GCC Food Industry

May 01, 2013

Alpen Capital was awarded the "Best Research House" at the Banker Middle East Industry Awards 2011 and 2013

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"In our view, the GCC Food industry has grown tremendously in the past decade, particularly in the processed food segment, which is our primary interest. The UAE especially has seen an increasing workforce participation leading to both rising affluence and hectic lifestyles which results in a preference for quick and easy meal options. Ready-to-eat meals and frozen processed foods are some of the items which have witnessed substantial growth in sales due to this change in lifestyle. 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 and have already expanded into Saudi Arabia to support our growth plans."

Suresh Subberwal
Chairman
Al Kabeer Group of Companies

"The Food Sector mainly addresses essential needs of the people and has demonstrated robust and defensive characteristics since the post 2008 crisis. We see opportunities for further growth in this sector tied to population growth, increase in tourism, economic growth and purchasing power strength in the region.

We see an ongoing trend for investments in local food producers & manufacturers allowing for the integration of latest technologies, helping to partially displace reliance of food imports and keeping in line with food security strategies for the region. The sector also allows for local players to grow strong brands starting at home to become international brands and hence expand the food export potential.

Challenges related to the sector include exposure to input cost of imported raw material, while well entrenched in management risk controls are nevertheless affected by external factors that could have an impact on food inflation and gross margins."

Ilias Assimakopoulos
CEO
Agthia Group PJSC

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. We believe that an increasing trend of dining out and stronger preference for quick meals, including fast food and ready-to-eat foods, have opened up exciting growth opportunities in this sector. M&A activity in this segment has been limited post-2008 primarily due to the fact that family-owned businesses make up the majority of the operators in this sector and these do not consider M&A their top priority. 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. Our outlook for the food industry remains positive and we continue to seek opportunities to expand our geographic footprint across the region.

Asif Amjad, CFA
Executive Director, Mergers & Acquisitions
The Savola Group

Outlook for the Food sector in the GCC in general and Oman in particular is very bright. Rising population, growing income levels and change in eating habits will result in continuing growth in consumption levels. The resultant increase in demand and government focus on food security is likely to see more investments in the regional / local food processing and production sector and setting up of home grown units. There is substantial investor interest in this sector from both financial and strategic investors. Investor interest specially focused on poultry, dairy and meat processing projects. The Government of Oman is currently considering at least 10 such project proposals for Oman itself

Rafique Chaudhry
Chief Financial Officer
A'Saffa Foods SAOG

"With the rising population and income levels, demand for food and food products in the GCC has been rising at a much faster rate than the developed economies. Such favourable demographic factors present tremendous opportunities for the segments that we participate in. Growing affluence has seen a rise in the consumption of both impulse and processed food items. While imports will continue to play an important role in the GCC food market, local brands have grown in prominence in the last decade as they have invested in technology to match international quality. There is a growing market for local brands in the GCC and we believe the outlook is very positive for the sector. "

A F Merchant
Executive Director
Allana International Limited

On an overall basis, our outlook for the GCC food sector is positive. Riding strong on favorable demographic factors, we believe that there is substantial investment potential available in the GCC food sector. With continuous government support and private sector involvement, the food processing segment is becoming one of the leading and most diversified industries in the GCC. Growing food requirement and a high dependence on imports creates interesting opportunities for private sector companies operating in this sector. Areas such as health foods and organic foods are gaining popularity within the GCC, thus opening up more avenues for investment. We also expect to see significant M & A activities taking place in the sector to satisfy investor appetite.

Rohit Walia
Executive Vice Chairman and CEO
Alpen Capital Group

1. Executive Summary

Limited arable land and acute water shortage restrict agricultural production in GCC. Amid rising population and insufficient domestic food production, GCC countries rely heavily on imports; in 2010, food imports in the GCC region accounted for more than 70% of its total food requirement. This over dependence on imports, together with rising global food prices, has alleviated the food security issue in the region. In the past, disruptions in food imports, either due to policy restrictions by exporting countries or natural calamities, have affected the region significantly. Consequently, GCC governments have taken several initiatives to enhance food security in the region.

With limited food production capabilities, GCC governments are increasingly focusing on developing long-term relations with food producing nations globally. In addition, governments are investing significantly on developing the food processing sector in the region. GCC is gradually emerging as a major food processing and re-export destination. Among GCC countries, the UAE leads the food processing sector due to its strategic location and strong logistics.

This backdrop makes the growth and outlook of the food sector a very important issue for the GCC countries.

1.1. Scope of the Report

This report is an update of our earlier report released in 2011, and focuses on production, import and consumption volumes of key food segments and their growth potential. It analyses the growth drivers, trends and future prospects for the sector. Additionally, it covers country profiles to gauge the market dynamics in each of the six GCC countries and profiles major players by evaluating their performance vis-à-vis their peer group and the industry as a whole.

We have evaluated the current demand and supply situation, growth dynamics and future prospects of the GCC food industry. Challenges that could impact the sector's profitability and growth in the future are also discussed.

The report does not include the beverages segment.

1.2. Industry Outlook

The total population of the GCC region expanded at an annual average rate of 3.6% year-on-year compared to the global average of 1.1% during the period 2000–2010. According to the Economist Intelligence Unit (EIU), population in the GCC region is likely to increase further and cross the 50 million-mark by 2020 from 41.7 million in 2010.

We forecast food consumption to expand at a CAGR of 3.1% during 2012-2017

We estimate that due to population growth, increase in foreign tourists and per capita income, food consumption will reach 49.1 million metric tonnes (MT) by 2017, growing at a CAGR of 3.1% over the period 2012-2017. To meet this increasing demand for food arising out of the growing consumption is both a challenge for the GCC governments and an opportunity for private sector players to expand within the GCC markets.

The food sector in the GCC from the perspective of listed food companies is highly consolidated with the three leading companies Almarai, Savola and Kuwait Food Company (Americana), contributing over three-quarters of total revenue of listed food companies. All segments of the food sector, except livestock, are evidently monopolistic. At an average P/E of about 25.0x, GCC companies are at a premium to the US peers (22.1x) and the Asia-Pacific market average (12.8x). On EV/EBITDA metrics, too, GCC companies trade at a premium to the US peers (10.8x) and Asia-Pacific average (12.6x). We believe these premiums are justified, as most of these companies hold significant real estate properties in their balance sheet, the market value of which has risen significantly in recent times.

Further, with favorable demographic factors and stronger balance sheet positions, GCC food companies potentially offer attractive investment propositions for long-term investors.

1.3. Investment Positives/Key Growth Drivers

Rising income and rapidly expanding population are likely to continue to drive food consumption

- Strong GDP growth and increasing per capita income are expected to drive food consumption in the GCC countries. The region's GDP is expected to reach US$ 1.8 trillion by 2017 from US$ 1.1 trillion in 2010. The per capita income is likely to increase to US$ 36,839 from US$ 27,304 during the same period.
- The GCC population is expected to expand from 41.7 million in 2010 to 49.9 million by 2017, contributing to the growth in food consumption.
- Per capita consumption in the region is low compared to that in developed economies and is expected to increase at a relatively higher rate.

1.4. Trends

Changing consumer lifestyles and food preferences are increasing demand for packaged foods

- In-line with the global trend, the region is also going to see a changing consumption pattern - a shift to a protein-rich diet that includes meat and dairy products from a carbohydrate-based one that consists of staple food items such as cereals.
- Increasing urbanization, hectic lifestyles, growing popularity of large food retail formats and presence of multinational food companies in the GCC region are expected to increase the popularity of high-value processed foods among consumers, driving their consumption.
- While there is a growing awareness and drive about healthy living, obesity rates are high and diabetes is a concern for the region. As a consequence, demand for health food (also known as the functional food) which is high on energy and nutrition is expected to gain traction. This is likely to be a fast growing segment.
- Halal food consumption is growing at a faster pace with the rise in income levels, and tourist activities in the region.
- Increasing awareness among food producers and growing government support have attracted food retailers to the organic food segment.
- Hydroponics as a growing technique is very useful in water deficit regions such as the GCC and is slowly gaining traction

1.5. Challenges

- The high dependence on food imports for the region is going to continue and this makes the issue of food security critical for the region. The Governments need to undertake necessary initiatives to secure food imports for the growing population.
- Due to high dependence on food imports, the region is also susceptible to external food price shocks. The increase in food prices in the past few years has put significant inflationary pressure on the GCC economies with consumer price increase reaching double digits during 2008-2009[1].
- Arid climatic conditions and limited availability of agricultural resources continue to make food production in the GCC highly challenging

On an overall basis, our outlook for the sector is positive. Riding strong on favorable demographic factors, we believe that there is significant investment potential available in the GCC food sector. High dependence on imports, while posing a challenge for the economy, creates several opportunities for private sector companies to position themselves and take advantage of the growing demand. The region holds strong potential especially in the food processing segment trade and re-exports.

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[1] IMF

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2. GCC Market Analysis

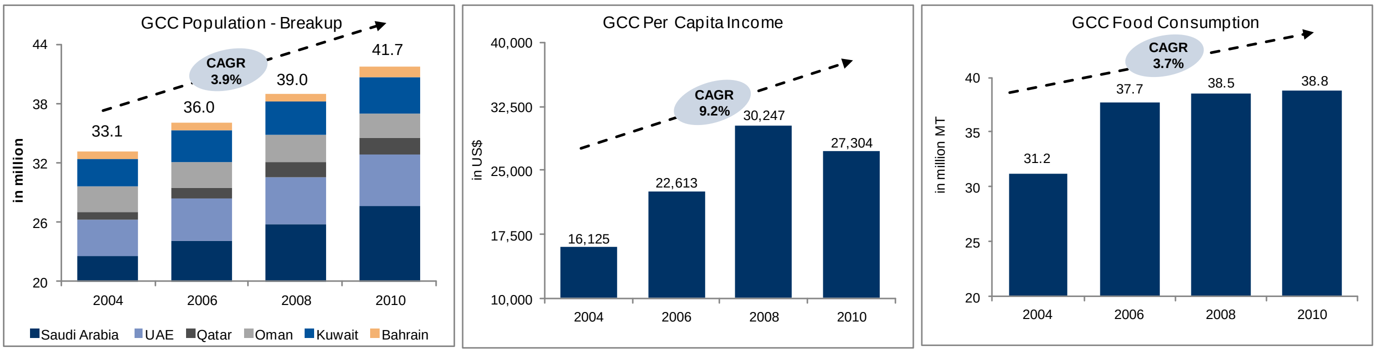
2.1. Overview

Rising income and population levels fuelling food consumption

Food consumption increased at a CAGR of 3.7% during 2004-2010

With a combined population and GDP of approximately 41.7 million and US$ 1.1 trillion respectively, GCC nations are amongst the world's richest in terms of oil and gas reserves and per capita wealth. During 2004-2010, GCC's population increased at a CAGR of 3.9%, while its per capita income increased at a CAGR of 9.2%. Together the rising population and income levels have contributed to the increased demand for food products across categories. During 2004-2010, GCC food consumption increased at a CAGR of 3.7% to 38.8 million MT in 2010.

Exhibit 1: Rising population and per capita income driving food consumption

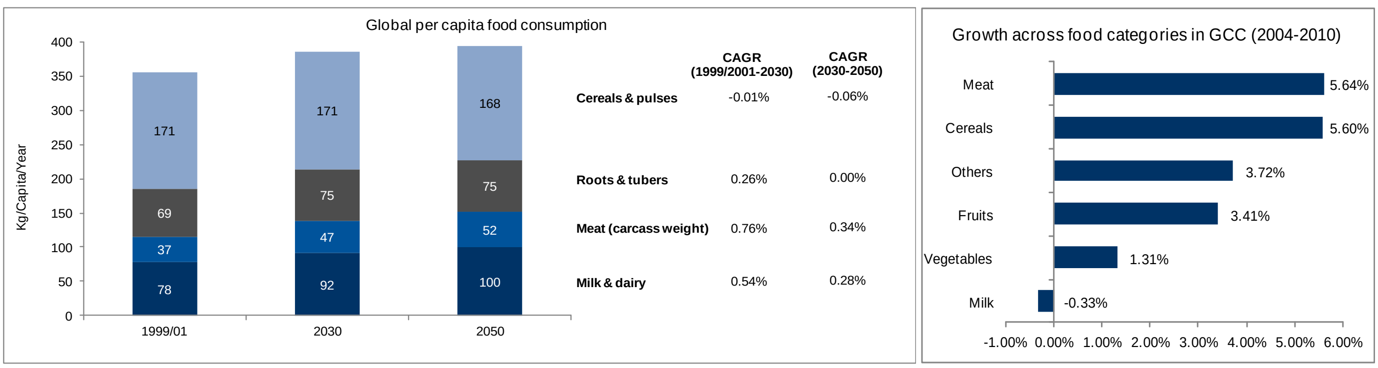


Source: IMF, Arab Agricultural Statistics, Alpen Capital

Amidst rising income, consumption of high-value products increasing

With rise in affluence levels, food consumption pattern across the globe is steadily shifting from carbohydrate-based staple foods to protein-rich diets such as meat and dairy products. Developing economies like GCC are the key drivers of such protein rich diets. During the period 1980-2005, per capita consumption of meat in developing countries increased at a CAGR of 3.2%, compared to only 0.3% in developed economies. According to the UN, global meat and dairy consumption is expected to increase at a CAGR of 0.76% and 0.54% respectively, between 1999 and 2030, as opposed to a 0.01% decline in cereal consumption over the same period.

Exhibit 2: Changing dietary preferences



Source: Alpen Capital, UN

Meat consumption in GCC during 2004-2010 increased at a CAGR of 5.6%, higher than the growth in food consumption

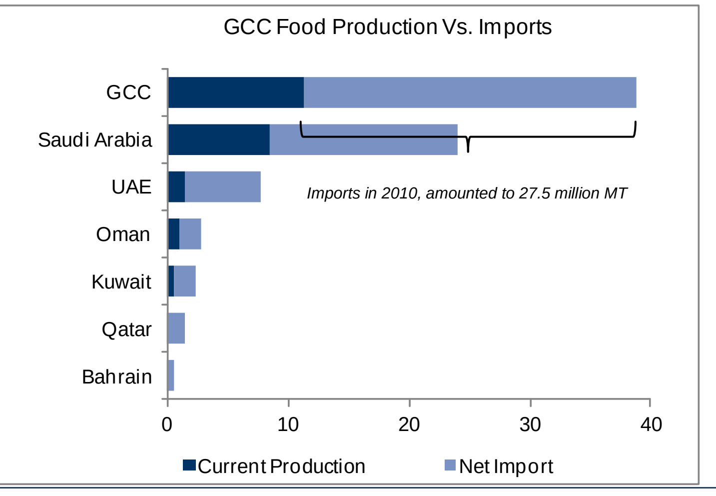
With rising affluence levels, the GCC population is increasingly consuming more of high value products like meat and fruits. During 2004-2010, meat consumption in GCC increased at a CAGR of 5.6% in comparison to 3.7% growth in total food consumption(refer to exhibit 1). In addition, growth in meat consumption was marginally higher than the growth in cereal consumption during this period.

With limited production, food consumption heavily dependent on imports

In 2010, GCC imported 70% of its total food requirement

Food production capacity in the GCC has expanded at a relatively lower rate vis-à-vis the growth in food consumption. Due to unfavorable climatic condition resulting in limited arable land and scarce water for irrigation, food production (particularly agricultural produce) in the GCC is likely to remain flat or grow at a slow pace. Thus, in order to bridge the prevailing gap between the food production and food consumption, the GCC nations primarily rely on imports to meet their food requirements. In 2010 alone, GCC imported 70% of their food requirement from across the globe.

Exhibit 3: High levels of food imports due to lower food production capacity - 2010



Source: IMF, FAO, Alpen Capital

Over reliance on imports impacting food security in the region

With limited food production due to shortage of arable land and water, the GCC region depends upon imports to meet its food requirements. As a result, any distruption in global food supply or prices, similar to the food crisis of 2007–2008, is likely to significantly impact food security in this region. This makes food security a critical policy issue for GCC governments. As a result, all GCC countries are taking measures to secure and regularize food supply.

Rising demand for processed food driving investments in the food processing sector

Demand for processed foods in GCC accounts for more than 50% of the total food market in the region. With limited scope to increase food production, GCC countries are increasingly investing on building food processing capabilities. Alongwith the location advantage, and duty free access to various markets, GCC governments are increasingly looking for avenues to boost the food processing sector in the region. Besides providing direct subsidies to the food companies, the government also provides attractive financing options to spur the sector growth. UAE is the largest food processing and re-exporting destination in the GCC, followed by Saudi Arabia. In 2011 alone, UAE invested more than

EUR 198 million (US$ 258.4 million)[2]. in procuring food processing and packaging machinery.

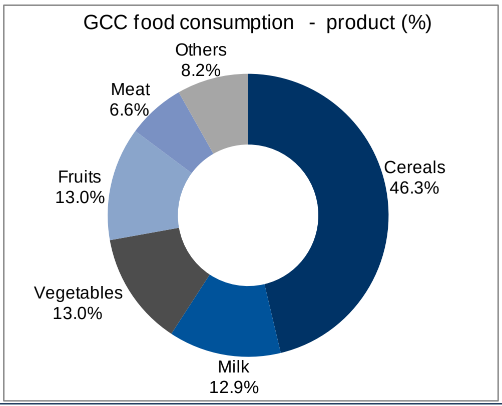
2.2. Food Consumption Pattern

Cereals dominate GCC food consumption, but meat consumption increasing

During 2010, cereals accounted for 46.3% of the total food consumption in the GCC

Amongst all the food categories, the consumption of cereals dominates the GCC food consumption pattern. In 2010, cereals accounted for 46.3% of the total food consumption in the GCC. While vegetables, fruits and milk accounted for 13.0% each as a percentage of the total food consumption, meat accounted for only 6.6% of the total share. However, the growth in meat consumption in the GCC has outpaced the growth in consumption across all other food categories. During 2007-2010, meat consumption in GCC increased at a CAGR of 7.8% compared to 1.4% and 0.7% growth in cereal and total food consumption.

Exhibit 4: GCC food consumption pattern, by category - 2010



Source: Arab Agricultural Statistics Yearbook, Alpen Capital

Saudi Arabia is the largest food consumer in the GCC

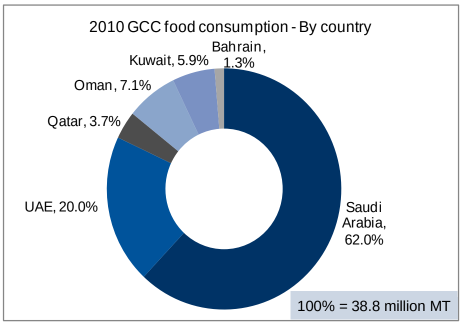
Being the most populous country (65% of the total GCC population), Saudi Arabia is the largest food consumer in the GCC region. In 2010, Saudi Arabia accounted for 62.0% of the total GCC food consumption, followed by UAE (20.0%), Oman (7.1%), Kuwait (5.9%), Qatar (3.7%) and Bahrain (1.3%).

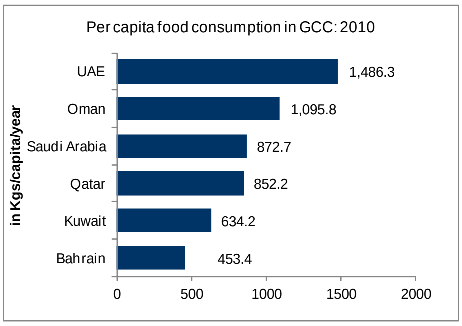
Food consumption in Saudi Arabia accounts for 62.0% of GCC's total food consumption

However, in terms of per capita food consumption, UAE leads the GCC nations with per capita food consumption of 1,486.3 kgs/year during 2010. This is primarily due to the fact that UAE has the highest inflow of tourists among all GCC nations, besides having lower income disparity. Income disparity in the UAE is the second lowest among the GCC nations, resulting in a more uniform food distribution among the population. For instance, in 2011, income disparity measured by GINI[3] index was 0.31 for the UAE, second lowest after Kuwait, which was at 0.30. GINI index for Oman, Saudi Arabia, Bahrain, and Qatar is 0.32, 0.32, 0.36 and 0.39 respectively.

[2] Conversion rate as of Apr 28, 2013
[3] GINI coefficient is a number between 0 and 1, where 0 corresponds with perfect equality (where everyone has the same income) and 1 corresponds with perfect inequality.

Exhibit 5: Overall & per capita food consumption in the GCC





Source: *Arab Agricultural Statistics Yearbook, Alpen Capital, IMF*

2.3. Supply-Side Overview

Owing to the scarcity of arable land due to the region's extreme climatic conditions, agricultural food production in the GCC has been minimal. According to the FAO - of the total available land, the portion of land suitable for cultivation is just 1.7% in Saudi Arabia and 3.0% in the UAE compared to 18.4% in the USA, 23.7% in the UK, 16.3% in China and 51.6% in India.

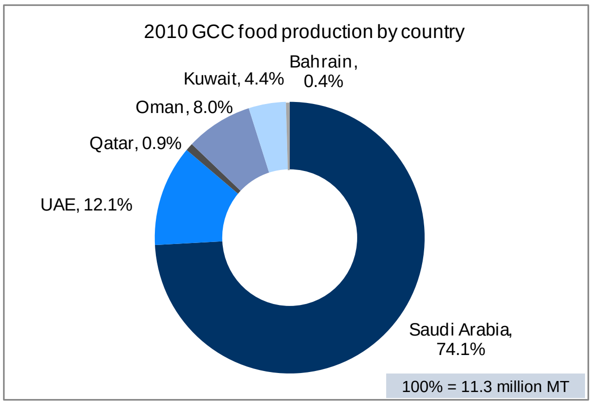
In 2010, Saudi Arabia accounted for 74.1% of GCC's total food production

Food production in the GCC increased steadily; Saudi Arabia is the largest producer

Food production in the GCC increased steadily over the last decade. During 2004-2010, food production in the GCC expanded at a CAGR of 0.7% to reach 11.3 million MT in 2010. Saudi Arabia dominated the GCC nations in food production with a production of 8.4 million MT of food across categories, accounting for 74.1% of the total GCC food production. Barring Saudi Arabia, all other GCC nations produced relatively lower quantities of food compared to their food consumption.

Together the other six GCC countries account for only 25.9% of the total food production in GCC

Exhibit 6: GCC food production pattern, by country



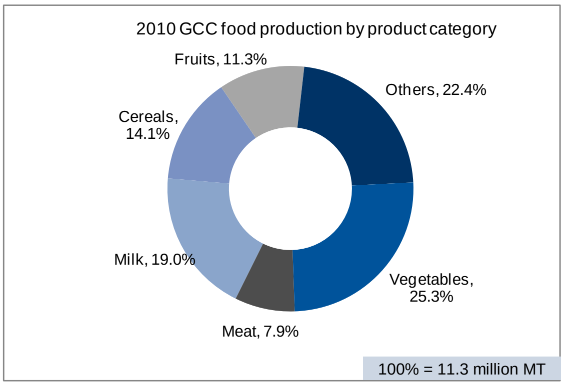
Source: *FAO, Alpen Capital*

Vegetables dominate GCC food production

Vegetables dominates the food production, accounting for 25.3% of the total production

Vegetables dominated the food production in the GCC among major food categories. In 2010, 2.9 million MT of vegetables were produced in the GCC, accounting for 25.3% of the total food production. Besides vegetables, the GCC nations also produced 2.1 million MT of milk, accounting for 19.0% share of total food production.

Exhibit 7: GCC food production pattern, by food category



Source: FAO, Alpen Capital

Below is a list of products that are produced by GCC nations across food categories:

Exhibit 8: Major produce in GCC across food categories

Food Category	Major Produce
Cereals	Maize, Sorghum and Wheat
Fruits	Citrus fruits, Bananas, Grapes, Mangoes, Mangosteens, Guavas, Watermelons, Cantaloupes
Meat	Indigenous Chicken Meat, Goat Meat, Camel Meat, Cow Meat and Sheep Meat
Milk	Camel Milk, Cow Milk, Goat Milk and Sheep Milk
Vegetables	Beans, Cabbages and other brassicas, Carrots and Turnips, Cauliflowers and Broccoli, Chillies and Peppers, Cucumbers and Gherkins, Lemons and Limes, Onions, Potatoes, Pumpkins, Squash and Gourds, Eggplants, Okra, and Tomatoes
Others	Almonds, Tobacco, Nuts, Dates, and Hen eggs

Source: FAOSTAT

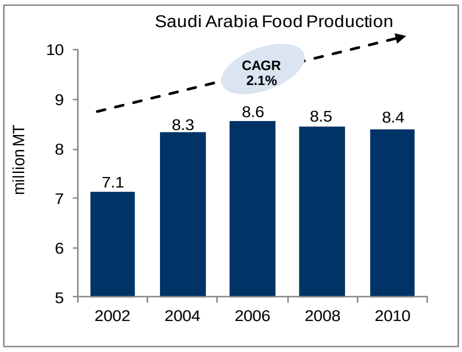
2.4. Food Production By Country

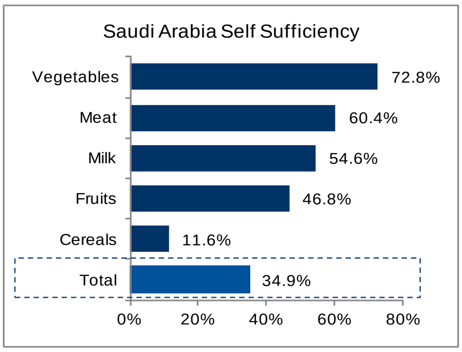
- **Saudi Arabia**

Saudi Arabia produced 8.4 million MT of food across categories in 2010

Saudi Arabia is the largest food producer in the GCC, accounting for 74.1% of the total food production. Since 2002, total food production in Saudi Arabia has increased at a CAGR of 2.1% to reach 8.4 million MT in 2010. Saudi Arabia is the largest producer of wheat within GCC, and has remained self-sufficient in terms of wheat production since 1990s; it produced 1.3 million MT in 2010. The Kingdom's meat production stood at 0.7 MT in 2010, accounting for 60.4% of domestic consumption. Similarly, it produced 1.8 million MT of milk and 2.0 million MT of vegetables, accounting for 54.6% and 72.8% of its domestic consumption in the respective food categories. Thus, compared to other GCC countries, Saudi Arabia is in a much better position when it comes to food security and self-sufficiency.

Exhibit 9: Saudi Arabia food production and self sufficiency





Source: FAOSTAT, Arab Agricultural Statistics Year Book, Alpen Capital

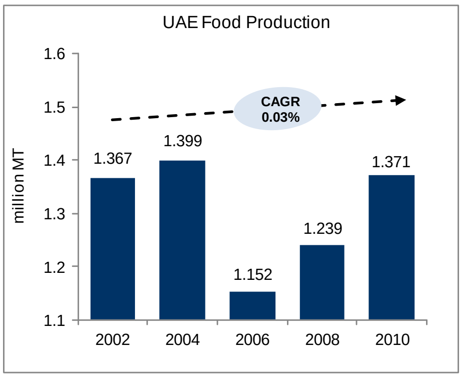
- **UAE**

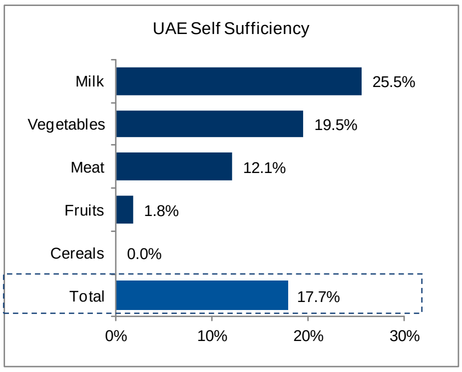
UAE is the second largest food producer in GCC, accounting for 12.1% of the total production

UAE is the second largest food producer in the GCC. While the UAE accounts for 20.0% of the total food consumption in the region, its production only accounts for 12.1% of the total GCC production. This signifies UAE's heavy reliance on imports to meet its domestic requirements.

In 2010, UAE produced 1.4 million MT of food across categories. Since 2002, total food production in the UAE has increased at a CAGR of 0.03%, the lowest in the GCC region. Currently, domestic food production in UAE accounts for only 17.7% of its domestic consumption. In 2010, UAE produced 0.13 million MT of milk, accounting for only 25.5% of its consumption. During the year, UAE produced 0.3 million MT of vegetables, accounting for 19.5% of the total domestic consumption.

Exhibit 10: UAE food production and self sufficiency





Source: FAOSTAT, Arab Agricultural Statistics Year Book, Alpen Capital

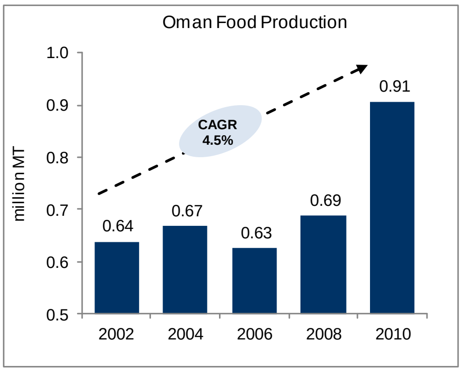
- **Oman**

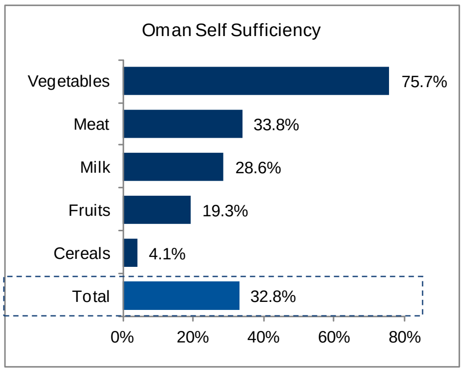
Oman accounts for 8.0% of GCC's total food production

In 2010, Oman produced 0.9 million MT of food across categories, accounting for 8.0% of GCC's total food production. During 2002-2010, Oman's total food production has increased at a CAGR of 4.5% - second only to Kuwait, in terms of growth. In 2010, Oman produced 0.3 million MT of vegetables accounting for 31.4% of its total food production during the year.

While Oman accounts for only 8.0% of the total food production in GCC, its production is enough to meet approximately one third of its domestic demand, which is 2.8 million MT.

Exhibit 11: Oman food production and self sufficiency





Source: *FAOSTAT, Arab Agricultural Statistics Year Book, Alpen Capital*

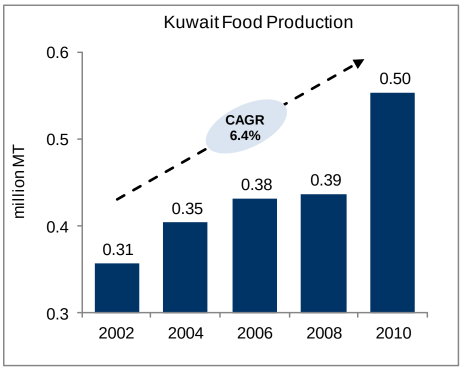
Over the last decade, the government of Oman made considerable efforts to improve agricultural productivity. During this period, the government stressed on usage of modern irrigation techniques and crop husbandry practices in agriculture. This resulted in increased agricultural yields. As a result, during this period production of dates increased by 30% while the yields of vegetable crops like potatoes, alfalfa and tomatoes increased twofold.

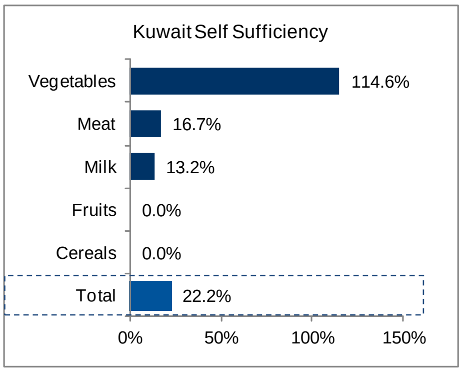
- **Kuwait**

In 2010, Kuwait produced 0.5 million MT of food, accounting for 4.4% of GCC's total food production

In 2010, Kuwait produced 0.5 million MT of food across categories. The current production levels account for 22.2% of its domestic consumption, which is primarily due to the higher proportion of vegetable production in the country.

Exhibit 12: Kuwait food production and self sufficiency





Source: *FAOSTAT, Arab Agricultural Statistics Year Book, Alpen Capital*

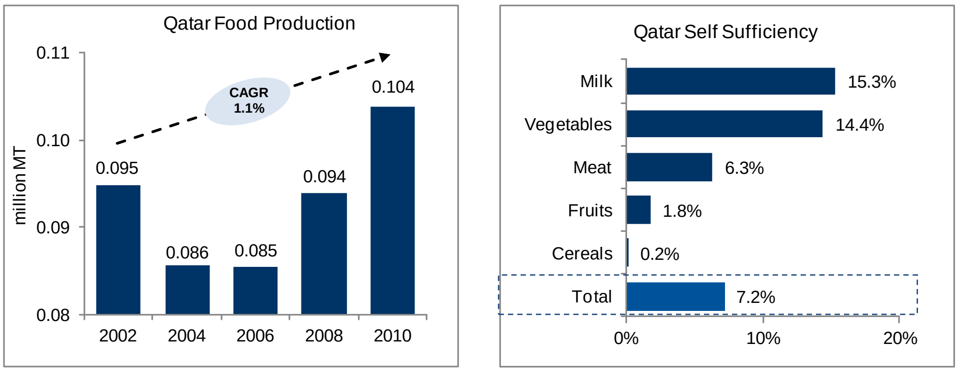
Besides devoting more than 45% of the harvested land for vegetable production in 2006, the government invested significantly on the development of hydroponics[4] to increase vegetable production. Together these factors contributed largely towards increased food production (particularly vegetables) in Kuwait.

- **Qatar**

In 2010, Qatar produced 0.1 million MT of food across categories. With food production accounting for only 7.2% of its domestic consumption, Qatar is overwhelmingly dependent on food imports to meet its domestic requirements.

[4] Hydroponics is a method employed to grow plants using mineral nutrient solutions, in water, without soil

Exhibit 13: Qatar food production and self sufficiency



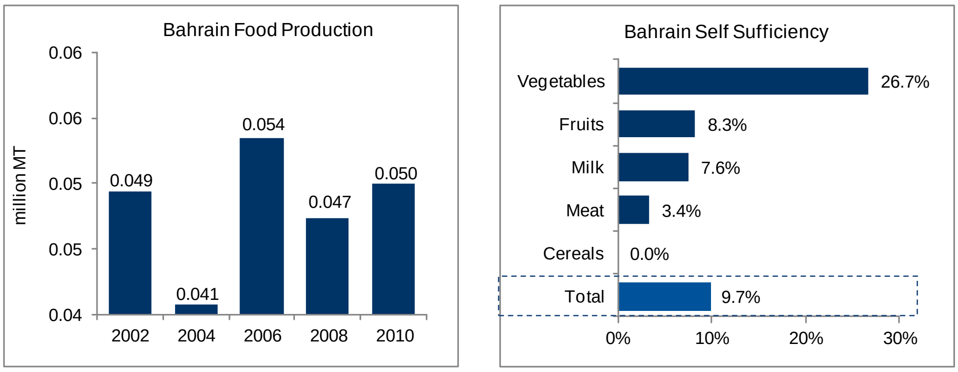
Source: FAOSTAT, Arab Agricultural Statistics Year Book, Alpen Capital

Qatar and Bahrain are the smallest food producers in the GCC

- **Bahrain**

In 2010, at 0.05 million MT, Bahrain produced the least food in the GCC region. During the year, it consumed 0.5 million MT of food across categories.

Exhibit 14: Bahrain food production and self sufficiency



Source: FAOSTAT, Arab Agricultural Statistics Year Book, Alpen Capital

2.5. Domestic Production vs. Imports of Major Segments

GCC countries rely on imports to satisfy most of their food requirements. In 2010, all GCC countries put together imported 27.5 million MT of food, which was more than two times the food that was produced locally.

- **Dairy (Milk & Milk Products)**

The dairy segment comprises milk and milk products such as: cheese, cream, spreadable fats and yogurt. Saudi Arabia is the largest producer of dairy products in the region, followed by the UAE and Oman. In 2010, Saudi Arabia produced 54.6% of its dairy product requirements locally. Oman produced 28.6% of its domestic demand, while the UAE produced 25.5% of its domestic demand. Except Bahrain, the other two countries produce approximately 15% of their requirements. In 2010, Bahrain produced 7.6% of its dairy product requirements locally.

More than 57% of Milk and 65% of Meat consumption in the GCC are met through imports

Production of dairy products in the GCC region has, however, not increased in tandem with the growth in demand. Consequently, almost 57% of the total consumption is met through imports.

- **Meat**

The meat segment comprises of red meat and poultry. Meat is an important part of the diet in the GCC region. Saudi Arabia is the largest producer of meat, followed by the UAE and Kuwait. Put together, the GCC nations meet 34.9% of their total consumption from local production.

In 2010, Saudi Arabia produced 60.4% of its total meat requirements locally. Oman produced 33.8% of its domestic demand, while the UAE produced 12.1% of its domestic demand. The GCC nations rely heavily on imports for their meat requirements.

- **Fish**

Like the red meat, Fish is also an integral part of diet in the GCC region. Saudi Arabia is the largest producer of fish in the GCC region, followed by Bahrain, and Kuwait. In 2010, Saudi Arabia produced more than 0.03 million MT of fish locally. With limited fresh water resources, the GCC nations rely heavily on imports for their fish requirement.

- **Cereals**

The cereals segment comprises of wheat, rice, maize and barley. Cereal production in the GCC region is very low, as cultivation is water-intensive. Amongst all the GCC countries, Saudi Arabia is the largest producer of wheat, and has remained self-sufficient in wheat production since 1990s. However, to conserve depleting ground water, production in Saudi Arabia is being decreased in a phased manner under a government directive that requires to stop wheat production completely by 2016. Besides Saudi Arabia, all other countries in the GCC region import wheat to meet their domestic demand. Although Saudi Arabia is currently self-sufficient in wheat, its decision to roll back allocation of water to wheat irrigation by 2016 would eventually make it a net importer of wheat.

Cereal production in GCC is considerably lower, meets only 8.9% of the demand

In addition, GCC region is entirely dependent on imports for all of their maize, rice and barley needs. In 2010, GCC nations produced 1.6 million MT of cereals, catering to only 8.9% of the domestic demand.

- **Vegetables**

The segment includes vegetables like brinjal, tomato, pumpkin, cauliflower, cabbage, gourds, etc. Vegetables are produced at a relatively large scale in the region. Though Saudi Arabia is the largest producer of vegetables in the region, only Kuwait is self-sufficient in meeting its domestic needs. Saudi and Oman produce 72.8% and 75.7% of their vegetable consumption respectively. While UAE, Qatar and Bahrain depend heavily on imports for meeting the domestic demand for vegetables.

Domestic production of vegetables in the GCC meets nearly 57% of the total domestic demand, while fruit production meets nearly 26% of domestic demand

Together the GCC nations produce 2.9 million MT of vegetables, catering to 56.8% of the total domestic demand.

- **Fruits**

The segment includes fruits like banana, watermelon, citrus fruits, mango, guava, etc. Fruits, similar to vegetables, are produced in large quantities in Saudi Arabia. In 2010 alone, Saudi Arabia produced 1.1 million MT of fruits which includes citrus fruits, watermelons, grapes, etc.

In the GCC, the domestic production accounts for only 25.5% of the total domestic demand for fruits, thus relying largely on imports.

Saudi currently meets 46.8% of its domestic demand for fruits. Besdies Saudi, all other GCC nations depend on imports for over 80% of their total domestic demand.

2.6. Food Security Initiatives

Food security exists with people having social, physical and economic access to food[4]

Since being coined during the 1974 World Food Summit, the definition of Food Security has evolved over the years. Retaining the initial focus on volume and stability of food supplies, the modern definition also includes reference to the nutritional value of food, food preference based on culture, along with food composition. According to the modern food security definition[5]:

"Food security [is] a situation that exists when all people, at all times, have physical, social and economic access to sufficient, safe and nutritious food that meets their dietary needs and food preferences for an active and healthy life."

Given the limited agricultural resources in the GCC region, the member countries rely heavily on imports to meet their food requirements. In addition, a burgeoning population, coupled with a surge in global food prices, makes food security a critical issue for GCC governments. With more than 70% of GCC food consumption dependent on imports, the region is vulnerable to rises in global food prices and supply disruptions.

GCC governments are thus, keen on utilizing the available domestic resources efficiently besides exploring options available internationally through the public private route.

Besides supporting the endeavors of local private agricultural and food companies, the GCC governments have also entered into long-term arrangement with agricultural-resource-rich nations to meet their food requirements. Below are the key initiatives that are being taken by each of the countries in the GCC region for boosting their food security.

Saudi Arabia

During 2011-2012, Saudi Arabia invested close to US$ 23.1 billion in food security initiatives

The Saudi Government established Saudi Company for Agriculture Investment and Animal Production (SCAIAP) with an initial outlay of US$ 850 million. This is aimed at promoting both domestic and international agricultural projects. Moreover, to support the water, agriculture and infrastructure sector, the Saudi Government has continuously increased the budget allocations to these segments. They allocated US$ 12.3 billion towards the sector in 2010, which is 31% higher compared to 2009. Further, the allocation was raised to US$ 13.6 billion in 2011, 10.4% y-o-y increase. During 2011-2012, Saudi Arabia invested close to US$ 23.1 billion in food security initiatives, which included financial and oil aid to target countries in lieu of agricultural lands.

In addition, the Saudi government is also supporting private companies in acquiring land internationally for agricultural production. For instance Planet Food World (PFWC), a private Saudi firm, plans to develop 20,000 farms in Turkey with a total investment of US$ 3 billion. The company aims to export the produce from these farms to GCC nations for meeting their respective consumption needs. In addition, PFWC has significant investments in Ethiopia.

UAE

During 2012, the UAE President ordered to subsidize key product prices to ease financial burden on consumer

Similar to Saudi, UAE which is the second largest food consumer in the GCC, has also been very active in its efforts to ensure food security for the Emirates. During 2012, in order to ease burden on residents due to rising food prices, the UAE President ordered to subsidize prices of key food items across the country for an indefinite period. This move is expected to help the residents save approximately AED 13,000 (US$ 3,538.3)[6] per annum as compared to AED 1,500 (US$ 408.3)7 per annum previously. The food items under this

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[5] FAO, *The State of Food Insecurity in the World 2001. Rome*
[6] Conversion rate as of Apr 28, 2013

initiative includes: dates, cooking oils, juices and water, while subsidies on rice and flour were kept unchanged.

AAAID and Al Dahra formed in UAE to improve food security in the Emirates

In addition, organizations such as Arab Authority for Agricultural Investment and Development (AAAID) and Al Dahra Agriculture were formed for improving food security in the Emirates. AAAID, for instance, has established a Revolving Credit Fund, with a capital of US$ 100 million, to finance small farm holders. The organization's investments are primarily directed toward agricultural processing, plant production and animal production. On the other hand, Al Dahra Agriculture, in partnership with Abu Dhabi Municipality, operates state-of-the-art farms whose activities include farm, dairy and animal production and forage trading.

Besides the government efforts, private companies have also remained very active in the Emirates to ease the food security condition. Recently, Al Dahra Agriculture, signed a preliminary agreement with the Finance and Economy Minister of the Republic of Serbia for agricultural investment in the country. Through this, the company will invest in eight Serbian farming companies and will upgrade agricultural infrastructure and irrigation systems. This will also help the company to acquire new agricultural machineries and technologies and develop existing agricultural lands for the cultivation of various crops (wheat, barley, corn, soy beans, sugar beet, citrus fruits and forage (alfalfa)) over an area of about 14,000 hectares of owned and leased land.

Together, Saudi Arabia and the UAE own and manage close to 3 million hectares of farmland primarily in Pakistan, Indonesia, Sudan, Ethiopia and Turkey.

Bahrain

Bahrain increase food subsidies by 19.3% to US$ 174.0 million in 2013

Bahrain allocated US$ 174.0 million of food subsidies (for red meat, poultry and flour industries) in 2013, up from US$ 145.8 million allocated in the previous year. The government has mentioned that the amount of subsidy on these basic staples will continue in 2014. Moreover, the country's noteworthy projects in terms of enhancing food security and agricultural investments include the Asmak Aquaculture (fish farming) Company (established in March 2010) and a new poultry company that was built for BHD 2.5 million (US$ 6.6 million)[7]. The ministry also aims to propel food security by providing private lands for aquaculture and poultry cultivation projects. This will meet demand for the hatching, cultivation, production and sale of fresh, chilled and frozen fish and poultry.

In addition, the country has invested in overseas projects in Sudan, Pakistan, Turkey, Thailand, Philippines, Ethiopia, India and Turkey by purchasing and privatizing large strips of agricultural land that are registered in Bahrain's name.

Qatar

During 2011-2012, Qatar invested US$ 5.1 billion in 10-year plan of becoming self-sufficient

In 2008, the Government of Qatar established the Qatar National Food Security Program to achieve food security. The program aims to draw regional/international and non-governmental organizations to develop methodologies for best practices and optimal use of resources in the agricultural sector. Moreover, the government intends to formulate a Food Security Master Plan, which is expected to be completed by the end of 2014. This includes plans to establish an Agro-Industrial Park to promote food processing sector. During 2011-2012, Qatar invested US$ 5.1 billion toward its 10-year plan of becoming self-sufficient and promoting food security, which includes leasing 400,000 hectares of land in Kenya against a US$ 3.5 billion loan to the Kenyan Government.

[7] Conversion rate as of Apr 28, 2013

In addition, Hassad Food Company – established by Qatar Holding in 2008, seeks to invest US$ 629 million across several countries to meet the rising demand for food in Qatar. Recently, Hassad Foods acquired Bush Foods International in India for US$ 100 million.

Kuwait

Like other GCC countries, the government of Kuwait allocated US$ 80 million in 2011 to Public Authority for Agriculture Affairs & Fish Resources. In addition, in October 2012, the Kuwaiti ruler announced plans to launch a US$ 7.11 billion Asian Food Security Fund, which besides helping Asian participants secure food supply, would help Kuwait achieve food security.

Oman

Oman invested over US$ 361 million during 2010 and 2011 in agriculture, aquaculture and livestock breeding

Oman invested US$ 361 million over 2010 and 2011 on fisheries, modern irrigation systems, agricultural production and livestock breeding technologies. Moreover, in an attempt to control the severity of price rise of basic food products (such as rice, wheat and sugar) including locally manufactured fodder, the government of Oman introduced a subsidy plan with retrospective effect (for food stuffs - from February 2011 and for fodder - from January 2011). The sale price of sugar was also reduced by 10% of the cost price and the subsidy for wheat was maintained as levels similar to what it was in February 2008.

Additional initiatives

At a macro level, the GCC governments are also investing in developing strategic food storage facilities in the region, which will help avoid the situation faced during the 2008 food crisis when the food prices increased dramatically causing economic and social unrest. Following are the few forms of agricultural support available in the region:

GCC governments have supported various local private company agricultural projects by providing subsidies and investing in agricultural developments

- Various agricultural resources such as farmlands, seeds and fertilizers are provided at subsidized rates. This helps in overcoming the huge cost involved in agricultural production.
- Individual governments in the region invest in various research activities to boost production. In addition, technical training[8] is imparted to farmers in order to increase productivity and promote optimal utilization of available resources.
- Owing to the high cost associated with agricultural production, individual governments offer price support to make agriculture lucrative for farmers.
- In addition to the direct support rendered to the sector, individual governments provide indirect support to companies/individuals associated with agriculture. For instance, Qatar imposes lower taxes on corporate entities engaged in agriculture (reduced to 10% from the 35% earlier).
- Furthermore, since January 2010, Qatar has allowed 100% foreign investment in agriculture, which is likely to boost production in the region.

[8] Irrigation and cultivation

Exhibit 15: Snapshot of GCC countries' overseas land investments

GCC Investors	Host Countries	Stated Purposes for Projects	Scale of Deals
Saudi Arabia	Ethiopia, Sudan, Senegal, South Sudan, Russia, Philippines, Argentina, Egypt, Mali, Mauritania, Nigeria, Niger (Suspended by host in 2009), Pakistan, Zambia	Direct export of maize, soybean, fodder, rice, palm oil, prawn, bananas, pineapple, vegetables, wheat, poultry	Of these deals, 16 cover 1,713,357 Ha. Five of these are in Ethiopia
UAE	Sudan, Algeria, Morocco, Egypt, Ghana, Indonesia, Namibia, Pakistan, Romania, Spain, Sudan, Tanzania	Direct export of potatoes, olives, dairy, olive oil, citrus, fodder, maize, palm oil, rice, sugar cane, dates, alfalfa, cereals, cotton, sunflowers, peanuts, sorghum	Of these deals, 5 cover 1,882,739 Ha
Qatar	Cambodia, Sudan, Turkey, Brazil, Vietnam, Pakistan, India, Ghana, Indonesia, the Philippines, Australia	Direct export of sheep, wheat, cereal, rice, barley	Of these deals, 4 cover 642,630 Ha
Kuwait	Cambodia, Laos, the Philippines	Direct export of rice and maize	
Bahrain	The Philippines	Direct export of bananas and rice	
Oman	The Philippines	Direct export of rice	

Source: Report on "GCC States" Overseas Land Investments 2012

2.7. Trade Liberalization

Over the past few years, the UAE has gradually translated itself into world's leading re-exporter of rice and the logistical hub for various other commodities such as tea, sugar and coffee. The UAE is increasingly investing in the food manufacturing / processing sector, which would help it in promoting local development and production of food. Free zones such as the Khalifa Industrial Zone Abu Dhabi (KIZAD) and Dubai Investments Park (DIP) in Dubai could likely play a major role in further development of the UAE's food processing sector.

Increasingly, efforts are being made to develop the food manufacturing sector in the country, which will strengthen its position as a major logistical hub for various food products. This will go a long way in establishing food security in the GCC region.

In the backdrop of this growing need, trans-national food corporations such as McDonald's, KFC, Tyson and Kraft are increasingly contributing to growth in the GCC's processed food products market. A natural outcome of this is the increasing westernization of food habits in the region.

3. GCC Food Sector Outlook

3.1 Forecasting Methodology

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

- International Monetary Fund (IMF) estimates for population and per capita income for the GCC nations
- Historical food consumption data as stated in the Arab Agricultural Statistics Yearbook (last updated in 2010)
- General shift in the region's dietary pattern from carbohydrate-rich to protein-rich and high-value food products
- Foreign tourist arrivals in GCC countries

We developed consumption forecasts across food categories such as meat, milk, cereals, vegetables, fruits and others for GCC countries until 2017.

We have estimated total food consumption for GCC countries based on the key underlying factors:

- **Per capita income growth**
- **General shift in dietary pattern in the GCC**
- **Population growth and**
- **International tourist arrival**

An expanding population inevitably translates into higher food consumption. To forecast total food consumption for each GCC country, we used the following formula:

Total food consumption = Per capita food consumption x Population

Per capita food consumption was calculated by aggregating the consumption of each food category based on the general shift in the region's dietary patterns and rise in disposable income. The above formula yields an estimate of the industry's size in terms of total food consumption.

3.2 Market Performance

GCC food consumption to grow at a CAGR of 3.1% over 2012–2017

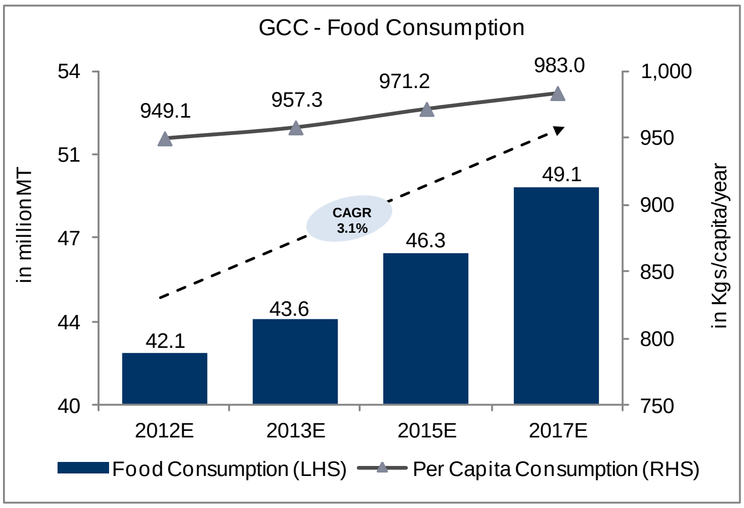
A rapidly growing population (2x global average), coupled with rising income levels and a booming tourism industry, is expected to boost food consumption in the GCC region. During the period 2012–2017, the GCC region's food consumption is expected to grow at a CAGR of 3.1% to reach 49.1 million MT by the end of 2017.

According to our revised estimates, per capita food consumption for the GCC region is forecasted to reach 971.2 kg by 2015 and 983.0 kg by 2017. The current estimate for 2015 is lower than our previous estimate of 1,110 kg, primarily due to a downward revision in the actual food consumption stats published by the Arab Organization for Agricultural Development.

In our understanding, the food industry's performance is directly linked to income growth and changes in living standards, which in turn are tied to the macroeconomics of a country. In addition, changing family structure, dietary pattern, environmental sustainability and growth in tourism influence the demand for food products in a country. All of the above factors have a bearing on our projections in this report.

Despite a downward revision in the estimated food consumption stats by the Arab Organization for Agricultural Development, in light of the macroeconomic improvements and a booming tourism industry, we estimate the GCC region's per capita food consumption to grow at a CAGR of 0.7% during 2012–2017 vis-à-vis a CAGR of 0.2% growth over the past decade (2000–2010).

Exhibit 16: GCC food consumption estimates, 2012–2017



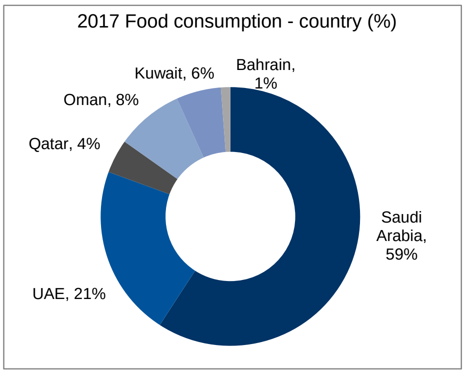
Source: Alpen Capital, Arab Agricultural Statistics Yearbook

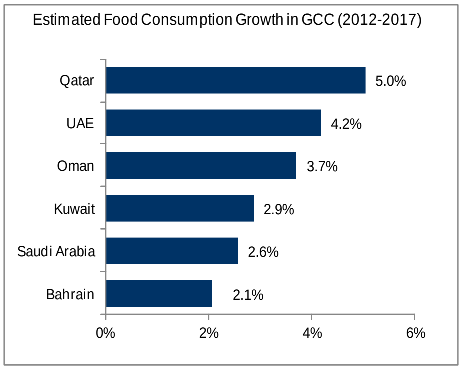
Saudi Arabia is likely to continue its dominance in the GCC food sector…

During 2012-2017, Saudi Arabia is likely to continue its dominance in the GCC's food sector

Given the wide variations in population and economic growth, food consumption in the region is expected to expand, albeit at a varied rate among member countries. From the consumption standpoint, Saudi Arabia would continue to lead the region's food sector accounting for 59% of the total consumption in 2017. However, owing to rising population, and increase in tourist arrivals, food consumption growth in Qatar is expected to outpace that of other GCC countries. Between 2012 and 2017, Qatar's population is expected to grow at a CAGR of 4.0%, while the average for the GCC region is only 2.4%. This trend correlates to the 5.0% growth in food consumption in Qatar during 2012-2017, higher than all other GCC countries. The following exhibit presents consumption growth pattern in the GCC region by country.

Exhibit 17: Food consumption growth forecast - by country





Source: FAOSTAT, Arab Agricultural Statistics Year Book, Alpen Capital

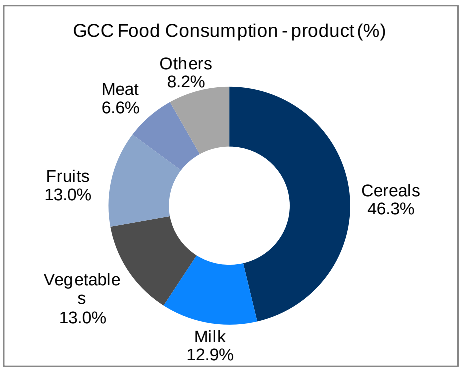
Cereal, the largest food segment, likely to witness sluggish demand growth…

During 2012-2017, Cereal consumption is likely to grow considerably lower compared to 2004–2010 period

Cereal is the largest food category in the GCC, accounting for 46.3% of total consumption in 2010. Between 2012 and 2017, although we expect cereal to remain the largest food category in the GCC region, its growth is likely to be subdued owing to rising demand for high-value products such as meat and dairy.

During 2012-2017, we expect cereal consumption to grow at a CAGR of 2.5%, which is considerably lower than 5.6% growth during 2004–2010. This is in-line with the global trend where developing economies such as those constituting the GCC are slowly moving toward protein-rich diets and high value products.

Exhibit 18: GCC food consumption 2010 – by product category

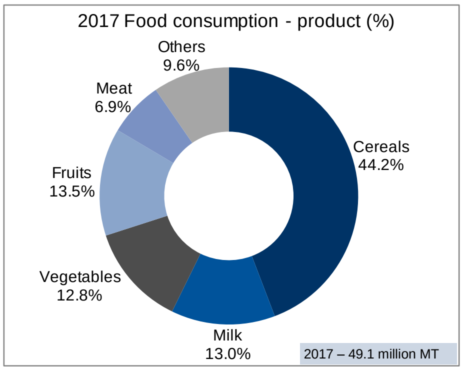


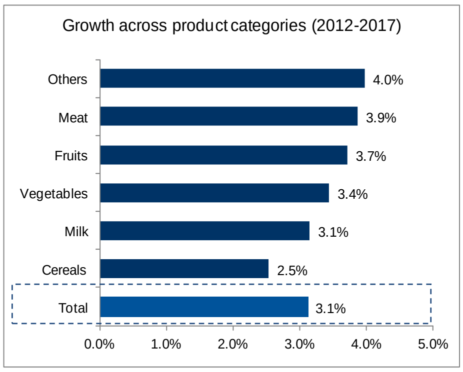
Source: Alpen Capital, Arab Agricultural Statistics Yearbook

3.3 Market size forecast, by food category

Traditionally, cereals have been the staple food in most GCC nations. Of late, due to rising affluence and urbanization, consumption of protein-rich and high-value products such as meat and fruits has been increasing. During 2012–2017, even though we expect cereals to maintain their dominant position among food categories, a rise in the consumption of fruits and meat is likely to decrease the share of cereals in the total food consumption. We expect meat consumption to increase at the fastest pace at a CAGR of 3.9%, followed by fruits, vegetables, milk and cereals at a CAGR of 3.7%, 3.4%, 3.1% and 2.5%, respectively. Others include pulses, sugar, oil, fish, eggs and potatoes, is expected to grow at a CAGR of 4.0% during the period.

Exhibit 19: GCC food consumption forecast – by product category





Source: Alpen Capital, Arab Agricultural Statistics Yearbook

3.4 Market size forecast, by country

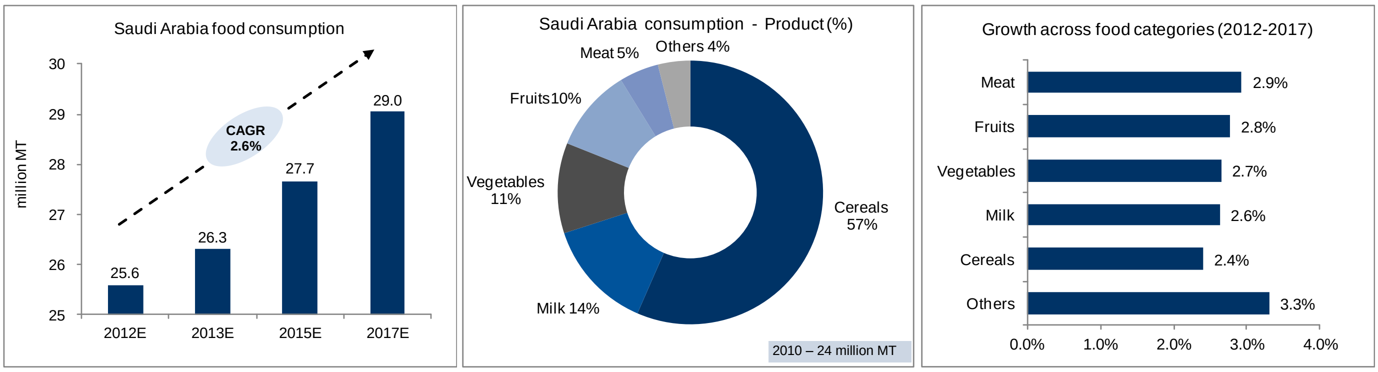
Saudi Arabia

Saudi, the largest food consumer in the GCC, consumption likely to grow at 2.6% during 2012-2017

Saudi Arabia continues to be the single-largest food market in the Gulf, accounting for more than 60% of the region's total food consumption. We expect Saudi Arabia's total food consumption to grow at a CAGR of 2.6% during 2012–2017, driven primarily by increasing population and per capita income.

Traditionally, dairy products and cereals have been the favorite food items in Saudi Arabia. Put together, they accounted for more than 70% of the food consumed during 2010. Over the next five years, i.e. 2012-2017, we expect cereals to remain the largest segment, although its growth rate is expected to be slower than other food categories. Further, with the rise in disposable incomes and changing dietary patterns, the growth in meat consumption is expected to outpace the growth in other food categories.

Exhibit 20: Saudi Arabia food consumption – forecast



Source: Arab Statistical Year Book, and Alpen Capital

Saudi's population is expected to grow at a CAGR of 2.1% between 2012-2017, driven largely by higher life expectancy and lower infant mortality rate. Furthermore, during this period, Saudi Arabia will witness an increase in urban population, as more people move towards cities, which offer better economic prospects and sustainable infrastructure. In addition, given that it is the homeland for Islam, foreign tourist inflow into Saudi Arabia has been increasing. Together, all the above factors are likely to contribute largely to the growth in food consumption in Saudi.

Exhibit 21: Key stats

Country	2012E	2013E	2015E	2017E	CAGR (2012-2017)
Population (*in millions*)	29.0	29.6	30.9	32.1	2.1%
Per capita income (in US$)	25,085	25,163	25,571	26,837	1.4%
Foreign Tourists (*in millions*)	16.2	16.9	18.3	19.8	4.0%

Source: Alpen Capital, BMI

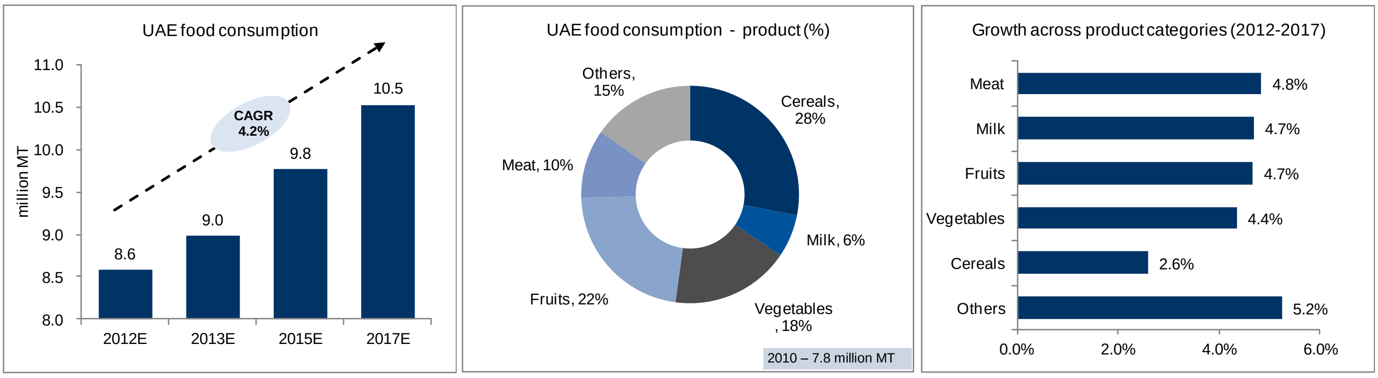
UAE

Food consumption in UAE, the second largest food market in the GCC, is likely to grow at 4.2% during 2012-2017

The UAE is the second-largest food market in the GCC after Saudi Arabia. Since 2004, the UAE's food consumption has grown briskly at a CAGR of 6.2%. With rising population and affluence levels, we forecast food consumption in the UAE to grow at a CAGR of 4.2% during 2012–2017, thus continuing the current uptrend. Furthermore, the country is a major tourist destination and allures travelers from across the world. Apart from its strong macroeconomic and demographic factors, tourism would play a vital role in boosting food consumption in the UAE.

Unlike Saudi, the UAE has a considerably even consumption pattern across food categories. During 2012–2017, we expect meat (4.8%) and milk (4.7%) segments to register the highest growth, followed by fruits (4.7%), vegetables (4.4%) and cereals (2.6%). Others include pulses, sugar, oil, fish, eggs and potatoes and are expected to register a strong growth of 5.2% during the period. The current and expected consumption patterns in the UAE reflect inclination towards high-value and protein-rich foods over the traditional food categories.

Exhibit 22: UAE food consumption – forecast



Source: Alpen Capital, Arab Agricultural Statistics Year Book

The UAE's population is expected to grow at a CAGR of 2.9% between 2012 and 2017, primarily due to higher life expectancy. In addition, the number of foreign tourists visiting the UAE is expected to increase at a CAGR of 5.3% between 2012 and 2017[9]. To satisfy the requirements of the expected tourist inflow, the UAE government has envisaged a massive infrastructure development program. These factors are likely to boost food consumption in the country.

Exhibit 23: Key stats

Country	2012E	2013E	2015E	2017E	CAGR (2012–2017)
Population (*in millions*)	5.5	5.7	6.0	6.4	2.9%
Per capita income (in US$)	64,840	64,780	65,256	67,028	0.7%
Foreign Tourists (*in millions*)	11.2	11.8	13.1	14.5	5.3%

Source: Alpen Capital, Dubai Health Authority, IMF

Qatar

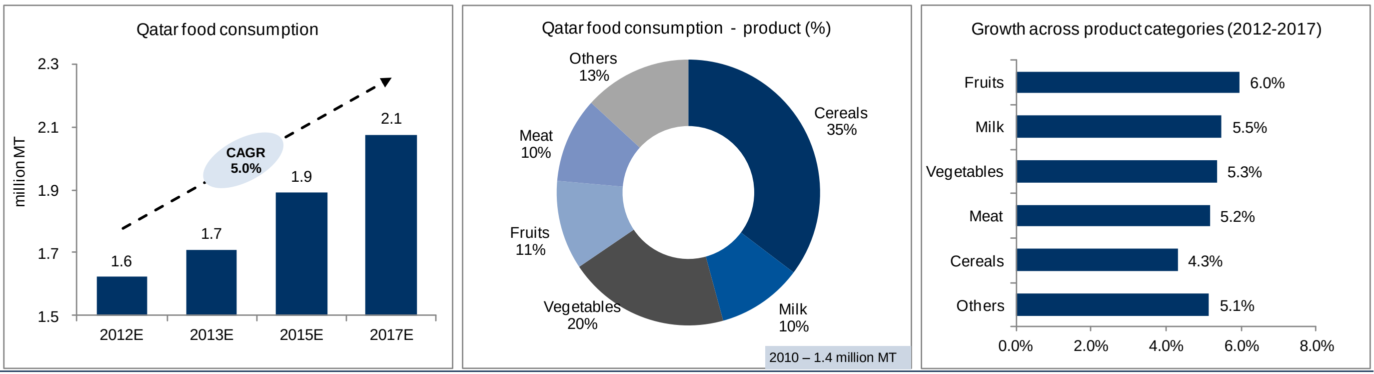
Food consumption in Qatar is likely to increase at a CAGR of 5.0% during 2012-2017

In addition to the UAE and Saudi, Qatar is also an important business hub in the GCC. Qatar is more affluent compared to other member countries in GCC with the highest per capita income. With an enviable economic outlook and growing private consumption, we forecast food consumption in Qatar to grow at a CAGR of 5.0% during 2012–2017.

Similar to Saudi Arabia, cereal is the staple food in Qatar. Cereals and vegetables are an integral part of food consumed in the country. During 2012–2017, we expect cereals and vegetables to remain the largest segments across food categories. However, with rising affluence, we expect demand for high-value products such as milk, meat and fruits to outpace growth in other food categories. During this period, fruit and milk consumption is likely to grow at a CAGR of 6.0% and 5.5%, respectively, followed by vegetables (5.3%), meat (5.2%) and cereals (4.3%).

[9] WTTC

Exhibit 24: Qatar food consumption forecasts



Source: Alpen Capital, Arab Agricultural Statistics Yearbook

In addition to strong macroeconomics, Qatar's bid for the 2022 FIFA World Cup is likely to boost tourism activity in the country. This would translate into increased food consumption. Owing to the combined effect of these factors and higher domestic consumption, over the next decade, we expect Qatar's food industry to continue growing at a pace faster than those of other GCC countries.

Exhibit 25: Key stats

Country	2012E	2013E	2015E	2017E	CAGR (2012-2017)
Population (*in millions*)	1.8	1.9	2.1	2.2	4.0%
Per capita income (in US$)	99,731	98,737	100,905	107,099	1.4%
Foreign Tourists (*in millions*)	1.9	2.0	2.0	2.1	1.9%

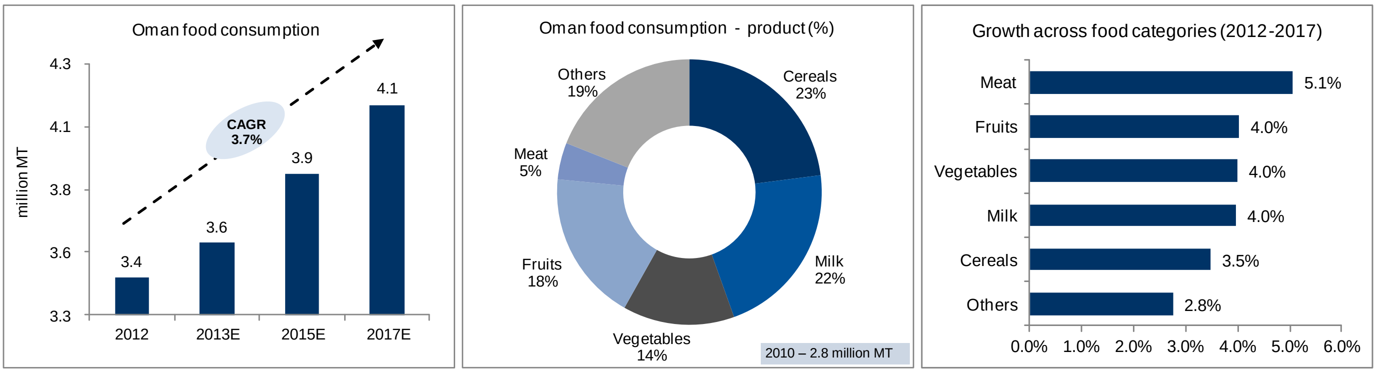
Source: Alpen Capital, Dubai Health Authority, IMF

Oman

Food consumption in Oman is likely to increase at a CAGR of 3.7% during 2012-2017

Oman's food consumption is projected to grow at a CAGR of 3.7% during 2012–2017. Besides the population growth, initiatives undertaken by the government for boosting tourist activity is likely to contribute towards rise in food consumption in the country. In terms of total consumption, cereals will remain the leading food category, closely followed by milk. During 2012–2017, the growth in consumption of meat will be the highest with 5.1% growth, followed by fruits at 4.0%, vegetables at 4.0%, milk at 4.0% and cereals at 3.5%.

Exhibit 26: Oman food consumption forecasts



Source: Alpen Capital, Arab Agricultural Statistics Yearbook

In addition the number of foreign tourists visit to Oman is expected to increase at a CAGR of 5.7% between 2012 and 2017. Thus owing to the strong potential of the country as a major tourist destination, significant investments have been made in the country.

According to Oman's Ministry of Tourism, more than 2,000 resorts and hotels rooms will be added over the next year. Together these factors are likely to boost food consumption in the country.

Exhibit 27: Key stats

Country	2012E	2013E	2015E	2017E	CAGR (2012-2017)
Population (*in millions)*	3.1	3.2	3.4	3.6	3.1%
Per capita income (in US$)	24,765	24,729	24,024	24,304	(0.4%)
Foreign Tourists (*in millions*)	1.6	1.7	1.9	2.1	5.7%

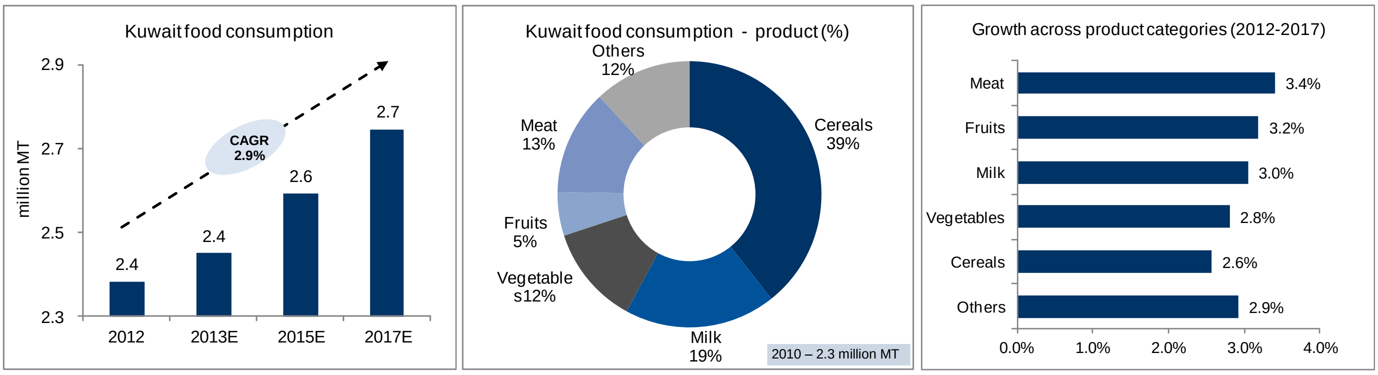
Source: Alpen Capital, Dubai Health Authority, IMF

Kuwait

Food consumption in Kuwait is likely to increase at a CAGR of 2.9% during 2012-2017

Kuwait's food consumption is projected to grow at a CAGR of 2.9% during 2012–2017. Cereals are likely to remain the leading food segment followed by milk, meat, vegetables and fruits. During 2012–2017, the growth in consumption of meat will be the highest at 3.4%, closely followed by fruits at 3.2%. These will be followed by milk (3.0%), vegetables (2.8%) and cereals (2.6%).

Exhibit 28: Kuwait food consumption forecasts



Source: Alpen Capital, Arab Agricultural Statistics Yearbook

Besides the growth in domestic population, increasing tourist inflows is also likely to boost food consumption in the country. During 2012-2017, foreign tourist arrivals in Kuwait are expected to increase at a CAGR of 4.9% to 0.4 million by 2017.

Exhibit 29: Key stats

Country	2012E	2013E	2015E	2017E	CAGR (2012-2017)
Population (*in millions)*	3.8	3.9	4.1	4.3	2.8%
Per capita income (in US$)	45,824	44,585	43,676	43,919	(0.8%)
Foreign Tourists (*in millions*)	0.3	0.3	0.4	0.4	4.9%

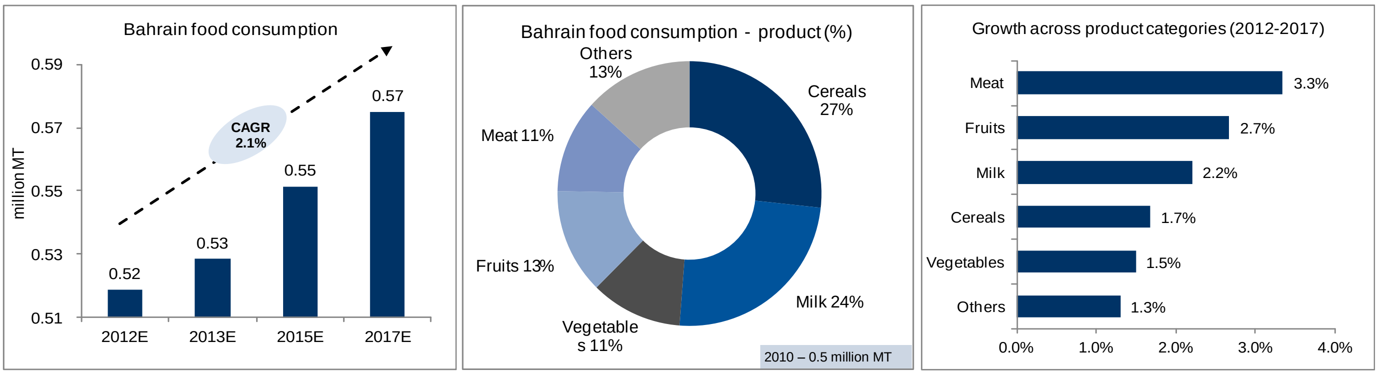
Source: Alpen Capital, Dubai Health Authority, IMF

Bahrain

Food consumption in Bahrain is likely to increase at a CAGR of 2.1% over 2012-2017

Bahrain's food consumption is projected to grow at a CAGR of 2.1% during 2012–2017. In terms of total consumption, cereals and milk are likely to remain the leading food segments followed by vegetables, fruits, and meat. During 2012–2017, the growth in consumption is estimated to be the highest in meat at 3.3% followed by fruits at 2.7%, milk at 2.2%, cereals at 1.7% and vegetables at 1.5%.

Exhibit 30: Bahrain consumption – forecast



Source: *Alpen Capital, Arab Agricultural Statistics Year Book*

Bahrain is likely to further strengthen its position as the third largest tourist destination in the GCC. Over 2012-2017, number of foreign tourist arrival in Bahrain is likely to grow at a CAGR of 2.9% to 7.3 million by 2017. This would again boost the demand for food products across categories in the country.

Exhibit 31: Key stats

Country	2012E	2013E	2015E	2017E	CAGR (2012-2017)
Population (*in millions)*	1.2	1.2	1.2	1.3	2.0%
Per capita income (in US$)	23,477	23,930	24,313	25,280	1.5%
Foreign Tourists (*in millions*)	6.3	6.5	6.9	7.3	2.9%

Source: *Alpen Capital, Dubai Health Authority, IMF*

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4. Key growth drivers

Over the past decade, the demand for food products across the GCC region has remained strong. Consumption of food products in the region has increased from an average of 28.9 million MT in 1999 to 38.8 million MT by 2010, thus growing at a CAGR of 2.7%. Various factors that fuelled the demand for food products include: rising affluence levels, growing population, urbanization and proliferation of organized retail.

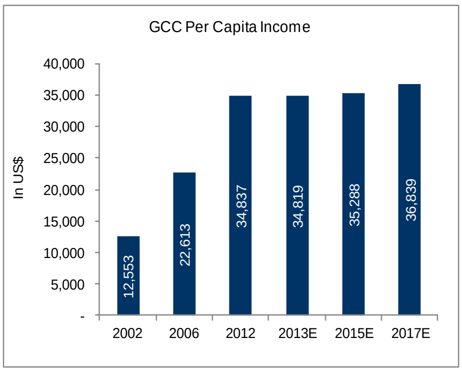
4.1 Rising Per Capita Income

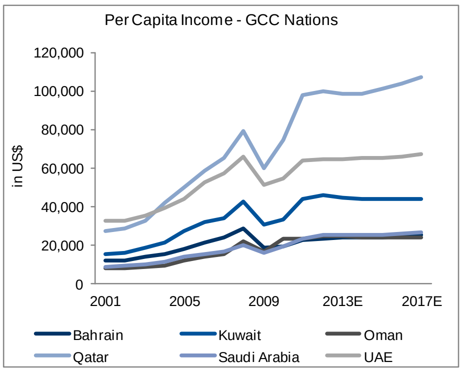
GCC per capita income to increase at a CAGR of 1.1% over 2012-2017

GCC countries are amongst the wealthiest nations worldwide in terms of per capita income. In addition to robust economic growth led by a steady rise in crude oil prices since 2000, the region has witnessed conscious economic diversification. The region's per capita income, despite a setback to economic activity during 2009 due to the global crisis, increased at a CAGR of 10.2% to US$ 27,304.4 during 2002–2010.

Amid increasing affluence, the consumption of food, especially processed and protein-rich products is rising. With GCC economies continuing to expand at a rate higher than those of the developed countries, the region's per capita food consumption is expected to register a CAGR of 0.7% during 2012–2017. During this period, per capita food consumption in Saudi Arabia is likely to register 0.5% growth, while per capita consumption in the UAE is expected to expand 1.2%.

Exhibit 32: Rising per capita income in the GCC





Source: Alpen Capital, IMF

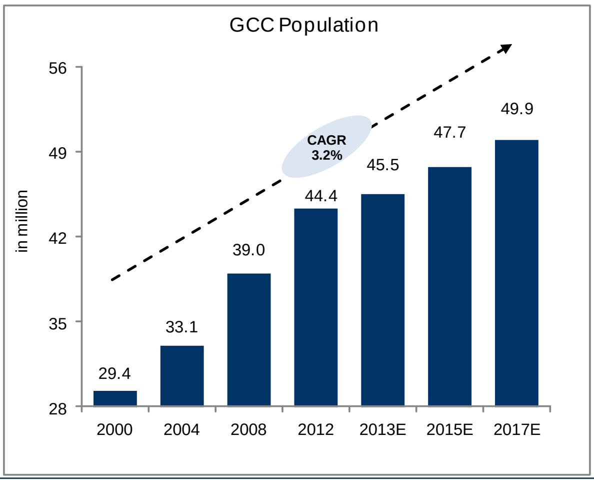
4.2 Strong Population Growth

Population growth in GCC region highest in the world

According to the IMF, GCC's population expanded at a CAGR of 3.7% during 2002-2010 to reach 41.7 million by end of 2010; Qatar witnessed the highest growth (12.1%) and Oman the least (0.2%). Saudi Arabia's population grew at a CAGR of 3.2%.

Population growth in the GCC region is expected to expand at a strong CAGR of 2.4% to reach 49.9 million during 2012–2017. Saudi Arabia's population is likely to increase by 3.1 million during the period. With the expected rise in per capita consumption, a growing population implies a rise in total food consumption in the region.

Exhibit 33: Population growth in the GCC

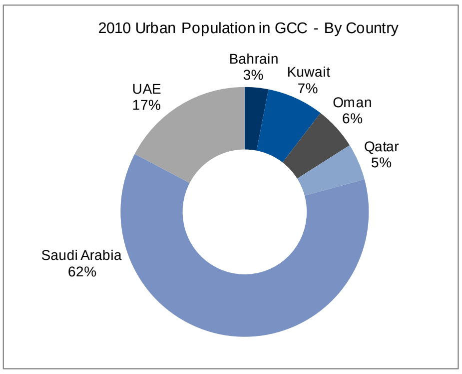


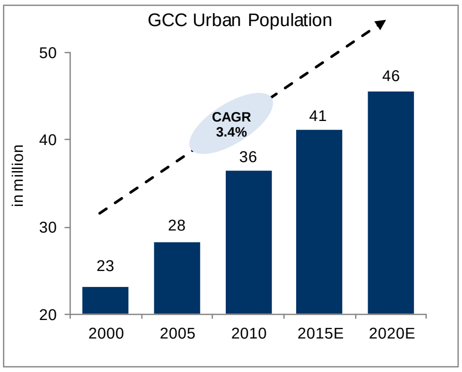
Source: *IMF*

4.3 Urbanization

Urbanization (and the resultant improvement in marketing and distribution infrastructure) has a profound effect on food consumption. It helps attract large supermarkets (retail formats) and improves access to foreign supplies (imports), thus widening the available range of choices. The GCC region's urban population has grown nearly fourfold from 9.6 million in 1980 to 36.4 million in 2010. The levels of urbanization in the UAE, Oman, Bahrain, Kuwait, Qatar and Saudi Arabia were ~80.0%, ~71.5%, ~84.5%, ~95.4%, ~92.8%, and ~80.2%, respectively, during the year. With only small portions of their populations residing in rural areas, urbanization in these countries is likely to proceed unabated.

Exhibit 34: GCC urbanization





Source: *United Nations, Department of Economic and Social Affairs, Population Division*

5. Trends in the industry

5.1 Shift In Consumption Pattern

Consumption pattern shifting towards protein-based diet

With the rise in affluence levels, GCC population is gradually switching from a carbohydrate-rich diet to a protein-rich diet. During 2004-2010, growth in meat consumption outpaced that of cereals, thus indicating shifting preferences amid higher per capita income. With further rise in affluence levels, this trend is expected to continue.

5.2 Processed Foods and Re-exports

Demand for processed or pre-packaged food in GCC increasing at a brisk pace

Processed food accounts for more than 50% of the GCC food industry

Growing urbanization and increased workforce participation have led to a hectic lifestyle in the region. As a result, people tend to spend lesser time on preparing elaborate meals and prefer consuming ready-to-eat, chilled, processed, canned/preserved and frozen food. Rising demand for fast food is also leading to a rise in demand for processed foods in the region. As per Frost & Sullivan, processed or pre-packaged food accounts for more than 50% of the GCC food industry, thus translating into significant business opportunity. According to Euromonitor, bakery and dairy products were the fastest growing segments in the processed food industry in 2010.

Substantial opportunity in food processing segment

Profound government support driving growth in the industry

Given the opportunity available in the processed food segment, GCC countries are increasingly investing in this sector to meet the region's basic need. Among GCC countries, the food processing sector in Saudi Arabia is expanding at a faster pace. According to Euromonitor, the packaged foods sector in Saudi Arabia was valued at US$ 14.5 billion in 2010, and is expected to increase at a CAGR of 10.6% between 2010 and 2014. The Government of Saudi Arabia has been very supportive of this sector, and assists domestic companies by providing subsidies on equipment and financing options. Furthermore, the government has imposed higher import tariffs on certain products that compete with locally manufactured products such as eggs, sugar, poultry meat, infant foods derived from milk and macaroni. Consequently, domestic companies operating in the food processing sector have flourished. Due to higher import tariffs, international brands like Delmonte, Nestlé, Kraft/General Foods, and Frito-Lay have established licensing agreements with local manufacturers to produce their products locally. Many local manufacturers in Saudi Arabia also import products from western countries and re-label those with Arabic sounding private labels. For example, a large private label imports majority of its products from the US and sells it under a private brand Al-Alali, which is popular among Arabs, specially the Saudis.

Saudi Arabia is the largest market in the GCC for processed food

Along with Saudi Arabia, the UAE is an attractive destination for processed food due to its population size, higher per capita income and rise in foreign tourist arrivals. Similar to Saudi Arabia, the UAE government provides significant support to the country's food processing sector. According to the Government of Ras Al Khaimah, since 1994, the UAE government has spent more than US$ 1.4 billion for the development of the country's food processing sector. This has helped more than 300 food processing companies to flourish in the Emirates. Besides government support, various global and local manufactures are setting-up new manufacturing plants in the Emirates. According to a report published by a German Engineering Federation VDMA, the UAE imported food processing and packaging machinery worth around EUR 198 million (US$ 257.9 million)[1] in 2011. With continuous

[1] Conversion rate as of Apr 28, 2013

government support and private sector involvement, this segment is becoming one of the leading and most diversified industries in the UAE. A food sector report by Dubai Exports cited that food processing output from Dubai alone valued at around Dh 4 billion (US$ million) in 2012, with almost 70% being exported to the Middle East and North Africa region.

The region emerging as a major food re-export destination

UAE, the frontrunner in the GCC food re-export sector

Besides being a major food processing hub, GCC countries like the UAE and Saudi Arabia have emerged as a major food re-exporting hub. Among GCC nations, the UAE leads the food re-export segment. Although the country's food production capability is limited, its strategic location has helped it to be a significant link in the region's food chain. Supported by strong logistics, geographic location, and well-established land, air and sea transport routes, the country has become the world's third largest re-exporter of food. The UAE's food exports totaled AED 15.8 billion (US$ 4.3 million)[10] in 2010 and increased 10% to AED 17.5 billion (US$ 4.8 million) in 2011.

The UAE's food processing and re-export segment is susceptible to market uncertainty and regional unrest, which might hamper sale and disrupt logistics chains. However, the country's strategic location and rising demand for products will help the segment weather any disruption and continue expanding in the coming years.

With favorable growth factors, the processed food and food re-exports industry are expected to continue their uptrend, thus presenting significant growth opportunities for companies operating in these sectors.

5.3 Demand For Healthy Food Gaining Pace

Higher numbers of GCC population are either obese or diabetic

Over the last three decades, obesity rates in the GCC region have increased threefold. In 2011, more than 65% of the GCC's population was obese. With more than 75% of its population falling under the obese category, Kuwait was ranked highest in terms of unhealthy food habits, followed by Saudi Arabia (68.8%), Bahrain (61.2%), UAE (56.8%) and Oman (50.0%)[11]. Higher calorie intake in GCC explains the higher levels of obesity. The average calorie intake in Saudi Arabia (3,130), UAE (3,017), Qatar (3,007), Kuwait (2,982), and Bahrain (2,889) is higher when compared to the recommended calorie intake for an average adult (2,000). Besides the rise in obesity levels, GCC nations are grappling with the rising number of diabetics. Currently, close to 13% of the UAE's and 13.5% of Saudi Arabia's population are diabetic.

This health related issues are further aggravated by sedentary lifestyle prevailing in the region. Together, these factors are contributing to the high rates of lifestyle-related diseases in the GCC nations.

With rise in lifestyle related diseases, people are gradually moving towards healthy and diet foods

As a result, people are gradually becoming more health conscious and adopting a healthy lifestyle including healthy and diet food options in their daily routine. Demand for healthy alternatives such as meal replacement products and low-fat dairy is expected to increase, as public awareness about healthier eating habits grows. Increasingly, many food manufacturers (both domestic and international) are including health and diet foods in their product category to meet the growing demand from the health conscious population.

[10] Conversion rate as of Apr 28, 2013
[11] Credible data not available for Qatar

5.4 Halal Food

Rising affluence levels in the GCC region has led to increased demand for protein-rich foods, particularly meat.

In 2009, GCC nations consumed US$ 43.8 billion worth of halal products

Since majority of the population in the GCC is Muslim, *Halal*-certified food is preferred. As a result, demand for *halal* food has increased at a rapid pace. According to *The Halal Journal*, GCC nations consumed US$ 43.8 billion worth of *halal* products[12] in 2009. With the rising population, income levels, tourism, and food imports, *halal* food consumption is likely to continue its growth trend. According to Euromonitor, the *halal* food industry in the GCC region is expected to grow at a faster pace over 2011–2016, as compared to the previous years.

5.5 Rising Demand For Organic Food

Perceived harmful effects of agrochemicals and growing consumer awareness driving sector growth

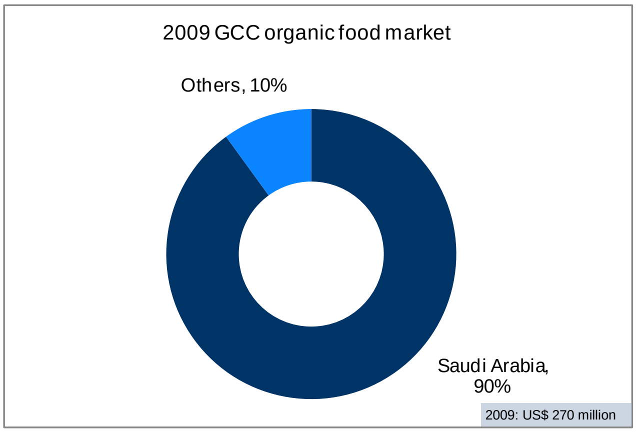
The organic food industry has grown at a brisk pace over the last couple of years. Increasing use of agro-chemicals and other harmful pesticides, together with growing consumer awareness, has contributed largely to the industry's growth. Besides the rise in demand for organic foods, increased awareness among food producers and growing government support have attracted food retailers to this industry.

Saudi Arabia, the largest organic food market in GCC, accounts for 90% of total market

According to a Middle East market consultancy firm Orient Planet, the organic food market in GCC was estimated at US$ 300 million in 2009, with more than 3,000 outlets dedicated to organic and natural products. Currently, the industry in the GCC region is in the nascent stage compared to that in the West. Demand for organic food in GCC is currently at par with the levels that prevailed in the US and Europe during the 1980s. However, with increased regional prioritization of health and safety, growth in demand for organic food in GCC is likely to outpace that for all other food categories over the next decade.

Among GCC nations, Saudi Arabia remains the largest organic food market. According to Orient Planet, the organic food market in the Kingdom was estimated at US$ 270 million in 2009, accounting for 90% of total GCC organic food market.

Exhibit 35: GCC organic food market, by country



Source: Orient Planet

In 2009, the Saudi Arabian government invested US$ 267 million to boost the sector

Given the organic food industry's strong potential, the Saudi Arabian government has taken steps to boost development of the sector in the Kingdom. In 2009, the government invested US$ 267 million to increase organic food production in Saudi Arabia. According to FAO, the Kingdom has nearly 0.03 million hectares (ha) of organically planted land.

[12] Includes food, drinks and other products

Increasing awareness among the local community about the advantages and diversity offered by organic farming is estimated to drive sales of organic products by 10% annually. The study anticipates organically planted land to form 5% of total planted area in the Kingdom by 2017 from 1% currently.

Saudi Arabia has been leading the regional efforts to develop the organic food sector. In 2007, a non-governmental, independent body Saudi Organic Farming Association (SOFA) was established under the supervision of the Ministry of Agriculture, with a mandate to support the Saudi farmers engaged in organic farming. Moreover, to enable customers identify organic products, SOFA created an organic product logo in 2011. The government has allocated SAR 60 billion (US$ 16 million)[13] to boost the domestic agricultural sector in 2012. Moreover, it is actively looking at regional and global agricultural products and services, and focusing on organic alternative farming to meet the growing nutritional needs of its citizens.

UAE consumers and retailers are also mirroring the general trend in the GCC region. The country, which has the second largest arable land (0.05 million ha) in GCC, is undertaking steps to regulate and certify organic food which is likely to boost the organic sector. According to Middle East Natural and Organic Products Expo Managing Director Al Fuqha, the number of organic stores across the country has increased from 4–5 to 35 within the last four years.

The UAE Ministry of Environment and Water recently approved 18 farms for organic branding

The UAE Ministry of Environment and Water recently approved 18 farms for organic branding. It plans to introduce a certification regime that allows organic food to be grown in the country and sold locally and internationally. However, that requires clear labeling and traceability. To address that issue, the ministry recently appointed an officer responsible for drafting the laws and regulations needed for the country to protect and trace its organic food. The ministry stated that the Emirates Authority for Standardization and Metrology certifies organic farms and imported organic foods in the UAE. Organic products are provided certification logos, and officials are taking random organic product samples for lab checking.

Although the market is growing rapidly, higher price associated with organic food products is a major obstacle for its growth. However, higher demand for organic food is expected to drag down prices in the long run.

5.6 Impact Of Organized Retail

Increasing number of hypermarkets, supermarkets, discount stores and various other forms of organized retail have contributed significantly to the growing demand for food (particularly processed food) in the GCC region. In 2011, completed gross leasable area (GLA) of shopping centers in GCC increased over 10.0% y-o-y to 11.4 million sq.mtrs. It is forecasted to reach 15.8 million sq.mtrs. by 2016, growing at a CAGR of 6.7%.

Food retail sale expected to increase from US$ 87.8 billion in 2011 to US$ 133.9 billion in 2016

With increased penetration of organized retail in the region, consumers can shop at their convenience, besides being able to choose from a wide assortment of products. Furthermore, majority of the western products and brands are available in the supermarkets, thus making them an ideal place for procuring foods.

During 2011-2016, GCC's food retail sale (across all food categories) is expected to increase from US$ 87.8 billion to US$ 133.9 billion by 2016. Since processed foods account for 50% of total food sales, the increased penetration in organized retail is likely to boost the demand for processed food in the region.

[13] Conversion rate as of Apr 28, 2013

5.7 Hydroponics, A Feasible Solution For GCC Agriculture

Implementation of hydroponics technique to help mitigate hostile agricultural conditions

Hydroponics is a soil-less technique of growing plants using mineral nutrient solutions in water. This technique is very useful for growing plants in regions with unfavorable climatic conditions or with significantly limited arable land, such as GCC. In addition, it consumes nearly 70–90% less water than that required in conventional soil-based agriculture, as hydroponics allows recycling and reuse of water. Given its various benefits, several GCC governments have tried to implement this technique. The initiatives adopted by them are as follows:

In 2010, Oman was preparing to introduce soil-less farming, encouraged by the success of experiments in the past one decade. The country started experiments on soil-less farming in 2000, and has been conducting trials since then to develop the technique. There are 80 greenhouse plantations in different parts of the country. Implementation of the technique will help Oman mitigate the effects of hostile agricultural conditions, such as lack of cultivable soil and water. In 2012, Al-Hosn Investment, a partnership between Qatar Holding and Oman's Ministry of Finance, signed a deal worth US$ 26 million with two Spain-based agricultural companies to develop a 12-hectare hydroponic greenhouse project in Barka, Oman. The project is the first such development in the country, and will have an annual production capacity of 3 million MT.

The UAE government has extended loans totaling AED 3 million (US$ 0.8 million)[14] to farmers to convert to hydroponics to grow fruits and vegetables. The Khalifa Fund for Enterprise Development, an Abu Dhabi government organization that helps develop the Emirate’s businesses, has provided almost AED 650 million (US$ 176.9 million)[14] in financial support since its launch five years ago.

In 2012, Bahrain also joined the league, with the country preparing to launch its first hydroponic garden. It will be built as part of a BHD 4 million (US$ 10.48 million) project to overhaul a major park in the country.

[14] Conversion rate as of Apr 28, 2013

6. Challenges

Rising population and per capita income in the GCC has led to unprecedented growth in food consumption over the last decade[15]. However, with limited production and over-reliance on imports, GCC nations are increasingly witnessing a strain on their food supply. Besides the unfavorable climatic conditions, limited agricultural resources and higher import dependency are the key challenges to food security in the GCC region.

6.1. Unfavorable Conditions For Agricultural Production

Domestic food production in GCC is considerably lower when compared to actual demand for food production the region

Arid climatic conditions and limited availability of agricultural resources have made food production in GCC highly challenging. Majority of the land area in the GCC region is non-arable and covered with sand. Moreover, scarcity of water is a limiting factor for agriculture in GCC countries, as most of the irrigated land relies on deep water resources, which is not prevalent in the region. As a result, domestic agricultural production is considerably lower when compared to the actual demand for food in the region.

In addition, with depleting levels of water bodies, the governments in the GCC nations are increasingly on the lookout for ways to preserve water. For instance, Government of Saudi Arabia has launched a plan to phase out wheat production gradually to preserve ground water. This will lower wheat production in Saudi Arabia, thus fuelling imports. According to BMI, wheat production in Saudi Arabia will decrease to 0.6 million MT by 2015–2016, a 57.9% decrease in total production.

6.2. Food Security A Key Challenge For GCC Governments

With limited production capacity, countries in the GCC region import food products from across the globe to meet domestic consumption. However, changing climatic conditions across the globe, along with rising food prices, makes GCC highly vulnerable to any adverse food trends globally. Thus, the GCC governments must take necessary steps to ensure smooth imports and boost domestic production. In addition, they must take necessary steps such as entering into long-term agreement with crop producing nations for an enduring food supply. Besides, they should invest abroad or find a solution within to ensure that the food supply remains uninterrupted.

6.3. Rising Global Food Prices May Pose A Challenge

During 2009-2012, food prices in Saudi Arabia increased at a CAGR of 9.0%

Inflation will always remain a concern for GCC nations, as they are heavily dependent on imports to meet their consumption needs. In addition, due to limited domestic production, GCC nations are price takers for agricultural imports and heavily exposed to hikes in global food prices. Due to various external factors, GCC food prices have soared every year over the last decade. For instance, during 2009-2012, the wholesale price index for food in Saudi Arabia increased from 139.7 in 2009 to 180.9 in 2012, a CAGR of 9.0% CAGR in food price increase across categories.

In addition, companies operating in the region find it difficult to pass on the increase in food costs to their consumers due to government intervention. During July 2011 and November 2012, the Saudi Ministry of Commerce asked Almarai to roll back prices of some of its dairy products. Such government interference impacts the profit margins of companies operating in the region and will hinder the growth of food companies.

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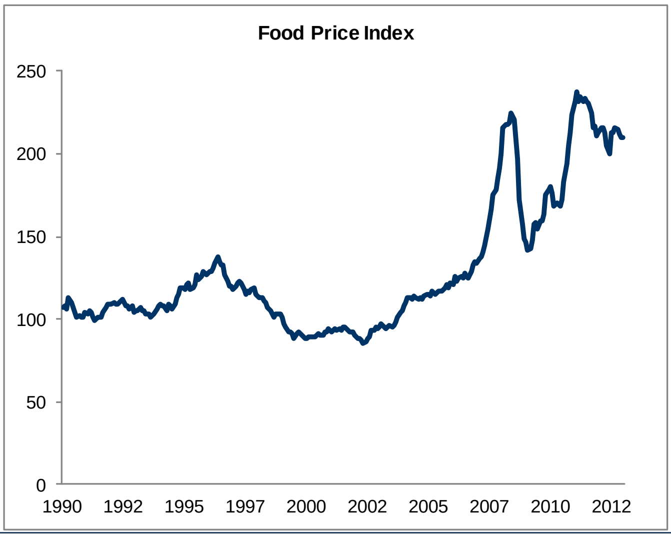
[15] 2000-10

Exhibit 36: FAO food price index (1990–2012)



Source: FAO

6.4. Dependence On Imports Expected To Continue

On account of limited growth in production, GCC nations rely primarily on imports

With limited domestic production, GCC nations have conventionally relied on imports to meet their food consumption needs. According to EIU, demand for food in GCC has grown at a brisk pace over the last decade. As a result, GCC nations have become overly dependent on imports for meeting their food needs. Over 2007–2011, GCC food imports were expected to have grown at a CAGR of 10.6% to US$ 28.4 billion in 2011, amounting to 3% of the region's GDP. Being the highest consumer of food in the region, Saudi Arabia is the largest food importing country in the GCC. In 2011 alone, it accounted for 63.0% of the total food imports in the region.

Although the governments in the GCC region are taking various measures to smoothen food supply in the region, they will have to largely depend on food exporting countries across the globe such as the US, New Zealand, Australia, Brazil, etc. In addition, various steps currently being taken by the governments in the region such as acquiring agricultural lands overseas, providing subsidies to the farmers etc. are not the immediate solution; rather, it will take several years before these actions start easing the food supply in GCC region. Till then, the region has to remain dependent on food exporting countries, and any unfavorable global trend could adversely impact the food security in the region.

According to EIU, GCC food import is likely to double by 2020 to US$ 53.1 billion, growing at a CAGR of 8.4% over 2011-2020.

Exhibit 37: GCC food import estimates (US$ billion)

Country	2011E	2015E	2020E
Bahrain	0.8	1.1	1.6
Kuwait	2.5	3.6	5.3
Oman	2.1	3.3	4.8
Qatar	1.3	2.1	3.3
Saudi Arabia	17.9	24.5	35.2
UAE	3.8	5.5	8.4
GCC Total	**28.4**	**36.3**	**53.1**

Source: EIU (E – estimates)

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7. Porter Five Forces Analysis

Exhibit 38: Competitiveness of the GCC food market

Threat of New Entrants: Medium

- Highly regulated markets ↓
- Limited pricing power ↓
- Easy financing options
- Rising demand for authentic halal food due to rising muslim population ↑

Bargaining Power of Suppliers: High

- Food prices in GCC largely depend on global prices as the region imports most of its food requirement ↓
- Low supplier concentration ↓
- Adverse input price fluctuation might dent profitability ↓

Threat of Substitutes: Low

- Large companies enjoy economies of scale ↑
- GCC food industry is dominated by large companies ↓
- Diversified offerings
- Less elastic to price changes ↑

Bargaining Power of Buyers: Medium

- Highly differentiated offerings as large companies continue launching variants ↑
- Very few players in a particular food segment ↓
- Highly regulated pricing system ↑

Competition: Medium

- Low barriers to exit ↑
- High scope for growth aided by rising population, disposable income ↑
- Competition is tougher with established players ↓

We have analyzed the GCC food sector using Porter's Five Forces model, which suggests that food players operating in the region face medium threat of competition. Moreover, product differentiation and diversified offerings keep the competitive forces under check. However, a young and growing population, increasing disposable income, rising tourism levels, and changing trend toward consumption of healthy food make the sector attractive for all players

Source: *Alpen Capital*

Note: ↑ *- Indicates that the factor is increasing the intensity of a particular force*

↓ *- Indicates that the factor is decreasing the intensity of a particular force*

8. Mergers and Acquisitions

Total M&A activity across the GCC region picked up in 2012 after remaining lackluster in 2011. The region saw 147 transactions across sectors in 2012, 20.1% lower than in 2011. However, the aggregate value jumped 56.7% to US$ 16.4 billion. Most M&A transactions during the year were in the Food sector, particularly in Saudi Arabia, Abu Dhabi and Qatar, which were not badly affected by liquidity constraints. Despite stiff economic and political challenges over the past few years, the appetite for M&As has not decreased, as firms are increasingly keen on growing regional businesses through the inorganic route.

Exhibit 39: Major M&A deals in GCC food sector

Acquirer	Target Company	Year	Consideration (US$ million)	% Acquired
Hassad Food Co	Bush Foods Overseas Pvt Ltd	2013	100.00	51.0%
Khatif Holding Co	Arwa Gulf Food Co	2013	NA	50.0%
Qatar First Investment Bank	Al Waseta Emirates Catering Services	2013	NA	NA
Saudi Dairy & Foodstuff Co	Sadafco Kuwait Foodstuff Co	2013	0.02	49.0%
Savola Group Co	Almarai Co Ltd	2012	533.32	6.6%
BRF SA	Federal Foods Ltd	2012	37.10	49.0%
Olam International Ltd	Acacia Investments	2012	35.00	50.0%
Qatar First Investment Bank	Al Rifai International Holding Ltd	2012	NA	20.0%
Savola Group Co	United Sugar Co	2012	48.30	9.7%
Almarai Co Ltd	International Dairy & Juice Ltd	2012	22.40	4.0%
Venture Capital Bank and Bank Alkhair	Goknur Foods Import Export Trading and Production	2012	100.00	65.0%
Qatar First Investment Bank	Al Rifai International Holding Ltd	2012	NA	15.0%
Savola Group Co	Al-Malika,Al-Farasha	2011	27.30	22.0%
Agthia Group PJSC	Pelit Su	2011	6.30	100.0%
Almarai Co Ltd	Fondomonte SA	2011	83.20	100.0%
Savola Group Co	Al-Malika,Al-Farasha	2011	36.60	78.0%
Danah Al Safat Foodstuff Co KSC	F & B Venture Holding	2011	45.50	100.0%
Abraaj Capital Ltd	Mani Foods Industry	2011	NA	NA
Zad Holding Co	National Food Company	2011	9.50	100.0%

Source: *Bloomberg, Zawya, Alpen Capital*

Larger companies, such as Savola and Almarai, continued with their expansion and diversification plans. Savola invested more than US$ 500 million during the period under review, increasing its strategic non-controlling stake in PepsiCo Partner Almarai to 36.52% (from 29.95% during 2012) to strengthen its position as the leading food company in Saudi Arabia. In 2010, the company increased its holding in Almarai to 29.95% from 26.5%.

Almarai, the largest integrated dairy foods company in the Middle East, acquired two companies within the food sector during 2011 and 2012. The company invested nearly US$ 100 million during the period, including for the acquisition of Fondomonte S.A. for US$ 76.9 million in 2011. The latter owns 12,306 hectares of farmland in Argentina, producing corn and soybean, which shall be used to secure feed and keep costs under control.

M&A activity across the GCC region is expected to sustain in 2013, given the huge growth potential in the region. High oil prices, renewed corporate appetite for growth, corporate restructurings, and strong government spending will remain the key catalysts. However, instability and political uncertainties within the region could hamper international interest in regional investments; nevertheless, anticipation of high returns could encourage regional players to forge deals.

9. Market Outlook and Recommendations

This section provides a long-term outlook of the GCC food industry and the available opportunities, which, in Alpen Capital's opinion, can alleviate the major problems the sector currently faces. The recommended measures would help attract higher foreign investments, strengthen food security in the region, and aid overall market growth. While some of these measures are implicitly factored into the current industry outlook, their effective and timely implementation may positively alter the market's actual growth trajectory.

According to current estimate, GCC food consumption is projected to expand at a CAGR of 3.1% between 2012 and 2017. This growth is expected to be driven by an expanding population base, increase in foreign tourist arrivals, and a rise in disposable income. In addition, other factors, including urbanization, changing lifestyles and government initiatives to boost food production and the food processing sector, are also likely to support growth.

Renewed focus on increasing agricultural production

In order to attract foreign investments and increase private sector participation in the food sector, GCC governments could further enhance its initiatives to drive production (i.e., agricultural produce and processed foods) in the region. For example, governments could encourage usage of the hydroponics technique, as it is a viable option considering the unfavorable agricultural climatic conditions in the region. Besides, governments could support organic farming, as it can help reduce health-related diseases, primarily associated with the use of harmful agrochemicals. Governments could also encourage greenhouse plantations.

Use of modern agricultural techniques like organic farming, hydroponics and genetically modified products

Before introducing the hydroponics technique in agriculture, GCC governments conducted decade-long trials to determine its impact on agriculture. Governments could, thus, increase partnerships with major research institutions (locally and internationally) to develop new agricultural techniques that could help mitigate the unfavorable factors associated with agriculture in the region.

According to the USDA – Foreign Agricultural Service (FAS), there is increasing interest among various companies and research institutes in the GCC region to utilize biotechnology techniques to mitigate the impact of soil salinity and pest infestation. For instance, using Genetically Modified (GM) seeds could significantly increase crop resistance toward drought and pests, and raise their average yield. Although there are no biotech crops currently under development in the region, it can be a feasible option to decrease over reliance on imports. Currently, GCC countries import a large volume of biotech crop products from the US, including soybeans and corn. While GCC does not have any policy related to production of genetically modified/engineered (GE) products, it has passed several technical regulations to address GE food issues in 2011.

Increased efforts to acquire foreign agricultural lands and boost contract farming

Governments could further increase focus on contract farming initiatives, whereby it can buy agricultural lands in Africa or in under-developed nations in Asia that have favorable agricultural resources, but lack economic backing. Governments could either form separate Special Purpose Vehicles for this purpose or support private companies in their foreign endeavors. This would further improve food security of GCC nations. Although governments are exploring this opportunity, they need to increase their efforts.

Besides, governments can work with the private sector to develop infrastructure for the storage and transportation of food, which could reduce short term supply risks. According to FAO, significant amount of food losses globally occur due to inadequate storage and

Increase investment for development of food storage and transportation infrastructure

transportation facilities. Thus, with improved infrastructure in place, GCC countries would be able to have buffer food stock in place to mitigate the risks associated with disruption in global food supply or prices.

Food processing offers huge business opportunity

Increased support for local food processing companies

There is significant amount of opportunity in the food processing space. Currently, processed food accounts for more than 50% of the food consumed in the region, and are expected to further increase with a rise in the total population, especially the youth. While governments currently provide incentives to food processing companies, they should further increase their focus on this sector. Besides providing direct subsidies to food processing companies, GCC governments could help them enhance their research capabilities and qualities. Governments could also review pricing policies, so that food companies in the region are not overburdened and are able to pass a portion of the price rise to customers. Besides, the GCC government can also encourage the local companies to expand within the GCC region.

Rebranding initiatives

With rising cases of health related issues in the GCC region (diabetes and obesity), domestic companies could focus on rebranding initiatives besides enhancing their labels to depict food safety and nutritional values. Governments are looking to make it compulsory for all food processing companies to redefine their labels by highlighting the nutritional value; this would help companies differentiate their products from others in terms of quality and nutritional quotient.

Overall, the GCC food sector is likely to experience healthy growth in the medium to long term. Increasing government support, foreign investments and private sector participation could further benefit the market. Qatar is expected to lead GCC in terms of growth in food consumption, followed by the UAE and Oman, while Saudi Arabia would continue to dominate the food market in the GCC region.

10. Financial and Valuation Analysis

10.1 Financial Performance

Peer Group: Our analysis covers the top 22 listed companies in the GCC region. These companies are categorized under four segments by operations:

- Agri & Agri Processing
- Dairy
- Processed & Frozen Foods
- Livestock (Meat, Fish & Poultry)

In this section, we assess the financial performance of the industry (comprising top 22 publicly listed food companies in GCC) over three years.

During the review period (2009–2012), average revenue of the companies under analysis stood at US$ 722 million. The top three companies contribute nearly 80.7% to the total revenues and around 80.8% to the total EBITDA of the above industry set. During this period, the median EBITDA margin of the industry stood at 15.0%. EBITDA margin of most of these companies (15 of 22) exceeds 10.0%. Al Jouf, Almarai Co Ltd and A'Saffa Foods SAOG lead with an average EBITDA margin of 40.8%, 28.8% and 28.1%, respectively, over the past three years.

Revenue Analysis

In 2011, the average revenue growth in the industry was 14.6%, higher than 10.6% in 2010. This is ascribed to a pick-up in sales volume led by recovery in demand and continued initiatives for inorganic expansion. In 2012 though, the growth moderated to 10.3% due to deceleration of revenue growth at Savola, which contributes nearly 46.0% to the total revenues in the GCC food sector. Savola reported revenue growth of 17.4% in 2010, 19.8% in 2011 and 8.6% in 2012. Growth decelerated in 2012 due to temporary disruption in operation in the sugar segment in Egypt, which contributes around 25% to the overall top line.

In terms of average annual revenue growth during 2009–2012, Zad Holding and Salalah Mills led with 29.8% and 25.3%, respectively. Agri Processing and Meat, Fish & Poultry were the top performing segments. Among underperformers, Saudi Fisheries and Tabuk Agriculture reported an average revenue decline of 15.8% and 1.7%, respectively, over the three years.

Profitability

During 2009–2012, the median EBITDA margin in the industry averaged 15.0%. Certain companies such as Al Jouf, Almarai and A'Saffa Foods posted strong EBITDA margins of more than 28%; this was, however, offset by losses by livestock companies, which impacted the overall financial performance of the sector. A'Saffa Foods' operating margin rose on improved production efficiencies and expansion of product offerings in Oman. For Almarai, the Saudi government's initiative to almost double feed subsidies in 2011 boosted operating margins. Moreover, the company's existing supply of inventories cushioned the impact of rising input costs in 2012.

The median net income margin in the industry stood at 11.4%. Al Jouf maintained its leadership position with average annual net income margin of 28.4% between 2009 and

2012. On the other hand, Saudi Fisheries and Jazan Development reported negative average net income margins of (39.9%) and (58.2%), respectively, during the same period.

Financial Analysis

Exhibit 40: Financial Performance of Major Food Companies in GCC

Company Name	Country	Total Market Cap (USD Million)	Total Revenue (USD Million)	Total Revenues, 3 Yrs Growth %	EBIT Margin % 3 Yrs Avg	EBITDA Margin % 3 Yrs Avg	Net Income Margin % 3 Yrs Avg	Return on Equity % 3 Yrs Avg	Return on Asset% 3 Yrs Avg
Agri/ Agri processing									
The Savola Group	Saudi	6,293	7,298	15.3%	5.4%	7.1%	4.7%	15.0%	5.6%
Agthia Group PJSC	UAE	482	361	13.0%	8.4%	12.4%	9.5%	10.4%	7.3%
Al Jouf Agricultural Development Co	Saudi	273	92	9.7%	28.4%	40.8%	28.4%	13.9%	12.1%
Oman Flour Mills Co SAOG	Oman	256	158	6.4%	14.0%	16.4%	13.2%	14.1%	11.8%
Tabuk Agriculture	Saudi	189	42	(1.7%)	13.7%	23.4%	12.4%	5.5%	4.6%
Salalah Mills Co	Oman	166	137	25.3%	12.1%	15.6%	11.1%	25.7%	9.5%
Areej Vegetable Oils	Oman	30	238	13.8%	2.9%	5.1%	2.3%	20.0%	5.0%
Average			*1,189*	*11.7%*	*12.1%*	*17.3%*	*11.7%*	*14.9%*	*8.0%*
Dairy/ Juice									
Almarai Co Ltd	Saudi	6,933	2,635	19.0%	19.0%	28.8%	15.8%	19.0%	8.3%
Saudi Dairy & Foodstuff Co	Saudi	626	356	13.1%	11.7%	15.0%	14.2%	22.5%	15.7%
National Agriculture Development Co	Saudi	408	461	9.0%	6.3%	17.1%	4.0%	6.2%	2.7%
Average			*1,150*	*13.7%*	*12.3%*	*20.3%*	*11.4%*	*15.9%*	*8.9%*
Processed/ Frozen Foods									
Kuwait Food Co (Americana Group)	Kuwait	2,736	2,881	10.3%	8.8%	10.4%	6.4%	15.0%	7.8%
Halwani Bros Co	Saudi	394	238	13.1%	14.1%	15.1%	10.2%	15.4%	11.9%
Zad Holding Co	Qatar	356	183	29.8%	15.4%	19.3%	17.9%	8.5%	6.2%
Dubai Refreshments Co	UAE	309	273	13.3%	12.0%	14.5%	12.6%	23.2%	16.5%
Oman Refreshment Co	Oman	279	173	16.2%	13.4%	15.8%	11.7%	35.4%	23.3%
Food Products Co	Saudi	185	21	4.1%	11.3%	19.9%	14.3%	5.5%	5.1%
TRAFCO Group	Bahrain	45	105	4.2%	2.2%	3.3%	3.9%	7.4%	3.9%
Average			*554*	*13.0%*	*11.0%*	*14.0%*	*11.0%*	*15.8%*	*10.7%*
Meat/ Fishes/ Poultry									
Saudi Fisheries	Saudi	460	19	(15.8%)	(32.9%)	(25.4%)	(39.9%)	(14.4%)	(9.2%)
Qatar Company For Meat & Livestock	Qatar	297	88	25.1%	(95.8%)	(94.0%)	21.2%	21.8%	11.9%
A'Saffa Foods SAOG	Oman	241	67	17.9%	23.5%	28.1%	21.0%	25.4%	14.6%
Jazan Development Co	Saudi	225	10	9.3%	(46.9%)	(30.8%)	(58.2%)	(6.8%)	(5.7%)
Delmon Poultry Co	Bahrain	19	39	10.3%	(9.4%)	(9.4%)	8.4%	21.2%	19.7%
Average			*45*	*9.4%*	*(32.3%)*	*(26.3%)*	*(9.5%)*	*9.4%*	*6.3%*
Industry Average			***722***	***11.9%***	***1.7%***	***6.8%***	***6.6%***	***14.1%***	***8.6%***
Industry Median			173	13.1%	11.7%	15.1%	11.7%	15.0%	7.8%

*Source: Zawya (All figures are LTM, * Last reported FY figures, Net Income Margin is before extraordinary items, NM denotes Not Meaningful, NA denotes Not Available, Grey font denotes Below Average, Green font denotes Above Average, Numbers in black font are not considered in average), Alpen Capital*

During 2009–2012, the industry's median and average Return on Equity (RoE) stood at 15.0% and 14.1%, respectively. Oman Refreshment and Salalah Mills posted the highest average RoE of 35.4% and 25.7%, respectively, while Saudi Fisheries and Jazan Development Co. generated corresponding negative returns of 14.4% and 6.8%.

We anticipate the food sector to sustain revenue growth at the current level, aided by rising disposable incomes, growing international tourist arrivals, increasing presence of modern retail format, and expansion into attractive markets regionally. In the near term, profitability is expected to improve from current levels as global food prices have declined 15–20% from the levels seen in August 2012. However, in the long-term, food prices will remain elevated, which could impact margins of importing companies. To counter this, companies such as Almarai are focusing on backward integration, which would help achieve food security and prove beneficial in the long run.

Segment-wise Performance

Agri & Agri Processing Segment

Savola Group dominates the segment with a share of nearly 87.7% in the aggregate revenues of agri-processing companies. During 2009–2012, the sector posted average revenue growth of 11.7%, aided by Savola's 15.3% growth over the same period. The Saudi player witnessed significant growth in revenues mainly due to improved performance by its foods division outside Saudi Arabia and increased retail sales. Moreover, a series of acquisitions over the years has helped Savola to expand operations and reach both within the GCC region and internationally.

Other companies contributing to the sector's positive performance include Salalah Mills, Areej Vegetable Oils and Agthia Group, with average revenue growth of 25.3%, 13.8% and 13.0%, respectively.

Exhibit 41: Agri Processing Companies (Avg. 3-Yr Revenue Growth and EBITDA Margin)

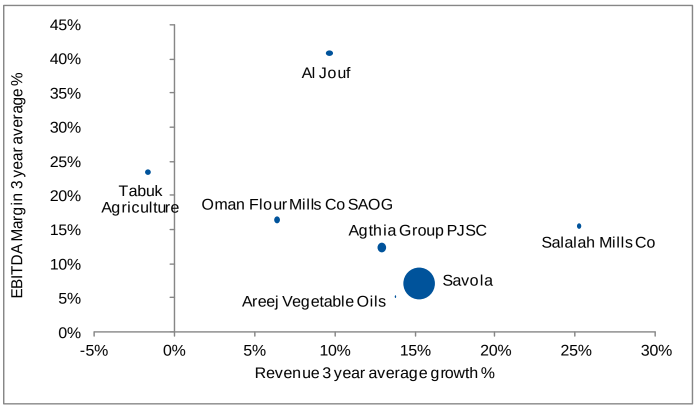
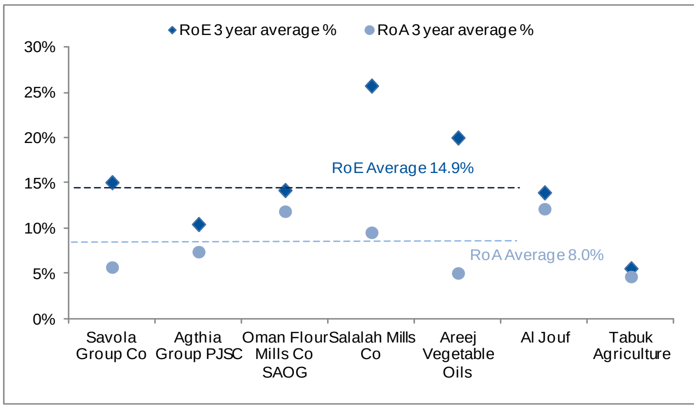


Exhibit 42: Agri Processing Companies (ROE and ROA)



Source: Zawya, Alpen Capital

At the EBITDA level, the sector posted an average margin of 17.3% during 2009–2012. Savola, the leading food processing company, reported a subdued EBITDA margin of 7.1% due to higher prices of raw materials and lower realizations. Al Jouf was the most profitable company in the Agri Processing segment with average EBITDA margin of 40.8%, followed by Tabuk Agriculture (23.4%). Al Jouf's superior performance is ascribed to a decline in the cost of goods sold and administrative expenses compared with the previous year.

Average Return of Assets (RoA) and RoE for the segment stood at 8.0% and 14.9%, respectively. Salalah Mills posted the highest average RoE of 25.7% during 2009–2012, while Al Jouf enjoyed the highest average RoA of 12.1%.

Dairy Segment

The Food sector's Dairy segment is dominated by Almarai, which contributes more than 75% to the overall top-line. The company outperformed peers in terms of both average revenue growth and profit margins led by expansion and diversification into newer segments and strong sales volumes across product lines. During 2009–2012, Almarai posted average revenue growth of 19.0%. The corresponding figures for Saudi Dairy & Foodstuff and National Agriculture Development were 13.1% and 9.0%.

Exhibit 43: Dairy Companies (Avg. 3-Yr Revenue Growth and EBITDA Margin)

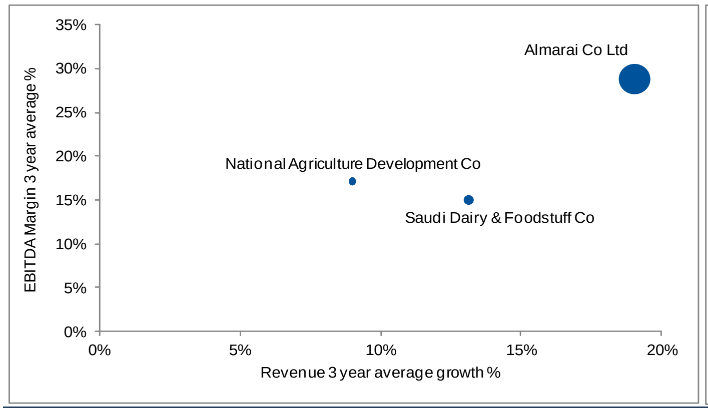
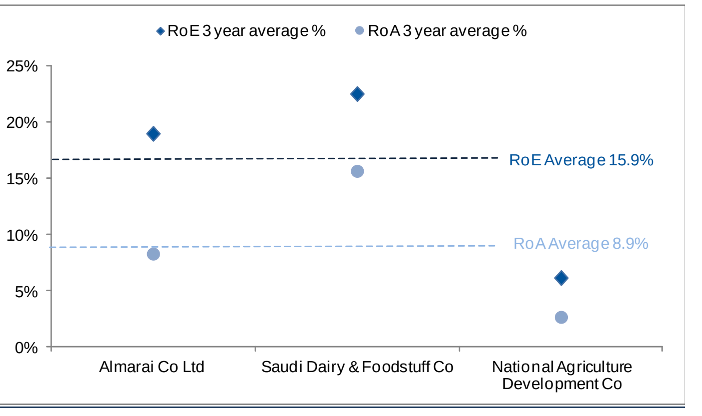


Exhibit 44: Dairy Companies (ROE and ROA)



Source: Zawya, Alpen Capital

The companies' EBITDA margin averaged 20.3%. Almarai led with an average margin of 28.8%, while Saudi Dairy & Foodstuff Co lagged with 15.0% due to increased input cost pressure and higher marketing expenses.

During 2009-2012, the average RoA of companies in the dairy segment stood at 8.9% and RoE at 15.9%. Saudi Dairy & Foodstuff's average RoA and RoE beat the industry average; however, the corresponding figures for National Agriculture Development were lower than the average industry returns.

Processed & Frozen Food Segment

The Food Processing segment is dominated by Kuwait Food Company (Americana), which contributes nearly 75% to the industry's top-line. However, the company posted average revenue growth of just 10.3% during 2009–2012, which is below the industry average of 13.0%. Higher industry growth was supported by strong top-line growth of small players such as Zad Holding, Oman Refreshment, Halwani Bros and Dubai Refreshments, which averaged 13.1-29.8%.

Exhibit 45: Processed & Frozen Food Cos (Avg. 3-Yr Revenue Growth and EBITDA Margin)

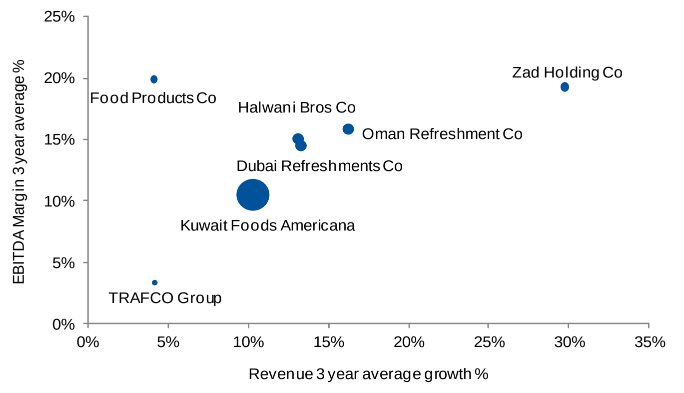
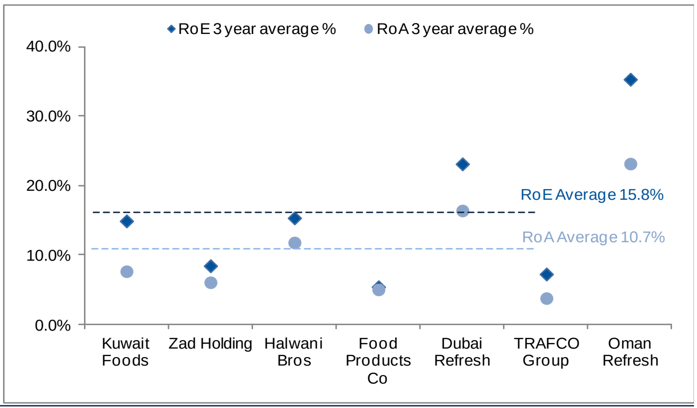


Exhibit 46: Processed & Frozen Food Companies (ROE and ROA)



Source: *Zawya, Alpen Capital*

In terms of profitability, Food Products Co enjoyed the highest average EBITDA margin of 19.9%, while TRAFCO Group posted the lowest average margin of 3.3%, which hampered the overall industry average.

Average industry return for the segment stood at 15.8% in terms of RoE and 10.7% in terms of RoA. This was supported by above industry average returns by Oman Refreshment and Dubai Refreshments. However, lower-than-industry average returns by Food Products, TRAFCO Group and Zad Holding offset the positive impact.

Livestock (Meat, Fish & Poultry) Segment

The GCC Livestock sector comprises a few small companies and, like other food sectors, is not dominated by a single large player. Of the companies in the segment, Qatar Meat & Livestock is the largest in terms of revenue, and is growing better than the industry average. Between 2009 and 2012, the company posted average revenues growth of 25.1% compared with the corresponding industry number 9.4%. Delmon Poultry and A'Saffa Foods reported healthy average revenue growth of 10.3% and 17.9%, respectively. Saudi Fisheries was the only company with negative revenue growth, hampering the overall top-line performance of livestock companies.

Exhibit 47: Livestock Companies (Avg. 3-Yr Revenue Growth and EBITDA Margin)

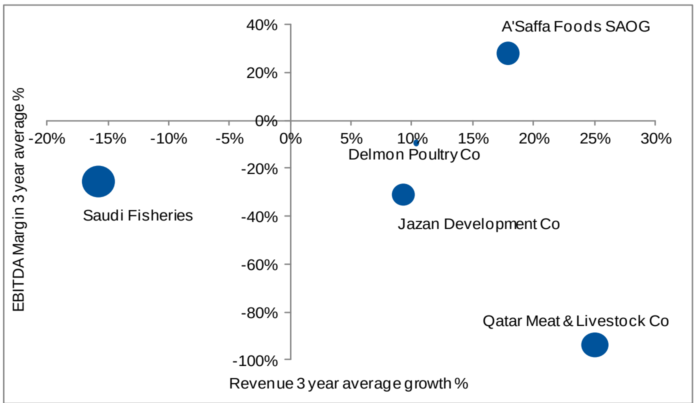
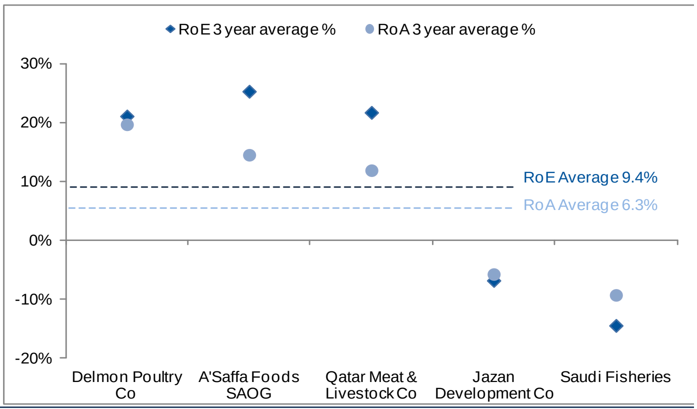


Exhibit 48: Livestock Companies (ROE and ROA)



Source: *Zawya, Alpen Capital*

Except A'Saffa Foods, all companies in the Livestock segment posted negative EBITDA. The company's three-year average EBITDA margin stood at 28.1%. Furthermore, although

Qatar Meat & Livestock and Delmon Poultry reported negative average EBITDA margin, their net profit margin was positive due to contribution from other income. Jazan Development was the worst performer in terms of average net profit margin (-58.2%) – the company's sales of shrimp declined due to a slowdown in production during 2012. Saudi Fisheries posted an average net profit margin of -39.9% due to the double impact of low sales and higher administrative expenses. Both companies impacted the overall industry performance.

Operating losses and low EBITDA margins of livestock companies resulted in poor returns for the segment. RoA and RoE in the segment averaged 6.3% and 9.4%, respectively.

10.2 Valuation Analysis

Exhibit 49: Ratio Analysis

Company Name	Country	P/E	P/BV	EV/EBITDA	Inventory Turnover	Fixed Asset Turnover	Current Ratio
Agri/ Agri processing							
The Savola Group	Saudi	20.0	3.0	11.6	6.7	1.3	1.0
Agthia Group PJSC	UAE	14.2	1.6	9.7	3.6	0.8	2.4
Oman Flour Mills Co SAOG	Oman	16.7	1.9	18.8	3.8	1.0	3.5
Salalah Mills Co	Oman	13.2	3.1	14.1	2.0	1.0	1.1
Areej Vegetable Oils	Oman	3.8	1.2	6.1	4.9	2.1	1.0
Al Jouf Agricultural Development Co	Saudi	31.5	1.7	13.1	1.0	0.2	2.7
Tabuk Agriculture	Saudi	117.4	1.9	25.3	0.4	0.1	1.7
GCC Average		***31.0***	***2.1***	***14.1***	***3.2***	***0.9***	***1.9***
US Average		***26.7***	***1.7***	***9.7***	***10.0***	***1.8***	***1.9***
Asia Pacific Average		***10.3***	***0.7***	***5.9***	***7.2***	***1.4***	***4.1***
Dairy/ Juice							
Almarai Co Ltd	Saudi	25.5	3.4	15.9	2.5	0.5	1.5
Saudi Dairy & Foodstuff Co	Saudi	14.3	2.8	10.4	3.6	1.4	3.9
National Agriculture Development Co	Saudi	17.1	1.4	8.8	2.8	0.7	1.0
GCC Average		***19.0***	***2.5***	***11.7***	***3.0***	***0.9***	***2.1***
US Average		***24.0***	***3.5***	***11.8***	***12.8***	***1.2***	***1.1***
Asia Pacific Average		***2.5***	***2.1***	***2.6***	***27.1***	***2.5***	***2.4***
Processed/ Frozen Foods							
Kuwait Food Co (Americana Group)	Kuwait	17.0	2.5	7.8	6.7	1.4	1.4
Zad Holding Co	Qatar	7.1	1.0	7.7	4.4	0.4	1.0
Halwani Bros Co	Saudi	12.0	2.8	6.6	3.9	1.3	2.2
Food Products Co	Saudi	136.7	3.3	47.9	2.7	0.4	24.0
Dubai Refreshments Co	UAE	9.9	1.8	9.8	6.9	0.9	2.1
TRAFCO Group	Bahrain	11.7	0.8	NM	4.4	1.0	1.4
Oman Refreshment Co	Oman	16.1	5.2	15.1	9.6	1.9	1.7
GCC Average		***30.1***	***2.5***	***15.8***	***5.5***	***1.0***	***4.8***
US Average		***20.9***	***2.2***	***13.3***	***4.6***	***1.3***	***1.8***
Asia Pacific Average		***9.6***	***1.1***	***9.2***	***4.5***	***1.0***	***1.9***
Meat/ Fishes/ Poultry							
Delmon Poultry Co	Bahrain	6.2	0.5	3.3	11.2	1.0	15.6
A'Saffa Foods SAOG	Oman	12.7	4.0	11.6	3.3	0.8	2.2
Qatar Company For Meat & Livestock	Qatar	13.0	3.7	NA	17.3	0.5	1.6
Jazan Development Co	Saudi	9.7	1.6	NA	4.1	0.1	0.1
Saudi Fisheries	Saudi	NA	5.0	NA	1.7	0.2	2.6
GCC Average		***10.4***	***3.0***	***7.5***	***7.5***	***0.5***	***4.4***
US Average		***14.4***	***1.8***	***7.5***	***8.2***	***2.2***	***2.4***
Asia Pacific Average		***32.8***	***1.6***	***39.7***	***22.8***	***1.4***	***2.5***
GCC Industry Average		***25.0***	***2.5***	***13.5***	***4.9***	***0.8***	***3.4***
US Average		***22.1***	***2.0***	***10.8***	***8.5***	***1.6***	***1.8***
Asia Pacific Average		***12.8***	***1.2***	***12.6***	***12.9***	***1.5***	***3.0***

*Source: Reuters, Zawya, (All figures are LTM, * Last reported FY figures, Net Income Margin is before extraordinary items, NM denotes Not Meaningful, NA denotes Not Available, Grey denotes Above Average, Green denotes Below Average, Numbers in black font are not considered in average), Alpen Capital*

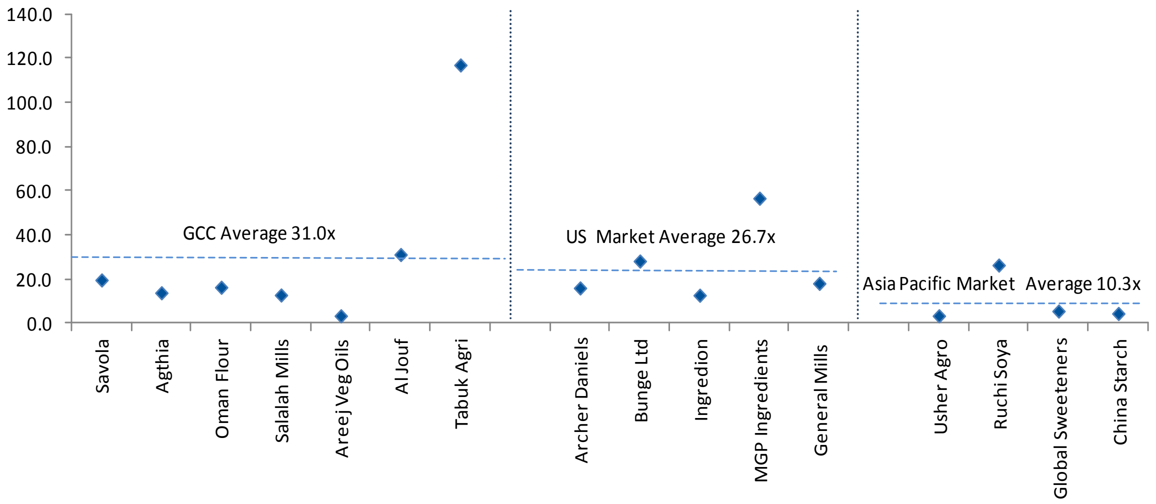
Valuation vis-à-vis global players

Companies in the GCC food sector trade at an average P/E of about 25.8x compared with 22.1x in the US and 12.8x in Asia-Pacific. The higher P/E of GCC companies can be ascribed to large property holdings (land and buildings) on the balance sheet, which are recorded at cost. The value of these properties has appreciated in recent times. Some of these companies, such as Savola, have started monetizing these properties and are reporting large capital gains. On EV/EBITDA basis, at 14.1x, GCC companies trade at a premium to Asia-Pacific and US peers. The average P/E and EV/EBITDA numbers for Asia-Pacific and the US have been derived taking into account companies in each of the segments of the food sector to arrive at the best representation of the industry. We expect GCC food companies to become more attractive over time aided by strong population growth, favourable consumption trend, changing lifestyle, and rising incomes in the region.

Agri & Agri Processing

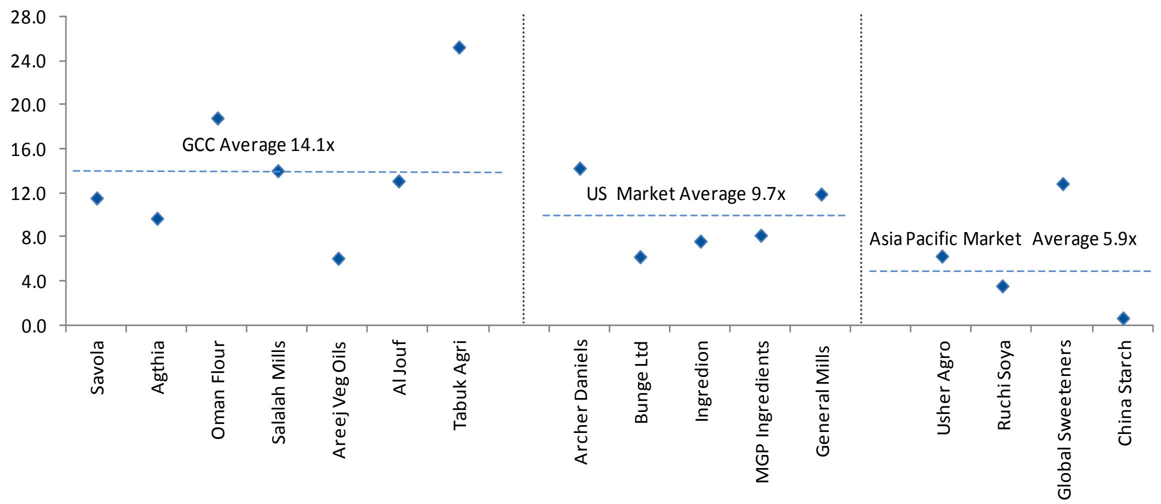
Agri processing companies are trading at average P/E of 31.0x and EV/EBITDA of 14.1x. Tabkuk Agriculture is trading at a high P/E of 117.4x; the company also commands the highest valuation multiples with EV/EBITDA of 25.3x. Many players are trading at valuation multiples less than the industry average. We find the valuation attractive for companies such as Al Jouf and Oman Flour Mills who are trading either close to or below the industry average, but operate at healthy EBITDA margins. Most agri processing companies in GCC are trading at a discount compared with global peers.

Exhibit 50: Agri Processing Companies - P/E Relative Valuation Chart



Source: Reuters, Zawya, Alpen Capital

Exhibit 51: Agri Processing Companies – EV/EBITDA Relative Valuation Chart

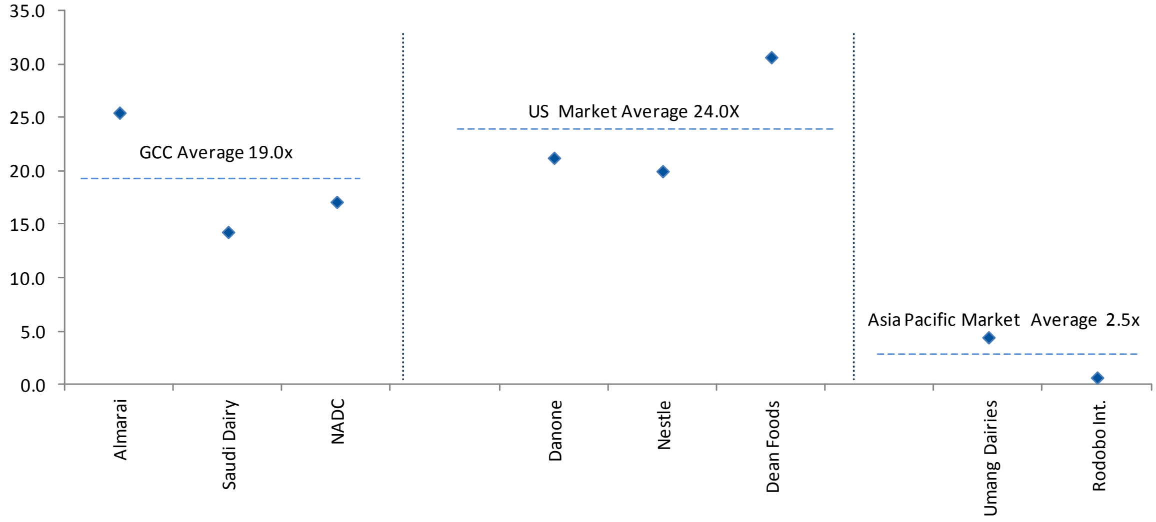


Source: Reuters, Zawya, Alpen Capital

Dairy

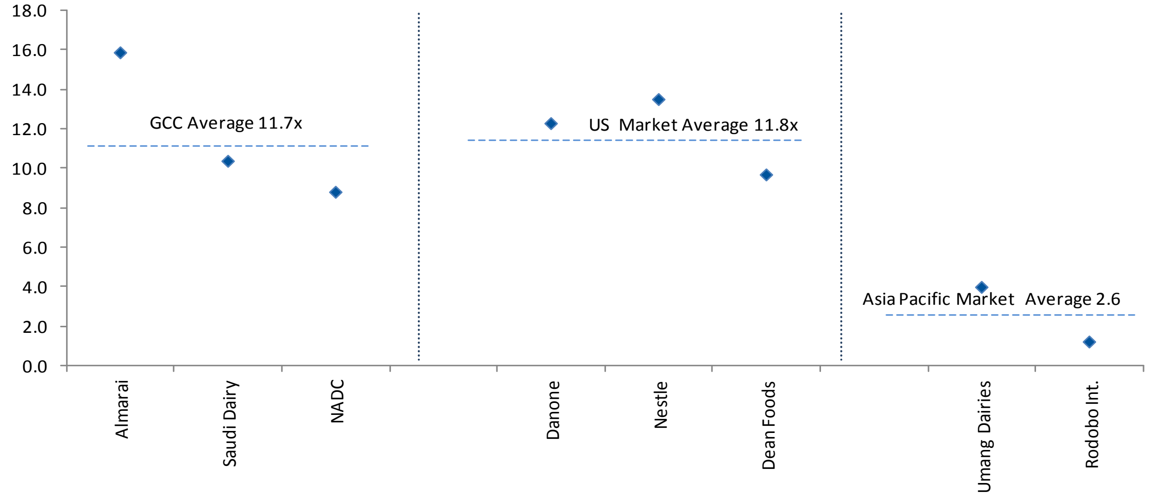
With average P/E of 19.0x and EV/EBITDA of 11.7x, dairy companies in the GCC region are trading at a discount to US peers and at a premium to their Asian counterparts. Leading dairy player Almarai is trading at a P/E of 25.5x, which is at a premium to US and Asia-Pacific peers. This premium is justified given the company's dominating presence in all milk products, intensive diversification efforts and strong growth potential. Saudi Dairy & Foodstuff and National Agriculture Development is trading at a discount to peers.

Exhibit 52: Dairy - P/E Relative Valuation Chart



Source: *Reuters, Zawya, Alpen Capital*

Exhibit 53: Dairy – EV/EBITDA Relative Valuation Chart

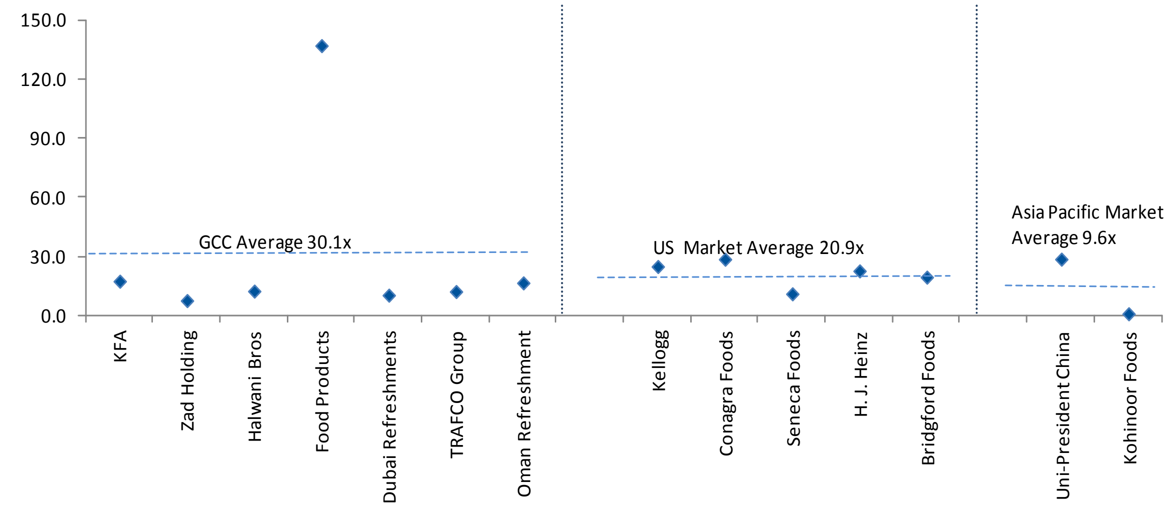


Source: *Reuters, Zawya, Alpen Capital*

Processed & Frozen Foods

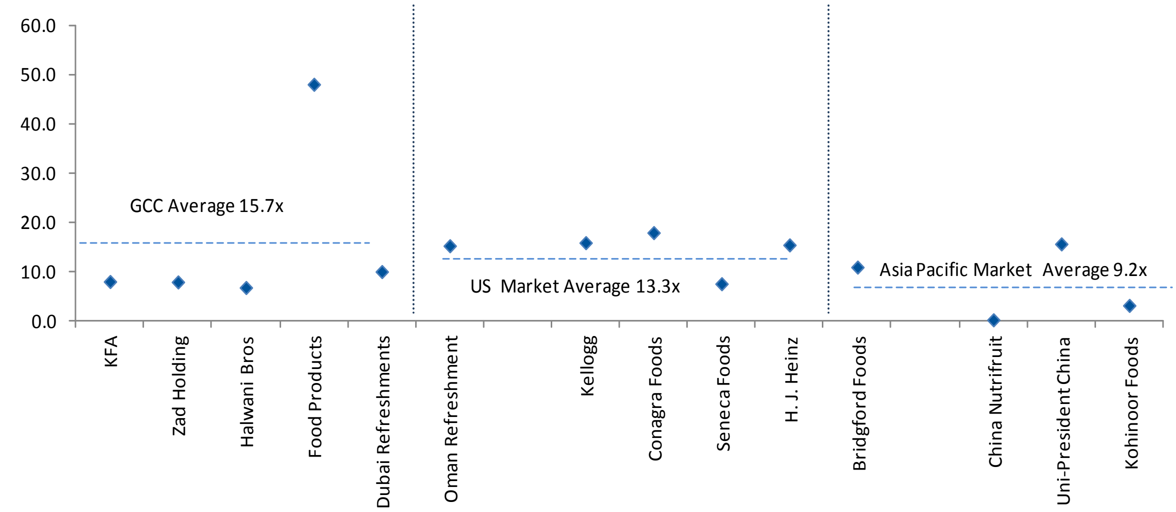
Food processing companies in GCC are trading at an average P/E of 30.1x and EV/EBITDA multiple of 15.8x. On both P/E and EV/EBITDA terms, valuations of GCC companies are at a premium to Asian and US peers. With lower comparative valuation and strong financial performance over recent quarters, Zad Holding is expected to see healthy upside in valuation over the coming years.

Exhibit 54: Food processing companies - P/E Relative Valuation Chart



Source: *Reuters, Zawya, Alpen Capital*

Exhibit 55: Food processing companies – EV/EBITDA Relative Valuation Chart

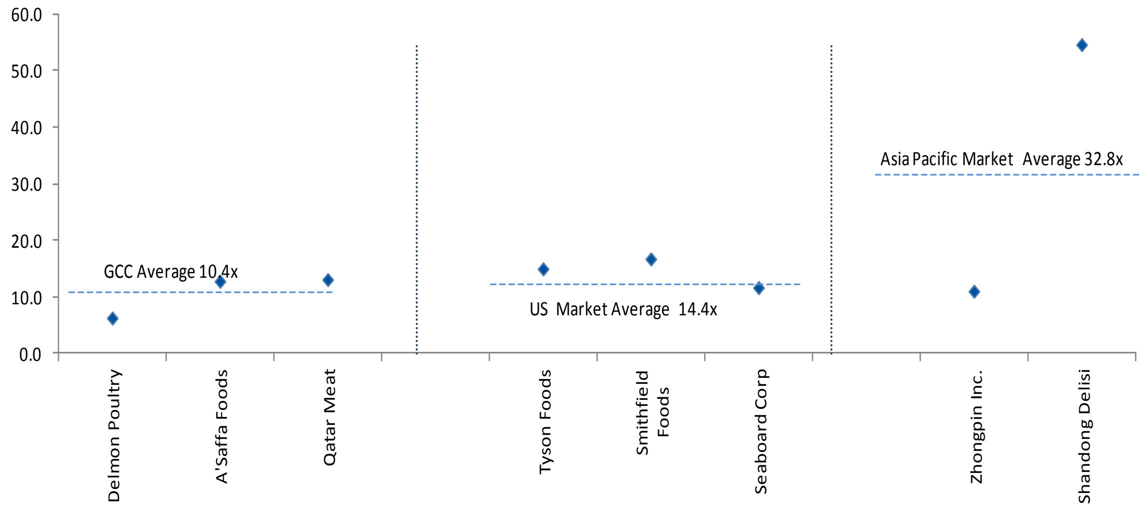


Source: *Reuters, Zawya, Alpen Capital*

Livestock (Meat, Fish & Poultry)

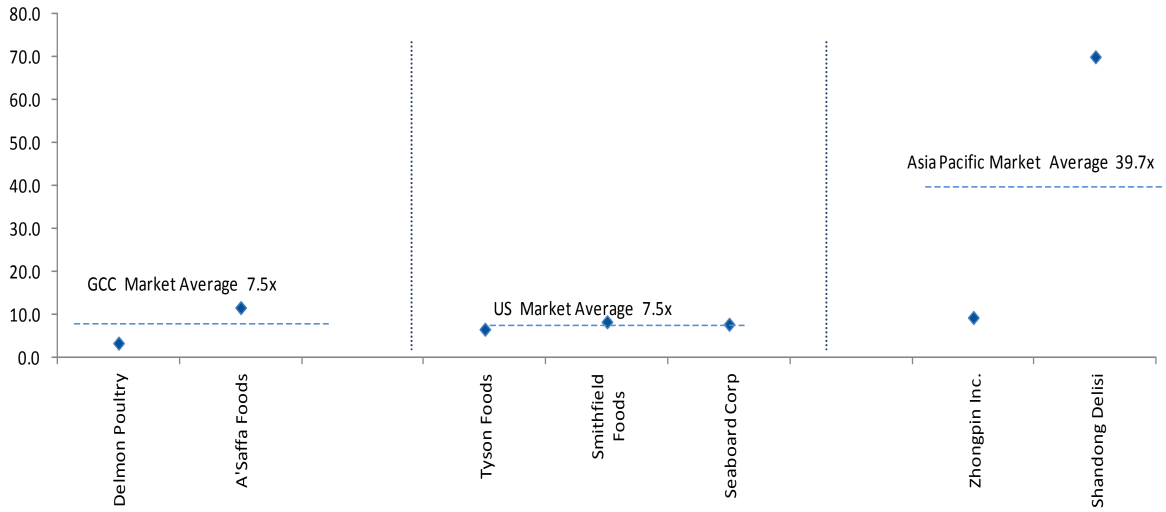
Due to dismal performance by livestock companies in GCC over the past few years, their comparative valuation does not reflect a true picture of their fundamentals. The companies are trading at an average P/E of 10.4x, which is at a discount to both US and Asia-Pacific peers. Even at operating level, four companies reported a loss, due to which their EV/EBITDA cannot be calculated. However, a few of these companies reported net profits due to contribition from other income.

Exhibit 56: Livestock companies - P/E Relative Valuation Chart



Source: *Reuters, Zawya, Alpen Capital*

Exhibit 57: Livestock companies – EV/EBITDA Relative Valuation Chart



Source: *Reuters, Zawya, Alpen Capital*

11. Recent GCC Offshore Farm Deals / Events

Exhibit 58: Saudi Arabia

Date	Events
8-Feb-13	Agriculture Minister Dr. Fahd Balghunaim has urged Saudi businessmen to invest more in the agriculture sector in order to achieve food security
29-Oct-12	Argentinian Agriculture Minister Norberto Yauhar met with Saudi Ambassador Turki M.A. Al Madi to discuss investments that the Kingdom is considering in Argentina
20-Sep-12	Saudi Arabia has invested around 40 billion riyals (US$ 11 billion) in agricultural and livestock projects in the Ukraine, Brazil, Argentina, Canada and Sudan
11-May-12	Saudi Arabia is encouraging companies to invest in farms in Africa as the kingdom seeks to secure supplies of food imports to replace local production
10-May-12	A Saudi company is seeking joint venture agreement with the Philippine government for 200,000 hectares of rain-fed government land and private farms for the production of 1.2 million MT of rice
9-Apr-12	The Sudanese government agreed to give Saudi Arabia two million acres [809 371 hectares] of land as a farming investment that would allow the Arab Gulf state to ensure safe and steady food supply
1-Jan-12	Ukraine Foreign Minister Konstantin Grishchenko held talks with Saudi businessman Suleiman Al-Rajhi, founder of Al-Rajhi International Co., to explore prospects of expanding economic and investment cooperation
26-Dec-11	Islamic Corporation for the Development of the Private Sector and Saudi National Prawn Company tie up for US$ 1 billion aquaculture opportunities
23-Dec-11	Almarai Company, bought 12,300 hectares in Argentina to feed dairy cows
21-Dec-11	Saudi Arabia, seeking foreign farmland to boost its food security, has bought 12,000 hectares of Argentine farmland just as the South American country is attempting to limit foreign farm ownership
21-Dec-11	Almarai said it is buying Argentine farm operator Fondomonte S.A. for US$ 83 million to secure access to a supply of animal feed
18-May-11	Sri Lanka's Minister of Industry and Commerce invites Saudi businessmen to invest in Sri Lanka and says his country can cultivate agricultural crops for Saudi Arabia
27-Apr-11	Saudi Arabia foresees investment of US$ 600 billion in Turkey during the next 20 years, with Saudi food security high on the agenda
23-Mar-11	Saudi Star Agricultural Development Plc, a food company owned by billionaire Sheikh Mohammed al- Amoudi, said it plans to invest US$ 2.5 billion by 2020 developing a rice-farming project in Ethiopia
17-Feb-11	Saudi Star Agriculture Development Plc, awaits a decision from the Ethiopian Agriculture Ministry to expand his farmland from 10,000 hectares to 250,000 hectares
28-Jan-11	The Zambian Development Agency signed off the virgin land to a Saudi firm called Menafea Holding which will grow pineapples and produce juice

Source: http://farmlandgrab.org

Exhibit 59: UAE

Date	Events
20-Mar-13	UAE want to invest in agricultural production in Angola
14-Jan-13	Al Dahra Agriculture signs EUR 300 million (US$ 390.8 million)[16] agreement with Serbian Government
14-Nov-12	Dubai-based AWGAL Investments is in advanced talks with farmers in Texas to invest in cattle farms to produce Halal-certified US beef. The firm plans to invest up to AED50m (US$ 13.6 million) opening three US-based fast food brands, including burger chain Mooyah, Dunn Bros Coffee and chicken-wing brand Wingstop in the UAE
20-Feb-12	Al Ghurair Foods is acquiring 100,000 hectares of farmland in Sudan to grow grain, a move in line with the UAE's efforts to address food security concerns
7-Nov-11	Dubai firm, City Energy & Infrastructure, is set to inject US$ 500 million investments in the Kigoma region in western Tanzania in the development of a sugar plantation and sugar processing plant in an area of 100,000 hectares
24-Jun-11	UAE-based food company IFFCO Group will be investing in palm oil plantations and cattle processing facility in Ethiopia
14-Jun-11	Iowa agribusiness investor Bruce Rastetter is leading a project to turn as much as 800,000 acres [324,000 hectares] of land in the east African country of Tanzania into a massive grain-and-livestock operation
17-May-11	Sudan has unveiled that a number of local and Arab investors, have enrolled in the agricultural investment in his state, especially in the field of pivot irrigation
13-May-11	UAE investments in Vietnam have reached US$ 3 billion and are set to surge with local companies considering opportunities in agricultural lands
24-Apr-11	The UAE plans to hold further talks with officials from Australia with a view to invest in farmland as part of its plan to tackle food security
17-Apr-11	Sudan and UAE have agreed to concentrate investment in the field of agriculture, referring that the UAE Al-Thahra Company expressed desire to invest in Sudan as strategic partner in the food security projects
12-Mar-11	The UAE and other Gulf states in collaboration with Singapore companies are entering the Chinese agriculture market to ensure food security
8-Mar-11	Clarity, a financial consulting firm and UAE investors launch first agricultural project in Macedonia
11-Feb-11	The UAE is considering to invest in farmland in Turkey as rising prices raise the urgency of food security
30-Jan-11	Gulf Merchant Bank set to drive forward investment in Moroccan aquaculture industry

Source: http://farmlandgrab.org

[16] Conversion rate as of Apr 28, 2013

Exhibit 60: Qatar

Date	Events
14-Mar-13	Qatar will build a hub at Tanjung Manis in Sarawak, Malaysia, which is home to more than 77,000 hectares of agricultural land, mainly for the production of pharmaceuticals and halal food
14-Mar-13	Hassad Food eyes new investments in Pakistan
23-Sep-12	Sheikh Nasser bin Mohamed Al Hageri, the head of the Qatari Hassad Foodstuff Company, is currently visiting Egypt along with his accompanying delegation for boosting agricultural investments
7-Sep-12	Mawashi, Qatar's livestock company, plans to invest in industrial agriculture and food sources outside Qatar to serve the vision and objectives of the Qatar National Food Security Programme
1-Jun-12	Qatar's sovereign wealth fund, with an estimated US$ 100 billion in assets, expects to start exports of grains and wool from Australia as it nears completion of a US$ 486 million farm investment plan
28-May-12	Hassad Food Co, the agricultural investment arm of Qatar's sovereign wealth fund, may invest EUR 500 million (US$ 651.3 million)[17] this year to increase food supplies for the desert emirate
10-Apr-12	The Philippines and Qatar signed 4 bilateral agreements and one private sector agreement seen to boost cooperation in investments, tourism, fisheries and the legal field
14-Mar-12	Qatar will invest in three sectors in farming in Bulgaria says Bulgarian Prime Minister, Boyko Borisov
10-Mar-12	Sudan's President says his government gave Qatar 250,000 acres of land in the Nile River state but the project was put on hold because China cancelled a loan that was needed to extend electricity in the area
26-Feb-12	Australian business council wants Qatar to invest more in food production in Australia, similar to what Qatar's Hassad Foods is pursuing
16-Jun-11	Hassad Foods set to expand its Australian farmland holdings for US$ 45 million investment
21-Mar-11	Hassad Food seeks Turkish farmland, invests US$ 500 million in 2010
18-May-11	Hasat Hud, a state-supported Qatari company, wants to buy vast swaths of public land in Turkey to invest in agriculture and husbandry

Source: http://farmlandgrab.org

Exhibit 61: Oman

Date	Events
18-Feb-13	Oman Minister of Housing, has issued a decision to regulate the allotment of agricultural land in border areas in the governorate of Buraimi.
8-Feb-12	Oman Minister of Agriculture and Fisheries stated that the option for Oman to boost its food security by investing in overseas farmland is still open, with interest shown by a number of countries
12-Dec-10	Oman could strengthen domestic availability of food grains by entering into 'contract farming' with Indian farmers, a senior Indian government official suggested

Source: http://farmlandgrab.org

[17] Conversion rate as of Apr 28, 2013

Exhibit 62: Bahrain

Date	Events
19-Sep-12	The Kingdom of Bahrain is seeking to conclude an agreement with the African Union Commission paving the way for the GCC bloc to ensure the food security by utilising the natural resources rich African continent
19-Jan-12	Bahrain's Nadir and Ibrahim Sons of Hassan Group has signed a US$ 50 million agriculture investment deal with AMA Group Holdings
3-Nov-11	Bahrain launched a US$ 265 million food fund to develop Bahrain's food self-sufficiency by investing in viable projects and technologies
5-Mar-11	Investors from UAE, Saudi Arabia, Kuwait and Bahrain are currently planning to increase investment in the agriculture sector of the Philippines as part of their government's food security program
6-Jan-11	Argentina, with a sophisticated agro-based industry, offers rare opportunities to the Bahraini and GCC investments in agriculture sector especially when the region is seeking investments for food security

Source: http://farmlandgrab.org

Exhibit 63: Kuwait

Date	Events
10-Jul-11	Kenana Sugar Company is partly owned by Kuwait Investment Authority and the government of Saudi Arabia; Beltone and Kenana establishes a new agriculture fund
16-Jan-11	Argentine president oversees deals in the fields of health, agriculture and sports in Kuwait

Source: http://farmlandgrab.org

Country Profiles

Saudi Arabia

Macro-economic indicators

Indicators	Unit	2011	2012E	2017E
GDP	*US$ billion*	597.1	657.0	778.8
Population	*million*	28.2	28.8	31.9
Inflation	*%*	5.0%	4.9%	4.0%
GDP per capita	*US$*	21,196	22,823	24,428

Source: IMF

Economic Overview

Saudi Arabia's GDP, (in constant currencies), is estimated to have grown 7.1% in 2011 after averaging 3.4% during 2005–2010, according to the IMF. The economy is expected to benefit from stronger oil prices and a thriving non-oil economy. The IMF projects Saudi Arabia's GDP to expand 4.4% (on an average) each year during 2012–2017.

Industry snapshot

Saudi Arabia boasts the largest food sector in the GCC, primarily due to its huge population base - accounts for over 65% of the region's population. KSA's population is expected to grow 2.1% annually between 2010 and 2017. The salient features of the country's food sector are:

- Saudi Arabia is the largest food producer in the GCC region, accounting for 74.1% of GCC's total food production.
- KSA's food production expanded at a CAGR of 2.1% during 2002-2010 to reach 8.4 million tonnes in 2010.
- Currently, the Kingdom meets 35% of its domestic food demand. However, reliance on imports is likely to increase as the Saudi government has directed to reduce wheat production to conserve water (effective 2016).
- Moreover, Saudi Arabia is GCC's single largest food consumer, accounting for 62% of the region's total food consumption.
- Food consumption increased at a CAGR of 2.8% between 2004 and 2010 and is expected to expand at about 2.6% over the next six years, led by higher growth in meat consumption.
- As of 2010, cereals accounted for 56.5% of total food consumption, followed by milk (13.5%), vegetables (11.1%), fruits (10.2%) and meat (4.8%).
- In terms of consumption growth, poultry market is a growing sector as people are moving to a protein-rich diet. Meat consumption is expected to increase 2.8% annually over the next seven years. According to the OECD, about 40% of meat products are imported, signaling significant opportunity for domestic players in this sector.
- Saudi Arabia's grocery retail sector is well established, with organized mass grocery retail (MGR) sales accounting for over 52% of total sales and would rise to 73% of total sales by 2020, according to BMI.
- Total capital in the food and beverage sector grew 18.6% and labor force increased 13.0% to 131,000 workers in 2011.
- According to the Ministry of Commerce and Industry, 800 food and beverage companies, having a total capital of more than SAR 49 billion, currently operate in KSA.
- Almarai and Savola are the biggest food producers in the Kingdom in terms of market cap.

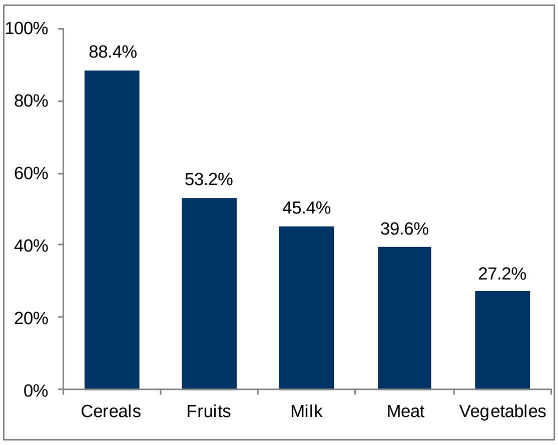
Food Imports

Year	Imports (US$ billion)	CAGR
2010	16.8	12%
2015E	24.5	8%
2020E	35.2	8%

Key Food Players

Company	Type
Almarai Company Limited	Food & Dairy
Savola	Food & Dairy

Key Food Commodities: Dependence on imports for consumption



Source: Alpen Capital; Arab Agricultural Statistics Yearbook; and FAO Statistics, 2010

Growth drivers

- **Population Growth -** A growing population is the key driver of food consumption in Saudi Arabia. As per Business Monitor International's estimates, KSA's population is estimated to double by 2023, thus resulting in higher demand for food.
- **Rise in Income Levels -** A rise in income levels and tourist inflows contribute largely to growth in the sector.
- **Change in Life Styles -** With changing lifestyle, rising employment in private sector, and favorable demographic factors, the processed and fast food industry is likely to remain in focus.

  In 2011, more than 50% of the Kingdom's population was less than 25 years of age, consequently driving the fast food industry. Saudi Arabia consumes about 75% of the total volume of fast food served in the Gulf markets and 29 of the 60 fast food factories in the Gulf, are in Saudi Arabia. Rising workforce participation (both men and women) resulting in busy lifestyle is likely to boost demand for packaged foods. Moreover, sale of ready-to-consume and processed food products is driven by additional demand from pilgrims during the Hajj. The number of pilgrims is expected to double by 2020 compared with 2008.Saudi Arabia's high ratio of people suffering from obesity and diabetes (According to KSA's obesity research unit, 70% of Saudi men and 75% of Saudi women are obese) indicates a strong market for healthier and nutritious food.

Government Initiatives

- **Investments in Food Stabilization -** The Sudanese government agreed to establish a free zone, with an area of two million acres, to be given to Saudi Arabia for cultivation. The area will be close to Port Sudan, thereby facilitating transport of products across the Red Sea. This is further expected to make Saudi Arabia self-sufficient in terms of grains and vegetables. To enhance food security, the government invested US$ 800 million in agriculture and livestock production companies through the Saudi Company for Agricultural Investment & Animal Production (SCAIAP), which was established in 2009.
- **Financing Support & Subsidies -** The government provides subsidies for wheat production by supplying free desalinated water, which is quite expensive otherwise. The government has reduced wheat purchases from local farmers by 12.5% annually. It plans to continue withdrawing all agricultural subsidies from such farmers to preserve the country's scarce water resources.

  The government supports the Kingdom's food manufacturing sector by providing attractive financing and subsidies on selected equipment and by levying higher import tariffs on certain imports that compete with locally produced goods (poultry meat, table eggs, sugar, infant foods derived from milk, macaroni, and similar products).

  The government supports the value-added food processing sector through financing schemes and subsidies to ensure dependence is only on raw input materials. It allocated US$ 12.3 billion for the development of agricultural infrastructure, including irrigation, electricity, transportation, and mills, in 2010.

  The government's initiatives drove the development of the dairy industry, which now contributes 4% to the country's exports.

UAE

Macro-economic indicators

Indicators	Unit	2011	2012E	2017E
GDP	*US$ billion*	342.0	361.9	430.5
Population	*million*	5.4	5.5	6.4
Inflation	*%*	0.9%	0.7%	2.1%
GDP per capita	*US$*	63,626	65,377	67,349

Source: IMF

Economic Overview

Oil & gas, manufacturing, services, and real estate are the key industries in the UAE. According to the IMF, the country's real GDP grew 5.2% in 2011 after reporting a marginal growth of 1.3% in the previous year. The IMF estimates GDP to grow 4.0% in 2012 and expand at a CAGR of 3.3% over 2012–2017, led by a revival in tourism and business activities.

Industry snapshot

UAE is the second largest food producer in the GCC region after Saudi Arabia, accounting for 12% of total GCC population. Food consumption in the UAE (by value) has been growing 12% per year and; it is expected to reach AED 28.2 billion (US$ 7.7 million) in 2012 and AED 32.6 billion (US$ 8.9 million) in 2013, as per Business Monitor. The salient features of UAE's food sector are:

- UAE is GCC's second largest food producer, accounting for 12.1% of the region's total food production.
- During 2002–2010, the country's food production remained almost flat at 1.4 million MT.
- Currently, UAE meets about 18% of its domestic food demand.
- Food consumption expanded at a CAGR of 6.2% between 2004 and 2010 and is expected to increase at a CAGR of 4.3% during 2011–2017.
- As of 2010, cereals accounted for 28% of total food consumption, followed by fruits (22%), vegetables (18%), meat (10%) and milk (6%).
- The country has a high demand for fresh foods and met 25.5% of demand for milk and 18.5% for vegetables in 2010 through local production.
- Due to increasing meat consumption, the halal industry generates around US$ 600 billion - 2.1 trillion annually and is expected to grow 20% by 2025. This is primarily due to high per capita income (which encourages spending on high-cost food items) and demand from the tourism industry.
- The UAE confectionary market was valued at US$ 267.7 million in 2010, a 9.5% growth since 2005. The growth is phenomenal compared with 19.1% in the US, 16.9% in the UK and 38.4% in China.
- According to Datamonitor, the dairy market (generated revenues of US$ 602.4 million in 2010) increased at a CAGR of 5.9% over 2006–2010 and is expected to expand at a CAGR of 5.1% over 2010–2015, thereby driving the market to a value of US$ 773.7 million by 2015.
- The food retail industry expanded at a CAGR of 20.6% during 2005–2009 and would generate revenues of US$ 7.3 billion in 2011, increasing at a CAGR of 6.5% over 2011–2016. Within the industry, hypermarkets, supermarkets, and discount stores accounted for 82.9% of total sales in 2009, as per Datamonitor. Notably, UAE's mass grocery retail (MGR) is one of the largest sectors in the Gulf.

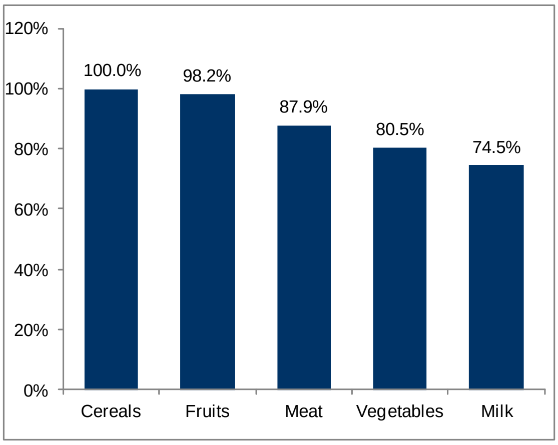
Food Imports

Year	Imports (US$ billion)	CAGR
2010	3.6	11%
2015E	5.5	9%
2020E	8.4	9%

Key Food Players

Company	Type
Agthia Group PJSC	Food & Beverages
Dubai Refreshments Company	Beverages

Key Food Commodities: Dependence on imports for consumption



Source: Alpen Capital; Arab Agricultural Statistics Yearbook; and FAO Statistics, 2010

Growth drivers

- **Tourist Destination** - UAE has positioned itself as the ultimate tourist destination in the Middle East, providing tourists with leisure and corporate elements. The country's shopping malls, marine tourism, events, adventure sports, exhibitions, and conventions centers continue to attract travelers. This, in turn, would increase demand for food.
- **Increasing Expatriates** - The government's initiatives to develop other emirates would increase the number of expatriates in the country, thus leading to higher demand for food. Currently, expatriates constitute 91% of the nation's population.
- **Rising demand from catering industry** - Strong demand from the catering industry that serves in-flight meals has benefited UAE's food sector. Currently, more than 145 airlines operate flights to and from Dubai. Officials reported that Dubai airports collectively handled 57.7 million passengers in 2012.

  Celebrity chefs across the world have opened or are planning to have their outlets in the UAE, majorly in Dubai. This reflects the market's reciprocity with a wide range of foods and its high growth potential.
- **Increasing Health Consciousness** - The organic market in the UAE is benefiting, as consumers are becoming increasingly health conscious. The UAE has 13 organic farms and 23 more are expected to be developed before 2011-end.
- **Strategically Located** - UAE's food industry generates additional revenues from its strong re-exports mainly due to its strategic location. The UAE imports raw or semi-processed agricultural products for further processing and re-export. The country re-exports nearly 50% of imported food products to other GCC countries as well as to Russia, India, Pakistan, and East Africa.

Government Initiatives

- **Initiative to Support Food Security** - The UAE government, along with the Arab Federation for Food Industries and AR Group, has planned an ambitious initiative to support food security in the Arab world. It will be responsible of reviewing challenges faced by UAE's food industry and develop effective solutions and recommendations. The government has been investing in agriculture projects abroad, especially in Vietnam, Cambodia, Egypt, Pakistan, Romania, Sudan, and the Americas, to improve food security, secure food supplies, and safeguard against market fluctuations. Moreover, Abu Dhabi Fund for Development announced plans to invest in 30,000 hectares (30 square kilometers) of land in Sudan. It intends to commence production of fodder and further of wheat, corn, and potatoes. The investment is likely to extend up to 400,000 hectares of land.
- **Support & Subsidies** - The UAE government has invested US$ 1.4 billion in the food manufacturing sector since 1994. It encourages the sector to cater to local and re-export markets. As a result, the country currently has 150 food processing plants. In June 2011, the government announced a scheme in partnership with retailers to offer basic food under 400 categories at lower prices. The support scheme has been launched for six months through 70 outlets and involves retailers such as Carrefour, Lulu, and Spinney's.

Qatar

Macro-economic indicators

Indicators	Unit	2011	2012E	2017E
GDP	*US$ billion*	173.5	184.6	237.8
Population	*million*	1.8	1.8	2.2
Inflation	*%*	1.9%	2.0%	4.0%
GDP per capita	*US$*	98,144	100,378	106,320

Source: IMF

Economic Overview

According to the IMF, Qatar's GDP is estimated to have grown 14.1% in 2011 compared with 16.7% in 2010. The growth can be attributed to massive expansion in the nation's hydrocarbons capacity. The IMF estimates a slowdown in the country's growth to an average annual rate of 6.0% during 2012–2017.

Industry snapshot

Qatar is an important business hub and has the highest per capita income in the GCC region. The country's population is expected to grow 4.0% annually between 2010 and 2017. The salient features of its food sector are:

- Qatar accounts for only 0.9% of GCC's total food production.
- During 2002-2010, the country's food production expanded at a CAGR of 1.1% to 0.1 million tonnes in 2010.
- According to the FAO, only 1% of Qatar's land is arable, the rest is sand dunes, urban settlements, gravel and vast stretches of salt-crusted soil called sabkha. This indicates that the country would never be truly self-sufficient in terms of food, even if they were to lower their food consumption substantially.
- This is evident as Qatar meets just 7.2% of its domestic food demand, and relies largely on imports.
- Higher dependency on imports makes the country more susceptible to fluctuations in global food prices.
- Food consumption in Qatar expanded at a CAGR of 8.8% between 2004 and 2010 and is expected to grow 5.1% over the next six years, led by increase in meat and fruit consumption.
- As of 2010, cereals accounted for 35.3% of total food consumption, followed by vegetables (19.8%), fruits (10.8%), milk (10.5%) and meat (10.4%).
- In terms of consumption, cereals are likely to remain the largest food segment, followed by vegetables, albeit growing at a slower pace.
- Mass grocery retail (MGR)'s sales rose 6.8% y-o-y in 2012 and is expected to reach 30.4 by 2016.
- Food prices are likely to increase in Qatar, as food supply would be reduced due to the US drought.
- In its consistent efforts to achieve food security, the Chairman of the Qatar National Food Security Programme (QNFSP) expects Qatar to gain 60%–70% of food security by 2023 through a plan implemented in five phases, starting 2013.

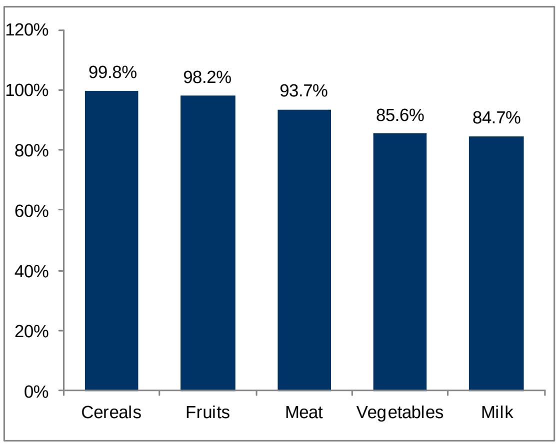
Food Imports

Year	Imports (US$ billion)	CAGR
2010	1.3	13%
2015E	2.1	10%
2020E	3.3	9%

Key Food Players

Company	Type
Qatar Meat & Livestock Company	Poultry
Zad Holding Company	Food

Key Food Commodities: Dependence on imports for consumption



Source: Alpen Capital; Arab Agricultural Statistics Yearbook; and FAO Statistics, 2010

Growth drivers

- **FIFA to Increase Expatriates** - After winning the bid to host the 2020 FIFA World Cup, an infrastructure spending plan totaling US$ 50 billion has been drafted by the Qatari government. The initiative is likely to boost demand for food and have a multiplier effect on population growth. The country is expected to see a rise in the number of expatriates mainly due to the increased need for workers to support the infrastructure development plans. More than 80% of Qatar's population is expatriates.
  The development of the hospitality industry would further boost demand in the food sector. According to the FIFA, Qatar has earmarked US$ 17 billion to develop hotel properties over the next five years. As per the Qatar Tourism Authority, the industry would have 85,000 new rooms by 2022.
- **Highest per Capita GDP in GCC** - Qatar's GDP per capita is the highest in the GCC region and among the highest in the world, as per data by the IMF. This has led to high per capita food consumption by value, thus benefiting the food industry.

Government Initiatives

- **Food Security Initiatives** - The QNFSP expects Qatar to attain substantial food security by 2024 by investing in large areas of farmland. The nation plans to meet this target in ten years and expects to commence its initiatives in 2014. Through the QNFSP, Qatar plans to develop 1,400 farms to improve food security issues. Moreover, Qatar Investment Authority, through its company Hassad Food, has adopted a strategy to invest in agricultural businesses in foreign countries. The company has globally invested US$ 2.6 billion over 2011–2012.
  In April 2011, Qatar signed a memorandum of understanding (MoU) with the US to enhance worldwide food security. The country has invested US$ 5.1 billion in diverse food security initiatives, which includes leasing 400,000 hectares of land in Kenya against a US$ 3.5 billion loan to the latter's government with the intention of becoming self-sufficient by 2023.
  Furthermore, Qatar agreed to invest US$ 1.3 billion in Italian firms in sectors such as food, fashion and luxury goods, furniture and design, and tourism and leisure. The country is in the process of acquiring farmland in countries such as Ukraine, Argentina, and Turkey. The move is planned to ensure food security and hedge risks related to food price volatility.

Oman

Macro-economic indicators

Indicators	Unit	2011	2012E	2017E
GDP	*US$ billion*	72.7	80.0	90.0
Population	*million*	3.1	3.2	3.7
Inflation	*%*	4.0%	3.2%	3.3%
GDP per capita	*US$*	23,572	25,152	24,324

Source: IMF

Economic Overview

Oman's GDP grew 5.4% in 2011 compared with 5.0% in 2010. This was mainly attributed to higher oil prices, as the economy is mainly dependant on oil production, with the petroleum sector accounting for 87% of budgets revenues, 45% of GDP, and 60% of total exports. Higher tourist arrivals and foreign direct investments are expected to contribute to growth in the current fiscal. The IMF estimates Oman's GDP to expand at a CAGR of 3.8% during 2012–2017.

Industry snapshot

Oman depends less on the import of farm food compared to other GCC countries. Agriculture and fishing are the main sources of income for the Omani population. The country's population is expected to grow 3.1% annually between 2010 and 2017.

- Oman accounts for 8.0% of GCC's total food production.
- The country's food production expanded at a CAGR of 4.5% to 0.9 million MT over 2002–2010.
- Currently, Oman meets about 33% of its domestic food demand. The country's food imports are projected to soar to US$ 4.8 billion by 2020 from US$ 2.1 billion in 2010, as per EIU.
- Food consumption in Oman increased at a CAGR of 17.3% during 2009-2011 and is expected to grow at about 3.7% over the next six years, led by increase in meat and fruit consumption.
- As of 2010, cereals accounted for 23.0% of total food consumption, followed by milk (21.6%), fruits (18.4%), vegetables (13.6%) and meat (4.5%).
- According to Oman Daily Observer, Oman imports over 75% of its total poultry meat and red meat consumption, with only 0.1% of its land being arable and agriculture contributing to only 1.4% of its GDP.
- Oman is the largest producer of fresh fish in the Gulf region, with landings estimated at 164,000 tonnes last year of a total value of OMR 118 million (US$ 305.7 million)[16].
- According to the Ministry of Agriculture and Ministry of Fisheries Wealth December 2009 report, the fishing sector grew 6.4% annually during 2000–2007. Traditional fishing contributed 89.2% to total fish production. Oman's fishing sector offers a high growth potential to the country's industrial fishing and processing.

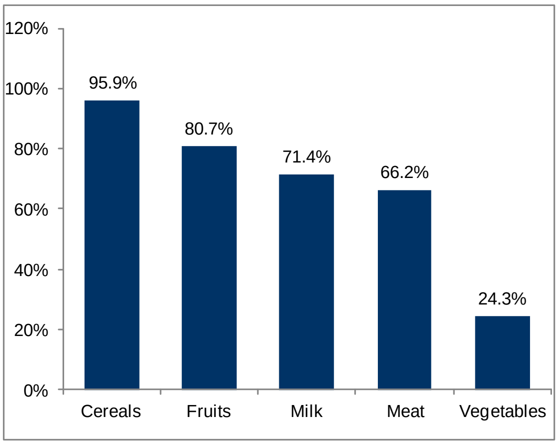
Food Imports

Year	Imports (US$ billion)	CAGR
2010	2.1	17%
2015E	3.3	9%
2020E	4.8	8%

Key Food Players

Company	Type
Oman Refreshment Company	Beverages
A'Saffa Foods	Poultry

Key Food Commodities: Dependence on imports for consumption



Source: Alpen Capital; Arab Agricultural Statistics Yearbook; and FAO Statistics, 2010

Growth drivers

- **Increasing Self-sufficiency** - The country's increasing self-sufficiency to produce food items is beneficial for food processing companies in Oman, as locally produced raw materials lower input costs. According to latest official estimates, Oman has attained self-sufficiency in producing tomatoes, cabbages, carrots, potatoes, corn, and all kinds of melons. Overall, the nation has achieved over 60% self-sufficiency in vegetables and 28% in milk.
  Most of Oman's population is employed in the agriculture, livestock, fisheries, and food processing sectors. As a result, the food sector is likely to continue enjoying benefits provided by the government.
- **Young and Rising Population** - As per Eastern Mediterranean Regional Health System Observatory, Oman's median age is 25.5 years for men and 22.4 years for women, one of the lowest among GCC nations. Thus, it is beneficial for the food sector, as the young population is more inclined towards processed and ready-to-consume food items. Moreover, Oman's population expanded at a CAGR of 2.5% during 2000–10, the lowest among GCC countries. The IMF estimates the country's population to increase at a CAGR of 3.1% during 2010–2017; this is expected to benefit the food sector.
- **Increasing Tourism Level** - Tourist arrivals grew 11.5% in 2011 and are estimated to expand at a CAGR of 5.7% to 2 million by 2016; this is one of the major reasons for growth in the food industry.
- **Fisheries, the Key Economic Contributor** - Oman's fisheries sector is the key contributor to the country's food sector and economy. The fisheries industry provides livelihood to more than 200,000 people who undertake fishing activities along Oman's 3,240 km-long coastline. More than 150 species of fish have been identified in Omani waters, ranging from sardines to tuna. The Ministry of Agriculture and Fisheries hopes that the Arabian Sea coastline, stretching from Duqm to Salalah, will drive growth in the fisheries sector.

Government Initiatives

- **Investments in Food Stabilization** - The Minister of Agriculture and Fisheries, Dr. Fuad Bin Jaafar Sajwani, announced plans to build nine new fishery harbors during the current Five-Year Development Plan (2011–2015) in order to boost the country's food security. The Ministry of Agriculture completed the digital mapping of pastures in April 2011. This was the first phase of development and management of pastoral resources in about 261,000 hectares of land.
  Moreover, the government plans to set up 52 new warehouses in different wilayats at an envisaged investment of OMR 42 million (US$ 108.8 million)[16] to ensure availability of food reserves in case of natural calamities. As of 2010, the company had 200,000 tonnes of rice, 70,000 tonnes of sugar, and 250,000 tonnes of wheat.
  Sohar Port has assigned a prime waterfront stretch for establishing a dedicated agro-bulk terminal to serve the objectives of the Public Authority for Strategic Food Reserves (PASFR), in view of supporting the Omani government's food security strategy. It is expected to be implemented in the next 12–24 months and will be equipped to handle ships with capacities of 10,000-11,000 TEU. Moreover, the government is acquiring farmland in foreign countries to ensure food security.
  Oman plans to accelerate growth in the food industry and expects local as well as foreign investments of up to US$ 100 million in aquaculture projects over the next few years. The new aquaculture projects are expected to yield 220,000 tonnes of fish production by 2030. The growing importance of the fisheries sector persuaded the government to establish a separate Ministry of Fisheries by Royal Decree in 2007 in order to govern regulations and legislation. Moreover, OMR 100 million (US$ 259.1 million)[16] has been allocated for the fisheries sector in the Eighth Five-Year Development Plan (2011-2015).

Bahrain

Macro-economic indicators

Indicators	Unit	2011	2012E	2017E
GDP	*US$ billion*	25.9	26.5	30.4
Population	*million*	1.1	1.1	1.3
Inflation	*%*	-0.4	0.6%	2.0%
GDP per capita	*US$*	22,918	23,027	23,889

Source: IMF

Economic Overview

According to the IMF, Bahrain's real GDP grew 2.1% in 2011 compared with a rise of 4.7% in 2010. The slowdown was mainly ascribed to the political unrest in the country. However, non-oil sectors witnessed considerable growth. The IMF projects Bahrain's GDP to grow 2.0% in 2012 and to expand at a CAGR of 2.6% during 2012–2017.

Industry snapshot

The country's food processing industry is a key economic engine for Bahrain. The government is undertaking various initiatives to attract foreign investment. According to the Ministry of Industry and Commerce, the total capital invested in this industry is nearly BHD 32 million (US$ 84.1 million)[16]. The number of people employed in the industry is almost 2,582, of which 45% are Bahrainis. Moreover, Bahrain has the largest proportion of arable land to total land in the GCC region. The country's population is expected to grow 2.0% annually between 2010 and 2017.

The key features of the country's food sector are:

- Bahrain accounts for just 0.4% of GCC's total food production, the least in the region.
- The country's food production grew at a CAGR of 0.1% to 0.05 million MT over 2002–2010.
- Currently, Bahrain meets about 10% of its domestic food demand. The country's food imports are expected to reach US$ 1.6 billion by 2020 from US$ 0.7 billion in 2010, a rise of 128%.
- Food consumption in Bahrain remained almost flat in 2010 compared to 2009 and is expected to expand at about 2.0% over the next six years, led by fruits and milk.
- As of 2010, cereals accounted for 26.7% of total food consumption, followed by milk (24.5%), fruits (12.9%), meat (11.4%) and vegetables (11.2%).
- Bahrain's primary crops are dates, bananas, citrus fruits, pomegranates, mangoes, cucumbers and tomatoes.
- The country consumes about 5,800 MT of red meat a year, of which 30% is imported. Furthermore, Bahrain imports 87% of its poultry meat consumption and over 90% of its fruit consumption.

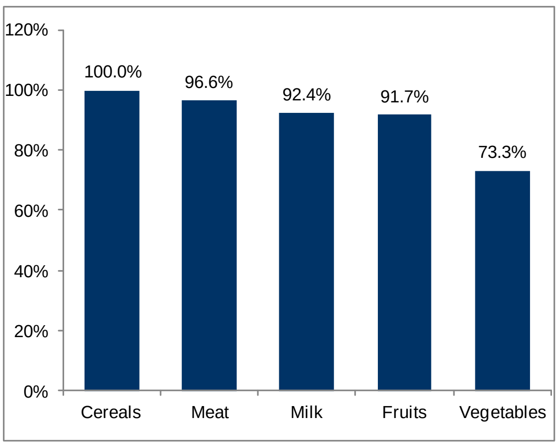
Food Imports

Year	Imports (US$ billion)	CAGR
2010	0.7	12%
2015E	1.1	9%
2020E	1.6	8%

Key Food Players

Company	Type
Delmon Poultry Company	Poultry

Key Food Commodities: Dependence on imports for consumption



Source: Alpen Capital; Arab Agricultural Statistics Yearbook; and FAO Statistics, 2010

Growth drivers

- **Strategically Located** - Bahrain's strategic location has helped it emerge as an attractive destination for food processing firms. It is well-connected to Saudi Arabia, the largest market in the Gulf region, through a 25-km causeway as well as to other major markets such as Kuwait, Iran, and Qatar (40-km causeway planned to commence in 2013). Bahrain's proximity to Saudi Arabia is likely to further aid demand in the food industry, as many companies with headquarters in the KSA come for meetings and leisure to Bahrain.
- **Rising Educated and Economically Active Population** - The proportion of educated and economically active population (as a percentage of total population) has been increasing in Bahrain. This is likely to fuel growth in the food sector, as such population has a higher appetite for high-value and processed food products.
- **Convenient Policies** - The country allows 100% foreign ownership, 0% tax rate, no duties on capital goods and raw material, and free trade agreements with the US and GCC markets; as a result, the country has convenient policies regarding the establishment of food manufacturing facilities. Consequently, the nation has managed to exert a pull on globally renowned brands such as Kraft, Intercol (Nestle), and Coca-Cola. These companies cater to the burgeoning GCC markets.
- **Development of Infrastructure -** Infrastructure development activities, such as the expansion of Bahrain International Airport, would increase passenger capacity to 13.5 million by 2015; this would benefit the food industry.

Government Initiatives

- **Subsidies** - The government is making efforts to end monopoly in Bahrain's meat industry by introducing competition, which would in turn help improve the quality of products. The government has already assigned BHD 67 million (US$ 176.1 million)[17] for subsidies on meat, poultry, and flour this year, up from BHD 56 million (US$ 147.2 million)[17] in 2011. Moreover, BHD 67 million (US$ 176.1 million)[17] has been earmarked for continuing the subsidies next year.
- **Food Security Initiatives** - Bahrain is planning to introduce several new fish farms on land and sea in a bid to increase local food production from 20% to 60% of the country's need over the next four years. The country's Ministry of Industry and Commerce encourages the preservation of agricultural and animal products through processing. According to the ministry, more than 112 factories manufacture various food products in Bahrain.

  The nation is undertaking various initiatives to ensure food security. It has come up with schemes that encourage the private sector to produce leafy vegetables in greenhouses. Moreover, it is supporting the private sector to produce fish, poultry, sugar, and dates. The government and private sector firms are investing in overseas markets to acquire farmland for the production of fruit, vegetables, rice, and corn in an attempt to meet rising demand. Bahrain has purchased farmland in India, Pakistan, Philippines, Thailand, Turkey, and Sudan.

  The government also plans to focus on the development of non-oil sectors and reduce its reliance on hydrocarbons, as Bahrain is one of the first GCC countries to experience the near exhaustion of oil reserves; moreover, its gas reserves are limited.

Kuwait

Macro-economic indicators

Indicators	Unit	2011	2012E	2017E
GDP	*US$ billion*	161.0	174.6	193.1
Population	*million*	3.7	3.8	4.3
Inflation	*%*	4.7%	4.3%	4.1%
GDP per capita	*US$*	43,723	46,142	44,468

Source: IMF

Economic Overview

Oil & gas and finance are Kuwait's primary industrial sectors. According to the IMF, the country's real GDP rose 8.2% in 2011, after growing 2.5% in 2010 due to oil price hikes. The IMF estimates the economy to increase 6.3% in 2012 and expand at a CAGR of 3.9% over 2012–2017. The government's long-term development plans includes diversifying the economy away from oil.

Industry snapshot

More than 80% of the government's revenues and more than half of Kuwait's GDP are dependent on the oil sector. The country is focusing on reducing its reliance on the sector by developing other sectors. Kuwait's population is expected to grow 2.8% annually between 2010 and 2017.

- Kuwait accounts for 4.4% of GCC's total food production mainly due to the higher proportion of vegetable production in the country.
- Kuwait's food production increased at a CAGR of 6.4% to 0.5 million MT during 2002–2010.
- Currently, the country meets about 22% of its domestic food demand. As reported by Arab times, food imports to Kuwait are expected to reach US$ 5.3 billion by 2020 from US$ 2.3 billion in 2010, a rise of 130%.
- Food consumption in Kuwait expanded at a CAGR of 3.0% over 2004–2010 and is expected to increase at about 2.8% over the next six years, led by cereal consumption.
- As of 2010, cereals accounted for 39.4% of total food consumption, followed by milk (18.5%), meat (12.8%), vegetables (12.1%) and fruits (5.3%).
- Food consumption habits are changing in Kuwait as consumers are becoming more inclined towards western foods; moreover, snacks and processed foods are gaining popularity in the region.
- Kuwait's food retail sector grew at around 16% in 2011 and is expected to expand at a CAGR of about 8% over the next 10 years; this is higher compared with the growth rates in Western Europe or USA.
- Obesity is a big issue in Kuwait. As per a recent study by WHO, the country ranks second in obesity, with at least 88% of its population being overweight.

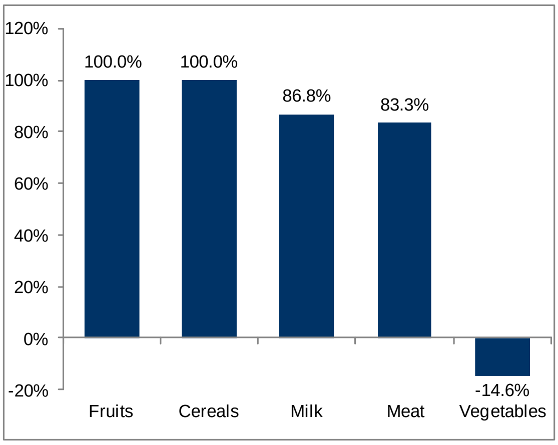
Food Imports

Year	Imports (US$ billion)	CAGR
2010	2.3	11%
2015E	3.6	9%
2020E	5.3	8%

Key Food Players

Company	Type
Kuwait Foods (Americana)	Fast Food

Key Food Commodities: Dependence on imports for consumption



Source: Alpen Capital; Arab Agricultural Statistics Yearbook; and FAO Statistics, 2010

Growth drivers

- **High GDP per Capita** - Food items account for 30% of average household spending in Kuwait (compared with 15% in UAE and Qatar). This coupled with the high GDP per capita bodes well for the food sector.
- **Fast Food Demand on the Rise** - Kuwait's ratio of urban population to total population is one of the highest in the world. As per UN estimates, 98.4% of the nation's population is urban. The urban population generally consumes more processed, ready-to-eat, high-value food items relative to the rural population, thereby driving growth in the industry.
- **Economic Diversification** - The US$ 125 billion investment plan, approved by the Kuwaiti National Assembly to diversify the economy, would have a multiplier effect that would create demand for all categories of food products.
- **Rising Food Demand from Hospitality Sector** - Kuwait's culture and heritage tourism, coupled with enhanced focus on sun and sea activities such as diving, yachting, and trips to islands, is likely to drive leisure demand for hotels and food. Tourist arrivals increased 19.3% in 2011 and are expected to expand at a CAGR of 4.9% to 0.37 million by 2016, thus benefiting the food industry.

Government Initiatives

- **Food Security Investment** - Kuwait's ruler Amir Sheikh Sabah Al-Ahmad Al Sabah launched a US$ 7.11 billion Asian Food Security Fund while inaugurating the Asia Cooperation Dialogue (ACD) summit in 2012. Moreover, the country has a long-term cooperation pact with Vietnam that ensures food security for the former and energy security for the latter.

  Kuwait leased 50,000–130,000 hectares of land from Cambodia for 70–90 years to produce rice. The rice produced in Cambodia would be exported to Kuwait. In return, Cambodia received soft loans worth US$ 546 million for infrastructure projects.

  Moreover, the Kuwait Institute for Scientific Research (KISR) was established to conduct research in the area of biotechnology in order to facilitate crop yield in salty soil and hot climate and animal feeding and care as well as to improve fisheries management and other related areas.
- **Subsidies** - The Kuwait Fund for Arab Economic Development (KFAED) and Decent Living Fund of US$ 100 million was established to assist people globally with issues in various areas, including food security.

COMPANY PROFILES

Agthia Group PJSC UAE

Company Description

Agthia Group PJSC, an Abu Dhabi-based food and beverage group, was established in 2004. The company operates through four wholly owned subsidiaries: Al Ain Water (producer of bottled water and beverages), Grand Mills for Flour & Feed (engaged in the production of flour and animal feed), Al Ain Vegetable Processing and Canning Factory (involved in the manufacturing of tomato paste and processing of frozen vegetables) and Al Ain Food & Beverages (an Egypt-based producer of tomato paste concentrate and fruit puree).

Agthia has approximately 1,900 employees and four business divisions across various food and beverage segments. The company caters to consumers across the UAE, GCC, Turkey and the Middle East.

Business Segments/Product Portfolio

Agthia's portfolio of brands can be categorized in various food and beverage segments: Flour & Animal Feed, Water & Beverages, Processed Fruits & Vegetables, and Dairy.

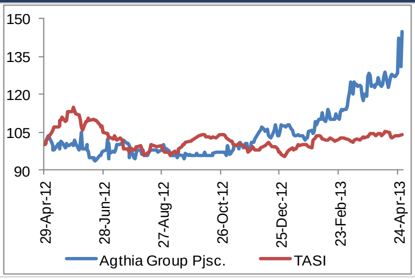
Recent Developments and Plans

- In April 2013, the company announced an AGM would be held to approve the distribution of 5% cash dividends for the year ended 31 December, 2012.
- In Turkey, Agthia will likely rebrand its recently acquired spring water company; in Q1 2013, the company would launch the product under a new brand, Alpin. Agthia intends to launch Alpin natural spring drinking water in the UAE during the second half of 2013.
- The company has undertaken various capacity development projects including expansion of the poultry feed (to be completed by April 2013), flour milling (Q1 2014), high-speed bottling line (Q2, 2014) as well as setting up the 5–10 liter bottling line in Turkey (Q2 2013).
- In March 2012, Agthia successfully completed the acquisition of Pelit Su, a spring water company in Turkey. This is in line with the company’s plans to expand its food and beverages business beyond the UAE.

Current Price (AED)	
Price as on 29/04/2013	2.95

Stock Details	
Bloomberg ticker	AGTHIA:UH
Stock Exchange Listed on	ADSE
52-week high/low (AED)	2.95/1.91
Market Cap (US$ million)	481.9
Enterprise value (US$ million)	447.6
Shares outstanding (million)	600
Source: Bloomberg, Zawya	

Share Price Chart



Valuation Multiples		
	2012	**Current**
P/E (x)	12.46	14.19
P/B (x)	1.38	1.57
EV/EBITDA (x)	8.45	9.72
Dividend Yield (%)	NA	NA
Source: Bloomberg, Zawya		

Shareholding Structure, 2013	
Senaat General Holding Corporation Government	51.0%
Public	44.0%
Abu Dhabi Retirement Pension and Benefits Fund Government	5.0%
Total	**100.0%**
Source: Zawya	

Financial Performance			
(US$ Mn)	2011	2012	% Change
Revenue	312	361	15.9
COGS	236	257	8.9
Operating Income	20	31	55.8
Operating Income Margin (%)	6.4	8.6	-
Net income	24	34	44.5
Net Income Margin (%)	7.5	9.4	-
ROE (%)	8.3	11.1	-
ROA (%)	6.0	7.3	-

Source: Zawya

- In 2012, Agthia's revenue increased 15.9% to US$ 361.2 million, driven by strong performance across its core operating segments: Consumer Business (+26%) and Agthia Agri (+11%). Furthermore, factors such as higher volumes, product innovation, and better mix added to the top-line growth. Sales of new products, such as Yoplait fresh dairy products and Chiquita natural juices, were notably good during the year
- Operating margin expanded to 8.6% in 2012 from 6.4% in 2011 on competitive procurement of grains, cost saving initiatives, and raising the production capacity of flour and feed mills that displaced outsourcing and price increases
- Net income grew 44.5% to US$ 34.0 million in 2012 vis-à-vis the previous year due to cost saving initiatives and expansion of manufacturing capabilities

Al Jouf Agricultural Development Company — Saudi Arabia

Company Description

Established in 1988, Al Jouf Agricultural Development Company (JADCO) is a Saudi Arabia-based joint stock company engaged in the farming and production of wheat, potatoes, onions, fruits, olives, animal feed, olive oil and honey. The company employs around 1,500 people and caters to the MENA market.

Al Jouf's project is located at Busaita-Wadi Alsarhan, Al Jouf district, in the northern region of Saudi Arabia. The project site (including 60,000 hectares of fertile soil, abundant underground water reservoirs and favorable climatic conditions) is ideal for cultivating almost all of the company's products. The favorable location offers the company significant competitive advantage in the domestic market.

Business Segments/Product Portfolio

The company is engaged in the production of fruits, vegetables, olive oil, crops and processed products.

Recent Developments and Plans

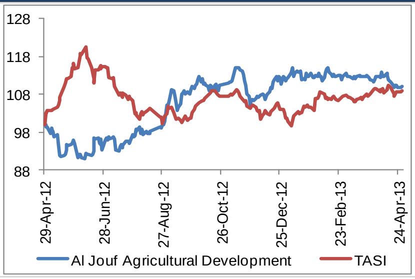
- In February 2013, the company proposed a cash dividend of SAR 2 per share (US$ 0.53)[17] for the year ended 31 December, 2012, but awaits the general assembly's approval.
- In August 2012, the company announced it signed a contract worth SAR 34 million (US$ 9.1 million) with Arabian Agricultural Services Company (Arasco) to provide high-quality yellow corn to the latter.

Current Price (SAR)	
Price as on 29/04/2013	41.0

Stock Details	
Bloomberg ticker	JADCO AB
Stock Exchange Listed on	SSE
52-week high/low (SAR)	44.9/35.5
Market Cap (US$ million)	273.3
Enterprise value (US$ million)	281.7
Shares outstanding (million)	25

Source: Bloomberg, Zawya

Share Price Chart



Valuation Multiples	2012	Current
P/E (x)	10.87	31.52
P/B (x)	1.70	1.69
EV/EBITDA (x)	6.60	13.12
Dividend Yield (%)	4.88	NA

Source: Bloomberg, Zawya

Shareholding Structure, 2013	
Public	90.9%
Abdulrahman Bin Saeed Al Yamani	5.0%
Dr Rashid Bin Rashed Saed Bin Oain	4.1%
Total	**100.0%**

Source: Zawya

Financial Performance (US$ Mn)	2011	2012	% Change
Revenue	78	92	17.4
COGS	35	43	21.4
Operating Income	22	27	21.2
Operating Income Margin (%)	28.6	29.5	-
Net income	23	27	20.1
Net Income Margin (%)	28.8	29.5	-
ROE (%)	14.1	15.7	-
ROA (%)	12.0	13.4	-

- Revenues grew 17.4% y-o-y to US$ 91.9 million in 2012 due to higher sales and realisation
- Operating margin stood at 29.5%, up 92 basis points from 28.6% recorded in the previous year
- Net income increased 20.1% y-o-y to US$ 27.1 million in 2012 due to improved operating margins

Source: Zawya

Al Kabeer Group (Privately Owned) UAE

Company Description

Al Kabeer Group, founded over 30 years ago, manufactures frozen vegetables and fruits, meat and poultry, sea food products and readymade meals; and distributes mixed vegetables, fruits and pulp, burgers, chicken popcorn, snacks, ready meals, meat, fish and poultry.

It has evolved into a multi-dimensional, multi-product business, with offices, processing units and cold storages in over 10 countries. It distributes more than 300 products to 8,000 retail outlets.

The group's food processing plants are built according to international standards, and are equipped with state-of-the-art machinery. Its plants are approved by the EEC, The United States Armed Forces and the Australian Quarantine Board.

Business Segments/Product Portfolio

Al Kabeer's products can be classified into meat & poultry, fruits and vegetables, ready to eat meals, snacks etc.

Recent Developments and Plans

- In July 2012, the company invested SAR 50 million (US$ 13.3 million) to open a frozen food facility in Saudi Arabia. The plant is expected to have a capacity to produce 2,000 MT of ready-made foods.

Snapshot	
Year established	NA
Ownership	Private
Sector	Food & Beverages
City	Dubai

Source: Zawya

Business Segments
Vegetables and Fruits
Kids Corner
Snacks Corner
Ready Meals
Meat and Poultry
Seafood

Source: Company Website

Shareholding Structure, 2013	
Sahar Enterprises	100.0%
Total	**100.0%**

Source: Zawya

Almarai Company — Saudi

Company Description

Almarai Company (Almarai) is a Saudi Arabia-based company engaged in manufacturing and distributing consumer foods and beverages, primarily in the Middle East. The company sells dairy and juice products under the Almarai brand; bakery products under L'Usine and 7Days brands; and poultry products under the Alyoum brand. Established in 1976 as a traditional dairy farming company, Almarai has diversified business lines over the years through organic and inorganic growth strategies to include variants of milk products, bakery products, poultry, arable and horticultural products, and most recently, infant nutrition products.

Almarai is a market leader in dairy products and juices in Saudi Arabia and the GCC countries. It is also one of the world's largest integrated dairy operators. The company served over 48,000 consumers through 89 distribution depots across six GCC nations as of the end of 2012.

Business Segments/Product Portfolio

The company is mainly engaged in producing and marketing dairy products and fresh juices throughout Saudi Arabia and other GCC countries.

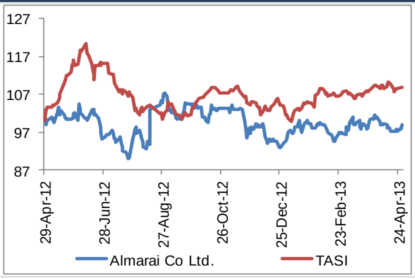
Recent Developments and Plans

- In March 2013, Almarai announced issue of sukuk worth SAR 2.3 billion (US$ 0.6 million)[17] under its Sukuk Program, which is fully compatible with the Islamic Shariah. It was issued with the intention of financing its 2013–2017 Capital Investment program of SAR 15.7 billion (US$ 4.2 million)[17] and pursuing its fund diversification strategy
- In January 2013, the Board of Directors proposed a cash dividend of SAR 1.25 per share (US$ 0.33)[17] on 400 million shares
- In October 2012, Saudi Arabia-based food company Savola Group acquired additional shares in Almarai Co. for SAR 2 billion (US$ 532.6 million)[17], raising its stake to 36.52% from 29.95% earlier
- In September 2012, the company announced plans to increase investments up to SAR 15.6 billion (US$ 4,154.3 million)[17] and provide employment to 12,000 Saudi nationals at various factories and sectors within five years
- In May 2012, Almarai announced the Board of Directors' approval for a five-year investment program worth SAR 15.7 billion (US$ 4.2 billion)[17] to expand business across its market segments. The program is expected to cover expansion needs in all areas of farming, manufacturing, distribution and logistics
- In March 2012, Almarai issued sukuk worth SAR 1.0 billion (US$ 0.27 million)[17] through HSBC Saudi Arabia

Current Price (SAR)	
Price as on 29/04/2013	65.0

Stock Details	
Bloomberg ticker	ALMARAI AB
Stock Exchange Listed on	SSE
52-week high/low (SAR)	72.00/60.25
Market Cap (US$ million)	6,933.3
Enterprise value (US$ million)	9,466.7
Shares outstanding (million)	400.0
Source: Bloomberg, Zawya	

Share Price Chart



Valuation Multiples		
	2012	**Current**
P/E (x)	17.98	25.48
P/B (x)	3.43	3.35
EV/EBITDA (x)	13.38	15.87
Dividend Yield (%)	1.93	NA
Source: Bloomberg, Zawya		

Shareholding Structure, 2013	
Savola Group Company	36.5%
Public	29.2%
HH Prince Sultan Bin Mohammed Bin Saud Al Kabir	28.6%
Omran Mohammed Omran and Partners Company	5.7%
Total	**100.0%**
Source: Zawya	

Financial Performance			
(US$ Mn)	**2011**	**2012**	**% Change**
Revenue	2,120	2,635	24.3
COGS	1,136	1,504	32.5
Operating Income	405	446	10.2
Operating Income Margin (%)	19.1	16.9	-
Net income	304	384	26.4
Net Income Margin (%)	14.3	14.6	-
ROE (%)	17.0	19.1	-
ROA (%)	7.3	7.4	-

Source: Zawya

- Almarai delivered strong results in 2012. Its net income surged 26.4% y-o-y to US$ 384.1 million, in-line with consensus estimates
- Net revenues increased 24.3% to US$ 2.6 billion in 2012, driven by strong performance across core businesses, including poultry (up 58%), bakery (34%) and juice (21%). Furthermore, positive pricing and mix favorably impacted top-line growth by 2.7%. Inclusion of IDJ results, new product launches, and improved packaging and distribution also helped sales
- Despite higher revenues, gross margin contracted 354 bps to 42.9% and operating margin 216 bps to 16.9% during the year on commodity cost pressure and higher overhead expenses. The company is focusing on minimizing cost pressure through backward integration by purchasing/acquiring farmlands, and extending the distribution channel. These factors are likely to yield positive results in the long run
- The management expects the juice business to become profitable by the end of 2013

ALPEN CAPITAL

Areej Vegetable Oils & Derivatives S.A.O.G. Oman

Company Description

Areej Vegetable Oils and Derivatives (AVOD) S.A.O.G, a public limited company, manufactures and distributes cooking oil, ghee, margarine, specialty fats and butter products for institutional customers, primarily in the Middle East. The company is based in Rusayl, Oman.

The company's brands, including Minara, Sohar, Jabal Akhdar and Muscat Margarine, are market leaders in Oman. Khafeef, the lightest frying oil in its class, was recently launched in a new revolutionary pack.

AVOD's products are marketed to over 30 countries through distributors. The company holds a 99% share and a 100% beneficial ownership in its subsidiary, Areej Vegetable Oils & Derivatives SAOG LLC.

Business Segments/Product Portfolio

Areej Vegetable Oils and Derivatives manufactures and markets cooking oils, ghee, margarines, specialty fats and butter products. Its leading brands in Oman include Minara, Sohar, Jabal Akhdar and Muscat Margarine.

Recent Developments and Plans

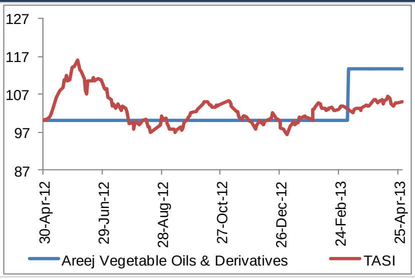
- In February 2013, the company announced an AGM would be held to approve the distribution of 30% cash dividends for the year ended December 31, 2012.

Current Price (OMR)	
Price as on 29/04/2013	2.501

Stock Details	
Bloomberg ticker	AVOI:OM
Stock Exchange Listed on	MSM
52-week high/low (OMR)	2.501/2.201
Market Cap (US$ million)	29.9
Enterprise value (US$ million)	59.4
Shares outstanding (million)	4.6

Source: Bloomberg, Zawya

Share Price Chart



Valuation Multiples	2012	Current
P/E (x)	4.97	3.75
P/B (x)	1.13	1.20
EV/EBITDA (x)	5.24	6.09
Dividend Yield (%)	12.0	NA

Source: Bloomberg, Zawya

Shareholding Structure, 2013	
Public	44.5%
Mohsin Haider Darwish	30.5%
Dr. Omar bin Abdul Muniem Al Zawawi	25.0%
Total	**100.0%**

Source: Zawya

Financial Performance			
(US$ Mn)	**2011**	**2012**	**% Change**
Revenue	249	238	(4.5)
COGS	228	212	(7.0)
Operating Income	5	8	51.8
Operating Income Margin (%)	2.0	3.2	-
Net income	4	6	51.4
Net Income Margin (%)	1.6	2.5	-
ROE (%)	16.6	22.7	-
ROA (%)	4.0	5.3	-

- In 2012, revenue declined 4.5% y-o-y to US$ 238.1 million
- Operating margin increased 120 basis points to 3.2% in 2012 from 2.0% in the year-ago period
- Net income grew 51.4% to US$ 6.0 million in 2012, mainly on higher gross margin

Source: Zawya

A'Saffa Foods S.A.O.G. — Oman

Company Description

Founded in 2001, A'Saffa Foods S.A.O.G. is the largest integrated poultry project in the Sultanate of Oman. The company is engaged in the production and distribution of poultry and grocery products. A'Saffa's processed products include Chicken Franks, Chicken Mince, Chicken Breaded Burgers, Chicken Fillets, Chicken Fingers, Chicken Nuggets, Chicken Spring Rolls, Chicken Samosas, Beef Burger and Beef Mince. The company offers products to restaurants, butcheries, catering companies and other institutions in Qatar and additional geographical locations.

Business Segments/Product Portfolio

The company's leading product A'Saffa Chicken is sold across GCC, Middle East and Arabic countries.

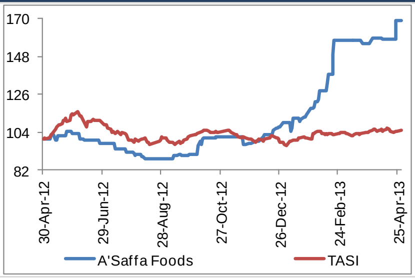
Recent Developments and Plans

- In February 2013, the company announced an AGM would be held to approve the distribution of 5% bonus shares and 15% cash dividends for the year ended December 31, 2012.
- In February 2012, A'Saffa announced plans to increase poultry production by about 24%, incurring a capital expenditure of OMR 4.0 million (US$ 10.4 million)[17]. The company also aims to set up a meat processing plant at Rusayl at an investment of OMR 4.0 million (US$ 10.4 million)[17].

Current Price (OMR)	
Price as on 29/04/2013	0.801

Stock Details	
Bloomberg ticker	SPFI:OM
Stock Exchange Listed on	MSM
52-week high/low (OMR)	0.801/0.430
Market Cap (US$ million)	240.9
Enterprise value (US$ million)	266.1
Shares outstanding (million)	115.76
Source: Bloomberg, Zawya	

Share Price Chart



Valuation Multiples	2012	Current
P/E (x)	11.96	12.75
P/B (x)	3.76	4.01
EV/EBITDA (x)	10.95	11.61
Dividend Yield (%)	NA	1.78
Source: Bloomberg, Zawya		

Shareholding Structure, 2013	
Arab Authority for Agricultural Investment and Development	33.3%
Gulf Investment Corporation	33.2%
National United Engineering & Contracting Company	10.0%
Public	9.1%
Internal Security Service Pension Fund	7.5%
Oman Gulf Company	3.9%
Royal Office Pension Fund	3.0%
Total	**100.0%**
Source: Zawya	

Financial Performance			
(US$ Mn)	2011	2012	% Change
Revenue	55	67	21.3
COGS	34	38	12.1
Operating Income	11	20	75.7
Operating Income Margin (%)	21	30	-
Net income	10	19	88.8
Net Income Margin (%)	18.1	28.1	-
ROE (%)	22.5	31.5	-
ROA (%)	8.3	7.6	-

- In 2012, revenue grew 21.3% y-o-y to US$ 67.2 million
- Operating margin expanded to 29.9% in 2012 from 20.7% in 2011 on cost saving initiatives
- Net income rose 88.8% to US$ 18.9 million in 2012, primarily on higher revenues and improved margins

Source: Zawya

ALPEN CAPITAL

Delmon Poultry Company | Bahrain

Company Description

Established in 1980, Delmon Poultry Company owns and operates facilities for slaughtering processing, packing, storing and the distribution of chicken as well as the production of animal feed and day-old chicks. The company is based in Manama, the Kingdom of Bahrain.

Delmon operates a chick hatchery, whereby they supply chicks to nearby farmers to be raised, and then buys them back when the birds are mature. Delmon supplies almost all of the fresh chicken available in Bahrain and also processes frozen chicken and operates a feed mill. The company has an operating capacity of 9.6 million chicks and 90,000 MT of feed per annum.

Business Segments/Product Portfolio

The company is engaged in poultry production and animal feed manufacturing.

Recent Developments and Plans

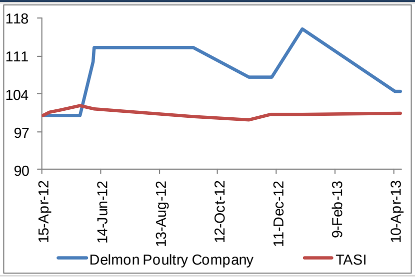
- In February 2013, the Board of Directors proposed the distribution of 20% cash dividends for the year ended 31 December 2012.
- In September 2012, the company announced that it would have to book losses on account of an Australian livestock shipment prohibited from entering Bahrain by the veterinary authority.
- In March 2012, Delmon announced the completion of studies related to the development of a poultry factory in Oman. The factory, to be set up at an estimated cost of OMR 60 million (US$156 million), is expected to produce 150 million fertilized eggs per annum. The project is proposed to be funded 40% by shareholders equity and the remaining by bank borrowings.

Current Price (SAR)	
*Price as on 17/04/2013**	0.234
*(*Last traded)*	

Stock Details	
Bloomberg ticker	POLTRY:BI
Stock Exchange Listed on	BSE
52-week high/low (SAR)	0.26/0.22
Market Cap (US$ million)	19.4
Enterprise value (US$ million)	7.3
Shares outstanding (million)	31.21

Source: Bloomberg, Zawya

Share Price Chart



Valuation Multiples		
	2012	Current
P/E (x)	6.94	6.24
P/B (x)	0.56	0.50
EV/EBITDA (x)	3.31	3.31
Dividend Yield (%)	NA	8.55

Source: Bloomberg, Zawya

Shareholding Structure, 2013	
Public	58.5%
General Organization for Social Insurance	19.2%
TRAFCO Group	9.8%
Abdulhameed Zainl Mohammed	6.5%
Fouad Ebrahim Yusuf Almutawa	6.0%
Total	**100.0%**

Source: Zawya

Financial Performance			
(US$ Mn)	**2011**	**2012**	**% Change**
Revenue	34	39	15.2
COGS	37	41	11.7
Operating Income	(4)	2	155.0
Operating Income Margin (%)	NA	5.6	-
Net income	3	3	0.1
Net Income Margin (%)	9.2	8.0	-
ROE (%)	8.4	8.1	-
ROA (%)	7.9	7.6	-

- Revenue increased 15.2% y-o-y to US$ 38.9 million
- The company reported an operating profit of US$ 2.2 million vis-à-vis their net loss of US$ (4.1) million during the same period last year
- Net income improved only marginally y-o-y to US$ 3.1 million in 2012 despite an increase in revenues, as the higher sales were offset by lower gross margins and loss on investments

Source: Zawya

Dubai Refreshments Company — UAE

Company Description

Dubai Refreshments Company (DRC), established in 1959, bottles and sells soft drinks in the UAE. In 1962, DRC was appointed as the sole franchisee and distributor for Pepsi Co. The company's product line has expanded extensively in more than four decades. New line extensions continue to be added and the product portfolio currently includes Pepsi, Diet Pepsi, Pepsi MAX, Mirinda Orange, Mirinda Green Apple, Mirinda Lemon, Mountain Dew, Shani, Evervess Soda, Evervess Tonic, Evervess Ginger Ale and most recently 7UP, Diet 7UP and Aquafina Pure drinking water.

In terms of bottling technology, DRC claims the largest per day capacity of 1 million bottles of soft drinks and 3 million cans of soft drinks in the lower Gulf as well as the most advanced PET/Non-Returnable Bottle.

Business Segments/Product Portfolio

Dubai Refreshments is engaged in bottling and selling Pepsi Cola International products in Dubai, Sharjah and the other Northern Emirates. The company also owns 7UP and Aquafina bottling and selling rights for the whole of the UAE.

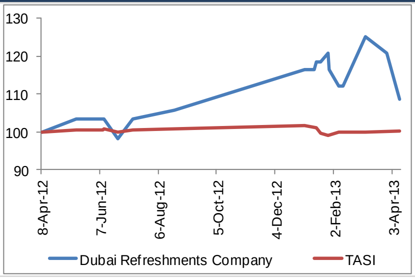
Recent Developments and Plans

- In January 2013, the company celebrated five decades of operations in the UAE by crossing the Dh 1 billion sales mark in December 2012. Several initiatives contributed to achieving this milestone, including the launch of a three-liter bottle just before the year end.
- In April 2012, DRC inaugurated its new state-of-the-art bottling factory and warehouse facility at Dubai Investment Park, making it one of the biggest bottling plants in the MENA region, spanning over 140,000 sq.mtrs., with the capacity to produce over 120 million cases annually.

Current Price (AED)	
*Price as on 11/04/2013** *(*Last traded)*	12.60

Stock Details	
Bloomberg ticker	DRC:UH
Stock Exchange Listed on	DFM
52-week high/low (AED)	14.5/11.4
Market Cap (US$ million)	308.7
Enterprise value (US$ million)	290.7
Shares outstanding (million)	90
Source: Bloomberg, Zawya	

Share Price Chart



Valuation Multiples		
	2012	**Current**
P/E (x)	7.20	9.89
P/B (x)	1.76	1.76
EV/EBITDA (x)	5.52	9.81
Dividend Yield (%)	3.97	NA
Source: Bloomberg, Zawya		

Shareholding Structure, 2013	
Public	59.1%
HH Sheikh Ahmad Bin Rashid Al Maktoum	20.0%
Mohamed & Obaid Almulla Private Limited	10.0%
Omar Khalfan Al Gaz and Brothers	5.6%
Jumaa Al Majid Abdullah Koureiban	5.3%
Total	**100.0%**
Source: Zawya	

Financial Performance			
(US$ Mn)	**2011**	**2012**	**% Change**
Revenue	269	273	1.7
COGS	191	186	(2.8)
Operating Income	35	41	18.1
Operating Income Margin (%)	13.0	15.1	-
Net income	36	44	23.0
Net Income Margin (%)	13.4	16.2	-
ROE (%)	26.7	24.4	-
ROA (%)	19.1	17.1	-

- In 2012, revenue grew by 1.7% to US$ 273.4 million against the previous year led by a 7% increase in volumes. Strong product demand in the local markets along with higher exports drove sales growth
- The company enjoyed 72.3% of total market share in 2012, down from 75.2% in 2011
- Operating margin expanded 209 basis points to15.1% from 13.0% recorded in 2011
- Net income grew by 23.0% to US$ 44.3 million in 2012 on lower raw material costs

Source: Zawya

Hassad Food Company (Privately Owned) — Qatar

Company Description

Established in 2008, Hassad Food Company (HFC) is a wholly owned subsidiary of Qatar Holding, one of the operating arms of Qatar Investment Authority (QIA), the Sovereign Wealth Fund of Qatar.

The company is a global provider of food products. The management seeks to achieve food security in Qatar by growing, processing and supplying high-quality food and improving access for all. It seeks to develop strategic alliances and partnerships to produce branded products that are in compliance with international standards. Hassad Food's current approach is not geared toward farmlands, but is focused on investing in agricultural businesses and projects worldwide and then re-exporting the produce to wherever it is needed.

Recent Developments and Plans

- In June 2012, Hassad Chairman Nasser Al-Hajri announced that the company is estimated to invest US$ 618 million around the world this year compared to US$ 2 billion in 2011.
- In January 2012, the company announced that total investments of Hassad Foods in food production reached approximately QAR 2.5 billion (US$ 670.5 million)[17]. The company invested QAR 1.5 billion (US$ 402.3 million)[17] abroad for production of meat, grains, rice and fodder, and another QAR 1 billion (US$ 268.2 million)[17] inside the country to produce vegetables, poultry products, dates, flowers and animal feed.

Snapshot	
Year established	2008
Ownership	Government
Sector	Agriculture
City	Doha

Source: Zawya

Business Segments
Not Available

Source: Company Website

Shareholding Structure, 2013	
Qatar Investment Authority	100.0%
Total	**100.0%**

Source: Zawya

IFFCO (Privately Owned) UAE

Company Description

Established in 1975, IFFCO is a UAE-based business house, which manufactures and markets a well-integrated range of mass-market consumer products. It operates under five business segments: Impulse Foods, Agri Business, Oils & Fats, Packaging, and Sales and Distribution. It also manufactures derivatives and intermediates associated with these business segments.

Over the years, IFFCO has grown from a local company to a dynamic group of international companies by consistently building complimentary businesses supported by acquisitions in the UAE and internationally. It has operations and manufacturing facilities in the UAE, Pakistan, Malaysia, Tunisia, South Africa, Turkey, Indonesia, China and Australia.

Snapshot	
Year established	1975
Ownership	Private
Sector	Food & Beverages Agriculture Consumer Goods Industrial Manufacturing Services
City	Sharjah
Source: Zawya	

Business Segments/Product Portfolio

Al Kabeer's products can be classified into meat & poultry, fruits and vegetables, ready to eat meals, snacks etc.

Business Segments
Impulse Foods
Agri Business
Oils and Fats
Packaging
Sales and Distribution
Source: Company Website

Recent Developments and Plans

- IFFCO acquired a 75% stake in Shama Food Industries LLC, UAE, a leading supplier of spices, pulses, salt, nuts, dry fruits, rice and flours with considerable presence in the UAE and several GCC markets.
- IFFCO Poultry LLC acquired a 90% stake in Sohar Poultry Company (SAOG), a publicly listed company based in Sohar (Oman) engaged in a fully integrated poultry operation. Its processing plant has a capacity 6 million birds per annum.
- The company recently acquired 100% ownership of Twin Rivers Technologies Natural Ingredients, LLC (TRTNI) based in Cincinnati, Ohio, the US. TRTNI, an ex Procter & Gamble plant, has excellent facilities for manufacturing Interesterified Oils (Shortenings), Speciality Fats (Cocoa Butter Equivalents), Omega 3 Triglycerides, Sucrose Polyesters (SPE), and Methyl Esters (Biodiesel).
- IFFCO recently acquired a 70% stake in Felda Bridge Africa (Proprietary) Limited, which is engaged in refining, selling and distributing palm oil products in South Africa and neighboring countries from its facilities in Johannesburg and Durban.
- IFFCO Gida Sanayi ve Ticaret A.S. (IFFCO Gida) recently acquired an edible oils refinery in Izmir, Turkey.

Shareholding Structure, 2013	
Allana International Corporate	NA
Sheikh Faysal Bin Khaled Bin Sultan Al Qassimi	NA
Total	**100.0%**
Source: Zawya	

Note: The above shareholders own 100% of the company

Jazan Development Company — Saudi Arabia

Company Description

Saudi Arabia-based Jazan Development Company (JAZADCO), established in 1993, is engaged in the cultivation, trade and distribution of agriculture and aquaculture products. JAZADCO acquires land for establishing agricultural, animal, agro-industrial and drilling projects. It invests in fisheries, agricultural, industrial, and real estate areas. The company also focuses on real estate investments in Saudi Arabia.

JAZADCO's agricultural activities primarily include cultivation of tropical fruits and nursery management within the Jazan region. JAZADCO's aquaculture activities include fish and shrimp farming. The company sells fish, shrimps, vegetables, fruits (mangoes, bananas, figs and guava), ornamental plants, food materials, medicines and animal products under its own assortment of brand names in the Gulf, Europe and the Far East.

Recent Developments and Plans

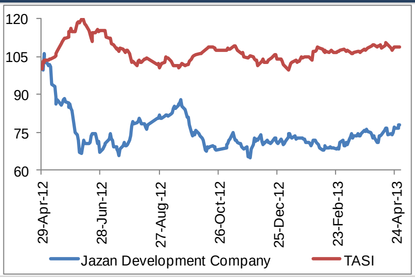
- In February 2013, JAZADCO announced it realized a gain of SAR 19.0 million (US$ 5.1 million)[17] from the sale of three pieces of residential land (totaling 110,823 sq.mtrs.) to a Saudi national company. In January 2013, the company had announced the sale for SAR 36.0 million (US$ 9.6 million)[17].
- In December 2012, the company announced that the court has issued a preliminary ruling in its favor in the lawsuit filed against Tabuk Fisheries Company. The latter must pay the company SAR 4.1 million (US$ 1.1 million)[17] as settlement for Farasan Fish Farming Project's expenses.
- In May 2012, the company announced re-operation of its shrimp farm project through commencement of disease-free restocking in ponds, following infection of its Shrimp Farm Project by the White Spot Syndrome Virus in December 2011.

Current Price (SAR)	
Price as on 29/04/2013	16.90

Stock Details	
Bloomberg ticker	GIZACO AB
Stock Exchange Listed on	SSE
52-week high/low (SAR)	23.0/14.1
Market Cap (US$ million)	225.3
Enterprise value (US$ million)	234.1
Shares outstanding (million)	50

Source: Bloomberg, Zawya

Share Price Chart



Valuation Multiples	2012	Current
P/E (x)	NA	9.66
P/B (x)	1.47	1.64
EV/EBITDA (x)	NA	NA
Dividend Yield (%)	NA	NA

Source: Bloomberg, Zawya

Shareholding Structure, 2013	
Public	100.0%
Total	**100.0%**

Source: Zawya

Financial Performance (US$ Mn)	2011	2012	% Change
Revenue	19	10	(45.2)
COGS	19	15	(21.2)
Operating Income	(7)	(9)	17.6
Operating Income Margin (%)	NM	NM	-
Net income	(18)	(5)	73.5
Net Income Margin (%)	NM	NM	-
ROE (%)	(13.1)	(3.6)	-
ROA (%)	(11.0)	(3.0)	-

Source: Zawya

- During 2012, revenues plunged 45.2% y-o-y due to due to the reduction in shrimp sales
- Net loss of US$ 4.9 million in 2012 vis-à-vis a loss of US$ 18.4 million during the previous year was due to profit on investments as against a loss of US$ 6.7 million in the previous year

ALPEN CAPITAL

Kuwait Food Company (Americana Group) — Kuwait

Company Description

Established in 1964, Americana Group has become one of the largest and most successful food products company in the Middle East and North Africa (MENA). The company manufactures food products and operates food & beverage outlets. Americana's operations span across 13 countries and it has 55,000 employees from 21 nationalities.

Americana has a network of 1,300 outlets, making it the largest operator of restaurant chains in the MENA region, and one of the most successful franchise operators worldwide. The company owns some of the most recognized global brands such as KFC, Pizza Hut, Hardee's, TGI Friday's, Costa Coffee, Krispy Kreme and, most recently, Signor Sassi. In addition, it has six homegrown brands.

Business Segments/Product Portfolio

Americana Group's main lines of business are operating food & beverage outlets, as well as manufacturing food products. The group's network includes eight of the world's most recognized brands in the Quick Service, Casual Dining and Fine Dining categories. Moreover, the company's thorough understanding of Middle Eastern tastes has led it to introduce homegrown brands. They include Chicken Tikka, Fish Market, Samadi, Maestro, Grand Café and Fusion.

The group's core business is in meat and poultry, canned food, dairy foods, frozen potatoes and vegetables, and salty snacks. The company's consumer food portfolio include 10 high quality brands, such as California Garden, Farm Frites, Koki and Americana Meat, which have become household names and category leaders in the Middle East and North Africa region.

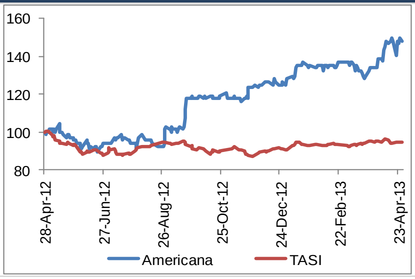
Recent Developments and Plans

- In February 2013, the Board proposed an AGM would be held for the distribution of 65% cash dividends for the year ended December 31, 2012.
- In October 2012, the company clarified media reports related to an increase in its stake in Egyptian Company for International Touristic Projects to 90.3%. Americana announced it is an indirect shareholder in the latter through Americana Group for Food and Touristic Projects, a subsidiary.

Current Price (KWD)	
*Price as on 28/04/2013**	1,940
*(*Last traded)*	

Stock Details	
Bloomberg ticker	FOOD:KK
Stock Exchange Listed on	KSE
52-week high/low (KWD)	1,960/1,220
Market Cap (US$ million)	2,736.4
Enterprise value (US$ million)	3,003.4
Shares outstanding (million)	402.0
Source: Bloomberg, Zawya	

Share Price Chart



Valuation Multiples	2012	Current
P/E (x)	16.29	16.79
P/B (x)	2.39	2.46
EV/EBITDA (x)	7.50	7.71
Dividend Yield (%)	3.39	3.40
Source: Bloomberg, Zawya		

Shareholding Structure, 2013	
Mohammed Abdulmohsin Al Kharafi & Sons Company [via Al Khair National Company for Stocks & Real Estate	66.8%
Public	33.2%
Total	**100.0%**
Source: Zawya	

Financial Performance

(US$ Mn)	2011	2012	% Change
Revenue	2,583	2,881	11.5
COGS	2,132	2,373	11.3
Operating Income	224	263	17.7
Operating Income Margin (%)	8.7	9.1	-
Net income	172	163	-5.1
Net Income Margin (%)	6.7	5.7	-
ROE (%)	16.5	14.7	-
ROA (%)	8.3	7.6	-

Source: Zawya

- Revenue rose 11.5% y-o-y to US$ 2.9 billion in 2012
- Operating margin expanded 48 basis points to 9.1% due to gains from the cost optimization program
- Net income fell 5.1% y-o-y to US$ 163.4 million in 2012, primarily due to loss on investments (US$ 27.1 million)

Marmum Dairy Farm (Privately Owned) UAE

Company Description

Established in 1984, Marmum Dairy Farm has evolved as one of the largest dairy farms in the UAE, with an annual production of over 20 million liters of milk and 5 million liters of juices. It has been a subsidiary of Dubai Investment Industries since 1996. It has a diverse line of products, which includes fresh milk, yoghurt, laban, and fruit juices, available in over 3000 outlets across the UAE. Marmum has been continuously investing in high-quality breeding stock, technology and infrastructure to expand production capacity and meet the increasing demand for its products.

Business Segments/Product Portfolio

Marmum's products can be classified into milk, yoghurt, laban, fruit juices and milk and yoghurt variants.

Recent Developments and Plans

- In June 2012, Marmum Dairy was conferred the Superbrand status for the second consecutive year, that reflects Marmum Dairy as a noteworthy dairy producer in the UAE.

Snapshot	
Year established	1984
Ownership	Private
Sector	Food & Beverages
City	Dubai

Source: Zawya

Business Segments
Fresh Milk
Flavoured Milk
Fresh Yoghurt
Fresh Laban
Proactiv
Flavoured Yoghurts
Fruit Juices

Source: Company Website

Shareholding Structure, 2013	
Dubai Investments Industries	100.0%
Total	**100.0%**

Source: Zawya

National Food Products Company (Privately Owned) UAE

Company Description

National Food Products company, incorporated in 1973, manufactures dairy products, juices, water and tomato paste. It also owns packaging and bottling operations through its UAE-based subsidiaries. It is a division of Bin Hamoodah Group and its brands include Milco, Lacnor, Oasis, Arla National Food and Milco Plastic.

NFPC exclusively manufactures dairy products through Milco. It produces dairy products, fruit juices, water and tomato paste; manufactures packaging products and PET bottles; and bottles milk, mineral and sparkling water through Al Buheira Lacnor Dairy Company. NFPC manufactures and bottles mineral and sparkling water and produces PET bottles through Oasis Pure Water Factory. The company packages food via two plants in Abu Dhabi through Milco Plastic Company (MPC).

Business Segments/Product Portfolio

The company's leading brands include milco, Lancor (fruit juice), Oasis (drinking water), MPC (plastic packaging products for food) and Arla (dairy products).

Snapshot	
Year established	1971
Ownership	Private
Sector	Food & Beverages Industrial Manufacturing
City	Dubai

Source: Zawya

Business Segments
Milco Dairy
Lacnor
Oasis Drinking Water
Milco Plastic (MPC)
Arla NFPC

Source: Company Website

Shareholding Structure, 2013	
Mr Abdullah Ahmad Al Moosa	100.0%
Total	**100.0%**

Source: Zawya

Oman Refreshment Company S.A.O.G. — Oman

Company Description

Incorporated in 1975, Oman Refreshment Company S.A.O.G. (ORC) is a franchisee of PepsiCo International, New York, for a range of products in the Sultanate of Oman. ORC produces Pepsi Cola, Diet Pepsi, Mirinda Orange, Mirinda Apple, Mountain Dew, Diet Mountain Dew, Shani and Evervess Soda in cans (355ml), pet (2.25 liters) and non-returnable (355 ml) bottles. In addition to Aquafina pure drinking water, the company has its own juice brand “Top Fruit” in orange, mango, guava, apple, pineapple and mixed fruit flavors. Furthermore, ORC imports and distributes Frito-Lay’s range of snacks across Oman.

Business Segments/Product Portfolio

Few of its leading brands under Carbonated Soft Drinks include Pepsi, Mountain Dew, Mirinda, 7up, Shani, Evervess Soda. Drinking water of the company is marketed under the brand of Aquafina, Some of its other products include, fruit juice, tea and Snacks (Lays, Cheetos, Doritos).

Recent Developments and Plans

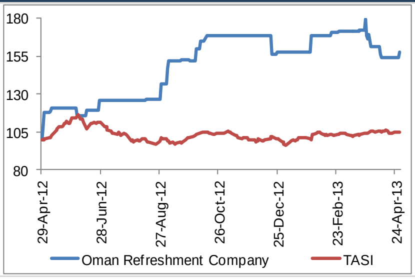
- In March 2013, shareholders approved 100% cash dividends for the financial year ended on December 31, 2012.

Current Price (OMR)	
Price as on 29/04/2013	2.151

Stock Details	
Bloomberg ticker	ORCI:OM
Stock Exchange Listed on	MSM
52-week high/low (OMR)	2.45/1.65
Market Cap (US$ million)	279.4
Enterprise value (US$ million)	288.4
Shares outstanding (million)	50.0

Source: Bloomberg, Zawya

Share Price Chart



Valuation Multiples	2012	Current
P/E (x)	10.49	16.13
P/B (x)	4.35	5.17
EV/EBITDA (x)	7.48	15.06
Dividend Yield (%)	4.76	NA

Source: Bloomberg, Zawya

Shareholding Structure, 2013	
Public	69.0%
Mohamed & Obaid Almulla Private Limited	16.8%
Dubai Refreshments Company	14.2%
Total	**100.0%**

Source: Zawya

Financial Performance			
(US$ Mn)	**2011**	**2012**	**% Change**
Revenue	146	173	19.0
COGS	92	106	14.3
Operating Income	21	29	38.5
Operating Income Margin (%)	14.6	16.9	-
Net income	18	26	42.2
Net Income Margin (%)	12.6	15.0	-
ROE (%)	40.0	41.5	-
ROA (%)	27.0	27.3	-

- Revenue increased 19.0% y-o-y to US$ 173.3 million in 2012, reflecting improved volumes, positive product mix and better sales realization
- During 2012, operating margin improved to 16.9% from 14.6% during 2011, primarily on account of cost efficiencies, i.e. savings on operating costs
- Net income rose 42.2% y-o-y to US$ 26.0 million in 2012 on various cost control measures, offset by higher cost of employment and staff turnover

Source: Zawya

Qatar Company For Meat And Livestock Trading Q.S.C — Qatar

Company Description

Qatar Company For Meat And Livestock Trading Q.S.C (Mawashi), founded in 2003, manufactures, packages and trades (wholesale) fresh, frozen, canned and slaughtered meat to butcheries, restaurants, hotels and food malls across Qatar. The company procures livestock from countries such as Australia, Syria, Sudan, Somalia, Jordan, Uruguay, India, Pakistan and Brazil to primarily serve the Qatari market. Mawashi's exclusive agreement with the Qatari government allows it to provide meat from Australia and Syria at subsidized rates.

Mawashi also offers services for the management of slaughter houses. The company's secondary operations include animal farming, crop farming, chemical production, animal skin tannery and transportation of livestock.

Business Segments/Product Portfolio

Mawashi sells all types of fresh, chilled and frozen meats, such as:

- Livestock and slaughtered Australian, Syrian, Sudanese, Georgian meat.
- Chilled Pakistani and Indian goats
- Australian, Somalian and Brazilian frozen and chilled beef

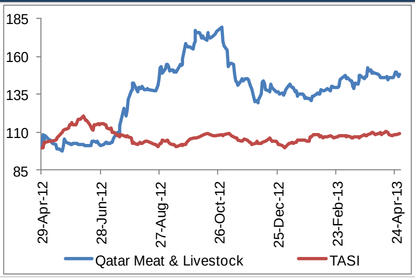
Recent Developments and Plans

- In February 2013, in addition to Australian cattle, the company imported more than 65,000 head of Australian livestock.

Current Price (QAR)	
Price as on 29/04/2013	60.7

Stock Details	
Bloomberg ticker	QMLS:QD
Stock Exchange Listed on	QE
52-week high/low (QAR)	78.2/42.7
Market Cap (US$ million)	297.0
Enterprise value (US$ million)	337.5
Shares outstanding (million)	18
Source: Bloomberg, Zawya	

Share Price Chart



Valuation Multiples		
	2012	**Current**
P/E (x)	15.2	15.3
P/B (x)	4.25	3.79
EV/EBITDA (x)	NA	NA
Dividend Yield (%)	6.59	NA
Source: Bloomberg, Zawya		

Shareholding Structure, 2013	
Public	93.4%
Hassad Food	6.6%
Ministry of Environment	NA
Semsema Real Estate Investment	NA
Total	**100.0%**
Source: Zawya	

Note: Semsema Real Estate Investment and Ministry of Environment are part of the public stake

Financial Performance			
(US$ Mn)	2011	2012	% Change
Revenue	72	88	23.0
COGS	138	176	27.3
Operating Income	(73)	(97)	-33.9
Operating Income Margin (%)	NA	NA	-
Net income	16	21	28.8
Net Income Margin (%)	22.4	23.4	-
ROE (%)	22.5	28.0	-
ROA (%)	12.3	12.9	-

- In 2012, revenue grew by 23.0% to US$ 87.9 million from US$ 71.5 million reported in the prior-year period
- Operating loss widened 33.9% to US$ 97.1 million. Despite operating losses, the company recorded net income growth of 28.8% y-o-y to US$ 20.6 million in 2012 against the previous year

Source: Zawya

The Savola Group — Saudi Arabia

Company Description

Saudi Arabia-based The Savola Group (Savola) primarily operates in three key sectors: Food (Edible Oils and Sugar), Retail, and Plastics. In addition, the company invests in leading, real estate, and investment fund companies in Saudi Arabia. Founded in 1979, Savola employs around 17,000 people and operates primarily in the MENACA (Middle East, North Africa and Central Asia) region.

Savola is the world's largest manufacturer of branded cooking oil and the leading sugar refiner in the MENACA region. In Saudi Arabia, the company commands a 62% share in the edible oils market and a 68% share in the sugar market. In addition, Savola is the largest mass grocery retailer (MGR) in terms of sales in the Kingdom.

Business Segments/Product Portfolio

Savola's products include edible oils, sugar, fresh dairy products, and restaurants serving fast foods. The Group also owns the largest grocery retailing chain in the Middle East, the Azizia Panda supermarket.

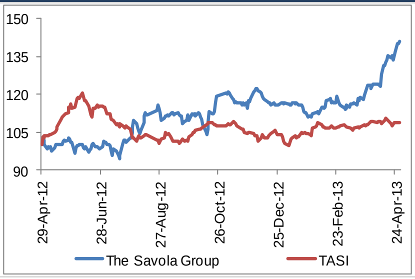
Recent Developments and Plans

- In March 2013, the company's Board of Directors declared fourth quarter dividend of SAR 250 million (US$ 66.6 million)[17] (or SAR 0.50 per share), brining full-year dividend payment to SAR 700 million (US$ 186.4 million)[17].
- In January 2013, Savola Group announced guidance for the first quarter and the full year of 2013. The management expects net profits, excluding unusual items, to increase 7% to SAR 260 million (or US$ 69.2 million)[17] in 1Q 2013, as it is expanding business in the Middle East. Full year profit is estimated at SAR 1.5 billion (US$ 399.4 million)[17]. The management aims to expand operations in Egypt, as it seeks to boost revenues.
- In December 2012, the BOD approved Al Azizia Panda United Company's establishment (of which Savola owns a 74.4% stake) of a distribution center on 200,000 square meters land in King Abdullah Economic City for SAR 400 million (US$ 106.5 million)[17]. The project will be self-financed and built on a land leased by Emaar Properties for a 30-year period.
- In October 2012, Savola Group acquired additional shares in Almarai Co., the Gulf's largest dairy producer, for SAR 2 billion (US$ 532.6 million)[17], raising its stake to 36.52% from 29.95%.
- In August 2012, the company announced it is donating SAR 2 million (US$ 0.5 million)[17] in kind, in response to the request of The Custodian of the Two Holy Mosques to launch a national campaign to raise funds in support of Syrians amid the difficult conditions they are currently facing. The donation includes one million riyals worth of edible oils and sugar products (manufactured by its subsidiary Savola Foods Company) as well as one million riyals worth of Panda branded food products (from its subsidiary Al-Azizia Panda United).
- In April 2012, the company announced it signed a contract worth SAR 134 million (US$ 35.7 million)[17] with Adeem National Construction and Development Company to purchase the East Tower of The Headquarters Business Park, where Savola's headquarters will be located.

Current Price (SAR)	
Price as on 29/04/2013	47.20

Stock Details	
Bloomberg ticker	SAVOLA AB
Stock Exchange Listed on	SSE
52-week high/low (SAR)	47.2/33.0
Market Cap (US$ million)	6,293.3
Enterprise value (US$ million)	8,710.2
Shares outstanding (million)	500
Source: Bloomberg, Zawya	

Share Price Chart



Valuation Multiples		
	2012	**Current**
P/E (x)	14.33	19.99
P/B (x)	2.41	2.96
EV/EBITDA (x)	12.24	11.57
Dividend Yield (%)	2.99	4.24
Source: Bloomberg, Zawya		

Shareholding Structure, 2013	
Public	59.8%
MASC Holding Corporate	12.0%
General Organization for Social Insurance	10.9%
Abdullah Mohammed Abdullah Al Rabiah	8.8%
A K Al Muhaidib and Sons Group	8.5%
Total	**100.0%**
Source: Zawya	

Financial Performance			
(US$ Mn)	**2011**	**2012**	**% Change**
Revenue	6,719	7,298	8.6
COGS	5,660	6,028	6.5
Operating Income	337	483	43.4
Operating Income Margin (%)	5.0	6.6	-
Net income	321	374	16.6
Net Income Margin (%)	4.8	5.1	-
ROE (%)	15.6	16.8	-
ROA (%)	6.0	5.9	-

- Revenues increased 8.6% y-o-y to US$ 7.3 billion, driven by higher sales volume, better mix and new product launches. In addition, the newly acquired pasta business and increased distribution through supermarkets and hypermarkets supported growth momentum
- Operating margin expanded 161 bps to 6.6% in 2012 compared to 5.0% in the year-ago period
- Net income grew 16.6% to US$ 373.8 million in 2012 due to strong operational performance of the foods sector, capital gain of SAR 47 million from sale of Emaar Economic City's shares, and a SAR 231.4 million (US$ 61.6 million)[17] capital gain related to sale of two lands located in Riyadh and Jeddah in 2011
- Savola expects to achieve net income (before capital gain and exceptional items) of SAR 1.5 billion (US$ 399.4 million)[17] in 2013 and SAR 260 million (US$ 69.2 million) in 1Q2013

Source: Zawya

ALPEN CAPITAL

TRAFCO Group B.S.C. Bahrain

Company Description

Established in 1977, TRAFCO Group B.S.C. is among the largest fast-moving consumer goods conglomerates in Bahrain. The company offers a wide range of products, general commodities, fresh fruits and vegetables, and livestock imported from countries such as Australia, Brazil, Europe, the Far East, India, UK and US as well as the Arab and Middle Eastern countries. TRAFCO owns international brands such as Sadia, Rainbow, Honig, Noor, Daawat, OKI, Pride, Tata Tea and Tetley.

The company is strategically located in four different locations across Bahrain with a combined production capacity of 140,000 cubic meters to facilitate easy flow of goods.

Business Segments/Product Portfolio

Trafco Group's product portfolio includes an extensive range of global brands such as Tata tea, Daawat rice, Rainbow milk etc.

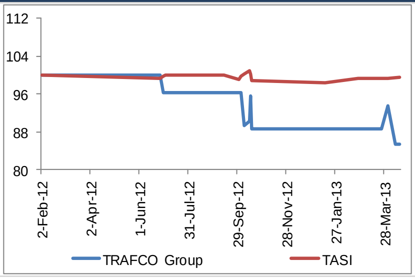
Recent Developments and Plans

- In February 2013, the Board of Directors announced an AGM would be held for the distribution of 12% cash dividends for the year ended December 31, 2012.
- In January 2013, the Board announced the appointment of Mr. S. Sridhar as General Manager with effect from January 1, 2013.
- In September 2012, TRAFCO announced it may record some losses as an Australian livestock shipment was prohibited from entering Bahrain by the veterinary authority.
- In May 2012, the company's name was changed from General Trading and Food Processing Company to TRAFCO Group.

Current Price (BHD)	
*Price as on 17/04/2013** *(*Last Traded)*	0.21

Stock Details	
Bloomberg ticker	TRAFCO:BI
Stock Exchange Listed on	BSE
52-week high/low (BHD)	0.26/0.21
Market Cap (US$ million)	44.9
Enterprise value (US$ million)	72.8
Shares outstanding (million)	80.7
Source: Bloomberg, Zawya	

Share Price Chart



Valuation Multiples		
	2012	**Current**
P/E (x)	12.85	11.73
P/B (x)	0.92	0.84
EV/EBITDA (x)	16.31	15.41
Dividend Yield (%)	NA	5.71
Source: Bloomberg, Zawya		

Shareholding Structure, 2013	
Public	89.6%
Abdulhamid Zainal Mohammed Zainal	10.4%
Total	**100.0%**
Source: Zawya	

Financial Performance			
(US$ Mn)	**2011**	**2012**	**% Change**
Revenue	105	105	(0.2)
COGS	86	87	0.5
Operating Income	2	2	(25.7)
Operating Income Margin (%)	2.2	1.6	-
Net income	4	4	(11.7)
Net Income Margin (%)	4.1	3.6	-
ROE (%)	3.7	7.2	-
ROA (%)	1.9	3.9	-

- Revenue declined 0.2% y-o-y to US$ 105.1 million in 2012
- Operating margin contracted 40 basis points to 1.6% from 2.2% in 2011 due to higher selling, general & administrative expenses
- Net income fell 11.7% y-o-y to US$ 4.3 million in 2012 on lower gross margins and higher operating expenses

Source: Zawya

Zad Holding Company (S.A.Q.) Qatar

Company Description

Zad Holding Company (S.A.Q.), a Qatar-based company, is primarily engaged in the manufacture and distribution of flour, wheat, cereals and fast-moving consumer foods. The company invests in financial instruments and held-for-sale assets as well as offers transportation and port services. Zad Holding, previously known as Qatar Flour Mills Co, was established as a traditional flour manufacturing company in 1969. Over the years, the company diversified its business through organic and inorganic growth strategies to include grains, pasta, biscuits, bakery products, baby food, processed frozen meat products, port facilities and transportation services in its portfolio.

Zad Holding primarily generates revenues through a subsidized flour agreement with the Qatari government that enables it to hold substantial flour stock reserves (12-month national consumption) at subsidized rates. The company is a market leader in commercialized flour and by-products as well as fast-moving food items in Qatar.

Business Segments/Product Portfolio

The company's products include pasta, biscuits, bread, frozen meat, flour and flour related products.

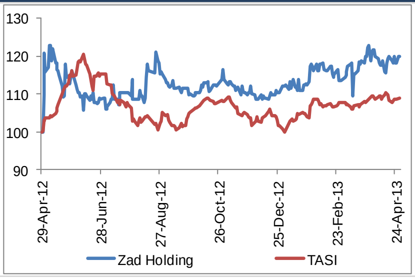
Recent Developments and Plans

- In February 2013, the Board proposed an AGM would be held for the distribution of 65% cash dividends for the year ended December 31, 2012.
- In October 2012, the company clarified media reports related to an increase in its stake in Egyptian Company for International Touristic Projects to 90.3%. Americana announced it is an indirect shareholder in the latter through Americana Group for Food and Touristic Projects, a subsidiary.

Current Price (QAR)	
Price as on 28/04/2013 (*Last Traded)*	63.0

Stock Details	
Bloomberg ticker	ZHCD:QD
Stock Exchange Listed on	QE
52-week high/low (QAR)	64.5/55.5
Market Cap (US$ million)	356.0
Enterprise value (US$ million)	428.7
Shares outstanding (million)	21.55
Source: Bloomberg, Zawya	

Share Price Chart



Valuation Multiples		
	2012	Current
P/E (x)	7.44	7.48
P/B (x)	0.62	1.03
EV/EBITDA (x)	7.7	8.02
Dividend Yield (%)	NA	NA
Source: Bloomberg, Zawya		

Shareholding Structure, 2013	
Public	100.0%
Total	**100.0%**
Source: Zawya	

Financial Performance			
(US$ Mn)	**2011**	**2012**	**% Change**
Revenue	111	183	64.6
COGS	87	134	53.8
Operating Income	17	29	74.6
Operating Income Margin (%)	15.1	16.1	-
Net income	23	30	34.4
Net Income Margin (%)	21.0	16.5	-
ROE (%)	10.5	8.4	-
ROA (%)	8.8	5.4	-

Source: Zawya

- In 2012, revenue grew 64.6% to US$ 183 million, driven by the 31% increase in compensation from the government for the sale of subsidized flour
- Operating margin improved by 100bps; Net income rose 30.4% y-o-y to US$ 30.0 million in 2012

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