



Grant Thornton

Sector Bites - F&B

M&A and Transactions Advisory

April 2022

The Global & Regional Economic Outlook

Building off a robust rebound in economic growth in 2021, the trajectory for growth in the GCC remains positive bolstered by rising oil prices and fading Omicron concerns.

- Global M&A thrived in 2021 with deal values of c. USD 5.9 trillion, breaking the previous milestone set in 2007. Beyond 2021, transformative & strategic deals are expected to continue being key drivers to M&A activity. M&A activity is expected to remain strong in 2022 with 89% of executives surveyed expecting activity to either remain at 2021 levels or increase in 2022, according to a recent survey.
- M&A deal values in the Middle East rose by nearly 60% in 2021, underpinned by the resurgence in the region's economic outlook with the momentum expected to continue.
- The MENA economy is expected to grow by 4.2% in 2022 supported by the recent surge in oil prices, rising vaccination rates, pro-active Government policy and investment plans.
- Expo 2020 has helped boost tourist numbers in the UAE, with further growth expected in 2022, further supporting growth in non-oil GDP in the country.
- The UAE government also announced the introduction of corporate tax of 9% from June 2023 onwards which is expected to aid the government's long-term growth and diversification objectives.

660+

Number of M&A deals in the Middle East - 2021

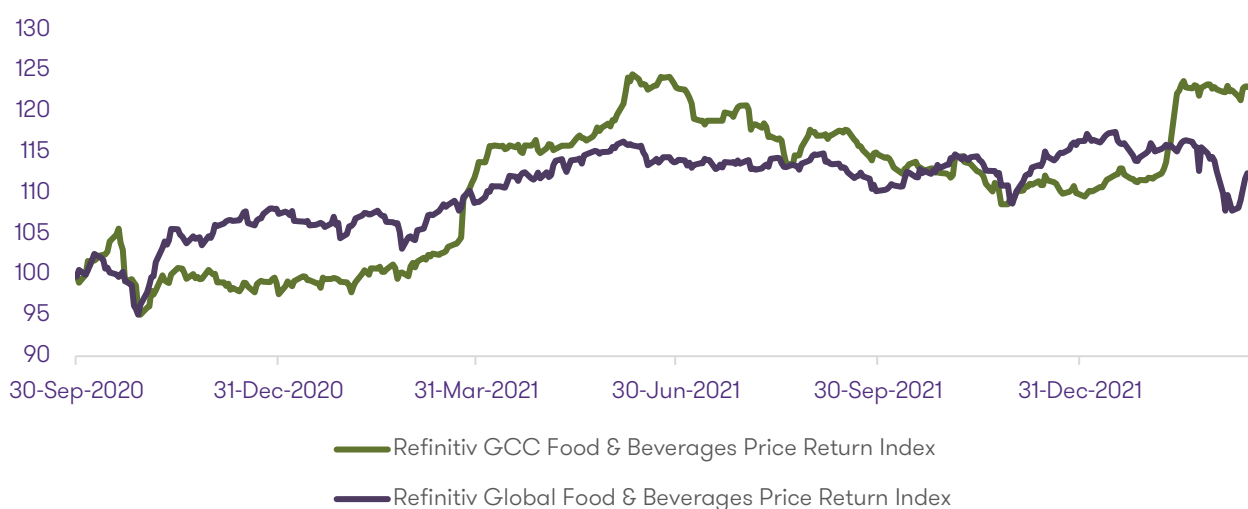
49%

Increase in oil prices from 2021 (as of 21/03/2022)

20 mn+

Number of visitors at the Expo 2020

Global vs GCC F&B Price Index



Corresponding to the recovery in the overall economy in the GCC, listed GCC based F&B businesses have continued to outperform their global peers, particular-

Sources: Bain and Co, Eikon Refinitiv

A Focus on the UAE and Broader GCC F&B Market

Food security continues to be a key area of focus for governments in region; structural changes in consumer preferences amplified by the pandemic will continue to shape longer term trends.

Amidst significant global food price inflation, food prices in the UAE are expected to remain stable in the short term.

- Ongoing events in Ukraine have escalated concerns around food supply chain stability and inflation with Russia and Ukraine being key contributors to the global agricultural supply.
- The impact of this inflation in food prices is expected to be varied across the different countries in the MENA region, with the reliance on exports from Russia and Ukraine lower in the GCC relative to other MENA countries. Food prices in the UAE are expected to remain stable during the holy month of Ramadan in April with F&B operators expected to resort to alternative sourcing arrangements and cost management strategies without passing on these costs to the consumer in the short term.
- The ongoing events have further magnified the importance of enhancing food security through the diversification of supply chains and the localization of food production. Sustainable advances in Agri-tech, aqua-culture and animal breeding technologies backed by government initiatives will continue to boost regional production capabilities.

Growing inclination towards healthier diets and plant-based meals.

- Amplified by the looming health concerns surrounding the pandemic, consumers in the region have become increasingly mindful of their eating habits. This has contributed to an increase in the demand for organic food, and healthier food choices amongst consumers in the region. As consumers continue to opt for food with higher nutritional value, the demand for healthy foods in the region is forecasted to grow over the coming years.
- The consumption of vegan and plant-based products is also gaining increasing popularity in the region and is expected to continue growing in the long term. Recent studies indicate that the demand for plant-based meat and dairy alternatives in the Middle East is expected to grow at a Compounded Annual Growth Rate (CAGR) of 6% between 2021-26. Although health related concerns rank highly, concerns over sustainability and animal welfare are also key factors driving the shift in consumer preferences towards plant-based products.

Sources: Mordor intelligence, Arabian Business, Gulf food, Alpen Capital, Dubai Chamber of Commerce, Gulf News, JLL



Continued growth in F&B e-commerce across the region.

- Online F&B sales are expected to continue showing strong growth resulting from the structural changes in consumer preferences towards online shopping that are expected to last for the foreseeable future. The prominence of F&B e-commerce in the region has been supported by high levels of internet penetration, seamless digital payment frameworks, continued government support and a large tech savvy population.
- Online F&B sales in the UAE is expected to reach USD 619 mn by 2025, however, the demand for brick-and-mortar outlets remain robust and is expected to continue growing driven by easing government restrictions and the recovery of travel & tourism. The amalgamation of in-person and online experiences will continue to shape the region's F&B landscape beyond 2022.

2.3% CAGR

**In estimated food
consumption in the GCC
up to 2025**

78%

**Contribution of UAE and
Saudi Arabia to food
consumption in GCC**

USD 8 bn

**Investment target by UAE
and US led global
coalition to enhance
food security and to limit
impact of climate change**











Sources: Mordor intelligence, Arabian Business, Gulfood, Alpen Capital, Dubai Chamber of Commerce, Gulf News, JLL





A Flavour of Recent F&B Activity in the GCC

F&B activity within the Gulf region has surpassed expectations, with investments in food security and cloud kitchens being key themes.

Relevant transactions in 2021 & 2022

Date	Target	Acquirer	Implied Value	Target Country	Overview of Transactions
March 2022	Getir	IPO	N/A		Getir, a Q-commerce startup raised \$768m in their Series-E funding round.
February 2022	Creative Table Holdings	Lagardere SA	N/A		Acquisition of UAE based full-service restaurant operator for \$83m.
February 2022	Modern Food Industry LLC	Western Bakeries Co Ltd	\$266.67 Mn		Acquisition of a 25 percent stake in Modern Food Industries by Western Bakeries Co.
February 2022	Agritask Ltd.	Investor group led by Liechtenstein Group.	N/A		Israeli Agtech startup raises \$26m in Series-B funding round.
February 2022	Nana	Investor group led by FIM Partners and STV.	N/A		Riyadh based dark store Nana raised \$50m in their latest funding round.
January 2022	El Grocer	Etisalat	\$10.35 Mn		Etisalat acquired 100% share capital of Q-Commerce platform El Grocer.
January 2022	Redefine Meat Ltd.	Investor group led by Hanaco Ventures & Synthesis Capital.	N/A		Israel's Redfine meat raised \$135m in an investment round held recently.
January 2022	Jahez	IPO	\$3.58 Bn		Saudi food delivery company Jahez announced an IPO on KSA parallel exchange Nomu.
January 2022	Remilk Ltd.	Investor group led by Hanaco Ventures	\$325 Mn		Israel based Remilk, raised \$120m in their series-B funding round
December 2021	Forafri Agro Holdings Limited	Globis Acquisition Corp.	\$300 Mn		An African agrobusiness is in the process of being acquired by a Special purpose acquisition company.

Date	Target	Acquirer	Implied Value	Target Country	Overview of Transactions
December 2021	Future Meat Technologies Ltd.	Investor group co-led by ADM Ventures	>\$900 Mn		A cultivated cell-based meat company raised \$347m in their series-B funding round.
December 2021	GrubTech	Investor Group led by Addition	N/A		UAE based GrubTech raised \$13 million in their Series-A funding round.

Precedent transactions and share price data sourced from Eikon, Magnitt and other publicly available sources. Transactions are selected on the basis of available transaction data, size and, where available, geographical relevance.



A Flavour of Recent F&B Activity in the GCC

F&B has picked up with notable activity on both private and capital markets particularly in UAE and KSA.

Recent Transaction Activity

A focus on food security and sustainable production are driving investment in Agri-tech.

- A subsidiary of Saudi Arabia's dairy giant Almarai Co., recently announced the acquisition of a 25% stake in Modern Food Industries for SR 250 million (USD 67 million), with the objective of gaining a stronger position in the region's food sector and supporting the Saudi Vision 2030 to improve food security.

Increasing consumer demand and growing investor confidence are aiding the flow of investments into the Foodtech space within the region.

- There has been an uptick in activity in the foodtech sector in the Middle East, with startups such as Remilk & Redefine meat garnering substantial investments.
- Furthermore, Israeli dairy-alternative company Imagindairy raised \$13m in a seed round led by Mor-eVC.
- Agritask, an Agronomic Intelligence (AGI) platform providing solutions in the agricultural ecosystem raised \$26 Mn to aid in expanding its innovative product line and scale its operations.

The amalgamation of technology and customer service is a major trend being observed as the industry shifts in favor of online delivery & Q-commerce platforms.

- MENA based coffee marketplace COFE App recently announced the acquisition of an online coffee ordering platform, Kaffein. This was preceded by the company's acquisition of Sippy beans earlier in January 2022.
- The Grocery Delivery startup, Getir concluded its Series E funding round, raising \$768 Mn. The founding round was led by Mubadala investment company and reflected the rising appetite towards Q-commerce businesses.



Review on Capital Market Activity

Burgerizzr:

- The shares of Shatirah House Restaurant Co. (Burgerizzr), one of the fastest growing burger chains in Saudi Arabia, began trading on the Nomu parallel market in September 2021.
- The shares had spurred tremendous interest from investors in region and was oversubscribed by 500% on the first day of subscriptions and continued to climb significantly higher during the book building process.

Jahez - Saudi Arabia's leading online food delivery platform, announces IPO:

- The listing of Jahez on Saudi Arabia's Nomu in 2022, made it the first Saudi Tech start-up to be listed on a public exchange.
- The company was launched in 2016 and has now established itself as one of key delivery platforms in Saudi Arabia, catering to over 1.3 Mn customers as of 2021.
- The final offer price was set at SAR850 per share amounting to a market cap of SAR 8.9bn.
- The offering saw tremendous appetite amongst investors as it was oversubscribed by 38.8x.

Mohamed Alabbar and PIF owned Americana Group considers IPO:

- The renowned operators of KFC and Pizza Hut restaurants across the Middle East and the MENA region are reported to be in early talks for a potential IPO in UAE or Saudi Arabia.



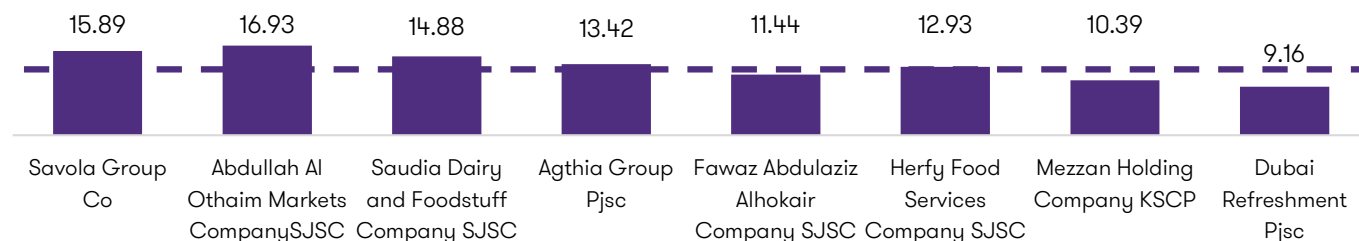
Selected Market Multiples in GCC F&B Market

LTM EV/EBITDA

Median:

Q4 2021: **15.33x**

Q1 2022: **13.17x**

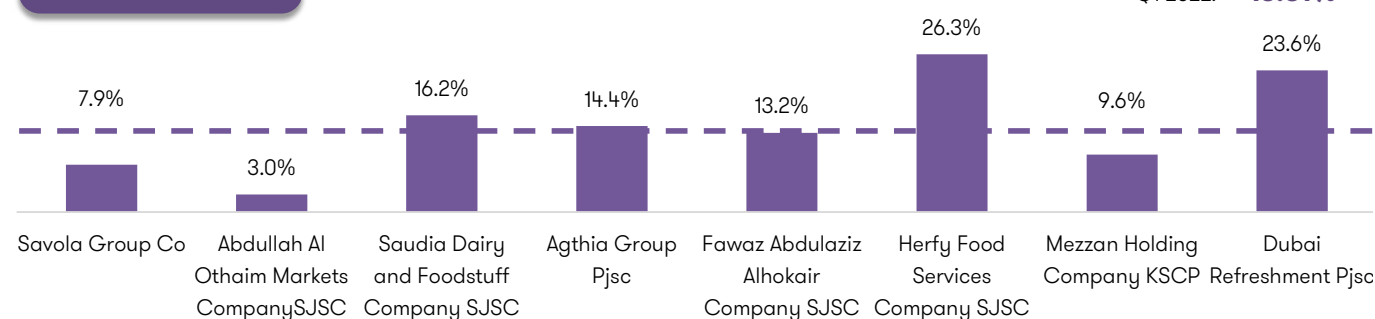


LTM EBITDA Margin

Median:

Q4 2021: **11.15%**

Q1 2022: **13.81%**

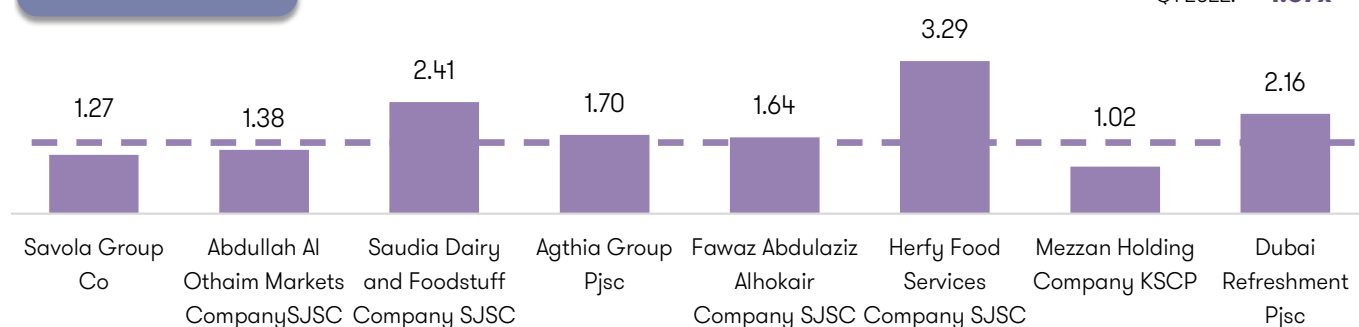


LTM EV/Sales

Median:

Q4 2021: **2.02x**

Q1 2022: **1.67x**

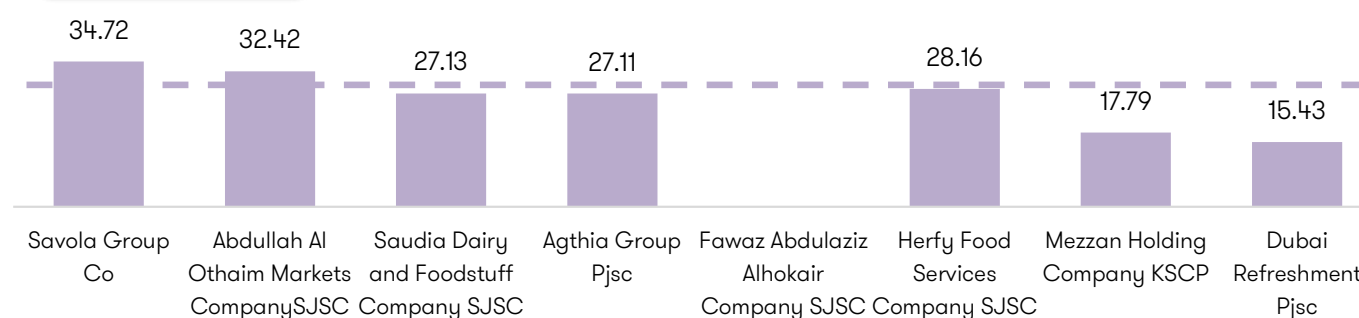


LTM P/E

Median:

Q4 2021: **31.99x**

Q1 2022: **27.13x**



Market multiples sourced from Eikon. All information is as at 28 February 2022. N/A indicates data not available. Companies are indicative and do not represent the entire universe of F&B companies in the GCC.

Upcoming Events in the Region



Dubai Food Festival

Date: 2-15 May February 2022

Description: An annual culinary celebration, putting a spotlight on the dining scene, from bespoke gourmet meals to intimate cooking showcases featuring world-famous chefs.

Link: www.visitdubai.com



EXPOCulinaire

Date: 30 May - 2 June 2022

Description: A unique international trade exhibition and education event in collaboration with the Emirates Culinary Guild. This event showcases food, drink, ingredients, equipment, services, skills and education.

Link: www.expoculinaire.com



HALAL EXPO 2022

Date: 26-27 September 2022

Description: The leading business platform for the Middle East Halal industry, The largest and most comprehensive B2B Halal Expo in the Middle East .

Link: www.halalexpodubai.com



Saudi Food Expo 2022

Date: 16-19 May 2022

Description: Foodex Saudi is Saudi Arabia's Leading International Trade exhibition 100% dedicated to the food and drink industry.

Link: www.saudifoodexpo.com



The Middle East Organic & Natural Products Expo

Date: December 2022

Description: The Middle East Organic and Natural Product Expo Dubai is the Middle East's sole business event that focuses on organic and natural products. connecting suppliers with buyers for 19 years.

Link: www.organicandnatural.com



Saudi Food Expo 2022

Date: 17-20 October 2022

Description: An international Trade Exhibition for Food Products, Ingredients & Technologies Dedicated to the food processing and packaging industry.

Link: www.saudifoodexpo.com

M&A 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 energy sectors.

Our global footprint enables us to leverage our relationships within the region as well as internationally with the ability to advise on all aspects of a transaction from start to finish including buyer/seller identification, deal negotiations, valuations, due diligence, financial modelling, debt advisory, SPA advisory and fundraising (equity/debt).

Our culture of providing tailored advice proactively to our clients throughout a transaction enables us to develop an in-depth understanding of our clients' objectives, which is at the core of our pragmatic solution offering.



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Neha is a chartered business valuer, management accountant and CFA holder with significant valuation expertise gained both locally and globally.



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Andy has over 9 years of experience in M&A and valuations across Europe and MENA region. He is a Chartered Accountant and Accredited Senior Appraiser in Business Valuations.

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