% of the overall food consumption[92]. This has exposed the regional economies to global food price fluctuations and geopolitical tensions. While efforts are being made to secure food supply by investing in farmlands abroad, establishing strong trade pacts and boosting domestic produce, any disruptions pose a threat to the region's food security.

Limited Water Resources and Arable Land

Scarcity of water and insufficient arable land assets are the major factors limiting farming activities in the region

The GCC is one of the water-scarce regions in the world, facing a deficit of over 20 billion cubic meters[93]. Increase in water usage due to population growth, arid climatic conditions and inefficiencies in agricultural activities have resulted in depletion of water reserves. Decline in renewable water supply has pushed the region to a situation of absolute water scarcity. Further, the availability of arable land is limited due to drought, land degradation, desertification, urbanization and industrialization. Scarcity of water and insufficient arable land assets are the major factors limiting farming activities in the region.

In an attempt to protect the depleting water resources, the government of Saudi Arabia gradually phased out domestic production of wheat, which consumes high amount of water for cultivation[94]. Similarly, in late 2015, the government announced phasing out green fodder crop cultivation in the next three years[95]. While this initiative will partly address the country's water supply concerns, it has had other repercussions on the food industry. Almarai Co. – the largest dairy producer in Saudi Arabia – is likely to have incurred additional input cost of SAR 200 million (US$ 53.2 million[96]) in 2016[97], apart from having to make new investments, for securing the feed stock supply from overseas.

Vulnerability to Global Food Price Fluctuations

The recent uptrend in global food prices can increase the burden on the GCC economies at a time when they are grappling with fiscal deficits

High dependence on food imports tends to expose the GCC nations to the fluctuations in international food prices. The significant increase in the prices during 2008, caused by rising oil prices and droughts in grain-producing nations, gave rise to food inflation in the import-dependent GCC nations. Although the drop in oil prices have led to a substantial fall in global food prices from the highs touched during 2011-2014, prices have again started trending upwards since March 2016[98]. The FAO food price index averaged 161.5 during 2016, a decline of nearly 25% from the average during 2011-2014. However, the index reached 173.3 during January 2017, 16.4% higher than the same period last year. The increase is attributed mainly to adverse weather conditions for agriculture globally[99]. The dairy price index, in particular, has risen strongly by 33.0% from 145.1 in January 2016 to 193.0 in January 2017. The recent uptrend in global food prices can increase the burden on the GCC economies at a time when they are grappling with fiscal deficits. Alongside, retail prices of food products may increase if manufacturers choose to pass on the rise in production costs to consumers.

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92 Source: AOAD, FCSA of UAE, NCSI of Oman, CIO of Bahrain
93 Source: "Water Resource Management in GCC – Issues and Challenges", EcoMENA, January 12, 2015
94 Source: "Saudi Arabia Grain and Feed Annual 2016 - GAIN report", USDA Foreign Agricultural Service, March 14, 2016
95 Source: "Saudi to stop cultivating green fodder in 3 years", Trade Arabia, December 7, 2015
96 Converted at exchange rate of 0.226
97 Source: "Almarai sees SAR0.5bn additional costs from energy reform, fodder rise", Mubasher Info, January 10, 2016
98 Source: Bloomberg
99 Source: "Global food prices on a sugar and dairy high", Financial Times, November 10, 2016

Geopolitical Risks

Due to the large food imports, the GCC countries face geopolitical risks pertaining to the source countries and vital trade routes

Due to the large food imports, the GCC countries face geopolitical risks pertaining to the source countries and vital trade routes. The GCC countries import foods mostly from North America, South America and Europe, which 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 routes highly vulnerable. Closure or any disruptions in the routes can have an adverse impact on food supply to the region.

Some farmland investments by the GCC nations, particularly in Africa, have failed to deliver the expected benefits due to security issues and lack of infrastructure. They have also met with resistance from local inhabitants, who see them as an attempt to grab their land. For instance, the civilians in Sudan protested against their government's land policy of selling farmlands to the GCC investors[100], and farmers in Serbia raised concerns over the purchase of farmland by an Abu Dhabi based company[101]. Consequently, the GCC nations are now compelled to look at investing in developed countries, despite the higher cost of investments.

Recent Economic Slowdown and Government's Austerity Measures

Upward revision in fuel and utility prices is having a bearing on the costs of production and transportation of domestic food manufacturers

The recent round of oil price weakness starting second half of 2014 has widened the fiscal deficit of the oil-dependent GCC economies. Regional governments are formulating reforms and undertaking measures to not only improve their current fiscal position, but also to insulate themselves from such adversities in the future. Some of the measures and outcomes include reduction in budgetary and subsidy spends, lowering of public wages and liquidity tightening. Most of the regional governments have increased tariff on transport fuels, electricity and water, which were highly subsidized so far. While some price reforms had been implemented even earlier in order to curtail overconsumption of resources, the austerity measures have been intensified since 2015. The resultant upward revision in fuel and utility prices is having a bearing on the costs of production and transportation of domestic food manufacturers, thereby pressurizing their profit margins. For instance, Almarai Co., a Saudi Arabia-based diversified food producer, had estimated that the increase in charges of water, electricity and fuel would increase its production cost by about SAR 300 million (~US$ 80 million[102]) in 2016[103]. These increased costs may not have had a profound impact on retail prices in the GCC so far, as international food prices have fallen in tandem with muted oil prices. However, the trend may reverse once the oil prices start gaining momentum. The GCC governments have also implemented price reforms on some food items, which had a direct negative impact of their consumption. Subsidies on meat were abolished in Bahrain in October 2015, leading to prices of beef and chicken surging over 100%[104]. While a similar approach was adopted by Kuwait by increasing prices of fish in early 2015, the directive faced a consumer boycott forcing the government to roll back the decision[105]. The forthcoming implementation of value-added tax in the region in 2018 is likely to translate into higher prices for packaged food products, widely preferred by the population.

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[100] Source: "In Khartoum, protest against 'land grab' turns violent", Press TV, October 26, 2016
[101] Source: "Land Grabbing – A New Political Strategy for Arab Countries", Inter Press Service, July 30, 2014
[102] Converted at exchange rate of 0.266
[103] Source: "Saudi dairy firm Almarai says costs to rise by 500 mln riyals in 2016", Reuters, January 10, 2016; "Fuel, Food and Utilities Price Reforms in the GCC: A Wake-up Call for Business": June 2016
[104] Source: "Bahrain lifts meat prices as cheap oil hits state finances", Global Islamic Economy Gateway, October 1, 2015
[105] Source: "Kuwait boycott forces down price of "king of fish", Reuters, August 25, 2015

Alongside, the economic slowdown has also curtailed the job market and general income levels, thus affecting the consumer spending power and sentiment. According to a Nielsen study released in August 2016, the average monthly consumer spending on food, grocery and personal care items in the UAE and Saudi Arabia declined by around 6% y-o-y[106]. The study further revealed that consumers in these two countries are becoming increasingly price sensitive and actively seeking promotions and value for money on large packs.

Nevertheless, with an anticipated increase in oil prices, economic conditions in the GCC are likely to improve in the coming years. Moreover, the long-term vision and plans of the regional governments, to diversify revenue and create jobs, augur well for growth of the food sector.

Logistics-related Issues

Inadequate number of warehouses and cold storages as well as shortage of transportation infrastructure results in food wastage

Due to high import volumes, difficult terrain and dry climate, having a robust logistics system is vital for the growth of the GCC food sector. However, inadequate number of warehouses and cold storages as well as shortage of transportation infrastructure results in food wastage, which in turn, is adversely affecting operational efficiency and leading to higher costs. More than 3 million tonnes of food, worth US$ 3.5 billion, is wasted annually during the process of production and import in the UAE[107], despite it having the most developed supply chain infrastructure among all the countries in the region to back its increasing re-export trade. With increasing quantity of food imports, the need for setting up robust warehousing and cold storage facilities is being felt across the GCC.

Developments are already in progress to improve the logistics infrastructure in the region, which is set to import food worth US$ 53.1 billion by 2020[108]. For instance, the UAE-based dairy company, Al Rawabi invested US$ 6.8 million to strengthen its cold storage infrastructure in June 2015[109]. Spinneys, a UAE-based supermarket chain, invested US$ 14.9 million in 2013 to build a dedicated cold storage facility in the logistics cluster of the Khalifa Industrial Zone in Abu Dhabi[110]. Regional governments are heavily investing in strengthening transportation and logistics infrastructure. The construction of the GCC rail network is already underway and is targeted to be completed by 2021[111]. The rail network is likely to expand the region's logistics capabilities by facilitating faster movement of shipments. Imported food products arriving by air and sea routes can be transported much faster by rail compared to road, which can minimize food wastage during transit to a great extent.

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[106] Source: "What's the New Normal for CPG In the GCC?", Nielsen, August 29, 2016
[107] Source: "$3.5B worth of food wasted every year in UAE supply chain", Albawaba, May 12, 2015
[108] Source: "GCC's food imports to double to US$ 53.1 billion by 2020", MENA Herald, November 8, 2016
[109] Source: "Al Rawabi invests $6.8m in new cold store facility", Trade Arabia, June 30, 2015
[110] Source: "Spinneys to build $14.98m cold storage facility in Abu Dhabi's Kizad", ArabianIndustry.com, November 4, 2013
[111] Source: "Is it stalemate for the GCC Railway Network?", ConstructionWeekOnline.com, October 16, 2016

6. Trends

Rising Sales of Packaged Foods

The GCC packaged foods market is dynamic, as sales continue to rise amidst the busy lifestyles of working-class people, who account for nearly half of the region's population

The GCC packaged foods market is dynamic, as sales continue to rise amidst the busy lifestyles of working-class people, who account for nearly half of the region's population. Demand is also supported by growing tourist arrivals in the region. Convenience foods including canned and frozen products, ready-to-eat snacks / meals and chilled foods are in demand due to their longer shelf life and easy to use attributes. Additionally, display of information related to the ingredients, nutritional value and quality on the packages helps consumers choose products to suit their diet. The UAE packaged food sales market was worth US$ 4.3 billion in 2015, having grown at a CAGR of 8.2% from 2010[112]. While dairy, baked goods and rice / pasta / noodles represented the highest selling categories, the fastest growth was witnessed in the sweet and savory snacks category, followed by confectionaries and spreads. Retail sales value of packaged foods in the country is projected to grow by 5.5% annually to reach US$ 5.6 billion in 2020. Demand for packaged foods in the other countries is also gaining momentum, with the total packaged foods market in the GCC expected to grow at a CAGR of 7.4% during 2014-2019[113].

Emerging Private Labels

There has been a rise in private labels, which are more profitable for retailers as they save on production and marketing costs

In light of the increasing demand for packaged foods, grocery retailers are expanding their product portfolio and distribution network. Consequently, there has been a rise in private labels, which are more profitable for retailers as they save on production and marketing costs. These private labels are quality products available at low price points, and hence, catch the eye of consumers. The price of own labeled products are typically about 20%-30% below that of the renowned brands[114]. Private labels are growing in popularity among consumers in Saudi Arabia, the UAE and Oman. The retailers who have introduced private labels include Spinneys, Al Maya Group, Carrefour and Lulu Hypermarket. Most of the supermarkets in Saudi Arabia have their private label products, of which those with Arabic names are popular among the locals[115]. Rejoiced by the demand, retailers in the UAE are set to expand their private label product portfolio and increase the dedicated shelf space[116]. Although the penetration of these products is low in the GCC region as compared to the developed markets in the US and Europe[117], the sales of private labels are growing swiftly.

Growing Demand for Healthy and Organic Foods

Rapid urbanization and socio-economic changes have resulted in an increasing adoption of sedentary lifestyles among the GCC inhabitants. Alongside, a growing international influence, aided by proliferation of supermarkets and restaurants, has prompted a shift in the dietary regime towards fast food. In turn, this has led to higher incidence of chronic lifestyle-related ailments like obesity, diabetes and hypertension in the region. All the GCC member countries, except Oman, rank among the top 15 obese countries in the world, with

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[112] Source: "Packaged Food in the United Arab Emirates", Agriculture and Agri-Food Canada", May 2016
[113] Source: "Packaged Food Market in GCC 2015-2019", Research and Markets, December 2014
[114] Source: "Sales of private-label products in UAE set to grow", Zawya, September 14, 2014
[115] Source: "Saudi Arabia – Retail Foods Update 2012", USDA Foreign Agricultural Service
[116] Source: "Private-label products on the rise", Gulf News, August 30, 2014
[117] Source: "The GCC Private Label: An Untapped Opportunity for GCC Retailers", Capital Business

more than a third of their population considered obese[118]. The prevalence of diabetes among the adult population in Saudi Arabia, Kuwait and Qatar has reached 20%-24%, more than twice the global average[119].

Alarmed by the high prevalence of lifestyle diseases, the GCC governments are running various health awareness campaigns, even as people are becoming health conscious

Alarmed by the high prevalence of lifestyle diseases, the GCC governments are running various health awareness campaigns, even as people are becoming health conscious. Consequently, demand for healthy and organic foods is on a rise in the region, and the UAE is the frontrunner. In 2015, sales of natural healthy food items and organic food products in the country grew by 55% and 90%, respectively, from 2010[120]. The high visibility of organic, gluten-free and low-carbohydrate foods in supermarkets is a testimony to the popularity of such products. Sales of healthy packaged foods in the UAE are forecasted to grow by 9.2% annually from US$ 230 million in 2015 to US$ 357 million by 2020[120].

To meet the demand, the regional governments are not only relying on imports, but also are encouraging indigenous farming activity. The government of Saudi Arabia supports organic farmers by reimbursing the certification fees and providing technical advice and assistance to enhance the quality of farming[121]. As such, the total area under organic farming has reached 35,000 hectares in the Kingdom[122]. Similarly, the UAE government also has been making efforts to boost domestic organic produce by providing farming inputs such as fertilizers, seeds and pesticides to organic farmers at half the market price[123]. In the four years to November 2015, the Emirates Authority for Standardisation and Metrology has certified 103 organic farms[124]. In the UAE's strategic plan 2014-2016, the Ministry of Environment and Water announced its plan to increase the area under organic farming by 5% annually[125]. Although at a low scale, organic farming is gaining momentum in Qatar with the conversion of three traditional farms into organic farms and an additional five under the process[126]. Overall, the size of GCC organic farming is projected at US$ 1.5 billion in 2018[127].

An Advancing Food Processing Segment

Between 2010 and 2014, the number of food manufacturing units in the region grew at an annualized average of 5.2% to 1,965, while the related investments increased at a CAGR of 14.8% to US$ 23.8 billion

The GCC food processing segment continues its expansion spree, backed by government subsidies and rising food imports that are processed locally for consumption as well as re-export. Between 2010 and 2014, the number of food manufacturing units in the region grew at an annualized average of 5.2% to 1,965, while the related investments increased at a CAGR of 14.8% to US$ 23.8 billion[128]. Instead of importing processed foods, manufacturers are increasingly sourcing ingredients and raw materials from other countries and processing them at local facilities. These processed foods are not only consumed locally, but also exported.

The Saudi Arabian food processing sector has grown rapidly in the decade to 2014, mainly driven by government incentives such as subsidies for certain production equipment,

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118 Source: "29 Most Obese Countries In The World", World Atlas, September 19, 2016
119 Source: "GCC set to see $24.7bn bill for diabetes care by 2035", Arabian Business, November 27, 2015
120 Source: "Health and wellness food trends in UAE offer opportunities to Finnish companies", Team Finland Market Opportunities, August 26, 2016
121 Source: "Organic farming becoming more popular with Saudis", Arab News, February 7, 2016
122 Source: "Govt incentivizes growth of organic farming sector", Arab News, February 20, 2015
123 Source: "Health Concerns Drive Growing Organic Market", Food Navigator, December 9, 2013
124 Source: "Organic food: Are consumers aware of what they are buying?", Gulf News, November 1, 2015
125 Source: "MoEW plans to increase organic farming acreage by 5% a year", WAM, February 16, 2015
126 Source: "73 greenhouses to boost local produce; Farmers selling produce to customers directly", The Peninsula, December 31, 2016
127 Source: "Food Processing, Organic Farming and Food Retailing to Experience High Growth in the GCC", Frost & Sullivan, November 26, 2014
128 Source: "GOIC: GCC food industries' investments bordering on 24 billion USD in 2014", Gulf Organization for Industrial Consulting, July 12, 2015

subsidized rate of electricity, interest free loans, and duty free import of raw materials[129]. While there are several local food processing players in the country, international companies have invested in or acquired or formed JVs with companies in Saudi Arabia to be a part of the growing market. Some of such international players include Mars Inc., Mondelez International, Delmonte, Frito-Lay, Heinz and Danone Ltd. New food processing facilities that came up in the Kingdom during 2016 included, opening of a processing plant in Jeddah by Oman-based AATCO Food Industries for manufacturing of a range of sauces and salad dressings[130] and commencement of an US$ 88 million industrial complex by Halwani Brothers for producing tahini, halawa, jams, and dairy and meat products[131].

In the UAE, a favorable investment climate, strategic location and strong logistics infrastructure have supported the establishment of various food processing companies. Most of these units are located in Jebel Ali Free Zone and Dubai Industrial City. Nestle constructed a 175,000 sq m manufacturing unit in Dubai at a cost of US$ 120 million in 2015.

While Saudi Arabia and the UAE have been at the forefront and have already established themselves as the food processing hubs, their counterparts are also gradually catching up

While Saudi Arabia and the UAE have been at the forefront and have already established themselves as the food processing hubs in the GCC, their counterparts are also gradually catching up. In early 2016, Bahrain witnessed opening of a US$ 90 million biscuit manufacturing plant, with an annually capacity of 90,000 tonnes, by Mondelez International[132]. Oman is developing a food cluster at Sohar Port and Freezone comprising a flourmill, a sugar refinery, a grain silo complex and an agro bulk-handling terminal[133]. In addition to enhancing the country's food security, the agro terminal will act as a distribution hub for regional markets. Qatar, under its National Food Security Programme, plans to build an agro-industrial park for food processing and packaging to leverage on its expanding transport network[134].

Digital Technologies Transforming Food Distribution Channels

Digital technologies continue to revolutionize every sector and food industry is no exception

Digital technologies continue to revolutionize every sector, and food industry is no exception. From influencing consumer tastes to changing the way food products are manufactured, sold and served, digital technologies are reshaping the entire food value chain. Increasing use of smartphones, internet and social media is defining consumer eating habits, preferences and tastes. One of the most prominent examples includes access to a large number of health-related and food retail mobile applications, which are shaping new consumer purchasing patterns. While health apps, blogs and interactions on social media are changing dietary habits of consumers, food retail applications and e-commerce are seen as convenient options for ordering food products online. On the other hand, the use of such technologies is transforming business models of food retailers, manufacturers and service providers. Companies are using big data to monitor and analyze consumer food patterns and preferences, which help them manufacture new products and improve quality of existing products, in line with the market trends. Manufacturers are also resorting to modern technologies for optimizing processes, reducing waste, managing costs and improving logistics in order to enhance their overall production efficiency.

Adoption of e-commerce has taken time in the GCC due to lack of consumer trust and awareness as well as an evolving online payment system. Consumers were worried about

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[129] Source: "Saudi Arabia – Food Processing Ingredients", USDA Foreign Agricultural Service, December 2, 2015
[130] Source: "Aatco opens food manufacturing plant in Jeddah", Trade Arabia, February 21, 2016
[131] Source: "Halwani Bros.' New Industrial Complex, Saudi Arabia", Foodprocessing-technology.com
[132] Source: "Mondelez launches work on $90m new Bahrain factory", Trade Arabia, February 23, 2016
[133] Source: "Oman plans major food cluster at Sohar Port", Trade Arabia, February 8, 2015
[134] Source: "New Harvests In The Desert", Qatar Foundation, September 19, 2013

The ability to shop from a range of products and services, get products delivered at home, and make payment on delivery have made mobile shopping a convenient and hassle-free experience

risks associated with online shopping, such as payment frauds, theft of personal details, non-delivery of orders and quality of products. However, the situation is changing, as consumers become more tech-savvy and e-retailers focus on providing a safe and secure shopping environment. Moreover, the ability to shop from a range of products and services, get products delivered at home, return products and make payment on delivery have made mobile shopping a convenient and hassle-free experience. The GCC food industry has adapted to this development, as signaled by the proliferation of several online grocery stores and food delivery platforms. The trend is more prevalent in the UAE, due to presence of people from different nationalities coupled with high smartphone penetration and internet access. Some of the prominent online food ordering platforms include zomato.com, foodonclick.com, talabat.com, eateasily.com and 24h.ae. Some of these applications also cater to the other GCC countries. eateasily.com, catering to the UAE market, gets 13,000-18,000 orders per month, and talabat.com, having presence across the GCC, serves more than 200,000 orders every month[135]. New applications offering health and wellness foods are also making inroads. Food ordering applications have enabled traditional food service providers to reach out to a wider consumer base, while saving on their cost of establishing outlets and marketing. Online grocery shopping is also gaining traction in the GCC, as large hypermarkets as well as small start-ups have launched their mobile applications and websites.

Food Trucks – An Emerging Distribution Channel

Food trucks are making inroads into the GCC, with the trend being more noticeable in Dubai

While the concept of food trucks has flourished in the developed countries such as the US, the UK and Australia, it has started gaining prominence in the GCC only recently. The trend is more noticeable in Dubai. Desert Chill, an ice cream truck, was the first to introduce the concept in the city back in 2008[136]. Since then, several independent entrepreneurs as well as restaurant chains have started operating food trucks during special events and carnivals. As the niche food service started expanding, the government increased involvement by introducing its regulations pertaining to licensing requirements and food safety and hygiene. The regulations in Dubai restrict the movement of food trucks and require them to be stationed only at approved places/events[137]. Meraas, the parent of Dubai Parks and Resorts, opened two dedicated food truck parks – Last Exit – at Sheikh Zayed Road in July 2016 and at Al Qudra in January 2017[138]. With the company's plans to open eight more such parks in Dubai, the food truck market is set to expand. Not to be left behind, Abu Dhabi is also making way for the food truck business. The Emirate's Department of Economic Development has announced plans to issue licenses for food trucks[139]. The licenses will be restricted to existing licensed restaurant operators and foodstuff caterers.

Roundup, a global food truck operator, has opened an office in Riyadh and entered into a deal with a Saudi Arabia-based company to expand its operations in the Kingdom[140]. From operating a grocery truck and pet grooming truck in Saudi Arabia and some food trucks in the UAE, Roundup aims to expand its presence in the GCC by opening around 45-75 trucks in the Kingdom and penetrating into other countries. The operator has already exported a few food trucks into Qatar, Bahrain and Kuwait and is looking for partners to commence operations there. Qatar is also an emerging destination for food trucks. Until

[135] Source: "Hungry? Online food ordering catching on in UAE", Gulf News, January 23, 2014
[136] Source: "Special Report: Food trucks", Hotelier Middle East, February 9, 2015; Desert Chill Ice cream website
[137] Source: "Food trucks cannot be mobile restaurants in Dubai", Gulf News, July 25, 2016
[138] Source: "Meraas to expand Last Exit food truck centres in Dubai", The National, September 28, 2016; "Second Last Exit opens in Al Qudra", Time Out Dubai, January 17, 2017
[139] Source: "Abu Dhabi to start licensing food trucks", Gulf News, July 25, 2016
[140] Source: "Dubai-Based Food Truck Firm Roundup To Launch Saudi Operations", Hotel News Middle East,

now, Burgeri is the only food truck operator selling burgers, fries and drinks at several spots across the country. In addition to this, some food truck-like kiosks were set up during the 2016 Qatar International Food Festival. In June 2016, the Museum of Islamic Art (MIA) invited potential food truck operators to set up such a concept at the MIA Park, however, it did not materialize. Nevertheless, the trend is likely to catch up as recently Qatar's Ministry of Commerce announced plans to provide five licenses to operate food trucks[141]. Increasing presence of food trucks in the region is likely to stimulate demand for specialty / gourmet food products.

Expanding Halal Food Market

Dubai has remained at the forefront to create a global halal international accreditation network, which will standardize the criteria and practices for halal products

The concept of halal, which has been traditionally associated with meat and poultry, is now applicable to a wide array of food products including dairy, baked goods, snacks, confectioneries and ready-made meals. Globally, halal certified foods generated revenue of US$ 415 billion in 2015[142] and represented nearly a fifth of the world food trade[143]. The demand is only set to grow further with increasing number of people following Islam and rising awareness of hygienic practices and health benefits associated with halal food among non-Islam followers[144]. However, the sector faces structural and operational challenges due to lack of a unified global halal standard. Dubai has remained at the forefront to create a global halal international accreditation network, which will standardize the criteria and practices for halal products[145]. A more organized halal sector is likely to strengthen the position of the Emirate as a key global trading hub for halal food. In anticipation of the growing halal market, the UAE has taken a significant step by setting up a dedicated cluster and launching a national certification mark. With a projected requirement of importing halal food worth US$ 53.1 billion in 2020[146], the GCC region is viewed as one of the most lucrative markets for related businesses.

Growing Markets for International Cuisines

Presence of people from various nationalities has carved a large market for international foods in the region, more specifically in the UAE

Presence of people from various nationalities has carved a large market for international foods in the region, more specifically in the UAE. Moreover, a high spending power enables consumers to try new dishes. According to a recent survey conducted among the UAE residents, 88% of the respondents were willing to try new cuisines and concepts[147]. As a result, several multi-cuisine restaurants have been opening throughout the region. According to the aforementioned survey, Indian cuisine was the most preferred in the UAE, followed by Italian, Lebanese and Chinese. Among the multiple culinary options available, the Japanese cuisine is also gaining popularity[148]. Sushi is the favorite, but other not so known preparations such as soba and udon are also being preferred[149]. Japanese preparations are considered to be light and healthy, and hence, are also drawing the health-conscious people. The cuisine is popular in Saudi Arabia as well, where the Japanese Embassy in collaboration with Dubai-based food traders held a small food exhibition recently to showcase Japanese cuisine to Saudi Arabian businessmen, officers

[141] Source: "Qatar ministry invites food truck, mobile beauty salon applicants", Doha News, December 28, 2016
[142] Source: "State of the Global Islamic Economy 2016/17", Dubai Islamic Economy Development Centre
[143] Source: "Global mark of quality for halal food begins with Australia and New Zealand exports to UAE", The National, February 8, 2015
[144] Source: "The Global Halal Food Market - Riding a wave of growth", Spire Research & Consulting, 2015
[145] Source: "UAE closes in on creating global halal accreditation network", The National, September 21, 2016
[146] Source: "GCC's food imports to double to US$ 53.1 billion by 2020", MENA Herald, November 8, 2016
[147] An online survey conducted by KPMG in Q2 2016 among 840 respondents across the UAE
[148] Source: "Consumer Profile - United Arab Emirates", Agriculture and Agri-Food Canada, May 2014
[149] Source: "Cuisine focus 2015: Japanese", Hotelier Middle East, April 30, 2015

and media[150]. During the event, the invitees discussed on the scope to improve the procurement and distribution of Japanese foods in the country. Presence of several Japanese restaurants in the other GCC countries confirms the existence of this trend there as well.

[150] Source: "Japanese Food Culture showcased", Saudi Gazette:, November 17, 2016

The largest deal was the US$ 3.5 billion acquisition of Kuwait Food Co. KSCP by UAE-based Adeptio AD Investments SPC Ltd.

7. Merger and Acquisition (M&A) Activities

Deal-making in the GCC food sector was fairly lively in the past two years. There were several intra-regional as well as cross-border deals during the period, as companies attempted to strengthen their businesses by gaining entry into new markets and expanding product portfolio. Some of the deals were also conducted with a financial motive. Saudi Arabia and the UAE attracted the highest number of transactions during the period, as companies pursued inorganic growth to capitalize on the growing food demand. Among the completed deals with disclosed transaction value, the US$ 3.5 billion acquisition of Kuwait Food Co. KSCP by the UAE-based Adeptio AD Investments SPC Ltd., executed in two tranches, was the largest (see Exhibit 60). The deal is likely to provide the necessary support to Kuwait Food Co. KSCP in strengthening its businesses of operating food and beverage outlets and manufacturing and processing food products. Almarai Co. SJSC, Hassad Food Co., and Agthia Group PJSC were the most active companies in M&A during 2015-2016. In view of increasing significance of food security and growing food demand in the GCC region, the M&A space will continue to remain active in the future.

Exhibit 60: Major M&A Deals in the GCC Food Industry

Acquirer	Acquirer's Country	Target Company	Target's Country	Year	Consideration (US$ Million)	Percent Sought (%)
Adeptio AD Investments SPC Ltd.	UAE	Kuwait Food Co. KSCP	Kuwait	2016	3,542	100%
BRF SA and Qatar Investment Authority (through a JV)*	Brazil and Qatar	Banvit Bandirma Vitaminli Yem Sanayii AS	Turkey	2017	470	100%
Saudi Agricultural and Livestock Investment Co. SJSC (through subsidiary – SALIC (UK) Ltd.)	Saudi Arabia	Minerva SA	Brazil	2015	188	20%
BRF SA	Brazil	A part of the Frozen Food Distribution business of Qatar National Import & Export Co.	Qatar	2015	140	100%
Olayan Financing Co.	Saudi Arabia	El Rashidi El Mizan Confectionery SAE	Egypt	2015	65	100%
GFH Capital Ltd.*	UAE	Emad Bakeries	Saudi Arabia	2015	50	100%
Almarai Co. SJSC	Saudi Arabia	Ulmer Farms LLC	US	2016	32	100%
Mezzan Holding Co. KSCC	Kuwait	Al Safi Food Co.	Saudi Arabia	2016	24	70%
Olam International Ltd.	Singapore	Acacia Investments LLC	UAE	2016	24	50%
Fakieh Poultry Farms Co.	Saudi Arabia	Agricultural assets of Qassim Agriculture Co. SJSC in Al Jouf	Saudi Arabia	2015	13	100%
Intaj Capital II	Saudi Arabia	Venezia Ice	Morocco	2015	13	N/A
Advantage Holding Co. KSCC	Kuwait	United Foodstuff Industries Group Co. KSCP	Kuwait	2015	8	27%
Hassani Trading Co.	UAE	Dhofar Fisheries & Food Industries SAOG	Oman	2015	7	99%
Suvet Commodities DMCC	UAE	Pieno Zvaigzdes UAB	Lithuania	2015	6	8%

Source: Thomson Reuters Eikon, Bloomberg

*Note: * Deals pending completion (as on February 17, 2017)*

Exhibit 60: 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 (%)
Zerra Investment	UAE	Bosnaplod dd Brcko	Bosnia and Herzegovina	2015	3	100%
Hail Agriculture Development Co., and Al-Watania Poultry Co. *	Saudi Arabia	Taseel Poultry Co.	Saudi Arabia	2015	2	N/A
Samh Co. for Trading Ltd.	Saudi Arabia	Univert Food Industries SAE	Egypt	2015	2	15%
Omran International Co. for Investment & Real Estate Development	Saudi Arabia	United Dairy Farms Co.	Saudi Arabia	2015	1	8%
Public Investment Fund*	Saudi Arabia	Adeptio AD Investments SPC Ltd.	UAE	2016	N/A	50%
Agthia Group PJSC*	UAE	Delta Water Factory Company	Saudi Arabia	2016	N/A	100%
Siam Food Services Ltd.*	Thailand	Indoguna Dubai LLC	UAE	2016	N/A	80%
United Foods Co. PJSC	UAE	Emirates Refreshments PSC	UAE	2016	N/A	20%
Al Dahra Agricultural Co. LLC	UAE	Glenvar Hay Pty Ltd.	Australia	2016	N/A	N/A
Tabuk Agricultural Development Co.*	Saudi Arabia	Astra Farms (agricultural division of Astra Food Co.)	Saudi Arabia	2016	N/A	N/A
National Food Products Co. LLC*	UAE	Nile Co. for Food Industries	Egypt	2016	N/A	100%
Almarai Co. SJSC*	Saudi Arabia	National Food Products Co. LLC	UAE	2016	N/A	N/A
Investcorp Bank BSC	Bahrain	Agromillora Catalana SA	Spain	2016	N/A	51%
Gulf Capital Pvt. JSC	UAE	Multibrands for Trading Co. Ltd.	Saudi Arabia	2015	N/A	100%
Agthia Group PJSC	UAE	Al Bayan Purification & Potable Water LLC	UAE	2015	N/A	100%
Agthia Group PJSC	UAE	Al Manal Purification & Bottling Mineral Water LLC	Oman	2015	N/A	100%
Zulal Investment Co SPC - subsidiary of Hassad Food Co.	Qatar	A'Saffa Foods SAOG	Oman	2015	N/A	33%
L Capital Asia LLC	Singapore	Bateel International LLC	Saudi Arabia	2015	N/A	20%
Rafi Agri Foods International FZC	UAE	Delta Food Industries FZC	UAE	2015	N/A	20%
Talem Africa	UAE	Silver Food	Morocco	2015	N/A	100%
Hassad Food Co.	Qatar	Undisclosed Brazilian Sugar and Poultry Products Company	Brazil	2015	N/A	100%
Supreme Group	UAE	Gepaco SA	Tunisia	2015	N/A	42%

Source: Thomson Reuters Eikon, Bloomberg

*Note: * Deals pending completion (as on February 17, 2017)*

8. Financial and Valuation Analysis

8.1 Financial Performance

In this section, we have analyzed the financial performance of a selected set of 22 listed food companies in the GCC (see Exhibit 61). Based on their primary business activity, these companies have been categorized into the following four sub-segments:

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

Revenue Analysis

The combined revenue of the 22 food companies in the GCC stood at US$ 14.3 billion in the nine months ending September 2016

The combined revenue of the 22 food companies in the GCC stood at US$ 14.3 billion in the nine months ending September 2016 (9M 2016), having grown at an average of 3.1% in the last two years (on a 9M basis). The dairy and processed and frozen foods segments outperformed the overall industry, having registered an average revenue growth of ~5% during the period. The agri & agri processing segment accounted for the largest share in the food industry by revenue. The three largest companies, Savola Group, Almarai Co. and Kuwait Food Co., collectively represented nearly three-fourth of the region's food industry revenue during the nine months ended September 2016.

Profitability Analysis

The average EBITDA margin of the selected GCC food companies was 15.3% during 9M 2016

The average EBITDA margin of the selected GCC food companies was 15.3% during 9M 2016, almost unchanged over the same period last year. Segment-wise, the average EBITDA margin of the dairy segment was the highest at 19.3%, followed by ~17% for the livestock and the processed & frozen foods segments, in 9M 2016.

The industry-wide Return on Assets (ROA) and Return on Equity (ROE) averaged at 9.9% and 17.8%, respectively, during 9M 2016. The dairy segment recorded the highest ROE, while the livestock segment commanded the highest ROA within the GCC food industry.

Exhibit 61: Financial Performance of Major Food Companies in the GCC (9M 2016)

Company Name	Country	Market Cap# (US$ Million)	Revenue (US$ Million)	Revenue Growth 2 yr avg. (%)	EBITDA Margin (%)	Net Income Margin (%)	Annualized ROA (%)	Annualized ROE (%)
Agri & Agri Processing								
Agthia Group PJSC	UAE	1,107.6	414.5	11.2%	17.6%	13.1%	10.8%	17.0%
Areej Vegetable Oils & Derivatives SAOG	Oman	72.7	168.1	(5.6%)	2.4%	1.4%	2.2%	9.1%
Mezzan Holding Co. KSCP	Kuwait	989.2	518.4	3.6%	12.1%	8.4%	9.0%	17.8%
Oman Flour Mills Co. SAOG	Oman	332.5	167.5	3.5%	18.7%	16.7%	16.9%	22.9%
Salalah Mills Co. SAOG	Oman	184.5	110.1	(8.9%)	7.5%	6.0%	4.9%	5.4%
Savola Group Co. SJSC	KSA	5,645.2	5,002.9	(3.7%)	4.9%	2.7%	2.6%	6.7%
United Foods Co. PSC	UAE	42.4	83.4	(2.2%)	9.3%	6.3%	9.2%	11.9%
Sub-segment Average				*(0.3%)*	*10.4%*	*7.8%*	*7.9%*	*13.0%*
Dairy								
Almarai Co. SJSC	KSA	14,554.0	2,957.1	9.4%	28.4%	14.4%	7.7%	17.3%
National Agricultural Dev. Co. SJSC	KSA	508.3	470.6	6.4%	20.6%	5.2%	3.1%	9.0%
Saudia Dairy & Foodstuff Co. SJSC	KSA	1,076.1	383.3	6.2%	21.3%	16.6%	23.4%	30.8%
Unikai Foods PJSC	UAE	74.4	67.4	(0.7%)	6.7%	4.9%	11.6%	48.1%
Sub-segment Average				*5.3%*	*19.3%*	*10.3%*	*11.4%*	*26.3%*
Processed & Frozen Foods								
BMMI BSC	Bahrain	317.2	188.3	(4.1%)	9.2%	9.6%	9.1%	15.0%
Dubai Refreshments PJSC	UAE	461.9	190.1	(3.1%)	17.0%	13.3%	10.1%	14.0%
Foodco Holding PJSC	UAE	178.3	55.5	13.0%	24.7%	19.1%	6.1%	11.3%
Halwani Brothers Co. JSC	KSA	436.3	206.0	(1.7%)	17.5%	7.0%	6.6%	11.4%
Herfy Food Services Co. SJSC	KSA	992.0	233.7	14.7%	26.5%	18.5%	17.2%	29.9%
Kuwait Food Co. KSCP	Kuwait	3,319.0	2,409.9	(0.5%)	12.8%	6.2%	9.1%	18.6%
Oman Refreshment Co. SAOG	Oman	280.5	153.6	3.5%	18.8%	13.2%	16.3%	26.5%
Trafco Group BSC	Bahrain	50.2	82.5	1.2%	7.7%	4.3%	4.5%	7.4%
Zad Holding Co. SAQ	Qatar	301.8	265.4	21.9%	19.5%	14.8%	9.1%	14.0%
Sub-segment Average				*5.0%*	*17.1%*	*11.8%*	*9.8%*	*16.5%*
Livestock (Meat / Poultry)								
A'Saffa Foods SAOG	Oman	249.6	59.7	(0.7%)	26.0%	18.1%	11.1%	14.8%
Widam Food Co. QSC	Qatar	329.3	93.5	5.3%	8.1%	19.8%	16.6%	33.2%
Sub-segment Average				*2.3%*	*17.0%*	*18.9%*	*13.9%*	*24.0%*
GCC Food Industry								
Average				3.1%	15.3%	10.9%	9.9%	17.8%
High				21.9%	28.4%	19.8%	23.4%	48.1%
Low				(8.9%)	2.4%	1.4%	2.2%	5.4%

Source: Thomson Reuters Eikon, Alpen Capital

Note: #Last updated on February 16, 2017; Figures in red indicate below-average performance and those in green suggest performance at par with or above average

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Segment-wise Performance

Agri & Agri Processing

Revenue of three companies in the agri & agri processing segment grew in the range of 3.5%-11.2% during the two-year period, while the other companies reported a drop

The selected set of agri & agri processing companies collectively generated revenue of US$ 6.5 billion during 9M 2016. It was a mixed performance for the segment, with revenue of three companies having grown in the range of 3.5%-11.2% during the two-year period, while the other companies reported a drop (see Exhibit 62). Agthia Group experienced the highest revenue growth of 11.2% during the two-year period, followed by Mezzan Holding and Oman Flour Mills with ~3.5% topline expansion. While Mezzan Holding's growth was primarily aided by an increase in production and new initiatives within the food manufacturing and distribution business, Oman Flour Mills' revenue grew mainly on the back of higher sales of animal feed and bakery products[151]. Some of the other business segments of these two companies reported a decline. In comparison, the UAE-based Agthia Group reported a revenue increase across all business lines including flour and animal feed. Growth in the flour and animal feed business, accounting for more than half of the total revenue in 9M 2016, was attributed to new product launches and increase in prices of animal feed and flour exports to other GCC and East African countries[152]. However, the large part of the company's topline growth came from the other businesses. Agthia Group's revenue expansion is likely to continue, as it plans to double its revenue by 2020 by making acquisitions as well as growing organically[153].

During the two-year period, the largest player, Savola Group, registered an average revenue decline of 3.7% due to fall in sales of edible oil, even as its retail segment revenue continued to grow[154]. Fall in revenue of Savola Group coupled with a larger decline in that of Areej Vegetable Oils and Salalah Mills hampered the overall segment's revenue performance. Unfavorable selling prices of flour and vegetable oils impacted the revenues of Salalah Mills and Areej Vegetable Oils, respectively, during the two-year period.

During 9M 2015 and 2016, EBITDA margin of the selected agri & agri processing companies averaged 10.3%

During 9M 2015 and 2016, EBITDA margin of the selected agri & agri processing companies averaged 10.3%. The companies that registered positive revenue growth were also the most profitable companies, having reported margins in the range of 13%-18%. Agthia Group reported the highest margin at 17.6%, mainly driven by operational efficiencies and favorable commodity prices.

The segment's annualized ROE and ROA averaged 15.2% and 8.6%, respectively, during the two-year period (see Exhibit 63). Mezzan Holding recorded the highest ROE and Oman Flour Mills had the highest ROA. Alongside, a couple of other companies also outperformed the segment average returns.

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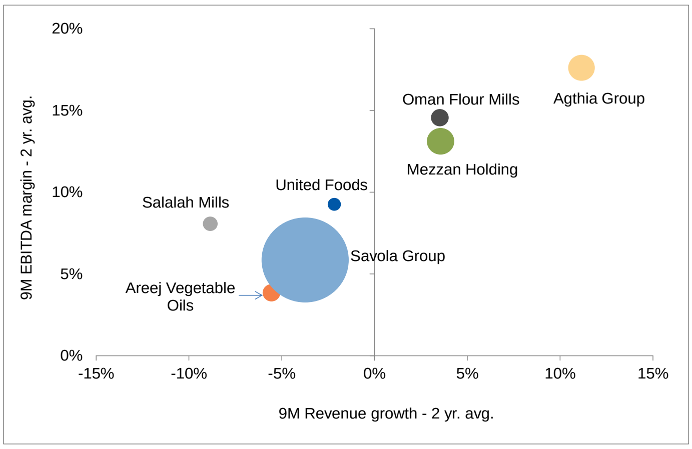
[151] Source: Company Reports – Mezzan Holding and Oman Flour Mills
[152] Source: Company Reports – Agthia Group
[153] Source: "UAE's food firm Agthia aims to double revenue to $1 bln by 2020 – CEO", Reuters, February 10, 2016
[154] Source: Albilad Capital, Company Reports – Savola Group

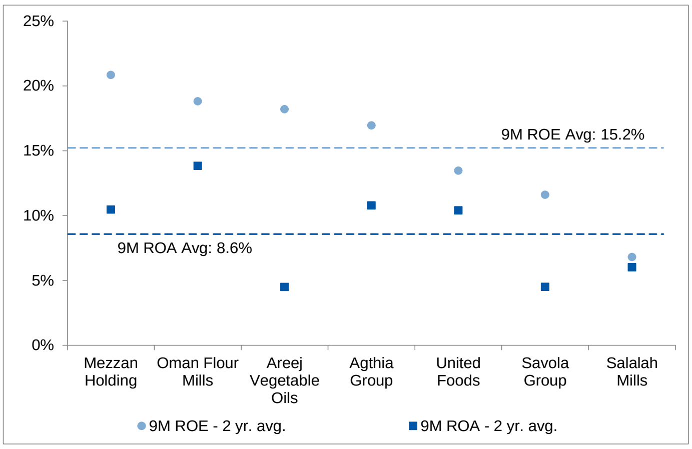
Exhibit 62: Two-year Average Revenue Growth and EBITDA Margin



Source: Thomson Reuters Eikon, Alpen Capital

Note: The size of the bubble is indicative of the 9M revenue

Exhibit 63: Two-year Average ROE and ROA



Source: Thomson Reuters Eikon, Alpen Capital

Dairy

Revenue of the dairy segment grew at an average of 5.3% in the last two years (on a 9M basis)

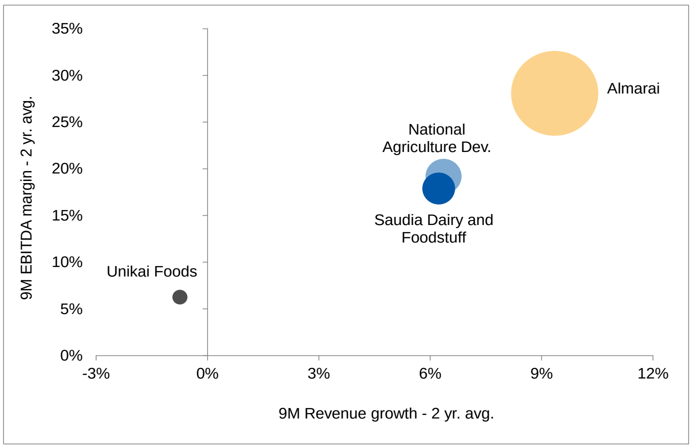
The selected dairy companies reported a combined revenue of US$ 3.9 billion during 9M 2016. Overall, the segment revenue grew at an average of 5.3% in the last two years (on a 9M basis). Almarai Co., representing 76.2% of the segmental revenue, registered the highest topline growth and EBITDA margin in the last two years (see Exhibit 64). The company's strong performance was driven by an increase in sales volume of dairy products and new product launches in other business[155]. Topline growth coupled with production efficiency and lower input costs strengthened the company's EBITDA margin, despite losses in its poultry segment.

Almarai Co. generated returns below the segment's average ROE and ROA of 23.7% and 10.3%, respectively, during the two-year period

The UAE-based Unikai Foods underperformed the overall dairy segment with a small drop in revenue and low EBITDA margin of 6.3% during 9M 2015 and 2016. Nevertheless, the company generated the highest ROE in the segment due to its low equity base. On the other hand, Almarai Co. the largest dairy producer, generated returns below the segment's average ROE and ROA of 23.7% and 10.3%, respectively, during the two-year period (see Exhibit 65). The company's returns are relatively lower due to its diversified operations with varied profitability and the fact that its poultry business registered a loss during the last two years.

[155] Source: Company Reports – Almarai Co.

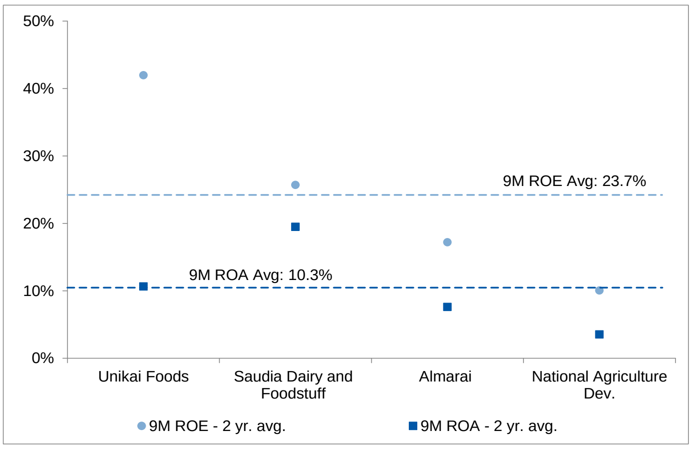
Exhibit 64: Two-year Average Revenue Growth and EBITDA Margin



Source: Thomson Reuters Eikon, Alpen Capital

Note: The size of the bubble is indicative of the 9M revenue

Exhibit 65: Two-year Average ROE and ROA



Source: Thomson Reuters Eikon, Alpen Capital

Processed and Frozen Foods

Combined revenue of the processed and frozen foods segment grew at an average of 5.0% in the last two years (on a 9M basis)

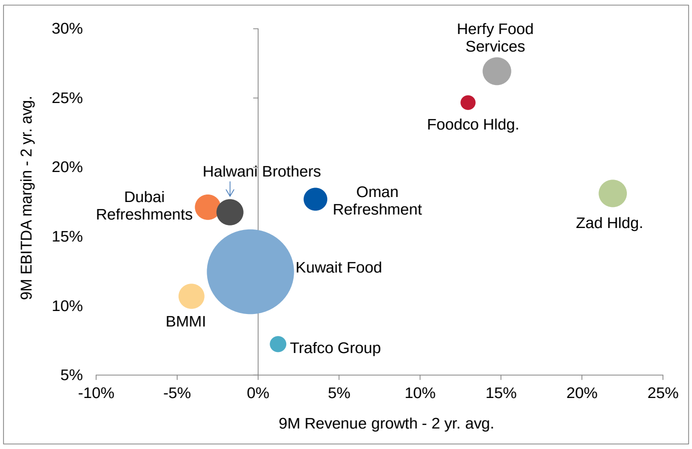
During the nine months ended September 2016, combined revenue of the selected companies in the processed and frozen foods segment stood at US$ 3.8 billion, registering an average growth of 5.0% in last two years (on a 9M basis). The segment's performance was primarily aided by an over 20% revenue growth of Zad Holding owing to an increase in revenue from its trading, manufacturing and distribution of food products. The segmental growth was also supported by an increase in revenue of Foodco Holding and Herfy Food Services by 13.0% and 14.7%, respectively (see Exhibit 66).

The segment's EBITDA margin averaged 16.8% during the two-year period

During the period under consideration, the segment's EBITDA margin averaged 16.8%. The top three contributors to overall revenue growth also enjoyed the highest profitability. EBITDA margin of Zad Holding and Foodco Holding were strong mainly due to their high-margin food trading activities, while Herfy Food Services benefitted from its high-margin restaurant business. Kuwait Food Co., which accounted for nearly 64% of the segment's revenue, registered a small decline in revenue and below industry-average margin. The revenue decline was witnessed across its restaurant & retail and food businesses, particularly in the markets of Saudi Arabia, Egypt and other countries in Africa and South Gulf during 9M 2016.

The segment's ROE and ROA averaged 17.0% and 10.3%, respectively, during 9M 2015 and 2016. Herfy Food Services, with average ROE and ROA of 30.9% and 18.7%, respectively, outperformed the other companies while Trafco Group was the biggest underperformer (see Exhibit 67).

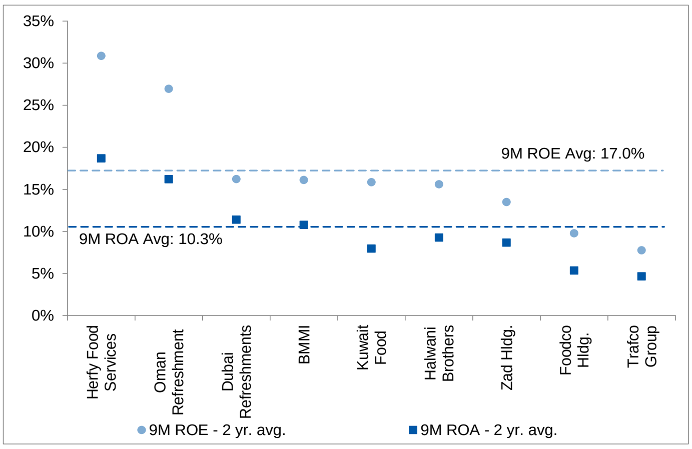
Exhibit 66: Two-year Average Revenue Growth and EBITDA Margin



Source: Thomson Reuters Eikon, Alpen Capital

Note: The size of the bubble is indicative of the 9M revenue

Exhibit 67: Two-year Average ROE and ROA



Source: Thomson Reuters Eikon, Alpen Capital

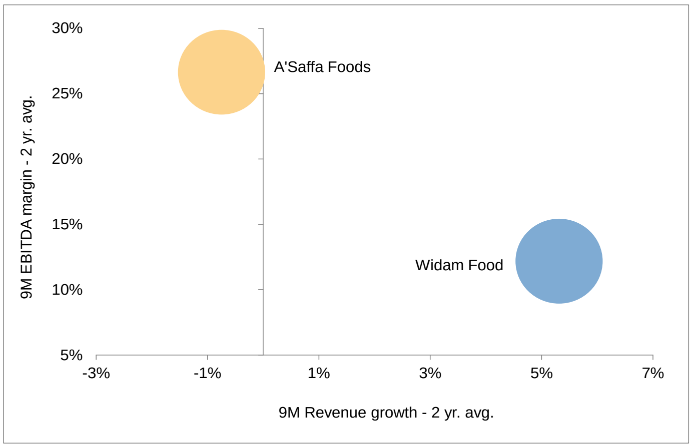
Livestock

Widam Food is a larger company in terms of revenue, however, A'Saffa Foods had higher EBITDA margin

In this segment, we have analyzed two companies, A'Saffa Foods – a manufacturer and distributor of poultry products – and Widam Foods – 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 68). Revenue of Widam Food increased at an annual average of 5.3% during the two-year period, mainly led by growth in 9M 2015 while that in 9M 2016 declined slightly. On the other hand, revenue of A'Saffa Foods declined during the two-year period, due to a 5.3% y-o-y fall in revenue during 9M 2016 while that in 2015 had increased. Nevertheless, revenue of A'Saffa Foods is likely to increase going ahead, as it plans to double its poultry meat production capacity.

The profitability of A'Saffa Foods is stronger due to its fully integrated operations, from poultry farms to wholesale distribution. While the two-year average ROE of Widam Food is stronger at 30.0%, its ROA is almost at par with that of A'Saffa Foods (see Exhibit 69).

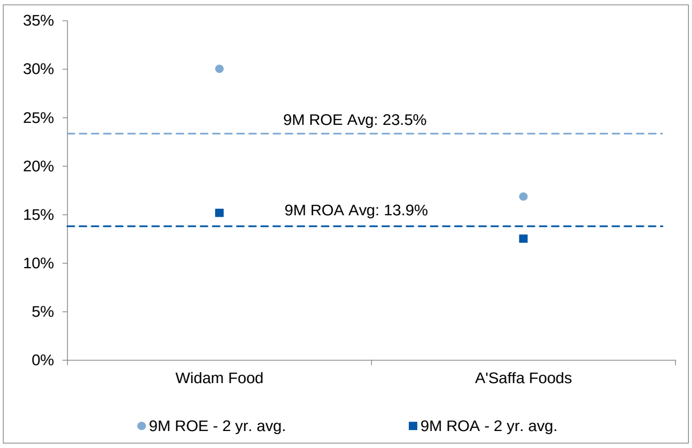
Exhibit 68: Two-year Average Revenue Growth and EBITDA Margin



Source: Thomson Reuters Eikon, Alpen Capital

Note: The size of the bubble is indicative of the 9M revenue

Exhibit 69: Two-year Average ROE and ROA



Source: Thomson Reuters Eikon, Alpen Capital

8.2 Valuation Analysis

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

Agri & Agri Processing

With a higher EBITDA margin compared to its regional peers, Oman Flour Mills appears attractive at below-average P/E and EV/EBITDA multiples

The selected agri & agri processing companies in the GCC are trading at an average P/E multiple of 13.3x and EV/EBITDA multiple of 12.2x (see Exhibits 70 and 71). Most of the GCC companies are trading at P/E multiples above the industry average, with Mezzan Holding, Salalah Mills and Agthia Group commanding the highest multiples. In terms of EV/EBITDA multiple, Salalah Mills and Mezzan Holding are trading above the region's industry average. With a higher EBITDA margin compared to its regional peers, Oman Flour Mills appears attractive at below-average P/E and EV/EBITDA multiples. The EV/EBITDA and P/E multiples of Salalah Mills and Mezzan Holding are above the average multiples in the US. On the other hand, the average P/E multiple of agri & agri processing companies in the GCC is substantially below the average in Western Europe, but on par with the Asia Pacific average.

Exhibit 70: LTM P/E Relative Valuation

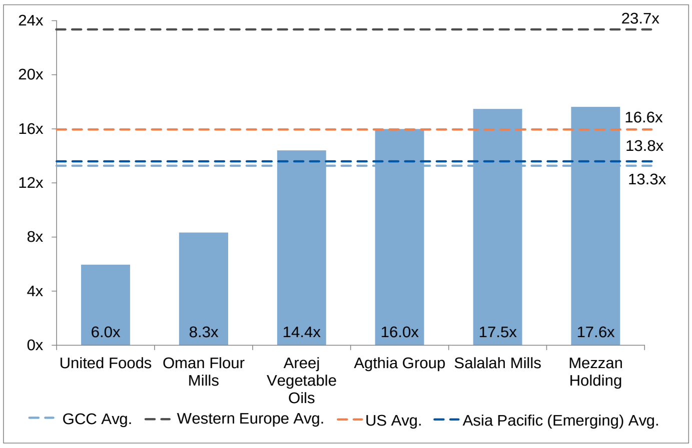
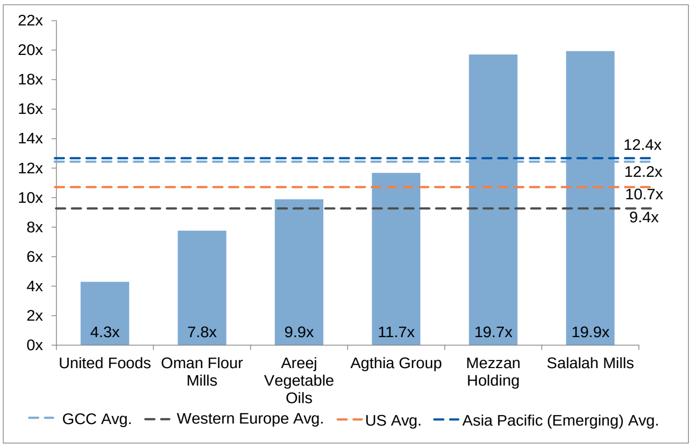


Exhibit 71: LTM EV/EBITDA Relative Valuation



Source: Bloomberg (as on February 16, 2017), Alpen Capital

Notes: 1) Savola has been excluded from the above valuation due to net loss during 2016 and a very high EV/EBITDA multiple compared to its peers, 2) Averages for the US, Western Europe, and Asia Pacific (emerging) have been calculated based on the multiples of prominent agri & agri processing companies in these regions

Dairy

National Agriculture Development Co. and Almarai Co. command P/E multiples of 27.2x and 26.7x, which are at a premium to the regional as well as global average multiples

Dairy companies in the GCC are trading at an average P/E multiple of 21.5x and EV/EBITDA multiple of 11.9x (see Exhibits 72 and 73). National Agriculture Development Co. and Almarai Co. command P/E multiples of 27.2x and 26.7x, respectively, which are at a premium to the regional as well as global average multiples. This premium valuation of Almarai Co. is attributed to its leading position in the GCC dairy segment and consistent investments to boost production capacity and distribution coverage of dairy and other products. Although the GCC dairy industry average P/E multiple is below that in the US and Western Europe, the multiple is on par with that in the Asia Pacific (emerging). The high P/E multiples in the developed markets is mainly due to presence of some large diversified players and high-growth companies. In terms of EV/EBITDA multiple, the regional average is similar to that in Western Europe and close to the Asia Pacific average, but significantly below that in the US.

Exhibit 72: LTM P/E Relative Valuation

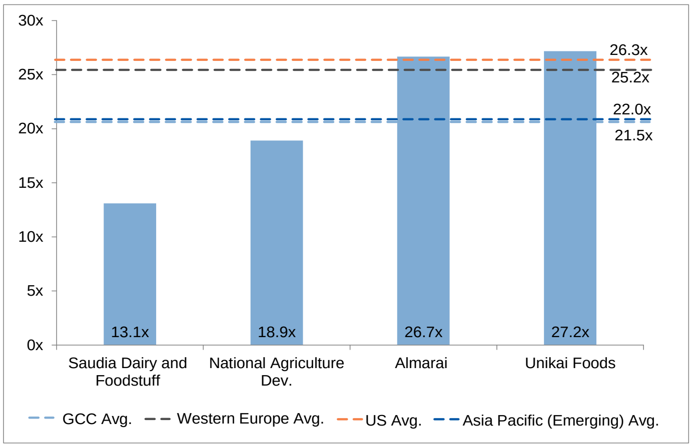
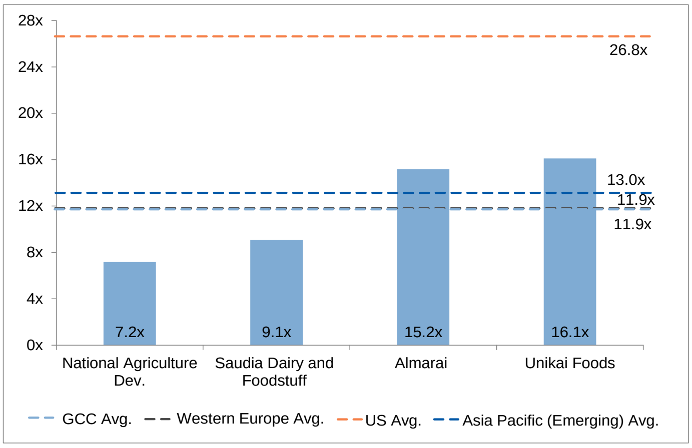


Exhibit 73: LTM EV/EBITDA Relative Valuation



Source: Bloomberg (as on February 16, 2017), Alpen Capital

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

Processed and Frozen Foods

At an average P/E multiple of 13.7x, the GCC food processing companies are trading below the global average multiples

At an average P/E multiple of 13.7x, the GCC food processing companies are trading below the average multiples in the US, Western Europe, and emerging markets in Asia Pacific (see Exhibit 74). In terms of EV/EBITDA multiple, although the regional average is substantially below that in the developed markets, it is at par with the emerging Asia Pacific region (see Exhibit 75). In view of strong revenue growth and EBITDA margins during 9M 2015 and 2016, Zad Holding and Foodco Holding appear attractive at P/E multiples below the regional as well as global averages.

Exhibit 74: LTM P/E Relative Valuation

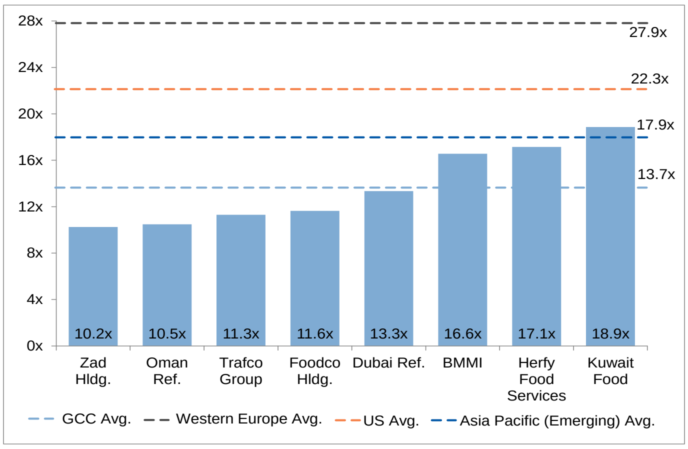
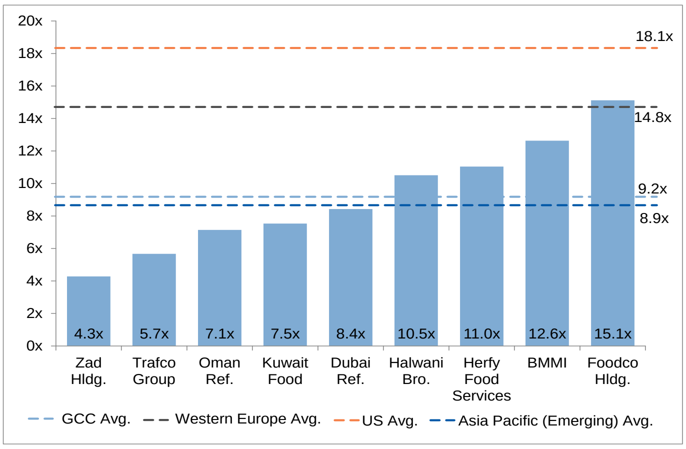


Exhibit 75: LTM EV/EBITDA Relative Valuation



Source: Bloomberg (as on February 16, 2017), Alpen Capital

Notes: 1) Halwani Brothers has been excluded from the P/E valuation, as it is an outlier, 2) Averages for the US, Western Europe, and Asia Pacific (emerging) have been calculated based on the multiples of prominent processed and frozen food companies in these regions

Livestock

With respective P/E multiples of 13.2x and 21.3x, the GCC-based Widam Food and A'Saffa Foods are trading above the industry average in Asia Pacific (emerging), but below that in Western Europe (see Exhibit 76). In terms of EV/EBITDA multiple, the GCC-based livestock companies are trading higher than the averages in the US and Asia Pacific.

Exhibit 76: LTM P/E Relative Valuation

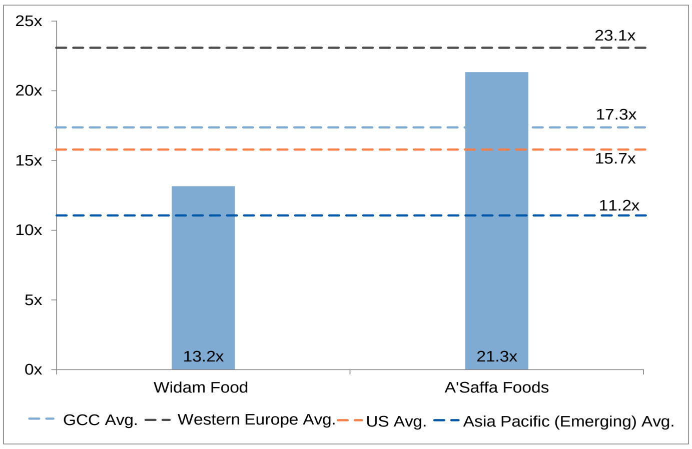
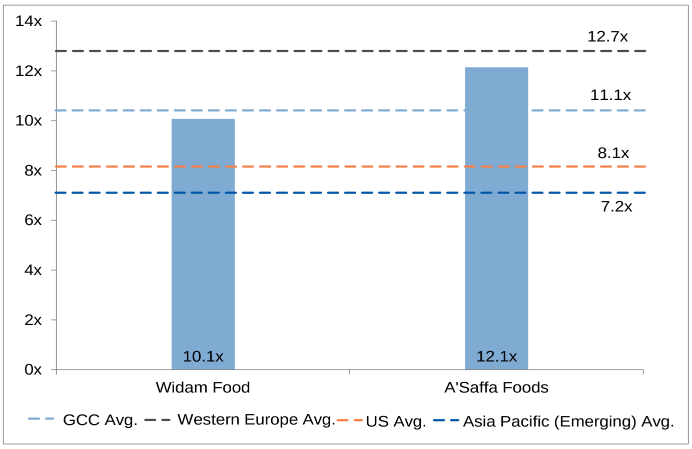


Exhibit 77: LTM EV/EBITDA Relative Valuation



Source: Bloomberg (as on February 16, 2017), Alpen Capital

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

Country Profiles

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Saudi Arabia

Key Growth Drivers

- **Population:** The country's population is expected to increase by 3.3 million between 2016 and 2021 to reach 35.3 million (Source: IMF). The expanding consumer base comprises a large portion of youth and expatriates and a rising number of working women. Such a diverse base is fuelling demand for packaged and fast food products, in addition to the need for essential food items.
- **Per capita income:** The IMF has projected the country's GDP per capita to expand at a CAGR of 3.9% between 2016 and 2021. A steady growth after the economic slowdown, alongside rising urbanization, is likely to increase the consumer propensity to spend on high-value food products.
- **Tourism:** Increasing flow of religious tourists coupled with the government's initiatives such as easing of visa regulations and global tourism campaigns are likely to strengthen the Kingdom's tourism sector, a major driver for food demand.
- **Government initiatives:** To create a sustainable supply of food, the government is focusing on expanding domestic agricultural production through use of modern farming techniques. Alongside, it is directing investments towards aquaculture projects in order to boost domestic seafood production. The government is also investing in farmlands overseas to secure food supplies. Such developments are likely to strengthen the food sector.

Recent Industry Developments

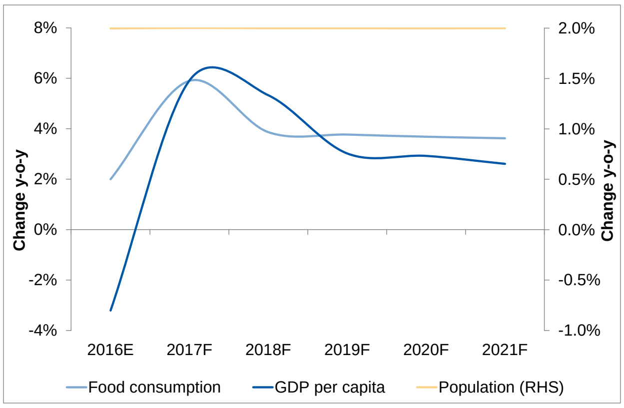
- In January 2017, Mayar Foods entered into a partnership with Barilla Holding SpA, an Italian food company, to distribute the latter's pasta products in the Saudi Arabian market.
- In November 2016, the Kingdom's sovereign wealth fund, Public Investment Fund, announced plans to acquire a 50% stake in the UAE-based Adeptio AD Investments SPC, which controls Kuwait Food Co. KSCP (Americana).
- In September 2016, the Ministry of Environment, Water and Agriculture of Saudi Arabia announced its plan to establish an aquaculture company with a capital of SAR 1.2 billion (US$ 0.3 billion*). The company will be under the public-private partnership model and is expected to commence operation within a year.

Macro-economic Indicators

Indicators	Unit	2016E	2017F	2021F
GDP growth at constant prices	%	1.2	2.0	2.3
GDP per capita at current prices	US$	19,922	21,100	24,179
Population	mn	32.0	32.7	35.3
Inflation	%	4.0	2.0	2.0
Food consumption	mn MT	30.8	32.6	37.7

Source: IMF – October 2016, 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
Halwani Brothers Co.	Processed and frozen foods
Herfy Food Services Co.	Processed and frozen foods and Restaurants
National Agricultural Dev. Co.	Dairy
National Food Industries Co.	Processed and frozen foods, Dairy, and Beverages
Saudi Fisheries Co. SJSC	Livestock
Saudia Dairy and Foodstuff Co.	Dairy and Beverages
Savola Group Co. SJSC	Agri & agri processing
Tabuk Agriculture Development Co. SJSC	Agri & agri processing

* Converted at exchange rate of 0.267

UAE

Key Growth Drivers

- **Population:** The UAE's population is forecasted to grow at a CAGR of 3.0% between 2016 and 2021 (Source: IMF). The growth is likely to be primarily supported by an increase in the number of expatriates, who account for over 88% of the total population. The diverse mix of people has fostered demand for ready-to-eat meals and international foods, in addition to consumption of basic food products.
- **Per capita income:** The UAE's GDP per capita is projected to expand at a CAGR of 4.1% between 2016 and 2021 to reach US$ 46,516. A high-income level has supported the spending on high-value packaged food products.
- **Tourism:** The UAE is a prominent tourist destination, attracting leisure and business travelers. The upcoming World Expo 2020 and development of several tourist attractions such as theme parks and international museums are likely to attract a diversified group of tourists, thus bolstering the demand for packaged foods and cooked meals in restaurants.
- **Health awareness:** As increasing number of people are becoming health-conscious due to growing incidence of lifestyle diseases, there has been an increase in demand for organic, low-fat, gluten-free and other healthy food products. According to Nielsen's 'Global Health & Wellness Survey' conducted during second half of 2014, about 83% of the UAE-based respondents said they are willing to pay a premium for foods with healthy attributes.
- **Sales channels:** Increasing penetration of organized retail formats and emergence of new food service channels such as food trucks and online retail are likely to support the country's demand for food.

Recent Industry Developments

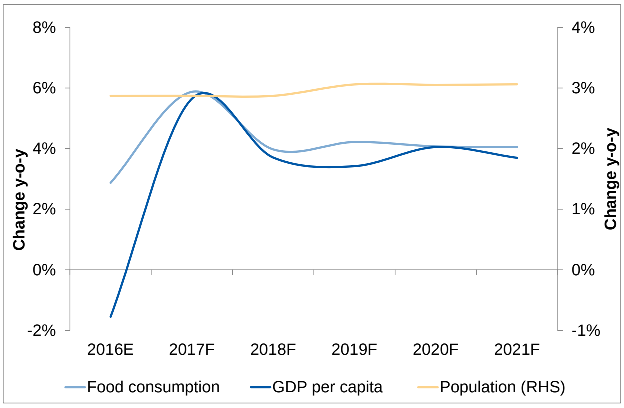
- In January 2017, an MoU between the UAE and India in the field of agriculture and allied sectors received an approval from the Union Cabinet of India. The cooperation will promote understanding of the best agricultural practices and technology to improve productivity in the two countries.
- In December 2016, Abu Dhabi-based Al Dahra Holding launched a rice factory in Khalifa Industrial Zone, in an attempt to boost the country's food security. The factory is expected to produce up to 120,000 tonnes of rice per year.

Macro-economic Indicators

Indicators	Unit	2016E	2017F	2021F
GDP growth at constant prices	%	2.3	2.5	3.4
GDP per capita at current prices	US$	38,050	40,198	46,516
Population	mn	9.9	10.1	11.4
Inflation	%	3.6	3.1	3.6
Food consumption	mn MT	8.1	8.6	10.1

Source: IMF – October 2016, 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	Agri & agri processing
Al Islami Food PSC	Processed and frozen foods
Al Kabeer Group of Middle East	Processed and frozen foods
Al Khaleej Sugar Co. LLC	Agri & agri processing
Dubai Refreshments PJSC	Processed and frozen foods and Beverages
Foodco Holding PJSC	Processed and frozen foods
IFFCO International Foodstuffs Co. LLC	Processed and frozen foods, Agri & agri processing, and Dairy
National Food Products Co.	Dairy and Beverages
Unikai Foods PJSC	Dairy
United Foods Co. PSC	Agri & agri processing

Kuwait

Key Growth Drivers

- **Population:** A large number of expatriates, ~70% of the total population, and rise in youth population have led to a shift in food consumption patterns from traditional to international foods. The trend is likely to continue as the population in Kuwait is estimated to grow at an annualized average rate of 2.8% between 2016 and 2021 (Source: IMF).
- **Per capita income:** Kuwait's GDP per capita is expected to grow at a CAGR of 5.4% between 2016 and 2021 (Source: IMF). An increase in spending power is likely to support demand for high-value food products, including packaged and western foods.
- **Tourism:** Leisure tourism in Kuwait is expected to grow rapidly in view of the government’s efforts to develop tourist attractions across the country. Alongside, development of the MICE sector is likely to attract an increasing number of business travelers in the country. Growth in the tourism sector will positively impact the food service and packaged food businesses.
- **Government initiatives:** The government of Kuwait has entered into partnerships with several countries in order to boost its domestic agriculture and fisheries sectors through the exchange of research and practices. Additionally, the government has been investing in overseas food companies and agricultural lands to secure food supply.

Recent Industry Developments

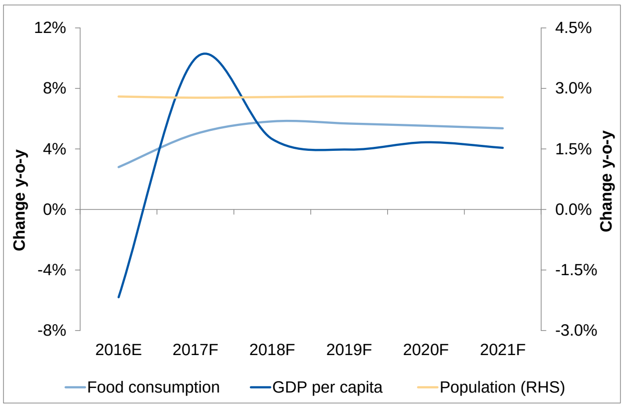
- In January 2017, Adeptio AD Investments SPC Ltd. acquired the remaining 30.5% stake in Kuwait Food Co. KSCP (Americana) for a cash consideration of US$ 1.1 billion.
- In December 2016, Kuwait Institute for Scientific Research announced that it has released about 165,000 fishes into regional waters in an effort to boost fish production.
- In September 2016, Kuwait’s PAAF, in collaboration with the National Fund for Small and Medium Enterprise Development, announced the implementation of five development projects. The projects are related to food security; establishing laws to support the National Fund; and development and management of broiler chickens, plant nurseries, and shrimp and fish farming.

Macro-economic Indicators

Indicators	Unit	2016E	2017F	2021F
GDP growth at constant prices	%	2.5	2.6	2.9
GDP per capita at current prices	US$	26,146	28,756	34,002
Population	mn	4.2	4.3	4.8
Inflation	%	3.4	3.8	3.6
Food consumption	mn MT	3.6	3.8	4.7

Source: IMF – October 2016, 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 foods and Restaurants
Livestock Transport and Trading Co. KPSC	Livestock
Mezzan Holding Co. KSCP	Agri & agri processing
Sadita Holding Co.	Processed and frozen foods

Oman

Key Growth Drivers

- **Population:** The IMF expects the population of Oman to grow at a CAGR of 3.1% between 2016 and 2021 to reach 4.6 million. An expanding consumer base, largely comprising the young and urbane, is altering the consumption patterns in favor of processed and fast foods.
- **Per capita income:** Oman's GDP per capita is projected to expand at a CAGR of 3.0% between 2016 and 2021. The rise in income levels is likely to support the penchant for high-value western and packaged foods.
- **Tourism:** With an aim to attract over five million international visitors annually, Oman's Ministry of Tourism has planned to invest about US$ 35 billion in the 2040 Tourism Strategy. An active tourism sector is expected to augment demand for food.
- **Government initiatives:** The government of Oman is investing heavily in developing four mega projects to improve self-sufficiency in red meat, dairy and poultry. Additionally, the government is building a Fisheries Industrial Zone in Al Duqm SEZ in order to boost the domestic fisheries production. These measures are likely to strengthen the food sector.

Recent Industry Developments

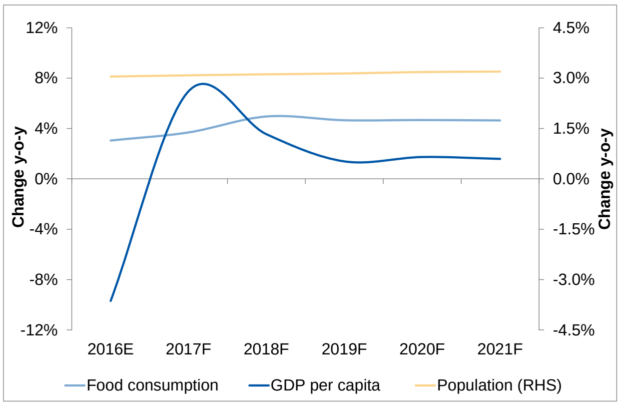
- In December 2016, Oman's Ministry of Agriculture and Fisheries (MoAF) announced the development of eight new fishing harbors and ports, as part of a comprehensive plan to bolster the country's fisheries sector. The country expects as many as 30 fishing harbors or ports to be operational by 2020, as against the current 20 ports.
- In December 2016, MoAF announced plans to develop large-scale aquaculture projects to enhance seafood productivity in Oman. The ministry is analyzing 40 projects worth US$ 1,827 million for commercial production of different kinds of farmed fish in the country, which are expected to produce 236,000 tonnes of fish annually.
- In October 2016, MoAF and Oman Investment Fund signed an MoU to establish and operate Al Wusta Fishing Co., which will use modern fishing techniques to increase fish production in the country.

Macro-economic Indicators

Indicators	Unit	2016E	2017F	2021F
GDP growth at constant prices	%	1.8	2.6	2.2
GDP per capita at current prices	US$	15,080	16,130	17,500
Population	mn	4.0	4.1	4.6
Inflation	%	1.1	3.1	2.8
Food consumption	mn MT	3.1	3.2	3.9

Source: IMF – October 2016, 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 and Abdul Karim Trading Co. LLC	Processed and frozen foods and Beverages
Ali Shaihani Group of Industries	Processed and frozen foods and Beverages
Areej Vegetable Oils and Derivatives SAOG	Agri & agri processing
A'Saffa Foods	Livestock
Oman Flour Mills Co.	Agri & agri processing
Oman Refreshment Co. SAOG	Processed and frozen foods and Beverages
Salalah Mills Co. SAOG	Agri & agri processing
Sweets of Oman	Confectioneries

Qatar

Key Growth Drivers

- **Per capita income:** Continued investments in non-hydrocarbon sectors, alongside recovering oil prices, are expected to aid economic growth and disposable income. Based on the IMF data, Qatar's GDP per capita is projected to expand at an annualized average rate of 6.3% between 2016 and 2021. Growing income levels are likely to support food consumption in the country.
- **Population:** Qatar's population is expected to grow at a CAGR of 1.5% between 2016 and 2021 (Source: IMF). The ongoing infrastructure and construction projects in the country ahead of the 2022 FIFA World Cup are expected to attract an increasing number of expatriate workers to the country. The expanding consumer base augurs well for the growth of the food sector.
- **Tourism**: Qatar hosts a series of global sports events every year such as ATP and WTA (tennis) tours, IAAF Diamond League, and FINA Swimming World Cup. Additionally, the upcoming football world cup is likely to attract hordes of tourists. The Qatar National Tourism Sector Strategy 2030 outlines an investment of about US$ 40-45 billion towards the development of a new rail network, hotels and leisure attractions to attract 7 million international tourists each year.
- **Government initiatives:** In order to achieve food security, the government is encouraging private sector participation in agriculture and increasing local production of selected food items, particularly meat. In addition, the country is also investing in farmlands overseas to secure food supplies.

Recent Industry Developments

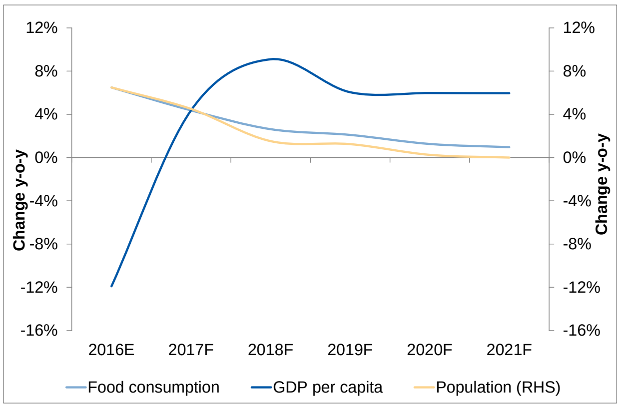
- In January 2017, Qatar Investment Authority (QIA) and BRF SA formed a JV to acquire Banvit Bandirma Vitaminli Yem Sanayii AS, a Turkey-based poultry producer for US$ 470 million. QIA holds a 40% stake in the JV with rest owned by BRF SA.
- In May 2016, Qatar's Ministry of Municipality and Environment and Japan's Mitsui & Co. Ltd. entered into a cooperation agreement, which aims to develop Qatar's agriculture sector through technology transfer and improvement of farm research capabilities at centers in Rawdat Al Faras and Al Ettariyyah.

Macro-economic Indicators

Indicators	Unit	2016E	2017F	2021F
GDP growth at constant prices	%	2.6	3.4	2.0
GDP per capita at current prices	US$	60,733	63,386	82,339
Population	mn	2.6	2.7	2.8
Inflation	%	3.0	3.1	2.2
Food consumption	mn MT	1.9	1.9	2.1

Source: IMF – October 2016, 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
Al-Sanabel Al-Qataria WLL	Livestock
Hassad Food	Agri & agri processing
Widam Food Co. QSC	Livestock
Zad Holdings Co.	Processed and frozen foods

Bahrain

Key Growth Drivers

- **Population:** The population in Bahrain is expected to grow at a CAGR of 2.0% between 2016 and 2021 (Source: IMF). The increasing population, comprising a large pool of expatriates, is creating demand for international food products.
- **Per capita income:** Bahrain's GDP per capita is projected to grow at a CAGR of 3.0% between 2016 and 2021 (Source: IMF). Rising disposable incomes are likely to support discretionary spending on high-value food products.
- **Tourism:** Bahrain is investing heavily in its tourism ecosystem including accommodation, technology, airport infrastructure, ground transportation and retail outlets. These developments are likely to attract a higher number of visitors to the country, thus driving domestic food consumption.
- **Government initiatives:** To improve the country's agricultural production capacity, the government of Bahrain is providing subsidies and incentives to farmers for adopting modern farming techniques and encouraging cooperation from private sectors. The country aims to improve its food processing facilities and develop the poultry and fisheries sectors in an attempt to improve food security.

Recent Industry Developments

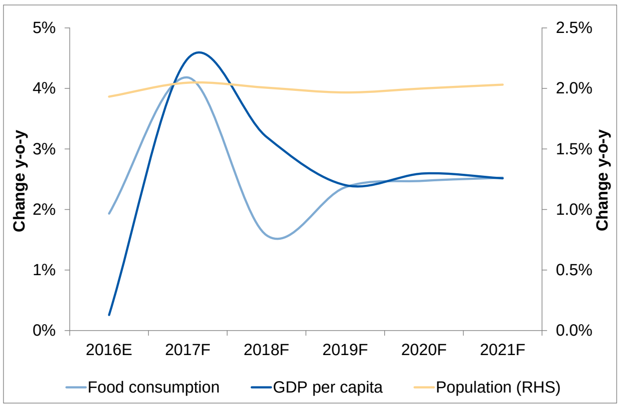
- In February 2017, the country's only sugar refinery, Arabian Sugar Co., stopped production in October 2016 due to insufficient working capital. The company is likely to undergo a change in ownership, and the potential buyers include the government or existing shareholders or an Omani businessman, who has made an offer.
- In December 2016, Investcorp Bank BSC bought a 51% stake in Agromillora Catalana SA, a Spanish agricultural technology group developing high-yielding plants and trees.
- In June 2016, Unikai Foods PJSC and Bahrain-based Behzad Group, a building finishing materials and solutions provider, signed an MoU under which the latter will distribute Unikai's portfolio of products in Bahrain.
- In February 2016, the Agriculture and Marine Resources Undersecretary of Bahrain signed a contract with one of the major investment companies in the country to establish and carry out an aquaponic vegetable and fish farming project. The deal was valued at US$ 20 million.

Macro-economic Indicators

Indicators	Unit	2016E	2017F	2021F
GDP growth at constant prices	%	2.1	1.8	2.2
GDP per capita at current prices	US$	24,119	25,203	28,012
Population	mn	1.3	1.3	1.5
Inflation	%	3.6	3.0	2.4
Food consumption	mn MT	0.65	0.68	0.74

Source: IMF – October 2016, 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 foods
Hasan & Habib Sons of Mahmood Co. WLL	Processed and frozen foods
Trafco Group	Processed and frozen foods

Company Profiles

Agthia Group PJSC (Publicly Listed) UAE

Company Description

Established in 2004, Agthia Group PJSC (Agthia) is a food and beverage (F&B) company in Abu Dhabi. The company is engaged in the manufacturing and distribution of flour, animal feed, bottled drinking water, dairy, juices and other food products across the GCC and the wider Middle East region. Agthia has manufacturing facilities in the UAE, Oman, Egypt and Turkey.

Business Segments/Product Portfolio

- **Agri Business Division:** This division comprises the manufacturing and distribution of flour and animal feed, which are marketed under its own brands, Grand Mills and Agrivita, respectively. This segment accounted for 55.5% of the company's total revenue during 9M 2016.
- **Consumer Business Division:** This division includes the business of water, juices, dairy and convenience food products.
  - **Bottled Water and Beverages**: Agthia manufactures and distributes bottled water under its own brands – Al Ain, Ice Crystal, Al Bayan and Alpin; and fruit juices under the brands – Al Ain Fresh (own) and Capri-Sun (through exclusive distribution rights). The company earned 36% of its 9M 2016 revenue from this business segment.
  - **Food**: The company manufactures and distributes convenience food products such as tomato and chili pastes, frozen vegetables and baked products under its own brand Al Ain and dairy products under the brand Yoplait (through exclusive distribution rights). The food segment contributed nearly 9% of the company's total revenue during 9M 2016.

Recent Developments/Future Plans

- In January 2017, Agthia announced its unaudited full year 2016 results, wherein revenue increased by 8.0% y-o-y to AED 2.0 billion (US$ 0.5 billion*) and net profit grew by 10.0% y-o-y to AED 254.3 million (US$ 69.2 million*).
- In November 2016, Agthia signed a purchase agreement with Saudi Arabia-based Delta Marketing Co. to acquire a 100% stake in its drinking water business for an undisclosed sum. The transaction is expected to close in the first quarter of 2017.
- In June 2016, Agthia entered into a 25-year lease agreement with Abu Dhabi Ports for an 85,700 sq m plot of land, for expanding its existing Grand Mills flour and animal feed facilities at Zayed Port. Once fully developed, the land will comprise dedicated bulk grain silos, warehouses and onsite bagging facilities allowing the company to increase its capacity to 1.5 million tonnes per annum from the current 930,000 tonnes.

Current Price (US$)	1.85

Price as on February 16, 2017

Stock Details	
Bloomberg ticker	AGTHIA UH
52 week high/low	2.15/1.47
Market Cap (US$ mn)	1,107.6
Enterprise value (US$ mn)	1,098.5
Shares outstanding (mn)	600.0

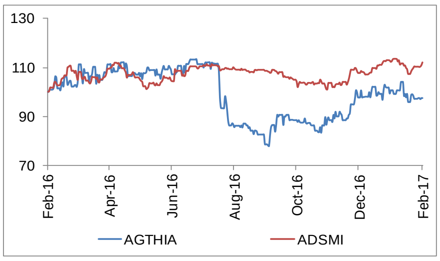
Source: Bloomberg

Average Daily Turnover ('000)

	AED	US$
3M	2,227.7	606.6
6M	2,342.1	637.8

Source: Bloomberg

Share Price Chart



Source: Bloomberg

Valuation Multiples

	2015	2016	2017E
P/E (x)	19.9	16.8	16.7
P/B (x)	3.0	N/A	2.2
EV/S (x)	2.4	2.2	1.9
Dividend yield (%)	1.6	N/A	2.1

Source: Bloomberg

Shareholding Structure	
General Holding Corporation PJSC	51.00%
National Holding	5.56%
Others	43.44%
Total	**100.00%**

Source: Thomson Reuters Eikon

* Converted at exchange rate of 0.272
Source: Company Website

Financial Performance						
US$ Million	**2014 YE Dec**	**2015 YE Dec**	***Change (%)***	**9M 2015**	**9M 2016**	***Change (%)***
Revenue	450.6	508.2	*12.8*	374.7	414.5	*10.6*
COGS	324.5	345.5	*6.5*	257.6	272.4	*5.7*
Operating Income	53.1	64.2	*20.9*	49.6	54.5	*9.9*
Operating Margin (%)	11.8	12.6		13.2	13.1	
Net Income	52.6	63.0	*19.8*	48.8	54.5	*11.7*
Net Income Margin (%)	11.7	12.4		13.0	13.1	
Return on Average Equity (%)	14.7	15.8		16.9	17.0	
Return on Average Assets (%)	9.3	10.1		10.8	10.8	

Key Comments

- *Agthia's revenue grew by 10.6% y-o-y to US$ 414.5 million in 9M 2016, driven by growth across all the business segments.*
- *Revenue of the flour and animal feed business, which accounted for more than half of the total revenue, grew modestly supported by new product launches, momentum in flour exports, and increase in prices of animal feed. Revenue of the water business increased at a healthy pace due to the company's investment towards brand building, new product launches, and gains from distribution activities. Revenue from the food segment also grew at a robust pace led by increase in volumes.*
- *Operating income increased by 9.9% y-o-y to US$ 54.5 million, backed by strong revenue growth and lower commodity prices, which helped offset the impact of increase in marketing and distribution expenses.*

Source: Thomson Reuters Eikon, Company Filings

Al Islami Foods (Privately Owned) UAE

Company Description

Founded in 1981, Dubai-based Al Islami Foods (Al Islami) is a manufacturer and distributor of halal food products in the Middle East. The company provides a range of products including frozen and fresh chicken, processed meat, seafood, burgers, franks, sausages, sandwiches and nuggets, among others. Al Islami has two processing plants in the UAE, one in Jebel Ali Free Zone with a daily meat production capacity of 25 tonnes and another in Dubai Investment Park having a monthly meat production capacity of over 1,500 tonnes.

Business Segments/Product Portfolio

The company offers a wide range of food products under the following own brands:

- **Al Islami:** Under this brand, the company offers halal food products such as chicken griller, chicken parts, franks, sausages, burgers, minced meat and seafood.
- **Chico:** The company sells whole chicken packages under this brand.
- **Aladdin:** Under this brand, the company mainly offers food products targeting kids, such as fun-shaped chicken nuggets, beef mini burgers, dino chicken nuggets, chicken popcorn, chicken mini burgers, chicken-tandoori popcorn, chicken-cheese popcorn and chicken-barbeque popcorn.
- **Greens/Vegetables**: Under the Greens brand, the company provides a range of vegetables and related processed foods, including sweet corn, okra, green peas, spinach, strawberry and potato fries, among others.

Recent Developments/Future Plans

- In March 2016, Al Islami announced its plan to open an office in Sao Paulo, Brazil. The company also stated that it is looking to set up a poultry processing plant in the South American country to cater to the demand for halal food products in the European region.

Source: Company Website, Halal Exporter, Arab News, LinkedIn

Al Kabeer Group of Middle East (Privately Owned) UAE

Company Description

Founded in 1974, Al Kabeer Group of Middle East (Al Kabeer), also known as Sahar Enterprises LLC, is engaged in the procurement, manufacture and distribution of frozen food products. The company has manufacturing and cold storage facilities in over 15 countries. Al Kabeer supplies over 300 varieties of products such as meat, poultry, seafood, vegetables and fruits, and ready-to-eat meals to about 20,000 retail outlets spread across the GCC and international markets. The company ensures that the imported meat and poultry are processed with strict adherence to Islamic laws. Its processing plants are built as per international standards and approved by the United States Armed Forces and the Australian Quarantine Board, among others.

Business Segments/Product Portfolio

- **Vegetables & Fruits:** Al Kabeer sells packed vegetables, sweet corn, fruits and pulp, and paneer.
- **Meat & Poultry:** The company offers 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:** The company provides frozen fish, shrimps, prawns and read-to-eat products such as fish fillets and fish fingers.
- **Snacks Corner:** Al Kabeer offers a wide range of ready-to-serve snacks such as zingers, spring rolls, samosas, kebabs and cutlets, falafel, kibbeh, meat balls, jalapeno and cheese sticks, chicken kofta and fillets, shish tawook, barbeque chicken wings, franks, hot dog and sausages.
- **Kids Corner:** The company sells products designed for kids such as burgers, chicken and cheese sticks, chicken popcorn, French fries, nuggets and seasoned potato wedges.
- **Ready Meals:** Al Kabeer's wide range of ready-to-eat meals includes biryani, chicken tikka makhani, parathas, pilau rice and tortilla wraps.

Recent Developments/Future Plans

- N/A

Source: Company Website, IndustryME

Al Khaleej Sugar Co. LLC (Privately Owned) UAE

Company Description

Established in 1992, Al Khaleej Sugar Co. LLC (Al Khaleej Sugar) imports and refines raw sugar and distributes raw sugar, refined sugar and its derivatives. The company's plant is located at Jebel Ali, Dubai, and has a daily refining capacity of more than 7,000 tonnes. The company imports raw sugar from countries such as Brazil, Australia, India and Thailand and exports sugar products to more than 50 countries. The company caters to F&B, pharmaceuticals and industrial sectors. 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:** The company sources various grades of raw sugar for refining and re-exports to sugar refining companies and other industrial sectors.
- **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 offers sugar syrup and molasses, by-products of sugar derived in the process of refining. These products are used as animal feeds and in construction chemicals.

Recent Developments/Future Plans

- In February 2017, Al Khaleej Sugar stated that its refinery was operating at full capacity in view of favorable levels of white sugar premiums, which is measure of refining profitability, at about US$ 90 per tonne. In anticipation of sugar prices to remain at these levels during the second half of the year, the company will continue to operate the refinery at full capacity in the coming month.
- In February 2016, Al Khaleej Sugar announced that it intends to cut raw sugar imports during the first half of the year after piling up raw sugar stocks during Q4 2015 when the prices for later-dated contracts were trading higher.

Source: Company Website, Thomson Reuters Eikon

Almarai Co. (Publicly Listed) — Saudi Arabia

Company Description

Established in 1977, Almarai Co. is a vertically integrated dairy company in Saudi Arabia. Having commenced operations as a dairy producer, the company has diversified into other product lines of juices, bakery, poultry and infant nutrition. Almarai Co. conducts dairy farming in Saudi Arabia and Jordan; feedstock farming in Saudi Arabia, Argentina, Ukraine and the US; and poultry farming in Saudi Arabia. The company's manufacturing facilities are located in Saudi Arabia, Jordan and Egypt. Additionally, the company has an integrated transport and logistics infrastructure and a wide network of distribution centers that enables it to cater to over 100,000 retail outlets across the Middle East and North Africa (MENA) region.

Business Segments/Product Portfolio

- **Dairy and Juice:** Almarai Co. manufactures and sells natural fruit juices and dairy products such as ultra-high-temperature (UHT) milk, powder milk, evaporated milk, yoghurt, whipping cream, desserts and cheese under the Almarai, Beyti and Teeba brands. This is the largest segment of the company, having accounted for about 77% of total revenue in FY 2016.
- **Bakery:** Almarai Co. offers bakery products such as cakes, buns, sandwich rolls, puffs, croissants, Swiss rolls and wafers sticks under its 7Days and L'usine brands. The company earned ~13% of its FY 2016 revenue from the bakery business.
- **Poultry:** Almarai Co. sells whole chicken, minced chicken, chicken parts and marinated chicken under the Alyoum brand. The poultry segment accounted for 9% of the company's revenue during 2016.
- **Other Activities:** This segment mainly includes investment in Zain Saudi Arabia (a mobile telecommunications company), and manufacture and distribution of infant nutrition products under the Nuralac, Nuralac Plus and Evolac brands.

Recent Developments/Future Plans

- In January 2017, Almarai Co. announced that it has imported 52% of its alfalfa (animal feed) requirements in 2016, to support its dairy business. The company also stated that it is on track to import 100% of its requirements from 2019 onwards, following Saudi Arabia's decision to stop production of forage crops.
- In September 2016, Almarai Co. initiated the partial and gradual commissioning of its new bakery plant in Hail. The plant comprises four production lines for products such as bread, cupcakes, pastry, and cakes.
- In January 2016, the company purchased a farmland in California for US$ 31.8 million. Spread over an area of 1,790 acres, the farmland was acquired to secure supply of animal feed.

Source: Company Website, Thomson Reuters Eikon

Current Price (US$)	18.20

Price as on February 16, 2017

Stock Details	
Bloomberg ticker	ALMARAI AB
52 week high/low	18.63/12.46
Market Cap (US$ mn)	14,554.0
Enterprise value (US$ mn)	17,541.5
Shares outstanding (mn)	800.0

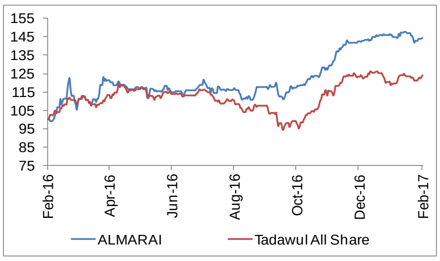
Source: Bloomberg

Average Daily Turnover ('000)

	SAR	US$
3M	110,037.7	29,336.1
6M	67,271.0	17,934.5

Source: Bloomberg

Share Price Chart



Source: Bloomberg

Valuation Multiples

	2015	2016	2017E
P/E (x)	24.4	27.0	24.5
P/B (x)	3.9	4.2	3.9
EV/S (x)	4.1	4.5	4.0
Dividend yield (%)	1.5	1.3	1.5

Source: Bloomberg

Shareholding Structure	
Savola Group Co. SJSC	36.52%
Al Saud (Sultan Mohammed Saud Al Kabeer)	28.69%
Omran Mohammad Al Omran & Partners Co., Ltd.	5.70%
Others	29.09%
Total	**100.00%**

Source: Thomson Reuters Eikon

Financial Performance				
US$ Million	**2014 YE Dec**	**2015 YE Dec**	**2016 YE Dec**	***Change y-o-y (%)***
Revenue	3,360.8	3,677.9	3,919.8	*6.6*
COGS	2,136.4	2,269.3	2,364.1	*4.2*
Operating Income	532.6	603.1	677.9	*12.4*
Operating Margin (%)	*15.8*	*16.4*	*17.3*	
Net Income	446.4	510.8	554.8	*8.6*
Net Income Margin (%)	*13.3*	*13.9*	*14.2*	
Return on Average Equity (%)	*15.9*	*16.7*	*16.6*	
Return on Average Assets (%)	*7.1*	*7.5*	*7.4*	

Key Comments

- *Revenue of Almarai Co. increased by 6.6% y-o-y to US$ 3,919.8 million in FY 2016, driven by growth across all the segments. Revenue of the Dairy and Juice segment increased by 5.0% y-o-y due to volume growth in existing products and sales contribution from new product launches. Revenue of the Bakery segment and Poultry segment grew by 16.3% and 8.4% y-o-y, respectively, supported by launch of new products and favorable market environment.*
- *Cost of sales, as a proportion of revenue, declined by 139 basis points y-o-y to 60.3% during FY 2016, mainly due to reduction in raw material costs, better cost management, and enhanced production efficiencies.*
- *Higher revenue coupled with favorable cost factors resulted in a 12.4% y-o-y increase in operating income to US$ 677.9 million.*

Source: Thomson Reuters Eikon, Company Filings

Ali and Abdul Karim Trading Co. LLC (Privately Owned) Oman

Company Description

Established in 1993, Ali and Abdul Karim Trading Co. LLC (AATCO), also known as AATCO Food Industries, is the food division of Ali and Abdul Karim Group of Companies, an Oman-based conglomerate with business interests in the food, construction, information technology (IT) and manufacturing industries. Having started operations as a ketchup manufacturer, AATCO currently manufactures a range of sauces, mayonnaise and condiments at its three manufacturing plants in Oman, India and Saudi Arabia. The company supplies its products to the retail sector as well as caters to quick service restaurants, casual dining, coffee shops, airlines and hotels.

Business Segments/Product Portfolio

- **Food Solutions:** AATCO supplies a range of ketchups, mayonnaise, sauces and dressings to food chains such as Burger King, Pizza Hut, KFC, Subway, Dairy Queen, Popeyes, Tazah, Wendy's, Fuddruckers, Little Ceasors and Al Baik, among others. The company has developed over 200 signature sauces for its clients.
- **Brands:** The company has classified its brands into two categories – Delico and own brands – which are marketed in over 30 countries.
  - **Delico**: This is the premium flagship brand, under which the company offers products such as tomato ketchup, mayonnaise, salad dressings, pasta sauces, essences, food colors and hot sauces. These products are widely available in the supermarkets across the GCC countries.
  - **Own Brands:** Khaburah, Barka and Al-Bustan are the company's low-price high-volume brands. Products under these brands are available in retail outlets, cafeterias, coffee shops and small restaurants in the GCC and other markets.

Recent Developments/Future Plans

- In February 2016, AATCO opened its new food manufacturing plant in Jeddah, Saudi Arabia, for serving its expanding customer base in the GCC, Levant, Africa, Asia and Oceania.

Source: Company Website, LinkedIn, Zawya

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, distribution of food and non-food consumer products, ownership and operation of hotels and restaurants, event management, 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, Inc.
- **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 industry, private sector and residencies, among others.
- **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 Cafe. The company is constructing two luxury hotels, which are expected to open in 2017.
- **Production & Digital House Events Planning:** Through Digitek, the company provides services such as event management, video production and filming, photography, and digital printing and framing.
- **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. It also distributes Apple's products in Qatar.
- **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

- In December 2015, ABA opened new branches of Crepaway and Wagamama restaurants in Qatar's Ezdan Mall.

Source: Company Website

Ali Rashid Al Amin Co. BSC (Privately Owned) Bahrain

Company Description

Established in 1962, Ali Rashid Al Amin Co. BSC is engaged in diverse business activities such as importing, processing, packaging, and distribution of food products; catering services; ownership and operation of restaurants, supermarkets, and flower outlets; real estate investment and development; supply of industrial equipment; and provision of landscape gardening and irrigation services.

Business Segments/Product Portfolio

- **The Exhibition:** It is the wholesale division, engaged in the import and distribution of food and non-food products to hypermarkets, supermarkets, groceries, self-service outlets, small shops and wholesale markets in Bahrain. The segment also covers the company's catering services that are provided to hotels and restaurants and other sectors.
- **Midway Supermarket:** It is the retail division, which includes the operations of seven retail outlets, owned and operated by the company across Bahrain. The retail stores also offer free home delivery services to the customers.
- **Lulu Food Factories:** It is the food packaging unit of the company, engaged in the import of food materials such pulses, rice, sugar, grains, spices, dry fruits and nuts, among others, in bulk and re-packing for sale to retailers, hotels and other customers in Bahrain. In addition, it manufactures white and red vinegar.
- **The Exhibition Constructions:** It is the investment division of the company, responsible for contracting works, investment in real estate projects and financial assets and entering into partnerships or acquiring different companies.
- **All In One:** This segment includes the operation of All In One Pizza & Subs restaurants in Qatar.
- **RAMAKAZA Trading Co. WLL:** Through this arm, the company is engaged in the import and wholesale of fruits and vegetables in Bahrain.
- **Al-Amin Fresh Fruits Co.:** Under this division, the company imports fruits and vegetables and distributes them to retailers, hotels, Bahrain International Airport and government institutions, in addition to the local markets. The division also undertakes banana ripening process and markets the products under the brands, Delmonti and Tropical Sun.
- **Lily The Flower Shop:** The company owns and operates two flower shops under the name, Lily The Flower Shop, located at Sheraton Hotel and Gulf Hotel. It imports a wide range of plants and flowers from Holland, France, Thailand, India, Iran, East Africa and other countries. It provides services to hotels, government organizations, conferences and seminars, and at party and wedding functions.
- **Ali Rashid Al-Amin Industries:** This division is engaged in the import and supply of products like fastener, pipes and tubes, flanges, pipe fittings and valves, among others.
- **Al-Amin Gardens:** This division is primarily engaged in the design and implementation of gardens and installation of irrigation systems.

Recent Developments/Future Plans

- N/A

Source: Company Website

Ali Shaihani Group of Industries (Privately Owned) Oman

Company Description

Established in 1979, Ali Shaihani Group of Industries (Ali Shaihani) is a holding company having multi-faceted businesses in the F&B industry of Oman. Ali Shaihani, through its subsidiaries, is engaged in the manufacturing of snacks, juices, soft drinks, hot beverages (tea and Arabic coffee) as well as facial tissues and sanitary napkins. Ali Shaihani's products are distributed across the GCC countries through its marketing and distribution network spread in the entire Sultanate. The company's F&B manufacturing plants are located in Muscat's Al-Wadi Al-Kabir industrial area.

Business Segments/Product Portfolio

Al Shaihani conducts its operations through its below subsidiaries:

- **Ali Shaihani Food Industries LLC:** Established in 1981, the subsidiary is engaged in the production of snack foods such as corn curls, corn balls and corn sticks in various flavors of butter, cheese, chicken, hot and sour, toffee and caramel. Its snacks range is marketed under brands such as Pofak Oman, Majid Oman, Popcorn, Sindbad, Nizwa, Pofak Khaligee, Ali Baba, Naam and Toffee Pofak, among others. It also produces tea products under the Al Afrah and Kahwa Al Afrah brands.
- **Ali Shaihani Juice Filling Industry LLC:** The subsidiary is engaged in the production of carbonated and non-carbonated drinks in different packing and flavors such as cola, orange, lemon, strawberry, pineapple and mixed fruit. It also produces real mango juice drinks packed in glass bottles. The products are marketed under the Fizzi, Shami, Lulu and Gipi brands.
- **Al Jufair Food Industries LLC:** Established in 1983, the subsidiary is engaged in the production of farm fresh potato chips and potato/wheat based pellet chips in different flavors. The chips are sold under the brands – Chips Oman, Sohar Chips, Salad Chips, Shinas Chips and Noora Chips – among others.
- **Al Shaihani Paper Industries:** Founded in 1983, the subsidiary is engaged in paper converting and manufacturing of facial tissues and other personal hygiene products. Brands include Palace, Al Anood, Tissue Oman, Marhaba, Al Ghazal and Rainbow, among others.

Recent Developments/Future Plans

- N/A

Source: Company Website

Dubai Refreshments PJSC (Publicly Listed) UAE

Company Description

Incorporated 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 the products pursuant to an authorization from PepsiCo, Inc. DRC is the first company to have introduced soft drink manufacturing in the UAE. The company has a production facility in Al Qouz, a bottling plant for Aquafina brand in Dibba, and a distribution and logistics depot each in Sharjah and Ras Al Khaimah.

Business Segments/Product Portfolio

- **Carbonated Soft Drinks:** The company offers carbonated soft drinks of brands such as Pepsi, 7UP, Mirinda, Mountain Dew, Evervess, and Shani.
- **Non-Carbonated Soft Drinks:** The company offers ice tea of different flavors under the Lipton Ice Tea brand of PepsiCo, Inc.
- **Aquafina:** DRC offers drinking water of PepsiCo's Aquafina brand.

Recent Developments/Future Plans

- In February 2017, DRC announced its preliminary FY 2016 results, wherein it reported a 20.6% y-o-y decline in net profit to AED 118.1 million (US$ 32.1 million*)

Current Price (US$)	5.13

Price as on February 16, 2017

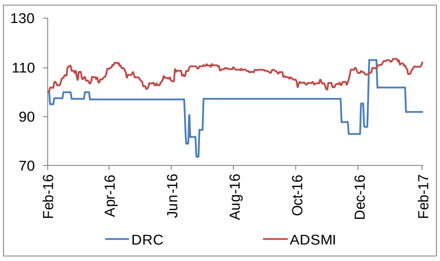
Stock Details	
Bloomberg ticker	DRC UH
52 week high/low	6.32/4.11
Market Cap (US$ mn)	461.9
Enterprise value (US$ mn)	433.8
Shares outstanding (mn)	90.0

Source: Bloomberg

Average Daily Turnover ('000)		
	AED	**US$**
3M	64.6	17.6
6M	33.1	9.0

Source: Bloomberg

Share Price Chart



Source: Bloomberg

Valuation Multiples	
	2015
P/E (x)	12.4
P/B (x)	2.1
EV/S (x)	1.8
Dividend yield (%)	3.4

Source: Bloomberg

Shareholding Structure	
Al Maktoum (Sheikh Ahmed Bin Rashed)	20.00%
Al Mulla (Mohammed & Obaid)	9.96%
Al Majid (Juma Abdulla Quraiban)	5.32%
Others	64.72%
Total	**100.00%**

Source: Thomson Reuters Eikon

* Converted at exchange rate of 0.272
Source: Company Website

Financial Performance						
US$ Million	**2014 YE Dec**	**2015 YE Dec**	***Change (%)***	**9M 2015**	**9M 2016**	***Change (%)***
Revenue	268.2	265.2	*-1.1*	202.8	190.1	*-6.2*
COGS	171.5	166.1	*-3.1*	127.9	120.2	*-6.1*
Operating Income	35.6	38.2	*7.3*	28.8	23.7	*-17.7*
Operating Margin (%)	*13.3*	*14.4*		*14.2*	*12.5*	
Net Income	38.2	40.5	*6.0*	31.2	25.4	*-18.6*
Net Income Margin (%)	*14.2*	*15.3*		*15.4*	*13.3*	
Return on Average Equity (%)	*18.1*	*17.6*		*18.5*	*14.0*	
Return on Average Assets (%)	*12.3*	*12.3*		*12.7*	*10.1*	

Source: Thomson Reuters Eikon

Foodco Holding PJSC (Publicly Listed) UAE

Company Description

Established in 1979, Foodco Holding PJSC (Foodco), formerly known as Abu Dhabi National Foodstuff Co. PJSC, is primarily engaged in the import and distribution of food products and household items in the UAE. Additionally, the company provides services such as packaging, catering, shipment, clearance and warehousing. Foodco also undertakes investment, development and management of real estate and commercial enterprises. The company operates Dana Plaza, a department store, offering men's and women's fashions, jewelry, shoes, housewares and novelty items, among others.

Business Segments/Product Portfolio

- **Foodco Holding PJSC:** It is engaged in the import and distribution of a range of food and household products including rice, sugar, edible oil, pasta, canned food, tea, evaporated milk, frozen chicken and meat, frozen vegetables, aluminum foil and facial tissues, among others. The subsidiary acts as a wholesale distributor of food products to public and private organizations across the UAE. This subsidiary accounted for 93.0% of the company's total revenue during 9M 2016.
- **Sense Gourmet Food Co. PSC:** Representing 4.2% of the company's revenue during 9M 2016, this subsidiary is engaged in the provision of catering services through Abu Dhabi National Catering LLC and holds the franchise rights of Figaros Pizza outlets in the Middle East and Caffe Verri in the UAE.
- **Oasis National Foodstuff Co. LLC**: This subsidiary is engaged in packaging, repacking, grinding, shrink-wrapping and tapping food products for private labels, hotels, restaurants and military. It operates a sachet/tube packing line with a capacity of 95,000 sachets per hour and a bulk packing line with a capacity of 1,000-1,500 pouches per hour. The subsidiary also owns and operates a flourmill, which grinds, mixes and packs a range of spices.
- **5PL Logistics LLC:** This subsidiary offers marine, air and land shipment services, in addition to managing and operating stores and warehouses. The subsidiary contributed nearly 3% to the company's revenue during 9M 2016.

Recent Developments/Future Plans

- In February 2017, Foodco announced its preliminary financial results for FY 2016, wherein revenue increased by 1.6% y-o-y to AED 291.0 million (US$ 79.2 million*) and net profit grew by 3.3% y-o-y to AED 57.1 million (US$ 15.5 million*).

Current Price (US$)	1.78

Price as on February 16, 2017

Stock Details	
Bloomberg ticker	FOODCO UH
52 week high/low	1.78/0.97
Market Cap (US$ mn)	178.3
Enterprise value (US$ mn)	161.8
Shares outstanding (mn)	100.0

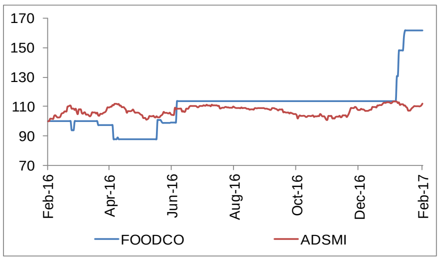
Source: Bloomberg

Average Daily Turnover ('000)

	AED	US$
3M	202.1	55.0
6M	103.5	28.2

Source: Bloomberg

Share Price Chart



Source: Bloomberg

Valuation Multiples

	2015	2016
P/E (x)	7.3	8.1
P/B (x)	0.9	N/A
EV/S (x)	1.6	1.9
Dividend yield (%)	3.6	N/A

Source: Bloomberg

Shareholding Structure	
Al Mutawwa Al Dhahiri (Ali Khalfan Rashid)	22.81%
Al Wathba National Insurance Co PSC	22.81%
Al Khameri (Maryam Ahmad Abdullah Abdool)	11.00%
Others	43.38%
Total	**100.00%**

Source: Thomson Reuters Eikon

* Converted at exchange rate of 0.272
Source: Company Website

Financial Performance						
US$ Million	**2014 YE Dec**	**2015 YE Dec**	***Change (%)***	**9M 2015**	**9M 2016**	***Change (%)***
Revenue	41.2	78.0	*89.2*	61.3	55.5	*-9.4*
COGS	33.4	47.5	*42.2*	36.1	34.4	*-4.8*
Operating Income	8.6	17.9	*107.8*	10.6	12.9	*21.1*
Operating Margin (%)	*20.9*	*22.9*		*17.4*	*23.2*	
Net Income	11.6	15.1	*30.2*	8.3	10.6	*28.1*
Net Income Margin (%)	*28.1*	*19.3*		*13.5*	*19.1*	
Return on Average Equity (%)	*9.4*	*11.6*		*8.2*	*11.3*	
Return on Average Assets (%)	*5.4*	*6.3*		*4.6*	*6.1*	

Source: Thomson Reuters Eikon

Halwani Brothers Co. (Publicly Listed) — Saudi Arabia

Company Description

Founded in 1950, Halwani Brothers Co. (HBC) is a manufacturer and distributor of a wide range of food products, facial tissues and packaging materials. The products are manufactured at the company's facilities in Saudi Arabia and Egypt, and distributed under the trademarks of Halwani Bros, Al Nakhla, Al Fallaha, Mukhtarat, Top Top, Sahten and Maamoul, 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 this product category, it offers a variety of halawa sweet products such as halawa with pistachio, halawa chocolate, halawa with sorbitol, halawa plain and halawa deluxe plain, under its Al Nakhla brand.
- **Maamoul:** This is one of the most popular sweet products of HBC, available in different varieties such as baby maamoul, finger maamoul, whole-wheat maamoul, maamoul with dates and maamoul with fruit and coconut.
- **Meat**: HBC offers frozen chicken, beef and turkey in various forms.
- **Jams:** The company offers jams in a variety of flavors such as apricot, pineapple, strawberry, cheery and orange, among others.
- **Tahina:** HBC offers tahina, a condiment, in various packages under its Al Nakhla brand.
- **Dairy:** HBC offers dairy products such as yogurt, cream, labneh and cheese under its Al Fallaha trademark.
- **Juice:** The company offers a variety of juices under its Sahten trademark.
- **Others**: HBC offers pickles and oils, ice creams, grains, spices, sugar and wet wipes, under its brands – Mukhtarat, Top Top and Freshy.

Recent Developments/Future Plans

- In October 2016, HBC had stated its expectation to grow exports by 20%-30% to EGP 150 million (US$ 16.9 million*) by the end of 2016, through the exports of halawa, tahini, jam and frozen strawberries.
- In July 2016, HBC announced that it has started commercial operation of its dairy plant located in Jeddah Industrial City. The new plant produces juice and ice cream products.
- In February 2016, the company announced its plan to build a poultry plant in Egypt at a cost of US$ 12.8 million. The plant will have an initial capacity of 300 tonnes per month and is expected to reach 1,000 tonnes per month within three years of operations.

Current Price (US$)	15.28

Price as on February 16, 2017

Stock Details	
Bloomberg ticker	HB AB
52 week high/low	20.05/11.33
Market Cap (US$ mn)	436.3
Enterprise value (US$ mn)	510.8
Shares outstanding (mn)	28.6

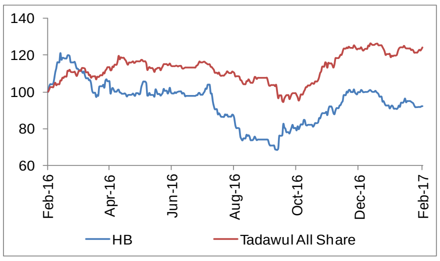
Source: Bloomberg

Average Daily Turnover ('000)

	SAR	US$
3M	2,371.8	632.3
6M	3,199.6	853.0

Source: Bloomberg

Share Price Chart



Source: Bloomberg

Valuation Multiples

	2015	2016	2017E
P/E (x)	17.5	34.1	20.6
P/B (x)	3.1	3.4	2.6
EV/S (x)	2.0	2.1	2.1
Dividend yield (%)	3.6	4.0	4.6

Source: Bloomberg

Shareholding Structure	
Kamel (Saleh Abdulla Mohammed)	55.50%
Halwani (Mohammad Abdulhameed Mahmoud)	6.99%
Ashmore Equities Investment Management (US) LLC	2.06%
Others	35.45%
Total	**100.00%**

Source: Thomson Reuters Eikon

* Converted at exchange rate of 0.113

Source: Company Website, Thomson Reuters Eikon, Tadawul, Argaam

Financial Performance				
US$ Million	**2014 YE Dec**	**2015 YE Dec**	**2016 YE Dec**	***Change y-o-y (%)***
Revenue	283.9	286.7	263.4	*-8.1*
COGS	201.7	197.6	175.7	*-11.1*
Operating Income	35.8	39.7	35.2	*-11.3*
Operating Margin (%)	*12.6*	*13.8*	*13.4*	
Net Income	24.2	30.7	13.9	*-54.7*
Net Income Margin (%)	*8.5*	*10.7*	*5.3*	
Return on Average Equity (%)	*15.2*	*18.2*	*8.8*	
Return on Average Assets (%)	*10.0*	*11.1*	*5.0*	

Source: Thomson Reuters Eikon

Hasan & Habib Sons of Mahmood Co. WLL (Privately Owned) Bahrain

Company Description

Established in the 1940's, Hasan & Habib Sons of Mahmood Co. WLL (HHM) is a conglomerate having business interests in sectors such as F&B, retail, shipping, construction and real estate, among others. The company conducts its business operations through 26 subsidiaries and employs over 700 personnel. Under the F&B business, the company offers a wide range of products from the world's renowned brands such as Valrhona, Stockyard, Tea Forte, Lindt, Fragata, Bantry Bay, Panavi and Sunfresh.

Business Segments/Product Portfolio

- **Fine Foods:** This is the professional food services arm of HHM, offering a range of dry, chilled and frozen foods to hotels, restaurants, hospitals and airlines.
- **Fine Foods Catering:** It offers catering and related services to schools, hospitals, airlines and hotels, among others.
- **Fine Foods Ship Chandling Division:** It supplies food and non-food products to visiting naval ships of all countries.
- **Eastern Bakery:** It supplies breads and confectioneries to hotels, restaurants, schools and in-flight catering.
- **HHM Fruit & Vegetable Division:** This division includes the business of import and distribution of fruits and vegetables to local and regional central markets, caterers, restaurants, hotels, government organizations and other industries.
- **HHM Consumer Division:** It distributes products such as chocolates (Lindt), flour (Kuwait Flour Mills), water (Sunfresh) and olives (Fragata) to retail outlets in Bahrain.
- **Advanced Marketing & Distribution Co.:** It is the distribution arm of Fine Foods, supplying FMCG goods to retail outlets in Bahrain. Some of the products distributed by the arm include biscuits (Nabil) and nuts (Al Rifai).
- **Awal Food Factories:** It provides a variety of pre-packed snacks for retail distribution in Bahrain and regional markets.
- **Advanced Bakery Solutions:** It imports and distributes bakery and confectionery ingredients to bakeries, hotels, restaurants and caterers in Bahrain.
- **Bahrain Juice Filling Factory:** This unit is engaged in the production and packaging of mineral water and a range of juices for airlines as well as for distribution in local markets in Bahrain and other GCC countries.
- **National Meat Processing:** This division is engaged in the processing and packing of beef and lamb meat, which are supplied to hotels, restaurants and airlines. It also produces kebabs, koftas, sausages and beef burgers for the fast food outlets in Bahrain.
- **Fresh Bites:** This division provides a wide range of catering services to schools and universities.
- **Fine Foods Gourmet:** This is an online shop offering a wide range of food products.
- **Gulf Cold Stores & Ice Plant Co.:** It supplies bulk potable water and ice through trucks and barges to various industries.
- **Al Jazeera Shipping Agencies:** This division acts as husbanding agent for many NATO naval vessels in the Middle East, Africa and Indian subcontinent and also provides various logistics and support services for ground troops.
- **Swift Logistics WLL:** It is the in-house clearing, freight, forwarding and transportation logistics division.
- **HHM Properties WLL:** It is engaged in the development of commercial and residential complexes in Bahrain and the UAE.
- **HHM Construction & Maintenance Division:** It offers services such as fabrication, carpentry and welding, among others.
- **Euro Gulf Co. WLL:** It offers rental equipment used in the refining and petrochemical industry.

Recent Developments/Future Plans

- N/A

Source: Company Website

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 and processed food products. The company is also engaged in the manufacture and supply of solvent and water-based polymers and packaging products. IFFCO conducts its business through 32 offices and 30 manufacturing facilities spread across 10 countries. Some of its well-known brands include Allana, Noor, London Dairy, Igloo, Tiffany, Al Baker, Rahma, Hayat and Al Khazna. The company caters to a diverse set of consumers spread across the Middle East, Africa, Eastern 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 – Tiffany, Piccadeli, Tom, Nabil, Les Chocolats Allier, London Dairy, Igloo and Quanta.
- **Agri Business:** The company offers a variety of products from flour and pasta to pulses, poultry, 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 Khaza and A'Rayaf (poultry); Khaleej (eggs); Pristine (bakery products); 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, corn oil, vegetable oil, vegetable ghee, pure ghee, margarine, butter and specialty fats. 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. Additionally, the company manufactures a variety of soaps under the brands Savannah, Royal Leather, Eva and Jini; a range of culinary products including ketchup and sauces, mayonnaise, dressings and vinegar under the brands Noor, Tiffany, Hayat and Alfa; and a full range of spices under the Shama brand.
- **Packaging:** The company sells packaging and industrial products such as – blow moulded plastic bottles, containers, jars, corrugated boxes, packing straps and a range of polyvinyl chloride compounds under the Empet, Emcap and Emform brands.
- **Chemicals:** The company offers solvent and water-based polymers for decorative and industrial coating applications.
- **Sales & Distribution:** The company has distribution networks in Oman, Kuwait, Saudi Arabia and Tunisia, comprising warehouses and transportation fleet to distribute its own products.

Recent Developments/Future Plans

- In June 2016, IFFCO announced its plan to set up an ice cream manufacturing plant in India in the next three years for expanding the distribution of its London Dairy brand in the country.

Source: Company Website, Just-food

Mezzan Holding Co. KSCP (Publicly Listed) — Kuwait

Company Description

Established in the early 1940's, 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), representing over 358 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 own and for 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 earned 52.6% of its FY 2016 revenue 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 ~13% of Mezzan's revenue during FY 2016.
  - **Services:** Mezzan provides food supply services ranging from manufacturing to retail and ancillary services like storage, logistics and maintenance. This segment contributed 9.4% to the company's topline during FY 2016.
- **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 22.3% of the company's total revenue in FY 2016.
  - **Industrial:** Accounting for nearly 3% of the company's FY 2016 revenue, this segment is engaged in the manufacturing of plastic materials and cartons used for packaging and automotive and industrial lube oil.
- **Corporate:** This segment comprises management, human resource, finance, IT and procurement support services provided to other segments.

Recent Developments/Future Plans

- In August 2016, Mezzan acquired a 70% stake in Riyadh-based Al Safi Food Co. for SAR 90.8 million (US$ 24.2 million*). The company also stated its plan to invest in more food manufacturing facilities in Saudi Arabia.

* Converted at exchange rate of 0.267

Source: Company Website

Current Price (US$)	3.18

Price as on February 16, 2017

Stock Details	
Bloomberg ticker	MEZZAN KK
52 week high/low	3.79/2.95
Market Cap (US$ mn)	989.2
Enterprise value (US$ mn)	1,131.9
Shares outstanding (mn)	311.3

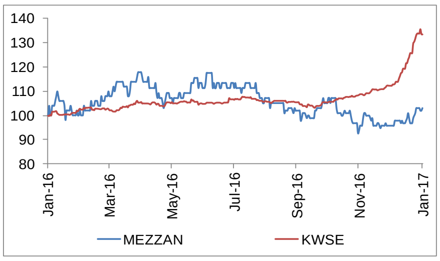
Source: Bloomberg

Average Daily Turnover ('000)

	KWD	US$
3M	330,810.5	1,084,463.0
6M	264,778.3	872,497.5

Source: Bloomberg

Share Price Chart



Source: Bloomberg

Valuation Multiples

	2015	2016	2017E
P/E (x)	17.7	16.8	13.7
P/B (x)	3.5	N/A	0.4
EV/S (x)	1.9	1.7	1.5
Dividend yield (%)	2.3	3.0	3.1

Source: Bloomberg

Shareholding Structure	
Al-Wazzan Capital for Sale & Purchase of Shares, W.L.L	63.26%
Others	36.74%
Total	**100.00%**

Source: Boursa Kuwait

Financial Performance				
US$ Million	**2014 YE Dec**	**2015 YE Dec**	**2016 YE Dec**	***Change y-o-y (%)***
Revenue	641.6	652.2	686.9	*5.3*
COGS	480.3	484.2	508.8	*5.1*
Operating Income	61.0	71.6	65.0	*-9.2*
Operating Margin (%)	*9.5*	*11.0*	*9.5*	
Net Income	51.9	64.6	56.9	*-11.9*
Net Income Margin (%)	*8.1*	*9.9*	*8.3*	
Return on Average Equity (%)	*19.0*	*20.9*	*17.0*	
Return on Average Assets (%)	*9.3*	*11.1*	*8.8*	

Key Comments

- *Mezzan's revenue grew by 5.3% y-o-y to US$ 686.9 million in FY 2016, driven by robust growth in the Food Manufacturing and Distribution, Services and FMCG segments. Overall the revenue growth is attributable to increase in sales of consumer staples, particularly Mezzan's own brands, in Kuwait and other regional markets; acquisition of new business; and expansion of production capacity in Qatar and other markets.*
- *Mezzan's operating income during FY 2016 declined by 9.2% y-o-y to US$ 65.0 million, translating into an operating margin of 9.5%. The decline was mainly due to rise in marketing expenses and operational loss in newly acquired Al Safi Foods.*

Source: Thomson Reuters Eikon, Company Filings

National Food Industries Co. (Privately Owned) Saudi Arabia

Company Description

Founded in 1993, National Food Industries Co. (NFIC) is a part of Hayel Saeed Anam Group of Companies, a conglomerate with operations in business sectors such as manufacturing, trading and services. NFIC is engaged in the processing and packaging of a variety of canned foods including dairy products, beans, pulses and tomato paste, among others. The company manufactures products under its flagship brands, Luna – a value for money brand – and Green Farms – a premium brand – that are sold in Saudi Arabia. Products under the Green Farms brand are distributed by Omar K Alesayi Marketing Co. The company also produces products under the Al Bustan, Al Hamra and Rotana brands for some of the international markets in the Middle East, Europe, Africa and Latin America.

Business Segments/Product Portfolio

- **Dairy Products:** Under this product line, the company offers dairy products such as evaporated milk, UHT full cream milk, ice coffee, flavored milk, cheddar cheese, sterilized cream, cream cheese spread, full cream milk powder and sweetened condensed milk.
- **Beans & Pulses:** The company produces and packs foul medames, tomato paste, peanut butter and green peas.
- **Other Products:** This product line comprises canned lupin beans, chickpeas and whole kernel corn.

Recent Developments/Future Plans

- N/A

Source: Company Website

National Food Products Co. (Privately Owned) UAE

Company Description

Founded in 1971, National Food Products Co. (NFPC) is a manufacturer and distributor of dairy and beverage products in the UAE. After having commenced operations as a dairy producer, the company has gradually diversified into juice, drinking water and packaging products. Over the years, the company has expanded its business through strategic acquisitions and engaging in JVs with international companies.

Business Segments/Product Portfolio

- **Milco:** NFPC produces and markets a range of dairy products under the Milco brand. Its product portfolio includes milk, smoothie, provita laban, yoghurt, flavored milk, labeh and cheese. The products are manufactured at its plant located in Abu Dhabi.
- **Lacnor:** With the acquisition of Lacnor, a France-based beverage company, in 1981, NFPC expanded its product portfolio to include – long life milk and fruit juices such as apple juice, orange juice and fruit cocktail nectar.
- **Oasis:** Through its subsidiary Oasis Water Co., the company offers bottled drinking water in various pack sizes under the Oasis and Blu brands.
- **MPC – Milco Plastic:** NFPC offers packaging solutions to F&B manufacturers, consumers, and foodservice industry through its subsidiary Modern Plastic Co. Its product range includes bottles, buckets, cake box, croissant box, cups, portion cups, rectangle and containers, bowls and trays.
- **Arla – Arla NFPC:** It offers dairy products including milk, cream, cheese, yoghurt, spreads, butter and milk powder, among others, under the Lurpak, Three Cows and Puck brands through a JV with Arla Foods, a Denmark-based farmer co-operative company.

Recent Developments/Future Plans

- In June 2016, NFPC dropped its plan to sell a majority stake for raising about US$ 1.5 billion for business expansion. Companies such as KKR & Co., Blackstone Group, Fajr Capital and Almarai Co. had expressed interest in the acquisition. Although the company decided to proceed with the expansion plan on its own, it also stated its intention to reconsider stake sale after a couple of years.
- In April 2016, NFPC had announced that it was close to completing the acquisition of Nile for Food Industries, a subsidiary of Qalaa Holding. The company has completed the due diligence process and reached a pricing agreement.
- In February 2016, NFPC commenced the construction of a 752,000 sq m production facility within the food cluster in Khalifa Industrial Zone. The facility is expected to start operations in the first quarter of 2018.

Source: Company Website, Thomson Reuters Eikon, LinkedIn, Albawaba

Oman Refreshment Co. SAOG (Publicly Listed) — Oman

Company Description

Established in 1975, Oman Refreshment Co. SAOG (ORC) is primarily engaged in the bottling and distribution of water, soft drinks and juices in the country under the franchise rights of PepsiCo, Inc. 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. ORC operates seven production lines that fills and bottles beverages in cans, polyethylene terephthalate (PET) bottles, tetra packs and non-returnable glass bottles. The company has a distribution network comprising nine remote distribution centers covering the entire Sultanate.

Business Segments/Product Portfolio

- **Beverage:** ORC undertakes filling and distribution of various carbonated and non-carbonated beverages of PepsiCo, Inc. under the brands – Pepsi, Mountain Dew, 7UP, Mirinda, Shani, Evervess, Lipton Ice Tea, Bario, Sting and Tropicana.
- **Juice:** The company produces and distributes various flavored juices such as orange, guava, pineapple, pomegranate and mixed fruit under its own brand.
- **Water:** ORC fills and distributes drinking water under the Aquafina brand owned by PepsiCo, Inc.
- **Snacks:** The company distributes PepsiCo's range of snacks products including Lays, Cheetos, Doritos, Quaker and Sunbites brands.
- **Quaker:** ORC distributes oats, cookies, soups, and pasta of PepsiCo's Quaker brand.

Recent Developments/Future Plans

- In February 2016, in an effort to expand its carbonated soft drinks bottling capacity, ORC inaugurated a new PET bottling line at its plant in the Bausher district in Muscat.
- In April 2015, ORC acquired a new production line from Sidel, a Swiss-based provider of PET solutions for liquid packaging. The new production line is likely to have expanded the company's production capacity and reduced raw material consumption and costs.

Current Price (US$)	5.61

Price as on February 16, 2017

Stock Details	
Bloomberg ticker	ORCI OM
52 week high/low	5.85/5.58
Market Cap (US$ mn)	280.5
Enterprise value (US$ mn)	289.4
Shares outstanding (mn)	50.0

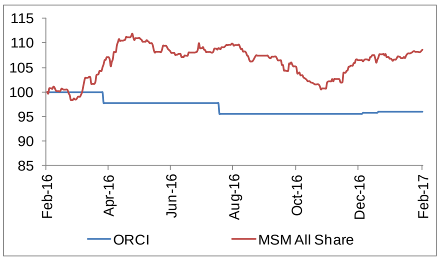
Source: Bloomberg

Average Daily Turnover ('000)

	OMR	US$
3M	1.0	2.5
6M	1.1	2.8

Source: Bloomberg

Share Price Chart



Source: Bloomberg

Valuation Multiples

	2015	2016
P/E (x)	11.6	10.5
P/B (x)	2.8	2.4
EV/S (x)	1.3	1.4
Dividend yield (%)	4.5	4.6

Source: Bloomberg

Shareholding Structure	
Mohammad & Obaid Al Mulla, LLC	16.79%
Dubai Refreshments PJSC	14.22%
Al Hanae (Ahmed Mohammed Umair)	5.97%
Ashmore Equities Investment Management (US) LLC	1.29%
Others	61.73%
Total	**100.00%**

Source: Thomson Reuters Eikon

* Converted at exchange rate of 2.594
Source: Company Website, Zawya, Muscat Daily

Financial Performance				
US$ Million	**2014 YE Dec**	**2015 YE Dec**	**2016 YE Dec**	***Change y-o-y (%)***
Revenue	189.3	200.2	200.8	*0.3*
COGS	113.0	118.3	116.9	*-1.2*
Operating Income	28.6	27.4	29.0	*5.8*
Operating Margin (%)	*15.1*	*13.7*	*14.4*	
Net Income	26.1	24.9	26.8	*7.6*
Net Income Margin (%)	*13.8*	*12.4*	*13.3*	
Return on Average Equity (%)	*31.4*	*26.0*	*24.7*	
Return on Average Assets (%)	*20.8*	*17.1*	*16.9*	

Key Comments

- *ORC's revenue grew by 0.3% y-o-y to US$ 200.8 million in FY 2016, due to growth in sales volumes led by intensified marketing activities.*
- *During the year, the company undertook various cost optimization measures, resulting into significant cost savings. As a result, the company's operating income grew by 5.8% y-o-y to US$ 29.0 million.*

Source: Thomson Reuters Eikon, Company Filings

SADITA Holding Co. (Privately Owned) Kuwait

Company Description

Incorporated in 2006, Kuwait-based SADITA Holding Co. (SADITA) is a diversified player with business interests in industries such as F&B, IT and communications, medical services, plastic ware and kitchen equipment, IT accessories and printing solutions, and power supply. The company conducts its operations through subsidiaries in multiple countries across the Middle East, Asia, Europe and Africa.

Business Segments/Product Portfolio

Below are the F&B operations of SADITA classified by subsidiaries.

- **Kuwait Proteins Co. WLL (KPC):** Established in 1982, KPC distributes F&B, personal care and baby products, and disposable products of regional and international brands. It caters to cooperatives, restaurants, hotels, catering companies, wholesalers, supermarkets, clubs, bakeries, convenient stores and retail food outlets. The subsidiary's portfolio of F&B products comprises frozen dairy, processed dairy, packed meat products, poultry products, seafood, edible oils, ice creams, bakery, pastas and cereals, among others.
- **Farm Land General Trading Co. WLL:** Established in 2006 in Kuwait, the subsidiary distributes dairy products, frozen vegetables and canned foods such as olive oils, sweet corns, tomato pastes, mushrooms and luncheon meat in the Middle East.
- **Food Choice Co.:** This subsidiary was established as Kuwait's premium gourmet F&B provider in 2005. Its product portfolio includes food ingredients, bakery and pastry, meat, seafood, beverages, cheese and vegetarian products. It caters to hotels, restaurants, catering, coffee shops and modern grocery retail outlets.
- **Gourmet ME:** It is an online provider of gourmet food in Kuwait. Its product category includes dairy, meat, seafood, fruits and vegetables, sweets, bakery, beverages, biscuits, fruit snacks, chocolates, pastas and mushrooms.
- **Hi Foods General Trading LLC:** Established in 2012, the subsidiary distributes F&B products to hotels, restaurants and catering (HORECA) and retail sectors in the UAE. Its product line comprises meat and poultry, seafood, pastas, dairy products, groceries and beverages.
- **Food Choice Trading Co. Ltd.:** Founded in 2010, the subsidiary specializes in distribution of finest food ingredients to the HORECA sector as well as coffee shops, juice shops, bakery and retail sector in Saudi Arabia.
- **Arizona Trading Co. (ATC):** Based in Qatar, ATC is engaged in the distribution of a wide range of frozen, chilled and dry food products and beverages. It caters to hotels, restaurants, hospitals, fast food joints, airlines and retailers including hypermarkets and supermarkets.
- **MIM Foods Co.:** Based in Egypt, the subsidiary offers a wide range of frozen vegetables and fruits.

Recent Developments/Future Plans

- N/A

Source: Company Website, LinkedIn

Saudi Fisheries Co. SJSC (Publicly Listed) — Saudi Arabia

Company Description

Established in 1980, Saudi Fisheries Co. SJSC (SFC) is engaged in fishing and processing, packaging and distribution of seafood in local and international markets. SFC offers a variety of fishes and shrimps in the form of fresh, frozen, processed/marinated, blanched, cooked, coated and ready-to-eat products under the Alasmak and Leader brands. In addition to fish and shrimp farming, the company owns and operates processing plants, cold storage facilities, a fleet of trucks and a network of retail shops across the Kingdom. SFC also supplies to hotels, catering, lodging, airlines and government agencies through wholesale operations.

Business Segments/Product Portfolio

Below are the company's core business activities in the fisheries sector.

- **Aquatic Farming:** SFC operates Red Sea shrimp farm (capacity of 4,500 tonnes per year), Oumg shrimp farm and Aanak fish farm (capacity of 200 tonnes per year).
- **Processing Plants:** The company operates six processing plants in the Kingdom.
    - **Al Huraidha (Asir Province) Plant:** This plant handles and processes both fishes and shrimps, which are cultured at its integrated fish & shrimp farms.
    - **Damman Factory:** This plant has a capacity to process up to 5,000 tonnes of seafood per year and manufacture polystyrene boxes used for packing seafood.
    - **Jazan Factory:** This plant has a capacity of up to 4,000 tonnes per year to process and pack fishes and shrimps.
    - **Riyadh and Jeddah Factory:** SFC has seafood processing plants in Riyadh and Jeddah with capacity of 2,000 and 3,000 tonnes per year, respectively.
    - **Value-added Factory:** Located in Dammam, this factory produces coated and fried products in different forms and packs and has an annual capacity of 1,000 tonnes per year.

Recent Developments/Future Plans

- N/A

Current Price (US$)	3.45

Price as on February 16, 2017

Stock Details	
Bloomberg ticker	SFICO AB
52 week high/low	4.05/2.30
Market Cap (US$ mn)	184.4
Enterprise value (US$ mn)	178.6
Shares outstanding (mn)	53.5

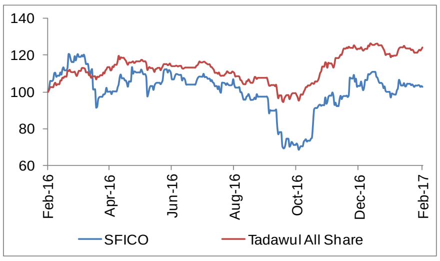
Source: Bloomberg

Average Daily Turnover ('000)

	SAR	US$
3M	12,749.1	3,398.9
6M	10,100.3	2,692.7

Source: Bloomberg

Share Price Chart



Source: Bloomberg

Valuation Multiples

	2015	2016
P/E (x)	NM	NM
P/B (x)	4.3	4.6
EV/S (x)	10.1	12.0
Dividend yield (%)	-	-

Source: Bloomberg
Note: NM – Not Meaningful

Shareholding Structure	
Public Investment Fund	39.99%
Al Saud (Mutab Bin Abdulaziz)	21.49%
Others	38.52%
Total	**100.00%**

Source: Thomson Reuters Eikon

* Converted at exchange rate of 0.267
Source: Company Website, Thomson Reuters Eikon, Bloomberg, Tadawul

Financial Performance				
US$ Million	**2014 YE Dec**	**2015 YE Dec**	**2016 YE Dec**	***Change y-o-y (%)***
Revenue	21.3	22.2	16.1	*-27.7*
COGS	22.1	24.2	16.4	*-32.2*
Operating Income	-11.2	-11.6	-9.6	*-17.7*
Operating Margin (%)	*-52.5*	*-52.2*	*-59.4*	
Net Income	-12.4	-13.7	-10.8	*-20.7*
Net Income Margin (%)	*-58.1*	*-61.4*	*-67.4*	
Return on Average Equity (%)	*-16.7*	*-22.3*	*-22.1*	
Return on Average Assets (%)	*-11.2*	*-13.7*	*-12.0*	

Source: Thomson Reuters Eikon

ALPEN CAPITAL

Saudia Dairy and Foodstuff Co. (Publicly Listed) — Saudi Arabia

Company Description

Founded in 1976, Saudia Dairy and Foodstuff Co. (SADAFCO) is primarily engaged in the manufacture and distribution of a range of dairy products, in addition to other food items and beverages. SADAFCO operates manufacturing facilities in Jeddah and Dammam; distribution centers in Jeddah, Riyadh and Damman; and a network of 21 depots across Saudi Arabia, Qatar, Bahrain, Kuwait and Jordan. The company has about 100 SKUs and the products are marketed under the Saudia, Crispy, Baboo and Majestique brands.

Business Segments/Product Portfolio

- **UHT Milk:** SADAFCO manufactures a range of milk products including whole milk, low fat, skimmed milk, gold milk, evaporated milk, ready-to-drink milk for children and flavored milk.
- **Milk Powder:** Under this category, the company offers instant milk powder in various pack sizes.
- **Cheese Products:** The company offers different variants of cheese including feta cheese, cream cheese jar and cheese triangles.
- **Frozen:** SADAFCO sells frozen French fries, butter and ice cream in a variety of flavors such as chocolate, mango and strawberry.
- **Tomato Products:** The company offers tomato pastes and ketchups under the Saudia brand.
- **Others:** SADAFCO provides snacks such as crispy letters and crispy super rings. The company also offers Saudia Laban, soy drink, fruit drink, cream and Saudia Arabic Coffee.

Recent Developments/Future Plans

- In December 2016, the Board of Directors of SADAFCO approved the plan to commence construction of a warehouse on a leased land measuring 10,244 sq m in Tabuk Industrial City. The new warehouse will replace the existing rented location and is expected to enhance supply chain efficiency.
- In December 2016, SADAFCO commenced operation of its solar power project at its distribution center in Riyadh to meet the center's energy requirement.
- In March 2016, the company announced liquidation of three wholly owned subsidiaries namely, National Sight Holding Co. (into investment business), National Buildings Real Estate Co. (into real estate) and United Gulfers Transport Co. (into transport logistics). The subsidiaries were liquidated, as they could not meet the objectives for which they were formed.

Current Price (US$)	33.13

Price as on February 16, 2017

Stock Details	
Bloomberg ticker	SADAFCO AB
52 week high/low	41.89/30.13
Market Cap (US$ mn)	1,076.1
Enterprise value (US$ mn)	961.4
Shares outstanding (mn)	32.5

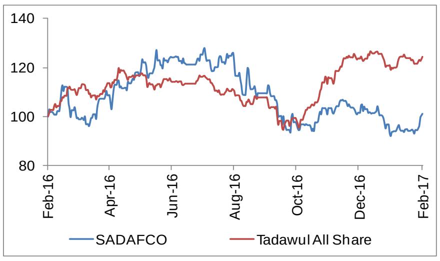
Source: Bloomberg

Average Daily Turnover ('000)

	SAR	US$
3M	8,779.7	2,340.7
6M	8,145.1	2,171.5

Source: Bloomberg

Share Price Chart



Source: Bloomberg

Valuation Multiples

	2015	2016	2017E
P/E (x)	27.8	15.4	13.5
P/B (x)	4.1	3.7	3.4
EV/S (x)	2.1	1.9	1.8
Dividend yield (%)	2.9	3.2	3.8

Source: Bloomberg

Shareholding Structure	
Qurain Petrochemical Industries Co. KSCP	40.11%
Al Samah Trading Co., LLC	11.68%
Others	48.21%
Total	**100.00%**

Source: Thomson Reuters Eikon

Source: Company Website, Thomson Reuters Eikon, Tadawul

Financial Performance						
US$ Million	**2015 YE Mar**	**2016 YE Mar**	***Change (%)***	**9M 2016**	**9M 2017**	***Change (%)***
Revenue	481.7	528.7	*9.8*	399.6	376.1	*-5.9*
COGS	334.4	339.8	*1.6*	261.6	222.4	*-15.0*
Operating Income	41.5	73.5	*77.1*	51.3	63.3	*23.4*
Operating Margin (%)	*8.6*	*13.9*		*12.8*	*16.8*	
Net Income	37.6	69.4	*84.6*	48.1	60.7	*26.2*
Net Income Margin (%)	*7.8*	*13.1*		*12.0*	*16.1*	
Return on Average Equity (%)	*15.1*	*25.5*		*24.9*	*27.6*	
Return on Average Assets (%)	*12.0*	*20.0*		*18.9*	*20.8*	

Key Comments

- *SADAFCO's revenue declined by 5.9% y-o-y to US$ 376.1 million in 9M 2017, as lower consumer spending and price competition impacted sales volume.*
- *Despite a fall in revenue, operating income increased by 23.4% y-o-y to US$ 63.3 million, backed by lower raw material costs and decline in general and administration expenses from tighter cost controls.*
- *Further, an increase in income generated from investments contributed to a 26.2% y-o-y growth in net profit to US$ 60.7 million during the period.*

Source: Thomson Reuters Eikon, Company Filings

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 minority interests in two well-known Saudi-based food companies and a few real estate businesses.

Business Segments/Product Portfolio

- **Food:** The food business, accounting for 47.1% of Savola's revenue in FY 2016, 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 its 161 supermarkets, 66 hypermarkets and 182 convenience stores in Saudi Arabia, two supermarkets in Egypt and one hypermarket in the UAE (as on September 30, 2016). Savola earned 53.9% of its FY 2016 revenue from the retail business.
- **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 September 2016, Savola launched its new identity (logo) to reflect its future objectives of achieving more progress and expanding in both local and international markets.
- In March 2016, Savola announced that the European Bank for Reconstruction and Development would invest US$ 100 million in its indirect subsidiary, United Sugar Co. (USCE) of Egypt. The investment comprises a fresh capital injection of US$ 50 million and a conversion of existing debt of US$ 50 million to equity, to strengthen USCE's balance sheet and assist it in coping with the economic problems in Egypt.
- In January 2016, Savola anticipated its costs to rise by US$ 28 million in 2016, based on the change in energy and gas feedstock prices by the government.

Source: Company Website, Thomson Reuters Eikon

Current Price (US$)	10.58

Price as on February 16, 2017

Stock Details	
Bloomberg ticker	SAVOLA AB
52 week high/low	11.75/7.68
Market Cap (US$ mn)	5,645.2
Enterprise value (US$ mn)	7,626.7
Shares outstanding (mn)	534.0

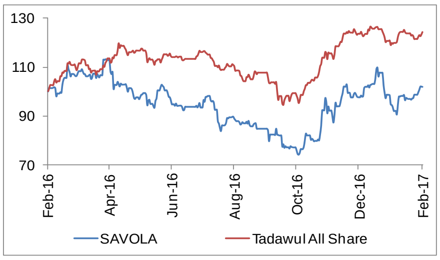
Source: Bloomberg

Average Daily Turnover ('000)

	SAR	US$
3M	20,990.8	5,596.1
6M	20,736.4	5,528.3

Source: Bloomberg

Share Price Chart



Source: Bloomberg

Valuation Multiples

	2015	2016	2017E
P/E (x)	15.0	NM	18.4
P/B (x)	2.5	2.5	2.0
EV/S (x)	1.3	1.2	1.1
Dividend yield (%)	4.0	1.9	3.1

Source: Bloomberg
Note: NM – Not Meaningful

Shareholding Structure	
A K Al Muhaidib & Sons	14.57%
Aseelah Investment Co.	11.23%
Government of Saudi Arabia	10.23%
Al Rabeea (Abdullah Moahammed Abdullah)	8.21%
Others	55.76%
Total	**100.00%**

Source: Thomson Reuters Eikon

Financial Performance				
US$ Million	**2014 YE Dec**	**2015 YE Dec**	**2016 YE Dec**	***Change y-o-y (%)***
Revenue	7,088.7	7,045.5	6,669.1	*-5.3*
COGS	5,792.0	5,687.6	5,489.0	*-3.5*
Operating Income	636.5	486.7	69.6	*-85.7*
Operating Margin (%)	*9.0*	*6.9*	*1.0*	
Net Income	552.5	477.7	-120.4	*NM*
Net Income Margin (%)	*7.8*	*6.8*	*-1.8*	
Return on Average Equity (%)	*21.1*	*17.5*	*-4.7*	
Return on Average Assets (%)	*8.1*	*6.7*	*-1.8*	

Key Comments

- *Savola's revenue decreased by 5.3% y-o-y to US$ 6,669.1 million in FY 2016, mainly due to a weak performance in the retail segment as lower consumer spending negatively impacted LFL sales. In addition, the revenue was impacted by closure of 101 convenience stores. Revenue of the food segment remained almost unchanged y-o-y with an increase in revenue from Saudi Arabia offsetting the drop in revenue from its operations in most of the international markets.*
- *Further, inventory reduction cost, currency devaluation, and higher costs associated with transformation of convenience stores, including store closures and layout changes, led to an 85.7% y-o-y decline in operating income to US$ 69.6 million.*
- *Additionally, currency losses and exceptional one-off charges resulted in net loss of US$ 120.4 million in FY 2016, compared to a profit of US$ 477.7 million in FY 2015.*

Source: Thomson Reuters Eikon, Company Filings

Note: NM – Not Meaningful

Tabuk Agriculture Development Co. (Publicly Listed) — Saudi Arabia

Company Description

Established in 1983, Tabuk Agriculture Development Co. (TADCO) is engaged in the production, grading, processing, storing, packing and distribution of agricultural products in Saudi Arabia. Its product portfolio comprises vegetables, fruits, oil and seeds, wheat grains, alfalfa and forage. TADCO operates 35,000 hectares of agricultural land and owns food processing units in the Tabuk region of Saudi Arabia.

Business Segments/Product Portfolio

- **Forage Business Unit:** This unit is engaged in alfalfa production and supply of fodder to the dairy farms in the country. TADCO uses modern windrowers, balers, pickers, rakes and tractors to ensure product quality.
- **Olive Business Unit:** This segment comprises cultivation of olive trees and processing of a variety of olive oils such as picual, coratina, suranin, nebali and manzanillo. The company markets olive oils under its brands, Shamal and Zaituna. In addition, the company produces and sells olive pickles.
- **Vegetable Business Unit:** This unit is engaged in the production, storage and marketing of potatoes and onions. TADCO caters to over 65% potato requirements of French fries and chips factories in Saudi Arabia. The company grows a variety of onions such as yellow, red and white onions, which are supplied to the local market as well as exported.
- **Fruits Business Unit:** This segment comprises the business of harvesting, packaging, storing and marketing of a variety of fruits. TADCO also runs a nursery and provides landscaping extension and project maintenance services.
- **Grain Business Unit:** This segment is engaged in harvesting grains and seeds.

Recent Developments/Future Plans

- In January 2017, in order to complete the feasibility study and due diligence for a possible acquisition of the agriculture business of Astra Food Co., TADCO extended the date of MoU until March 31, 2017.

Current Price (US$)	3.14

Price as on February 16, 2017

Stock Details	
Bloomberg ticker	TAACO AB
52 week high/low	4.32/2.14
Market Cap (US$ mn)	141.2
Enterprise value (US$ mn)	85.6
Shares outstanding (mn)	45.0

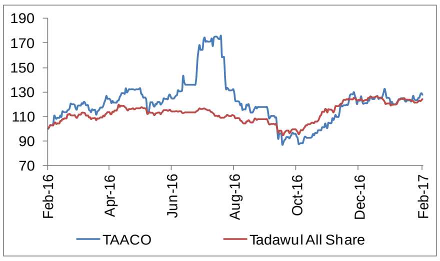
Source: Bloomberg

Average Daily Turnover ('000)

	SAR	US$
3M	31,058.6	8,280.2
6M	23,581.4	6,286.8

Source: Bloomberg

Share Price Chart



Source: Bloomberg

Valuation Multiples

	2015	2016
P/E (x)	108.1	NM
P/B (x)	1.0	1.0
EV/S (x)	2.1	3.3
Dividend yield (%)	N/A	N/A

Source: Bloomberg
Note: NM – Not Meaningful

Shareholding Structure	
Al Shatri (Khalid Saleh Abdul Rahman)	11.44%
Al Rajhi (Abdulla Abdul Aziz Saleh)	6.66%
Others	81.90%
Total	**100.00%**

Source: Thomson Reuters Eikon

* Converted at exchange rate of 0.267
Source: Company Website, Thomson Reuters Eikon, Tadawul

Financial Performance				
US$ Million	**2014 YE Dec**	**2015 YE Dec**	**2016 YE Dec**	***Change y-o-y (%)***
Revenue	41.1	40.5	24.8	*-38.7*
COGS	25.8	24.6	20.9	*-14.8*
Operating Income	1.3	1.5	-12.2	*NM*
Operating Margin (%)	*3.1*	*3.9*	*-49.1*	
Net Income	1.9	1.5	-12.4	*NM*
Net Income Margin (%)	*4.7*	*3.7*	*-49.8*	
Return on Average Equity (%)	*2.1*	*1.2*	*-8.0*	
Return on Average Assets (%)	*1.6*	*1.0*	*-6.8*	

Source: Thomson Reuters Eikon
Note: NM – Not Meaningful

Unikai Foods PJSC (Publicly Listed) UAE

Company Description

Incorporated in 1977, the UAE-based Unikai Foods PJSC (Unikai) manufactures dairy and juice products as well as imports and distributes a variety of food products across the MENA region. Its product portfolio comprises a wide range of juices, dairy, ice creams and other food products, which are marketed under the brands – UNIKAI, Royal Treat and Mumtaz – among others. The company deals in a wide range of imported frozen, chilled and dry food products through its trading arm – Unikai International.

Business Segments/Product Portfolio

- **Dairy:** The company's dairy products include fresh milk, flavored milk, laban, milk powder, yogurt, margarine and cheese, among others.
- **Ice Cream:** It offers a wide variety of ice creams in bars, cones, tubs, sandwich, lollies and kulfi.
- **Juices**: Unikai sells different varieties of juices including flavors like mango, orange, cocktail, coconut, rose, lychee, lemon and pineapple, among others.
- **Foods:** The company provides a range of cakes such as Madeira cake, mountain cake, fruitcake, flavored cupcakes, in addition to Swiss rolls in different flavors.
- **Rice:** Under this category, the company offers Mumtaz Mahal premium basmati rice, Khushbu basmati rice and Mumtaz basmati rice.

Recent Developments/Future Plans

- In February 2017, Unikai announced its preliminary FY 2016 results, in which it reported a 3.7% y-o-y growth in revenue to AED 315.5 million (US$ 85.8 million*) and a 25.7% y-o-y decline in net profit to AED 10.0 million (US$ 2.7 million*).
- In November 2016, Unikai signed an exclusive three-year partnership agreement with Etihad Airways, valued at AED 14.4 million (US$ 3.9 million*), to become the sole supplier of long-life juices for the airline's premier guest lounges and all flight classes.
- In June 2016, Unikai entered into an MoU with Behzad Group to provide the distribution rights of its products in Bahrain. Behzad Group has strong capabilities in warehousing and distribution in Bahrain.
- In May 2016, Unikai signed an MoU with Qatar Foods & Services, the wholesale division of Quality Group International, to grant the distribution rights of its food products in Qatar.
- In May 2016, Unikai entered into an exclusive distribution agreement with Emirates Refreshment Co. Under the contract, Unikai will distribute the latter's brands such as Jeema mineral water and O COLA soft drinks in Abu Dhabi.

Current Price (US$)	2.46

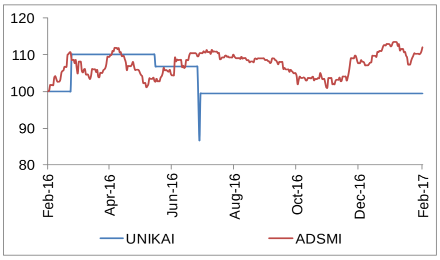
Price as on February 16, 2017

Stock Details	
Bloomberg ticker	UNIKAI UH
52 week high/low	2.72/2.14
Market Cap (US$ mn)	74.4
Enterprise value (US$ mn)	87.9
Shares outstanding (mn)	30.3

Source: Bloomberg

Note: The information on average daily turnover is not available

Share Price Chart



Source: Bloomberg

Valuation Multiples	2015	2016
P/E (x)	20.4	27.4
P/B (x)	9.6	N/A
EV/S (x)	1.0	1.0
Dividend yield (%)	N/A	N/A

Source: Bloomberg

Shareholding Structure	
Mohammad & Obaid Al Mulla, LLC	29.06%
Mohd Saeed Al Mulla & Sons Co., LLC	11.62%
Al Owais (Humaid Ali Abdullah)	8.17%
Others	51.15%
Total	**100.00%**

Source: Thomson Reuters Eikon

* Converted at exchange rate of 0.272
Source: Company Website, Thomson Reuters Eikon

Financial Performance

US$ Million	**2014 YE Dec**	**2015 YE Dec**	***Change (%)***	**9M 2015**	**9M 2016**	***Change (%)***
Revenue	84.5	82.8	*-2.0*	63.7	67.4	*5.9*
COGS	67.3	53.7	*-20.2*	42.5	41.3	*-2.7*
Operating Income	-18.4	2.2	*NM*	2.3	3.3	*40.6*
Operating Margin (%)	*-21.8*	*3.4*		*3.7*	*4.9*	
Net Income	-17.9	3.7	*NM*	2.8	3.3	*15.5*
Net Income Margin (%)	*-21.2*	*4.5*		*4.4*	*4.9*	
Return on Average Equity (%)	*-135.7*	*61.4*		*35.8*	*48.1*	
Return on Average Assets (%)	*-46.1*	*11.5*		*9.7*	*11.6*	

Source: Thomson Reuters Eikon

Note: NM – Not Meaningful

Zad Holding Co. SAQ (Publicly Listed) Qatar

Company Description

Established in 1969, Zad Holding Co. SAQ (Zad Holding), 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. The company is also a provider of civil and real estate contracting services, transport services and warehouse leasing services; a supplier of asphalt and ready mix concrete; and an investor in and manager of real estate properties.

Business Segments/Product Portfolio

- **Trading, Manufacturing, Distribution, and Services:** Under this segment, the company is engaged in multiple activities, which include the manufacture and distribution of flour, bran and barley; trading of bran and barley; selling and distribution of food commodities; manufacture and distribution of bakery products; and import and sale of dairy and other food products. The company also offers transport services in-house and to external clients. The segment operations are conducted through subsidiaries – Qatar Flour Mills Co. (QFM), Umm Said Bakery, National Food Co., Arzak Marketing Co. and Qatar Food Industries. Overall, this business segment accounted for 66.2% of the company's revenue during H1 2016.
- **Contracting, Real Estate, and Others:** Through this segment, the company is engaged in investing, building, and managing civil as well as industrial projects on a contractual basis, selling and renting of heavy construction equipment, and supplying ready-mix concrete and asphalt. The operations are conducted through subsidiaries – Alcat Contracting Co., Alcat Logistics Co. and Gulf United Real Estate Investments Co. Zad Holding earned 29.1% of its revenue in H1 2016 from this segment.
- **Investment and Managed Services:** This segment comprises management of and provision of support services to its affiliates, investments in financial securities and establishment of new companies.

Recent Developments/Future Plans

- In May 2016, QFM, the only wheat milling facility in Qatar, announced plans to increase its milling capacity and exports to Saudi Arabia. The facility is expanding its daily milling capacity from 670 tonnes to 820 tonnes.
- In April 2015, Zad Holding announced its plan to construct a new flour milling line with a capacity of 150 tonnes per day in Hamad Port.

Current Price (US$)	23.07

Price as on February 16, 2017

Stock Details	
Bloomberg ticker	ZHCD QD
52 week high/low	25.79/19.22
Market Cap (US$ mn)	301.8
Enterprise value (US$ mn)	225.1
Shares outstanding (mn)	13.1

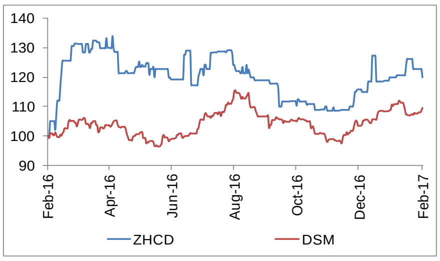
Source: Bloomberg

Average Daily Turnover ('000)

	QAR	US$
3M	38.6	10.6
6M	86.5	23.8

Source: Bloomberg

Share Price Chart



Source: Bloomberg

Valuation Multiples

	2015
P/E (x)	11.4
P/B (x)	1.4
EV/S (x)	1.0
Dividend yield (%)	4.7

Source: Bloomberg

Shareholding Structure	
Public	100.00%
Total	**100.00%**

Source: Thomson Reuters Eikon

Source: Company Website, Thomson Reuters Eikon, Gulf Times, Tadawul

Financial Performance						
US$ Million	**2014 YE Dec**	**2015 YE Dec**	***Change (%)***	**9M 2015**	**9M 2016**	***Change (%)***
Revenue	245.0	307.5	*25.5*	219.8	265.4	*20.7*
COGS	213.4	237.1	*11.1*	175.5	207.6	*18.3*
Operating Income	51.1	47.3	*-7.4*	34.8	39.2	*12.6*
Operating Margin (%)	*20.9*	*15.4*		*15.8*	*14.8*	
Net Income	49.9	44.0	*-11.8*	34.8	39.2	*12.6*
Net Income Margin (%)	*20.4*	*14.3*		*15.8*	*14.8*	
Return on Average Equity (%)	*13.8*	*12.2*		*12.9*	*14.0*	
Return on Average Assets (%)	*9.0*	*7.8*		*8.2*	*9.1*	

Source: Thomson Reuters Eikon

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