GCC Food Industry

April 28, 2015

ALPEN CAPITAL
Investment Banking

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"So far in 2015, the positive consumer and business sentiment that persisted throughout 2014 appears to be continuing, providing support to the food and beverage sector.

The GCC is witnessing an on-going rise in population. The UAE, Agthia's main market, has witnessed one of the fastest population growth rates in the world in recent years, given the influx of people from all over the world taking advantage of the opportunities for work, a better standard of living, or, for those whose countries are continuing to go through political and social upheaval, the safety and security the UAE country offers. The positive population trend is expected to continue as large-scale endeavours such as Abu Dhabi's 2030 economic vision, and the Expo 2020 in Dubai, stimulate activities that should continue into 2015 and beyond.

Non-oil sectors now account for some two-thirds of the UAE's GDP, confirming the success of the government's efforts to diversify the economy away from dependence on hydrocarbons revenues. Hence even though oil prices have softened significantly, and may continue to do so in the medium term, on-going attention to boosting non-oil businesses and sectors, from finance to food, not to mention positive externalities such as talent clustering and the expansion of the knowledge economy - all of which has already made the country the most diversified of all the oil-rich Gulf nations - gives the country considerable economic resilience and stability.

Government encouragement for more domestic food production is continuing to reduce reliance on imports and drive the expansion of local food and beverage providers. The Food Security Centre of Abu Dhabi is undertaking a number of initiatives in this regard, such as encouraging the development of local poultry farms, and growing fruits and vegetables. Khalifa Industrial Zone Abu Dhabi, or Kizad, is keen to promote the F&B sector, and recently witnessed the opening of a new factory by a Brazilian food company that distributes frozen foods in the Middle East. The increasing availability of locally produced food is another trend we foresee going forward.

Challenges notwithstanding, our outlook is certainly a positive one, with so many parameters pointing to healthy and sustainable growth."

Iqbal Hamzah

Chief Executive Officer

Agthia

"Over the past decade, demand for food products in the GCC has risen with the increase in population and per capita income. The impact of organized retail coupled with increasing demand for processed foods has led to a shift in the consumption pattern of GCC residents.

The GCC offers a wide array of opportunities to local and international food companies due to favorable demographics which include a young and growing expatriate population, and robust macroeconomic factors. While rising global food prices remain a concern, government initiatives have focused on ensuring food security through various means, which has resulted in stable imports from agricultural producing countries. The IFFCO Group of Companies understands that changing lifestyles are impacting the health of consumers and is taking every step possible to help protect it. Most of the products from the Group now factor in the health angle – from quality sourcing, using natural ingredients, employing the right technology, packaging for retaining freshness, and reaching the products to consumers in less time."

A.F Merchant

Executive Director

IFFCO Group of Companies

"The GCC packaged food market is booming due to rising demand for healthy and international foods from a growing base of expatriates as well as young consumers. The UAE especially has seen rising affluence and hectic lifestyles which results in a preference for quick and easy meal options. Saudi Arabia and UAE are hubs for the processed food segment and Al Kabeer has a strong presence in both these countries. We employ state of the art technology to process our food items and our units are built to international standards. We have invested in this technology because we believe in the progress of the processed food industry in the GCC."

Suresh Subberwal

Chairman

Al Kabeer Group of Companies

"The outlook for the GCC Food Sector is positive backed by steadily growing population, demographics (young population that will continue to consume more), and demand growth led by increasing salaries & growing purchasing power. Certain challenges exist such as an over dependency on imports which leaves the country exposed to supply side volatility in producing countries, and resultant price rise due to shortages (as was seen in 2008 and 2011). However, the Government is trying to mitigate this by enhancing storage capacities for essential grains such as rice, wheat etc. by setting up adequate silos. Besides this, the Government is also trying to encourage local production through hydroponics projects whilst spearheading establishment of value added food projects such as dairy, poultry, red meat etc in the country.

Growth in the sector will be beneficially impacted by increased private sector participation, a benign regulatory structure and a clear set of government incentives for new projects. Trends in this sector largely emerge from a change in eating habits. Higher disposable incomes coupled with health conscious younger generation has led to increase in consumption of health foods with higher nutritional values. Demand for wheat, poultry products and low fat variants is seen to be growing faster as manifestation of lifestyle diseases force a change in eating habits. On the other hand, demand for convenience foods such as bakery products, fast food, and ready to cook items has been growing at a faster pace as double income families look for convenient and time saving alternatives to fit in their busy work lives. These changing food preferences coupled with need for enhancing food security in the country gives rise to new value added opportunities in the GCC countries."

Ali Habaj

Chief Executive Officer

Oman Flour Mills

"It is difficult to assess the GCC food industry in isolation of the world trend as the GCC is highly dependent on the international food supply chain as it imports quite a substantial amount of its food requirements. Most staple food items are subsidized by Government and that is applicable to Kuwait, Bahrain, Qatar, Saudi Arabia, Oman and partially UAE. This increases the demands. Lifting or redirecting the food subsidy regime in some GCC countries may hamper food import growth.

Food consumption trend is changing in the GCC as younger generation is focusing on health products .The focus on Halal food in this region will boost the sector growth with new players coming into the market. Increase of Hypermarkets, superstores, and supermarkets in this region coupled with growing trend of shopping at modern retail formats will increase the demand for branded and private label food items. Private labeling provides an alternative solution to in-house manufacturing.

We have also observed an increase in the demand for organic food products. Organic food produced domestically at the local farms with the support of authorities responsible for agriculture is encouraging the pursuit of organic farming, mainly as an environmentally friendlier alternative to current practices. Moreover, the GCC countries have also started to develop their value-added food manufacturing sector as large sums have been invested in this sector targeting local and re-export markets. Introduction of date palms as the GCC countries are racing to take the lion share in date production and processing."

Mohammed Nass

Chief Executive Officer

Al-Matahin (Bahrain Flour Mills Company)

"We believe that the GCC food industry is growing exponentially due to an increase in disposable income in GCC countries, an increase in population including an increased number of expatriates especially in the UAE & Kuwait, as well as gradual changes to food consumption patterns from traditional to international. However, certain challenges to the industry exist such as an increase in raw material prices, as well as GCC brands having to compete with more preferred international brands. Nevertheless, GCC governments are providing constant support to develop and advance the sector.

In terms of trends, there is an increasing in organic food demand in the GCC as well as an increase in fast food, packed, ready to eat and halal food segments leading to exciting opportunities for companies within this industry. We believe in investing in new technologies and we continue to maintain our positive outlook for the industry."

Masaad F. Al-Dakheel

VP, Marketing

Al-Watania Poultry

"The GCC Food Industry will likely see continued growth driven by growth in population and high Income per capita. The changing demographics in the region, driven by a youthful population and a growing middle class, is already having a marked effect on how food is packaged and consumed. The fast increasing expat population is also driving demand.

Whilst food production is low due to inherent constraints in the GCC markets, there are also significant challenges related to logistics, distribution and retailing of food. The market is still largely dependent on food imports, though we are seeing rapid progress in developing local food capabilities particularly from a packaging and branding perspective. Further, the market is fragmented with a large number of smaller players especially in retailing and restaurant sectors.

We foresee that technology will play a central role in improving operational capabilities, such as distribution, supply chain and logistics, in addition to channels of distribution such as E-Commerce. Food businesses need to be increasingly agile and dynamic to capture market share. BMMI, has, over the last three years multiplied our investment in technology to be better responsive to our customers. For instance we are a pioneer in Bahrain with the launch of our Alosra online store. Our customers can conveniently and reliably complete their grocery shopping online and have it delivered to their doorstep.

Attributes such as quality, environment, branding and convenience are becoming more important going forward. Improving food safety and quality standards is also important and can positively affect customer perceptions. With globalization and technological advances we are seeing opportunities to further rationalize procurement and supply chain."

Ammar Aqeel Al Hassan

Chief Financial Officer & EVP, Support Services

BMMI BSC

"Our outlook for the GCC food sector is positive. The growing population base and increasing affluence within the GCC countries is not only expected to result in an increase in food consumption but also in a change in the consumption pattern. High health awareness and a developing taste for a westernized diet, introduced by the increasing expatriate population, are bringing about a change in the region's dietary habits, creating demand for organic and international foods. Limited arable land and acute water shortage means that GCC countries will continue to rely heavily on food imports to meet the needs of the expanding population. At the same time governments consider food security to be a priority and have made multi-billion dollar investments towards improving their country's food security. A combination of all these factors opens up several interesting investment opportunities for local and international food companies and we are seeing a lot of interest from our clients operating in this sector."

Rohit Walia

Executive Chairman

Alpen Capital*

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1. Executive Summary

A growing population base, increasing affluence, and rising tourist inflow within the Gulf Cooperation Council (GCC) are some of the major factors fueling the food demand in the region. High health awareness and a developing taste for a westernized diet, introduced by the increasing expatriate population, are bringing about a change in the region's dietary habits, creating demand for organic and international foods. In contrast, the GCC's food production is restricted due to its arid climate, less arable land, and water scarcity, making it heavily reliant on imports. However, the region's abundant oil revenues have supported its food imports as well as enabled the governments to make multi-billion dollar investments towards improving the country's food security. The GCC offers a wide array of opportunities to local and international food companies on the back of its favorable demographics, changing consumption pattern, continued modernization of the value chain, and availability of government incentives.

1.1 Scope of the Report

An update of Alpen Capital's GCC Food Industry report dated May 1, 2013, this report presents the demand-supply dynamics of the GCC food industry across its countries and major food categories. The report also presents the recent industry trends, growth drivers, and challenges in the industry. It profiles some of the leading food companies in the region while evaluating their financial and market valuation metrics vis-à-vis the regional as well as international industry performance.

1.2 Industry Outlook

- Backed by encouraging macroeconomic drivers, food consumption in the GCC is expected to grow at a 3.5% CAGR between 2014 and 2019 to reach 51.9 million metric tonnes (MT).
- Grains are likely to remain the most consumed food category, accounting for 46.5% of the region's total food consumption in 2019. However, rising consumption of high-priced protein-rich and healthy foods is expected to gradually eat into the share of cereals in the total food consumption.
- Subsequently, cereals consumption is expected to show an annualized growth of 3.0% between 2014 and 2019, slower compared to the 4.4% and 3.8% annual rise in meat and fruit consumption, respectively.
- Saudi Arabia is the largest food consuming nation in the GCC, and is anticipated to remain so for the foreseeable future primarily because it has the largest population base in the region. Food consumption in Saudi Arabia is projected at 31.1 million MT in 2019, showing an annual average growth of 3.0% since 2014.
- During the forecasted period, food consumption in Qatar and the UAE is expected to grow at a CAGR of 5.5% and 4.8%, respectively, the fastest across the GCC.

1.3 Key Growth Drivers

- Based on the International Monetary Fund (IMF) data, the population in the Gulf is projected to increase at a 2.4% CAGR between 2014 and 2019 to reach 57.6 million. An expanding consumer base naturally increases the demand for food.
- Continued GDP growth in the region has translated into higher personal income levels, leading to a strong preference for discretionary and high-priced food products. The region's real GDP growth is projected to remain almost steady in the range of 3% to 4% between 2014 and 2016.

- International tourist arrivals in the GCC region are expected to show an annual average growth of 7.8% between 2014 and 2024, adding to the demand for food.
- The already high rate of urbanization across the GCC is only set to rise in the future which will also impact its food industry. Urban lifestyles have raised the standard of living of individuals, shifting their diet preference towards protein-enriched as well as packaged and fast foods.
- Modern retail formats of hypermarkets and supermarkets are gaining popularity among busy consumers in the GCC, as they cater to diverse tastes and preferences through their wide array of food products and brands.

1.4 Key Challenges

- Securing a steady supply of food remains a key challenge for the GCC governments due to their dependency on imports.
- An unstable socio-political environment in the Middle East poses a threat to the import of food into the region.
- The GCC region is facing extreme water scarcity due to persistent decline in its renewable water resources. An inadequate water supply is adversely impacting the region's limited agricultural productivity.
- The supply chain infrastructure, in its current state, presents a significant scope for improvement in the Gulf. Rising consumer awareness about adulteration and tighter regulatory oversight on food safety have drawn attention towards taking corrective measures, which are vital to the growth of the industry.
- Being largely dependent on food imports, the Gulf nations are always exposed to the fluctuations in international food prices.

1.5 Key Trends

- The GCC packaged food market is booming due to rising demand for healthy and international foods from a growing base of expatriates as well as young consumers.
- The concept of private labels is steadily evolving as a highly profitable option for food retailers in the region, as it lifts profit margins by eliminating the intermediaries in the value chain. There is a huge scope for further growth considering the relatively higher share of private labels in the matured markets.
- The region's high reliance on imports reflects the need for an advanced food processing industry. While Saudi Arabia and the UAE are the hubs for processed foods in the GCC region, other member nations are also investing in developing their processing capabilities.
- Rising ailments such as obesity have led to increased health consciousness in the GCC, boosting the consumption of healthy and organic foods.
- Halal food imports into the GCC region are expected to almost double from US$ 25.8 billion in 2010 to US$ 53.1 billion by 2020, registering a 7.5% CAGR.
- The GCC governments have been investing in fish farming initiatives to boost domestic seafood production and meet the rising demand.
- The Gulf nations are hosting and attending events to study and implement technological developments that could enhance their agricultural output. Hydroponics and Aquaponics are among the technologies the region has already adopted.

The GCC's demographics and robust macro factors are expected to continue to bolster its food industry. The inherent growth potential of the industry coupled with the regional governments' efforts to enhance food supply is encouraging international as well as local players to expand their foothold in the sector.

2. The GCC Food Industry Overview

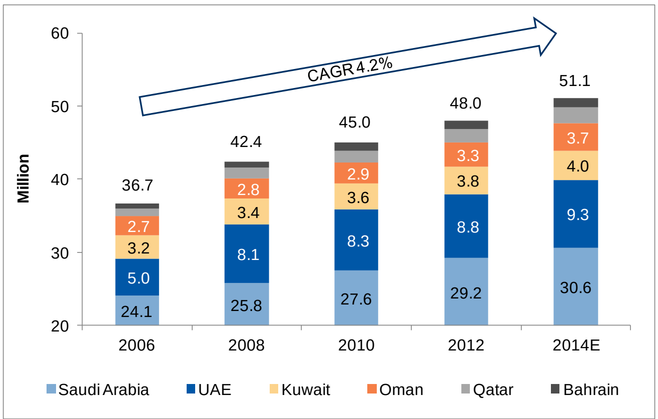
2.1 The GCC Food Market

Securing a steady food supply remains the primary objective of the GCC governments in the face of the region's limited scope of agricultural activities and depleting water reserves amid growing population, tourism, and affluence. Member nations are therefore diverting multi-billion dollar investments into arable land overseas while enhancing domestic output.

In 2014, the GCC region's population was estimated at above 50 million, with income of each inhabitant exceeding US$ 33,000 on average

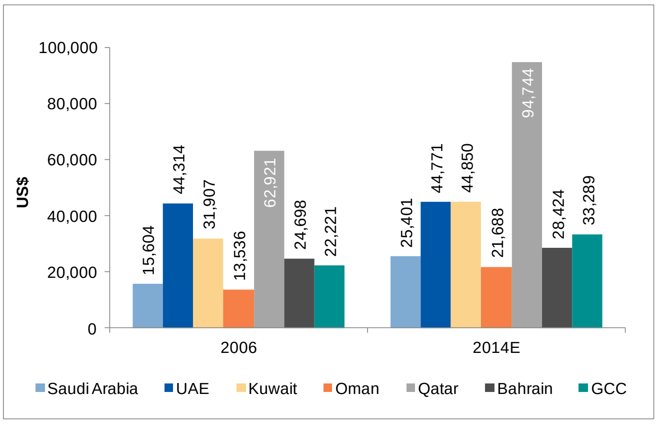
The population of the GCC region, one of the youngest in the world with a growing pool of expatriates, was estimated at above 50 million in 2014 (see Exhibit 1). While the region's population increased rapidly at an estimated 4.2% CAGR between 2006 and 2014[1], limited agricultural production has increased the country's dependence on imports. The region's net imports stood at nearly 75% of its food requirement in 2012[2], meeting the demands of its growing population. The region's affluence levels have also grown, with its per capita income rising at an estimated 5.2% CAGR since 2006 to exceed US$ 33,000 in 2014 (see Exhibit 2). Growing income levels will increase consumption as well as the type of food consumed, over and above their basic needs. Qatar, Kuwait, and the UAE are among the wealthiest nations in the world, with the presence of huge hydrocarbons deposits. Abundance of wealth has facilitated the region's growing food imports.

Exhibit 1: Population Growth in the GCC



Source: IMF October 2014
Note: E – Estimated

Exhibit 2: Per Capita Income in the GCC



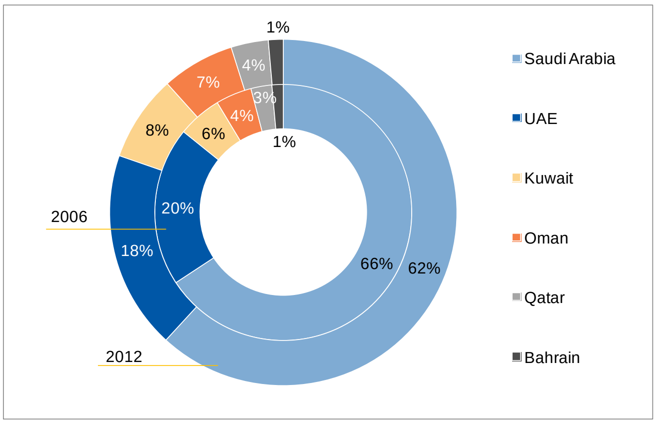
Source: IMF October 2014
Note: E – Estimated

Per capita food consumption in the GCC averaged at 851.9 kg in 2012

Rise in food demand in the Gulf nations is also driven by factors such as growing urbanization, high public wage bills, and an active tourism sector. The region's overall food consumption was at 40.9 million MT in 2012[2]. As home to 78.2% of the overall GCC population in 2014[1], Saudi Arabia and the UAE were the largest food consumption centers (see Exhibit 3). However, their share in the region's total food consumption reduced between 2006 and 2012[2], as that of smaller countries like Kuwait, Oman, and Qatar increased. The region's per capita food consumption averaged at 851.9 kilograms (kg) in 2012, with Kuwait recording the highest levels, followed by Saudi Arabia and the UAE (see Exhibit 4).

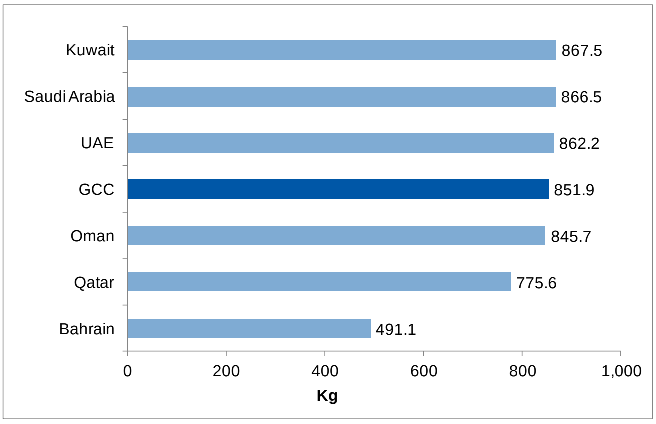
[1] Source: "World Economic Outlook Database", IMF, October 2014, Alpen Capital
[2] Source: "Arab Agricultural Statistics Yearbooks", Arab Organization for Agricultural Development (AOAD), Alpen Capital

Exhibit 3: Country-wise Food Consumption in the GCC



Source: Arab Agricultural Statistics Yearbook, Alpen Capital

Exhibit 4: Per Capita Food Consumption in the GCC (2012)

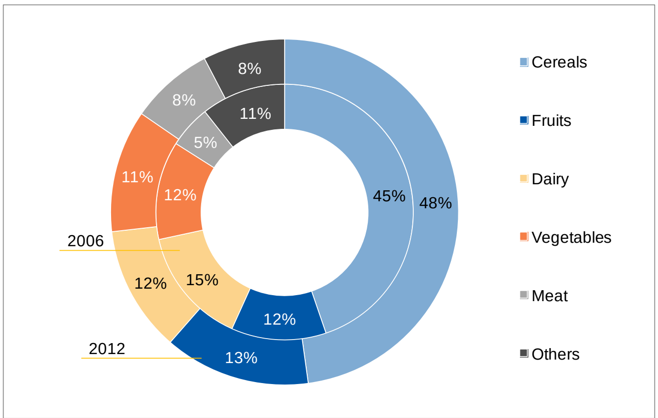


Source: IMF, Arab Agricultural Statistics Yearbook, Alpen Capital

Cereals is the top food category consumed across the Gulf nations, accounting for 48% of the total food demand in 2012

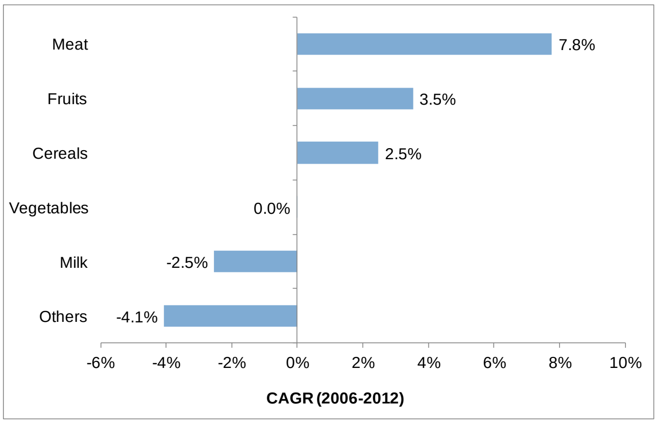
Cereals is the top food category consumed across the Gulf nations, accounting for 48% of the total food demand in 2012 (see Exhibit 5). The share of cereals, meat, and fruits consumption in the total food consumed has increased from 2006 to 2012[3]. The region's rising affluence has aided growth in the consumption of high-value products such as meat and fruits. Exhibit 6 showcases the shift in dietary preference towards protein-rich food, displaying a strong annualized growth rate of meat consumption at 7.8% between 2006 and 2012 compared to other food categories.

Exhibit 5: Category-wise Food Consumption in the GCC



Source: Arab Agricultural Statistics Yearbook, Alpen Capital

Exhibit 6: Category-wise Food Consumption Growth



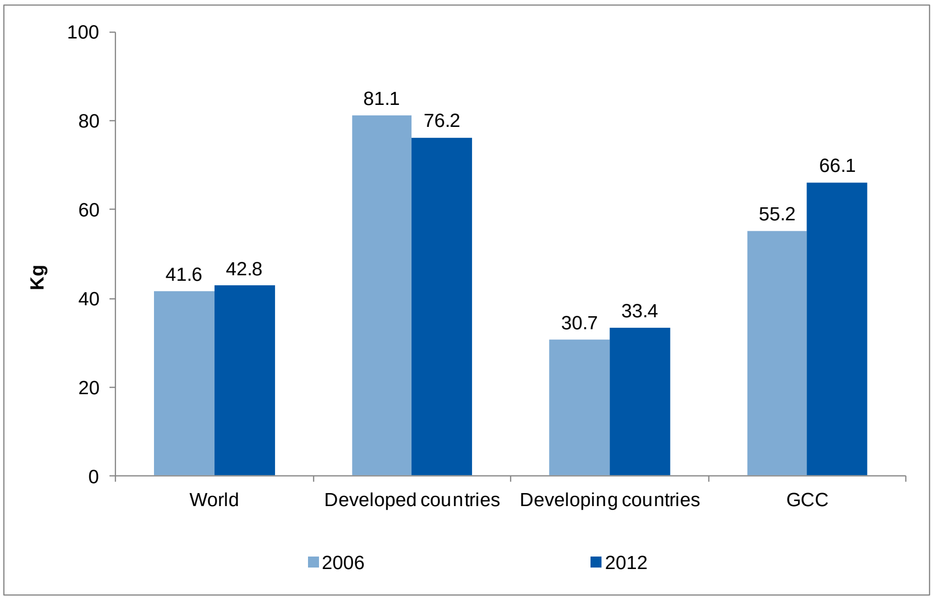
Source: Arab Agricultural Statistics Yearbook, Alpen Capital

The per capita meat consumption in the GCC was 66.1 kg in 2012, high compared to the world average of 42.8 kg

Although preference towards a protein-rich diet is a global trend, it is more evident in the GCC region due to its rising income levels and propensity towards a meat-centric diet. As seen in Exhibit 7, the per capita meat consumption in the region was 66.1 kg in 2012[3], high compared to the world average of 42.8 kg and the developing countries' average of 33.4 kg[4]. The per capita meat consumption in the GCC grew at an annual average of 3.0% between 2006 and 2012[3], unlike a 1.0% decline in the developed countries and a marginal growth in the global average[4].

[3] Source: "Arab Agricultural Statistics Yearbooks", AOAD, Alpen Capital
[4] Source: "Food Outlook", Food and Agriculture Organization of the United Nations, October 2014

Exhibit 7: Annual Per Capita Meat Consumption Pattern in the World

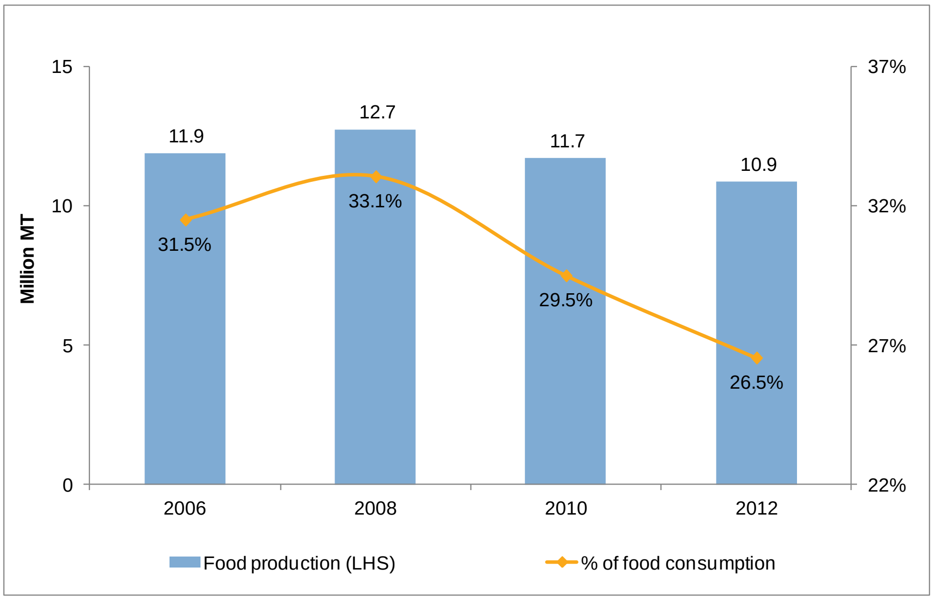


Source: Food and Agriculture Organization of the United Nations (FAO), Arab Agricultural Statistics Yearbook, Alpen Capital

Less cultivable land resulted in total food production meeting only 26.5% of the region's consumption in 2012

While the food consumption in the GCC is increasing, the region's arid climate, shortage of water resources, and inadequate agricultural land have limited its domestic agricultural output. In 2012, only 1.8% of the total land in the GCC was under cultivation[5]. Saudi Arabia held the largest cultivable land area of 4,193 hectares in 2012, just 2.0% of the country's total land[5]. Subsequently, total food production in the GCC stood at 10.9 million MT in 2012 meeting only 26.5% of its consumption (see Exhibit 8).

Exhibit 8: Food Production in the GCC



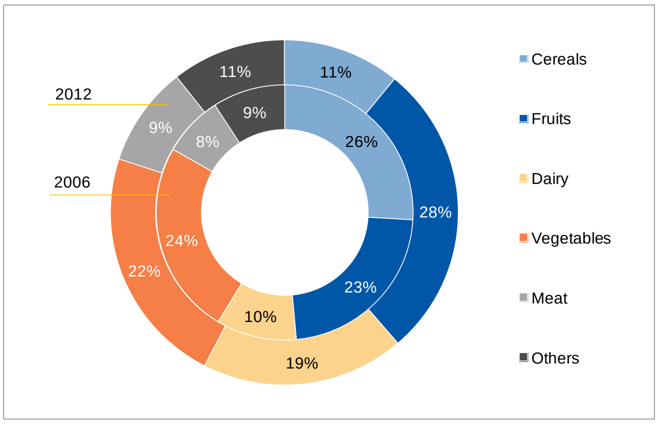
Source: Arab Agricultural Statistics Yearbook, Alpen Capital

[5] Source: "Arab Agricultural Statistics Yearbooks", AOAD, Alpen Capital

GCC food production declined at a CAGR of 1.5% between 2006 and 2012 due to a drastic fall in cereal production

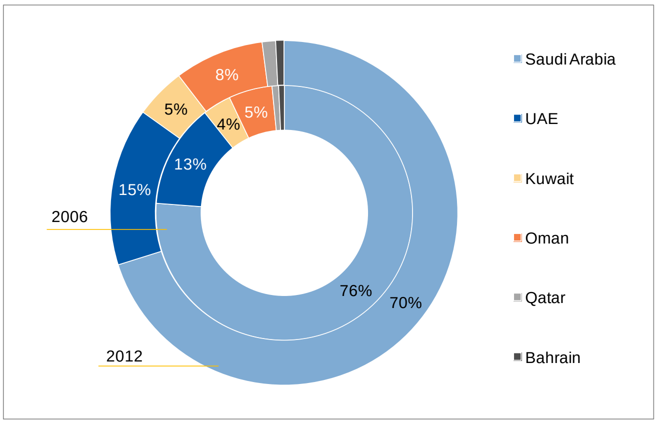
Food production in the GCC declined at a CAGR of 1.5% between 2006 and 2012[6] due to a drastic fall in the share of cereal production from 26% in 2006 to 11% in 2012 (see Exhibit 9). This was a result of the major producer Saudi Arabia's plan to stop wheat production by 2016. Consequently, the kingdom's share of the region's overall food production also declined from 76% in 2006 to 70% in 2012 (see Exhibit 10).

Exhibit 9: Category-wise Food Production in the GCC



Source: Arab Agricultural Statistics Yearbook, Alpen Capital

Exhibit 10: Country-wise Food Production in the GCC

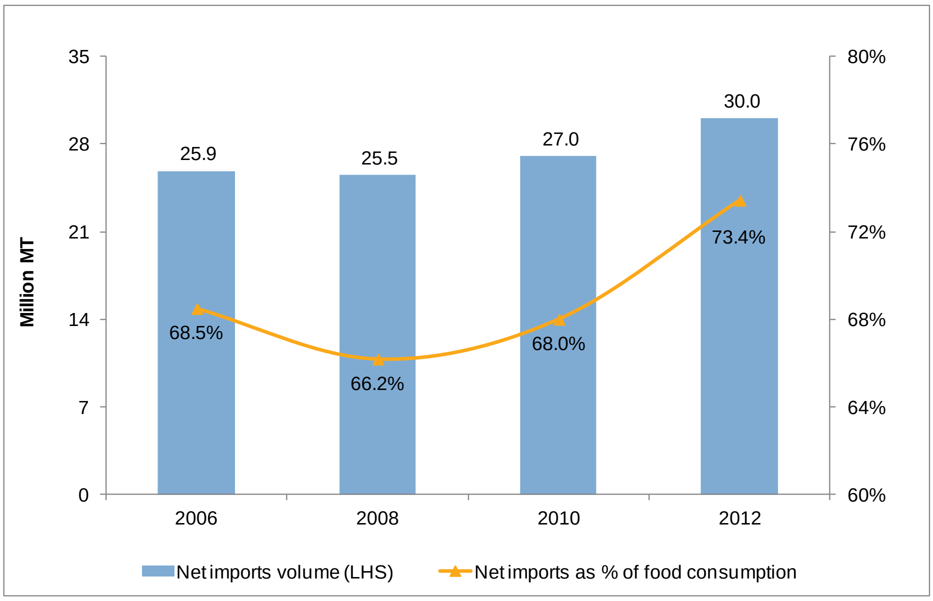


Source: Arab Agricultural Statistics Yearbook, Alpen Capital

In 2012, the region's net imports stood at 73.4% of its overall food demand

A low production scale resulted in high dependence on food imports. In 2012, the region's net imports stood at 73.4% of its overall food demand (see Exhibit 11). While the net import volume grew at a 2.5% CAGR between 2006 and 2012, the value of net imports surged 14.3%[6]. This was largely attributable to the global food price rise since 2008.

Exhibit 11: GCC Net Food Imports by Volume



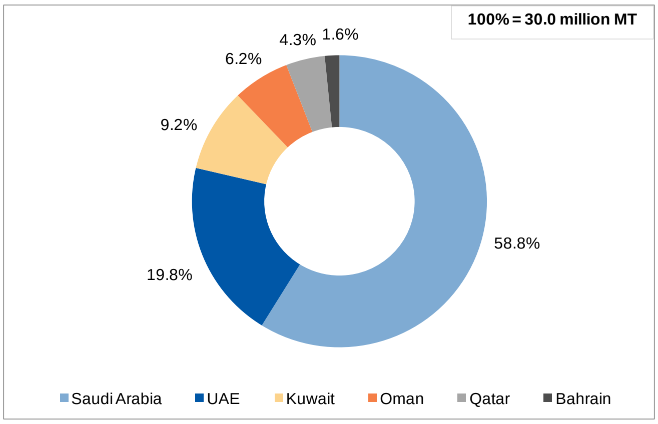
Source: Arab Agricultural Statistics Yearbook, Alpen Capital

6 Source: "Arab Agricultural Statistics Yearbooks", AOAD, Alpen Capital

Cereals accounted for 61.2% of the region's net import volume in 2012, with other categories in the 7% to 9% range

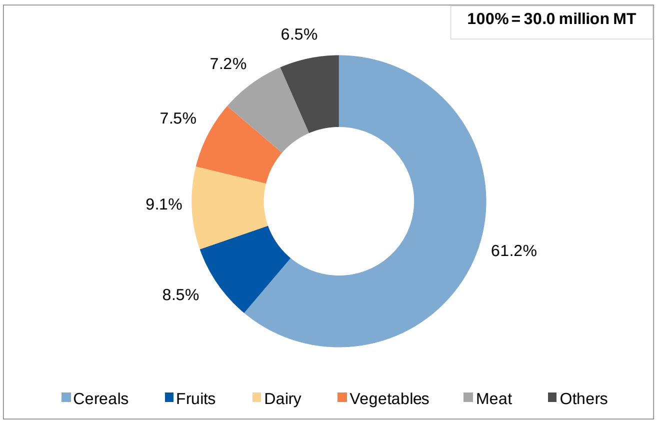
Saudi Arabia and the UAE were the major importers accounting for nearly 80% of the region's net imports in 2012 (see Exhibit 12). Cereals accounted for 61.2% of the total net import volume in 2012, with net imports of the remaining categories in the 7% to 9% range (see Exhibit 13). However, the volume of cereals grew at a CAGR of 4.9% between 2006 and 2012, slower than that of meat at 11.6% and fruits at 5.7%[7]. The net import volume of dairy and other products declined during the period[7].

Exhibit 12: Country-wise Net Food Imports Volume (2012)



Source: Arab Agricultural Statistics Yearbook, Alpen Capital

Exhibit 13: Category-wise Net Food Imports Volume (2012)



Source: Arab Agricultural Statistics Yearbook, Alpen Capital

With rising imports, the Gulf countries are considering the diversification of their import sources to reduce their dependence on key trade partnerships. On the other hand, several other countries aim to enter into trade relationships with the region to strengthen their ties with the member nations. For example, New Zealand is increasing its scope of operations by expanding its representative office in Dubai and is also in the process of engaging a trade commissioner in Riyadh[8].

The FAO's Food Price Index surged in early 2008, raising food security concerns across the globe

Being import-dependent, the region is exposed to food price fluctuations in the global markets. The FAO's Food Price Index[9] surged in early 2008, raising food security concerns across the globe (see Exhibit 14). Food prices have remained volatile since then, with spikes in between as a result of unfavorable weather conditions, geopolitical tensions, rising prices of irrigation equipment, surging transportation costs, and stock holding due to the implementation of certain procurement policies. Barring October 2014, the index has been dropping every month since April 2014, much to the relief of countries relying on imports. Strong inventories, a strengthening US dollar, and falling crude oil prices are some of the factors contributing towards this fall.

The GCC governments provided subsidies, fixed food prices, and increased wage bills to minimize the price burden on citizens

The region's high per capita income provides ample cushion to absorb unfavorable food price fluctuations. Nevertheless, governments across the region have undertaken measures such as providing subsidies, fixing food prices, and increasing wage bills to minimize the price burden on citizens. Despite being the third-largest net importer of food products (as a percentage of consumption) across the Gulf region, Kuwait is the least vulnerable to food price shocks due to its stronger fiscal balance, as of 2012 (see Exhibit 15). At the same time, the negative fiscal balance of Bahrain, the second-largest importer, makes it most vulnerable to food price rise or global supply disruptions.

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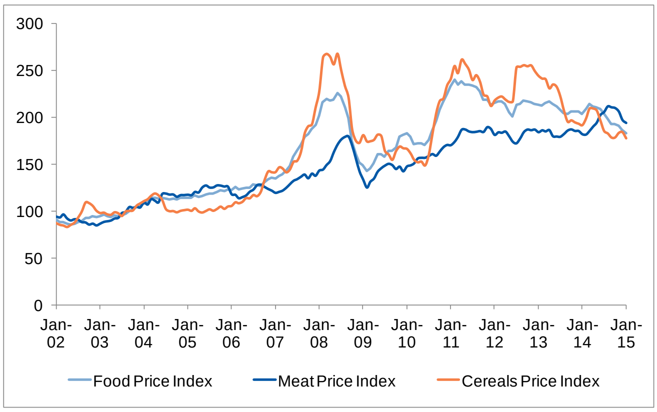
[7] Source: "Arab Agricultural Statistics Yearbooks", AOAD, Alpen Capital
[8] Source: "The GCC's Food Security Dilemma", Gulf Business, April 22, 2014
[9] A trade-weighted index tracking the global prices of five major food groups including cereals, meat, dairy products, vegetable oils, and sugar

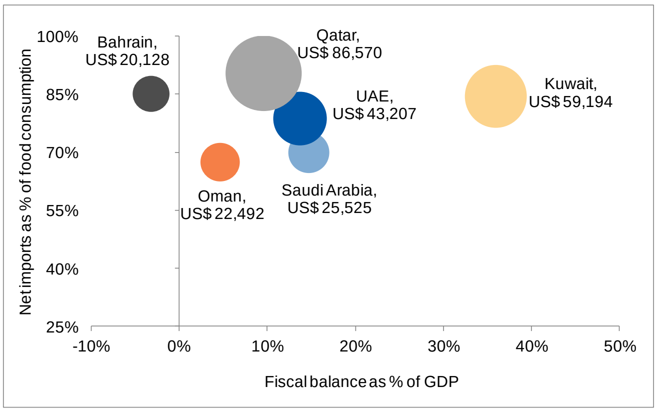
Exhibit 14: Global Food Price Indices



Source: FAO, Alpen Capital

Note: The base year for the index is 2002-2004

Exhibit 15: The GCC Nations' Vulnerability to Food Price Shocks (2012)



Source: IMF Fiscal Monitor, United National Statistics Division, Alpen Capital

Note: The bubble size represents gross national income per capita

The GCC countries are leveraging their wealth to improve food security

The GCC countries are leveraging their wealth to improve food security as well as reduce the impact of price shocks and supply-side disruptions. Some of the measures adopted include improving agricultural productivity, enhancing storage capacities for essential grains, investing in overseas farmlands, augmenting food processing capabilities, and developing an effective supply chain to reduce food wastage.

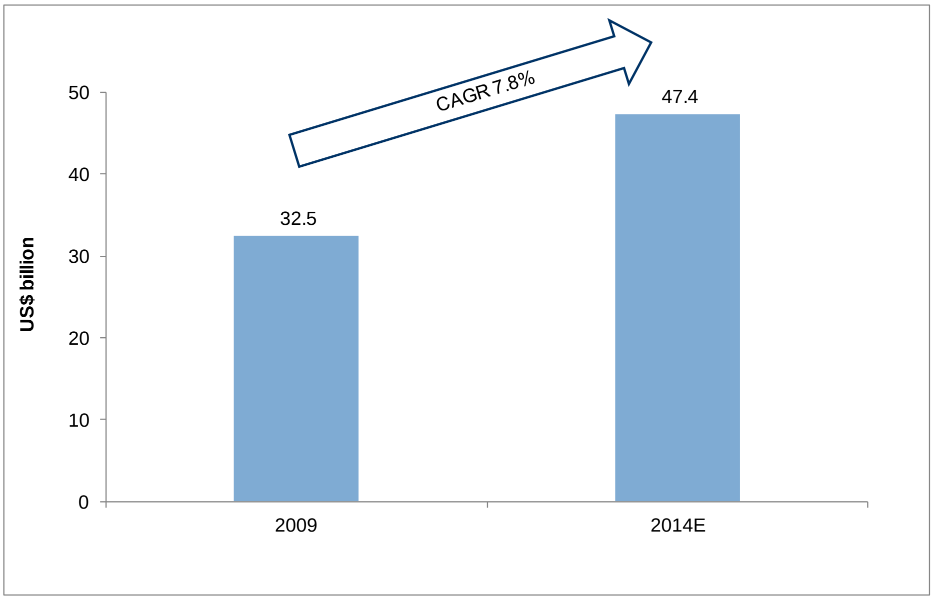
The Saudi Arabian Food Market

Saudi Arabia's food retail sales rose at a CAGR of 7.8% from 2009 to reach an estimated US$ 47.4 billion in 2014

Saudi Arabia is the largest economy within the GCC. The country represents nearly two-thirds of the region's total population and one of the youngest consumer bases in the world. In addition to an influx of expatriates, an increasing trend of outbound travels by locals has resulted in the demand for a variety of international foods, shifting the focus from traditional Arabic cuisines. Subsequently, several international food companies aim to establish their presence in the kingdom. The kingdom's food retail sales, which accounted for nearly half of the overall retail sales, have grown at a CAGR of 7.8% between 2009 and 2014 to reach an estimated US$ 47.4 billion[10] (see Exhibit 16).

[10] Source: "GCC Retail Industry", Alpen Capital, January 27, 2015

Exhibit 16: Food Retail Sales in Saudi Arabia



Source: The Economist Intelligence Unit, September 2014; Alpen Capital GCC Retail Industry Report, January 2015

In 2008, the Saudi Arabian government launched a policy to stop producing wheat by 2016 to protect its depleting water reserves

Saudi Arabia is the largest food producer as well as consumer in the GCC, accounting for 70.1% and 61.8% of the region's total food production and consumption in 2012, respectively[11]. Although the kingdom's demand for food is rising, its domestic production is depleting as the country prepares to phase out its wheat production, which in 2012 accounted for 11.2% of the overall food production compared to 29.0% in 2006[11]. In 2008, the government launched a policy to stop producing wheat by 2016 to protect its depleting water reserves. Consequently, the domestic wheat and flour production declined by an annual average of 17.1% between 2006 and 2012, impacting the overall food production, which fell by 2.9%[11]. However, an 11.0% average annual increase in the production of dairy products during the period[11] curtailed the drop in the overall food production to some extent.

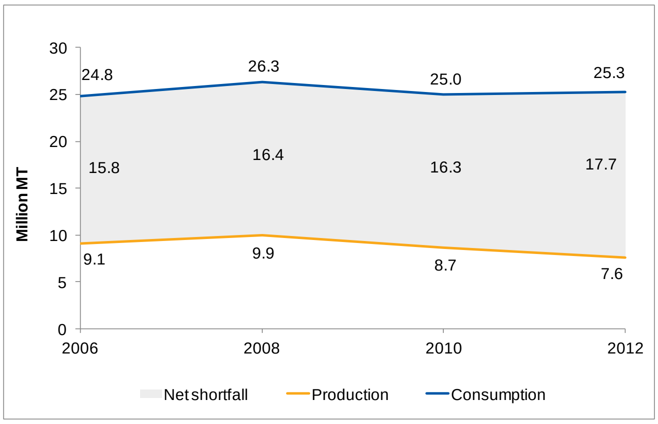
The kingdom's food consumption stood at 25.3 million MT in 2012 (see Exhibit 17). While cereal remained the major food category consumed in Saudi Arabia, its share of total consumption has declined over the period as the demand for meat has risen sharply. Meat consumption and import volume have grown at a CAGR of 3.9% and 8.1%, respectively, between 2006 and 2012[11]. Depleting produce amid growing consumption led overall food imports to grow at a 2.8% CAGR between 2006 and 2012[11]. The country spent US$ 10.3 billion on net imports in 2012.

Saudi Arabia's produce was able to meet 30.1% of its food demand in 2012

The kingdom's produce was able to meet 30.1% of its food demand in 2012 (see Exhibit 18). The country's vegetable, fruit, and dairy production is strong enough to cater to a large part of its demand, maintaining the respective self-sufficiency ratios at 83.6%, 64.5%, and 58.9% in 2012[11].

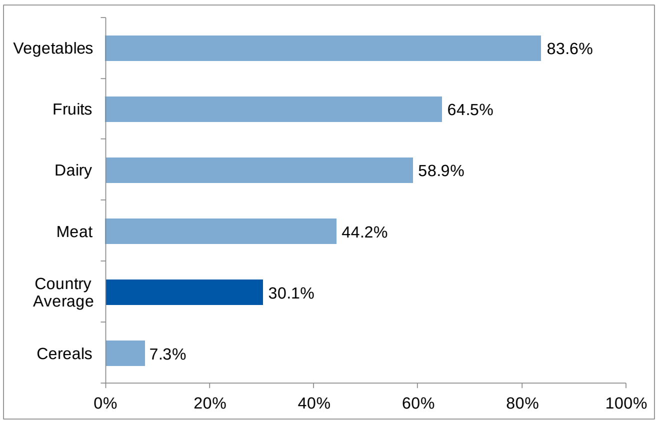
[11] Source: "Arab Agricultural Statistics Yearbook", AOAD, 2013, Alpen Capital

Exhibit 17: The Saudi Arabian Food Landscape



Source: Arab Agricultural Statistics Yearbook, Alpen Capital

Exhibit 18: Self-sufficiency Ratio in Saudi Arabia (2012)



Source: Arab Agricultural Statistics Yearbook, Alpen Capital

The government is seeking investments from overseas companies producing cereal and forage crops to secure the supply of wheat in the kingdom

Wheat consumption accounted for 12.5% of the kingdom's total food consumption in 2012[12]. The termination of wheat production coupled with a growing population base has prompted the Saudi Arabian government to focus on securing the commodity's supply internationally. Thus, the government is seeking investments from agricultural companies in countries that produce cereal and forage crops. The kingdom has already made extensive investments in agricultural projects and lands in countries such as Ethiopia, Zambia, Sudan, Egypt, Mauritania, the Philippines, Argentina, Nigeria, and Pakistan.

Overall investment in Saudi Arabia's food processing segment grew at an 11.9% CAGR between 2002 and 2012

Being the largest food producer in the GCC and with high reliance on imports, Saudi Arabia's food processing segment saw rapid growth between 2002 and 2012. The segment was also encouraged by the government's provision of subsidies on certain food production equipment, interest-free loans, and duty-free import of raw materials[13]. From 2002 to 2012, the number of food processing units in the kingdom increased from 460 to 732, while the overall investment in the segment grew at a CAGR of 11.9% to US$ 12.3 billion in 2012[13]. Drawn towards the growth potential in the processing segment, international investors have partnered with local manufacturers and investors to form joint ventures, enter into licensing agreements, and/or acquire the entities already operating in the sector. Among the overseas players present in the sector are Mars, Del Monte Foods, Coro Foods, Danone, Arla Foods Amba, Heinz, Fonterra's, United Biscuits (UK), Frito-Lay, and the Lactalis Group.

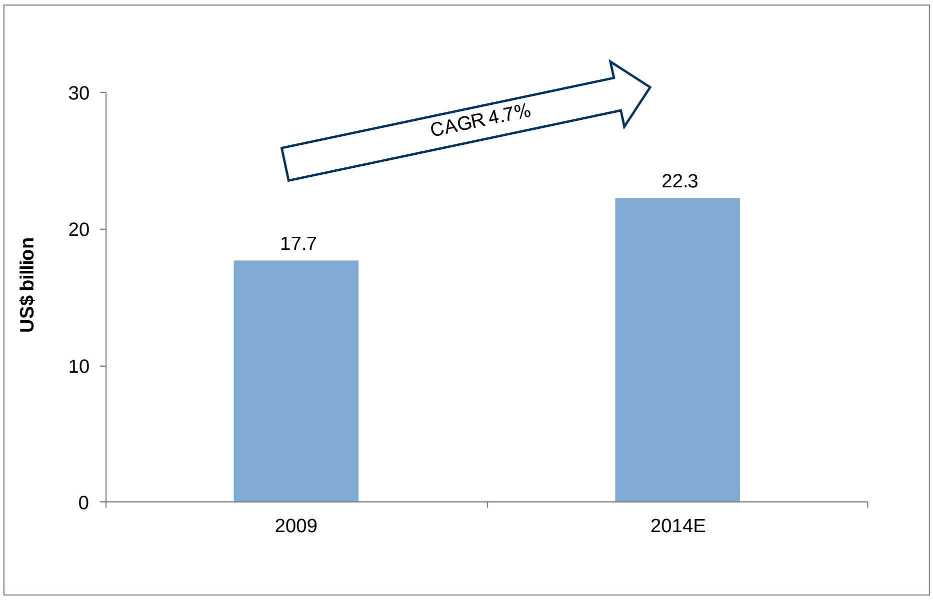
The UAE Food Market

The UAE's food retail sales grew at a CAGR of 4.7% between 2009 and 2014

Consequent to its strategic economic diversification measures, the UAE has emerged as a relatively free-market economy, a major trading hub, and a busy tourist destination. Complemented by its rising population as well as its re-export activities, the country's food market is among the most active in the region. The UAE's food retail sales have grown at a CAGR of 4.7% since 2009 to an estimated US$ 22.3 billion in 2014[14] (see Exhibit 19). Factors such as high disposable income, rising tourism activities, increase in the number of expatriates, and the presence of organized retail stores are among the chief contributors to the retail sales growth.

[12] Source: "Arab Agricultural Statistics Yearbook", AOAD, 2013, Alpen Capital
[13] Source: "Saudi Arabia Food Processing Ingredients", USDA Foreign Agricultural Service, December 30, 2014
[14] Source: "GCC Retail Industry", Alpen Capital, January 27, 2015

Exhibit 19: Food Retail Sales in the UAE



Source: The Economist Intelligence Unit, August 2014; Alpen Capital GCC Retail Industry Report, January 2015

Net food imports accounted for 78.8% of the total food consumed in the Emirates in 2012

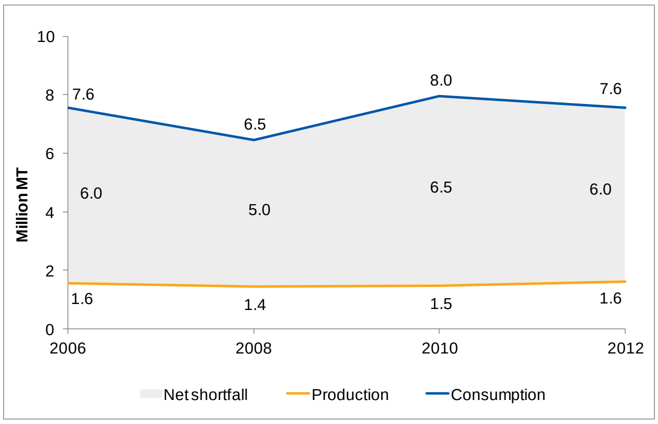
As the second-largest food producer and consumer, the UAE accounted for 14.8% and 18.5% of the total GCC food production and consumption in 2012, respectively[15]. The country's major produce is dates, followed by tomatoes, cucumber, and eggplant. Cereals, fruits, and vegetables are the most consumed food products, together accounting for 73.6% of the 7.6 million MT of food consumed in 2012[15]. The consumption of meat increased at an annualized rate of 18.5% between 2006 and 2012, compared to a decline in the consumption of cereals at 2.5% and that of dairy products at 10.2%[15]. While the country's overall food consumption remained volatile over 2006-2012, food production increased at a 0.4% CAGR to 1.6 million MT in 2012 (see Exhibit 20). This contributed towards an increase in food self-sufficiency to 21.2% in 2012 compared to 20.7% in 2006[15]. Nonetheless, the UAE continues to face a wide food deficit like other GCC nations. The country primarily addresses its food deficit through imports, which grew at a 1.6% CAGR between 2006 and 2012[15]. Net food imports accounted for 78.8% of the total food consumed in the Emirates in 2012[15]. The main sources of food for the Emirates are India, the US, and Brazil[16].

The UAE produces more than half of its total fruit consumption

The UAE produces more than half of its total fruit consumption and 30.5% of its dairy consumption (see Exhibit 21). Meat forms an integral part of the Emirati diet. However, the country met only 14.1% of its meat consumption in 2012[15].

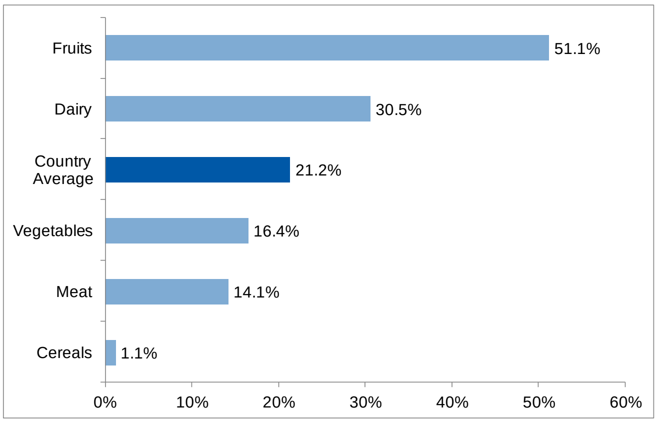
[15] Source: "Arab Agricultural Statistics Yearbooks", AOAD, Alpen Capital
[16] Source: "Market Overview United Arab Emirates", Agriculture and Agri-Food Canada, March 2014

Exhibit 20: The UAE Food Landscape



Source: Arab Agricultural Statistics Yearbook, Alpen Capital

Exhibit 21: Self-sufficiency Ratio in the UAE (2012)



Source: Arab Agricultural Statistics Yearbook, Alpen Capital

The UAE re-exports almost half of the imported food products

Dubai and Abu Dhabi are the major food consuming cities of the UAE, housing most of its population, businesses, and retail stores. Demand for processed and western foods in the UAE is growing with the increasing influx of expatriates. The government is, therefore, largely investing in its agricultural and food processing industries, offering the required support and technology to enhance productivity as well as supply. The UAE re-exports almost half of the imported food products to other GCC nations, East Africa, and countries such as Russia, Pakistan, and India[17]. Dubai has emerged as the third-largest re-exporter in the world[18] and a key food manufacturing destination due to its ability to produce high-quality, competitive, and value-added products, accompanied by a strong logistics network and strategic location. Food re-exports from Dubai are estimated to have grown by 10% in 2014 from AED 10.6 billion (US$ 2.9 billion[19]) in 2013[20].

The UAE aims to establish itself as a regional hub for food trade to enhance the food security across the GCC region

The country has also developed food safety laws and is encouraging private companies to establish food storage and distribution facilities by entering into partnership agreements. Such efforts are aimed at establishing itself as a regional hub for food trade to enhance the food security across the GCC region. Post the global food price spike in 2008, the country in a bid to secure food supply acquired farm lands in North Africa and South Asia[21]. However, the strategy did not attain much success due to weak infrastructure and local unrest in such regions. Subsequently, the Emirates are now focusing on investing in the developed regions of Europe, Australia, and the Americas.

The Kuwaiti Food Market

In terms of GDP per capita, Kuwait is the second-wealthiest nation in the GCC region. The country's population and per capita income grew at a CAGR of 2.9% and 4.3%, respectively, between 2006 and 2014[22]. Kuwait has undertaken measures to diversify its economy by focusing on the growth of non-oil sectors. Consequently, factors such as urbanization, growing expatriate workforce, rising population of the young and affluent as well as growth in the tourism and hospitality sectors have increased the need for food. Such factors coupled with a developing taste for international foods has attracted several

[17] Source: "Agro Pulse", Dubai Multi-Commodities Centre, 2013
[18] Source: "Dubai Chamber honours top exporting members", Khaleej Times, January 16, 2015
[19] At exchange rate as of February 10, 2015
[20] Source: Dubai Exports
[21] Source: "Scarcity and Abundance: UAE Food and Water Security", Future Directions International, November 25, 2014
[22] Source: "World Economic Outlook Database", IMF, October 2014, Alpen Capital

Kuwait's food retail sales accounted for an estimated 57.2% of the overall retail sales in 2014

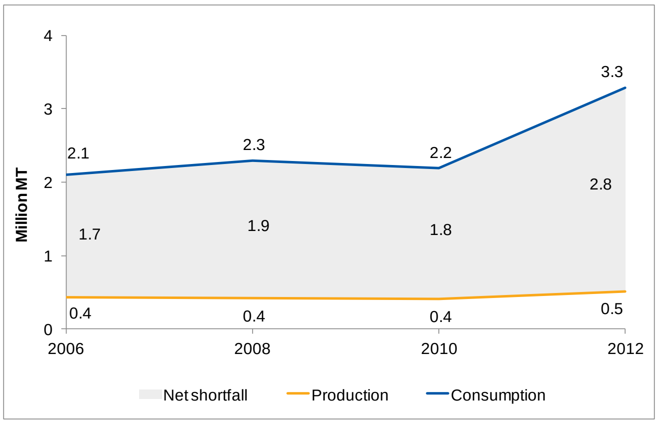
international as well as regional food and beverage retailers and restaurant chains to the Kuwaiti food market. The country's food retail sales rose by 5.9% y-o-y to an estimated US$ 9.5 billion in 2014, accounting for 57.2% of the overall retail sales[23].

Kuwait's food imports amounted to US$ 1.7 billion in 2012, registering a CAGR of 15.0% since 2006

Kuwait's food consumption was at 3.3 million MT in 2012 (see Exhibit 22). Cereal and dairy products are the most consumed food categories, accounting for 51.6% of the total food consumption in the year[24]. However, consumption of fruits grew at a faster annual average of 22.5% between 2006 and 2012 compared to a respective rise of 8.0% and 2.0% in the consumption of cereals and dairy[24]. During the period, the country's food production registered an annualized growth of 3.0%, relatively lower than the rise in consumption, leading to an increase in imports. Kuwait's net food imports amounted to US$ 1.7 billion in 2012, registering an annualized growth of 15.0% since 2006[24]. Inherent wealth enables the country to undertake measures to comfortably meet its food requirements, resulting in higher food security in Kuwait[25] among the GCC nations in terms of affordability, availability, and accessibility. However, the country's growing economy presents the need for securing a higher supply of essential food items.

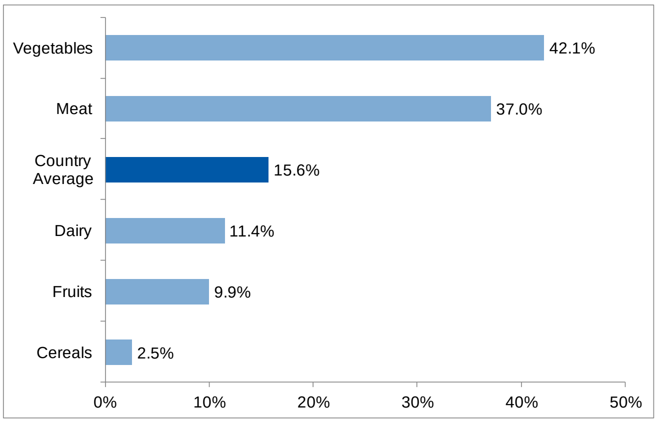
Kuwait met only 15.6% of its food consumption requirement through domestic production (see Exhibit 23). While the country enjoyed higher self-sufficiency in vegetables and meat, it was very low in cereals at 2.5% in 2012[24].

Exhibit 22: The Kuwaiti Food Landscape



Source: Arab Agricultural Statistics Yearbook, Alpen Capital

Exhibit 23: Self-sufficiency Ratio in Kuwait (2012)



Source: Arab Agricultural Statistics Yearbook, Alpen Capital

The Omani Food Market

The Omani food industry is supported by the growth in expatriates and tourists, increasing awareness and preference towards international foods, political stability, and rising disposable income levels. Food retail sales in the country grew by 6.2% y-o-y to an estimated US$ 5.4 billion in 2014[23].

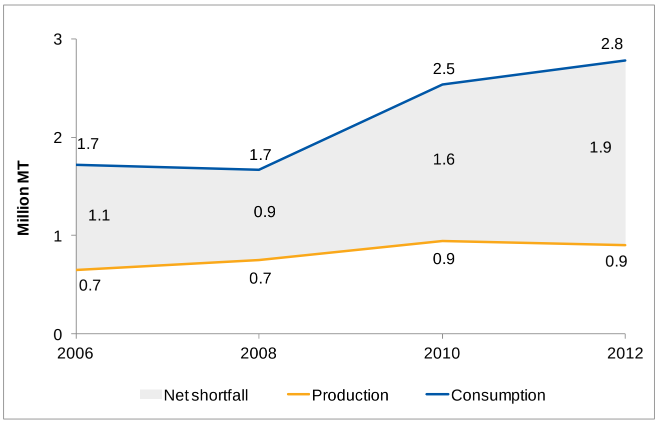
Food consumption in Oman stood at 2.8 million MT in 2012

In 2012, food consumption in Oman stood at 2.8 million MT (see Exhibit 24)[24]. Consumption growth in the country was primarily led by an increase in the population and per capita income levels. Cereals, fruits, and dairy products were the most widely consumed food items, accounting for 73.3% of the total food consumption in 2012[24]. The country's food production increased at an average annual rate of 5.6% between 2006 and

[23] Source: "GCC Retail Industry", Alpen Capital, January 27, 2015
[24] Source: "Arab Agricultural Statistics Yearbooks", AOAD, Alpen Capital
[25] Source: "Global Food Security Index", The Economist Intelligence Unit, 2014

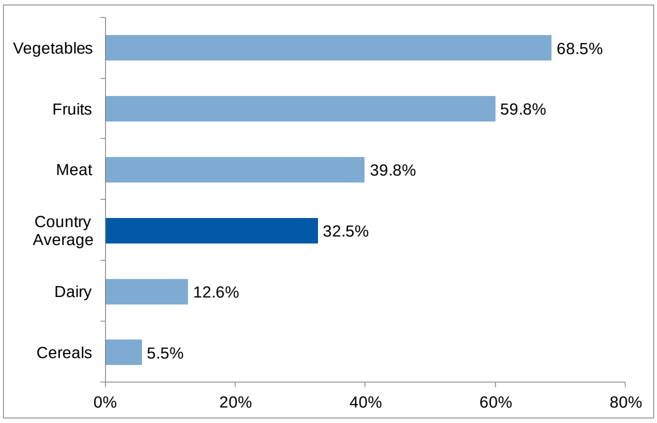
2012 to reach 0.9 million MT mainly led by a strong increase in the produce of cereals and meat[26]. As seen in Exhibit 25, the country met 32.5% of its food consumption needs in 2012. Domestic production met more than two-thirds of its total vegetable consumption and nearly 60% of its fruit consumption in 2012.

Exhibit 24: The Omani Food Landscape



Source: Arab Agricultural Statistics Yearbook, Alpen Capital

Exhibit 25: Self-sufficiency Ratio in Oman (2012)



Source: Arab Agricultural Statistics Yearbook, Alpen Capital

In 2013, the Omani government pledged to invest about US$ 250 million to develop a fishing zone and harbor in Duqm

Oman's seafood and food processing segments are seeing significant activity. In 2013, the Omani government pledged to invest about US$ 250 million to develop a fishing zone and harbor in Duqm, with the capacity to accommodate 60 processing plants[27]. Additionally, the Sultanate is also developing an agro-processing industry in the Sohar Port and Freezone (SPF). The SPF is also expected to house a food cluster comprising a large flour mill, a grain silo complex, a sugar refinery, and an agro bulk-handling terminal. Such developments coupled with the country's investor-friendly policies and the upcoming rail project connecting the country's ports to other Gulf nations are likely to strengthen its position as a food distribution hub.

The Qatari Food Market

Qatar's population increased at a CAGR of 11.0% between 2006 and 2014, recording the fastest growth across the GCC

With the highest GDP per capita in the world, Qatar largely depends on the hydrocarbon sector for its economic growth. Although low, Qatar's population increased at a CAGR of 11.0% between 2006 and 2014[28], recording the fastest growth across the GCC region. The Qatari food industry is strengthened by factors such as rising expatriate population, tourism, and a developing taste for western foods. The country's 2014 food retail sales are estimated at US$ 11.0 billion, showing a 13.1% y-o-y increase and accounting for 46.4% of its total retail sales[29].

Qatar's food production and consumption stood at 0.1 million MT and 1.4 million MT in 2012, respectively

Qatar's food production and consumption stood at 0.1 million MT and 1.4 million MT in 2012, respectively (see Exhibit 26). A low production base due to lack of arable land and arid climate conditions has made the country highly import-dependent. Rising affluence has led to increase in demand for high-priced foods such as meat and fruits. The consumption of meat and fruits in Qatar grew at respective average annual rates of 19.6% and 9.1% between 2006 and 2012[26].

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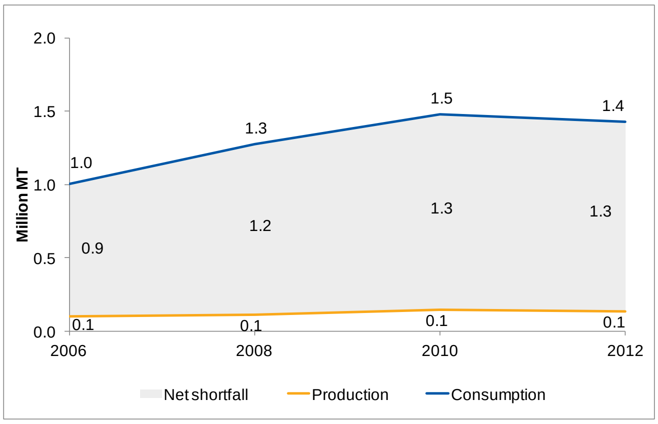
[26] Source: "Arab Agricultural Statistics Yearbooks", AOAD, Alpen Capital
[27] Source: "Oman to invest $250m in Integrated Fisheries Hub in Duqm", Global Arab Network, May 13, 2013
[28] Source: "World Economic Outlook Database", IMF, October 2014, Alpen Capital
[29] Source: "GCC Retail Industry", Alpen Capital, January 27, 2015

Qatar faces a supply shortage in poultry, which is largely imported

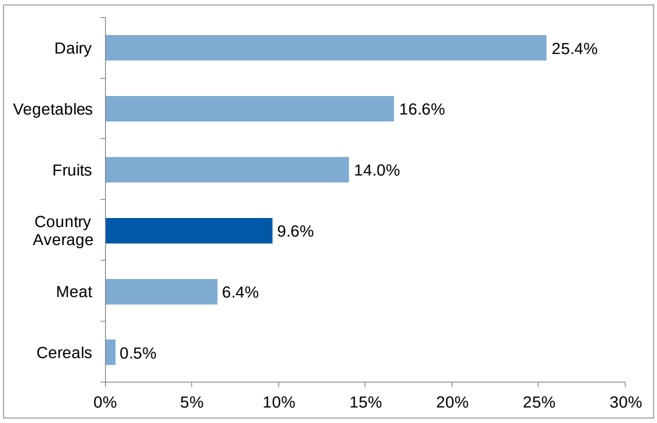
The country faces a supply shortage in poultry, which is largely imported (more than 80%[30]), owing to high demand. To boost self-sufficiency, the government has proposed the setting up of a chicken-farm complex, aiming at a four-fold increase in the country's chicken production. Qatar's food self-sufficiency at 9.6% (see Exhibit 27) was the lowest compared to all other GCC nations. The country met only 0.5% of its cereals consumption in 2012[31].

Exhibit 26: The Qatari Food Landscape



Source: Arab Agricultural Statistics Yearbook, Alpen Capital

Exhibit 27: Self-sufficiency Ratio in Qatar (2012)



Source: Arab Agricultural Statistics Yearbook, Alpen Capital

The Bahraini Food Market

Food retail sales in Bahrain grew by 4.6% y-o-y to an estimated US$ 2.0 billion in 2014

A small population base and low income levels have resulted in low food consumption in Bahrain compared to all other GCC nations. Apart from demand from its local population, the country's food industry is largely supported by tourists, majorly from Saudi Arabia. Food retail sales in the country grew by 4.6% y-o-y to an estimated US$ 2.0 billion in 2014, accounting for 23.1% of the overall retail sales[32].

Between 2006 and 2012, Bahrain's food production declined by 0.4% CAGR to 0.1 million MT

While the country's food production declined by an annual average of 0.4% from 2006 to 0.1 million MT in 2012 (see Exhibit 28), its net imports grew at 1.0%[31]. Food consumption in the country stood at 0.6 million MT in 2012. Cereals and vegetables are the staple food of the country, accounting for 45.1% of the total food consumed in 2012[31]. Consumption of cereals and meat registered CAGRs of 20.6% and 9.7%, respectively, between 2006 and 2012[31]. However, the consumption of vegetables declined at a 4.9% annual average during the period. To encourage consumption amid rising inflation, the government announced subsidies to stabilize the prices of essential food items. Subsidies for meat, poultry, and flour grew at an annualized rate of 9.4% since 2011 to reach BHD 67 million (US$ 174.4 million[33]) in 2013, forming more than 4% of the total subsidies announced during the year[34].

The country's domestic production met only 14.6% of its food consumption in 2012 (see Exhibit 29), resulting in heavy reliance on imports. While Bahrain depended totally on imports for its cereal requirement, its self-sufficiency in meat and fruits was high compared to other food categories.

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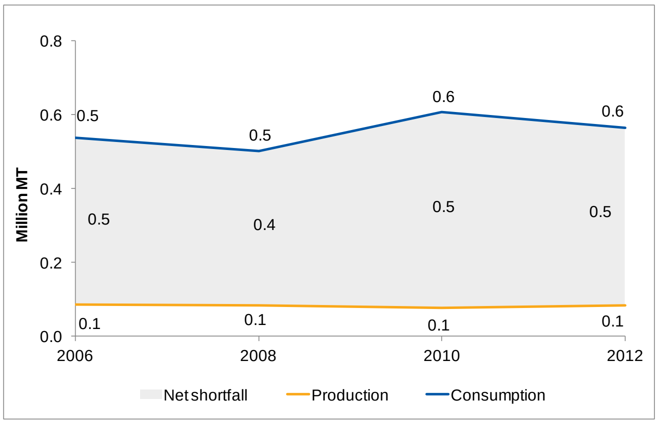
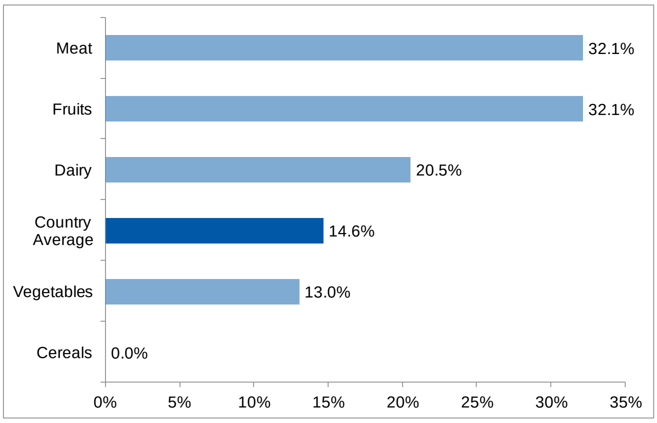
30 Source: "Qatar looks to Portugal for poultry imports", WATT Global Media, April 18, 2014
31 Source: "Arab Agricultural Statistics Yearbooks", AOAD, Alpen Capital
32 Source: "GCC Retail Industry", Alpen Capital, January 27, 2015
33 At exchange rate as of January 14, 2013
34 Source: "BD67m food subsidies earmarked", Gulf Daily News, January 14, 2013

Exhibit 28: The Bahraini Food Landscape



Source: Arab Agricultural Statistics Yearbook, Alpen Capital

Exhibit 29: Self-sufficiency Ratio in Bahrain (2012)



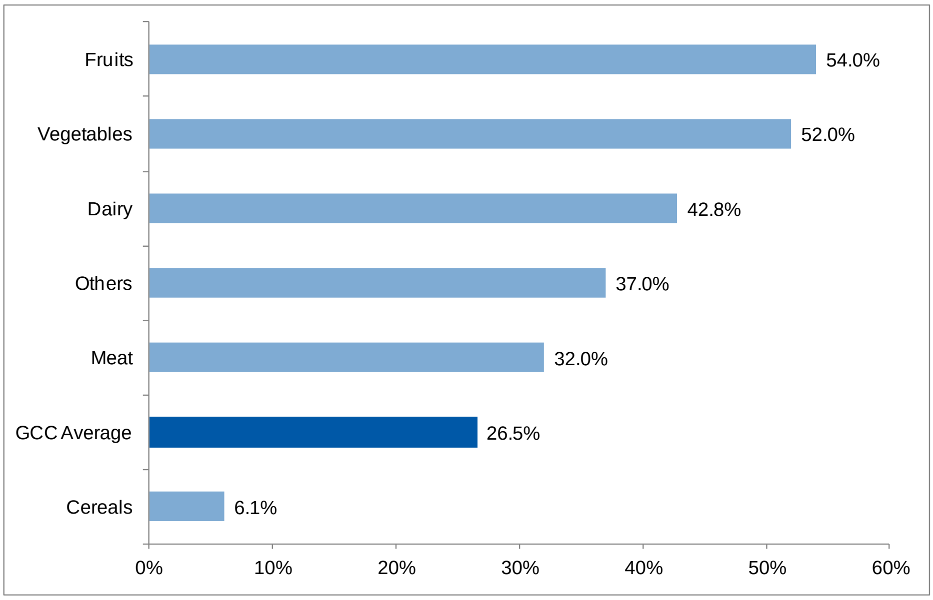
Source: Arab Agricultural Statistics Yearbook, Alpen Capital

2.2 Demand and Supply of Major Food Categories

At 48%, cereals remained the main food category consumed within the region in 2012

Categories such as vegetables and fruits continued to dominate the region's overall food production in 2012, with the respective shares of 28% and 22% (see Exhibit 9)[35]. Cereals remained the main food category to be consumed within the region, accounting for 48% of its total consumption in 2012 (see Exhibit 5). Cereals were also the category with the highest demand-supply gap as more than 90% of its demand was met by imports[35]. Overall, the region's domestic food production met 26.5% of its demand in 2012 (see Exhibit 30).

Exhibit 30: Self-sufficiency Ratio in the GCC (2012)



Source: Arab Agricultural Statistics Yearbook, Alpen Capital

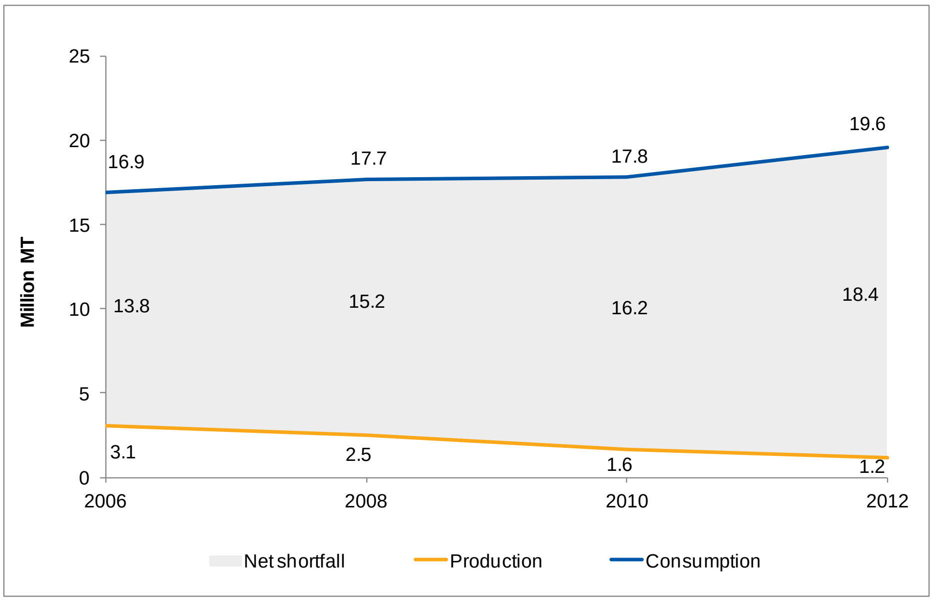
[35] Source: "Arab Agricultural Statistics Yearbooks", AOAD, Alpen Capital

Cereals

Saudi Arabia accounted for 91.6% of the GCC's total cereals production in 2012

Cereals such as rice, wheat, barley, and maize are the most widely consumed food products in the GCC region. The region's overall cereals consumption was at 19.6 million MT in 2012 (see Exhibit 31), having grown at an annual average of 2.5% since 2006[36]. However, the domestic production met only 6.1% of its total consumption[36] due to scarce supply of water. The production of cereals declined at a 14.7% CAGR between 2006 and 2012[36] as Saudi Arabia, the largest producer, initiated the phasing out of its wheat production. Saudi Arabia accounted for 91.6% of the GCC's total cereals production in 2012, followed by Oman, Kuwait, the UAE, and Qatar[36]. Although low globally, Saudi Arabia's cereals self-sufficiency at 7.3% in 2012 was the highest in the Gulf[36]. Bahrain met its entire cereals demand through imports. From 2006, net imports of cereals within the region grew at an average of 4.9% annually to 18.4 million MT in 2012[36]. The dependence of the region on imports to meet its cereals requirement is expected to further increase in the coming years, with the complete termination of wheat production by Saudi Arabia in 2016.

Exhibit 31: Demand-Supply of Cereals in the GCC



Source: Arab Agricultural Statistics Yearbook, Alpen Capital

Fruits

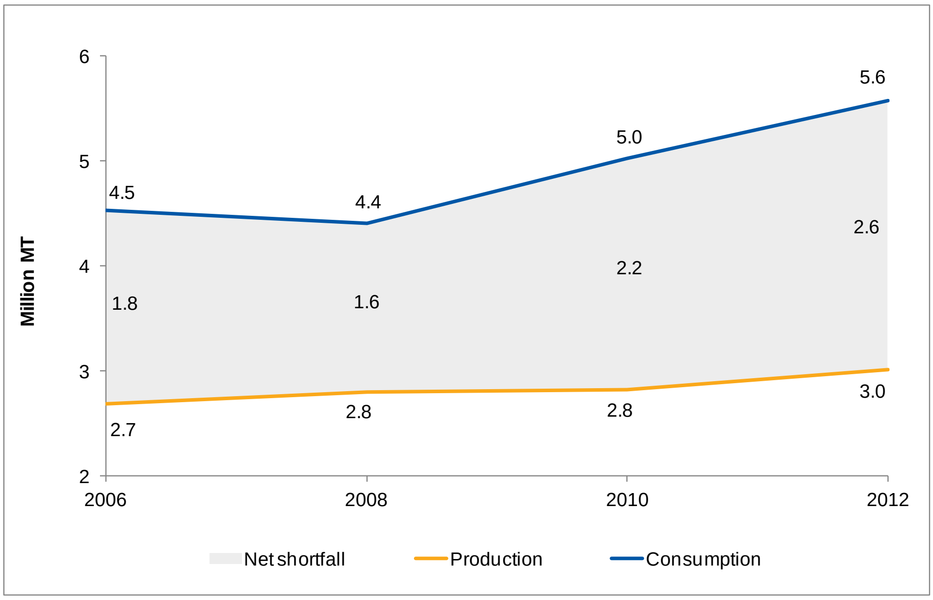
Fruits have surpassed dairy and vegetables to emerge as the second most consumed food category in the GCC

Fruits have surpassed dairy and vegetables to emerge as the second most consumed food category in the GCC. The Gulf nations produce fruits such as dates, grapes, watermelons, and bananas. From 2006, the consumption of fruits in the region increased at a 3.5% CAGR to 5.6 million MT in 2012, despite a slower production growth at 1.9% to 3.0 million MT (see Exhibit 32). Saudi Arabia accounted for more than half the fruit production in the region in 2012, followed by the UAE contributing 31.2%[36]. With its domestic produce meeting 54.0% of its total consumption, the region shows higher fruit self-sufficiency compared to other food categories (see Exhibit 30). Saudi Arabia enjoyed the highest self-sufficiency by producing 64.5% of its fruit requirement in 2012, followed by

[36] Source: "Arab Agricultural Statistics Yearbooks", AOAD, Alpen Capital

Oman with 59.8% and the UAE with 51.1%[37]. As the fruit demand of the region outpaced its production, the region's net fruit imports stood at 2.6 million MT[37].

Exhibit 32: Demand-Supply of Fruits in the GCC



Source: Arab Agricultural Statistics Yearbook, Alpen Capital

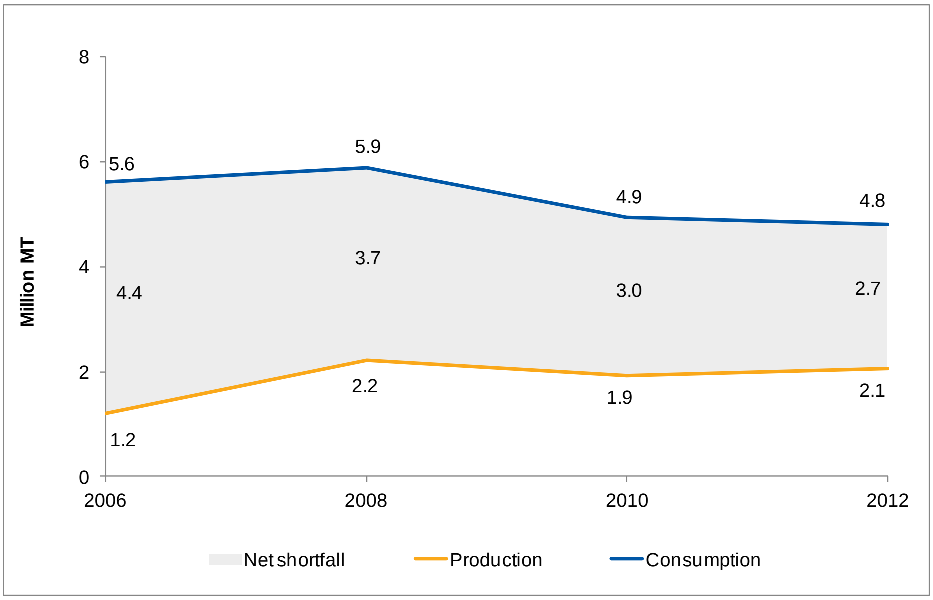
Dairy

Dairy consumption in the region stood at 4.8 million MT in 2012, declining at a 2.5% CAGR since 2006

This segment constitutes fresh and condensed milk as well as milk products such as cheese, cream, butter, and fats. Dairy consumption in the region stood at 4.8 million MT in 2012 (see Exhibit 33), declining at a 2.5% CAGR since 2006 as a result of a drop in consumption in Saudi Arabia, Qatar, the UAE, and Bahrain[37]. On the other hand, the dairy consumption in Oman and Kuwait displayed an annualized growth of 7.0% and 2.0%, respectively[37]. However, in recent years the dairy market in the region is advancing, with the introduction of several varieties of milk such as flavored, low-fat, vitamin-enriched, organic, and lactose-free, in line with the growing health awareness. Unlike the decline in overall consumption, dairy production in the GCC region increased at a CAGR of 9.4% between 2006 and 2012, driven by an 11.0% annual rise in the output of the largest dairy producer, Saudi Arabia[37]. The kingdom accounted for 83.2% of the total production in the GCC region in 2012 and met 58.9% of its domestic dairy needs[37]. The UAE produced 30.5% of its local dairy demand[37]. Other GCC countries are mostly dependent on imports to meet their dairy needs. The strong increase in production compared to a drop in consumption resulted in net dairy imports, as a percentage of consumption, to decline from 78.6% in 2006 to 57.2% in 2012[37].

[37] Source: "Arab Agricultural Statistics Yearbooks", AOAD, Alpen Capital

Exhibit 33: Demand-Supply of Dairy Products in the GCC



Source: Arab Agricultural Statistics Yearbook, Alpen Capital

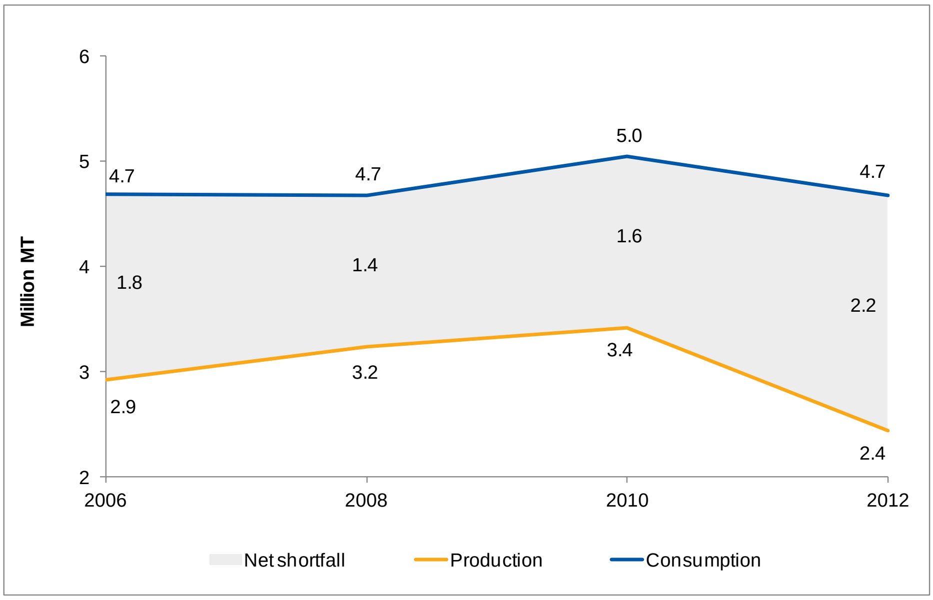
Vegetables

Vegetables accounted for 22.4% of the total food produced and 11.4% of the total food consumed in the GCC in 2012

Vegetables accounted for 22.4% of the total food produced and 11.4% of the total food consumed in the GCC region in 2012[38]. Saudi Arabia is the largest vegetable producer among the member nations, accounting for 73.1% of the region's total production, followed by the UAE at 10.2%, Kuwait at 7.9%, and Oman at 6.5% in 2012[38]. Among the main vegetables grown in the region are tomatoes, eggplant, cabbage, and cucumber. While the vegetable consumption volumes in the region remained almost stable in 2012 compared to 2006, the production declined at a 3.0% CAGR during the period to 2.4 million MT (see Exhibit 34). However, in contrast to the region-wide trend, the production of vegetables in Qatar and Oman grew at 10.1% and 7.6% in 2012[38]. The overall decline in the vegetable production in the GCC resulted in a 4.1% CAGR increase in net imports between 2006 and 2012[38]. Net imports in 2012 stood at 2.2 million MT, accounting for 48.0% of the region's total vegetable consumption[38]. Saudi Arabia produced 83.6% of its local vegetable needs in 2012, while Oman and Kuwait met 68.5% and 42.1% of their domestic demand, respectively[38].

[38] Source: "Arab Agricultural Statistics Yearbooks", AOAD, Alpen Capital

Exhibit 34: Demand-Supply of Vegetables in the GCC



Source: Arab Agricultural Statistics Yearbook, Alpen Capital

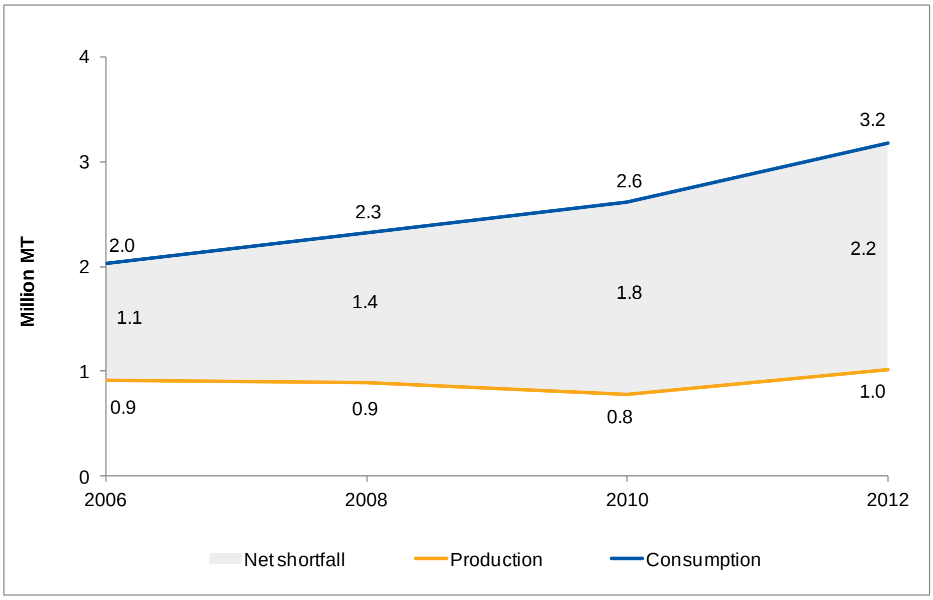
Meat

Meat consumption grew at a 7.8% CAGR between 2006 and 2012, fastest among food categories

Meat consumption grew at a 7.8% CAGR since 2006 to reach 3.2 million MT in 2012 (see Exhibit 35). The growth was faster than the other food categories in the GCC region. The kinds of meat consumed as well as produced in the region include red, poultry, camel, beef, and buffalo. The increase in meat consumption is in line with the rising global trend of consumption of protein-rich foods. Rising affluence in the region adds to the demand. Unlike the strong rise in consumption, meat production grew modestly at an annual average rate of 1.9% between 2006 and 2012, meeting only 32.0% of the region's total meat consumption in 2012[39]. The self-sufficiency was low in the UAE and Qatar at 14.1% and 6.4%, respectively[39]. Rising consumption led to an 11.6% annualized increase in meat net imports between 2006 and 2012 to reach 2.2 million MT[39].

[39] Source: "Arab Agricultural Statistics Yearbooks", AOAD, Alpen Capital

Exhibit 35: Demand-Supply of Meat in the GCC



Source: Arab Agricultural Statistics Yearbook, Alpen Capital

Fish and Eggs

Although accounting for only 2.4% of the total food consumed in the GCC in 2012[40], fish and eggs form an integral component of the diet across the region.

Saudi Arabia and the UAE are the main consumers of fish, accounting for 78.0% of the total fish consumed in 2012

Saudi Arabia and the UAE are the main consumers of fish, accounting for 78.0% of the total fish consumed in 2012[40]. On the other hand, Oman remained the largest fish producer in the region, contributing 49.4% to the total fish production in 2012[40]. Production outpaces the consumption in Oman and Bahrain, making them net exporters of fish. Although fish consumption in the Gulf grew by 5.5% CAGR between 2006 and 2012, its production rose by only 1.5%[40]. As a result, net imports of fish grew at 15.3% during the period across the region[40]. Heavy investments are diverted towards boosting the region's aquaculture segment, particularly in Oman and Saudi Arabia, in a move to improve food security.

Saudi Arabia is the major consumer as well as producer of eggs in the GCC region[40]. The country, along with Kuwait, was able to completely meet its local egg demand in 2012[40]. The consumption of eggs in the GCC registered an annualized growth of 3.9% between 2006 and 2012, slower compared to a 5.8% rise in its production[40]. The region remained a net exporter of eggs in 2012[40].

[40] Source: "Arab Agricultural Statistics Yearbooks", AOAD, Alpen Capital

2.3 Food Security Initiatives

The FAO projects 60% more food for the global population, which is likely to cross nine billion by 2050

The global demand for food is on a rise, in line with the increase in population. The FAO has projected the need for 60% more food by 2050 to cater to the needs of a population which is likely to cross nine billion by then. Soaring food prices and supply-side fluctuations have disrupted the economic landscape of import-dependent countries, including the Gulf nations, prompting the need to develop strategies to secure food supply on a priority basis.

Food security measures are an urgent need in the GCC, with its net food imports accounting for 73.4% of its food demand in 2012

Governments across the Gulf region have been drafting and implementing long-term strategic plans to improve food security, while making optimum use of the available resources. The abundant wealth of the member nations has enabled them to acquire farmlands overseas as a prominent step towards securing the supply of food within the region. Additionally, the nations are focused on reducing food wastage and have made investments to enhance domestic livestock farming and acquaculture. Of late, Saudi Arabia and Oman are making multi-billion dollar investments to spruce up their fish produce amid the decline in fish stock in the Arabian Gulf and the Red Sea.

In order to maintain consumption levels and meet the needs of a growing population, the regional governments have introduced measures such as food subsidies, price controls, and wage increases. However, securing a consistent supply of food remains a challenge. Also, the unrest in the Middle East and North Africa, which is threatening the safety of food imported via the region's trade routes, is intensifying the need for strong food security measures. Following is an account of the key initiatives undertaken by each GCC country in recent years to counter the price and supply risks.

Saudi Arabia

Saudi Arabia has attempted to secure food supply by making agricultural investments overseas as well as improving domestic productivity of meat, dairy, and eggs while reducing wheat production. The Saudi Arabian government invested US$ 800 million to establish Saudi Agricultural & Livestock Investment Co. (SALIC) in November 2011, aimed at funding agribusiness and related sectors globally to secure the country's food requirements. Around 31 countries, rich in natural resources, have sought investments from the kingdom in their food sector. In order to encourage private sector investments, the government offers interest-free loans and partnerships with SALIC. The government has also set up an industrial complex for reducing the dependence on food imports through the establishment of Saudi-American Food Security & Renewable Energy Co. (SAFECO).

Saudi Arabia allocated about US$ 16.0 billion towards the water and agriculture sectors in its FY2015 budget

Further, the kingdom is stepping up investment in its aquaculture industry to fill the gap created by declining fish stocks. In December 2013, the Ministry of Agriculture announced plans to invest US$ 10.6 billion towards aquaculture projects to produce a million tonnes of fish over the next 16 years[41]. This includes an investment of US$ 1 billion in a 31,000 hectares project in Mauritania. The country has allocated about US$ 16.0 billion towards the water and agriculture sectors in its FY2015 budget in addition to US$ 16.3 billion in the previous year[42]. The average budget allocation towards these sectors has been about US$ 15.3 billion per annum over the last five years. Exhibit 36 covers some key developments in the kingdom towards food security.

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[41] Source: "Saudi Arabia leads investment in Gulf aquaculture sector", Gulf Research Center, February 10, 2014
[42] Source: Ministry of Finance - Kingdom of Saudi Arabia, December 25, 2014

Exhibit 36: Recent Developments to Improve Food Supply in Saudi Arabia

Date	Key Developments
02-Feb-15	Al Reef announced plans to commence operations at its sugar refinery in Saudi Arabia by end-2017. Although the refinery will import raw sugar initially, the company aims to acquire sugarcane fields in East Africa in the long term. Planned to operate at a daily refining capacity of 3,000 tonnes, this facility is expected to significantly enhance the country's sugar refining capacity.
26-Aug-14	Saudi Arabia indicated that its investment in Sudan's food and mining sectors could surpass US$ 13 billion, following the decision of no visa requirement for Saudi Arabian investors. About 30% of the expected investment is likely to be focused on agricultural, animal, food, and mining products in the Khartoum region.
26-Jun-14	SAFECO awarded a US$ 115 million contract to Science Applications International Corporation (SAIC) to gain its expertise on system engineering and integration services, program management, and logistical analysis. With this move, the government is working towards developing a novel program to secure food supply and develop renewable energy in Saudi Arabia.
11-Mar-14	In an effort to secure and enhance the supply of alfalfa hay feedstock for its dairy business, Almarai Co. bought 9,834 acres of farmland at Vicksburg in Arizona, US, for US$ 47.5 million.
24-Jan-14	Saudi Arabian companies, namely Al-Safi, Almarai Co., Tabuk Agriculture Co., and Al-Jouf Co., acquired about 4,000 acres of farmland in North Sudan for the cultivation of a variety of crops.
04-Jan-14	Iktifaa, a Saudi Arabian agricultural company, announced plans to develop agricultural projects in Sudan's states of Sennar and Northern to produce grains and cattle feed.
07-Dec-13	The Ethiopian government provided licenses to 361 Saudi Arabian investment projects in Ethiopia, mostly focusing on the agriculture sector.
29-Apr-13	East Asia Agricultural Development and Investment Co. was established in Riyadh, with a capital of SAR 100 million (US$ 26.6 million[43]), to invest in farming and agricultural projects for crops such as rice, olives, fruits, barley, vegetables, and cattle feed, among others.
08-Apr-13	United Farmers Holding Co., a consortium of Saudi Arabian companies including Almarai, Al Rajhi, and SALIC, expressed interest in acquiring Continental Farmers Group that operates cereal farms in Poland and Ukraine for a sum of US$ 91 million.
02-Feb-13	National Aquaculture Group and Al Rajhi International Co. for Investment entered into an agreement with the Government of Mauritania to develop Mauritania's livestock and aquaculture sectors at an investment of US$ 1 billion.

Source: Gulf Business, farmlandgrab.org, SAIC, Arab News, HighBeam Research

[43] At exchange rate as of April 29, 2013

UAE

The UAE's Al Dahra Agriculture Co. is currently developing 100,000 acres of land in Egypt

The UAE has also undertaken significant measures to secure food supply. Key among these are its investment in major land banks in Vietnam, Cambodia, Egypt, Pakistan, Romania, Sudan, and the Americas, which include a crop-sharing agreement. The UAE's Al Dahra Agriculture Co. is currently developing 100,000 acres of land in Toshka, Egypt, to cultivate wheat and other crops. In addition to meeting Egypt's wheat consumption, the project is expected to produce and export about 100,000 tonnes of potatoes and other crops. In December 2014, the Agriculture and Food Ministry of Belarus sought investments from the Emirates in 16 agricultural companies in Belarus. Although premature, the materialization of this deal is expected to significantly help in securing food supply in the UAE.

In 2015, the UAE aims to roll out tough food safety bills to address the prime issue of food wastage

The UAE aims to roll out tough food safety bills in 2015 to address the prime issue of food wastage. Based on international best practices, these bills are aimed at ensuring the security of food for both man and animals. Breach of these laws could result in a jail term of up to three years and a fine of up to US$ 544,000. Exhibit 37 shows some of the other developments aimed at boosting the country's food supply.

Exhibit 37: Recent Developments to Improve Food Supply in the UAE

Date	Key Developments
18-Jan-15	The UAE-based Khalifa Fund sanctioned AED 130 million (US$ 35.4 million[44]) for investment across 130 farms in the country, as a part of the Zaarie programme. This initiative is aimed at training farmers to reduce water consumption and improve output by using new technologies such as the hydroponics system.
07-Jul-14	The Serbian government entered into a 20:80 joint venture with Abu Dhabi-based Al Rawafed in a move to invest and upgrade its agricultural production. As part of its initial plans, the joint venture will purchase two state farms in Serbia.
09-Apr-14	The UAE-based Al Dahra International Investment LLC obtained approvals from Serbia's anti-trust regulator to acquire a 51% stake in Rudnap Agrar engaged in agricultural activities.
04-Aug-13	Al Dahra Agriculture Co. announced plans to invest in coffee and sugar plantations in Latin America.
02-May-13	At the Africa Global Business Forum 2013, the Chairman of the UAE-based Economic Zones World suggested the development of agricultural free zones in Africa offering storage, packaging, and export facilities. This could also aid the UAE's food security requirements.
28-Mar-13	Al Dahra Agriculture Co. announced plans to purchase eight farming companies in Serbia for US$ 400 million in an 80:20 joint venture with the Serbian government and develop them to produce as well as process food and fodder for export.

Source: Gulf News, farmlandgrab.com

[44] At exchange rate as of Jan 18, 2015

Kuwait

Kuwait was at the 28th position on the Economist Intelligence Unit's 2014 Global Food Security Index

Kuwait remains committed to securing food supply not only for itself but also for other Arab nations. The country secured the 28th position on the Economist Intelligence Unit's 2014 Global Food Security Index, which ranks nations based on their food affordability, availability, nutritional quality, and safety. Kuwait received an overall score of 72.2% across parameters, compared to the UAE's 30th rank at an overall score of 70.9% and Saudi Arabia's 32nd place at 69.6%. The country's sovereign fund, the Kuwait Fund for Arab Economic Development, has been instrumental in helping enhance the Arab region's food security.

Kuwait is focusing on improving the farming output and processing of commodities to increase its food security. The country is also encouraging private sector investments in agriculture by offering incentives and subsidies as well as freeing up more land for production. In October 2014, Al Tijaria Real Estate Co. announced plans to invest US$ 10 million in farmlands in Turkey. In addition, the Public Authority for Agriculture and Fish Resources Affairs of Kuwait intends to develop and restore the marine control centers in the country, as a part of its food security plans.

Oman

Oman plans to develop 31 new fishing ports/harbors by 2020 and reform about 261,000 hectares of land

In recent years, Oman's government has executed several initiatives to improve its domestic food output. Some of the ongoing food projects in the Sultanate include the development of 31 new fishing ports/harbors by 2020 and the reformation of about 261,000 hectares of land. Established to invest in food security projects, state-owned Oman Food Investment Holding (OFIH) has proposed the setting up of new companies to improve the country's self-sufficiency for red meat, poultry, and dairy products.

Oman is developing several projects as listed under Exhibit 38, aimed at improving the country's food self-sufficiency. Some of the major projects include the setting up of an integrated fisheries zone in Duqm, a food and agro-processing cluster at the SPF, and some aquaculture projects. The development of the country's food processing industry is expected to not only reduce imports but may also present an export potential.

Exhibit 38: Recent Developments to Improve Food Supply in Oman

Date	Key Developments
10-Feb-15	The SPF and the UAE-based Essa Al Ghurair Investments entered into an agreement to develop Oman's first food processing cluster within the freezone. To be operated as Sohar Food Cluster Co., the cluster aims to provide value-added services across the food value chain.
28-Jan-15	The Omani government announced plans to develop a mega red meat project under a new company promoted by OFIH. The proposed company plans to import sheep and cows from African countries at its slaughter houses in Oman and Tanzania. This project is aimed at increasing Oman's red meat self-sufficiency from 20% to 50%.
22-Jan-15	The government signed three usufruct (limited rights) deals to develop fish farming projects worth US$ 170.8 million in Oman. These projects are expected to boost the country's seafood output to 7,330 tonnes a year, up from 353 tonnes in 2013.
22-Jan-15	OFIH announced plans to set up a dairy farm at an investment of about US$ 258.8 million to increase the domestic output of dairy products to 70% of the total demand by 2020.
23-Dec-14	OFIH announced plans to develop a US$ 259.7 million poultry project in an 80:20 partnership with A'Saffa Foods, the operator of the country's biggest integrated poultry.
07-Jul-14	Food Security Growth Fund, a regional fund promoted by Emirates Star Fisheries, allocated US$ 80 million towards setting up an aquaculture farm in Oman. The farm is likely to produce 13,000 MT of fish per annum by 2018.
06-Nov-13	Saudi Arabia-based Pegasus Agritech commenced the construction of a 10,000 sq m commercial hydroponic farm in Oman. The facility is expected to yield fresh produce at all times, at costs significantly lower than the import cost.
13-May-13	The Omani government announced plans to invest more than US$ 250 million to develop an integrated fisheries zone within the special economic zone in Duqm. The project is aimed at housing a major fisheries harbor and infrastructure to support processing plants, cold storage, and laboratories, among others.
26-Mar-13	The Omani government announced plans to invest about US$ 1.6 billion towards the development of fisheries and related infrastructure over the next seven years.

Source: TradeArabia, Times of Oman, Food Business Review, farmlandgrab.com, Undercurrent News Ltd., Pegasus Agritech, Global Arab Network, Global AgInvesting

Qatar

Qatar's food security master plan aims to achieve 40%-60% self-sufficiency in the short to medium term

The Qatar National Food Security Programme (QNFSP) was established in 2008 to develop a master plan for the country's food security. Supported by a sovereign investment of US$ 25 billion, the QNFSP involves the development of 1,400 farms, water desalination projects, a solar park, and waste water treatment as well as renewable energy projects. Qatar invested US$ 5.1 billion in the QNFSP in 2012, as a part of its 10-year plan to improve food security and self-sufficiency. Another food security master plan was launched in July 2013, with an objective to achieve 40%-60% self-sufficiency in the short-to medium-term, up from less than 10% in 2012. The plan also includes the development of a large agro-industrial park as a designated area for the country's food processing industry. Supported by its huge natural gas reserves, the country is comfortably leveraging its wealth to attain long-term food self-sufficiency.

Hassad Food Co., a state-owned firm, has invested more than US$ 1 billion towards securing food supply in Qatar

Hassad Food Co., the agricultural investment arm of Qatar's sovereign wealth fund, has invested more than US$ 1 billion towards securing food supply for the country[45]. The company rears 100,000 sheep as well as produces 150,000 tonnes of grain and 260,000 tonnes of rice per annum[45]. In June 2013, the company expressed interest in investing US$ 500 million in India for the production of rice, cardamom, coffee, and ready-made foods. Additionally, it aims to invest in a sugar venture in Latin America and grain production in Canada in the near term[45]. Exhibit 39 covers the major developments in Qatar towards securing food supply, including the setting up of a meat processing plant, a poultry farm, and an aquatic research center.

Exhibit 39: Recent Developments to Improve Food Supply in Qatar

Date	Key Developments
31-Jan-15	The Qatari government announced plans to commence operations at a new US$ 55 million ultra-modern meat processing plant in February 2015. The factory is not only expected to cater to Qatar's meat demand entirely, it also has plans to export the surplus to the neighboring countries.
15-Jan-15	The Ministry of Environment and Qatar University announced plans to set up a US$ 63.2 million aquatic research center. Expected to commence operations in 2016, the project aims to address the issue of the country's declining fish stock.
11-Dec-14	To quadruple the country's poultry production, the Qatari government announced plans to develop a new chicken farm complex with an annual production capacity of up to 40,000 tonnes of chicken and 7.5 tonnes of eggs. The project received financial commitments of US$ 206 million from institutional investors.
08-Dec-14	Pakistan invited Qatari investments into its farming sector, in addition to its negotiations for the supplies of liquefied natural gas from Qatar.
18-Oct-14	An Indian green group launched a pilot project for paddy cultivation in Qatar, which is expected to become crucial for the country's food security.
24-Sep-14	Qatar's chief directed state-owned Hassad Food Co. to invest US$ 500 million in Turkey's agricultural sector. The company along with the Turkish agriculture minister decided to jointly invest in Turkey's poultry, mutton, and dairy sectors.
17-Jun-14	The Qatari government purchased a farmland covering more than 14,000 hectares in prime South Australia for more than US$ 73 million.
03-Apr-13	Hassad Food Co. invested US$ 100 million to acquire more than 51% stake in an Indian basmati rice company, Bush Foods Overseas Ltd.
14-Mar-13	Qatar announced plans to build a pharmaceutical and halal food production hub at Tanjung Manis in Malaysia, one of largest halal food centers in the world.

Source: Zawya, Doha News, farmlandgrab.com, Mercator Media, The Peninsula, Daily Sabah

[45] Source: "Qatar to invest $500 million in India", Live Mint, June 9, 2013

Bahrain

Apart from investing in farmlands overseas, Bahrain is keen on developing its aquaculture sector

Apart from investing in farmlands overseas, Bahrain is keen on developing its aquaculture sector. In 2013, the government entered into agreements with two aquaculture companies, Aquatech and Asmak, for seafood production. Bahrain has also undertaken measures to counter the risk of rising food prices. In 2013, the country spent about US$ 174.4 million in food subsidies for products such as meat, poultry, and flour[46]. The same amount was earmarked for 2014. Some of the other events in Bahrain towards securing food supply are covered under Exhibit 40.

Exhibit 40: Recent Developments to Improve Food Supply in Bahrain

Date	Key Developments
03-Feb-15	Bahrain entered into an agreement with Sudan for the Khairat Al-Bahrain agricultural project, covering 42,000 hectares of land for agricultural use, animal breeding, and fodder production.
12-Nov-13	The National Bank of Bahrain and the Future Generation Reserve set up a US$ 265.2 million agriculture investment fund to support food security in Bahrain. The fund plans to invest in existing business as well as new projects and technologies across the agriculture supply chain.
09-Jul-13	RP Bahrain Harvest, Inc. launched a Cavendish banana production project in the Sarangani province of the Philippines at an initial investment of PHP 85 million (US$ 1.9 million[47]).

Source: Bahrain News Agency, DGC Asset Management, farmlandgrab.com

[46] Source: "Bahrain allocates $174m for food subsidies", Trade Arabia, January 14, 2013
[47] At exchange rate as of July 9, 2013

3. The GCC Food Industry Outlook

3.1 Forecasting Methodology

Our projections for the GCC food industry are based on the following:

- The IMF forecasts for population and per capita income for the GCC nations (last updated October 2014)
- Historical food consumption data provided in the annual issues of the Arab Agricultural Statistics Yearbook (last updated in 2013)
- A general shift in the region's dietary pattern from carbohydrate-rich to high-value, protein-rich as well as healthy food products

Using the above parameters, we have forecasted the total food consumption in the region as a sum total of consumption in all the GCC countries. The consumption forecasts have been derived across food categories such as meat, milk, cereals, vegetables, fruits, and others, until 2019.

3.2 Industry Performance

Macro assumptions

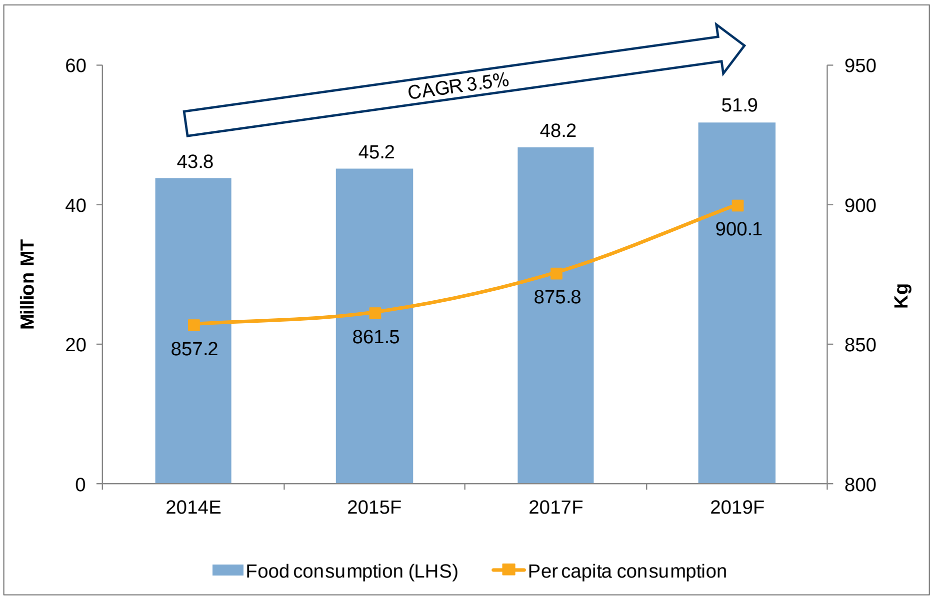
- The region's population is expected to grow at a CAGR of 2.4% to reach 57.6 million in 2019 from 51.1 million in 2014.
- The region's per capita income is expected to increase at an annual average rate of 2.5% between 2014 and 2019.

The GCC Food Consumption Forecast

From 2014, food consumption in the GCC is expected to grow at a 3.5% CAGR to reach 51.9 million MT in 2019

Backed by encouraging macroeconomic drivers, food consumption in the GCC is expected to grow at a 3.5% CAGR from 43.8 million MT in 2014 to 51.9 million MT in 2019 (see Exhibit 41). This estimate is marginally higher than the projection in Alpen Capital's GCC Food Industry report dated May 1, 2013, as a result of the IMF's upward revision of the per capita income. The per capita food consumption in the region is expected to grow at an annual average of 1.0% to reach 900.1 kg in 2019. The growth is expected to be higher in the last three years of the forecasted period on account of acceleration in the growth of per capita income in anticipation of a recovery in the oil price.

Exhibit 41: The GCC Food Consumption Forecast



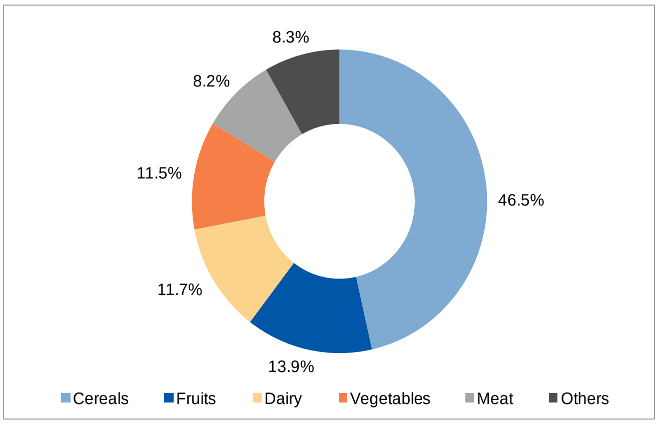
Source: Alpen Capital
Note: E – Estimated, F – Forecasted

Category-wise Food Consumption

Between 2014 and 2019, cereals consumption is expected to grow at a 3.0% CAGR, slower compared to that of 4.4% of meat and 3.8% of fruits

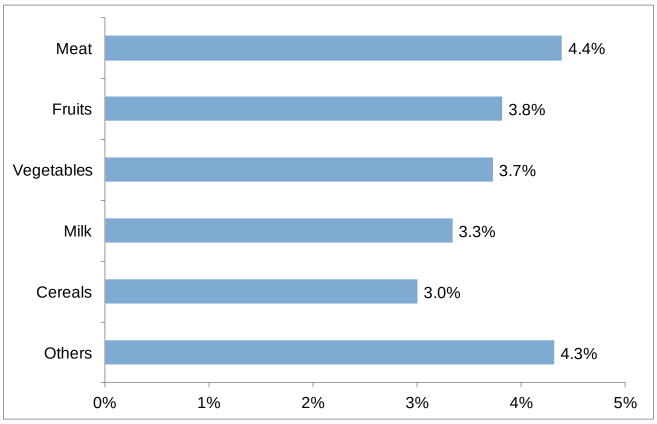
Cereals are likely to account for 46.5% of the region's total food consumption in 2019 (see Exhibit 42), remaining the most consumed food category. However, rising consumption of high-priced, protein-rich meat and healthy foods such as fruits is expected to eat into the share of cereals in the total food consumption. Subsequently, cereals consumption is expected to show an annualized growth of 3.0% between 2014 and 2019, slower compared to 4.4% and 3.8% growth in meat and fruits consumption, respectively (see Exhibit 43).

Exhibit 42: Category-wise Food Consumption (2019F)



Source: Alpen Capital

Exhibit 43: Category-wise Food Consumption Growth (2014E-2019F)



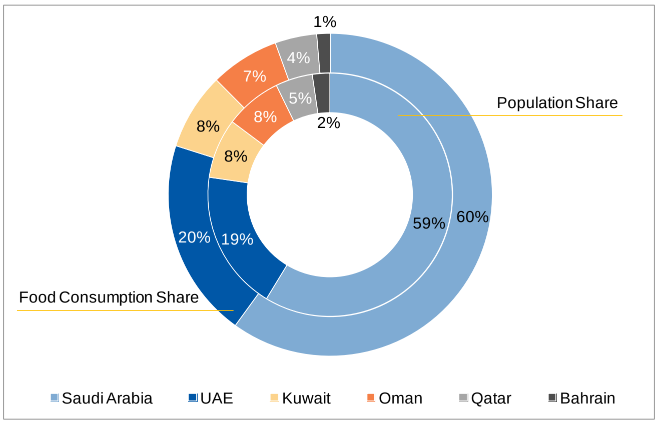
Source: Alpen Capital

Country-wise Food Consumption

Food consumption in Qatar and the UAE is likely to grow at a fast pace of 5.5% and 4.8%, respectively, between 2014 and 2019

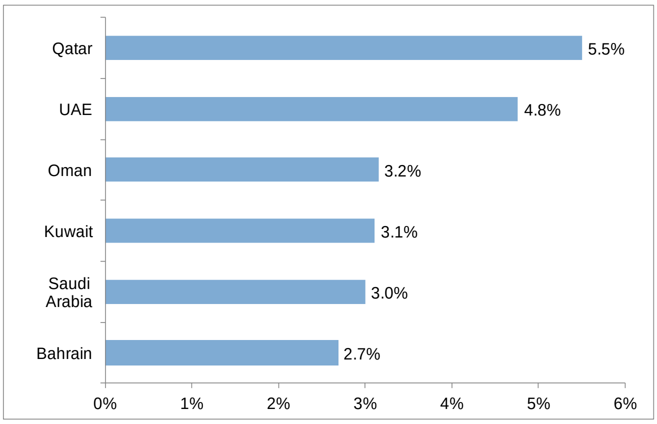
As home to a large proportion of the GCC population, Saudi Arabia and the UAE are expected to remain the largest food consuming nations in the foreseeable future. Saudi Arabia's share in the region's total food consumption is projected at 60% in 2019 (see Exhibit 44), however, lower than an estimated 61% in 2014. The decline is on account of rapidly growing food consumption in Qatar and the UAE during the forecasted period (see Exhibit 45). Compared to the projections in Alpen Capital's GCC Food Industry report dated May 1, 2013, the revised growth forecasts for all the GCC nations, except Oman, are higher. The food consumption growth in Oman has been revised downwards as a result of a decline in per capita income as projected by the IMF.

Exhibit 44: Country-wise Food Consumption and Population (2019F)



Source: Alpen Capital

Exhibit 45: Country-wise Food Consumption Growth (2014E-2019F)



Source: Alpen Capital

3.3 Country-wise Market Size Forecast

Saudi Arabia

Food consumption in Saudi Arabia is projected at 31.1 million MT in 2019, indicating an annual average growth of 3.0% from 2014

Food consumption in Saudi Arabia is projected at 31.1 million MT in 2019, indicating an estimated annual average growth of 3.0% from 2014 (see Exhibit 46). The revised growth forecast is higher than that in Alpen Capital's GCC Food Industry report dated May 1, 2013 due to expectations of increased per capita income of the country for the period. Although cereals are expected to remain the most consumed food category in the country, its share of total consumption is expected to reduce from 58.5% in 2014 to 57.9% in 2019. During the period, the share of meat consumption is likely to increase marginally from 6.3% to 6.6%, as its consumption is set to register the highest growth (see Exhibit 47).

Exhibit 46: Food Consumption Forecast – Saudi Arabia

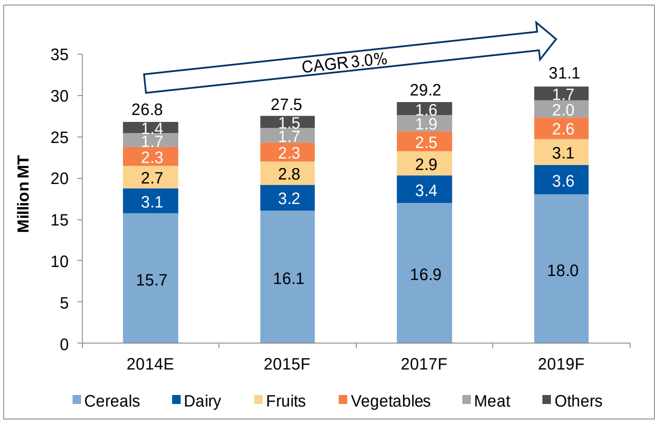
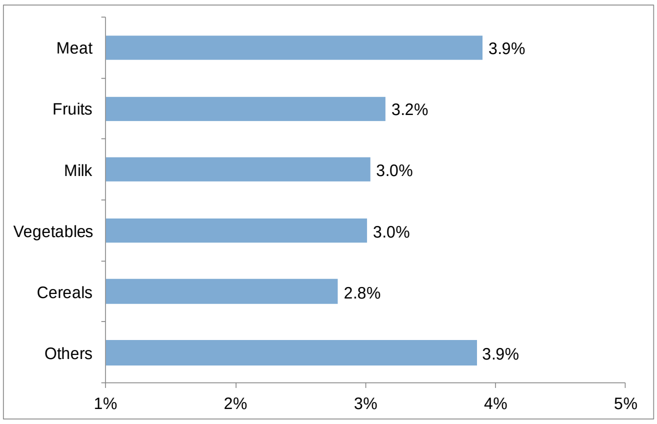


Exhibit 47: Food Consumption Growth Across Categories (2014E-2019F) – Saudi Arabia



Source: Alpen Capital

Source: Alpen Capital

UAE

Food consumption in the UAE is projected to reach 10.4 million MT in 2019, registering a CAGR of 4.8% from 2014

Food consumption in the UAE is projected to reach 10.4 million MT in 2019, registering a CAGR of 4.8% between 2014 and 2019 (see Exhibit 48). The revised growth is higher than that in the previous forecasted period of 2012-2017, as a result of an upward revision in the per capita income by IMF. The new projected growth in consumption for the UAE is the second highest in the region, driven primarily by a 3.2% and 2.9% average annual growth in the country's per capita income and population, respectively, during the forecasted period. The country's bustling tourism industry and an active processed food market are likely to further aid its food consumption growth. Meat consumption in the country is expected to grow at a 5.2% CAGR (see Exhibit 49), followed closely by milk, fruits, and vegetables. The Others category is also expected to grow at a strong pace, supported by rising consumption of fish and eggs, which are a popular protein-rich food.

Exhibit 48: Food Consumption Forecast – UAE

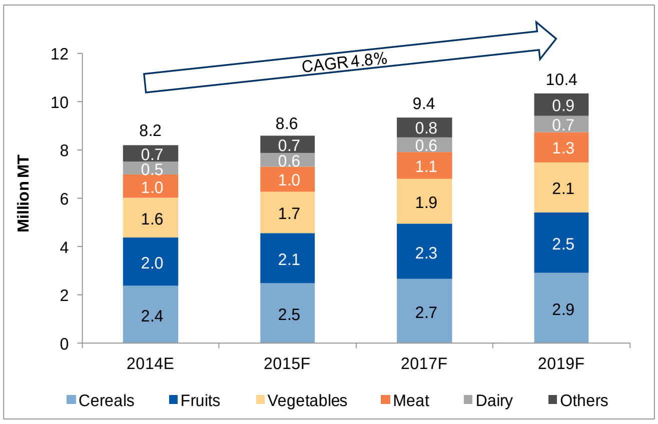
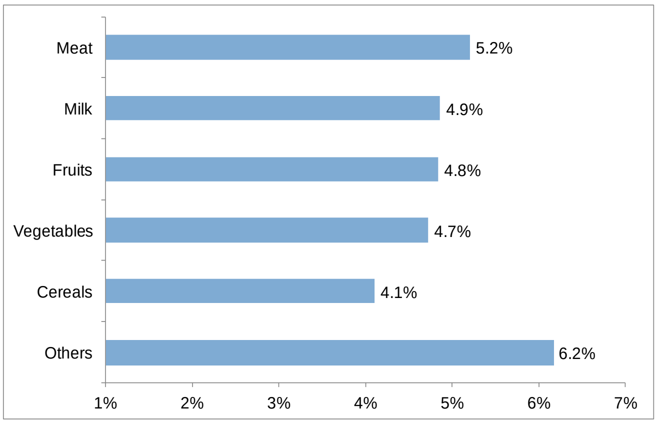


Exhibit 49: Food Consumption Growth Across Categories (2014-2019) – UAE



Source: Alpen Capital

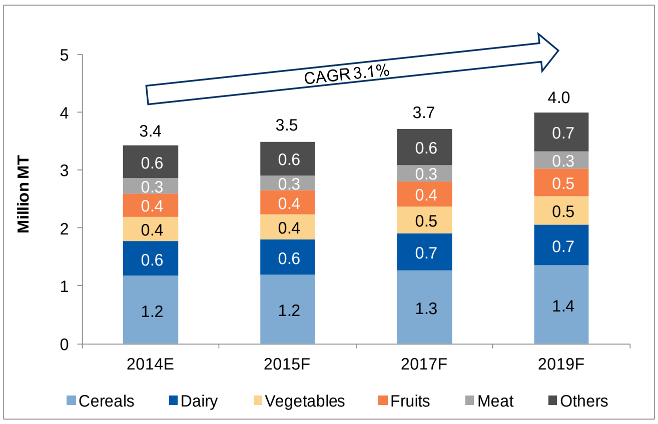
Source: Alpen Capital

Kuwait

From 2014, Kuwait's food consumption is expected to grow at an annual average of 3.1% to reach 4.0 million MT in 2019

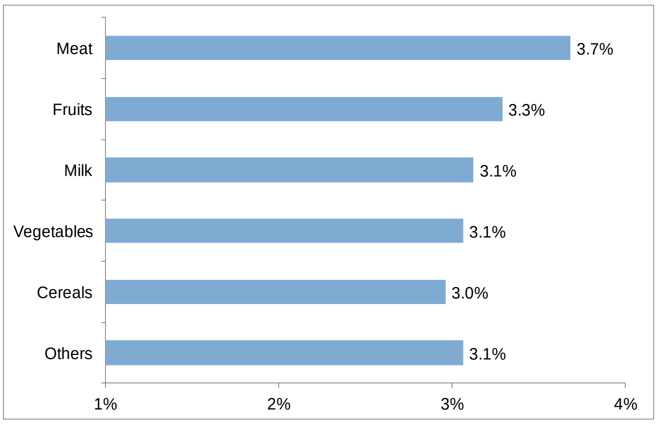
Kuwait's food consumption is expected to grow at an annual average of 3.1% from 2014 to reach 4.0 million MT in 2019 (see Exhibit 50). The revised food consumption growth rate of the country is higher than that in the previous report due to higher per capita income as revised by IMF. A high obesity rate in Kuwait has led to an increase in awareness and hence an increase in the consumption of healthy products, including fruits. Such increase, along with the country's steadily rising affluence and population base, is likely to drive food consumption. We expect the consumption across most of the major food categories to grow by more than 3% between 2014 and 2019, with meat consumption growth being the highest (see Exhibit 51).

Exhibit 50: Food Consumption Forecast – Kuwait



Source: Alpen Capital

Exhibit 51: Food Consumption Growth Across Categories (2014-2019) – Kuwait



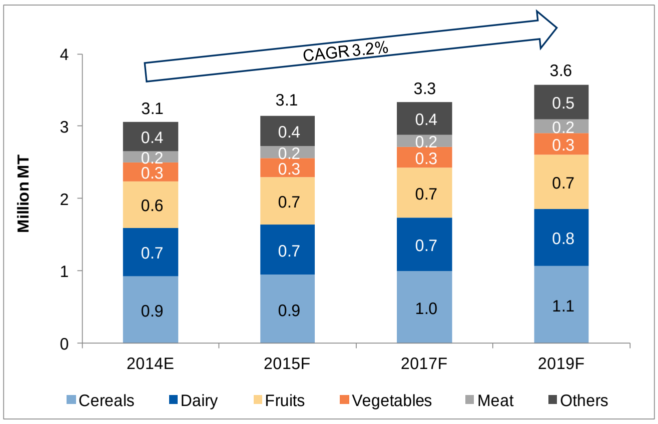
Source: Alpen Capital

Oman

The food consumption in Oman is projected to reach 3.6 million MT in 2019, translating into a five-year CAGR of 3.2%

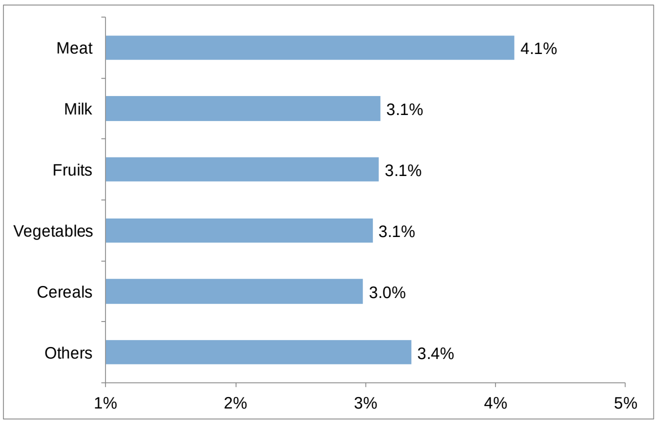
The food consumption in Oman is projected to reach 3.6 million MT in 2019, translating into a five-year CAGR of 3.2% (see Exhibit 52). The dual factors of rising population and government encouragement to the tourism industry are likely to lead to food consumption growth in the country. Cereals are expected to remain the most consumed food category, accounting for 30.0% of the overall consumption in 2019. As seen in other countries, meat consumption is likely to grow at a faster pace, 4.1% compared to ~3% growth across the other food categories (see Exhibit 53). Higher growth in the Others category is expected to be driven by a rise in fish consumption, following the increase in the production scale in the country.

Exhibit 52: Food Consumption Forecast – Oman



Source: Alpen Capital

Exhibit 53: Food Consumption Growth Across Categories (2014-2019) – Oman



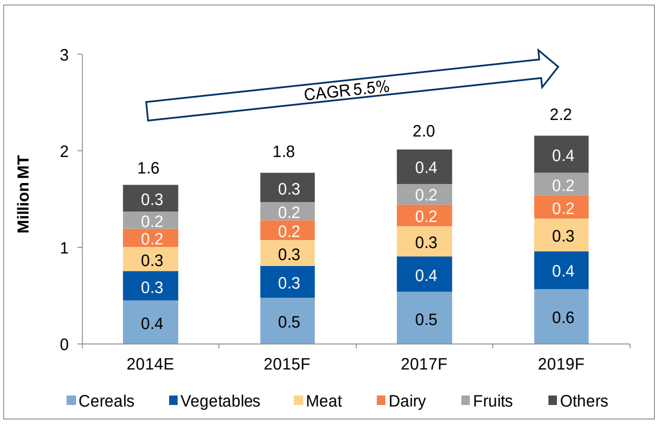
Source: Alpen Capital

Qatar

Qatar's food consumption is expected to grow at a CAGR of 5.5% between 2014 and 2019, the fastest in the region

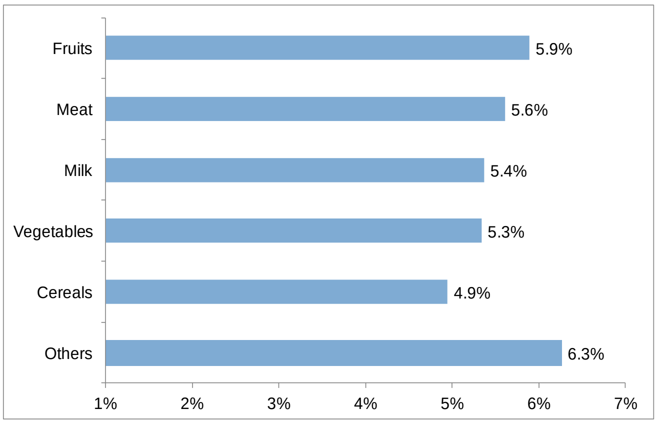
Food consumption in Qatar is expected to reach 2.2 million MT in 2019, registering the region's estimated highest annualized growth of 5.5% from 2014 (see Exhibit 54). The projected growth is higher compared to the previous forecast in Alpen Capital's GCC Food Industry report dated May 1, 2013. The revised growth rate is attributed to its rapidly rising population (4.8% compared to the GCC average of 2.4%) coupled with an urban lifestyle that has led to an increased demand of processed and western foods. Also, the country's high obesity rate is leading to an increased consumption of healthy foods. Consequently, the consumption of fruits and meat is expected to grow at a CAGR of above 5.5% during the forecast period (see Exhibit 55).

Exhibit 54: Food Consumption Forecast – Qatar



Source: Alpen Capital

Exhibit 55: Food Consumption Growth Across Categories (2014-2019) – Qatar



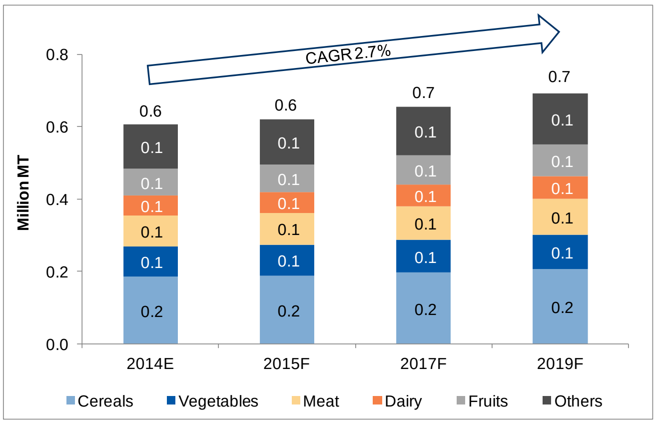
Source: Alpen Capital

Bahrain

__Food consumption in Bahrain is expected to grow at an annualized rate of 2.7% from 2014 to 0.7 million MT in 2019__

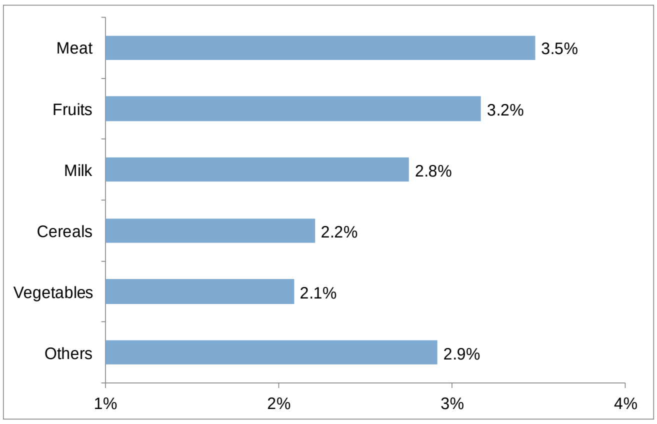
Food consumption in Bahrain is expected to grow at an annualized rate of 2.7% from 2014 to reach 0.7 million MT in 2019 (see Exhibit 56). This revised growth rate is higher compared to that in Alpen Capital's GCC Food Industry report dated May 1, 2013. The new projection is primarily supported by expectations of a 2.0% and 1.5% rise in population and per capita income, respectively, during the period. Additionally, government subsidies are expected to support an increase in the consumption of flour and livestock. Accordingly, while cereal consumption is expected to grow by an annual average of 2.2% between 2014 and 2019, the consumption of meat and fruits is expected to grow faster, reflecting the region-wide trend of protein-rich food consumption and health awareness (see Exhibit 57).

Exhibit 56: Food Consumption Forecast – Bahrain



Source: Alpen Capital

Exhibit 57: Food Consumption Growth Across Categories (2014-2019) – Bahrain



Source: Alpen Capital

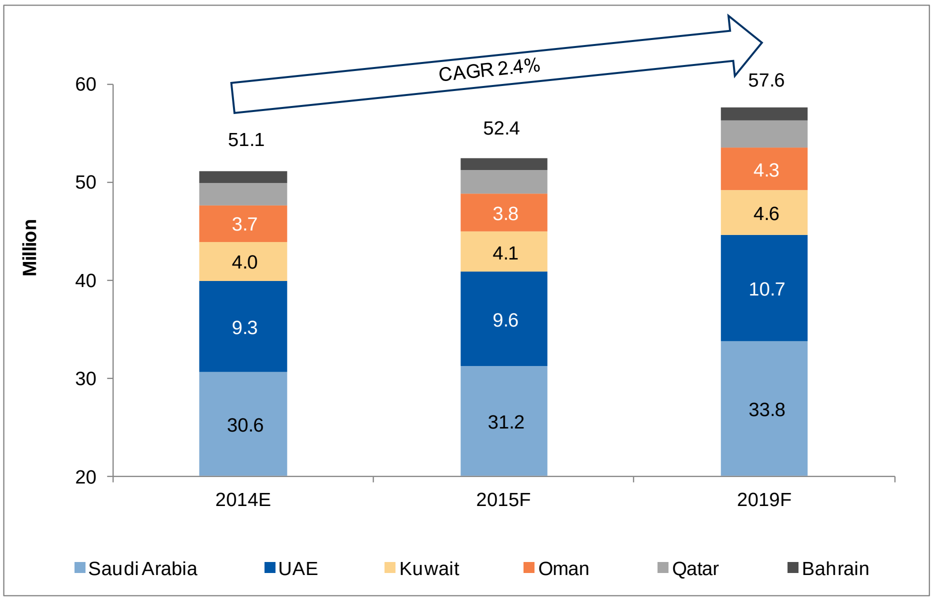
4. Growth Drivers

Demographics

The GCC population is projected to grow at an annualized rate of 2.4% between 2014 and 2019

Rising population is one of the key drivers of food consumption in the GCC. The region's population growth is supported by its huge pool of expatriates, who are drawn to the Gulf for employment. Alongside, the number of nationals is also growing at a healthy pace due to higher life expectancy and birth rates. The region's population is estimated to have crossed 50 million in 2014 from around 33 million, a decade ago. This implies an annual average growth rate of mid-single digit over the period, much faster than ~1% increase globally as well as in the emerging and developing economies. As seen in Exhibit 58, the population in the Gulf is projected to further record an annualized growth of 2.4% between 2014 and 2019 to 57.6 million. An expanding consumer base naturally increases the demand for food, driving the growth of the food industry in the GCC.

Exhibit 58: GCC Population Forecast



Source: IMF, October 2014

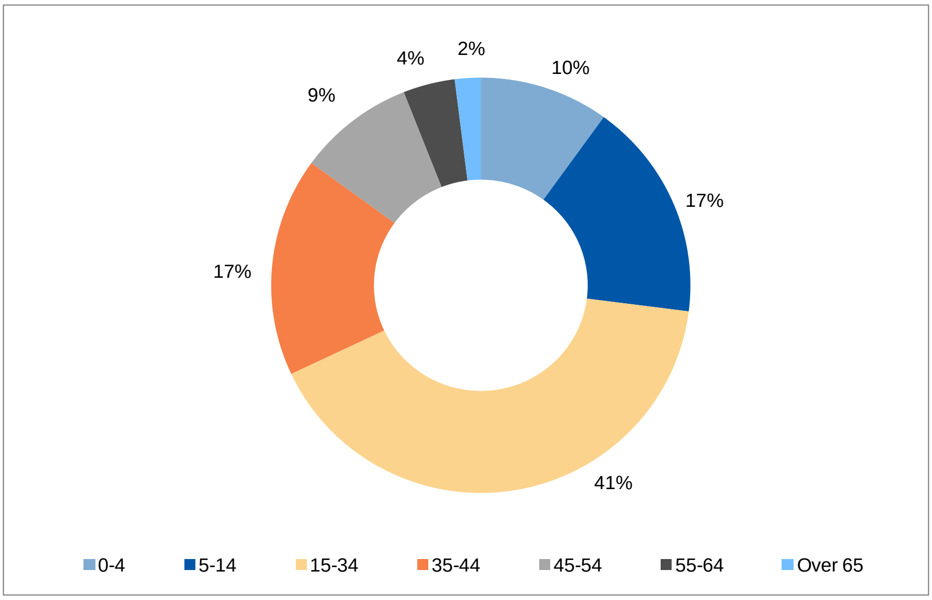
Note: E – Estimated, F – Forecasted

Almost 58% of the GCC population mainly comprises the young and the working

Almost 58% of the region's population is aged between 15 and 44 years[48] (see Exhibit 59), mainly comprising the young and the working, who tend to consume more food as well as have a liking for high-quality, processed, convenient, and western food products. The locals have developed a taste for the international foods that are widely available to cater to the needs of expatriates, who constitute almost 80% of the workforce in the Gulf[49]. Expatriates from as many as 200 countries have brought along their native food products and habits, altering the consumption patterns of the region.

[48] Source: "GCC Foodservice Sector", Al Masah Capital, April 2014
[49] Source: "Arab Gulf States: An Assessment of Nationalisation Policies", European University Institute, 2014

Exhibit 59: Composition of Population in the GCC (Age in Years)



Source: Al Masah Capital Limited, April 2014

Urban population comprised 84.9% of the region's population in 2014, with this number anticipated to reach 90.4% in 2050

The already high rate of urbanization across the GCC is only set to rise in the future. Urban population comprised 84.9% of the region's population in 2014, with this number anticipated to reach 90.4% in 2050[50]. Kuwait and Qatar are the most urbanized nations among the GCC states. Urban lifestyles have raised the standard of living of individuals and changed their eating pattern, resulting in a shift in the diet towards protein-enriched foods as well as packaged and fast foods. Consumption of such premium products has contributed to the growth of the food industry.

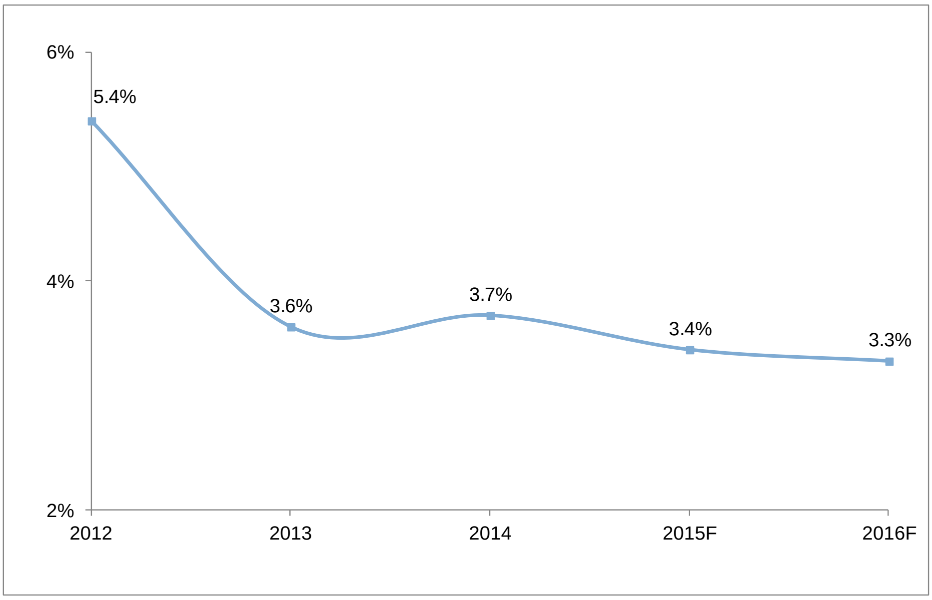
Economic Growth and Prosperity

Gulf nations hold large foreign exchange reserves and earn increasing non-oil revenue

Backed by strong hydrocarbon reserves and a growing non-oil sector, the Gulf nations are among the wealthiest in the world. The recent fall in oil prices is unlikely to have a significant impact on the wealth of the nations as they hold large foreign exchange reserves and are increasing their non-oil revenue to support public spending. Also, oil prices are expected to gradually recover to US$ 75 per barrel by 2019[51]. The region's real GDP growth is projected to remain almost steady in the range of 3% to 4% between 2014 and 2016 (see Exhibit 60), supported by the strength of government spending on large infrastructure projects and private sector credit expansion. In light of these factors, the outlook for the GCC nations is positive.

[50] Source: "World Urbanization Prospects", United Nations, 2014 revision; Alpen Capital
[51] Source: "Regional Economic Outlook – Middle East and Central Asia", IMF, January 2015

Exhibit 60: Real GDP Growth Forecast for the GCC



Source: IMF, January 2015
Note: F – Forecasted

Continued GDP growth has translated into rising personal income levels. Nationals also enjoy a high disposable income facilitated by government-mandated pay hikes, free health and education, and a tax-free fiscal environment. Consequently, the GCC region displays a strong preference for discretionary and high-priced products such as organic, cut-vegetables, ready-to-cook, marinated meat, and flavored milk. This has, in turn, drawn international as well as local food retailers and manufacturers to establish and expand their presence in the region.

Rising Tourism

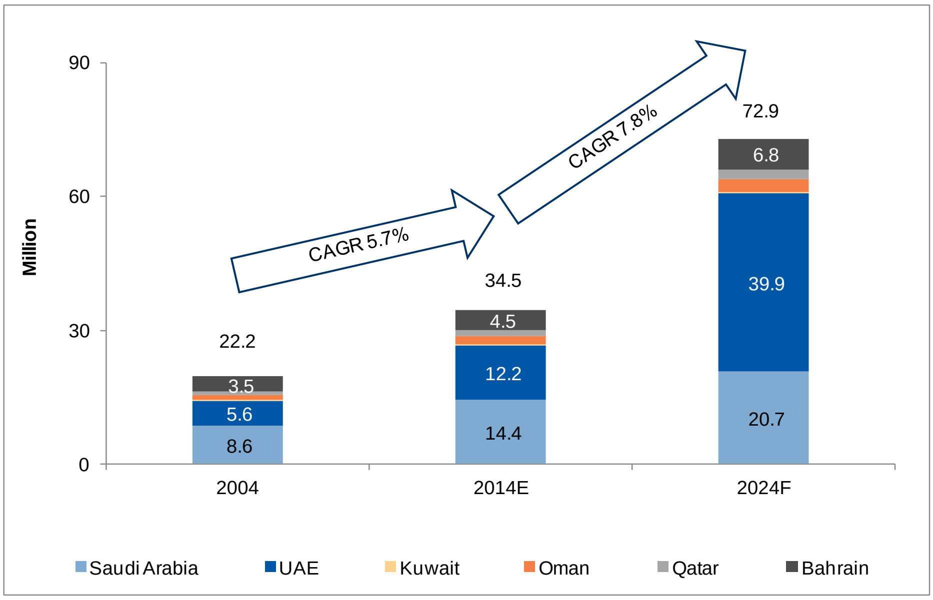
International tourist arrivals in the GCC are forecasted to grow at a 7.8% CAGR between 2014 and 2024

The region is set to host mega events such as the Dubai World Expo 2020 and the FIFA World Cup 2022

Most of the GCC nations have been developing their tourism industry as a part of their economic diversification strategy. The UAE and Saudi Arabia are the main tourism centers, having jointly hosted over 25 million international tourists in 2014, accounting for 77.2% of the total estimated international tourist arrivals in the GCC[52]. While Saudi Arabia attracts religious tourists to its holy cities of Mecca and Medina, the UAE is internationally preferred as a shopping, business, and leisure destination. Having grown at a CAGR of 5.7% over the decade ending 2014, international tourist arrivals in the GCC region are expected to display an annual average growth of 7.8% between 2014 and 2024[52] (see Exhibit 61). Preparations are underway to hold mega events such as the Dubai World Expo 2020 in the UAE and the FIFA World Cup 2022 in Qatar, which will provide a major boost to the region's tourism industry in the coming years. The industry is also set to receive a fillip as the GCC plans to launch a unified visa program, which will enable travel across the Gulf region on a single-entry visa valid for a month or a multiple-entry visa valid for a year[53]. The expected increase in tourist inflow in the region is likely to stimulate consumption of food, especially packaged products and cooked meals in restaurants.

52 Source: The World Travel & Tourism Council, Alpen Capital
53 Source: "Schengen-style multiple-entry tourism visas for six member countries could be issued", Gulf News, August 26, 2013

Exhibit 61: International Tourist Arrivals in the GCC



Source: The World Travel & Tourism Council (WTTC)
Note: E – Estimated, F – Forecasted

Modern Retail Sector Growth

Modern retail formats of hypermarkets and supermarkets are gaining popularity among busy consumers in the GCC

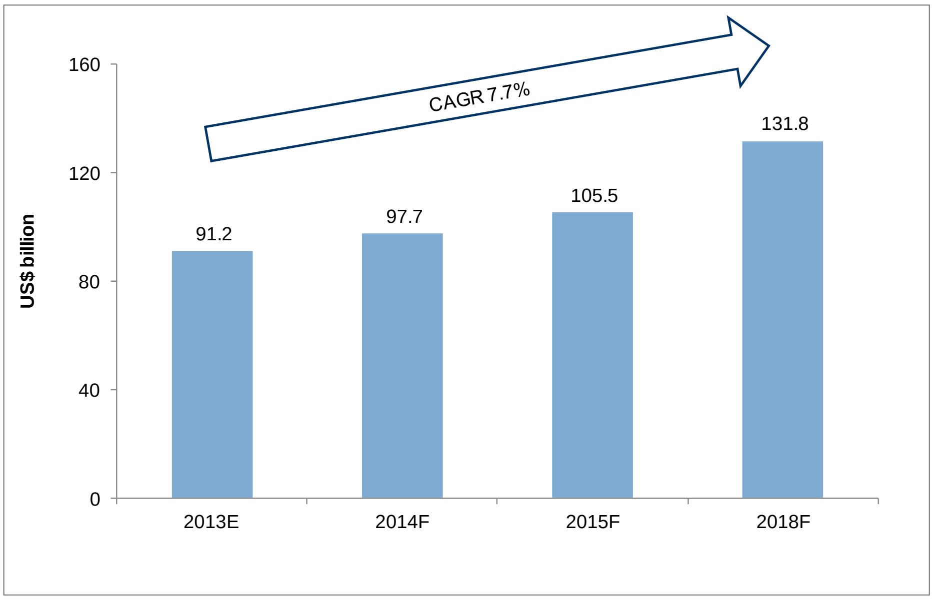
Factors such as a growing young population, urbanization, and rising affluence coupled with favorable government policies have increased the penetration of domestic and international retail players in the GCC. Modern retail formats of hypermarkets and supermarkets are gaining popularity among busy consumers due to their emergence as a one-stop-shop that meets a variety of requirements while offering a comfortable shopping experience and other value-added facilities. Such organized stores stock a wide array of food products and brands, catering to diverse tastes and preferences of consumers. Moreover, the products offered by international players are competitively priced due to direct import provisions. Some of the major supermarket and hypermarket operators are also establishing their online presence to capitalize on the fast growing e-commerce market.

Food retail sales in the region are expected to grow at a 7.7% CAGR between 2013 and 2018

The modern retail sales area in the GCC nations is estimated to have grown annually in the mid-single digit to low-double digit range between 2012 and 2013[54]. It is forecasted to grow further in the mid- to high-single digit range through 2018. Food retail sales, which accounted for 45.6% of the estimated retail sales in the GCC in 2013, are projected to grow at a 7.7% CAGR to reach US$ 131.8 billion in 2018[54] (see Exhibit 62).

[54] Source: "GCC Retail Industry", Alpen Capital, January 27, 2015

Exhibit 62: The GCC Food Retail Sales Forecast



Source: Alpen Capital
Note: E – Estimated, F – Forecasted

5. Challenges

Food Security

Desertification, water scarcity, and Saudi Arabia's phasing out of wheat production are likely to affect the GCC's food security

The GCC region's import volumes rose at a CAGR of 3.1% between 2006 and 2012, accounting for 87.6% of the total food demand[55]. During the same period, the import value grew by a 15.1% CAGR due to the rise in food prices. A worsening climate and water scarcity are likely to impact the domestic food supply in the near term. At the same time, growing population and rising affluence are leading to an increased demand for food, thus intensifying the need for imports. Securing a steady supply of food remains a key challenge for the GCC governments due to their dependency on imports. Although the governments have undertaken steps to improve the food supply, some of them are from a long-term perspective or have faced unforeseen hindrances. For instance, the UAE's investments in the resource-rich countries of Africa did not prove fruitful due to the weak infrastructure in those countries, poor security conditions, and high sovereign as well as political risks. Similarly, political issues in countries such as Egypt, Syria, Lebanon, and Sudan forced Saudi Arabian companies to divert investments towards other stable nations such as Australia and New Zealand. Moreover, extreme climatic changes globally as well as domestic desertification, water scarcity, and Saudi Arabia's phasing out of wheat production are likely to test the effectiveness of food security measures implemented in the region.

Socio-Political Instability in the Middle East

An unstable socio-political environment in the Middle East is a key risk to the import of food into the GCC nations

Most of the food imports to the GCC countries from North America, South America, and Europe are shipped along the routes of the Suez Canal in Egypt, the Strait of Hormuz adjoining Iran and Iraq, and the Bab-el-Mandeb Strait between Northeast Arabia and Southwest Africa. More than 80% of wheat and rice imports to the region pass from the Suez Canal and the Strait of Hormuz, respectively[56]. Consequently, an unstable socio-political environment in the Middle East is a key risk to the import of food into the region. Supply concerns were raised due to events such as the Iranian threat to close the Strait of Hormuz in 2012 as well as political instability in Egypt and attacks on the Suez Canal in the last two years. With the growing frequency and intensity of political and military conflicts in the Middle East, the Gulf nations may face food supply disruptions in the future.

Severe Water Shortage

The GCC is currently facing absolute water scarcity

The GCC region's per capita renewable water supply has fallen below the limit of 500 cubic meters per year[57], leading to absolute water scarcity in the region. The average renewable water resources per capita in the region were 100.8 cubic meters in 2014, with Oman holding the highest at 385.5 cubic meters and Kuwait, the lowest at 5.9 cubic meters[58]. The region's water usage is exceeding the natural replenishment rates, resulting in the depletion of its reserves. The already limited water reserves in the region are further exploited by the agricultural activities, which consume a major share of the water supply. Progressively declining water reserves also limit the scope of cultivation improvement, further reducing the domestic output. An inadequate water supply could adversely impact the region's ability to feed its growing population base.

In an effort to protect its water reserves, Saudi Arabia initiated the phasing out of its wheat production. The GCC governments have allocated over US$ 100 billion between 2011 and

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[55] Source: "Arab Agricultural Statistics Yearbooks", AOAD, Alpen Capital
[56] Source: "Regional Instability Threatens Food Security in the Gulf". Chatham House, November 2013
[57] Source: Absolute water scarcity level as defined by FAO
[58] Source: Aquastat Database, 2014

The governments have allocated over US$ 100 billion towards advanced desalination technologies

2016 towards advanced desalination technologies involving solar energy, wastewater treatment, and recycling[59]. The setting up of a water pipeline from Oman to Kuwait at an investment of US$ 10.5 billion is among the proposed measures to counter water scarcity in the region[60].

Scope for Improvement in the Supply Chain

Procedures involved in managing a global supply chain pose a challenge in ensuring that quality products reach the consumers on time

Logistic and regulatory procedures involved in managing a global supply chain pose a challenge in ensuring that quality products reach the consumers in a timely manner. This is true even for the GCC region where rising food consumption has translated into increasing imports from various parts of the world. The supply chain infrastructure, in its current state, presents a significant scope for improvement in the Gulf. Rising consumer awareness about adulteration and tighter regulatory oversight on food safety have drawn attention towards taking corrective measures, which are vital to the growth of the industry. For instance, the Consumer protection department set up by the UAE government addresses consumer grievances related to substandard, unsafe as well as unduly expensive products and other unfair consumer practices. Additionally, for improving and standardizing food recall processes across the country, the government is working on the launch of a uniform platform, Rapid Alert System for Food and Feed, to report health risks from food and feed products[61]. This platform is being developed on the lines of a similar system in the European Union.

With globalization and technological advances, there are further opportunities to rationalize and improve the procurement and supply chain functions in the GCC food industry. Companies are devising strategies to enhance their operational efficiency, logistics, distribution modes, and customer relations through the use of technology.

Rise in Food Prices

The CPI of food across the region increased between 2008 and 2013, with annual average growth rates in the range of 2% to 5%

Being largely dependent on food imports, the Gulf nations are always exposed to the fluctuations in international food prices. The consumer price index (CPI) of food across the region increased at annual average growth rates in the range of 2% to 5% between 2008 and 2013[62]. Although global food prices softened in 2014, they were characterized by major spikes intermittently. Food and beverage prices increased y-o-y in most GCC member states in October 2014, with an average hike of 3%. Slowing global agricultural productivity and rising demand for food may set the prices soaring in the long-term, thus fueling the food inflation in import-dependent nations. To control inflation, governments in the region have implemented measures from time to time. For instance, recently, the UAE government announced plans to freeze the prices of 500 products in 2015[63]. While such measures are aimed at offering relief to consumers, they can impact the profit margins of companies operating in the food sector.

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[59] Source: "GCC to invest $100b in five years to combat water shortage", Khaleej Times, July 23, 2012
[60] Source: "State-of-the-art technologies and sustainable practices can save the GCC from thirst", bqdoha.com, February 1, 2015
[61] Source: "UAE to launch rapid alert system to improve food recalls", Food Navigator, January 3, 2014
[62] Source: FAO Statistics
[63] Source: "UAE fixes prices of 500 staple grocery items for 2015", Gulf News, November 30, 2014

6. Trends

Rising Demand for Packaged Foods

The GCC packaged food market is booming with rising demand for healthy and international foods from a growing base of expatriates as well as young consumers. A diverse and urban landscape is driving the demand for convenient, ready-to-eat, canned, chilled, processed, preserved, and frozen foods in the region. Further, the provision of accurate information about the food quality, ingredients, and nutrition on the package is catching the attention of the busy and health-conscious consumers[64].

The GCC packaged food market stood at US$ 25 billion in 2013, with expectations of an 8.5% annual growth until 2018

This demand for packaged foods is well-served by the increasing penetration of organized retail stores offering a broad variety of food products and brands. Saudi Arabia and the UAE are the largest packaged food markets in the Gulf, with estimated retail sales of US$ 18.4 billion and US$ 3.0 billion, respectively, in 2013[65]. The retail sales of packaged foods in these countries registered a robust annualized growth of 10.1% and 7.2% between 2009 and 2013[65]. The GCC packaged food market stood at US$ 25 billion in 2013, with expectations of an 8.5% average annual growth until 2018[66]. The top two packaged food products consumed in the region include bakery, contributing to 30% of the total packaged food market, and dairy, accounting for 25%[66].

Emerging Private Labels

The concept of private labels is steadily evolving as a highly profitable option for the food retailers

As the demand for packaged foods rises and competition in the retail sector intensifies, food retailers are introducing their own brands that match customer expectations and are reasonably priced. The concept of private labels is steadily evolving as a highly profitable option for food retailers in the region, as it lifts profit margins by eliminating the intermediaries in the value chain. Retailers enjoy the option of retaining additional margins or increasing their sales volume by offering competitively-priced products. In addition to quality, price is a primary factor that adds to the attractiveness of a private label product from the consumer's perspective. The prices of such goods are around 20%-30% lower than that of renowned brands[67].

Carrefour, LuLu, Spinneys, and Waitrose have launched their private labels in the basic frozen foods and grocery segments. The most common products launched by the GCC retailers under private brands include pulses, rice, flour, oil, sugar, salt, pasta, canned goods, and spices. The market share of private label products in the region has multiplied from 3% to 10% over the last three years[68]. The market still presents a huge scope for growth, considering the relatively higher share of private labels in total sales value of the matured markets such as the UK (41%), Germany (34%), and the US (18%) in 2013[69].

A Growing Food Processing Segment

The processed food market accounts for more than half of the total food consumed in the region

The region's high reliance on imports underscores the need for an advanced food processing industry. Several imported food items are processed within the region for local consumption as well as for re-exports. The processed food market accounts for more than half of the total food consumed across the Gulf nations[66]. Ancillary sectors such as processing machinery, packaging, and logistics stand to gain from increased food processing activities in the region. Further, focus on local food processing coupled with

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[64] Source: "Packaged Food Market in GCC 2015-2019", Research and Markets, December 2014
[65] Source: "Market Overview United Arab Emirates" and "Packaged Food Sales in Saudi Arabia", Agriculture and Agri-Food Canada, March 2014
[66] Source: "Food Processing, Organic Farming and Food Retailing to Experience High Growth in the GCC", Frost & Sullivan, November 26, 2014
[67] Source: "Sales of private-label products in UAE set to grow", Gulf News, September 14, 2014
[68] Source: "Opportunities for Supply Chain Consolidation in GCC Food Sector", Farrelly & Mitchell, January 2015
[69] Source: "The State of Private Label Around the World", The Nielsen Co., November 2014

developing the supply chain infrastructure may decrease the region's dependency on imports to some extent.

While Saudi Arabia and the UAE are the hubs for processed foods in the GCC, other member nations are also investing in developing processing capabilities

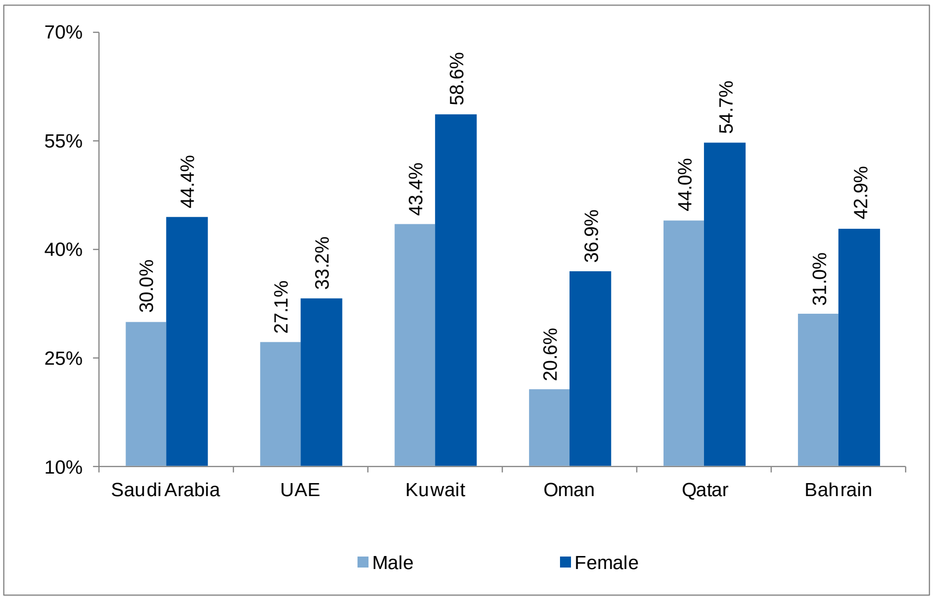
In order to reap the already evident benefits of processing food locally, governments are encouraging domestic and global food producers to establish new manufacturing units. As home to the region's largest population base, Saudi Arabia and the UAE are the hubs for processed foods in the GCC region. Major private sector investments in the UAE's food processing sector include the halal food producer Al Islami Foods' US$ 27.2 million facility at the Dubai Investment Park as well as Brazil's BRF SA's US$ 150 million plant and Abu Dhabi's National Food Products Co.'s US$ 411 million facility at the Khalifa Industrial Zone Abu Dhabi (Kizad)[70]. Other Gulf countries are also developing strategies to promote their food processing sector. Qatar has announced plans to build an agro-industrial park, while Oman is developing its first dedicated food processing cluster at the SPF.

Increase in the Healthy and Organic Foods Consumption

An urban lifestyle and penchant for processed foods have led to an increase in the obesity rates

Obesity among the adults in the region has grown at an alarming rate over the years, more particularly among women in Kuwait and Qatar where the obesity rate has crossed 50% (see Exhibit 63). An urban lifestyle and penchant for processed foods have been the main factors behind the increase in the obesity rates. High obesity rates have increased the incidence of diabetes and cardiovascular diseases in the region.

Exhibit 63: Obesity Rate Among Adults in the GCC in 2013



Source: Gulf Business, October 2014

Rising ailments have led to increased health consciousness in the GCC, boosting consumption of healthy and organic foods

Rising lifestyle-related ailments are gradually leading to increased health consciousness in the region, thereby driving the consumption of healthy, organic, and dietary foods. The growing popularity of organic food is further fuelled by government initiatives as well as the proliferation of specialty stores and dedicated sections in the supermarkets offering such

[70] Source: "Region's biggest F&B producers explore expansion capacity at dedicated machinery and equipment showcase", Gulfood Manufacturing, September 24, 2014

products. The organic food market in the Gulf region, estimated at US$ 300 million in 2009[71], is anticipated to reach US$ 1.5 billion by 2018[72].

To meet the growing demand, the region's governments are encouraging organic farming through measures such as the establishment of an organic farming department in the Ministry of Agriculture and an organic farming association. Such steps have led to an increase in the organic farms in the region. Saudi Arabia, which accounted for 90% of the region's organic market in 2009, held more than 110 organic farms spread across an area of over 33,700 hectares in late 2014, up from only 10 farms in 2000[73]. The UAE had 39 organic farms in 2013 encompassing an area of 3,920 hectares, almost 18 times the area under organic farming in 2007[74]. These developed farms are expected to yield bumper organic harvest in the near term.

Incidence of celiac has led to a rise in the demand for gluten-free products

Instances of celiac, a digestive condition that causes an adverse reaction to gluten-based foods such as wheat, rye, and barley, are also increasing. Such cases are particularly evident in the UAE. Incidence of celiac has led to a rise in the demand for gluten-free products.

Rise in the Halal Food Consumption

Halal food imports in the GCC are expected to almost double from US$ 25.8 billion in 2010 to US$ 53.1 billion by 2020 at a 7.5% CAGR

The GCC is home to a large pool of Muslim population that prefers halal food, which is prepared as per the laws of Islam. Growing consumption of meat, the key product among halal foods, along with a rise in the segment of population following Islam is likely to increase the demand for halal food in the region. Halal food imports into the GCC region are expected to almost double from US$ 25.8 billion in 2010 to US$ 53.1 billion by 2020, registering a 7.5% CAGR[75]. The UAE's halal imports are expected to grow at a faster pace of 12.1% from US$ 3 billion in 2011 to US$ 8.4 billion in 2020, with the country's contribution to the region's halal imports likely to surge to 15.8%[76]. Considering the rising demand across the globe as well as the anticipated increase in halal imports, the UAE is establishing itself as a major global hub for halal foods. The country has already undertaken initiatives such as the setting up of a dedicated halal cluster, announced by TECOM Investments in February 2014, to be spread over an area of 6.7 million sq ft in the Dubai Industrial City[77]. The setting up of manufacturing and logistics units in the cluster is likely to increase the supply of halal food to the UAE and its neighbors. Additionally, the UAE has launched a national certification mark aimed at ensuring that the imported halal foods meet the set standards and aid in minimizing the delay in the supply of such food within the region.

Increasing Investments in Fish Farming

The per capita fish consumption in the UAE and Oman was higher than the world average

The per capita consumption of fish in the GCC region was 13.2 kg in 2012, with the UAE and Oman as the largest consumers at 24.5 kg and 28.5 kg, respectively[78]. The region's largest consumers' average is high compared to the world average of 19.2 kg[79]. The demand is set to increase with population growth and preference towards a protein-enriched diet. In contrast, pollution and excess fishing have led to a steady decline in the fish stocks across the Gulf countries. While overfishing reduced the fish stock in the

[71] Source: "GCC eyes $220bn organic food market", Trade Arabia, May 15, 2010
[72] Source: "Food Processing, Organic Farming and Food Retailing to Experience High Growth in the GCC", Frost & Sullivan, November 26, 2014
[73] Source: "Organic farming gaining popularity in Saudi Arabia", Saudi Gazette, September 16, 2014
[74] Source: "Bumper harvests predicted for GCC organic farming", The National, November 26, 2014
[75] Source: "GCC halal food imports set to jump to $53bn by 2020", Arab News, November 8, 2014
[76] Source: "Gulfood 2015 to shed light on halal industry", Gulf News, February 3, 2015
[77] Source: "Halal cluster launched at Dubai Industrial City", Gulf News, February 23, 2014
[78] Source: "Arab Agricultural Statistics Yearbook", AOAD, 2013, Alpen Capital
[79] Source: "Food Outlook", FAO, October 2014

Arabian Gulf, pollution has caused the depletion of 70% of the stock in the Red Sea[80]. Consequently, the region has turned to aquaculture to meet its seafood demand, as it does not strain the freshwater resources and reduces the impact on environment by its minimal use of seawater.

Saudi Arabia and Oman are the largest investors in the region's aquaculture sector

The GCC governments have been investing in fish farming initiatives to boost domestic seafood production and meet the rising demand. As a result, aquaculture has evolved as the fastest growing food processing sub-segment in the region. The farmed fish output across the region grew more than five times from 194,000 tonnes in 2002 to 1.1 million tonnes in 2012[80]. Saudi Arabia and Oman are the largest investors in the region's aquaculture sector. In December 2013, the Saudi Arabian Ministry of Agriculture invested US$ 10.6 billion in aquaculture projects to boost its fish production from over 100,000 tonnes in 2012 to a million tonnes over the next 16 years[80]. The Omani government has announced plans to develop aquaculture at an investment of US$ 1.3 billion by 2020[80]. In 2014, 19 fishery projects worth US$ 332 million received licenses in the Sultanate[80]. In July 2014, a regional fund backed by Emirates Star Fisheries earmarked US$ 80 million for a farming project involving inland aquaculture, cage farming, and mariculture in Oman. Expected to commence operations in 2016, the farm is likely to produce 3,000 tonnes of fish in 2016, 8,000 tonnes in 2017, and 13,000 tonnes in 2018[80]. In October 2014, Qatar announced plans to set up a QAR 230 million (US$ 63.1 million[81]) aquatic research center. Scheduled for completion by end-2015, the center plans to release fingerlings and baby prawns into the sea to increase their supply[82].

The Omani government has announced plans to develop aquaculture at an investment of US$ 1.3 billion by 2020

Use of Technology for Boosting Domestic Produce

The Gulf nations are hosting and attending events to study and implement technological developments that could enhance their agricultural output. Some of the advanced technologies that the member nations have already adopted include hydroponics and aquaponics.

Through water recycling, hydroponics reduces water usage by nearly 70%-90% compared to the conventional agriculture methods

Hydroponics helps grow plants without soil through the use of water-based mineral nutrient solutions. Moreover, through water recycling, this technique reduces water usage by nearly 70%-90% compared to the conventional agriculture methods. Considering the region's arid climate, lack of arable land, and water scarcity problems, hydroponics is by far the best solution to improve the domestic agricultural output. One of the largest operators of commercial hydroponic farms in the Middle East, Pegasus Architect revealed that the use of advanced hydroponics and shelf-growing technology results in 1,000-1,200 tons of fresh produce per annum per hectare, which is about 30 times higher productivity than conventional farming.

Pegasus Architect started the development of a 10,000 sq m hydroponics farm in Muscat and Oman in August 2013[83]. Later, in April 2014, it commenced the construction of Saudi Arabia's first commercial hydroponic farm in April 2014, spread across 20,000 sq m, to grow lettuce, tomatoes, basil, thyme, and rocket[84]. In May 2014, Oman-based Al Hosn Investment Co. started a greenhouse farming project based on the hydroponic technology at an investment of over OMR 4 million[85] (US$ 10.4 million[86]). The project comprises 16 greenhouse units spread across 33 hectares, with an annual production capacity of about 3,000 tonnes of vegetables. Increasing use of this technology may reduce the region's

80 Source: "GCC adopting aquaculture", bqdoha.com, July 23, 2014
81 At exchange rate as of October 15, 2014
82 Source: "Qatar to set up QR 230 mn aquatic research centre", bqdoha.com, October 15, 2014
83 Source: "Middle East food security: Pegasus Agritech builds hydroponic farm in Oman", Sustainable Business.com, August, 13, 2013
84 Source: "Pegasus plans hydroponic farm in Saudi", Trade Arabia, April 24, 2014
85 Source: "Al Hosn launches RO4mn Barka greenhouse project", Muscat Daily, May 25, 2014
86 At exchange rate as of May 25, 2014

food security problems. While the UAE has 87 commercial farms deploying the hydroponic technology, local farmers lack the required operational expertise. To address this issue, in February 2014, the UAE government introduced a scheme to train farmers and provide hydroponics systems, fertilizers as well as other material at a 50% discount to the market rate[87].

As an organic production technology that is devoid of chemicals, aquaponics lends a competitive edge amid health-conscious consumers

Aquaponics is a symbiotic system that utilizes fish excreta to provide nutrients to the plants which, in turn, serve as a biological filter for water. Aquaponics reduces the water usage by 90%-99% compared to the traditional aquaculture methods[88]. As an organic production technology that is devoid of chemicals, aquaponics lends a competitive edge amid health-conscious consumers. The UAE invested AED 4 million (US$ 1.1 million[89]) in 2011 to set up the Baniyas, the world's largest aquaponics center comprising two 2,400 sq m greenhouses, one each for vegetables and fish[90].

[87] Source: "Boost for hydroponic farming in the UAE", The National, February 26, 2014
[88] Source: "Saudi Arabia Future Investments Opportunities Environmental Sciences Essay", Uni Assignment Centre, February 2013
[89] At exchange rate as of September 22, 2012
[90] Source: "UAE aquaponics project hailed as a success", The National, September 22, 2012

7. Merger and Acquisition (M&A) Activities

More than half of the deals announced during the period under consideration were intra-regional

The GCC food sector has witnessed strong M&A activity since 2013 (see Exhibit 64). More than half of the deals announced during the period under consideration were intra-regional, with business expansion and financial investment being the chief motives. However, the region also saw several cross-border acquisitions including those by overseas players aiming to strengthen their foothold in the region as well as those by local entities scouting for strategic inorganic growth opportunities overseas. The most active companies during the period included The Savola Group Co., Hassad Food Co., and BRF Brasil Foods. The vibrant pace of M&A activity is likely to continue in light of increasing food demand in the Gulf region.

Exhibit 64: Major M&A Deals in the GCC Food Sector

Acquirer	Acquirer's Country	Target Company	Target's Country	Year	Consideration (US$ Million)
Qurain Petrochemical Ind.	Kuwait	Saudia Dairy and Foodstuff	Saudi Arabia	2013	232.5
The Savola Group Co.	Saudi Arabia	Al Azizia Panda United	Saudi Arabia	2013	190.0
The Savola Group Co.	Saudi Arabia	Savola Foods Co.[#]	Saudi Arabia	2013	167.0
Hassad Food Co.	Qatar	Bush Foods Overseas Pvt.	India	2013	100.0
Zulal Investment Co. (subsidiary of Hassad Food)	Qatar	A'Saffa Foods SAOG	Oman	2015	99.0
United Farmers Holding Co.	Saudi Arabia	Continental Farmers Group	Isle of Man	2013	96.5
Qurain Petrochemical Ind.	Kuwait	Saudia Dairy and Foodstuff	Saudi Arabia	2014	96.3
BRF Brasil Foods	Brazil	Federal Foods	UAE	2013	37.1
BRF Brasil Foods	Brazil	Federal Foods	UAE	2014	27.8
Arrow Food Distribution Co.	Saudi Arabia	The Arab Dairy Products Co.	Egypt	2014	24.4
International Dairy & Juice (Dubai) Ltd.*	UAE	Teeba Invst. for Developed Food Processing Co.	Jordan	2013	17.0
Al Dahra Holding LLC*	UAE	Kohinoor Foods Ltd.	India	2013	15.1
Almarai Co.	Saudi Arabia	International Pediatric Nutrition	Saudi Arabia	2014	4.0
Rafi Agri Foods Intl.	UAE	Delta Food Industries	Egypt	2015	N/A
The Savola Group Co.	Saudi Arabia	Kuwait Food Co.	Kuwait	2014	N/A
Danah Al Safat Foodstuff	Kuwait	Egyptian Dairy & Foodstuff	Egypt	2014	N/A
Al-Hosn Investment Co.	Oman	A'Saffa Foods SAOG	Oman	2014	N/A
Ezdan Holding Group	Qatar	Widam Food Co.	Qatar	2014	N/A
Al Wathba National Ins. Co.	UAE	FOODCO Holding	UAE	2014	N/A
BRF Brasil Foods	Brazil	Al Khan Foodstuff	Oman	2014	N/A
ANC Holdings LLC*	UAE	Dhofar Fisheries Industrial Co.	Oman	2013	N/A

Source: Zawya, Bloomberg

*Note: [#] Fully-owned subsidiary of The Savola Group Co. post this deal, *Deals pending completion (as on April 24, 2015)*

8. Financial and Valuation Analysis

8.1 Financial Performance

In this section, we have analyzed the latest three-year financial performance of the top 22 listed food companies in the GCC (see Exhibit 65). On the basis on their main line of business, these companies have been categorized into the following four sub-segments:

- Agri & agri processing
- Dairy
- Processed and frozen foods
- Livestock (Meat, fish, and poultry)

Revenue Analysis

The combined revenue of the 22 food companies in the GCC grew at an annual average of 8.3% between 2011 and 2014

The combined revenue of the 22 food companies in the GCC grew at an annual average of 8.3% between 2011 and 2014, with 2014 witnessing a marginally higher y-o-y revenue growth at 9.1%[91]. The dairy segment outperformed the overall industry having registered a three-year average revenue growth of 12.1%. Revenue growth of the other segments averaged between 7% and 9%. The agri & agri processing segment accounted for the largest share in the food industry by revenue. The three largest companies, The Savola Group, Almarai Co., and Kuwait Food Co., together accounted for nearly 80% of the region's food industry revenue in 2014.

Profitability Analysis

The three-year average EBITDA margin of the food sector stood at 10.9% from 2012 to 2014

The three-year average EBITDA margin of the food sector stood at 10.9% from 2012 to 2014, with 2014 witnessing a higher margin at 11.9%. Segment-wise, the average EBITDA margin of the dairy segment was the highest at 19.4% during the three-year period, followed by ~14% for the agri & agri processing and the processed & frozen foods segments. The profitability of the livestock segment was impacted by substantial losses of Saudi Fisheries Co. and Jazan Development Co.

The industry-wide net margin averaged at 5.0% from 2012 to 2014. While all the segments reported average net margin of about 10%, the huge losses of couple of companies within the livestock segment halved the industry average.

During the three-year period to 2014, the industry's average ROE and ROA stood at 13.1% and 7.5%, respectively. With the exception of the livestock segment, all other segments posted strong ROE of about 15% while the average ROA ranged between 7% and 10%. The livestock segment's returns remained subdued due to losses of Saudi Fisheries Co. and Jazan Development Co., even as all other companies generated positive returns.

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[91] We have used the last twelve months' (LTM) financials ending September for Agthia Group, Kuwait Food Co., and Zad Holding Co., and LTM financials ending December for Oman Flour Mills and Saudi Dairy & Foodstuff, since these companies have not published their latest full-year results

Exhibit 65: Financial Performance of Major Food Companies in the GCC

Company Name	Country	Market Cap (US$ Million)	Revenue (US$ Million)	Revenue (3-yr avg. growth %)	EBITDA Margin (3-yr avg. %)	Net Margin (3-yr avg. %)	ROE (3-yr avg. %)	ROA (3-yr avg. %)
Agri & Agri Processing								
The Savola Group	Saudi	11,247.4	7,086.3	1.9%	8.3%	6.5%	18.5%	6.9%
Agthia Group PJSC	UAE	1,143.5	440.8[a]	13.4%[b]	14.1%[b]	10.6%[b]	12.7%[b]	8.1%[b]
Al Jouf Agricultural Dev.	Saudi	374.3	93.4	6.4%	37.1%	30.0%	14.7%	12.6%
Oman Flour Mills Co. SAOG	Oman	234.8	224.4[c]	14.5%[d]	11.4%[d]	8.8%[d]	12.4%[d]	9.3%[d]
Tabuk Agriculture	Saudi	231.6	41.1	(1.8%)	14.3%	6.0%	2.5%	2.0%
Salalah Mills Co.	Oman	185.8	175.6	19.3%	6.8%	8.1%	21.5%	7.5%
Areej Vegetable Oils	Oman	66.9	240.2	(1.2%)	5.9%	2.7%	21.7%	5.3%
Sub-segment Average				*7.5%*	*14.0%*	*10.4%*	*14.8%*	*7.4%*
Dairy								
Almarai Co.	Saudi	13,797.8	3,359.7	16.7%	25.9%	13.8%	16.4%	6.9%
Saudi Dairy & Foodstuff	Saudi	1,122.2	461.0[c]	9.6%[e]	14.4%[e]	10.4%[e]	18.6%[e]	14.7%[e]
National Agricultural Dev. Co.	Saudi	731.6	552.3	10.0%	17.9%	5.3%	8.7%	3.4%
Sub-segment Average				*12.1%*	*19.4%*	*9.8%*	*14.6%*	*8.3%*
Processed & Frozen Foods								
Kuwait Food Co. (Americana)	Kuwait	3,899.5	3,221.3[a]	9.3%[b]	10.0%[b]	5.9%[b]	15.2%[b]	7.9%[b]
Halwani Bros. Co.	Saudi	664.7	283.8	9.4%	16.2%	9.3%	15.4%	10.7%
Zad Holding Co.	Qatar	541.4	232.7[a]	29.5%[b]	20.6%[b]	16.6%[b]	9.6%[b]	6.2%[b]
Dubai Refreshments Co.	UAE	551.3	268.2	0.3%	16.3%	14.7%	19.4%	13.4%
Oman Refreshment Co.	Oman	318.2	189.3	9.4%	18.7%	14.6%	35.2%	23.5%
Wafrah for Industries and Dev.	Saudi	227.7	23.1	2.1%	14.9%	5.4%	2.1%	1.9%
TRAFCO Group	Bahrain	47.1	106.8	0.5%	3.9%	3.7%	6.9%	3.9%
Sub-segment Average				*8.6%*	*14.4%*	*10.0%*	*14.8%*	*9.6%*
Livestock (Meat/ Fishes/ Poultry)								
Saudi Fisheries	Saudi	466.8	21.3	(1.8%)	(39.5%)	(59.3%)	(15.3%)	(10.5%)
Widam Food Co.	Qatar	291.7	112.5	16.4%	21.6%	18.0%	24.3%	11.7%
A'Saffa Foods SAOG	Oman	283.0	78.5	12.5%	32.2%	24.9%	25.3%	16.6%
Jazan Development Co.	Saudi	224.0	17.4	5.6%	(36.3%)	(52.9%)	(3.9%)	(3.2%)
Delmon Poultry Co.	Bahrain	29.0	33.0	0.0%	3.9%	6.7%	6.2%	5.9%
Sub-segment Average				*6.5%*	*(3.6%)*	*(12.5%)*	*7.3%*	*4.1%*
GCC Food Industry								
Average				8.3%	10.9%	5.0%	13.1%	7.5%
Median				9.3%	14.4%	8.5%	14.9%	7.2%
High				29.5%	37.1%	30.0%	35.2%	23.5%
Low				(1.8%)	(39.5%)	(59.3%)	(15.3%)	(10.5%)

Source: Zawya, Alpen Capital

Note: Figures in red indicate below-average performance and those in green suggest performance at par with or above average, [a] LTM ended September 2014, [b] average of LTM ended September 2014, December 2013 and December 2012, [c] LTM ended December 2014, [d] average of LTM ended December 2014, June 2014 and June 2013, [e] average of LTM ended December 2014, March 2014 and March 2013

Segment-wise Performance

Agri & Agri Processing

Aggregate revenue of the agri & agri processing segment grew at an annual average of 7.5% between 2011 and 2014

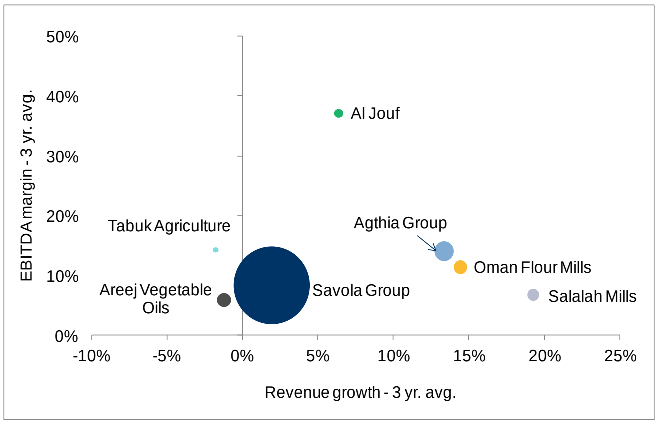
The set of selected companies within the agri & agri processing segment generated a combined revenue of US$ 8.3 billion in 2014, growing at an annual average of 7.5% between 2011 and 2014 owing to strong performance by Salalah Mills, Oman Flour Mills, and Agthia Group (see Exhibit 66). During the period, the top-line of the largest player, The Savola Group, grew at a slow pace due to a fall in the sales of its main products – edible oil and sugar – in 2013, followed by a muted growth in 2014. This coupled with decline in revenue of Tabuk Agriculture and Areej Vegetable Oils partially hampered the overall segment revenue growth. Nonetheless, The Savola Group announced plans to expand its sugar refinery's annual production capacity by more than 40% in two years[92] as well as double its edible oil production capacity[93]. Such strong expansion plans of the region's largest food producer are likely to boost the segment's overall topline.

Al Jouf was the most profitable company in the agri & agri processing segment

The segment's EBITDA margin averaged at 14.0% during the three-year period. Al Jouf was the most profitable company in the segment, with a margin of 37.1%, followed by Tabuk Agriculture and Agthia Group at ~14%. Most of Al Jouf's strong profitability was driven by a fall in raw material prices and selling and administrative costs in 2014.

During 2012 to 2014, the segment's ROE and ROA averaged at 14.8% and 7.4%, respectively (see Exhibit 67). Salalah Mills and Areej Vegetable Oils posted the highest ROE above 20%, while Al Jouf recorded the highest ROA of 12.6%.

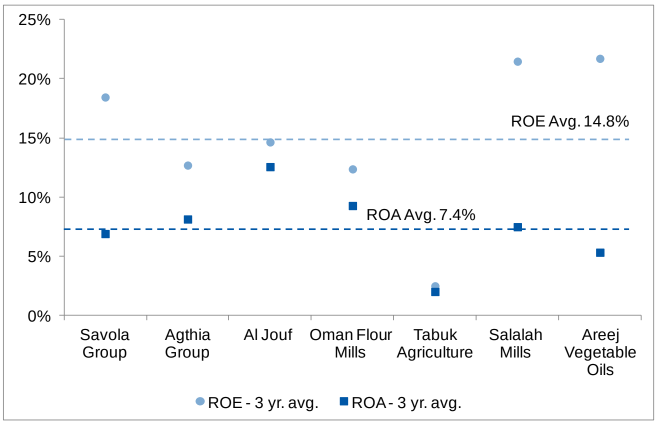
Exhibit 66: Agri & Agri Processing – Three-year Average Revenue Growth and EBITDA Margin



Source: Zawya, Alpen Capital

Note: Size of the bubble is indicative of the size of LTM revenue

Exhibit 67: Agri & Agri Processing – Three-year Average ROE and ROA



Source: Zawya, Alpen Capital

Dairy

Combined revenue of the dairy segment grew at a 12.1% CAGR between 2011 and 2014

Combined revenue of the selected dairy companies stood at US$ 4.4 billion in 2014, growing at an annual average of 12.1% between 2011 and 2014. Almarai Co., the largest dairy producer in the GCC accounting for 76.8% of the segmental revenue in 2014, achieved a robust revenue growth of 16.7% at an average 25.9% EBITDA margin over the last three years (see Exhibit 68). The company's strong performance powered the entire

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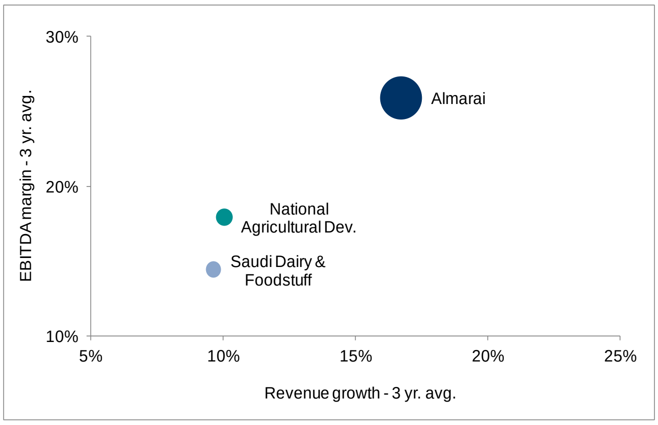
[92] Source: "Savola starts expanding Jeddah sugar refinery", Mubasher Info, November 5, 2014
[93] Source: "Savola plans to expand in Sudan", Mubasher Info, February 24, 2015

segment's growth. Almarai Co.'s revenue is expected to continue to grow, backed by its market leadership in the dairy industry. Also, its profitability is likely to improve as falling feed prices reduce its direct material cost.

The dairy segment's ROE and ROA averaged at 14.6% and 8.3%, respectively, from 2012 to 2014 (see Exhibit 69). Despite registering the lowest revenue growth and EBITDA margin during the period under consideration, Saudi Dairy & Foodstuff Co. generated the highest returns in the segment.

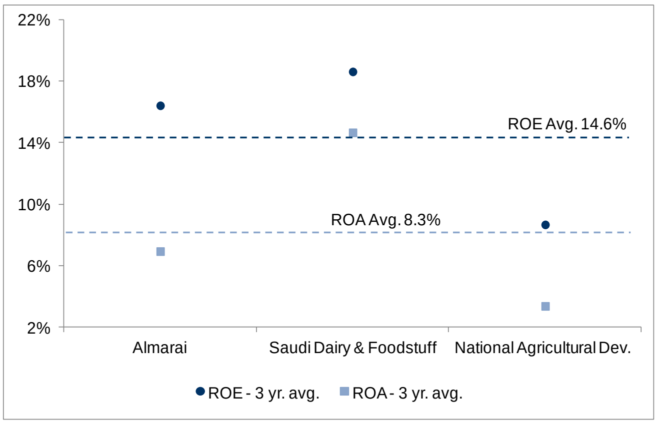
Exhibit 68: Dairy – Three-year Average Revenue Growth and EBITDA Margin



Source: Zawya, Alpen Capital

Note: Size of the bubble is indicative of the size of LTM revenue

Exhibit 69: Dairy – Three-year Average ROE and ROA



Source: Zawya, Alpen Capital

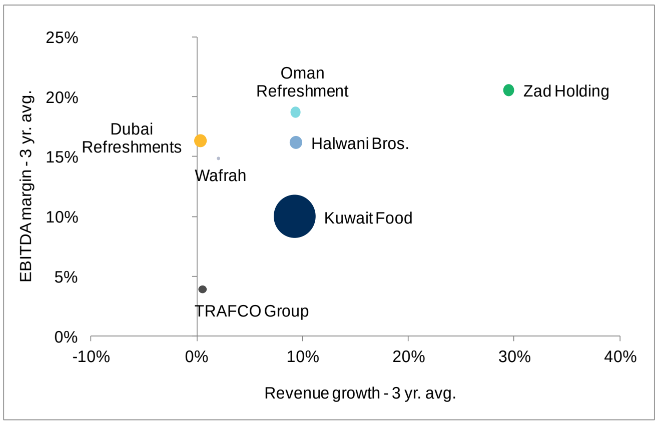
Processed and Frozen Foods

Combined revenue of the processed and frozen foods segment grew at a 8.6% CAGR between 2011 and 2014

The processed and frozen foods segment revenue stood at US$ 4.3 billion in 2014, registering an annual average growth of 8.6% between 2011 and 2014. The largest company within the segment, Kuwait Food Co., registered growth at par with the segment average (see Exhibit 70). The segment's growth was also aided by a 29.5% revenue growth of Zad Holding. The company's top-line is expected to rise further as it is expanding its flour mill capacity. In terms of profitability, most of the companies' EBITDA margin ranged from 15% to 21% during 2012 to 2014, with Zad Holding registering the highest margin.

The segment's ROE and ROA averaged at 14.8% and 9.6%, respectively, from 2012 to 2014. Oman Refreshment, with average ROE and ROA of 35.2% and 23.5%, respectively, significantly outperformed the other companies (see Exhibit 71).

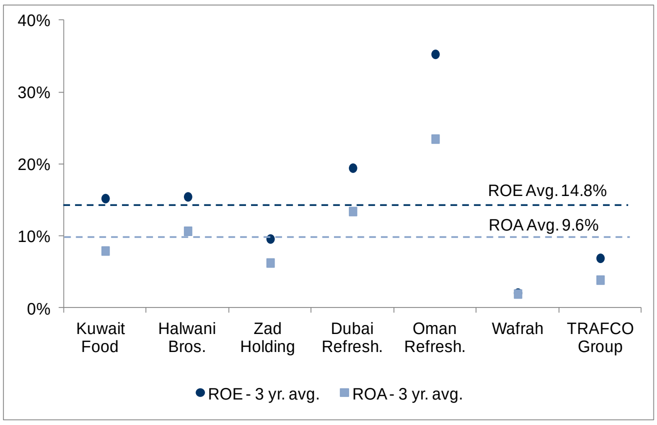
Exhibit 70: Processed and Frozen Foods – Three-year Average Revenue Growth and EBITDA Margin



Source: Zawya, Alpen Capital

Note: Size of the bubble is indicative of the size of LTM revenue

Exhibit 71: Processed and Frozen Foods – Three-year Average ROE and ROA



Source: Zawya, Alpen Capital

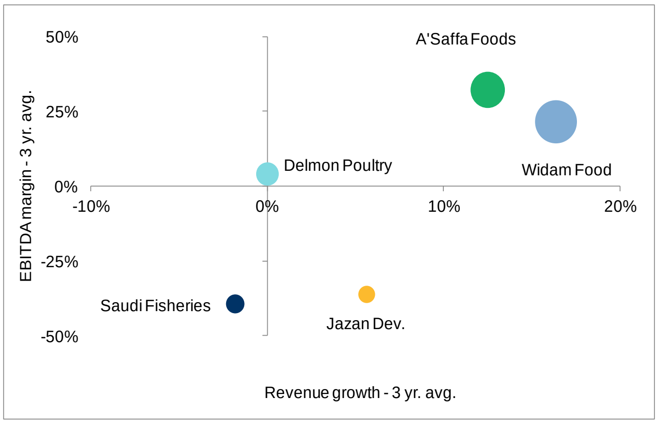
Livestock

Measured by revenue size, the livestock segment in the Gulf comprises relatively small companies

Accumulating revenue of US$ 262.7 million in 2014, the livestock segment in the Gulf comprises relatively small companies. The segment's performance was driven by robust revenue growth and profitability of poultry operators, Widam Food and A'Saffa Foods (see Exhibit 72). In terms of revenue, Widam Food (erstwhile Qatar Meat & Livestock) is the largest company in the segment. A'Saffa Foods has divulged plans to expand its poultry operations as well as diversify into other parts of the value chain. Execution of such plans is likely to boost the company's revenue and profitability. Despite strong financials of the poultry producers, operating losses of Saudi Fisheries and Jazan Development Co. negatively impacted the overall segment's profitability during 2012 to 2014.

During the three-year period, the segment's ROE and ROA stood at 7.3% and 4.1%, respectively (see Exhibit 73). Widam Food and A'Saffa Foods reported returns above the industry average.

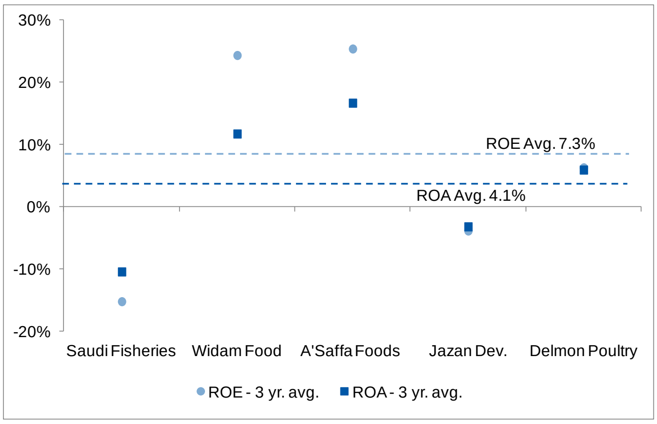
Exhibit 72: Livestock – Three-year Average Revenue Growth and EBITDA Margin



Source: Zawya, Alpen Capital

Note: Size of the bubble is indicative of the size of LTM revenue

Exhibit 73: Livestock – Three-year Average ROE and ROA



Source: Zawya, Alpen Capital

8.2 Valuation Analysis

In this section, we have compared the valuation ratios of companies operating in the GCC food sector with key competitors in the US and Asia Pacific (see Exhibit 74). In an attempt to accurately compare the valuations within the global food industry, we have analyzed the key players in the Asia Pacific and the US, across segments.

Valuation – Comparative Analysis of the GCC and Global Players

On average, the GCC food companies are trading at a higher P/E multiple than the competitors in Asia Pacific

The GCC food companies are trading at an average P/E multiple of 16.1x, higher than the average of 15.3x of the competitors in Asia Pacific, but lower than the average of 17.3x of peers in the US. The average P/B multiple of the companies in the GCC is 2.6x, lower than 3.3x of those in the US but higher than 2.1x of entities in the Asia Pacific. With average EV/Revenue and EV/EBITDA multiples at 2.2x and 14.9x, respectively, the GCC companies are trading at a significant premium to their peers in the US and Asia Pacific. Favorable demographics and rising consumption of packaged as well as healthy foods have increased the attractiveness of food companies in the Gulf.

Exhibit 74: Valuation Analysis of Major Food Companies in the GCC

Company Name	Country	P/E (x)	P/BV (x)	EV/LTM Revenue (x)	EV/LTM EBITDA (x)
Agri & Agri Processing					
The Savola Group	Saudi	19.7	4.1	1.9	24.3
Agthia Group PJSC	UAE	22.2	3.1	2.5	15.9
Al Jouf Agricultural Dev.	Saudi	12.5	1.8	3.9	9.2
Oman Flour Mills Co. SAOG	Oman	10.3	1.4	1.0	8.1
Tabuk Agriculture	Saudi	83.3	1.4	5.3	98.5
Salalah Mills Co.	Oman	13.5	2.8	1.3	22.2
Areej Vegetable Oils	Oman	9.5	2.2	0.5	6.8
GCC Sub-segment Average		*14.6*	*2.4*	*2.3*	*14.4*
US Average		*17.2*	*2.7*	*1.0*	*10.8*
Asia Pacific Average		*6.6*	*0.5*	*0.4*	*5.0*
Dairy					
Almarai Co.	Saudi	33.1	5.1	5.1	20.3
Saudi Dairy & Foodstuff	Saudi	25.2	4.5	2.4	18.1
National Agricultural Dev. Co.	Saudi	2.3	0.2	0.9	4.9
GCC Sub-segment Average		*20.2*	*3.3*	*2.8*	*14.4*
US Average		*25.9*	*3.1*	*1.8*	*16.1*
Asia Pacific Average		*26.0*	*4.4*	*1.0*	*13.1*
Processed and Frozen Foods					
Kuwait Food Co. (Americana)	Kuwait	19.9	2.9	1.1	11.8
Halwani Bros. Co.	Saudi	27.3	4.0	2.4	15.5
Zad Holding Co.	Qatar	11.0	1.6	2.5	11.4
Dubai Refreshments Co.	UAE	14.4	2.5	2.1	12.8
Oman Refreshment Co.	Oman	13.1	4.1	1.9	10.8
Wafrah for Indus. and Dev.	Saudi	NM	3.8	9.5	220.5
TRAFCO Group	Bahrain	9.6	0.7	0.7	20.6
GCC Sub-segment Average		*15.9*	*2.8*	*1.8*	*13.8*
US Average		*18.0*	*4.8*	*1.7*	*16.2*
Asia Pacific Average		*17.1*	*2.1*	*1.1*	*11.1*
Livestock (Meat/ Fishes/ Poultry)					
Saudi Fisheries	Saudi	NM	5.4	16.6	NM
Widam Food Co.	Qatar	17.7	4.0	2.6	13.4
A'Saffa Foods SAOG	Oman	15.5	2.9	3.1	9.8
Jazan Development Co.	Saudi	75.0	1.2	11.9	134.0
Delmon Poultry Co.	Bahrain	13.5	0.7	0.5	31.2
GCC Sub-segment Average		*15.5*	*2.2*	*2.0*	*18.2*
US Average		*10.6*	*1.7*	*0.6*	*7.2*
Asia Pacific Average		*20.4*	*4.0*	*1.5*	*13.6*
GCC Industry Average		16.1	2.6	2.2	14.9
US Industry Average		17.3	3.3	1.3	12.6
Asia Pacific Industry average		15.3	2.1	0.8	9.7

Source: Zawya, Bloomberg, Alpen Capital

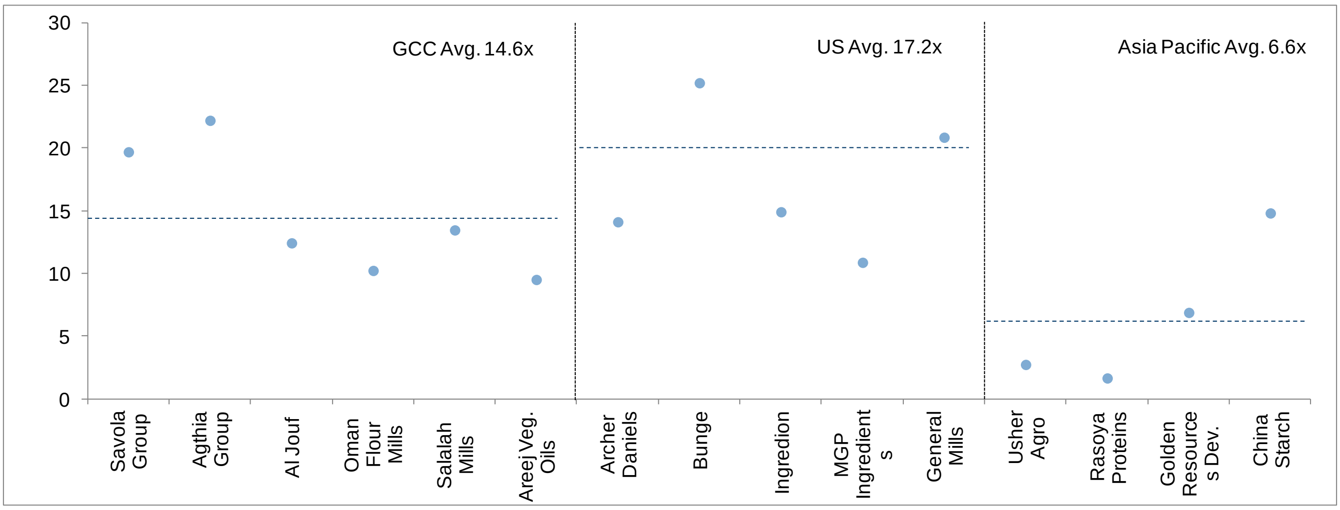
Note: P/E is before unusual items; NM – Not meaningful; values in red are below the GCC average, those in green are at par with or above the GCC average, and the numbers in black are excluded from the calculation of the GCC average

Agri & Agri Processing

The Savola Group and Agthia Group command the highest valuation multiples within the region

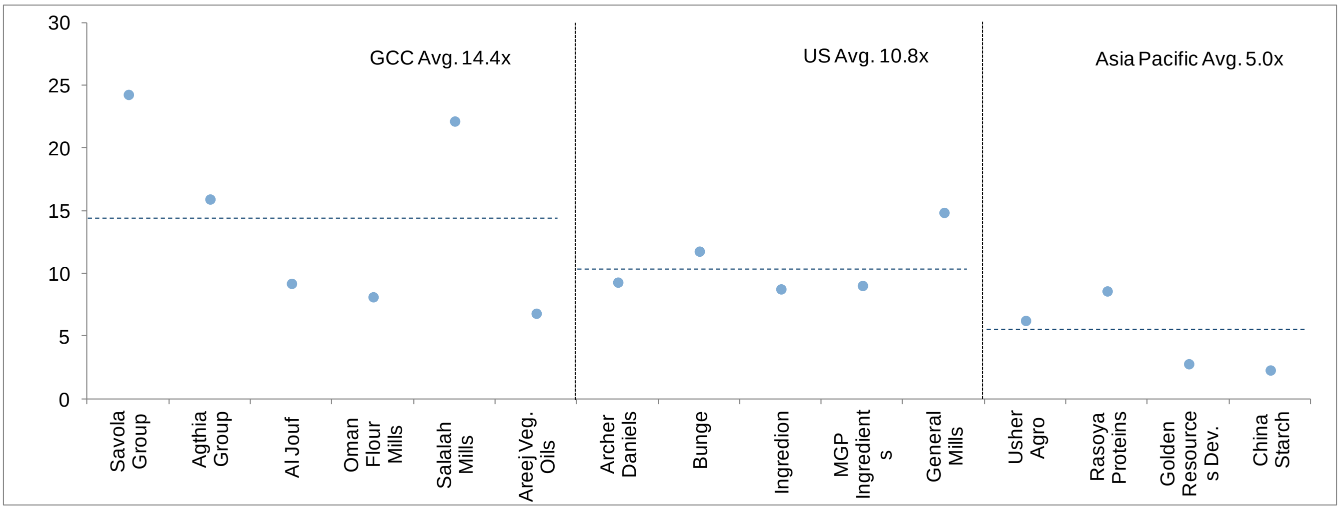
The Gulf-based agri & agri processing companies are trading at an average P/E multiple of 14.6x and EV/EBITDA multiple of 14.4x (see Exhibits 75 and 76). The Savola Group and Agthia Group command the highest valuation multiples within the region while the remaining are below the industry average. With a higher EBITDA margin compared to its regional peers, Al Jouf appears attractive at below-average P/E and EV/EBITDA multiples. Based on the P/E multiple, the valuation of most agri & agri processing companies in the GCC are below their US peers but at a substantial premium to their Asia Pacific peers. On the other hand, based on EV/EBITDA multiple, most domestic players in the segment are trading at a premium to their global peers.

Exhibit 75: Agri & Agri Processing - P/E Relative Valuation Chart



Source: Zawya, Bloomberg, Alpen Capital

Exhibit 76: Agri & agri processing - EV/EBITDA Relative Valuation Chart



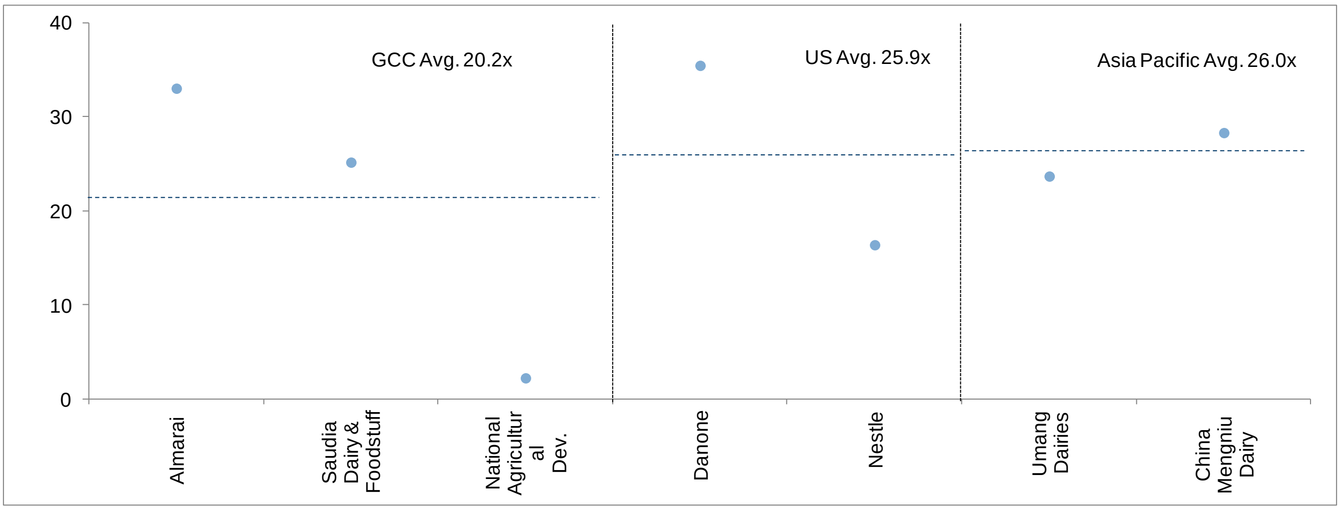
Source: Zawya, Bloomberg, Alpen Capital

Dairy

Almarai Co., enjoys a P/E multiple of 33.1x, which is at a premium to all regional and global peers

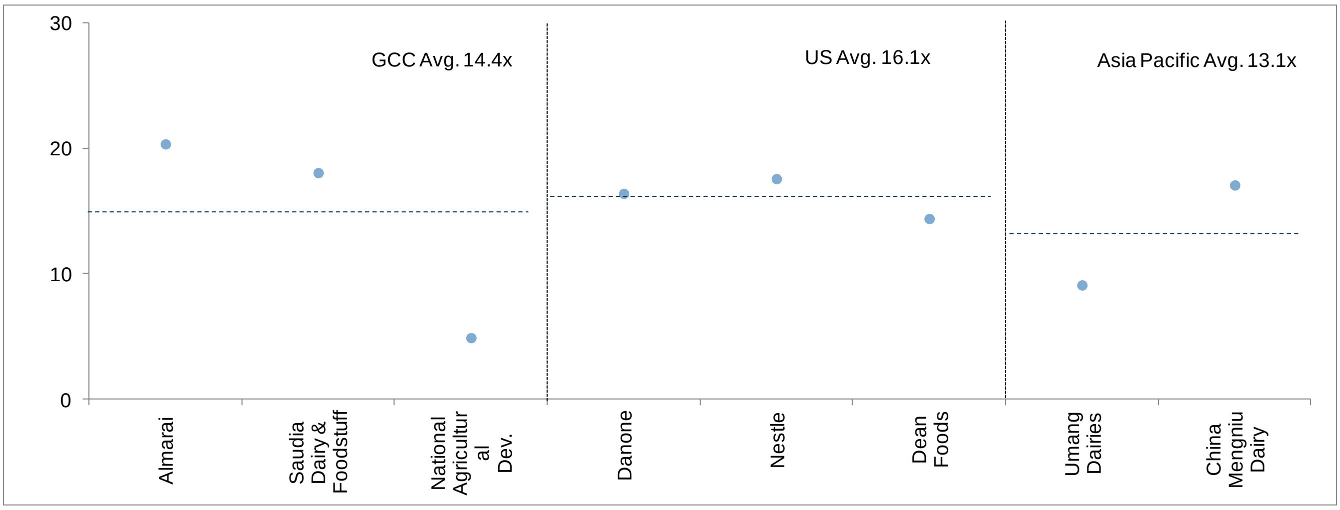
With an average P/E multiple of 20.2x (see Exhibit 77), the dairy industry in the GCC region is trading at a discount to peers in the US and Asia Pacific. In terms of EV/EBITDA multiple, the region's dairy companies are trading at a discount to peers in the US but at a premium to those in Asia Pacific (see Exhibit 78). The leading dairy player, Almarai Co., enjoys a P/E multiple of 33.1x, which is at a premium to all regional and global peers which are part of the study, barring the global dairy producer Danone. Almarai Co's strong position in the dairy segment, complemented by its continued investments towards boosting poultry production, justifies the high valuation. At P/E multiple of 2.3x and EV/EBITDA multiple of 4.9x, National Agricultural Development Co. is trading at a significant discount to its domestic as well as global peers.

Exhibit 77: Dairy - P/E Relative Valuation Chart



Source: Zawya, Bloomberg, Alpen Capital

Exhibit 78: Dairy - EV/EBITDA Relative Valuation Chart



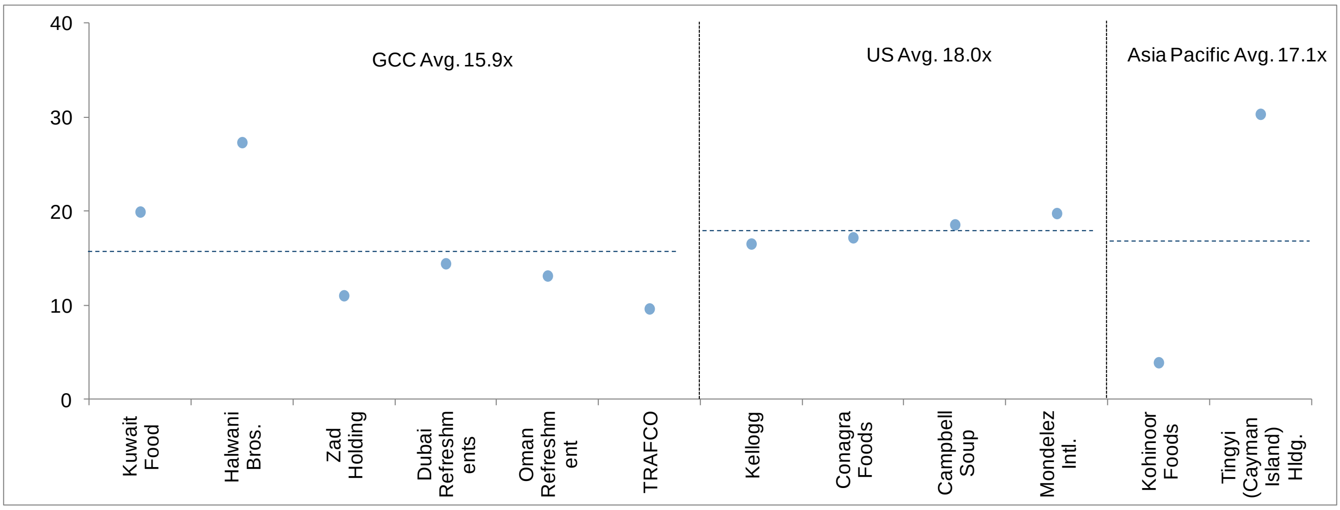
Source: Zawya, Bloomberg, Alpen Capital

Processed and Frozen Foods

Food processing companies in the GCC are trading at a lower P/E multiple than their peers in Asia Pacific and the US

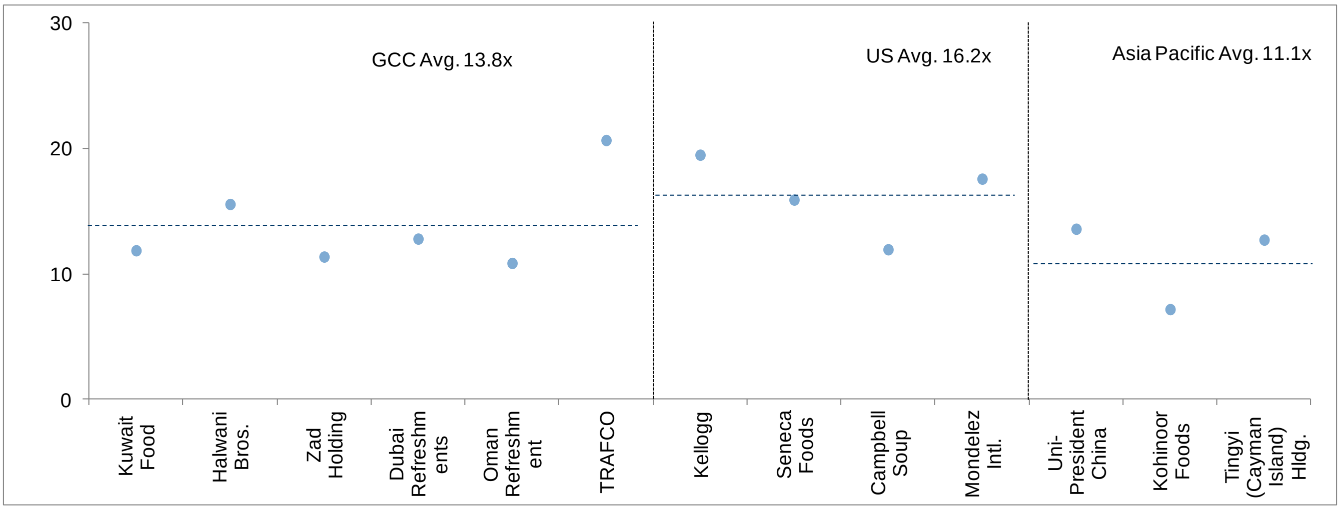
Food processing companies in the GCC are trading at an average P/E multiple of 15.9x and EV/EBITDA multiple of 13.8x (see Exhibits 79 and 80). The domestic players are trading at a lower P/E multiple compared to their peers in the US and Asia Pacific. In terms of EV/EBITDA multiple, although the regional companies are trading at a discount compared to their peers in the US, they are valued higher than their Asia Pacific peers. Considering its strong revenue growth and profit margin over last three years, Zad Holding, at a P/E multiple of 11.0x, is available at a discount to the segment average in the Gulf.

Exhibit 79: Processed and Frozen Foods - P/E Relative Valuation Chart



Source: Zawya, Bloomberg, Alpen Capital

Exhibit 80: Processed and Frozen Foods – EV/EBITDA Relative Valuation Chart



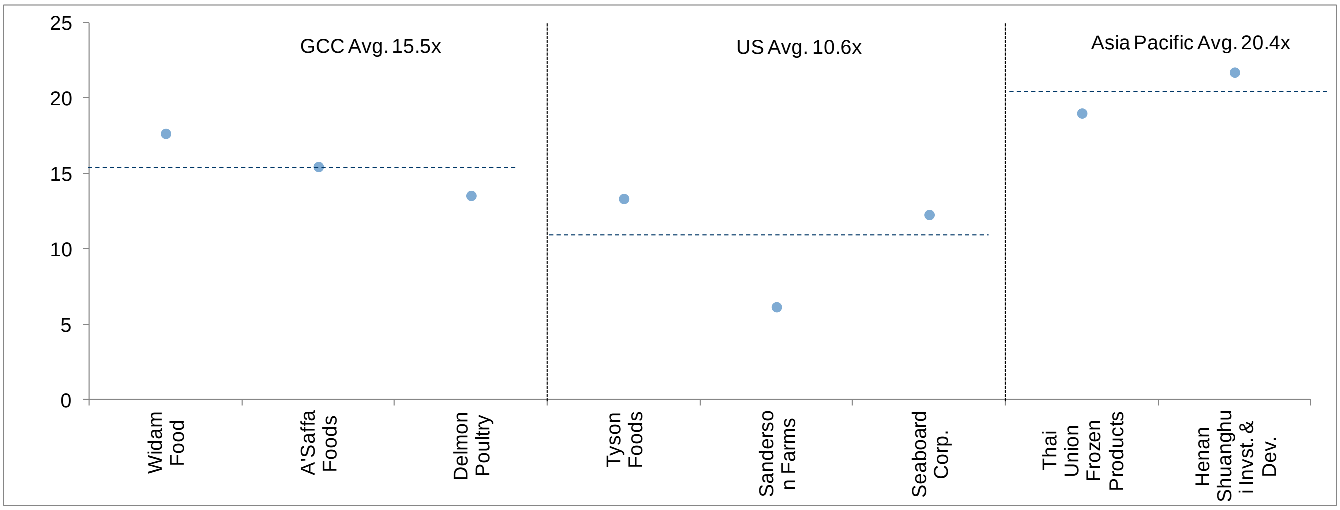
Source: Zawya, Bloomberg, Alpen Capital

Livestock

Livestock companies in the GCC are trading at P/E multiple of 15.5x

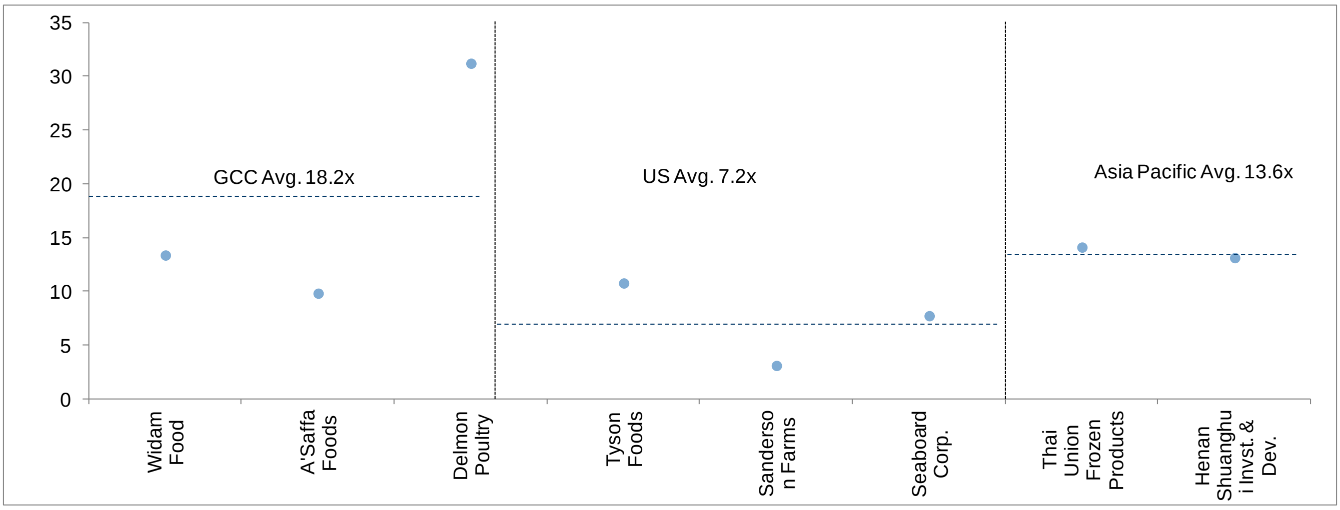
The livestock companies operating in the Gulf are trading at an average P/E multiple of 15.5x and EV/EBITDA multiple of 18.2x (see Exhibits 81 and 82), substantially higher than the respective peer averages of 10.6x and 7.2x in the US. Although the average EV/EBITDA multiple of the GCC companies is also higher than the Asia Pacific average, their P/E multiple is lower.

Exhibit 81: Livestock - P/E Relative Valuation Chart



Source: Zawya, Bloomberg, Alpen Capital

Exhibit 82: Livestock – EV/EVITDA Relative Valuation Chart



Source: Zawya, Bloomberg, Alpen Capital

Country Profiles

Saudi Arabia

Key Growth Drivers

- **Growing population:** Saudi Arabia is the most populous country in the GCC. The IMF projects its population to grow at a 2.0% CAGR between 2014 and 2019. An expanding population base, with a large pool of expatriates, is expected to remain the major food consumption driver.
- **Increase in spending power:** As per IMF, the country's GDP per capita (PPP) is forecasted to expand at an annual average of 4.4% between 2014 and 2019. High spending power coupled with rising urbanization is adding to the food demand.
- **Religious tourism:** Home to the holy cities of Mecca and Madina, Saudi Arabia is a major religious tourist destination in the Middle East attracting pilgrims from all over the world. The government's Extended Umrah Tourism Programme, which provides pilgrims a visa extension of up to a month, is likely to provide further impetus to the country's tourism.
- **Government initiatives:** The government has undertaken several food security initiatives in the form of framing policies that encourage private investments in the agricultural sector. The implementation of King Abdullah's Initiative for Saudi Agricultural Investment program is already supporting the country's food security.

Recent Industry Developments

- In March 2015, Saudi Arabia and Oman entered into an agreement for infrastructure development at the special economic zone and the construction of a fishing port, both in Duqm.
- In December 2014, Abdulaziz Alsaghyir Holding Co. announced plans to invest SAR 1 billion (US$ 0.3 billion*) over the next five years to increase its presence in the food sector by establishing a new limited liability company Abdulaziz Alsaghyir Foods Co. Ltd.
- In December 2014, Saudi Arabia's Takween Advanced Industries announced plans to buy the packaging unit of the Savola Group for US$ 242.5 million.
- The Saudi Arabian food group, Almunajem, acquired a 25% stake in the French poultry producer, Groupe Doux in October 2014.

*At exchange rate as of December 30, 2014

Macro-economic Indicators

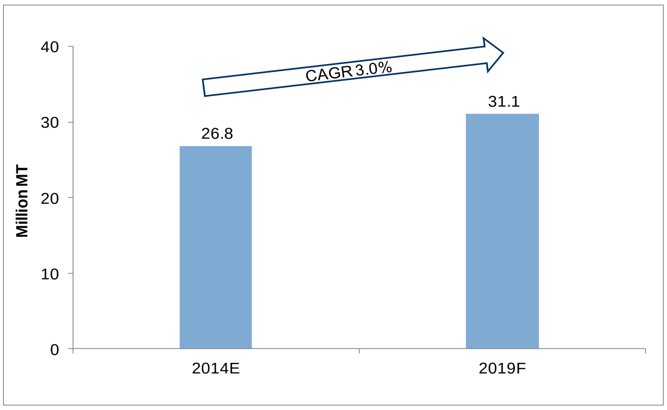
Indicators	Unit	2014E	2015F	2019F
GDP growth at constant prices	%	4.6	4.5	4.4
GDP per capita, constant prices	SAR	43,525	44,573	48,942
GDP per capita, PPP	US$	53,935	56,253	66,936
Population	mn	30.6	31.2	33.8
Inflation	%	2.9	3.2	3.3
International tourist arrivals	mn	14.4	14.9	17.2

Source: IMF, October 2014, WTTC, Alpen Capital
Note: E – Estimated figures, F – Forecasted figures

Key Players

Company	Type
Almarai Co.	Dairy and Livestock
Al-Watania Poultry	Livestock and agri & agri processing
Food & Fine Pastries Mfg. Co. Ltd.	Processed and frozen foods
Halwani Brothers Co.	Processed and frozen foods, dairy, and beverages
National Food Industries Co.	Processed and frozen foods, dairy, and beverages
Saudia Dairy and Foodstuff	Dairy and beverages
The Savola Group	Agri & agri processing

Expected Food Consumption in Saudi Arabia by 2019



Source: Alpen Capital

UAE

Key Growth Drivers

- **Growing population:** Based on the IMF data, the country is expected to witness a 2.9% CAGR rise in its population between 2014 and 2019. The economic development of the UAE has resulted in an influx of expatriates, a chief contributor to the population growth and demand for food.
- **Per capita income:** The UAE's GDP per capita (PPP) is higher than that of the US and major European economies. Growing affluence is cascading into an increased spending on high-value and international food products.
- **Increase in tourism:** The UAE is the leading tourist destination in the Middle East, attracting leisure and business travelers. Apart from the buzzing tourism industry in Dubai, Abu Dhabi is also emerging as the top destination for halal tourism (tour packages designed to meet the rules of Islam), and meetings, incentives, conferences and exhibitions (MICE) in the UAE. According to Colliers International, a real estate consultancy firm, the MICE industry in Abu Dhabi is expected to see an annual growth of 6% until 2020.
- **Health awareness:** According to data published by the International Diabetes Federation in November 2014, about 19% of the UAE's population is diabetic. Such rising ailments, with a growing number of obese people have increased the consumption of healthy foods. The country is also witnessing a rise in the production and consumption of organic food.
- **Government initiatives:** The UAE is investing in agricultural projects overseas to secure its food supply. The government is adopting innovative technologies to stimulate its domestic agricultural output. The country is also investing heavily in aquaculture projects to support its growing sea food demand.

Recent Industry Developments

- In January 2015, the Federation of UAE Chambers of Commerce and Industry announced plans to increase the overseas agricultural investments.
- In January 2015, as part of the Zaarie Programme, the Khalifa Fund for Enterprise Development approved the development of 130 farms at an investment of AED 130 million (US$ 35.4 million*) to improve food security in the UAE.

*At exchange rate as of January 18, 2015

Macro-economic Indicators

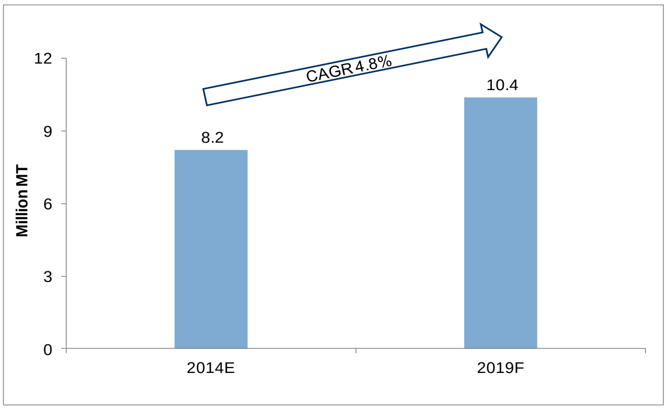
Indicators	Unit	2014E	2015F	2019F
GDP growth at constant prices	%	4.3	4.5	4.6
GDP per capita, constant prices	AED	121,889	123,661	131,418
GDP per capita, PPP	US$	65,037	67,202	77,393
Population	mn	9.3	9.6	10.7
Inflation	%	2.2	2.5	4.4
International tourist arrivals	mn	12.2	13.8	22.1

Source: IMF, October 2014, WTTC, Alpen Capital
Note: E – Estimated figures, F – Forecasted figures

Key Players

Company	Type
Agthia Group PJSC	Agri & agri processing, and beverages
Al Kabeer Group	Processed and frozen foods, livestock, and dairy
Al Khaleej Sugar Co. LLC	Agri & agri processing
Food Specialities Ltd.	Distributor of food and beverages
International Foodstuffs Co.	Processed and frozen foods, agri & agri processing, and dairy

Expected Food Consumption in the UAE by 2019



Source: Alpen Capital

ALPEN CAPITAL

Kuwait

Key Growth Drivers

- **Population growth:** The Kuwaiti population is estimated to grow at a 2.8% CAGR between 2014 and 2019 (Source: IMF). According to the United Nations, 98.3% of the country's population in 2014 was urban. As per estimates of the Central Statistical Bureau of Kuwait, expatriates accounted for over 65% of its population in 2013. Such demographics create an environment conducive for growth of the food industry.
- **Rising per capita income:** Based on IMF data, Kuwait's GDP per capita (PPP) is rising steadily and is expected to grow at a CAGR of 1.9% between 2014 and 2019. The country's hydrocarbon sector, accounting for an estimated 59.2% of its nominal GDP in 2014 (as per the QNB Group's report, Kuwait Economic Insight 2015), and the absence of personal income tax have resulted in higher disposable income.
- **Tourism:** Going ahead, Kuwait's tourism industry is likely to grow rapidly driven by the government's plans to invest US$ 13 billion to build a new passenger terminal at Kuwait International Airport, a national rail road system for regional travel as well as several entertainment and sports projects.
- **Measures to improve food supply:** Kuwait is strengthening its food security by investing in the related supply chain as well as through efforts to boost local farming and commodities processing. The government is offering incentives and freeing up land to encourage private sector investment in agriculture.

Recent Industry Developments

- As part of its strategy to expand outside China, the German e-commerce group, Rocket Internet , acquired the Kuwait-based food delivery company, Talabat, for US$ 169.6 million in February 2015.
- In October 2014, the Kuwaiti food producer and distributor, Mezzan Holding, announced plans to list itself on the Kuwait Stock Exchange.
- In October 2014, the Brazilian food producer, BRF, acquired 75% stake in Kuwait's Al Yasra Foods.
- To monitor fish imports and maintain safe conditions for packaging and transportation, the Public Authority for Agricultural Affairs and Fish Resources established a center at the Doha port in August 2014.

Macro-economic Indicators

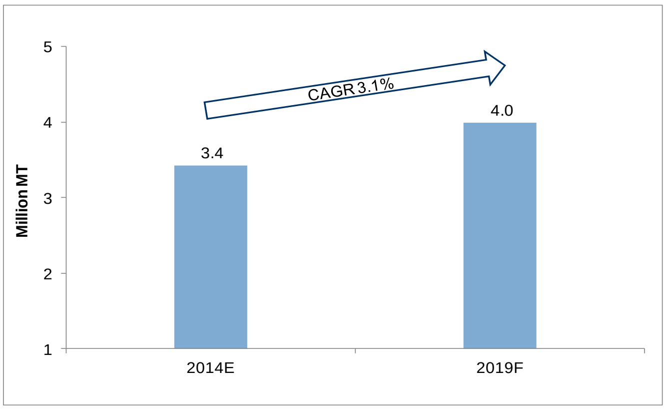
Indicators	Unit	2014E	2015F	2019F
GDP growth at constant prices	%	1.4	1.8	3.3
GDP per capita, constant prices	KWD	10,357	10,256	10,319
GDP per capita, PPP	US$	70,992	71,601	78,066
Population	mn	4.0	4.1	4.6
Inflation	%	3.0	3.5	4.0
International tourist arrivals	mn	0.3	0.3	0.3

Source: IMF, October 2014, WTTC, Alpen Capital
Note: E– Estimated figures, F – Forecasted figures

Key Players

Company	Type
Kuwait Food Co.	Dairy, agri & agri processing, beverages, livestock, and processed and frozen foods

Expected Food Consumption in Kuwait by 2019



Source: Alpen Capital

Oman

Key Growth Drivers

- **Population growth:** The IMF expects the Omani population to grow at a 3.2% CAGR between 2014 and 2019 to reach 4.3 million. The country's fast growing young and diversified population is fueling the demand for food.
- **Economic growth:** Oman's economy is growing, with its plans of diversification, industrialization, and privatization. Such economic development is expected to increase the GDP per capita (PPP) and the spending power of the consumers.
- **Tourism:** Oman's five-year plan (2011-2015) focuses on intensifying tourism promotion programs that include the construction of hotel properties, tourist resorts, hospitality schools, and the development of the country's infrastructure. An active tourism industry is expected to boost food demand.
- **Government initiatives:** While the Omani government has been considering overseas farmland investments to secure food supply, it is boosting domestic output of red meat, poultry, and dairy by setting up large projects. Also focused on domestic aquaculture, the Omani government allocated US$ 259 million under its eighth five-year plan (2011-15) and is expected to increase this investment to US$ 1.3 billion by 2020 (Source: Zawya).

Recent Industry Developments

- In February 2015, Oman's SPF entered into a partnership with Essa Al Ghurair Investment to establish the Sohar Food Cluster Co. Essa Al Ghurair Investment is expected to lease a plot sprawling 93,000 sq m from SPF, until July 2043, to develop agricultural production and related value added services.
- In February 2015, the Omani government stated plans to develop a US$ 258.8 million dairy farm to improve its self-sufficiency. The project is expected to be promoted by the Oman Food Investment Holding and private sector investments.
- To achieve meat production self-sufficiency in Oman, the government announced plans to set up a mega red meat project in January 2015, under which, sheep and cows will be imported from the African nations and slaughtering houses will be set up in Oman and Tanzania. This project is expected to be promoted by the OFIC and through private investments.

Macro-economic Indicators

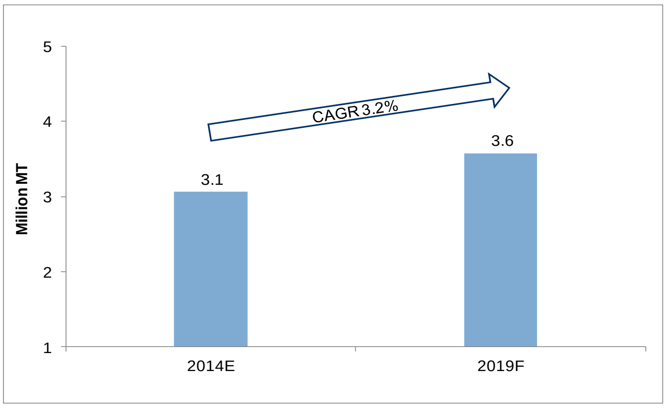
Indicators	Unit	2014E	2015F	2019F
GDP growth at constant prices	%	3.4	3.4	3.4
GDP per capita, constant prices	OMR	7,021	7,025	7,096
GDP per capita, PPP	US$	44,062	44,904	49,150
Population	mn	3.7	3.8	4.3
Inflation	%	2.8	2.8	3.7
International tourist arrivals	mn	1.7	1.8	2.2

Source: IMF, October 2014, WTTC, Alpen Capital
Note: E – Estimated figures, F – Forecasted figures

Key Players

Company	Type
A'Saffa Foods	Agri & agri processing, processed and frozen foods, and beverages
Oman Flour Mills Co.	Agri & agri processing, and processed and frozen foods
Sweets of Oman	Confectionary

Expected Food Consumption in Oman by 2019



Source: Alpen Capital

Qatar

Key Growth Drivers

- **Economy:** Qatar is the richest economy in the world. The IMF expects the country's GDP per capita (PPP) to grow at a 3.8% CAGR between 2014 and 2018. A positive economic outlook and high disposable income are likely to aid an increase in the food consumption in the country.
- **Population:** Qatar's population is expected to grow at a CAGR of 4.8% between 2014 and 2019 (Source: IMF). This growth is attributed to an increase in the expatriate workforce required to support the ongoing development in the country, in light of the upcoming 2022 FIFA World Cup.
- **Growing tourism**: Qatar is a major sport tourism destination in the region. Every year, it organizes international sport events such as football, tennis, racing, and golf. Such events would continue to drive the country's tourism industry.
- **Government initiatives:** In order to achieve food security in the region and meet growing demand, the government is investing heavily in the poultry and aquaculture sectors. In 2014, the government increased the country's poultry production, floated plans to establish a new chicken farm complex, and set up an aquatic research center by investing US$ 63.2 million to replenish its fast depleting fish stock (Source: The Peninsula).

Recent Industry Developments

- Through its subsidiary Zulal Investment Co., Hassad Food Co., acquired a 33.3% stake in A'Saffa Foods from the Arab Authority for Agricultural Investment and Development in February 2015. This acquisition is in line with Hassad Food's strategy to boost the country's food security.
- The Qatar First Bank made its second investment in the food and beverage sector in January 2015 by acquiring a 49% stake in the local Food Services Co.
- Qatar-based Global Food Trading entered into a strategic partnership with Amira Foods in January 2015 to distribute the latter's range of rice in the region.
- Hassad Food Co. invested US$ 500 million in Turkey in September 2014 to support the GCC region's poultry, meat, and dairy product demand.

Macro-economic Indicators

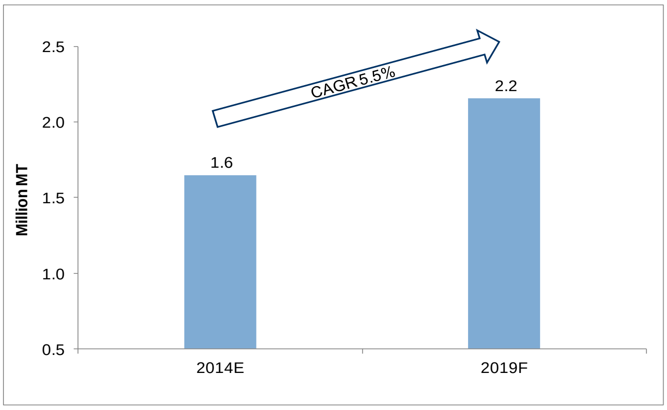
Indicators	Unit	2014E	2015F	2019F
GDP growth at constant prices	%	6.5	7.7	5.3
GDP per capita, constant prices	QAR	172,836	171,564	188,890
GDP per capita, PPP	US$	144,427	146,012	174,210
Population	mn	2.2	2.4	2.8
Inflation	%	3.4	3.5	3.3
International tourist arrivals	mn	1.4	1.5	1.8

Source: IMF, October 2014, WTTC, Alpen Capital
Note: E– Estimated figures, F – Forecasted figures

Key Players

Company	Type
Al-Sanabel Al-Qataria WLL	Agri & agri processing, livestock, and processed and frozen foods
Hassad Food	Agri & agri processing
Zad Holding Co.	Agri & agri processing, and processed and frozen foods

Expected Food Consumption in Qatar by 2019



Source: Alpen Capital

Bahrain

Key Growth Drivers

- **Population growth:** Based on the IMF data, Bahrain's population is expected to grow at a 2.0% CAGR between 2014 and 2019. Population growth supported by a rising expatriate workforce is likely to remain the key driver of the food industry.
- **Increase in disposable income:** Bahrain's GDP per capita (PPP) is projected to grow at a 3.2% CAGR between 2014 and 2019 as per IMF. Rising disposable incomes of the consumers are likely to increase the discretionary spending on high-value food products.
- **Tourism growth:** Expansion of Bahrain International Airport is likely to increase its passenger handling capacity to 13.5 million by 2015 (Source: Centre for Aviation). Increase in visitor inflow and a booming tourism sector are expected to boost food consumption in the country.
- **Government initiatives:** The Bahraini government is undertaking initiatives to improve the country's agricultural production capacity. It is supporting food security through diversified investment and co-operation with various food-producing countries worldwide, in addition to boosting domestic production by adopting modern farming techniques.

Recent Industry Developments

- In February 2015, Bahrain's Government of Agriculture and Marine Resources agreed to sign an MoU with a Malaysian company for cooperation in the agricultural and marine sector to achieve food security in Bahrain.
- In February 2015, Bahrain and Sudan entered into a bilateral relationship for agricultural development as well as the allocation of land in Sudan for the Khairat Al-Bahrain agricultural project to achieve food security.
- In January 2015, Bahrain's Government of Agriculture and Marine Resources banned the Bahrain Livestock Company from importing meat, adversely impacting the supply of subsidized meat in the market.

Macro-economic Indicators

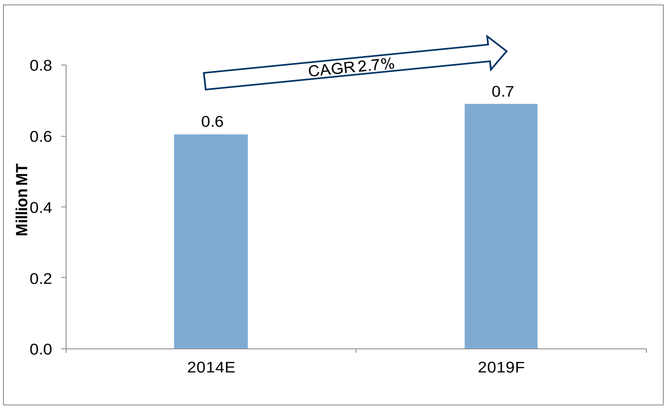
Indicators	Unit	2014E	2015F	2019F
GDP growth at constant prices	%	3.9	2.9	3.3
GDP per capita, constant prices	BHD	9,320	9,407	9,863
GDP per capita, PPP	US$	51,394	52,830	60,024
Population	mn	1.2	1.2	1.3
Inflation	%	2.5	2.4	2.6
International tourist arrivals	mn	4.5	4.7	5.5

Source: IMF, October 2014, WTTC, Alpen Capital
Note: E – Estimated figures, F – Forecasted figures

Key Players

Company	Type
Bahrain Flour Mills Co.	Agri & agri processing
BMMI BSC	Distributor of agricultural products
Trafco Group	Dairy, and distributor of food and beverages

Expected Food Consumption in Bahrain by 2019



Source: Alpen Capital

Company Profiles

Agthia Group PJSC (Publicly Owned) UAE

Company Description

Established in 2004, Agthia Group PJSC (Agthia) is a leading food and beverage company in Abu Dhabi. The company has manufacturing facilities in the UAE, Egypt and Turkey. The company distributes animal feed as well as food and beverages such as dairy, frozen vegetables, water, juices, and flour in the Middle East.

Business Segments/Product Portfolio

- **Agri Business Division:** Agthia's agri business deals with the manufacturing and distribution of flour and animal feed. The flour products and animal feed are marketed under the brands Grand Mills and Agrivita, respectively.
- **Consumer Business Division:** This division deals with the manufacturing and distribution of bottled water, beverages and, food products. The water business product line includes the brands Al Ain, Ice Crystal, and Alpin. The beverages product line includes the brands Capri Sun, Al Ain Fresh, and WOW vitamin water. Its food segment includes the Al Ain brand that offers tomato paste, frozen vegetables, and olive oil; the Pure Natural tomato paste; and the hot chili products range. The company's dairy segment includes the brand Yoplait.

Key Strengths

- A diversified product portfolio.
- Strong presence across the Middle East.

Recent Developments/Future Plans

- In February 2015, Agthia entered into a partnership with Monty's Bakehouse headquartered in Abu Dhabi, the UAE for the production and supply of Monty's products across the GCC region.
- In July 2014, Agthia ventured into the distribution of Monster Energy, a US-based energy drink manufacturer, drinks in the UAE.
- In a strategic move, the company re-named its animal feedstock brand Grand Mills to Agrivita in February 2014.

Current Price (US$)	1.95

Price as on April 23, 2015

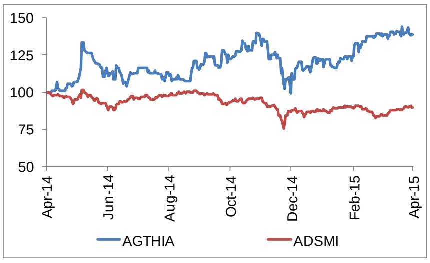
Stock Details	
Bloomberg ticker	AGTHIA UH
52 week high/ low	2.03/1.39
Market Cap (US$ mn)	1,169.6
Enterprise value (US$ mn)	1,123.4
Shares outstanding (mn)	600.0

Source: Bloomberg

Average Daily Turnover ('000)

	AED	US$
3M	2,090.4	569.1
6M	1,688.6	459.7

Share Price Chart



Valuation Multiples

	2013	2014	2015E
P/E (x)	16.7	19.3	18.7
P/B (x)	2.1	2.7	2.8
EV/S (x)	1.7	2.1	2.2
Dividend yield (%)	2.3	1.6	1.9

Source: Bloomberg

Shareholding Structure	
Senaat General Holding Corporation	51.00%
Emirates International Investment Co. LLC	7.43%
Abu Dhabi Retirement Pensions & Benefits Fund	5.00%
Public	36.57%
Total	**100.00%**

Source: Zawya

Financial Performance				
US$ Million	**2012**	**2013**	**Change (%)**	
Revenue	361.2	411.7	14.0	
COGS	257.0	286.6	11.5	
Operating Income	31.1	43.1	38.5	
Operating Margin (%)	8.6	10.5		
Net Income	34.0	43.6	28.3	
Net Income Margin (%)	9.4	10.6		
Return on Equity (%)	11.1	12.8		
Return on Assets (%)	7.3	8.2		

- *Revenue grew by 14.0% y-o-y to US$ 411.7 million in FY2013, led by strong performance across its business segments.*
- *Operating income increased by 38.5% y-o-y to US$ 43.1 million in FY2013 due to cost efficiency measures. Operating margin rose to 10.5% in FY2013 from 8.6% in FY2012.*
- *Net income increased by 28.3% to US$ 43.6 million in FY2013 from US$ 34.0 million in FY2012.*

Source: Zawya, Company Filings

Al Kabeer Group of Middle East (Privately Owned) UAE

Company Description

Al Kabeer Group of Middle East (Al Kabeer) is the leader in the Middle East frozen food industry. The company is engaged in the manufacturing, procurement and distribution of frozen foods in over 15 countries. The company supplies more than 300 varieties of products such as meat and poultry, seafood, vegetables, and ready-to-eat meals to 20,000 retail outlets spread across the GCC and in the international markets. Al Kabeer products are manufactured at its plants that meet the international standards approved by the EEE, the United States Armed Forces, and Australian Quarantine Board. Saudi Arabia is the largest market for Al Kabeer, with five branches across the country.

Business Segments/Product Portfolio

- **Vegetables, Fruits & Pulps:** Al Kabeer offers packed vegetables, sweet corn, fruits & pulp, and paneer.
- **Snacks Corner:** Under this product line, the company offers a wide range of ready-to-serve snacks such as zingers, spring rolls, samosas, kebabs & cutlets, falafel, kibbeh & meat balls, jalapeno sticks, kofta & fillets, shish tawook, BBQ chicken wings, franks, hot dog, and sausages.
- **Meat & Poultry:** Al Kabeer offers raw meat, including boneless meat (beef & veal mince, beef cubes, and veal legs), mutton, and chicken parts, in addition to grilled chicken.
- **Kids Corner:** This business of the company is targeted at children, with products such as burgers, chicken pop corn, chicken and cheese sticks, nuggets, French fries, and seasoned potato wedges.
- **Ready-to-eat Meals:** Al Kabeer's wide range of ready-to-eat meals includes biryani, chicken tikka makhani, pilau rice, parathas, and tortilla wraps.
- **Seafood:** The company offers frozen fish, shrimps, and prawns as well as read-to-eat products such as fish fillet and fish fingers.

Key Strengths

- Leading frozen food supplier in the Middle East.
- Shahriah-compliant product processing.
- A wide product range.
- Presence of processing units and cold storage in more than 15 countries.

Recent Developments/Future Plans

- In May 2014, Al Kabeer announced plans to set up an integrated production facility in Saudi Arabia, the largest market for its frozen foods.

Al Khaleej Sugar Company LLC (Privately Owned) UAE

Company Description

Established in 1992, Al Khaleej Sugar Company LLC (Al Khaleej Sugar) manufactures and distributes raw sugar, refined sugar and its derivatives. The company's plant is located at Jebel Ali, Dubai, with a daily refining capacity of more than 7,000 tons. It is the world's largest standalone sugar refinery, contributing 3% of the annual global refined sugar production. The company imports its raw sugar from countries such as Brazil, India, Australia, and Thailand and exports sugar products to more than 50 countries worldwide. The company caters to the confectionery and processed food, pharmaceuticals, and industrial sectors.

Business Segments/Product Portfolio

- **Raw Sugar:** The company sources various grades of raw sugar for refining purpose and also re-exports raw sugar to the buyers in the sugar refining industry and other industrial sectors.
- **Refined Sugar:** Under this product line, the company refines and supplies coarse grain, fine grain, and extra-fine refined white sugar.
- **Sugar Syrup/ Molasses:** Al Khaleej Sugar offers sugar syrup and molasses, a by-product of sugar derived in the process of the crystallization of sucrose from melted raw sugar. These products are used as animal feed and in the construction chemical industry.

Key Strengths

- Al Khaleej Sugar operates the world's largest standalone sugar refinery.
- A strong global presence.

Recent Developments/Future Plans

- In February 2015, the company announced that it does not have any capacity expansion or acquisition plans, as its 1.5 million tons of raw sugar is either stockpiled at the refinery or in transit to the refinery, which is sufficient to meet its 2015 demand.

Almarai Company (Publicly Owned) — Saudi Arabia

Company Description

Almarai Company is a Saudi Arabian food and beverage company established in 1977. The company manufactures and sells dairy, juices, bakery, poultry, and infant nutrition products. Almarai owned a herd of more than 157,000 cows & calves and had a capacity to produce 200 million birds per year, as on December 31, 2014. The company's distribution network consisted of 73 sales depots, 1,300 trucks and 1,400 cold trailers. While Almarai's manufacturing activities are conducted in Saudi Arabia, Jordan and Egypt, its products are distributed across the MENA region. The company also owns arable farming assets in Argentina, the US, Ukraine and Poland.

Business Segments/Product Portfolio

- **Dairy and Juice:** Almarai manufactures and sells natural juices and dairy products such as milk, yoghurt, whipping cream, desserts, and cheese. The company markets these products under the Almarai, Beyti, and Teeba brands.
- **Bakery:** Under its brand L'usine, Almarai distributes bakery products such as bread, pastries, cakes, and maamoul. The company also offers croissants, cakes, Swiss rolls, and wafers through its 7Days brand.
- **Poultry:** Almarai sells whole chicken, chicken kebabs, chicken burgers, minced chicken, and chicken portions, under the Alyoum brand.
- **Arable Farming and Horticulture:** Dates, olive oil, grapes, and wheat are produced as well as sold under the company's arable farming and horticulture business operations.
- **Infant Nutrition:** The company manufactures and distributes infant nutrition products under the Enfamil, Enfagrow, Nuralac, and Evolac brands.

Key Strengths

- World's largest vertically-integrated dairy company.
- A renowned FMCG brand in the MENA region.
- A diversified product portfolio.

Recent Developments/Future Plans

- In April 2015, it was reported that Almarai planned to invest US$ 500 million towards increasing its presence in Egypt through expansion and acquisitions.
- Almarai received US$ 66.7 million in March 2015 from an insurer as compensation against significant damage due to fire breakout at one of its bakeries in Jeddah in October 2014.
- Based on the rankings released by YouGov in January 2015, Almarai was the second most popular homegrown brand in 2014.

Current Price (US$)	25.06

Price as on April 23, 2015

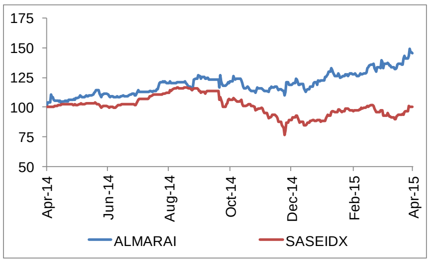
Stock Details	
Bloomberg ticker	ALMARAI AB
52 week high/ low	25.60/17.19
Market Cap (US$ mn)	15,034.8
Enterprise value (US$ mn)	17,528.7
Shares outstanding (mn)	600.0

Source: Bloomberg

Average Daily Turnover ('000)

	SAR	US$
3M	32,606.9	8,690.8
6M	34,245.4	9,125.8

Share Price Chart



Valuation Multiples

	2013	2014	2015E
P/E (x)	20.8	27.3	27.8
P/B (x)	3.1	4.2	4.8
EV/S (x)	3.6	4.4	4.6
Dividend yield (%)	1.9	1.3	1.3

Source: Bloomberg

Shareholding Structure	
The Savola Group Co.	36.52%
HH Prince Sultan Bin Mohammed Bin Saud Al-Kabeer Al Saud	28.69%
Omran M Al Omran and Partners Co. Ltd.	5.70%
Public	29.09%
Total	**100.00%**

Source: Zawya

Financial Performance

US$ Million	2013	2014	Change (%)
Revenue	2,991.8	3,359.7	12.3
COGS	1,689.1	1,888.7	11.8
Operating Income	479.1	519.8	8.5
Operating Margin (%)	16.0	15.5	
Net Income	400.6	446.3	11.4
Net Income Margin (%)	13.4	13.3	
Return on Equity (%)	14.8	15.4	
Return on Assets (%)	6.5	7.0	

- *Revenue rose by 12.3% y-o-y to US$ 3,359.7 million in FY2014 due to strong sales growth across product categories.*
- *Operating income increased by 8.5% y-o-y to US$ 519.8 million in FY2014. Operating margin dropped to 15.5% in FY2014 from 16.0% in FY2013 due to double-digit increase in selling & distribution and general & administration expenses.*
- *Net income increased by 11.4% to US$ 446.3 million in FY2014 from US$ 400.6 million in FY2013.*

Source: Zawya, Company Filings

Al-Sanabel Al-Qataria WLL (Privately Owned) Qatar

Company Description

Al-Sanabel Al-Qataria WLL (Al-Sanabel Al-Qataria) is the market leader in the animal feed and meat business in Qatar. The company is engaged in the import, distribution, retailing, and stocking of livestock, animal feed, grains, and meat. The company operates under the registered name Al-Sanabel Al-Qataria in Qatar and is registered as Al-Sanabel in the UAE. It operates its business in the region through its two subsidiaries, namely, Dolphin Contracting and Al-Sanabel Landscape and has entered into joint ventures at other geographic locations.

Business Segments/Product Portfolio

- **Livestock:** Through this product line, Al-Sanabel Al-Qataria trades breeds such as Shami goats, Chios sheep, and horses across the GCC.
- **Meat:** The company trades fresh meat which is consumed across the member nations.
- **Animal Feed:** The company offers high quality and premium grade hay and grass (Alfa Alfa, Timothy, Rhodes, and Bermuda), horse feed (mixed grain and mesh), wood shavings (coco husk), and bedding for horses as well as cattle.
- **Grains & Bran:** The company is engaged in the supply of grains such as wheat, rice, oat, barley, wheat bran, oaten hay, and wheat straw.

Key Strengths

- A strong penetration into the GCC countries through its subsidiaries and joint ventures.
- Offerings include the best breed of livestock.

Recent Developments/Future Plans

- N/A

Al-Watania Poultry (Privately Owned) Saudi Arabia

Company Description

Founded in 1977, Al-Watania Poultry is one of the largest poultry companies in the world and the largest in the Middle East. The company produces fresh, frozen, and packed poultry products, animal feed, and fertilizers. The company processes over 575,000 chickens and a million table eggs per day at its three slaughterhouses, each with a capacity of up to 32,000. Some of the company's major customers are LuLu Hypermarket, Waha Mustahlik, Raya, Danube, Tamimi, Farm, Murih Bin Mahfooz Group, Matjar Saudia, and Badradeen Markets, among others.

Business Segments/Product Portfolio

- **Frozen Chicken:** Through this product line, the company offers its frozen whole chicken.
- **Fresh Chicken:** The company's products under this line include fresh whole chicken, fresh chilled whole chicken, and fresh chicken.
- **Fresh Chicken Parts:** The product portfolio under this line includes diced chicken, chicken legs, chicken thighs, chicken wings, chicken whole legs, chicken breasts, skinless & boneless chicken breasts, chicken hearts, chicken gizzards, chicken liver, and chicken breast strips.
- **Table Eggs:** The company markets table eggs under this line of products.
- **Fresh Added-Value Products:** The products offered under this line include marinated chicken drumstick, fresh chicken shawarma, chicken mortadella, whole chicken marinated, smoked chicken breast, marinated chicken thigh, and skinless marinated chicken.
- **Frozen Added-Value Products:** The company's products under this division include chicken wings, chicken breast schnitzel, chicken fingers, breaded chicken burger, Italian chicken balls, chicken chips, chicken nuggets, chicken croquet, breaded chicken balls, chicken burger, chicken tenderloin, and minced chicken meat.

Key Strengths

- Strong research and development team.
- Holds 40% share of the GCC poultry market.
- Recipient of the Best Halal Food award by Gulfood Dubai 2014.

Recent Developments/Future Plans

- In June 2014, Al-Watania Poultry announced plans to invest EGP 6 billion (US$ 0.8 billion*) to increase its production capacity to a million birds a day. The capacity expansion will be done in phases between 2014 and 2018.
- In May 2014, Al-Watania Poultry increased its production capacity to more than 300 million units of processed chicken per year.

*At exchange rate as of June 28, 2014

A'Saffa Foods SAOG (Publicly Owned) — Oman

Company Description

Formerly known as A'Saffa Poultry Farms, A'Saffa Foods (A'Saffa) was established in 2001. Having emerged as the largest integrated poultry company in Oman, it manufactures and distributes poultry and grocery products. A'Saffa supplies its products to restaurants, butcheries, catering companies, and other institutions in the GCC region as well as other countries such as China, Pakistan, Yemen, Iraq, Lebanon, Egypt, and Vietnam. The company's monthly production is about 1,500 metric tons, with a capacity to store 32,300 chickens and a feed mill capacity of 15 tons per hour. A'Saffa farm land is spread over around 40 sq km in Thumrait of Southern Oman.

Business Segments/Product Portfolio

- **Chicken:** The company offers fresh, frozen, and packaged chicken products to local and international markets. Its offerings include chicken burgers, spicy chicken samosas, chicken nuggets, chicken spring rolls, hot chicken fingers, breaded chicken burger, and coleslaw chicken fillet bites.
- **Sea Food:** A'Saffa markets its sea food range of products under the brand name Khayrat. Its products include breaded squid rings, marinated fish tikka, breaded butterfly shrimps, breaded fish fillet, jumbo prawn crispies, and breaded fish finger.
- **Vegetables:** Under its brand Khayrat, the company also supplies frozen vegetables such as the molokhiah paste, carrots, sweet corn, green peas, and mixed vegetables.
- **Fruits and Fruit Pulp:** Through its Khayrat brand, the company offers pomegranate, kernels and strawberry, guava as well as mango pulp.

Key Strengths

- Operator of the largest integrated poultry project in Oman.
- A diversified product line.
- Strong supply chain as well as research and development capability.

Recent Developments/Future Plans

- In February 2015, A'Saffa launched its savory Zingle chicken.
- Through its subsidiary Zulal Investment Co., Hassad Food Co., acquired a 33.3% stake in A'Saffa Foods from the Arab Authority for Agricultural Investment and Development in February 2015.

Current Price (US$)	2.23

Price as on April 23, 2015

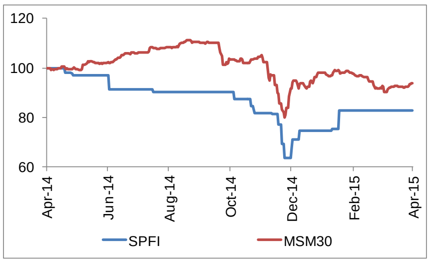
Stock Details	
Bloomberg ticker	SPFI OM
52 week high/ low	2.70/1.71
Market Cap (US$ mn)	268.1
Enterprise value (US$ mn)	272.9
Shares outstanding (mn)	120.0

Source: Bloomberg

Average Daily Turnover ('000)

	OMR	US$
3M	597.6	1,552.1
6M	313.7	814.9

Share Price Chart



Valuation Multiples

	2013	2014	2015E
P/E (x)	18.4	14.4	14.8
P/B (x)	4.6	2.8	2.7
EV/S (x)	4.7	3.1	3.2
Dividend yield (%)	1.3	2.3	2.3

Source: Bloomberg

Shareholding Structure

Zulal Investment Co.	33.25%
Al-Hosn Investment Co. SAOC	13.25%
Al Watanyiah United Engineering & Contracting Co. LLC	10.00%
Internal Security Services Pension Fund	7.50%
Gulf Investment Corp. GSC	6.86%
Oman Gulf Co. LLC	3.86%
Royal Office Employees Pension Fund	3.00%
Public	22.28%
Total	**100.00%**

Source: Zawya

Financial Performance				
US$ Million	**2013**	**2014**	**Change (%)**	
Revenue	74.1	78.5	5.9%	
COGS	40.3	40.3	0.1%	
Operating Income	19.6	21.1	7.8%	
Operating Margin (%)	26.5	26.9		
Net Income	18.6	16.7	-10.2%	
Net Income Margin (%)	25.2	21.3		
Return on Equity (%)	25.1	19.4		
Return on Assets (%)	17.2	13.8		

- *Revenue rose by 5.9% y-o-y to US$ 78.5 million in FY2014 due to an increase in production and the subsidy provided by government on animal feed.*
- *Operating income grew 7.8% y-o-y to US$ 21.1 million in FY2014. Operating margin increased to 26.9% in FY2014 from 26.5% in FY2013.*
- *However, a tax payment resulted in a 10.2% y-o-y fall in net income to US$ 16.7 million in FY2014.*

Source: Zawya, Company Filings

Bahrain Flour Mills Company BSC (Publicly Owned) — Bahrain

Company Description

Incorporated in 1970, Bahrain Flour Mills Company BSC (BFM) imports wheat to produce wheat flour and related products for sale in local and foreign markets. The company's production unit is located at the Mina Salman port in Manama, with a total wheat storage capacity at 52,000 tons and a daily total wheat flour milling capacity at 420 tons.

Business Segments/Product Portfolio

- **Flour:** Under this business segment, BFM produces and sells subsidized wheat flour, wheat bran, and specialized flours such as all purpose flour, self-raising flour, semolina, pizza flour, premix flour, white flour, confectionary flour, hareesh, jareesh, and whole wheat.
- **Investment:** This business segment is involved in investing in listed stocks as well as managed funds and bonds, in addition to placing amounts in term and call deposits.

Key Strengths

- Strong presence in local and international markets.
- A wide breadth of wheat products.

Recent Developments/Future Plans

- In December 2014, Round Table Pizza announced plans to source flour from BFM as the base ingredient of its dough at its first outlet in Bahrain launched in the same month.
- In March 2014, BFM announced that the construction of the new flour mill with a total daily capacity of 600 tons was delayed due to a shift in its location, leading to an increase in the project cost to US$ 37 million.

Current Price (US$)	1.05

Price as on April 23, 2015

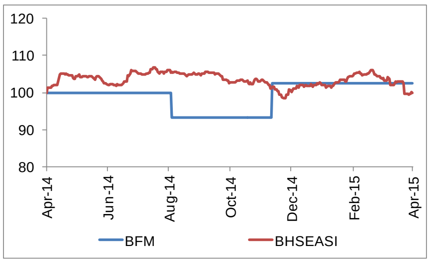
Stock Details	
Bloomberg ticker	BFM BI
52 week high/ low	1.05/0.93
Market Cap (US$ mn)	26.1
Enterprise value (US$ mn)	9.4
Shares outstanding (mn)	24.8

Source: Bloomberg

Average Daily Turnover ('000)

	BHD	US$
3M	0.04	0.1
6M	0.04	0.1

Share Price Chart



Valuation Multiples

	2013	2014	2015E
P/E (x)	39.1	15.8	N/A
P/B (x)	0.5	0.5	N/A
EV/S (x)	1.8	0.6	N/A
Dividend yield (%)	2.8	5.1	N/A

Source: Bloomberg

Shareholding Structure	
Bahrain Mumtalakat Holding Company	65.73%
Kuwait Flour Mills & Bakeries Company	7.44%
Abdulhamid Zainal Mohammed Zainal	5.60%
Public	21.23%
Total	**100.00%**

Source: Zawya

Financial Performance

US$ Million	2013	2014	Change (%)
Revenue	16.0	16.1	0.8%
COGS	43.3	40.9	-5.5%
Operating Income	-0.7	-0.2	78.0%
Operating Margin (%)	-4.6	-1.0	
Net Income	0.6	1.6	179.9%
Net Income Margin (%)	3.6	10.1	
Return on Equity (%)	1.2	3.3	
Return on Assets (%)	0.9	2.4	

- *Revenue rose by 0.8% y-o-y to US$ 16.1 million in FY2014.*
- *The company's operating loss reduced to US$ 0.2 million in FY2014 from US$ 0.7 million in FY2013.*
- *Net income surged by 179.9% to US$ 1.6 million in FY2014 from US$ 0.6 million in FY2013. Net income margin increased to 10.1% in FY2014*

Source: Zawya

BMMI BSC (Publicly Owned) — Bahrain

Company Description

Founded in 1883, BMMI BSC is a wholesaler and retailer of food and beverages. It also provides end-to-end supply chain solutions, integrated facility management, and logistics and procurement services to governments as well as non-governmental entities, as well as commercial, and military organizations.

Business Segments/Product Portfolio

- **Beverages:** The company's subsidiary BMMI Shops is engaged in the distribution, wholesale, and retail of beverages, offering renowned brands such as AB Inbev, Bacardi, Brown-Forman, Diageo, Heineken, and Moët & Chandon.
- **Supermarkets:** BMMI owns and operates Alosra Supermarket, one of the popular retailers in Bahrain. Alosra currently operates six stores across the country, in Amwaj Islands, Durrat Al Bahrain, Juffair, Riffa Palms, and Saar, with plans to expand to Saudi Arabia.
- **Contract Services & Supply:** Through its subsidiary BMMI International Holding SPC, the company offers a wide range of contracted services globally. Some of the services offered under the division include contract logistics and service, technical sourcing and supply, rations supply, and others.
- **Grocery Distribution:** Through this division, BMMI distributes, wholesales, and retails foods and household goods in Bahrain and Qatar. The company offers a range of international as well as domestic brands such as MARS, Red Bull, American Garden, Storck, Colgate, Henkel, Yardley, Japan Tobacco, Crème 21, Bubchen, and Jergen's.
- **Convenience Meals & Cafes:** The company offers a range of convenient foods including ready-to-eat salads, sushi, sandwiches, and wraps under its brand Great Deli. BMMI also operates two cafes under the brand, Great Deli Café.
- **Restaurants:** BMMI operates two themed restaurants, La Vinoteca and Café Amsterdam, in Bahrain.

Key Strengths

- Among the top four grocery wholesalers and distributors in Bahrain.
- Strong regional and global presence.
- Diversified offerings.

Recent Developments/Future Plans

- In May 2014, BMMI launched its Alosra supermarket in Juffair at Al Raya Mall.
- In December 2013, United States Agency for International Development offered BMMI a contract of US$ 16 million for offering services related to hospitality, housekeeping, food services, facilities maintenance, procurement, and logistics.

Current Price (US$)	2.18

Price as on April 19, 2015

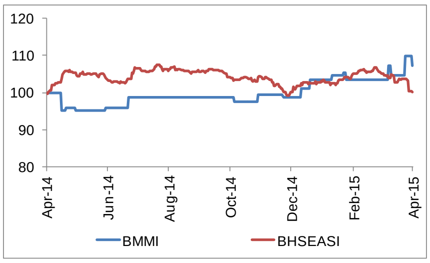
Stock Details	
Bloomberg ticker	BMMI BI
52 week high/ low	2.23/1.93
Market Cap (US$ mn)	318.5
Enterprise value (US$ mn)	309.4
Shares outstanding (mn)	146.4

Source: Bloomberg

Average Daily Turnover ('000)

	BHD	US$
3M	7.4	19.6
6M	7.7	20.4

Share Price Chart



Valuation Multiples

	2013	2014	2015E
P/E (x)	10.1	9.4	N/A
P/B (x)	2.0	1.9	N/A
EV/S (x)	1.1	1.0	N/A
Dividend yield (%)	6.2	3.5	N/A

Source: Bloomberg

Shareholding Structure	
Bahrain Duty Free Shop Complex Co. BSC	6.25%
Hussain Ali Ahmad Yateem	5.84%
Youssef Abdullah Amin	5.74%
Public	76.20%
Total	**100.00%**

Source: Zawya

Financial Performance

US$ Million	2013	2014	Change (%)
Revenue	260.6	281.4	8.0%
COGS	190.5	207.8	9.1%
Operating Income	22.8	24.0	5.4%
Operating Margin (%)	8.7	8.5	
Net Income	26.7	29.9	11.7%
Net Income Margin (%)	10.3	10.6	
Return on Equity (%)	18.8	18.8	
Return on Assets (%)	13.3	13.8	

- *Revenue rose by 8.0% y-o-y to US$ 281.4 million in FY2014 due to an increase in sales, with entry into the Iraqi market, expansion of Alosra supermarkets in Bahrain and Saudi Arabia, and the opening of two new high-end restaurants in Bahrain.*
- *Operating income increased 5.4% y-o-y to US$ 24.0 million in FY2014. Operating margin fell to 8.5% in FY2014 from 8.7% in FY2013.*
- *Net income grew 11.7% y-o-y to US$ 29.9 million in FY2014.*

Source: Zawya, Company Fillings

Food & Fine Pastries Mfg. Co. Ltd. (Privately Owned) Saudi Arabia

Company Description

Established in 1980, Food & Fine Pastries Manufacturing Company Ltd**.** (also known as Sunbulah Group) is a Saudi Arabian company engaged in the manufacturing, processing, and distribution of frozen foods. The company offers a wide range of frozen, chilled, and dry products to individual consumers, hotels, restaurants, hospitals, and catering companies. Sunbulah Group's products are distributed across 35 countries, under the brand names Sunbulah, Alshifa, Sary, and Walima. The company is part of the Saudi Brothers Commercial Company, one of the largest privately-held conglomerates in the Middle East.

Business Segments/Product Portfolio

- **Frozen Foods:** Sunbulah Group's product portfolio under the frozen foods business segment includes pastries (more than 150 varieties), vegetables, breads and rolls, cakes, pre-cooked and ready-to-eat meals, meat, fish, poultry, and dairy products.
- **Chilled and Dry Products:** Under this production line, the company offers more than 30 varieties of honey, sourced from farms in South America and Australia, among others. The company also offers jams, dairy products, condiments, and olives.

Key Strengths

- A leading food manufacturing company in the Middle East.
- Backed by one of the largest privately-held conglomerates in the Middle East.
- A wide range of frozen foods products.
- Availability of its products at all supermarkets across Saudi Arabia.
- In-house distribution fleet in Saudi Arabia.

Recent Developments/Future Plans

- In February 2014, Sunbulah Group announced plans to expand its geographic reach from 35 countries to 50 over the following two years, with focus on Asia, Africa, Europe, and North America.

Food Specialities Limited (Privately Owned) UAE

Company Description

Established in 1986, Food Specialities Limited (FSL) is mainly engaged in the sales and marketing of food and beverage products and ingredients. The company also offers marketing expertise as well as technical services to the manufacturing, retail, and hospitality industries. The company serves the markets of the Middle East, Africa, and South Asia, with warehousing facilities in the UAE, Saudi Arabia, Jordan, and India.

Business Segments/Product Portfolio

- **Commodities:** FSL supplies a wide range of dairy and agro commodities such as almonds, cashews, walnuts, macadamia nuts, cardamom, dairy products, black pepper, and desiccated coconut, among others sourced globally. The company markets the products of brands such as Blue Diamond, Almondco, Tasty Nut Industries, Integrated Resources, Crisp California Walnuts, MWT Foods, Arpit Agro, Adarsh Global, Ausfine Foods, and others.
- **FMCG:** The company's sales and marketing team helps various leading global and local food companies in developing and promoting their brands. FSL also provides fully integrated services ranging from product labeling to quality check and final delivery. Some of the brands promoted by the company include Safcol Tuna, Sanwa & Koka Noodles, and Snappy Tom Pet Food.
- **Food Ingredients:** FSL offers fruit pulps and concentrates as well as functional and nutritional ingredients for the dairy, beverage, bakery & confectionery, meat, poultry, marine, culinary, and snack industries. The brands under the segment are DuPont, Fuji Oil, ADM Cocoa, DMV, Valio, Austria Juice, Passina, Citrofrut, Cargill, and others.
- **Horeca:** Under this segment, the company distributes gourmet food and beverage products to the hospitality sector across the Middle East. The products offered are premium tea, boutique chocolates, authentic and artisanal cheese, meat, and seafood, in addition to clothing and apparel for chefs, hoteliers, and aspiring professionals. The company sources such products from partners like Chefworks, Mighty Leaf Tea, Full O Fruit Juices, Dira Frost, and Fonte Sole' Natural Mineral Water.
- **Pharmaceuticals:** The company supplies a wide range of pharmaceutical APIs, excipients, and machinery for the Middle East pharmaceutical industry.
- **Packaging:** FSL assists food and beverage manufacturers in choosing appropriate processing and packaging machinery. The company has partnered with machinery manufacturers such as SPX Flow Tech, Anritsu, Graco, I.dea Pack, and Harland.

Key Strengths

- Diversified business lines.
- Strong partnership with international as well as local players across industries for material sourcing and other services.

Recent Developments/Future Plans

- N/A

Halwani Brothers Company (Publicly Owned) — Saudi Arabia

Company Description

Founded in 1952, Halwani Brothers Company (HB) is one of the pioneers in the Saudi Arabian food industry and the leading manufacturer and distributor of Mediterranean foods such as halawa, tahina, and mamoul. The company's products are manufactured in the kingdom and Egypt with a daily production capacity of 65 tons of halawa and 50 tons of tahina. HB's products are sold in the Middle East as well as internationally.

Business Segments/Product Portfolio

- **Dairy:** HB manufactures and distributes dairy products such as yogurt, labneh, and white cheese under the trademark Al Fallaha.
- **Halawa:** HB manufactures and distributes halawa under the trademark Al Nakhla, with a variety ranging from halawa plain palm, halawa with pistachio, halawa chocolate, and soft spread halawa jar to soft spread halawa with chocolate, among others.
- **Jam:** The company offers several flavors of jams.
- **Juice:** HB manufactures and distributes a variety of juices under its trademark Sahten.
- **Maamoul:** This is one of its most popular products of HB, available in varieties such as baby maamoul, finger maamoul, whole wheat maamoul, and maamoul with fruit & coconut, among others.
- **Meat**: HB offers frozen chicken, beef, and turkey in various forms.
- **Tahina:** This product range includes plain tahina dressing, finest tahina, and tahina dressing with tomato, distributed under the trademark Al Nakhla.
- **Others**: HB also manufactures and distributes pickles and oils, wet wipes, ice cream, grains, spices and sugar under the trade names Mukhtarat, Top Top and Freshy. The company also offers services such as catering and auxiliary manufacturing.

Key Strengths

- Strong presence in Saudi Arabia's retail and wholesale food industry.
- A diversified product and services offering.
- A strong international distribution network.

Recent Developments/Future Plans

- In January 2013, Halwani Brothers Company entered into a contract with Electromechanical & Technical Associates for the execution of electrical and mechanical works in HB's new industrial complex project.

Current Price (US$)	23.38

Price as on April 23, 2015

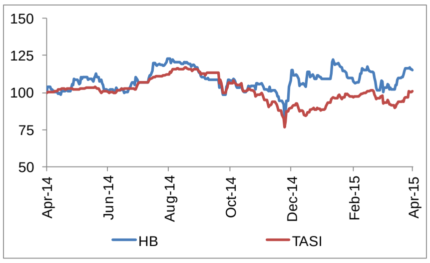
Stock Details	
Bloomberg ticker	HB AB
52 week high/ low	24.96/16.84
Market Cap (US$ mn)	668.1
Enterprise value (US$ mn)	687.6
Shares outstanding (mn)	28.6

Source: Bloomberg

Average Daily Turnover ('000)

	SAR	US$
3M	5,470.6	1,458.1
6M	4,341.5	1,156.9

Share Price Chart



Valuation Multiples

	2013	2014	2015E
P/E (x)	17.8	25.0	19.6
P/B (x)	2.8	3.7	3.8
EV/S (x)	1.7	2.2	2.1
Dividend yield (%)	3.5	2.5	3.0

Source: Bloomberg

Shareholding Structure	
Aseer Company for Trading Tourism Industrial Agricultural Real Estate & Contracting	55.51%
Mr Mohamed Abdul Hameed Mahmoud Halwani	6.90%
Public	37.59%
Total	**100.00%**

Source: Zawya

Financial Performance

US$ Million	2013	2014	Change (%)
Revenue	255.5	283.8	11.1%
COGS	174.6	197.1	12.9%
Operating Income	36.8	36.9	0.3%
Operating Margin (%)	14.4	13.0	
Net Income	24.7	24.2	-1.9%
Net Income Margin (%)	9.7	8.5	
Return on Equity (%)	15.9	14.9	
Return on Assets (%)	11.1	9.2	

- *Revenue rose by 11.1% y-o-y to US$ 283.8 million in FY2014. The growth was on account of an increase in sales volume.*
- *Operating income increased marginally by 0.3% y-o-y to US$ 36.9 million in FY2014. Operating margin declined from 14.4% in FY2013 to 13.0% in FY2014 due to rise in selling and distribution and general administrative expenses.*
- *Net income fell by 1.9% y-o-y to US$ 24.2 million in FY2014 on account of an increase in tax rates in Egypt.*

Source: Zawya, Company Fillings

Hassad Food (Privately Owned) Qatar

Company Description

Hassad Food was set up in 2008 as a wholly-owned subsidiary of Qatar Investment Authority, the Sovereign Wealth Fund of Qatar, to boost the country's food security program. The company's products include grains, animal proteins, rice, and sugar. Hassad Food's strategy involves long-term investments in startup companies, greenfield projects, joint ventures as well as acquisitions of agricultural and food businesses worldwide. As of June 10, 2013, the company produced 100,000 sheep, 150,000 tons of grain and 260,000 tons of rice annually and its total global investments amounted to US$1 billion.

Business Segments/Product Portfolio

- **Qatar:** The company's Qatari operations are conducted through its four subsidiaries.
  - Hassad Qatar: Set-up to support the country's farming sector, this subsidiary is Qatar's largest domestic fodder producer, with its commercial operations occupying 2,200 hectares across four farms. The subsidiary also supplies imported fodder, totally contributing over 9,000 tons of green fodder to the domestic market.
  - Roza Hassad: Rosa Hassad is a premier producer and seller of flowers, with an annual production capacity of over three million.
  - Mahaseel: It is the sales and distribution arm of the company for Qatar and other markets in the GCC.
  - Zulal Oasis: Through this entity, the company is engaged in the research and promotion of the greenhouse technology for vegetable production in Qatar.
- **Pakistan:** Established a subsidiary, Senwan Pakistan Pvt. Ltd., producing Basmati rice.
- **Oman:** In 2015, acquired 33% in A'Saffa Foods SAOG the largest integrated poultry company in Oman.
- **Australia:** Established a wholly-owned subsidiary Hassad Australia Pty. Ltd. in 2009 to produce grain and livestock.

Key Strengths

- Geographically diversified operations.
- Focus on environment-friendly production methods.
- A wide product range.

Recent Developments/Future Plans

- In February 2015, Hassad Food acquired a minority interest (33%) in A'Saffa Foods SAOG.
- In February 2015, Hassad Food announced plans to acquire sugar and poultry assets in Brazil. The company also divulged its intentions to purchase grain assets in North America.
- In September 2014, Hassad Food announced its intention to invest in agriculture businesses in Turkey, which include poultry, meat, and dairy.

International Foodstuffs Company (Privately Owned) UAE

Company Description

Founded in 1975, International Foodstuffs Company (IFFCO) manufactures and markets a wide range of food products including frozen food, flour, snacks, oils & fats, chocolates, ice cream, beverages, frozen dough, culinary, and personal care products. The company also offers food product derivatives and intermediates, packaging solutions as well as sales and distribution services to various industries. IFFCO operates 32 offices and 30 manufacturing facilities in 10 countries across the globe.

Business Segments/Product Portfolio

- **Impulse Foods:** IFFCO offers a wide range of impulse food products such as biscuits, snacks, chocolates, confectionery, cakes, wafers, and ice creams under the brands Tiffany, Tom, Nabil, Tiffany Break and Les Chocolats Allier, Piccadeli, Tom, London Dairy, Igloo, and Quanta.
- **Agri Business:** The company offers a wide spectrum of ready-to-use flour and feeds under this segment. Its flour is marketed under the brands Al Baker and Swarna; pasta through the brands Allegro, Hayat, Tiffany, Alfa, and Pasta Express; eggs under the Khaleej brand; halal chicken under the Al Khazna & A'rayaf brands; Pristine bakery ingredients, frozen meat, seafood, and bakery items under the trade names Al Baker and Khaleej, and animal feed under the Energizer brand.
- **Oil & Fats**: The company offers oil, fats, personal care products, culinary products, and spices under this segment. Oils and fats are traded under the brands Noor, Rahma, Sunny, and Hayat; personal care products under the brands Savannah, Royal Leather, Eva, and Jini; culinary products under the Noor, Tiffany, Hayat, and Alfa brands, and spices under the trade name Shama.
- **Packaging:** IFFCO runs a packaging and industrial products division that supplies PET preforms to manufacturers of carbonated beverage and mineral water bottles and corrugated boxes. The blow-molded plastic bottles, containers, and jars; polyolefin master batches for the plastic converting industry; and a range of PVC compounds are marketed under the trade names EMPET, EMFORM, and EMCAP, respectively.
- **Chemicals:** The company also manufactures solvent and water-based polymers for decorative and industrial coating applications.
- **Sales & Distribution:** IFFCO has its own sales and distribution network in many countries in the MENA region. They also provide food delivery services to bakers, hotels, restaurants, caterers, cafeterias, and others.

Key Strengths

- A diversified business segment.
- Strong presence across the value chain.

Recent Developments/Future Plans

- N/A

Kuwait Food Company (Americana) KSCP (Publicly Owned) — Kuwait

Company Description

Established in 1964, Kuwait Food Company (Americana) KSCP (Americana Group) is engaged in the manufacture of food products and operation of food & beverages (F&B) outlets in 17 countries. The company operates more than 1,500 F&B outlets encompassing the world's renowned quick service and fine dining brands as well as six self-owned brands. The Americana Group also manufactures and processes a range of consumer foods at its 18 factories in five countries.

Business Segments/Product Portfolio

- **Restaurants & Retail:** Under this segment, the Americana Group operates the franchises of local and international food chains and also trades in food products in the MENA region. The company operates franchises of KFC, Pizza Hut, Hardee's, TGI Friday, Red Lobster, Olive Garden, LongHorn, Signor Sassi, The Counter, Krispy Kreme, Baskin Robbins, and Costa Coffee. The Americana Group also operates six homegrown restaurant brands namely Chicken Tikka, Fish Market, Samadi, Maestro, Grand Café, and Fusion.
- **Food Industries:** This segment comprises the manufacturing and sale of food products such as meat and poultry, dairy foods, frozen potatoes and vegetables, canned food, and salty snacks. The Group offers products under the brands of Americana Cake, California Garden, Farm Frites, Koki, Americana Meat, Greenland, Americana Olives, Gulfa, and Lion Chips.

Key Strengths

- Leading restaurant chain operator in the MENA region and among the successful franchise operators in the world.
- Strong presence throughout the MENA region.
- Strong portfolio of renowned fine dining and quick service restaurants.

Recent Developments/Future Plans

- In November 2014, the Americana Group and the TGI Friday announced an agreement to open 35 new Friday's restaurants over the next five years.

Current Price (US$)	8.79

Price as on April 22, 2015

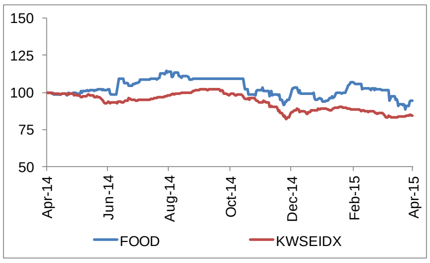
Stock Details	
Bloomberg ticker	FOOD KK
52 week high/ low	11.42/8.28
Market Cap (US$ mn)	3,538.7
Enterprise value (US$ mn)	3,245.8
Shares outstanding (mn)	402.0

Source: Bloomberg

Average Daily Turnover ('000)

	KWD	US$
3M	300,058.1	1,005,927.5
6M	362,182.4	1,227,237.7

Share Price Chart



Valuation Multiples

	2013	2014	2015E
P/E (x)	19.5	21.1	15.7
P/B (x)	2.9	3.0	N/A
EV/S (x)	1.2	1.1	1.0
Dividend yield (%)	3.4	3.2	3.4

Source: Bloomberg

Shareholding Structure	
Mohammed Abdulmohsin Al-Kharafi & Sons Co. WLL [via Al Khair National for Stocks & Real Estate Co. WLL]	66.80%
Public	33.20%
Total	**100.00%**

Source: Zawya

Financial Performance

US$ Million	2012	2013	Change (%)
Revenue	2,881.3	3,074.1	6.7
COGS	2,373.3	2,499.2	5.3
Operating Income	263.1	303.2	15.2
Operating Margin (%)	9.1	9.9	
Net Income	163.4	179.4	9.8
Net Income Margin (%)	5.7	5.8	
Return on Equity (%)	14.7	15.1	
Return on Assets (%)	7.6	7.8	

- *Revenue rose by 6.7% y-o-y to US$ 3,074.1 million in FY2013 due to increase in customer base, a broader product line, and geographic expansion.*
- *Operating income increased by 15.2% y-o-y to US$ 303.2 million in FY2013 on account of cost and resource optimization. As a result, operating margin expanded to 9.9% in FY2013 from 9.1% in FY2012.*
- *Net income increased by 9.8% to US$ 179.4 million in FY2013 from US$ 163.4 million in FY2012.*

Source: Zawya, Company Fillings

National Food Industries Company (Privately Owned) Saudi Arabia

Company Description

Founded in 1993, National Food Industries Company (NFIC) is the largest integrated food company in the Middle East. The company is engaged in the processing and packaging of a variety of canned products of dairy and pulses. Hayel Saeed Anam and Company Ltd. and Omar Kassem Alesayi Group are the major shareholders in the company, each holding a 50% share. Most of the company's products are sold in the local market under its flagship brand, Luna, and the rest under Green Farms. They also cater to the international markets under the trade names Al Bustan, Al Hamra, and Rotana.

Business Segments/Product Portfolio

- **Dairy Products:** The company's dairy product portfolio includes cheese, cream, full cream milk powder, evaporated milk, UHT milk, cream cheese, flavored milk, and sweetened condensed milk.
- **Non-dairy Products:** The company's product portfolio under this division includes foul medames, tomato paste in cans and tetra pak containers, peanut butter, green peas, chick peas, white beans, baked beans in tomato sauce, and red kidney beans.
- **Other Products:** The company's product portfolio under this division includes lupin beans, chick peas and whole kernel corn.

Key Strengths

- Fully integrated and ultramodern production facilities.
- A diversified product portfolio.

Recent Developments/Future Plans

- N/A

ALPEN CAPITAL

Oman Flour Mills Company (Publicly Owned) — Oman

Company Description

Incorporated in 1977, Oman Flour Mills Company (OFM) manufactures flour and animal feed products for sale in regional and international markets. OFM was the first food manufacturing entity in Oman and one of the first companies to be listed on the Muscat Securities Market. The company operates two production facilities, a flour mill with a wheat milling capacity of 850 tons per day, and an animal feed mill with a capacity of over 1,000 tons per day. The company's silos, with a grain storage capacity of 120,000 tons, are located at Port Sultan Qaboos.

Business Segments/Product Portfolio

- **Dahabi:** Under this business segment, OFM manufactures bread baking products, health products, specialty products, and pre-mixes. The company also supplies grains such as wheat, hareesh, and jareesh.
- **Barakat:** Under this division, OFM manufactures a range of compound animal feeds formulated to suit domestic livestock and poultry. The products under this segment are feed for animals, poultry, and special alpha horses.

Key Strengths

- Presence in ten countries.
- A wide range of flour and feed products.

Recent Developments/Future Plans

- Sohar Flour, a partnership between Atyab Investments (wholly-owned by OFM) and Essa Al Ghurair Investments, entered into an agreement with the SPF in January 2015 to establish a milling plant at the industrial port with a milling capacity of 500 tons per day.
- OMF entered into a contract with an international consultancy group in September 2013 to develop a franchise model for setting up around 70 outlets and cafes across the country.
- In August 2013, OMF announced plans to transform Atyab Investments into a holding company at an estimated new investment of OMR 70 million (US$ 181.3 million*).

Current Price (US$)	1.30

Price as on April 23, 2015

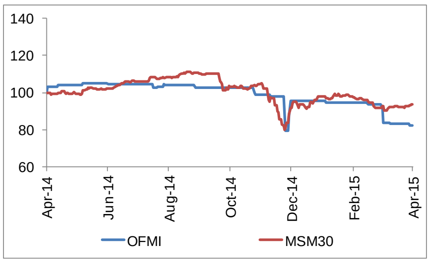
Stock Details	
Bloomberg ticker	OFMI OM
52 week high/ low	1.67/1.26
Market Cap (US$ mn)	205.4
Enterprise value (US$ mn)	208.1
Shares outstanding (mn)	157.5

Source: Bloomberg

Average Daily Turnover ('000)

	OMR	US$
3M	0.8	2.2
6M	1.3	3.5

Share Price Chart



Valuation Multiples

	2013	2014	2015E
P/E (x)	16.9	14.2	N/A
P/B (x)	1.9	1.8	N/A
EV/S (x)	1.6	1.3	N/A
Dividend yield (%)	3.9	3.9	N/A

Source: Bloomberg

Shareholding Structure	
Government of Oman	51.06%
Civil Service Employees Pension Fund	12.52%
Public	36.42%
Total	**100.00%**

Source: Zawya

*At exchange rate as of August 29, 2013

Financial Performance

US$ Million	2013	2014	Change (%)
Revenue	183.2	205.8	12.3%
COGS	148.3	168.8	13.8%
Operating Income	16.6	19.8	19.7%
Operating Margin (%)	9.0	9.6	
Net Income	15.8	18.2	15.6%
Net Income Margin (%)	8.6	8.9	
Return on Equity (%)	11.3	12.3	
Return on Assets (%)	7.8	9.4	

- *Revenue rose by 12.3% y-o-y to US$ 205.8 million in FY2014 due to increase in flour and feed sales.*
- *Operating income increased 19.7% y-o-y to US$ 19.8 million in FY2014. Operating margin increased from 9.0% in FY2013 to 9.6% in FY2013.*
- *Net income increased by 15.6% to US$ 18.2 million in FY2014 from US$ 15.8 million in FY2013*

Source: Zawya, Company Filings

Saudia Dairy and Foodstuff Company (Publicly Owned) Saudi Arabia

Company Description

Founded in 1976, the Saudia Dairy and Foodstuff Company (SADAFCO) is the market leader in ultra-high-temperature (UHT) milk in Saudi Arabia. This category of milk is characterized with a long life. The company captures more than half of the UTH milk market and almost a third of the total drinking milk market in the kingdom. SADAFCO produces about 40 million units of products per annum at its three manufacturing facilities located in Jeddah and Dammam. The company's sales and distribution network comprises 19 depots in Saudi Arabia and one depot each in Qatar, Bahrain, Kuwait, and Jordan. The company accesses the UAE and several other export markets through its distributors and agents.

Business Segments/Product Portfolio

- **Milk Products:** Under its brand Saudia, SADAFCO manufactures a range of milk products including UHT milk, total drinking milk, flavored milk, junior milk, instant milk powder, cheese, cream, butter, and ice cream.
- **Tomato Products:** The company manufactures ketchups and tomato paste under the trademark Saudia. It enjoys a 50% market share in the tomato paste market in the country.
- **Snacks and Others:** SADAFCO trades in the domestic snacks market with its French fries, crispy letters, and super rings products. It also manufactures Saudia Laban, a refreshing drink, and Saudia Arabic Coffee, a ready-to-heat-and-serve beverage.

Key Strengths

- Leader in the UTH milk market in Saudi Arabia.
- A strong distribution and sales network in Saudi Arabia.
- A diversified and innovative product portfolio.

Recent Developments/Future Plans

- SADAFCO launched the ready-to-heat-and-serve Saudia Arabic Coffee in September 2014 for its local customers.
- In September 2014, SADFCO expanded its dairy portfolio with the launch of Saudia Thick Cream.
- In July 2014, United Industries Co. entered into an agreement to sell its 11% share in SADAFCO to Qurain Petrochemical Industries. Qurain Petrochemical now holds a 40% share in SADAFCO.
- In February 2014, the company launched the Saudia Sensations Premium Ice Cream on a Stick.

Current Price (US$)	34.13

Price as on April 23, 2015

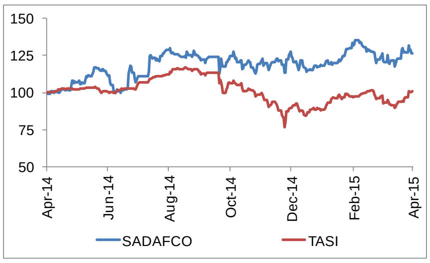
Stock Details	
Bloomberg ticker	SADAFCO AB
52 week high/ low	36.48/26.66
Market Cap (US$ mn)	1,109.3
Enterprise value (US$ mn)	1,118.6
Shares outstanding (mn)	32.5

Source: Bloomberg

Average Daily Turnover ('000)

	SAR	US$
3M	6,230.9	1,660.7
6M	6,380.8	1,700.4

Share Price Chart



Valuation Multiples

	2014	2015	2016E
P/E (x)	18.1	27.7	18.5
P/B (x)	3.4	N/A	4.1
EV/S (x)	1.9	N/A	2.3
Dividend yield (%)	N/A	N/A	3.5

Source: Bloomberg

Shareholding Structure	
Qurain Petrochemical Industries Company KSCP	40.11%
Al Sameh Trading Company	11.60%
United Industries Co. KSCP	11.13%
Public	37.16%
Total	**100.00%**

Source: Zawya

Financial Performance

US$ Million	2013	2014	Change (%)
Revenue	413.1	414.1	0.2%
COGS	280.4	274.7	-2.0%
Operating Income	46.8	49.1	4.8%
Operating Margin (%)	11.3	11.9	
Net Income	43.8	45.6	4.2%
Net Income Margin (%)	10.6	11.0	
Return on Equity (%)	19.4	18.6	
Return on Assets (%)	14.9	15.0	

- *Revenue rose by 0.2% y-o-y to US$ 414.1 million in FY2014 led by revenue growth across the company's business segments.*
- *Operating income increased 4.8% y-o-y to US$ 49.1 million on account of sales growth and increase in the annual progressive rebate. As a result, operating margin grew from 11.3% in FY2013 to 11.9% in FY2014.*
- *Further, a decline in finance expenses resulted in a 4.2% y-o-y rise in net income to US$ 45.6 million in FY2014.*

Source: Zawya, Company Fillings

Sweets of Oman SAOG (Publicly Owned) — Oman

Company Description

Established in 1990, Sweets of Oman SAOG (Sweets of Oman) manufactures chocolates and sugar confectionery items such as eclairs, toffees, fudge, caramels, and enrobed chocolates at its plant at the Rusayl Industrial Estate in Muscat. The company markets its products under its flagship brands Chiko, Folen & Court, and Chelsea. Sweets of Oman supply its products to the GCC countries, Africa, Asia, Australia, New Zealand, Canada, the US, and the UK.

Business Segments/Product Portfolio

- **Chiko:** Under this brand, the company offers a variety of eclairs, toffees, and fruit chews.
- **Folen & Court:** The company's brand Folen & Court offers assorted eclairs, toffees, and caramels.
- **Chelsea:** The company, under this brand, offers caramel with a chocolate center, eclairs, and premium assorted toffees.
- **Others:** The company's other brands Bentley and Trents offer fudge and assorted caramels, respectively.

Key Strengths

- A strong presence in the GCC and other regions.
- A wide array of chocolates and sugar confectionary products.

Recent Developments/Future Plans

- Kreol Travel Retail launched Sweets of Oman's confectionery brand Chiko in June 2014 at Saudi Duty Free at the Jeddah King Abdulaziz International Airport. Krelo Travel Retail is also planning to offer Chiko confectionery at Dammam and Riyadh Duty Free, once they open.
- Sweets of Oman announced plans to start its microbiology laboratory in 2015 to maintain its quality standards and continually improve its Quality Management Systems.

Current Price (US$)	3.49

Price as on April 23, 2015

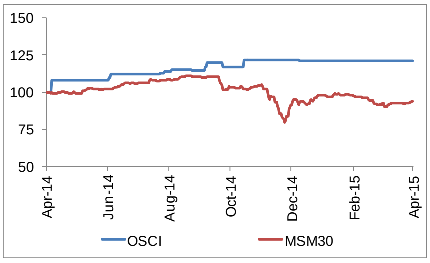
Stock Details	
Bloomberg ticker	OSCI OM
52 week high/ low	3.51/2.88
Market Cap (US$ mn)	24.5
Enterprise value (US$ mn)	28.0
Shares outstanding (mn)	7.0

Source: Bloomberg

Average Daily Turnover ('000)

	OMR	US$
3M	0.04	0.1
6M	0.8	2.2

Share Price Chart



Valuation Multiples

	2013	2014	2015E
P/E (x)	6.9	10.4	N/A
P/B (x)	1.8	2.3	N/A
EV/S (x)	0.6	0.9	N/A
Dividend yield (%)	5.3	3.7	N/A

Source: Bloomberg

Shareholding Structure	
Mohammed Abdulhussain Baqir Suleiman Al Lawati	11.00%
Bhacker Suleman Jaffer Company (via Al Mekyal Exporting & Importing Company)	10.00%
Mr Redha Bhacker Suleiman Al Lawati	10.00%
Public	69.00%
Total	**100.00%**

Source: Zawya

Financial Performance				
US$ Million	**2013**	**2014**	**Change (%)**	• *Revenue rose by 7.4% y-o-y to US$ 32.5 million in FY2014 due to a higher sales volume, driven by increased marketing activities and entry into new export markets.* • *Despite revenue growth, higher selling and administrative expenses due to an allowance for credit losses resulted in a slow growth (0.3% y-o-y) in operating income to US$ 3.0 million in FY2014. Operating margin fell to 9.1% in FY2014 from 9.7% in FY2013.* • *An increase in the financial cost resulted in a drop in net income by 5.5% to US$ 2.3 million in FY2014. Net income margin declined to 7.2% in FY2014 from 8.2% in FY2013.*
Revenue	30.2	32.5	7.4%	
COGS	20.9	22.8	9.0%	
Operating Income	2.9	3.0	0.3%	
Operating Margin (%)	9.7	9.1		
Net Income	2.5	2.3	-5.5%	
Net Income Margin (%)	8.2	7.2		
Return on Equity (%)	26.2	21.5		
Return on Assets (%)	11.7	10.9		

Source: Zawya, Company Fillings

The Savola Group (Publicly Owned) — Saudi Arabia

Company Description

Established in 1979, the Savola Group is one of the leading food and retail players in the MENA region. The company is engaged in the production and marketing of edible oils, ghee, sugar, and pasta. The Savola Group also operates 155 convenience stores, 131 supermarkets and 60 hypermarkets spread across 35 cities in Saudi Arabia, as on December 31, 2014. At the same time, the company had 29,200 employees and operated in countries such as Saudi Arabia, Egypt, Iran, Turkey, Algeria, Sudan, Morocco and Kazakhstan. In addition, the company has made strategic investments to compliment its core business.

Business Segments/Product Portfolio

- **Food Business:** The food business is carried out by the company's wholly-owned subsidiary Savola Foods Company which has presence across the value chain of edible oil, sugar and pasta. Some of the company's popular brands include Ladan/Gold, Afia, Yudum and Osra, among others.
- **Retail Sector:** The retail business is carried out by the Panda Retail Co. (92% ownership).
- **Others:** The Savola Group's strategic investments include Almarai Co. (36.52%), Herfy Food Services Company (49%) and Kinan International (29.9%). The company also has non-core business investments in several real estate projects which it plans to exit in near future.

Key Strengths

- A vertically-integrated business model.
- Diversified operations in terms of geography and product offerings.
- Leadership position in several product markets.
- Strong brand recognition.

Recent Developments/Future Plans

- In December 2014, The Savola Group agreed to sell Savola Packaging Systems Co. to Takween Advanced Industries for SAR 910 million (US$ 242.2 million*).
- In November 2014, the company commenced expansion of its sugar refinery in Jeddah to increase its production capacity by 41.6% to 1.7 million MT at a cost of SAR 254 million (US$ 67.7 million**).
- In May 2014, the company sold all its assets and edible oil operations in Kazakhstan for SAR 107 million (US$ 28.5 million#).

Current Price (US$)	20.88

Price as on April 23, 2015

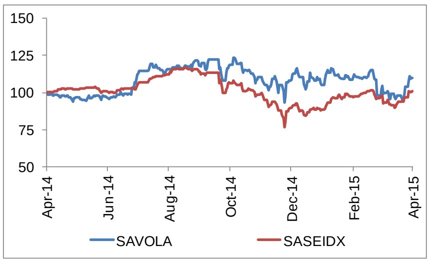
Stock Details	
Bloomberg ticker	SAVOLA AB
52 week high/ low	23.52/17.72
Market Cap (US$ mn)	11,149.2
Enterprise value (US$ mn)	12,989.2
Shares outstanding (mn)	534.0

Source: Bloomberg

Average Daily Turnover ('000)

	SAR	US$
3M	43,259.2	11,529.9
6M	37,140.9	9,897.4

Share Price Chart



Valuation Multiples

	2013	2014	2015E
P/E (x)	19.4	20.8	19.9
P/B (x)	3.5	4.2	3.4
EV/S (x)	1.6	1.9	1.7
Dividend yield (%)	3.2	2.9	3.1

Source: Bloomberg

Shareholding Structure	
MASC Holding	11.20%
General Organization for Social Insurance	10.23%
Abdullah Mohammed Abdullah Al Rabiah	8.20%
Abdul Kadir Al Muhaidib and Sons Group	7.90%
Public	62.47%
Total	**100.00%**

Source: Zawya

*At exchange rate as of December 31, 2014, **At exchange rate as of November 5, 2014, #At exchange rate as of May 25, 2014

Financial Performance				
US$ Million	**2013**	**2014**	**Change (%)**	
Revenue	6,741.5	7,086.3	5.1%	
COGS	5,468.6	5,790.0	5.9%	
Operating Income	663.9	654.2	-1.5%	
Operating Margin (%)	9.8	9.2		
Net Income	454.5	552.3	21.5%	
Net Income Margin (%)	6.7	7.8		
Return on Equity (%)	17.7	20.8		
Return on Assets (%)	6.9	7.8		

- *Revenue rose by 5.1% y-o-y to US$ 7,086.3 million in FY2014 due to stable revenue growth from the company's food and retail businesses.*
- *Operating income declined by 1.5% y-o-y to US$ 654.2 million in FY2014 due to increase in selling and marketing expenses. Operating margin declined to 9.2% in FY2014 from 9.8% in FY2013.*
- *Net income rose by 21.5% y-o-y to US$ 552.3 million in FY2014 due to increase in income from associates and decrease in tax, minority share, and financial charges.*

Source: Zawya, Company Filings

Trafco Group BSC (Publicly Owned) — Bahrain

Company Description

Established in 1977, Trafco Group BSC (Trafco) is primarily engaged in the import and distribution of food and non-food products. The company also operates supermarket chains in Bahrain through its subsidiary, Metro Markets. Measured by annual turnover, the company is one of the largest fast-moving consumer goods conglomerates in Bahrain. Trafco imports its food commodities from countries such as Australia, Brazil, Europe, the Far East, India, the UK, and the US as well as the Arab and Middle Eastern countries. The company offers products of the international brands such as Sadia, Rainbow, Honig, Noor, Daawat, OKI, Pride, Tata Tea, Tetley and others. The company has four logistic facilities covering an area of 140,000 cubic meters in Bahrain to facilitate easy flow of goods.

Business Segments/Product Portfolio

- **Wholesale:** The company is engaged in the import and wholesale distribution of food products.
- **Retail:** Trafco, through its retail division, imports and distributes food products across its Metro supermarkets.
- **Dairy Products and Beverages:** The company produces, processes, and distributes dairy products and bottling water through this business segment. Its beverages are sold under the Bahrain Water Bottling & Beverages brand and its dairy products under the Awal and Fabion brands.
- **Fruits and Vegetables:** Under its subsidiary Bahrain Fresh Fruits Company, Trafco imports and distributes fruits, vegetables, and other food items.
- **Storage and Logistics:** The company provides storage and logistics services through its subsidiary Trafco Logistics Company.
- **Investments:** The company invests in quoted and unquoted securities (including investments in an associate) through this division.

Key Strengths

- A diversified product portfolio.
- A strong import and distribution network.

Recent Developments/Future Plans

- Trafco was awarded a contract to distribute Bahrain Flour Mills Co.'s products under its new brand, Al Matahin.

Current Price (US$)	0.54

Price as on April 1, 2015

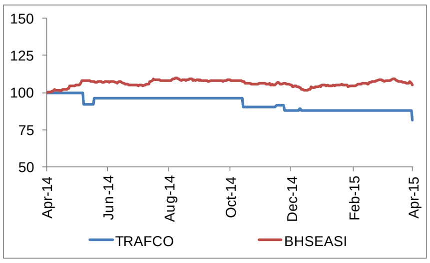
Stock Details	
Bloomberg ticker	TRAFCO BI
52 week high/ low	0.66/0.54
Market Cap (US$ mn)	43.7
Enterprise value (US$ mn)	45.1
Shares outstanding (mn)	80.7

Source: Bloomberg

Average Daily Turnover ('000)

	BHD	US$
3M	0.2	0.6
6M	0.4	1.0

Share Price Chart



Valuation Multiples

	2013	2014	2015E
P/E (x)	N/A	11.0	N/A
P/B (x)	N/A	0.8	N/A
EV/S (x)	N/A	0.5	N/A
Dividend yield (%)	N/A	6.8	N/A

Source: Bloomberg

Shareholding Structure	
Abdulhamid Zainal Mohammed Zainal	10.45%
Mr Ebrahim Mohamed Ali Zainal	2.32%
Dr Esam Abdulla Yousif Fakhro	1.96%
Mr Fuad Ebrahim Khalil Kanoo	1.32%
Public	83.95%
Total	**100.00%**

Source: Zawya

Financial Performance

US$ Million	2013	2014	Change (%)
Revenue	111.0	106.8	-3.8%
COGS	88.7	88.0	0.8%
Operating Income	3.6	2.5	-32.0%
Operating Margin (%)	3.3	2.3	
Net Income	4.0	4.2	5.9%
Net Income Margin (%)	3.6	4.0	
Return on Equity (%)	6.7	6.8	
Return on Assets (%)	3.8	4.0	

- *Revenue fell by 3.8% y-o-y to US$ 106.8 million in FY2014.*
- *Operating income decreased by 32.0% y-o-y to US$ 2.5 million in FY2014 translating into an operating margin of 2.3% compared to 3.3% in FY2013.*
- *Despite a fall in operating income, net income grew 5.9% y-o-y to US$ 4.2 million in FY2014 due to a higher investment income.*

Source: Zawya, Company Fillings

Zad Holding Company SAQ (Publicly Owned) — Qatar

Company Description

Established in 1969, Zad Holding Company SAQ (Zad Holding) manufactures and distributes flour, wheat by-products, bakery products, processed frozen meat, and other consumer packaged foods. The company also holds interests in the construction sector, engaging in activities related to civil construction, real estate, and supply of ready mix concretes. Additionally, Zad Holding also holds interests in the areas of logistics and real estate investments.

Business Segments/Product Portfolio

- **Manufacturing and Distribution:** Zad Holding is involved in the manufacture and distribution of bakery products including cookies and soft bakery products.
- **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; the trading of bran and barley; the selling and distribution of food commodities; and the import and sale of dairy and other food products. The company also offers transport services in-house, which also cater to external clients.
- **Contracting, Real Estate, and Others:** Through this segment, the company is engaged in investing, building, and managing of civil as well as industrial projects on a contractual basis; selling and renting heavy construction equipment; and supplying ready-mix concrete, asphalt, and related services.
- **Investment and Managed Services:** This segment comprises the core business of Zad Holding's parent, in addition to other investments and support services to its affiliates.

Key Strengths

- A diversified business portfolio.

Recent Developments/Future Plans

- In February 2014, the company announced plans to build a new facility, at the new port near Doha by 2017, with a production capacity of 1,600 tons per day.

Current Price (US$)	25.55

Price as on April 23, 2015

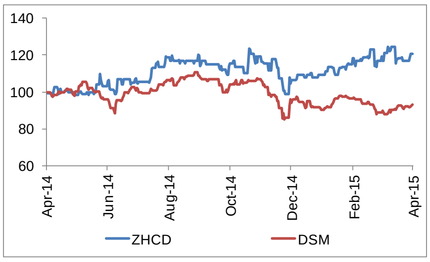
Stock Details	
Bloomberg ticker	ZHCD QD
52 week high/ low	26.36/20.60
Market Cap (US$ mn)	334.2
Enterprise value (US$ mn)	322.3
Shares outstanding (mn)	13.1

Source: Bloomberg

Average Daily Turnover ('000)

	QAR	US$
3M	247.2	67.9
6M	388.1	106.6

Share Price Chart



Valuation Multiples

	2013	2014	2015E
P/E (x)	12.0	10.0	N/A
P/B (x)	0.7	1.4	N/A
EV/S (x)	1.5	2.0	N/A
Dividend yield (%)	5.0	4.8	N/A

Source: Bloomberg

Shareholding Structure	
Public	**100.00%**

Source: Zawya

Financial Performance

US$ Million	2012	2013	Change (%)
Revenue	183.1	211.3	15.4%
COGS	133.7	157.4	17.7%
Operating Income	29.4	28.7	-2.5%
Operating Margin (%)	16.1	13.6	
Net Income	30.3	34.4	13.5%
Net Income Margin (%)	16.5	16.3	
Return on Equity (%)	8.4	9.3	
Return on Assets (%)	5.4	6.2	

- *Revenue rose by 15.4% y-o-y to US$ 211.3 million in FY2013.*
- *Operating income decreased by 2.5% y-o-y to US$ 28.7 million in FY2013. Operating margin fell to 13.6% in FY2013 from 16.1% in FY2012.*
- *Despite a fall in operating income, net income grew by 13.5% y-o-y to US$ 34.3 million in FY2013 due to a higher gain on the sale of available-for-sale financial assets.*

Source: Zawya, Company Fillings

For any query regarding this report, please contact:

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