

Sector Focus: F&B

M&A and Transactions Advisory

August 2023



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The Global and Regional Economic Outlook

USD 413 bn Global M&A Deal Value in Q1 2023	7,738 Global Total M&A Deal Count in Q1 2023	USD 8.3 bn MENA M&A Deal Value in Q1 2023	10 Number of MENA IPOs in Q1 2023
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M&A Outlook



Global M&A activity slumped in early 2023 as central banks tried to tame **inflation** with higher interest rates, while **geopolitical** tensions further highlighted **supply chain instabilities**.



MENA M&A activity has been much more favorable and optimistic than other global markets as the transition away from **energy**, and increased emphasis on **digitisation** and technology has led to promising activity in the region.



The S&P Food and Beverage Index’s ability to keep up with the S&P 500 Index in 2023 is a signal of the resilience of the industry group despite facing economic headwinds of rising costs impacting operating margins.

MENA Outlook



M&A activity is expected to hold steady as sovereign wealth funds and corporations represent **84%** of the deals in the MENA region; UAE and Saudi Arabia witnessed the fastest year-on-year increase in deals, with volumes increasing by **9%** and **6%** respectively.



Although key MENA economies are looking to diversify and reduce dependence on oil, the IMF expect oil-producing Middle Eastern countries to earn an additional **\$1.3 trillion** in oil revenues over the next 4 years, boosting government spend on other sectors such as tourism and infrastructure.



Capital inflows in UAE have been driven by VC investments and **fundraising** opportunities within the region, with growing emphasis towards the technology and infrastructure sectors.

Sources: Reuters, Zawya, Bain & Company, Arabian Business, EIU, Reuters, Government of UAE, S&P Global, Global Data, UAE News, Bloomberg, Trade Finance Global

UAE F&B Outlook 2023 & Beyond

USD 619 mn

UAE Food and Beverage market is expected to reach \$619 mn by 2025

1st

UAE ranked 1st among the Arab World as per the Global Food Security Index 2022

+20%

Abu Dhabi's accommodation and food sector achieved a growth rate of 20.2% in the first 9 months of 2022.



Non-Alcoholic Drink

The UAE non-alcoholic drinks ecommerce market is expected to increase over the next four years, accounting for **49%** of the Beverage eCommerce market in the UAE. It is expected to sustain a compound annual growth rate of **18.7%** over the next four years, showcasing a shift in beverage spending trends.



Food Security

JAFZA free zone in the UAE has continued to facilitate the trade of F&B goods, with it being worth **AED 15.9 billion** in 2021. Despite headwinds, trade in Jafza is expected to yearly increase by **6.8%** from 2022 to 2027. The consistent growth of the F&B industry continues to incentivize businesses activity in the sector.



Sustainability

The Food and Beverage Sector in Dubai is transitioning with an increased edge towards Sustainability. **Gulfood 2023's** success in late February, and the launch of a new sustainability initiative called **Gulfood Green**, reinforced this direction as firms will be expected to pay greater attention to this factor in the near future.



Food Tourism

Dubai's Department of Economy and Tourism (DET) launched the inaugural **Gastronomy Industry Report**, reinforcing the Emirate's position as a global destination for food tourism, as it showcases how it is an international culinary hub.



Legislation

The UAE will be enforcing a **blanket ban** on single-use plastic bags from 1st January 2024, and a **ban** on plastic products like cups, plates, cutlery, containers and boxes from 1st January 2026.

Sources: Shuraa, WAM, Jafza, ecommerceDB, Dubai Media Office, Zawya, Gulf News, Gulf Business

UAE and Broader GCC F&B Market



Food Tech

- COP28 has served as a catalyst to accelerate efforts with food technologies as the UAE returns to the global spotlight.
- Dubai Food Tech Valley, an integrated futuristic modern city that aims to be the epicenter for clean based food and agricultural products, remains on track to **triple** Dubai's food production in line with **National Food Security Strategy 2051**.
- Capital flows have been sustained in this space with the Burger Index, a food tech startup that leverages AI to optimize restaurant menus, raising **\$1.3 Million** to expand into the GCC.



Protein-based Food

- There continues to be growing demand for healthy and organic options with the Vegan market in the MENA region, and the expected **CAGR of 6.01%** to be sustained till 2028.
- A study conducted in the UAE and KSA revealed that over **50%** of consumers who responded to the survey 'have either tried or started consuming,' plant-based products in the last 6 months, compared to 9% 2 years prior.
- With the UAE marking 2023 as '**The Year of Sustainability**,' Abu Dhabi launched the first plant-based meat production facility for vegan meat brand Switch Foods in May of this year, producing food products that are 100% free of GMO's, soy, allergens, and gluten.



Food Security

- Roberta Gatti, Chief Economist of World Bank MENA, revealed that one in five residents of developing nations in MENA is expected to face food insecurity this year (2023), with the average food inflation rate in 16 economies within the region at **29%** between March and December of 2022.
- The **lack** of rural development and unsustainable agricultural practices in the MENA region have heightened the state of food insecurity, especially with the pandemic demonstrating the dependence on imports and complexity of supply chains
- Despite the concerns, the UAE is **best** placed to navigate the supply chain disruptions ranking lowest risk among **56** countries in the MENA region according to the GlobalData Country Risk Index.

Sources: Arabian Business, Wamda, Mordor Intelligence, Gulfood, Reuters, Zawya, The National News, Middle East Council on Global Affairs, WTW, Statista, Zawya, Toluna, Food Specialties Limited

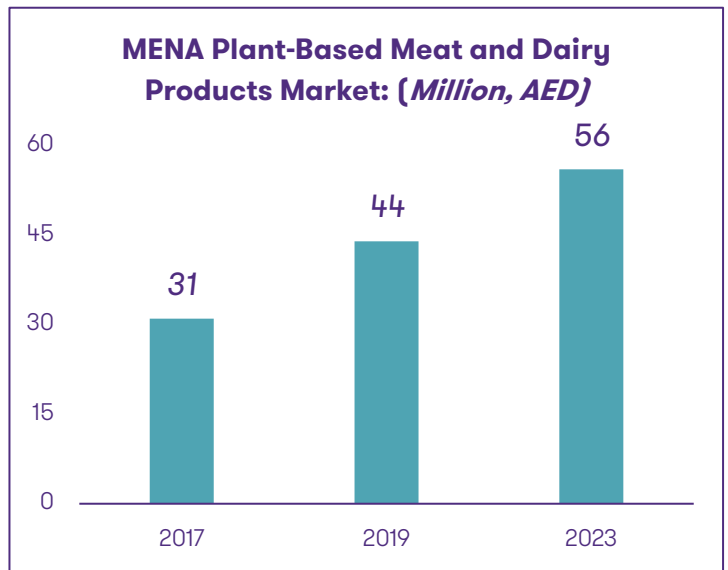
UAE and Broader GCC F&B Market



- Supply chain processes have benefited from increased efficiency and accuracy with **digitisation** and the integration of **Internet of Things**; however, cyber risks have become a prominent concern in the food and beverage industry.
- With **84%** of Senior Decision Makers globally rating cyber threats to have a medium or high impact to supply chains, even exceeding factors such as transportation and raw material shortages, there is growing fear of cyber attacks on suppliers
- The MENA region can expect an increased emphasis on combatting and mitigating such risks with increased digitization focused on tackling cyber security and transparency in the supply chain processes. For instance, **Nomu**, a food-tech platform which streamline supply chains and allows for 'seamless' communication and data sharing, was well received in the region



Forecasted 2023 revenue in the food and beverage sector in UAE












Sources: Arabian Business, Wamda, Mordor Intelligence, Gulfood, Reuters, Zawya, The National News, Middle East Council on Global Affairs, WTW, Statista, Zawya, Toluna, Food Specialties Limited

A flavour of recent F&B activity in MENA

The MENA F&B market has observed notable activity in the food security and food-technology spaces, gaining significant interest from investors.

Recent Transaction Activity

Date	Target	Acquirer	Deal Type	Target Country	Description
May 2023	Eighty6	Sanabil investments	Pre-Seed Fundraising		UAE Based E-Commerce platform, Eighty6, raised \$3.7 million in its Pre-seed round via Sanabil's MENA accelerator.
May 2023	Snoonu	Qatar Development bank	Series B Fundraising		The one-stop shop application, Snoonu, offering multiple services like online shopping, and food and grocery delivery, successfully raised \$12 million in its Series B round.
May 2023	Chatfood	Deliverect	Acquisition		Belgium-based food delivery software, Deliverect, provided acquired UAE based Food-Tech company, ChatFood.
Mar 2023	Horizon Food Co.	Investor Group	Parallel listing		Horizon Food Co., a frozen food producer and distributor listed on the Nomu parallel market for SAR 37/share
Mar 2023	1762	Yolk Brands	Acquisition		Yolk Brands, the fast growing group behind Pickl and BonBird, acquired café and catering brand 1762.
Mar 2023	AWJ	Kitopi	Acquisition		UAE based cloud kitchen operator, Kitopi, acquired Dubai-based F&B group, AWJ.
Mar 2023	COFE	WAED Ventures	Series B Fundraising		Online coffee marketplace based in MENA, COFE, successfully raised \$15 Million in its Series B Funding Round.
Feb 2023	Terraa	Food Labs	Pre-Seed Fundraising		B2B food distribution platform, Terraa, successfully raised \$1.5 million dollars in its Pre-Seed funding round.
Feb 2023	International Dairy & Juice	Almarai	Acquisition		KSA's Almarai acquired 100% of Jordan based F&B joint venture.

Sources: Refinitiv Eikon, The National News, Zawya, Magnitt, Wamda, Arab News, Calcalistech, Tech Crunch, The Startup Scene

Global Benchmarking (1/2)

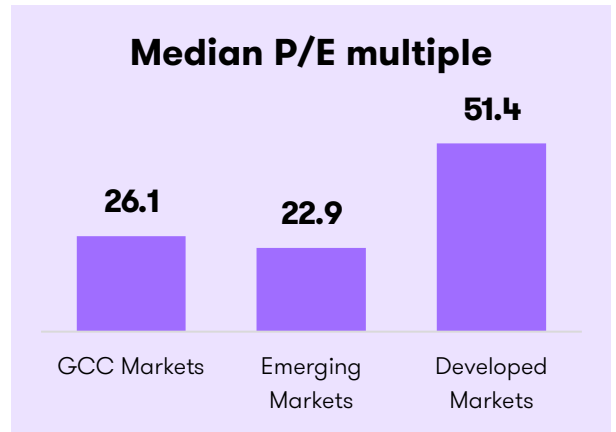
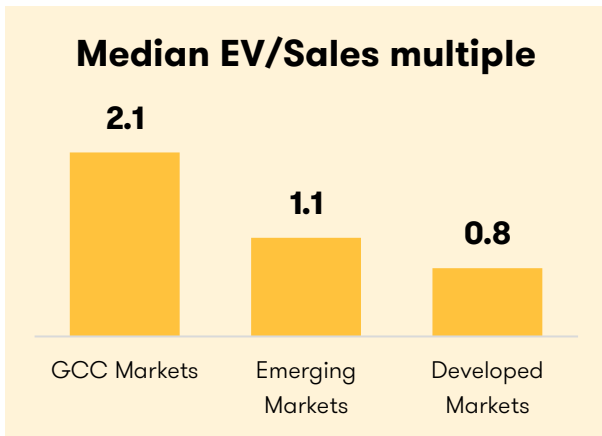
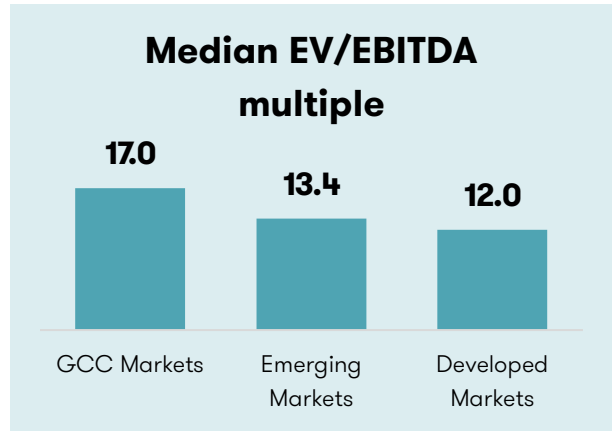
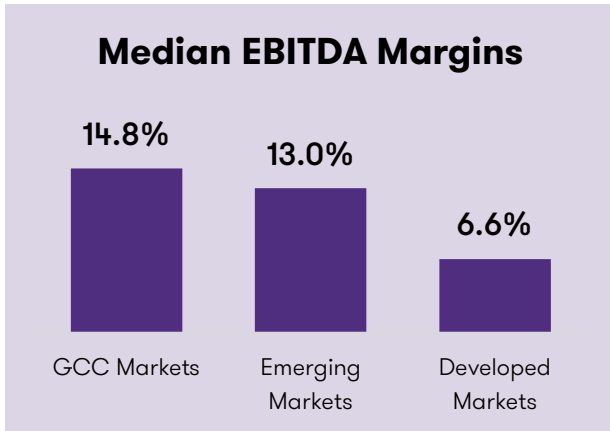
	Outlier		N/A
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Company Name	C.O.H	EBITDA Margin (2023-07-31)	EV/EBITDA (2023-07-31)	EV/Sales (2023-07-31)	P/E (2023-07-31)
GCC Markets					
Savola Group Company SJSC	KSA	7.2%	14.8	1.2	26.1
Abdullah Al Othaim Markets Company SJSC	KSA	7.8%	18.6	1.5	12.1
Saudia Dairy and Foodstuff Company SJSC	KSA	18.5%	21.4	4.0	31.3
Agthia Group Pjsc	UAE	14.8%	9.5	1.4	16.7
Mezzan Holding Company KSCP	Kuwait	4.5%	17.5	0.9	
Dubai Refreshment Pjsc	UAE	20.9%	10.3	2.1	16.8
Herfy Food Services Company SJSC	KSA	17.9%	15.6	2.4	
Development Works Food Co CJSC	KSA	16.8%	29.5	5.1	
Raydan Food Company SJSC	KSA	-0.4%	3,489.8	2.8	
Shatirah House Restaurant Co	KSA	12.2%	12.4	1.5	120.9
Americana Restaurants International PLC	Kuwait	22.6%	17.0	3.8	35.9
Median		14.8%	17.0	2.1	26.1
Emerging Markets					
San Miguel Food and Beverage Inc	Philippines	17.3%	6.4	1.1	13.9
Bestore Co Ltd	China	7.7%	20.5	1.1	26.4
Nestle Pakistan Ltd	Pakistan	18.8%	9.9	1.9	19.3
Garudafood Putra Putri Jaya Tbk PT	Indonesia	11.0%	16.4	1.8	37.4
Gourmet Master Co Ltd	Taiwan	16.8%	6.4	1.1	45.2
Formosa Oilseed Processing Co Ltd	Taiwan	3.3%	43.2	1.0	53.8
An-Shin Food Services Co Ltd	Taiwan	15.0%	4.2	0.6	16.0
Restaurant Brands Asia Ltd	India	5.6%	60.4	3.3	
Fast Food Indonesia Tbk PT	Indonesia	1.3%	54.1	0.7	
Shakey's Pizza Asia Ventures Inc	Philippines	19.9%	10.4	1.9	16.0
Median		13.0%	13.4	1.1	22.9
Developed Markets					
Premium Brands Holdings Corp	Canada	7.6%	15.6	1.2	33.5
TreeHouse Foods Inc	USA	6.4%	13.6	1.2	172.3
Cranswick PLC	UK	9.3%	8.8	0.8	16.0
Chefs' Warehouse Inc	USA	4.9%	14.7	0.7	51.9
Bega Cheese Ltd	Australia	6.2%	9.8	0.4	281.1
South Dakota Soybean Processors LLC	USA	10.2%			
BJ's Restaurants Inc	USA	5.3%	10.5	0.7	50.9
Ruth's Hospitality Group Inc	USA	15.0%			
Red Robin Gourmet Burgers Inc	USA	4.6%	6.5	0.3	
FAT Brands Inc	USA	6.8%	42.4	2.8	
Median		6.6%	12.0	0.8	51.4

The above comp sets consist of listed companies for each market with a mix of F&B Manufacturing and Distribution companies and F&B Retail companies.

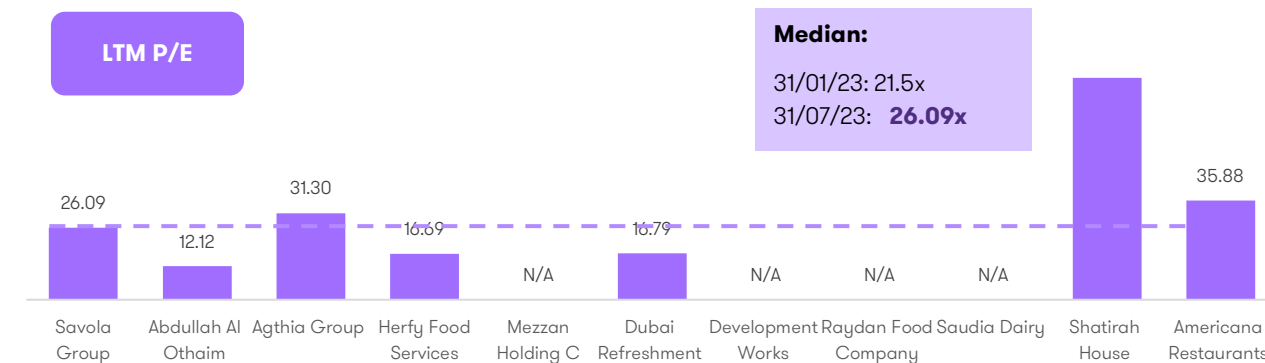
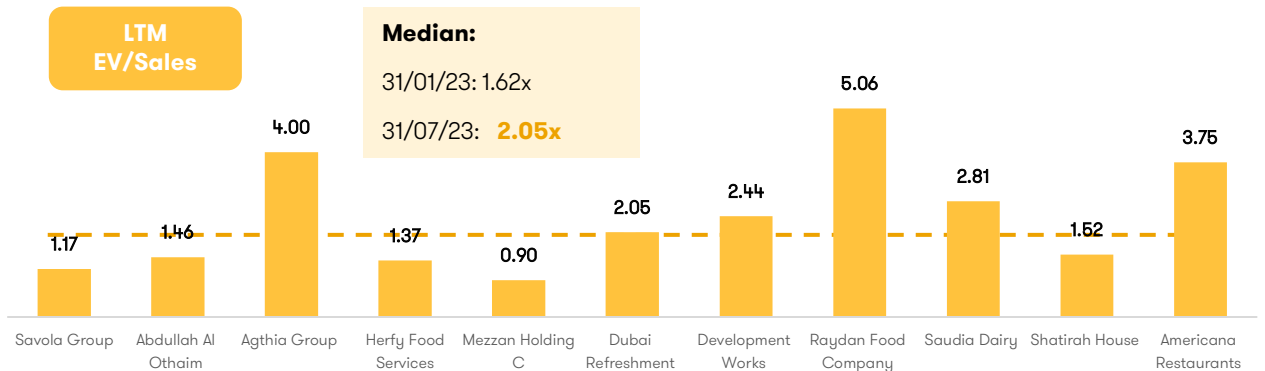
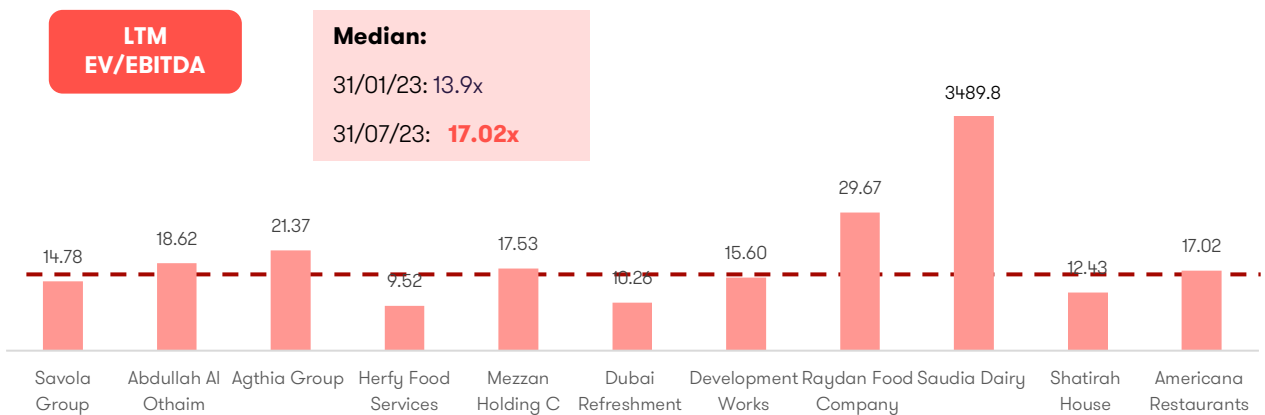
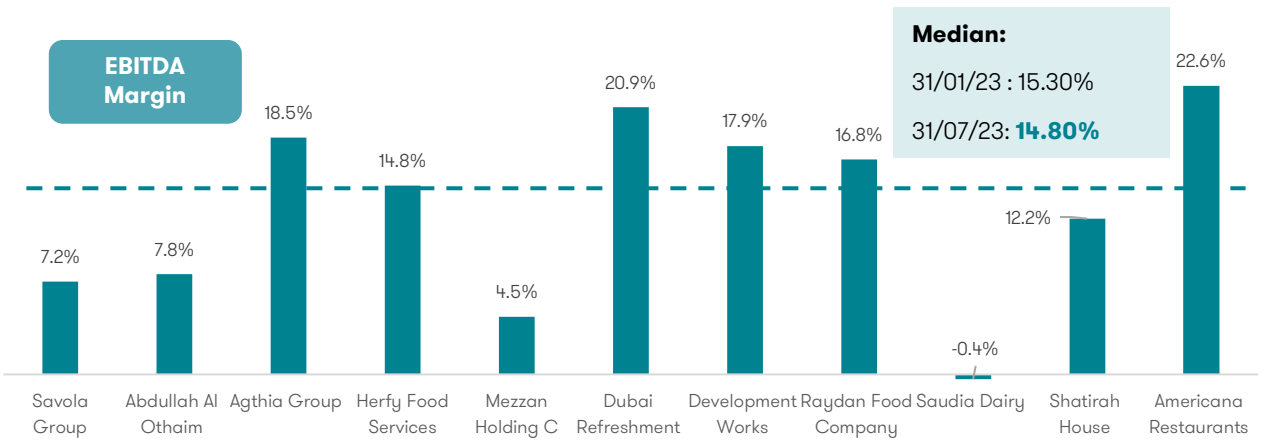
Note: The table above displays data sourced from Refinitiv Eikon as at 31/07/2023

Global Benchmarking (2/2)



Note: The charts above display data sourced from Refinitiv Eikon as at 31/07/2023

Local Benchmarking



Note: The charts above display data sourced from Refinitiv Eikon as at 31/07/2023

Upcoming F&B events in the region

AgraME Agra Middle East Exhibition

Date: 9 – 10 October 2023

Description: The Largest agricultural trade show with over 5,000 attendees and 100+ exhibitors with the opportunity to connect with buyers in the horticultural, agricultural, aqua, and animal farming industries.

Link: <https://informaconnect.com/agra-middle-east/>

THE SPECIALITY FOOD FESTIVAL The Speciality Food Festival

Date: 7 – 9 November 2023

Description: MENA's leading event for the fine food and gourmet industry with leading chefs, restaurateurs, hoteliers, and retailers to discuss the latest trends and products in the industry.

Link: <https://www.speciality.ae/>

GULFOOD MANUFACTURING Gulfood Manufacturing

Date: 7 – 9 November 2023

Description: The UAE region's largest food and beverage processing event which will focus on supply chain innovations and technological advancements in the sector.

Link: <https://www.gulfoodmanufacturing.com/>

ABU DHABI DATE PALM EXHIBITION Abu Dhabi Date Palm Exhibition

Date: 20 – 29 November 2023

Description: The inaugural, first of its kind, dedicated B2B event for date palm fruit which will be held in Abu Dhabi. The exhibition will provide a platform for exhibitors to boost their presence and showcase their products.

Link: <https://abudhabidatepalm.com/en/>



Sources: Arabian Business, Wamda, Mordor Intelligence, Gulfood, Reuters, Zawya, The National News, Middle East Council on Global Affairs, WTW, Statista, Zawya, Toluna, Food Specialties Limited.

Growing sub-sectors to watch

UAE Hydroponics Market

- With a CAGR of 15.2%, the UAE hydroponics market is expected to see consistent growth especially with the government incentivizing sustainable agriculture through the Ziraai program as well as the National Food Security Strategy 2051
- With UAE importing 90% of its food products, the country hopes to increase domestic food production through localized sources via emerging innovation in food production
- The region's intense investment growth in the Agtech space has led to firms considering to relocate as seen with IFARM, a vertical farm tech provider shifting its headquarters to the UAE

The Hydroponics Market has a CAGR of **15.2%**.

Foodverse

- The growth of the metaverse has impacted the food and beverage sector in the UAE with the launch of Foodverse, an immerse 3D world all revolving around food
- Some restaurants were quick to grab onto such trends with Pickl accepting crypto payments, and creating virtual restaurants that will soon activate real-life orders
- With the virtual reality space picking up speed, the food and beverage industry will be more receptive to grow their offerings and remain 'relevant' to the customer base

The metaverse for UAE F&B is growing rapidly.

UAE Coffee Market

- With a CAGR of 8.4%, the coffee market has seen substantial growth, with the pandemic propelling the increased consumption, and the culture of cafes growing in the region.
- The total Emirati branded coffee shop market grew by 3.9% over the last year to reach 1,394 outlets, and today, international coffee chains comprise more than 70% of the market.
- Exhibitions such as The World of Coffee, which was held in Dubai for the second time, facilitate and celebrate both the cultural significance and importance of coffee, as there is an increased shift towards 'specialty coffee' in the industry

The Coffee Market has a CAGR of **8.4%**.

Sources: 6WRResearch, Mordor Intelligence, Comunicaffe, Khaleej Times, The National News

M&A and Transactions Advisory Team

Our M&A and Transactions Advisory team actively originates and executes transactions across a range of sectors. Some of the current as well as recently completed transactions include businesses in logistics, technology, real estate, food & beverage, healthcare, education, financial services and oil & gas.



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