



Grant Thornton

Sector Bites - F&B

M&A and Transactions Advisory

August 2022

The Global & Regional Economic Outlook

Despite the recent global market downturn and recession fears, economic sentiment remains strong within the GCC region on the back of growth in the tourism and oil.

- Global M&A activity has been robust despite inflationary pressures from the ongoing Russia-Ukraine conflict and lower market liquidity. **Global M&A activity** stood at **USD 2.2 tn** during the first half of 2022; on pace to reach upwards of **USD 4.0 tn** for the year, demonstrating continued availability of both the funds and the appetite for deals.
- Interest rates in the GCC region have been rising in line with **rate hikes by the US Federal Reserve**, however the adverse effects of these are expected to be **offset by the economic uplift stemming from higher oil prices** and the estimated increase in **production volumes**.
- Additionally, **non-oil economic growth** in GCC is expected to remain strong at **4.5%** for the year according to the International Institute of Finance as higher oil prices are expected to improve **domestic liquidity** in turn increase **credit availability** to the broader private sector.
- Dubai International Airport became the **world's busiest airports** in July 2022, serving over **4 mn** seats for domestic and international travel. **Pent-up demand** for international travel, the upcoming **FIFA World Cup** along with winter months generally being a profitable period for the region are expected to **positively impact** economic conditions during **H2 2022**. Furthermore, UAE is set to host the **MENA Attractions and Destinations Forum 2022** – a mega tourism event, this September.
- The metaverse is expected to significantly impact global economic factors including employment, specialised sectors, and infrastructure. In response to this, Dubai recently announced initiatives to invest in the metaverse and boost the emirate's digital economy, with the initiative aiming to add an additional **USD 4 bn** to Dubai's economy while also creating **40,000 virtual jobs**.

15,764

Number of M&A deals globally during H1 2022

~40%

Increase in Brent oil prices from 31/12/2021 (as at 30/06/2022)

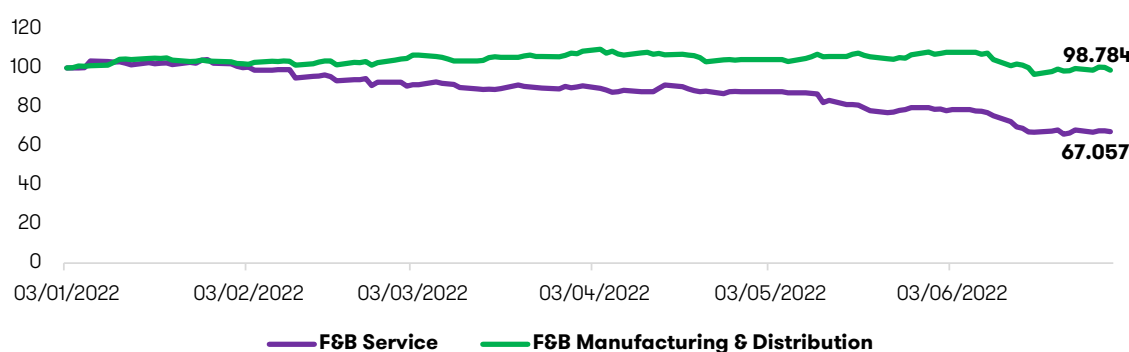
5%

UAE's Expected GDP growth in 2022.

11.8%

KSA's Q2 2022 GDP growth vs Q2 2021

Regional: F&B Services vs F&B Manufacturing and Distribution Price Index














Regionally listed F&B manufacturing and distribution firms significantly outperformed their F&B service peers. This is primarily due to F&B service companies being unable to pass on rising inflation costs through to consumers swiftly, as opposed to F&B manufacturing and distribution companies that typically have higher pricing power. There has also been a decrease in spending on discretionary products being offered by F&B service companies driven primarily by fears of a global recession.

Sources: Refinitiv, Bain & Company, World Bank, IIF, The National, Arabian Business, NFTICALLY, International, Zawya

A Flavour of Recent F&B Activity in the GCC

F&B activity within the Gulf region has been flourishing, with investments into Agri-tech and Food-tech startups emerging as key themes for the region.

Relevant transactions in 2022

Date	Target	Acquirer	Implied Value	Target Country	Overview of Transactions
June 2022	Pure Harvest	Consortium of global and existing investors	N/A		UAE Agri-tech startup raised \$180.5 mn in its latest funding round.
June 2022	Invictus Investments Company	Stock Listing	\$817 mn		Agro-food trading business listed on the ADX growth market on June 29 th 2022.
May 2022	KRUSH Brands	Skelmore Holdings	N/A		KRUSH Brands has raised \$4.5 mn in a pre-Series A investment round for its online marketplace for virtual restaurants.
May 2022	Imagindairy	Investor group led by Target Global	N/A		Animal-free milk proteins producer raised an additional \$15 mn for its extended seed round.
April 2022	Red Sea Farms	Investor group co-led by Wa'ed & The Savola Group	N/A		Agri-tech startup raised an additional \$18.5 mn in their latest funding round.
April 2022	Foodics	Investor group led by Prosus & Sanabil Investments	N/A		Cloud-based technology and payments platform for restaurants raised \$170 mn in its Series funding round.
April 2022	The Food Lab	Investor group led by Nuwa Capital	N/A		Cloud kitchen services operator raises \$4.5 mn in Pre-SEED round.
April 2022	Right Farm	DisruptAD & Enhance ventures	N/A		B2B agri-tech company raised \$2.8 mn in it's Seed funding round.
March 2022	Haseel	Investor group led by Vision Ventures	N/A		Fresh produce eCommerce startup raised \$6.6 mn in Series A funding round.
March 2022	Beewise Technologies	Investor group led by Insight Partners	\$300 Mn		Agri-tech company raised \$80 mn in their Series C funding round.
March 2022	DailyMealz	Investor group	N/A		Healthy food delivery app raised \$5 mn in its pre-Series A round.

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 focus on the UAE and broader GCC F&B Market

With the emergence of Agri-tech, food security and innovation continue to be the cornerstones for long-term growth within the region.

Continued focus on Agri-tech to aid improvement in food security within the region

- UAE & KSA-based Agri-tech startups such as Pure Harvest, Right Farms & Red Sea Farms raised seed funding from a group of major local and international investors, amounting to a combined USD 200+ mn in Q2 2022.
- KSA plans to invest USD 4.5 bn into its poultry production sector in an effort to boost the country's poultry meat self-sufficiency from 68% in 2022 to 80% by 2025.
- The UAE pledged USD 2.0 bn to develop a series of integrated food parks across India with the goal of improving food security across the Middle East; these food parks would incorporate state-of-the-art agri-tech and focus on production sustainability.
- Members of the GCC and the US announced at the Arab Summit in Jeddah that a combined USD 11.0 bn would be deployed to tackle food security challenges in the MENA region.
- The world's largest vertical farm, Bustanica, 330k sq.ft. facility that has recently started operations in UAE as Emirates Crop One – was backed by an investment of USD 40.0 mn via a joint venture between Emirates Flight Catering and Crop One.

Innovation, sustainability and healthier food choices are fostering growth and driving investment in the region as evidenced by the increase funding activity

- DailyMealz, a healthy food delivery app based in KSA raised USD 5.0 mn in their pre-Series A funding round.
- Imagindairy, an Israeli animal-free dairy producer raised an additional USD 15.0 mn to reach a combined USD 38.00 mn in their extended seed funding round.
- The Oman Investment Authority (OIA), in a joint venture with MycoTechnology, a US-based food ingredient company, has set up Vital Foods Technologies LLC to produce high quality alternative mushroom-based protein from dates.
- Haseel, a KSA-headquartered fresh produce e-commerce startup that connects businesses and individuals to local farmers raised USD 6.6 mn in their Series A funding round led by Vision Ventures.
- Foodics, a cloud-based restaurant management system, raised USD 170.0 mn in their Series C funding round led by Prosus & Sanabil Investments.
- UAE-based KRUSH Brands raised USD 4.5 mn for Locale, their online marketplace for virtual restaurants from Skelmore Holdings, a local family office.

Review of capital market activity

Americana Group – April 2022

- Americana, the operator of KFC & Pizza Hut chain of restaurants across the Middle East is preparing for a dual listing in both Riyadh & Abu Dhabi and could raise as much as USD 1.0 bn at a valuation of c. USD 8.0 bn according to recent estimates.

Alamar Foods – June 2022

- KSA-based quick service restaurant operator & master franchiser of Domino's Pizza in the MENAP region has set its final IPO price at USD 30.7 per share implying a market capitalization of c~USD 782.0 mn.
- While the IPO price was set at the top of the valuation range, the company still observed its order book being oversubscribed 47.5 times indicating significant interest from both individual and institutional investors.

Sources: Gulf Business, Mesasurable.AI, The National News, Arabian Business, Gulf News, The Nation, Wamda, GCC Business News, Mordor Intelligence, Bloomberg, DWTC

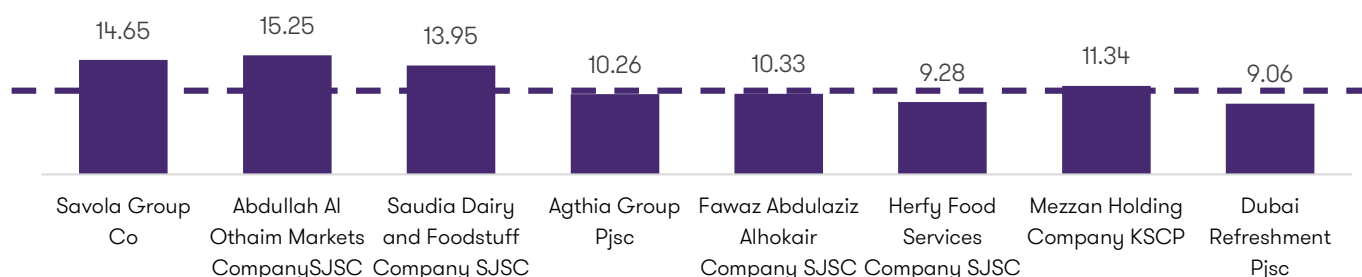
Selected Market Multiples in GCC F&B Market

LTM EV/EBITDA

Median:

Q1 2022: **13.17x**

Q2 2022: **10.84x**

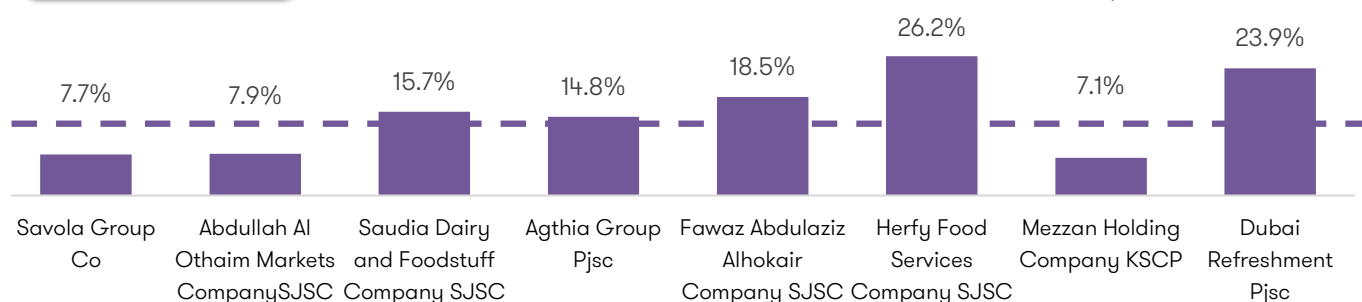


LTM EBITDA Margin

Median:

Q1 2022: **16.9x**

Q2 2022: **15.2x**

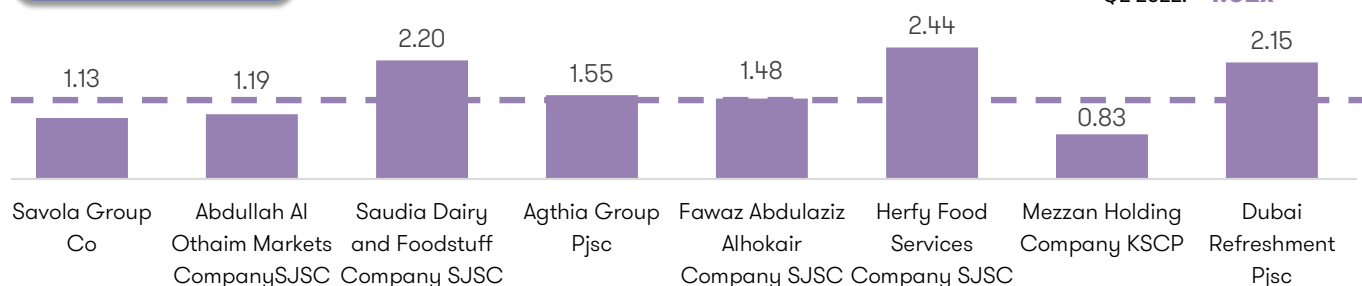


LTM EV/Sales

Median:

Q1 2022: **1.67x**

Q2 2022: **1.52x**

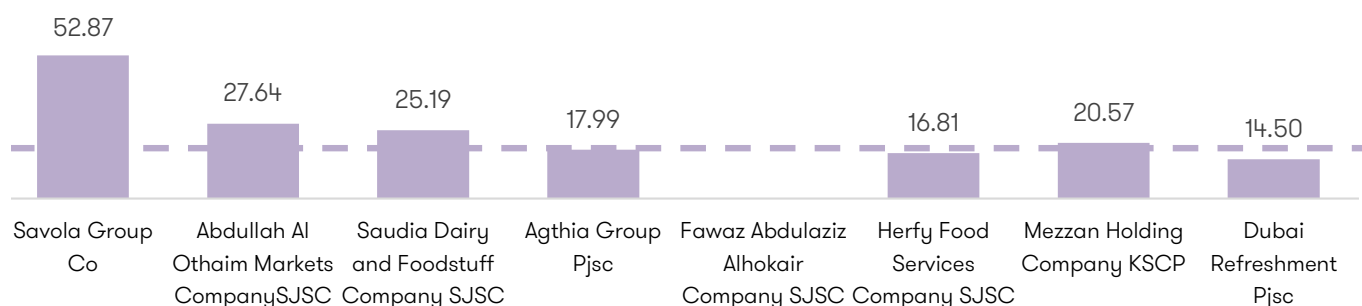


LTM P/E

Median:

Q1 2022: **27.13x**

Q2 2022: **20.57x**



Upcoming Events in the Region



Foodex Saudi 2022

Date: 13 - 16 September 2022

Description: Foodex Saudi is Saudi Arabia's leading international trade exhibition 100% dedicated to the food and drink industry.

Link: www.foodexsaudiexpo.com



Dubai Seafood Expo

Date: 26 - 27 September 2022

Description: Dubai Seafood Expo is one of the major Seafood Exhibition in Dubai.

Link: www.dubaiseafoodexpo.com



Gulfood Manufacturing 2022

Date: 8 - 10 November

Description: Gulfood Manufacturing is the only annual and most influential F&B manufacturing event in the world. Gulfood Manufacturing 2022 is set to unveil the next era of food manufacturing.

Link: www.gulfoodmanufacturing.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



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: 17-20 October 2022

Description: An international Trade Exhibition for food products, ingredients & technologies dedicated to the food processing and packaging industry.

Link: <http://saudi-agriculture.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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