



Grant Thornton

# A New Perspective

**M&A & Transactions Advisory**

Sector Focus - F&B

December 2021

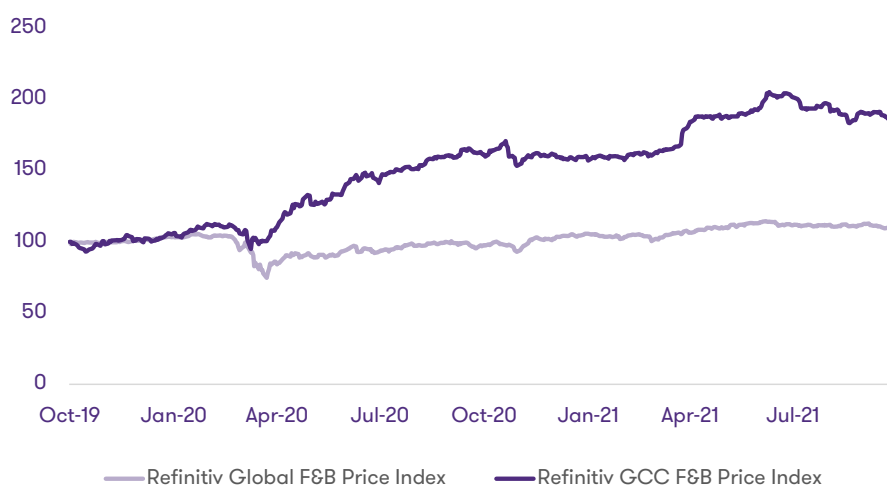


# The Global & Regional Economic Outlook

The UAE and broader MENA region have been at the forefront of the global bounce-back from COVID-19, driven by proactive government policies and the return of events, exhibitions and tourism.

- **Global M&A experienced a buoyant first 9 months of 2021** as companies and funds sought to deploy excess capital and to capitalize on lower valuations and special situations. With over 40,000 transactions worth in excess of USD 4.4 trillion, this has been the **biggest nine-month period of M&A activity since 1980**.
- **M&A in the Middle East and North Africa (MENA) totaled USD 69 billion in the first nine months of 2021, up 17% year-on-year.** Saudi Arabia contributed 42% of the total transaction value as it looks to progress its Vision 2030 agenda.
- Consumer confidence in the UAE is at the **highest level in the last 10 years** according to a report issued by Majid Al Futtaim.
- Events including EXPO 2020, the T20 Cricket World Cup, loosening of COVID-19 restrictions and the UAE's robust vaccination program have supported a **resurgence in visitors to the UAE and increased consumer spending**.
- While a new COVID-19 variant (Omicron) has emerged recently, the country is likely to benefit from the **speed of its vaccination rollout (one of the fastest in the world) and swift precautionary measures** undertaken against the spread of the variant.

## Global vs GCC F&B Price Index



*Listed GCC based F&B businesses have considerably outperformed their global peers since the start of the COVID-19 pandemic*

[1] IMF Global Economic forecasts [2] World Bank MENA Economic Update 2021 [3] Refinitiv economic data [4] Fortune M&A Analysis, October 2021

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

**The F&B and FMCG sectors have capitalised on the recovery in tourism and events, changing consumer habits and government initiatives to improve food security in the region.**

- **Strong growth in F&B spending is expected in the UAE and KSA, the two largest food markets in the GCC.** This is driven by an expected increase in disposable income forecast to grow by 12.4% in 2021 and an inflow of tourists with UAE hotel occupancy rates exceeding the likes of the US and the UK in H1 2021, along with the opening of travel routes between the UAE and key countries (i.e. India and UK). Euromonitor expect the UAE consumer foodservice industry to grow at a CAGR of 12.3% through to 2023, surpassing previous economic estimates.
- **Government initiatives aimed at reducing dependence on imports and improving food security in the region continue to be at the forefront of the F&B agenda.** GCC countries are highly dependent on imports to meet their domestic food requirements. Due to pandemic-triggered supply chain issues and scarce agricultural resources in the region, AgriTech is fostering increased investor interest evidenced by AgriTech startups in MENA raising over \$250 million from 2014-2020. In partnership with the private sector, the GCC governments are adopting agricultural practices such as greenhouse cultivation, hydroponics, aquaponics, seawater farming and vertical farming, and offering financial incentives to AgriTech startups to expand their presence in the region.
- **The COVID-19 pandemic has induced a long-term change in consumer preferences with a strong focus on convenience, health and hygiene.** Online food delivery has witnessed a strong growth in the region and many businesses have adopted a delivery only model, leading to a rise of “cloud kitchens,” particularly in UAE with this segment projected to contribute c. USD 1.3 billion by 2025. As a result of increased demand for healthy eating options, the sector has also witnessed an accelerated growth in the organic and plant-based protein food categories. The pandemic has also caused a shift in consumer preferences with the UAE population moving towards casual and social dining experiences.











Sources : Zawya, Government of Dubai, Wamda, Statista.com



# 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 2020 & 2021

Date	Target	Acquirer	Implied Value	Target Country	Overview of Transactions
August 2021	Burgerizzr	IPO	USD 110 Mn		IPO oversubscribed by 500%, Since reached a current market cap (as on 16/11/21) of USD 152 Mn.
November 2021	Ikcon Holdco	Reef Technologies	N/A		Acquisition of tech-enabled delivery kitchen operator.
October 2021	Bayara	Savola	USD 260 Mn		Acquisition of 100% stake in value added food manufacturer.
September 2021	Atyab	Agthia	USD 205 Mn		Acquisition of Majority stake (75.02%) in renowned meat producer.
August 2021	BMB Group	Agthia	N/A		Acquisition of 100% stake in healthy snack producer.
July 2021	Kitopi	Investor Group led by Soft Bank	> USD 1 B		Investor Group led by SoftBank invest \$415m in Series-C round of funding.
May 2021	Nabil Foods	Agthia	USD 179 Mn		Acquisition of 80% stake in Jordan based food producer.
December 2020	Organics Food and Café	Gulf Japan Food Fund LP	N/A		Acquisition of majority stake in organic food provider.
October 2020	Sweetheart Kitchen	Investor Group led by Peter Schatzberg	N/A		investors invest \$17.7m in Series-C funding round.
May 2020	Al Dahra Holding Company	ADQ	N/A		Acquisition of 50% stake in multination agribusiness.

Precedent transactions and share price data sourced from Eikon. 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

**Recent transaction activity in the region supports the Government objective of increasing food security within the Middle East:**

- With MENA countries being amongst the largest food importers in the world, there have been notable investments in agritech and sustainable F&B businesses.
- UAE and Saudi Arabia were at the forefront of such transactional activity around food-security, as governments continue to dedicate increased attention to bolstering self-sufficiency. Evidence of this includes KSA based Red Sea Farms raising \$16m in its recent Series A round, backed by Wa'ed (Aramco's VC arm) and the KSA Government backed Future Investment Initiative Institute.
- UAE-based Pure Harvest, an agritech startup has received USD 144.5m in funding over 2020 and 2021 and more recently secured USD 64.5m in growth capital led by Korean private firm IMM Investment to fuel the company's expansion and R&D. We have also seen inside-out investment from the likes of InvestAD who invested in the Israeli based Aleph Farms' \$105m Series B raise.
- In addition to publicly available information and based on recent transactions we have advised on in the F&B space, we have observed EV/EBITDA multiples in 8-10x range for more mature, traditional players in the market.

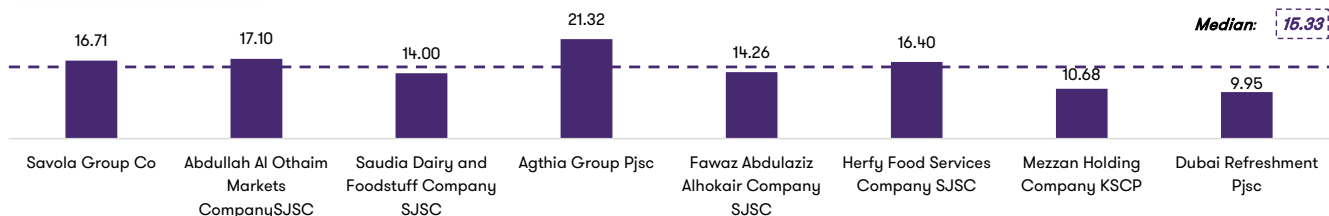
**Cloud kitchen platforms and Food-tech have benefited from the shift to online food delivery leading to an uptick in transactions and EV/Revenue multiples.**

- There have been a number of recent transactions involving UAE based cloud kitchen platforms with the latest transaction being Mubadala and Softbank backed Reef Technologies' acquisition of Dubai-based cloud kitchen platform Ikcon, which followed Softbank's investment in Kitopi.
- Kitopi alone has invested in several digital brands based locally including Right Bite, Ichiban, Leap Nation and Cloud Restaurants, with these brands being able to use Kitopi's infrastructure and technology to scale their business. Over the next two years, Kitopi is expected to invest a further USD 1bn in compatible brands that will generate synergies with its proprietary tech and infrastructure.
- The heightened activity in this sector is reflective of a global shift towards online buying and e-commerce, already an emerging trend that has been further accelerated by COVID-19. Digital F&B e-commerce apps such as Cofe capitalized on this trend as evidenced by its recent \$10m Series B raise.

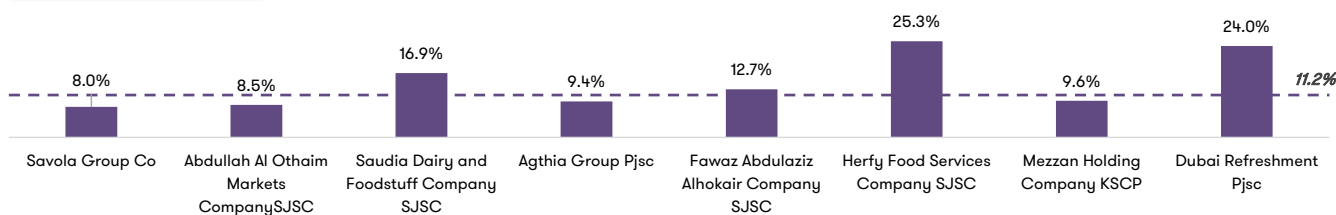
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# Selected Market Multiples in GCC F&B Market

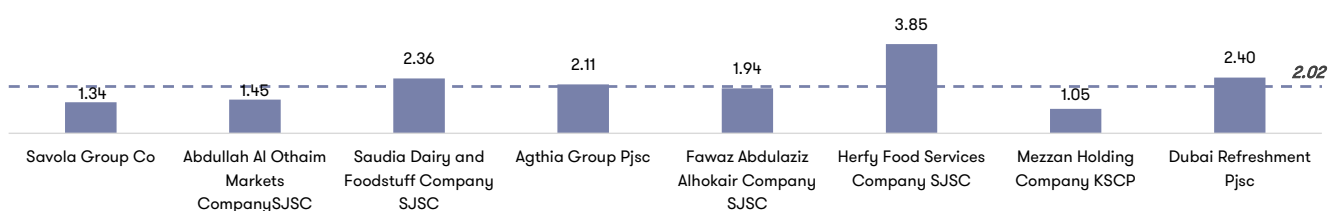
## LTM EV/EBITDA



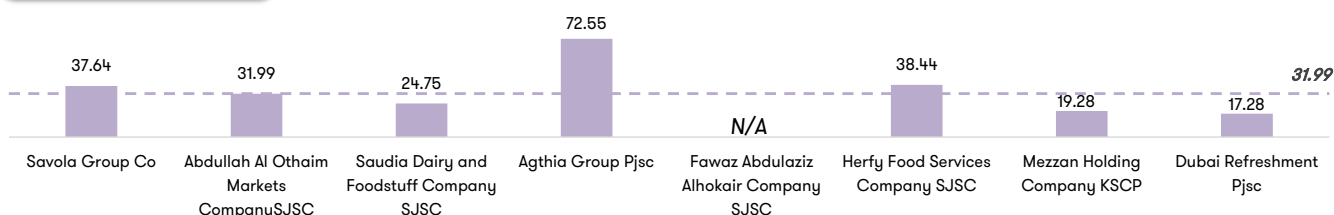
## LTM EBITDA Margin



## LTM EV/Sales



## LTM P/E



Market multiples sourced from Eikon. All information is as at 31 October 2021. 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



## Gulfood

**Date:** 13-17 February 2022

**Description:** With an expected 60,000 attendees, Gulfood is the largest annual exhibition for F&B sourcing, providing businesses with an exceptional platform to connect with clients across 8 F&B categories.

**Link:** <https://www.gulfood.com/>

## Food for Future Summit & Expo

**Date:** 23-24 February 2022

**Description:** It provides a platform for the advanced food and Agritech enterprises to display their innovations and connect with businesses in the public and private sector.

**Link:** <https://www.foodforfuturesummit.com/>



## Foodex Saudi

**Date:** 28 February – 3 March 2022

**Description:** Featuring 559 exhibitors & brands from over 50 countries, it provides the opportunity to source and trade across an extensive range of F&B products and solutions.

**Link:** <https://www.foodexsaudiexpo.com/>



## Food 2.0 Conference

**Date:** 21-23 March 2022

**Description:** Focussing on the introduction of digital spaces, new techniques, and technologies in F&B industry, to production, supply, accessibility, and the impact of modern set-ups in the post-pandemic world.

**Link:** <https://www.food2conf.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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Salmaan is a Partner in the M&A and Transaction Advisory Practice at Grant Thornton UAE. He is a seasoned professional with in-depth experience of M&A, valuations, fundraising, Corporate Finance and IPOs.



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Colm has significant experience in Corporate Finance, debt advisory and banking and structured finance helps in bringing a wide angled view to each engagement.



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Andy has over 8 years of experience in corporate finance and valuations and is an Accredited Senior Appraiser in Business Valuations as designated by the American Society of Appraisers.

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