# Table of Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreword</td>
<td>4</td>
</tr>
<tr>
<td>Key Takeaways</td>
<td>5</td>
</tr>
<tr>
<td>F&amp;B Market Overview</td>
<td>7</td>
</tr>
<tr>
<td>GCC F&amp;B Market Size</td>
<td>8</td>
</tr>
<tr>
<td>Average Spend on Food Service Categories</td>
<td>9</td>
</tr>
<tr>
<td>Investment Thesis</td>
<td>11</td>
</tr>
<tr>
<td>Demand Drivers</td>
<td>11</td>
</tr>
<tr>
<td>Key Risk Factors</td>
<td>14</td>
</tr>
<tr>
<td>M&amp;A and PE Deals</td>
<td>16</td>
</tr>
<tr>
<td>Trends in F&amp;B Sector in the GCC</td>
<td>19</td>
</tr>
<tr>
<td>Country Profiles</td>
<td>23</td>
</tr>
<tr>
<td>United Arab Emirates</td>
<td>23</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>28</td>
</tr>
<tr>
<td>Qatar</td>
<td>31</td>
</tr>
<tr>
<td>Oman</td>
<td>34</td>
</tr>
<tr>
<td>Kuwait</td>
<td>36</td>
</tr>
<tr>
<td>Bahrain</td>
<td>38</td>
</tr>
<tr>
<td>Major F&amp;B Players in the GCC</td>
<td>41</td>
</tr>
<tr>
<td>Kuwait Food Company</td>
<td>41</td>
</tr>
<tr>
<td>Kout Food Group</td>
<td>42</td>
</tr>
<tr>
<td>Herfy Food Service Company</td>
<td>43</td>
</tr>
</tbody>
</table>
Foreword

When thinking about the most lavish and exotic Food and Beverage (F&B) markets in the world, one name that comes to the mind is the GCC. This region has built a strong brand identity in the F&B space, which has benefited its food service market and strengthened its foothold in the F&B industry in recent years.

The F&B sector is also one of the major beneficiaries of the GCC governments’ economic diversification drive, wherein the tourism sector has been allocated substantial funding, which in turn has been driving the food service market. The GCC F&B market expanded at a CAGR of 10% between 2010 to 2015 to reach a market size of US$21.9 Bn. This growth is expected to be further propelled by upcoming events such as the Expo 2020 Dubai and FIFA World Cup 2022, making the GCC’s F&B market the preferred investment cluster in future.

However, as the growth of the GCC economies is closely linked to oil revenues, the global oil price rout has negatively affected the region’s progress. With reduced purchasing power, the GCC population is favouring fast food and cafes over full-service restaurants (FSRs). Moreover, the entry of various international fast food brands in the region offering a wide range of food services now have the consumers spoilt for choice. Nevertheless, we remain optimistic as we believe that an expected oil price recovery during 2017–2018 would lead to an increased spending on the fine dining category.

Among all the GCC economies, the UAE’s F&B market expanded the fastest during 2010–2015, at a CAGR of 12%; this was closely followed by Saudi Arabia and Qatar at 9.9% and 7.4%, respectively. In Saudi Arabia, an increasing population is one of the major drivers of huge demand for food and beverages, especially in the fast food and cafe segments. The rising number of tourists from the US and Europe is also fuelling the demand for western casual dining concepts.

With the increased preference for healthy foods, dietary habits of people are changing. This has led to the emergence of new concepts such as organic and gluten-free food and healthy fast food choices such as salads and baked fries. Also, as people become more tech-savvy and begin to value convenience and speed of service, various online food ordering portals have emerged. An inclination towards home-grown brands and a thriving cafe culture are also playing a role in shaping up the F&B market in the GCC.

We believe that though the UAE and Saudi Arabia currently account for more than 85% of the region’s F&B market in terms of value, Qatar, Kuwait, Bahrain and Oman are striving to enhance their market presence as well. With the rise in the number of F&B hubs in Qatar and Kuwait, major international F&B players are flocking to these markets to tap their potential. Led by these market enablers, the GCC F&B market is set to witness strong growth to reach a value of US$34 Bn by 2020.

Sharad Bhandari
Managing Partner
Key Takeaways

- The GCC F&B sector has witnessed robust growth, driven by an increasing population, growing tourism and rising disposable income.
- Dubai, being the UAE’s gastronomic capital, is growing at a strong pace, closely followed by Saudi Arabia, which is witnessing increased preference for fast food among its population.
- Despite the oil price decline, Saudi Arabia’s F&B sector maintained its growth pace as its population showed increased preference for fast foods over FSRs.
- As westernisation influences people’s dietary habits, Emiratis are increasingly opting for western dining concepts.
- With rising health awareness, people are willing to pay more and shift towards healthy food options such as gluten-free products and organic foods.
- The surging demand and the ease of entry into the GCC F&B market have intensified competition, leading to a rise in the number and variety of food outlets.
- To boost the retail and tourism sectors, the government is investing in the construction of malls, theme parks and residential properties.
- With various upcoming events such as the Expo 2020 Dubai and FIFA World Cup 2022, significant resources are being invested to boost the hospitality sector, with F&B being the frontrunner.
- The culture of consuming coffee has become strongly ingrained among the GCC population, especially in the UAE, Saudi Arabia and Qatar, leading to a significant rise in the number of cafes in these countries.
- Apart from the leading GCC economies, countries like Qatar, Kuwait and Bahrain also offer a promising investment domain in the food service sector, which is evident from the rising number of F&B clusters in these countries.
- Food festivals across the GCC are capturing headlines for introducing novel concepts such as celebrity chefs, food trucks and ‘dining in the air’, thus creating a unique dining experience.
- Rising real estate prices and a shortage of skilled chefs are some of the major challenges faced by the GCC’s F&B sector.
- As the GCC’s F&B sector witnesses rapid growth, several investors are eyeing a market share through M&A and private equity (PE) deals.
Market Overview

The Food and Beverage (F&B) market in the GCC includes full-service restaurants (FSRs; fine dining and casual dining), fast food/quick service restaurants (QSR), and cafes and bakeries.

Fine Dining

Hakkasan, La Petite Maison, Nobu, Zuma, and Catch are some of the top fine dining outlets in the GCC. Being premium in nature, most of these restaurants are operated by Michelin-starred chefs, and the average amount spent ranges from AED675 to AED900. Rhodes 44 in Abu Dhabi, featuring Gary Rhodes, is one such restaurant.

Casual Dining

This category has witnessed robust growth in the UAE, Saudi Arabia and particularly in Qatar owing to high demand for a premium, branded experience at a moderate price. Chili’s, The Cheesecake Factory, TGI Friday’s (TGIF), Tao and McCosys are some of the casual dining restaurants in the GCC. Owing to the high demand for western-style casual dining, many popular US brands are foraying in the GCC market.

Fast Food/ QSRs

These offer low-cost food options, with focus on the speed of service. Some of the most diverse QSR brands in the GCC are Domino’s, Subway, KFC, Wendy’s and Papa John’s. As this segment continues to thrive, local QSR brands and the concept of food vans/trucks are gaining traction.

Cafes/bakeries

Café Bateel, Starbucks, PAUL, Tim Hortons and Costa coffee are a few of the renowned brands in this category. Apart from branded chains, home-grown brands such as Shakespears and others are gaining prominence.

In 2015, QSRs had the highest market share of 43%, followed by cafes and bakeries at 34.6%. As the most populous country in the GCC, Saudi Arabia has the highest demand share in the total F&B market, with more than 30,000 food outlets.
Growing population and rising tourist footfall led to rapid expansion of the GCC’s F&B market in 2010–2015

Eating out has become a major attraction in the GCC. With limited options available for entertainment, the culture of eating out has taken precedence in the GCC. The high expat population has further added to the demand for assorted cuisines and new dining concepts. This has given impetus to the demand for global cuisines, boosting the number of F&B outlets. Since the industry gained momentum, the market has witnessed strong growth in all food service categories, including fine dining, casual dining, QSRs, and cafes and bakeries.

Flourishing on the back of rapid urbanisation, an expanding multicultural young population and rising income levels, the GCC’s F&B sector was valued at US$21.9 Bn in 2015. Saudi Arabia and the UAE are the largest markets accounting for over 85% of the total food service market in the region. In the last five years, the UAE’s F&B market grew at the fastest rate of 12.1%, followed by Saudi Arabia and Qatar at 9.9% and 7.4%, respectively.

Rising tourism and the upcoming events such as the Expo 2020 Dubai and FIFA World Cup 2022 have fuelled the growth of F&B industry in the UAE and Qatar. Anticipating an increase in tourist footfalls, governments of these emirates have initiated projects for the construction of more malls and theme parks. Such steps offer numerous opportunities for global as well as local F&B brands. Moreover, the franchise market in the GCC has displayed healthy growth, especially in the fast food category. QSR is estimated to account for 40% of the franchise market in the GCC, and the overall F&B franchises for all categories are expected to grow by 25% in the coming years.

However, any thriving industry faces challenges at some point, and the GCC F&B market is no exception to this. The market faces several concerns such as high costs, growing competition, labour shortage and high dependence on food imports. The market has been significantly resilient to these challenges and continues to grow at a fast pace, with bright prospects. By 2020, the GCC F&B market size is expected to expand at a CAGR of 9.2% to reach US$34 Bn.

The UAE and Saudi Arabia account for approx. 90% of the F&B market in the GCC

Figure 3: The GCC F&B market size (US$ Bn)

Source: Respective Government site, Ardent Advisory
Note: f – forecasted

Figure 4: F&B market size 2015 (US$ Bn)

Source: Euromonitor, Ardent Advisory
Growing income and improving living standards have increased average spend on food and drinks

As per a survey conducted by Caterer Middle East, in the Arab world, the average spend per person on restaurant food was US$40–60 in 2014, up from US$20–40 in 2013. This growth in spending is largely driven by rising income levels and higher demand for quality ingredients. As people shift towards more organic and gluten-free ingredients, they are willing to pay more for healthier food options. The average cost is the highest in the fine dining category, followed by casual dining, cafes and bakeries, and fast food.

Dubai is one of the major tourist attractions, and this makes visitors a major contributor in boosting the overall demand for food and drinks. Particularly in the UAE, though the demand for fine dining concept is high, QSR and casual dining are among the preferred F&B choices for residents. Qatar closely follows the UAE in terms of average spend on food. As Qatar gears up to host the FIFA World Cup 2022, preparations in Doha’s F&B landscape appear in full swing to meet the expected rise in demand. With the construction of 130 new hotels underway, the hotel restaurants and catering (HORECA) segment is set to grow, which in turn would lead to the launch of several new F&B brands.

**Figure 5: Average spend on fine dining (US$)**

<table>
<thead>
<tr>
<th>Location</th>
<th>Highest Price</th>
<th>Lowest Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dubai</td>
<td>405</td>
<td>95</td>
</tr>
<tr>
<td>Abu Dhabi</td>
<td>216</td>
<td>68</td>
</tr>
<tr>
<td>Doha</td>
<td>216</td>
<td>54</td>
</tr>
<tr>
<td>Kuwait</td>
<td>83</td>
<td>23</td>
</tr>
<tr>
<td>Riyadh</td>
<td>81</td>
<td>14</td>
</tr>
<tr>
<td>Jeddah</td>
<td>81</td>
<td>12</td>
</tr>
</tbody>
</table>

**Figure 6: Average spend on casual dining (US$)**

<table>
<thead>
<tr>
<th>Location</th>
<th>Highest Price</th>
<th>Lowest Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dubai</td>
<td>135</td>
<td>27</td>
</tr>
<tr>
<td>Doha</td>
<td>135</td>
<td>16</td>
</tr>
<tr>
<td>Abu Dhabi</td>
<td>108</td>
<td>11</td>
</tr>
<tr>
<td>Riyadh</td>
<td>67.5</td>
<td>9</td>
</tr>
<tr>
<td>Jeddah</td>
<td>67.5</td>
<td>8</td>
</tr>
<tr>
<td>Kuwait</td>
<td>66.4</td>
<td>20</td>
</tr>
</tbody>
</table>

**Figure 7: Average spend under QSR/fast food (US$)**

<table>
<thead>
<tr>
<th>Location</th>
<th>Highest Price</th>
<th>Lowest Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dubai</td>
<td>54</td>
<td>8</td>
</tr>
<tr>
<td>Doha</td>
<td>54</td>
<td>9</td>
</tr>
<tr>
<td>Abu Dhabi</td>
<td>43.2</td>
<td>7</td>
</tr>
<tr>
<td>Jeddah</td>
<td>40.5</td>
<td>22</td>
</tr>
<tr>
<td>Kuwait</td>
<td>33.2</td>
<td>7</td>
</tr>
<tr>
<td>Riyadh</td>
<td>40.5</td>
<td>4</td>
</tr>
</tbody>
</table>

**Figure 8: Average spend under cafes and bakeries (US$)**

<table>
<thead>
<tr>
<th>Location</th>
<th>Highest Price</th>
<th>Lowest Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kuwait</td>
<td>99.6</td>
<td>10</td>
</tr>
<tr>
<td>Dubai</td>
<td>94.5</td>
<td>14</td>
</tr>
<tr>
<td>Abu Dhabi</td>
<td>94.5</td>
<td>11</td>
</tr>
<tr>
<td>Doha</td>
<td>81</td>
<td>5</td>
</tr>
<tr>
<td>Riyadh</td>
<td>40.5</td>
<td>5</td>
</tr>
<tr>
<td>Jeddah</td>
<td>40.5</td>
<td>4</td>
</tr>
</tbody>
</table>

Note A - Average Spend (cost for 2). The price ranges are from secondary sources such as Zomato, Roundmenu, and Tripadvisor.
Investment Thesis

Growing population, increasing disposable income and burgeoning tourism industry are driving the growth of the GCC’s F&B market

Favourable demographics continue to fuel the demand for F&B in the region

The population in the GCC countries is large and have high cultural diversity. With a population base of 52.6 million as of 2015, the population growth in the GCC is one of the fastest in the world, rising at a CAGR of 3.1% during 2010–2015. Population growth rate in the GCC is four times higher than that in emerging economies, seven times higher than in China, and ten times higher than in Europe. By 2020, the region’s population is forecast to reach 59.1 million. Low mortality and high fertility rates, a thriving healthcare sector and the growing influx of expats are the major factors driving population growth.

Youth population constitutes a significant portion of the demographics in the GCC. More than 40% of the people in the GCC are below the age of 25 years, with Qatar having the highest proportion of youth population in the region, at 84%, as of 2015.

Figure 10: Age breakdown (% of population)

Owing to a young population base, marketers are focused more on creating new concepts and brands in the F&B sector to attract this age group. Also, with a concurrent growth in the working population, the instances of business meetings, team lunches and conferences have increased. Thus, as these favourable demographic trends continue, the demand for the F&B sector will continue to increase.

With growing affluence, consumers are willing to spend more on food and drinks

Leveraging its oil and gas sector, the GCC economy witnessed strong growth to reach a value of US$1.66 trillion in 2015. Driven by the flourishing economy, the region’s per-capita income grew faster than that of other developing nations, thus boosting demand in its F&B sector. As of 2015, Qatar recorded the highest per-capita income globally.
The development of various urban centres is another factor driving growth of the F&B sector. Riyadh, Dubai and Abu Dhabi are the three richest cities in the Middle East, with Riyadh having residents with the highest disposable income, followed by Jeddah and Dubai.

However, with the fall in oil revenues, per-capita income declined in 2015. To recoup the sluggish economic momentum, the government has undertaken diversification efforts. By 2020, the GCC’s economy is expected to be worth about US$2 trillion. This would be a positive for consumer spending in the retail and F&B sectors.

Table 1: Top richest cities in the GCC, 2014

<table>
<thead>
<tr>
<th>GCC cities</th>
<th>Total disposable income (US$) million</th>
<th>Disposable income per capita (US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Riyadh</td>
<td>67,772</td>
<td>11,700</td>
</tr>
<tr>
<td>Jeddah</td>
<td>38,925</td>
<td>10,234</td>
</tr>
<tr>
<td>Dubai</td>
<td>29,695</td>
<td>12,543</td>
</tr>
<tr>
<td>Abu Dhabi</td>
<td>17,780</td>
<td>13,496</td>
</tr>
<tr>
<td>Doha</td>
<td>10,911</td>
<td>11,046</td>
</tr>
<tr>
<td>Muscat</td>
<td>7,500</td>
<td>6,520</td>
</tr>
<tr>
<td>Kuwait City</td>
<td>3,978</td>
<td>11,429</td>
</tr>
</tbody>
</table>

Source: Zawya Research

Growing tourism and events such as Expo 2020 Dubai and FIFA World Cup 2022 have accelerated F&B demand in the GCC

The tourism industry in the GCC accounts for approx. 5.7% of the region’s combined GDP. The tourist arrivals in the region increased at a CAGR of 5.5% in 2010–2015. Known for housing some of the world’s finest hotels and tourism facilities, the region has received an increased number of visitors, and this provides ample opportunities for a thriving F&B sector. Tourist arrivals in the region are expected to reach 74 million by 2020, providing further impetus to the foodservice demand.

Table 1: Top richest cities in the GCC, 2014

Source: Zawya Research

Note: e-estimated & f-forecasted

Saudi Arabia and the UAE are leading the tourism landscape and thus significantly contribute to the growing share of demand for the F&B sector. By 2020, Saudi Arabia would welcome more than 25 million religious tourists to perform Hajj and Umrah at the city of Mecca.

Realising the strategic importance of the tourism sector as a driver of the non-oil economy, countries such as Saudi Arabia and Qatar are increasingly emphasising its development. Also, factors such as better ranking in the Tourism Visa Openness Index and hosting of Expo 2020 Dubai in the UAE and FIFA World Cup 2022 in Qatar are driving a major influx of visitors across the region.
Expo 2020 Dubai is expected to attract around 25 million tourists to Dubai, 70% of which would be international visitors. Similarly, in Qatar, the number of tourists is expected to reach 3.7 million by 2022; therefore, the Qatar Tourism Authority has allocated US$20 Bn for developing the tourism infrastructure to meet the growing demand.

With the aim of transforming the region into a year-round tourist destination, construction of various theme parks and resorts is underway. In the UAE, many such parks have commenced operation in a 60-km radius from Dubai airport. These include Bollywood, LegoLand and Motiongate (a Hollywood-inspired theme park).

Further, Al Ahli Holding Group plans to launch a 20th Century Fox World theme park and resort in Dubai by 2020. In August 2016, IMG Worlds of Adventure, the world’s largest indoor theme park, also opened in Dubai. With the success of these projects, Saudi Arabia also plans to open theme parks in collaboration with Six Flags Entertainment Corporation. Development of these theme parks will lead to a surge in demand for the F&B in the GCC.

F&B is one of the main beneficiaries of hospitality infrastructure expansion drive in the GCC

Restaurants and hotels are the major business points for the F&B sector in the GCC. In response to the rising demand for accommodation, the governments are increasing investments in hospitality infrastructure. The F&B sector would be the main beneficiary of this investment, thereby boosting the demand for various F&B brands and concepts. Following are some top projects across the GCC that would boost the F&B sector.

**Major projects across the GCC boosting the F&B industry**

- Mall of the World in Dubai, the UAE, plans to add 20,000 rooms to the city across 80 hotels and 20 hotel apartments.
- Ras Al-Hadd, an eco-themed project in Oman, would feature five-star hotels, resorts and retail stores. It would include 100 rooms, 50 hotel villas, 150 residential villas and an area of 7,000 m² for a market souq.
- Deira Islands in Dubai, the UAE, is a 15.3 km² waterfront city that would add over 23,000 hotel keys and 31,000 apartment keys to the city.
- Jeddah Gate, Saudi Arabia, is a mixed-use project spread over 413,000 m², featuring hospitality outlets.
- Dubai Creek Harbor at the Lagoons would feature 22 hotels, with 4,400 rooms apart from other establishments.
- Place Vendome, Qatar, would be used for conducting opening and closing ceremonies during the FIFA World Cup 2022. It would include two five-star hotels, service apartments and entertainment units, and up to 400 retail outlets.
- Heart of Europe, Dubai, the UAE, would house six hotels and various F&B brands.
- Palm Boardwalk, Dubai, the UAE, is a shopping and dining destination, featuring cafes and restaurants, with a view of the Arabian Gulf.
Growing popularity of global F&B brands is driving demand for western food in the GCC

With over 75% of the population living in urban areas, the GCC is one of the most urbanised regions of the world. The growing economic prosperity and employment opportunities in the region have led to internal migration and influx of expat workers. Urbanisation levels in Qatar, Kuwait and Bahrain are as high as 98%, 92% and 88%, respectively. The growing influence of urban lifestyle has transformed the eating patterns of people, thus increasing the demand for F&B services in the region. A strong inclination towards Western-style casual dining has further helped boost the entry and growth of international fast food joints in the region.

With sustained efforts towards making the UAE one of the most popular tourist destinations, the Dubai government has been hosting food festivals. Dubai Food Festival (DFF) is the truly citywide food fest of the Middle East, celebrating Dubai as a gastronomic capital. The festival hosts assorted food-related events to promote and popularise Dubai’s unique food landscape. The 2016 DFF organised its first Dubai Restaurant Week, offering a platter from 30 of the popular fine dining outlets in the city.

Risk Factors

Although several factors favour the growth of F&B in the GCC, certain challenges continue to decelerate the sector’s growth momentum.

Attracting and retaining young talent pose a challenge to the GCC’s F&B sector

The GCC’s F&B sector is labour-intensive and involves people at all levels, from primary production to retailing. Thus, the demand is constantly high for chefs, waiters and other service staff. Owing to high competition in the industry, workers have numerous job options to choose from, thus leading to high attrition. Also, Asian countries such as India and China offer attractive salaries to expats, making them more inclined towards switching jobs. The supply of junior chefs is more strained as compared to those employed at higher positions in the F&B sector. With regard to skill set, chefs with kitchen roles specialising in bakery and confectionery items are the most difficult to find. Specialists in regional cuisines are also short in supply. As the sector employs a large proportion of expat workers, the government’s emphasis on nationalisation of jobs has adversely affected the industry.

With competition intensifying, F&B market’s growth pattern is changing

With a growing appetite for F&B in the GCC countries, establishing restaurants is not much of a challenge. No entry barriers and flexible regulations are fuelling competition. In response to the growing demand, new players are entering the industry through various online channels as well. To win the competition, F&B vendors are going the technology way, by launching food apps with multiple options for consumers. Moreover, as new food concepts are now being developed frequently, the players are finding it difficult to continuously innovate and maintain their market share.

Another aspect of the changing growth pattern is that as the market is moving towards saturation, various F&B outlets are not hesitant to shut down in case of poor market response. Around 20% of the F&B companies in the UAE are expected to close by 2017. Factors such as softer economic recovery, intense competition and sustainable demand are leading to frequent instances of closure and opening of new food outlets. This has prompted the players in the region to cater to the diverse F&B demand. Further, the F&B growth pattern is changing as more and more F&B outlets cluster around luxury residential complexes, malls and community centers. Not only new concepts are gaining acceptance but demand for existing ones is also increasing. For instance, Tom & Serg, a casual dining outlet that opened in 2013 in Dubai, plans to open more outlets in the coming years owing to positive response.
High dependence on food imports makes the region susceptible to global price risks

To meet the growing consumption needs, the GCC is heavily dependent on food imports. The region has unfavourable conditions for food cultivation, such as harsh climate and lack of arable land. But with the rising population and food being considered as the prominent mode of entertainment, the food import bill is on the rise.

In 2015, total food imports reached US$36.3 Bn, growing at 7.7% from the previous year. In value terms, Saudi Arabia was the leading food importer, with approx. 61% share, followed by the UAE (13.7%), Kuwait (9%), Oman (8.2%), Qatar (5.2%) and Bahrain (2.7%).

As a food-importing region, the GCC has been at risk due to rising food prices. For instance, the global food price rise in 2008 had a strong impact on the region's food policy. Apart from being the reason for fiscal deficit, such high dependency can lead to significant demand gaps, thereby hindering the growth of its F&B sector. Moreover, dependency on desalinated water indicates that the region cannot rely on its domestic food production in the long term. Although the potential for growth of agro-processing industries exists, this food dependency would continue in the future owing to the limitation posed by harsh weather condition.

Figure 13: Food imports in the GCC (US$ Bn)

Source: Economist Intelligence Unit
Note: e-estimated & f-forecasted

High rentals in retail space have made F&B landscape more competitive

Higher lease rates makes it difficult for F&B players in the GCC to reduce their operational and administrative costs. The retail rates differ according to the retailer, unit location, unit size, type of mall and its location. For prime locations, the rate of retail space is much higher than the general rate prevailing in the market. For instance, for all super-prime malls in Dubai, the rent averaged AED6,000/m², which is much higher than the normal rate of AED1,600–5,000/m² for other malls in the UAE.

Figure 14: Retail rentals in the top GCC cities (US$)

In Dubai, between 2013 and 2014, rentals increased by almost 54%, depicting a significant gap in the demand and supply for retail space. In light of future events such as the Expo 2020 Dubai and FIFA World Cup 2022 in Qatar, the demand for commercial space has been rising, leading to a surge in prices, given the limited supply in the short run. The lease cost component has thus become one of the major challenges for entering into the region’s F&B market.
M&A and PE Deals

With rapid growth in the GCC’s F&B sector, many investors are vying to capture a share through M&A and PE deals.

M&A Deals

Between 2011 and June 2016, 19 M&A deals took shape in the GCC’s F&B sector. Of these, only 14 were completed, while the remaining five were in the process of finalisation. Over 30% of the deals were struck between 2015 and 2016, showing early signs of consolidation in the market.

PE Deals

A total of 12 PE deals were finalised between 2011 and 2016. Since the F&B sector has grown at a robust pace, over 80% of these deals were executed via stake purchase in the target F&B company. Saudi Arabia and the UAE are leading the investment spree for PE deals, and together captured a 42% share in terms of deal volume.

With the growing popularity of online food delivery services, this segment has considerable potential. HungerStation, an online food delivery service, was acquired by Hellofood, a division of Food Panda. Moreover, the UAE is witnessing substantial traction in the FSR segment. Owing to a thriving tourism sector, the fine dining category presents an attractive scope for M&A activities. For instance, in 2015, Marka PJSC acquired Reem Al Bawadi Group, a Dubai-based FSR operator, for about US$85 Mn. Marka intends to open two company-owned outlets in Dubai and Abu Dhabi and three franchise outlets in Al Ain, Saudi Arabia and Bahrain. Investors are also eyeing the cafe segment given the growing culture of coffee consumption among Emiratis. In 2016, Fajr Capital Ltd acquired Cravia Inc LLC, a F&B company operating multiple brands.

Around 50% of the total deals were in the casual dining category, while 25% were in the QSR category. With rapid westernisation, casual dining and fast food segments are attracting investors’ attention to the F&B landscape in Saudi Arabia, the UAE and Qatar. US-style casual dining is a promising investment area, given its high demand. Top deals in the above segments include the following: NBK Capital Partners’ acquisition of Amo Hamza, the largest seafood casual dining chain in Saudi Arabia, and Carlyle Group MENA Fund’s acquisition of 42% stake in Almar Foods, a fast food chain in Saudi Arabia. The acquirers have expressed interest in expanding their regional presence in the GCC’s F&B market.
List of M&A and PE Deals in the GCC

As the F&B sector in the GCC is growing at a fast pace, various investors are eyeing a market share through M&A and PE deals.

In June 2016, Dubai-based Adeptio LLC, an investment consortium led by Mohamed Alabbar, agreed to acquire a 69% stake in the Americana Group (Kuwait Food Co.) from Al-Khair National Stocks and Real Estate for about US$2.4 Bn. However, during November 2016, the Saudi Arabian Public Investment Fund acquired 50% stake in Adeptio AD Holdings that holds some of the major brand franchises such as Pizza Hut and KFC, as acquired from the Americana Group.

Table 2: Completed M&A Deals across the GCC (2011-2016)

<table>
<thead>
<tr>
<th>Acquirer Company</th>
<th>Target Company</th>
<th>Fund Name</th>
<th>Target Company (In F&amp;B Sector)</th>
<th>Transaction Stake</th>
</tr>
</thead>
<tbody>
<tr>
<td>UAE-based Eathos</td>
<td>Sushi Art Group</td>
<td>The Carlyle Group MENA Fund</td>
<td>Alamar Foods, Saudi Arabia</td>
<td>Buy (42%)</td>
</tr>
<tr>
<td>Fajr Capital Ltd</td>
<td>Cravia Inc LLC</td>
<td>Riyada Enterprise Development Fund (RED)</td>
<td>Mani Foods Industry LLC, UAE</td>
<td>Buy</td>
</tr>
<tr>
<td>Marka PJSC</td>
<td>Reem Al Bawadi Group</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Belhasa Hospitality LLC</td>
<td>8oo Pizza</td>
<td>NBK Capital Mezzanine Fund</td>
<td>Al Faysal Bakery, Kuwait</td>
<td>Buy</td>
</tr>
<tr>
<td>Pinnacle Restaurant Mgmt Co</td>
<td>Leila Restaurant</td>
<td>NBK Capital Equity Partners Fund II</td>
<td>Amo Hamza, Saudi Arabia</td>
<td>Buy</td>
</tr>
<tr>
<td>Hellofood Saudi Arabia</td>
<td>HungerStation</td>
<td>NBK Capital Equity Partners Fund II</td>
<td>Shakespeare and Co., UAE</td>
<td>Buy (49%)</td>
</tr>
<tr>
<td>Diamond Lifestyle Ltd</td>
<td>Al Faris Restaurant</td>
<td>NBK Capital Equity Partners Fund I</td>
<td>Sanabel Al-Salam, Saudi Arabia</td>
<td>Buy (21%)</td>
</tr>
<tr>
<td>Investor Group</td>
<td>Kudu Corp</td>
<td>Jadwa Food and Beverage Opportunity Fund</td>
<td>Gulf Union Foods Company</td>
<td>Sell (30%)</td>
</tr>
<tr>
<td>Investor Group</td>
<td>National Catering Co Ltd WLL</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MAF Ventures LLC</td>
<td>Gourmet Gulf LLC</td>
<td>Gulf Capital Equity Partners II</td>
<td>Chef Middle East</td>
<td>Buy (100%)</td>
</tr>
<tr>
<td>Gulf Capital Pvt JSC</td>
<td>Chef Middle East LLC</td>
<td>GCC Equity Partner III Fund</td>
<td>Multi Brands for Trading Company Limited</td>
<td>Buy (100%)</td>
</tr>
<tr>
<td>RMAL Hospitality PJSC</td>
<td>Marco Pierre White Grill Stake</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Audacia Capital</td>
<td>Al Safadi</td>
<td>Awj Investments Ltd</td>
<td>Awani, Bahria and Operation Falafel</td>
<td>-NA-</td>
</tr>
</tbody>
</table>

Table 3: Completed PE Deals across the GCC (2011-2016)

<table>
<thead>
<tr>
<th>Fund Name</th>
<th>Target Company (In F&amp;B Sector)</th>
<th>Transaction Stake</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Carlyle Group MENA Fund</td>
<td>Alamar Foods, Saudi Arabia</td>
<td>Buy (42%)</td>
</tr>
<tr>
<td>Riyada Enterprise Development Fund (RED)</td>
<td>Mani Foods Industry LLC, UAE</td>
<td>Buy</td>
</tr>
<tr>
<td>NBK Capital Mezzanine Fund</td>
<td>Al Faysal Bakery, Kuwait</td>
<td>Buy</td>
</tr>
<tr>
<td>NBK Capital Equity Partners Fund II</td>
<td>Amo Hamza, Saudi Arabia</td>
<td>Buy</td>
</tr>
<tr>
<td>NBK Capital Equity Partners Fund II</td>
<td>Shakespeare and Co., UAE</td>
<td>Buy (49%)</td>
</tr>
<tr>
<td>NBK Capital Equity Partners Fund I</td>
<td>Sanabel Al-Salam, Saudi Arabia</td>
<td>Buy (21%)</td>
</tr>
<tr>
<td>Jadwa Food and Beverage Opportunity Fund</td>
<td>Gulf Union Foods Company</td>
<td>Sell (30%)</td>
</tr>
<tr>
<td>Gulf Capital Equity Partners II</td>
<td>Chef Middle East</td>
<td>Buy (100%)</td>
</tr>
<tr>
<td>GCC Equity Partner III Fund</td>
<td>Multi Brands for Trading Company Limited</td>
<td>Buy (100%)</td>
</tr>
</tbody>
</table>

Source: Thomson Research

In June 2016, Dubai-based Adeptio LLC, an investment consortium led by Mohamed Alabbar, agreed to acquire a 69% stake in the Americana Group (Kuwait Food Co.) from Al-Khair National Stocks and Real Estate for about US$2.4 Bn. However, during November 2016, the Saudi Arabian Public Investment Fund acquired 50% stake in Adeptio AD Holdings that holds some of the major brand franchises such as Pizza Hut and KFC, as acquired from the Americana Group.
New Trends in F&B Sector in the GCC

Increase in organic food consumption, popularity of home-grown brands, growing culture of celebrity chef-owned restaurants and a rise in online food ordering are some of the recent trends in the GCC F&B sector.

Rise in health awareness is driving demand for healthy and organic food in the GCC

Baked fries instead of French fries, frozen yogurts instead of ice creams and fresh juices/coconut water in place of carbonated drinks are being increasingly offered and preferred in the QSR segment in the GCC. Health experts in the region have observed a surge in lifestyle-related health disorders such as obesity, diabetes and cardiovascular diseases. Rising instances of such health issues have led to an increased awareness among the people, prompting them to reconsider their eating habits. They are willing to pay higher for organically certified food products. Therefore, the demand for premium and healthy food options has been increasing.

According to Frost & Sullivan, the organic food market in the GCC is set to reach US$1.5 Bn by 2018, increasing at a CAGR of 19.5% from US$300 Mn in 2009. Recognising this demand, the government has been pursuing the development of organic farms. Currently, the UAE has eight organic farms, and the country’s Ministry of Environment has set a target of dedicating about 3,000 hectares of agricultural land to organic farming. Similarly, in Qatar, five such farms are being developed, given that it is the fastest-growing food consumption market in the region.

Witnessing the shift in preference towards healthy diet, fast food chains in the region are offering healthy meals in an effort to maintain their products' appeal. For instance, the fast food chain Elevation Burger offers organic, grass-fed beef burger and fries cooked in olive oil. ‘Gluten-free’ is becoming a big trend in the region, especially the UAE, with many food joints, mostly five-star hotels, serving gluten-free pizzas and burgers. Organic and gluten-free meals are thus becoming popular in the GCC F&B market.

Home-grown brands are in vogue among Emirati populace

Although the GCC F&B market has been largely driven by international chains, the emergence of single-unit operations such as Tom & Serg and Roberto's and smaller networks such as Tree Cafe are changing the F&B demand landscape. Besides the global food brands, the growing popularity of home-grown chains in the GCC proves that the region can become the hub for world-class food industries. People are increasingly looking for exciting dining options, which global food chains may not necessarily offer. Moreover, local eateries tend to have a better understanding of regional tastes and a strong affiliation to community ties.

Around 20% of the F&B market in the UAE is home-grown. However, this share is expected to increase with the rising demand for local chains as people increasingly appreciate the tastes offered by home-grown brands.

In the 2015 DFF, the ‘Beach Canteen’ concept showcased 10 home-grown food brands serving Emirati cuisines. Similarly, Shawarma BoTeela is a unique concept of home-grown brand in Qatar that serves traditional food with modern flavour.
The GCC restaurants are looking for more star power through the concept of celebrity chefs

Celebrity chefs have become a part of the food events and food fests organised in the GCC. Beginning from the DFF, the concept is gaining popularity among the people. Cookery shows hosted by top-notch chefs have been quite popular. The idea behind this concept was to create an experience of dining with your favourite celebrity.

A 17-day culinary celebration was held in Dubai, where the presence of celebrity chefs received a warm response from the visitors. At events such as ‘Dining with Stars’ and ‘Chef Master Classes’, people get a chance to interact with their favourite chefs. Some top celebrity restaurants in the UAE include Bread Street Kitchen by Gordon Ramsay, Signature by Sanjeev Kapoor, Nobu by Nobu Matsuhisa, Whitehouse Steakhouse and Grill by Marco Pierre White, and Toro Toro by Richard Sandoval. Moreover, at the Sharjah Food Festival 2016, celebrity chefs including Vineet Bhatia and Nirmine Hanno also made an appearance. This trend of celebrity chefs is not confined to the UAE alone but is also thriving in Kuwait, Qatar and other GCC economies. In Qatar, primarily Doha, this concept has an international culinary appeal. Nobu Doha located in the Four Seasons Hotel is one of the world’s largest celebrity chef restaurants.

A thriving coffee culture is boosting the demand for cafes in the GCC

With around 40% of the population in the GCC falling in the range of 15–34 years, the cafe culture is picking up fast. Whether it is about visiting a new cafe, catching up with a friend or a business meeting, the trend of going to coffee houses is rising among the populace. From local street cafes to exclusive outlets such as Costa Coffee and Starbucks, drinking coffee has become a style statement, especially for youngsters in the region.

The coffee market in the Middle East represents approximately 4.5–5 Mn 60-kg bags, which is growing faster (6–10%) than the global average of 2.5%. In 2014, the Middle East and North Africa (MENA) accounted for 8% (US$6.5 Bn) of the US$85 Bn of global spend on coffee, with the UAE being the largest among them. The UAE spent US$121 Mn on coffee in 2014, and this is expected to grow by 35% over the next five years. This is largely due to rapid expansion in the number of cafes (counting to more than 5,000) and growth in the country’s coffee trade. The International Coffee and Tea Festival held in Dubai is a one-of-its-kind globally recognised event in the Middle East.

Some top celebrity chefs in theGCC

Gary Rhodes  Nobuyuki Matsuhisa  Vineet Bhatia
People are increasingly favouring Street Food Concepts and Food Trucks

The 17th annual Hotel Show Dubai explored the evolving F&B landscape of the region through a conference of the Middle East-based chefs and restaurants. The event unveiled that an inclination towards enjoying street food, which is cooked quickly and served in a relaxed environment, is picking up fast. As people do not wish to eat in a sophisticated environment at all times, such quick snacking options are gaining wide acceptance in the region owing to their good taste, affordability and convenience.

The GCC governments’ initiatives to foster entrepreneurship at the grass-roots level are driving growth in the number of street F&B vendors in the region. These initiatives were in the forms of small kiosks, roadside stalls, etc. On the global level, with a total of 2.5 billion people being served by street food everyday, a new concept of selling street food emerged in the form of food trucks. Although the GCC F&B market is still in infancy in terms of the trend of food trucks, this trend is expected to thrive at a faster pace.

In 2015, Roundup, a 54 East company, launched the first food truck marketplace in Dubai. The concept became an excellent mode of entertainment among people. Hence, within one year of its operation, the company signed an agreement with its Saudi partner in 2016. The company aims to deploy 45–75 food trucks in Saudi Arabia by the end of 2017.

Last Exit in Jebel Ali, by Meraas, is a first-of-its-kind gourmet food truck park, which opened in 2016 in Dubai. With Asian, American, Italian and Mexican cuisines available, visitors will get to taste the delicacies in both dine-in and drive-through formats. Nomad Kitchen Food Truck in Kuwait is another such example. In 2016, Qatar’s Ministry of Economy and Commerce (MEC), with the aim to encourage vendors to operate food trucks, invited about five business owners to apply for the license to set up food trucks in the country. However, Qatar Museums in 2016 and Qatar International Food Festival (QIFF) had popularised the food truck concept in Doha even before this initiative.

High penetration of smartphones and internet is driving growth of online food ordering platforms

The GCC has one of the highest smartphone penetrations globally. As convenience and speed are the most integral proposition for dining out, online food-ordering platforms continue to gain traction. With the growing proportion of young and tech-savvy population, the GCC is set to witness robust demand for these platforms, with the UAE and Saudi Arabia leading the growth.

Ottolab.com, one of the leading online food delivery platforms in Saudi Arabia, offers a menu of around 400 restaurants on its app. As a part of Food Panda Global, Hellofood established its presence in Saudi Arabia in 2013, expanding to 13 cities and covering major F&B brands. On similar lines, in 2015, the Food Panda Group launched its food-ordering app in Saudi Arabia. In the same year, Food Panda fully acquired 24.ae, an online food-ordering marketplace in the Middle East, to expand its presence in the fast growing online food delivery market. With this increased demand, the online food delivery market in Saudi Arabia would reach US$218 Mn by 2020.

With more than six million internet users, e-food ordering is catching up fast in the UAE as well. Foodonclick.com was the first company to come up with the concept of online food delivery in the UAE. Since its launch in 2010, it has collaborated with around 750 restaurants and cafes, adding more than 10 new outlets every week. clickformeal.com and talabat.com are some of the other platforms emerging in the GCC in response to the growing demand for online food ordering.
United Arab Emirates

The UAE’s F&B market grew the fastest among all the GCC countries, driven by rising affluence, booming tourism sector and high expat population

F&B market in the UAE has charted a robust growth path, expanding at a CAGR of 12.1% in 2010-2015

A growing and diverse population, increasing tourist footfalls and improving living standards have significantly enhanced the demand for F&B market in the UAE. With people increasingly eating out or visiting cafes with family, friends or colleagues, foodservice has become a vital part of the Emirati lifestyle. A strong tourism sector is yet another factor driving the nation’s flourishing foodservice market. Dubai, one of the most prominent tourist destinations, attracted over 14.2 million visitors in 2015, up 7.5% from that in 2014; the city is now gearing up to receive a footfall of about 20 million by 2020. Driven by this demand, the market is expected to reach a value of US$11.4 Bn, by 2020.

Figure 17: The UAE F&B market by category

Valued at US$7.2 Bn in 2015, the UAE F&B market has expanded at a CAGR of 12.5% over the last five years. Lounges or bars/cafes, the country’s top growing category, occupied the maximum share of 42% in 2015. With a retail sales value of US$2.9 Bn, pubs/lounges/bars accounted for approx. 80% of the total sales, while cafes and specialty coffee shops took up 20% share.

With a wide range of restaurants catering to assorted tastes and preferences, the UAE, particularly Dubai and Abu Dhabi, is recognised as a vibrant dining hub. The predominance of its F&B industry is evident from the fact that even during the economic downturn, the convenience, indulgence and social opportunities found in eating out exceeded the savings from home cooking. Euromonitor predicts that with continued growth in affluence, given the strong affinity for out-of-home dining, consumers in the UAE will prefer eating out for a major part of their weekly meals.

Growing importance of tourism as envisaged in the UAE 2030 Vision is driving the retail sector

With the negative effects of fluctuation in its oil revenue, the UAE has acknowledged the urgency of adopting a diversification strategy. By 2020, the country aims to earn approx. 65% of its revenues from the non-hydrocarbon sectors; hence, tourism industry is at the centre of its diversification plans. The UAE is thus leveraging on its strength in developing its retail sector, with F&B at the forefront.

As per the 2015 F&B report by CBRE, on an average, UAE residents spend approx. AED68 per person per mall visit on food and drinks

The UAE’s robust foodservice landscape has placed the country as the third biggest F&B spender in malls globally. Retail locations such as malls are the preferred places for establishing foodservice outlets as nationals as well as tourists visit shopping malls for leisure activities. Furthermore, to accommodate the rising footfall, the country plans to increase its total room supply by 20,000 rooms to reach 160,000 rooms by 2020.
Most malls have plans to increase the number of F&B outlets to attract more visitors and gain a higher share of tourist spending. The government is also investing in various tourism and retail-related projects which are likely to have a positive impact on the F&B sector.

Tourism and retail-related projects in the UAE

- Dubai Mall, a major retail and leisure destination, is a critical part of empowering the UAE’s tourism industry. It has around 200 F&B outlets and plans to expand further.
- The Mall of the Emirate in Dubai also has plans to add 12 F&B outlets to its existing portfolio.
- Hilton Worldwide in the UAE would increase its F&B outlets by adding 34 more outlets to the existing 117 restaurants.
- Located on Dubai Water Canal Project, Marasi Business Bay is slated to be completed by 2023. It would include a lavish F&B ambience, greeting visitors with floating restaurants and cafes.

The growing trend of organising food festivals has added a new appeal to the region’s F&B market. DFF is a one-of-its-kind event attracting people from across the world. Representing Dubai as the gastronomic capital of the UAE, the food festival showcases an assortment of cuisines and novel food concepts.

Coffee shops have become a new hotspot for social interactions

Coffee has been associated with Saudi Arabia since the 15th century. Dubai is home to thousands of coffee shops, ranging from old-style cafes that serve traditional Arabic coffee or qahwa (a bitter brew flavoured with cardamom) to international chains such as Starbucks and Costa Coffee.

Coffee culture is well established in the UAE, with international chains dominating this market. Rising demand for home roasters and growing affinity for personalisation are the two major factors driving the coffee market in the UAE. The trend is inclined more towards home-grown or in-shop roasters as opposed to the franchise model. In response to this demand, the number of coffee shops over the last few decades has risen to over 2,200, with many more in the pipeline.

More than 50% of the new retail brands established in Abu Dhabi and Dubai are either coffee shops or other F&B outlets

Figure 18: The UAE market value of specialty coffee shops and juice bars (US$ Mn)

Source: Euromonitor, Ardent Advisory

In addition to the expanding coffee market, the tea market is witnessing a growing demand, largely due to the country’s demographic composition. The high proportion of South Asian population, especially Indians and Arabs, in the expat group have a taste for consuming various blends of tea with typical snacks. Capitalising on this demand, Filli Cafe, a UAE-based tea brand, has gained much popularity not only among nationals but also overseas. Serving almost 6,000 cups a day, the cafe offers saffron tea, hard-boiled, ginger, black or plain tea varieties as some of the favourites.
According to the International Conferences & Exhibitions LLC, the UAE’s exhibition showcasing speciality tea and coffee and related products, the UAE is the world’s largest re-exporter of tea; also, more than 19,000 kg of tea per day is consumed across the country. In line with the growing demand for this beverage, the Lipton Jebel Ali factory has increased its production capacity, becoming the largest tea factory under the brand Unilever.

The juice bars market has also witnessed a healthy demand. With a growing preference for healthy beverage options such as fresh or canned juices and smoothies, juice bars are seen as upcoming segments in the UAE’s beverage market.

Growing international tourism is driving the demand for bars and lounges

In the cafes and bars category, bars and pubs accounted for the largest share of the food service market in the UAE. This is primarily attributed to the growing population of western expats and tourists. However, the sale of alcoholic beverages is highly regulated; it is limited to the number of guests in their respective hotels or non-Muslim residents with a personal liquor license. Therefore, bars and pubs are mostly connected to hotels to make these services easily accessible to tourists. New five star brands such as Paramount, Westin, St. Regis, and W Hotels and Resorts were recently inaugurated in the UAE. These are likely to further drive the bars and pubs segment in the country.

The UAE’s fast food segment competes with the fine dining segment by offering convenience, affordability and taste

As a quick alternative to full meals, the western fast food franchises are expanding their presence and thus fuelling growth of this segment. Convenient to carry and eat, fast service and taste are the main propositions for the growing demand for fast food. Among the fast food category, American fast food has the largest value share of 30% (US$646 Mn), followed by Middle Eastern, chicken and bakery fast food segments.

Figure 19: Market value of fast food by type 2015 (US$ Mn)

Source: Euromonitor, Ardent Advisory

McDonald’s is the leading brand in the burger fast food category, followed by Burger King, Hardee’s and Wendy’s. California-based The Habit Restaurants has signed its first international franchise agreement with Dubai-based Food Quest Restaurant to launch 50 outlets of The Habit Burger Grill. In 2015, KFC was the top brand in the chicken fast food category. Moreover, the Middle Eastern cuisine is quite prevalent in the UAE, dominated by the fish fast food category. Bakery fast foods such as sandwiches, rolls, cakes and pastries have a substantial demand in the UAE. Also, within each category of bakery products, numerous options have emerged to meet the demand for assorted foods.
Single-product speciality stores such as Choux Pastry, Macaron and Snacking Chic are booming in the UAE. Tim Hortons is an example of a successful bakery fast food chain in the UAE. The store has gained popularity, with its elaborate range of baked products, breakfast snacks and lunch, and coffee beverages.

**With a combination of international and traditional flavours, Middle Eastern cuisine has the maximum share of demand in FSR category**

The FSR category has the second-largest share in the UAE’s F&B market, driven by rising disposable income and increasing presence of international fine dining brands. During 2010–2015, the FSR segment expanded at a CAGR of 9.9% to reach US$2 Bn. The Middle Eastern cuisine had the highest share at 29%, followed by European, Asian and North American cuisines at market share of 24%, 18% and 15%, respectively. Eating out at upscale food joints has also become a style statement and an integral part of social norm.

**In the Middle Eastern category, traditional Emirati delicacies are offered in addition to international cuisines. Higher proportion of Asian and European expats has led to an increased demand for these cuisines. A growing tourist population also plays a major role in defining the demand for such cuisines.**

**Home-grown FSRs account for 62% of the total FSRs**

With the growth of various new home-grown brands, the market now has multiple food options at the domestic level. People are increasingly enjoying the customisation and hence shifting from imported concepts to embrace home-grown brands. Outlets such as Café Blanc and Mezze House offer traditional Arabic food in a trendy style. Independent FSRs are the leading F&B service providers, accounting for 62% of the UAE’s total food service market.

**Figure 20: Market value of FSRs by cuisine type**

Middle Eastern cuisine is the most famous among Emiratis, with a growing preference for Lebanese mezze, Persian kebabs and Moroccan meatballs. Qbara, Khan Murjan and Lalezar are some of the top fine dining restaurants serving Middle Eastern specialties.

**Figure 21: The UAE market share of chains vs independent outlets (US$ Mn)**

Restaurant chains are growing faster owing to demand from international tourists who prefer familiar cuisines and are influenced by strong marketing tactics of the international brands. As a result, domestic franchises of these brands are expanding their base in the UAE.
Independent chains in the fine dining category have to compete on pricing to attract more consumers. Despite being expensive, the branded chains in the FSR category are gaining popularity owing to the Emiratis’ preference for international fine dining cuisines.

**Higher demand for takeaways and home delivery services has enabled the growth of F&B**

High penetration of internet and smartphones is aiding the growth of online food delivery platforms. In the UAE, smartphone penetration stood at 175% in 2015, which is driving the growth of third-party online food ordering/delivery applications.

An average UAE resident spends approx. US$915 per year on takeaway compared to approx. US$1,100 in the USA

---

*Figure 22: Market value of home delivery and takeaway services in the UAE (US$ Mn)*

<table>
<thead>
<tr>
<th>Year</th>
<th>Value (US$ Mn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>79.0</td>
</tr>
<tr>
<td>2011</td>
<td>88.5</td>
</tr>
<tr>
<td>2012</td>
<td>92.9</td>
</tr>
<tr>
<td>2013</td>
<td>104.9</td>
</tr>
<tr>
<td>2014</td>
<td>112.1</td>
</tr>
<tr>
<td>2015</td>
<td>123.1</td>
</tr>
</tbody>
</table>

*Source: Euromonitor, Ardent Advisory*

The country’s online food ordering market is still at a nascent stage and increased at a CAGR of 9.3% in 2010–2015. However, the trend of third-party online food ordering services is expected to rise in future as these enable many small and independent FSRs to reach out to the wider population. Some leading third-party online ordering services are Zomato.com, foodonclick.com, talabat.com and 24h.ae.

Higher disposable income, growing health consciousness and demand for innovative food options are driving premiumisation in the F&B sector

The young, affluent and well educated population mix in the UAE is increasingly expressing interest in healthier and more expensive fast food options. Moreover, people are willing to switch to alternative food options and also spend more on these items. This is fuelling the demand for innovative and healthy food options. In response to this new trend, a few new ventures have begun to offer healthy fast food alternatives in the UAE.

**Growth in healthy food options in the UAE**

- **Kcal Extra**, the Dubai-based chain, runs six “healthy fast food restaurants” that serve a wide range of salads and baked chicken, and provides calorie information for each dish.
- **Lemonade**, a California-based restaurant, opened two new branches in Dubai, Richy’s and Circles, which offer custom-made salads, bagels and other health foods.
- **Firin Gluten-free Bakery** is a first of its kind in Abu Dhabi that offers gluten-free products in a cafe environment. The cafe also serves organic tea and coffee and plans to launch a new range of healthy breakfast.
- **Café at Comptoir 102**, offering an array of organic and gluten-free dishes, is redefining the UAE’s healthy eating scene by growing its own produce as well as hiring a nutritionist for healthy cooking.
- **Kraft Foods** plans to modify the formula of its Capri Sun drinks to replace the high-fructose corn syrup with plain sugar.
Kingdom of Saudi Arabia

Saudi Arabia is among the world’s largest coffee consumers

Coffee is a popular drink in Saudi Arabia and a symbol of hospitality in the country. Saudis have been highly receptive to European-style cafes which has led to the growth in demand and consumption of coffee. The country imports around 10,000 tonnes of coffee annually, while the per-capita consumption of coffee is 3 kg per year. Led by the high coffee consumption, the cafe market in the kingdom expanded from US$2.4 Bn in 2010 to US$3.9 Bn in 2015. Moreover, coffee chains, both international and local, are leveraging the growth potential in Saudi Arabia through innovations in their offerings.
Saudi Arabia has captured 60–65% of the total fast food market in the GCC

Saudi Arabia accounts for the largest share of the total fast food market in the GCC, with US$5.7 Bn, as of 2015. The fast food channel offers quick, affordable, filling and tasty snacks options to consumers, given that apart from shopping and eating out, the country has limited options for entertainment.

With the growing popularity of fast foods and casual dining, American fast food chains dominate the market, especially in the upscale fast food segment. Various local brands such as Herfy, Al-Beck and Shawaya House are also leveraging the potential demand for fast food, creating a strong presence in Saudi Arabia’s fast food landscape.

Bakeries of all types are present in large numbers across the country, as bread is the staple food in Saudi Arabia. Bakeries accounted for 31% of the total fast food market in 2015. Burgers accounted for the second-largest share at 26% in 2015. While Artisanal bakeries, with a market share of 67% (2014), is the largest player in the bakery segment, McDonald’s is the largest player in the burger segment. The growing popularity of burgers has not only boosted the sales of brands such as Herfy and Burger King but also several other independent players such as Burgeronomy, Hamburgini, 12 Burger and The Burger Box. In the chicken fast food segment, Al Baik brand leads the market, followed by KFC. A growing trend of takeaways and drive-through service has also expanded the fast food sales. Moreover, the global chains have followed the strategy of customisation and localisation through intelligent modifications in their menus. One such example is McArabia Grilled Chicken sandwich offered by McDonald’s.

Top fast food brands in Saudi Arabia

- McDonald’s
- Burger King
- Little Caesar
- Herfy
- Shawaya House
- Wimpy’s Burger

Figure 24: Market size of fast food by type, US$ Mn (2015)

Source: Euromonitor, Ardent Advisory

Growing tourism and hospitality industry is driving Saudi Arabia’s F&B market

Religious tourism the key growth driver of Saudi Arabia’s F&B sector. In 2014, about 19 million tourists visited Saudi Arabia, of which 50% were headed for Hajj and Umrah. This number is expected to increase to 25–30 million by 2025, boosting the contribution of religious tourism to the non-oil sector GDP to more than 5.4% as of 2016. Considering the growth prospects, the Saudi Arabia government is focusing on improving and expanding infrastructure in the hospitality and retail segments, which are the backbone of the F&B sector.
The number of hotel rooms in Saudi Arabia increased from 140,000 units in 2010 to 299,500 units in 2014. The country’s tourism department has forecasted to increase the number of rooms to 401,360 by 2020, with a total investment of US$38.4 Bn. This would boost the demand for quality food products, particularly in five star hotels.

The boom in the hospitality sector has attracted a number of international hotels chains such as Dusit Thani, Shangri-La, JW Marriot, Radisson Blu, Double Tree by Hilton and Swiss-Belhotel. The world’s largest hotel Holiday Inn, with 5,154 rooms in five towers, will be operational in Makkah by 2018.

Globalisation is transforming the lifestyle and eating habits of Saudi youths

In the last two decades, Saudi Arabia has experienced rapid socio-cultural changes owing to robust economic growth, globalisation and growing consumerism. Not only the Saudis have started to travel and explore but the growing population of expats has also led to the influx of western culture and food habits. Moreover, the number of working women in Saudi Arabia increased by almost 86% between 1999 and 2012 to reach 647,000. This further increased the potential of ordering food from outside as women had less time for cooking at home.

As an oil-dependent economy, Saudi Arabia is a rich nation. A high disposable income has also played an important role in boosting the demand for the country’s F&B industry.

International hospitality exhibitions and F&B focused events are attracting global F&B brands

In 2013, Reed Sunaidi Exhibitions, a joint venture between Reed Exhibitions and Sunaidi Expo, launched its first trade event on the F&B industry in Saudi Arabia. The event is held in December every year since 2013, with emphasis on making Saudi Arabia one of the prominent and preferred retail destinations in the region. The Saudi Food Forum is another noteworthy F&B event in the country, attended by both local and international players in the food service market.

Saudi Arabia is one of the largest unexplored markets in the Gulf for natural and organic products. But as people become more health conscious in terms of what they are eating and how their food is being cooked, there is an immense potential for natural food products. Leveraging on the growing demand for natural food, Saudi Food Forum also exhibited organic companies such as Bio Ice, Organic bio Free, Darin, Hasad and Organic Campagnola Soup. The exhibitors came from across 27 countries including Germany, Spain, South Africa and United Kingdom.
Qatar

As an F&B hub in the GCC, Qatar’s foodservice industry is witnessing robust demand and expansion in the number of local and global food brands

The F&B industry is set to benefit from Qatar’s economic diversification plans

Qatar aims to become a leading country in the GCC in terms of economic growth. After winning the bid to host FIFA World Cup 2022, the country’s sports and tourism sectors have grown rapidly. This has benefitted its F&B market, making it one of the most promising and attractive segments in the region. According to Business Monitor International (BMI), the expansionary fiscal policy of the Qatari government and growing population base are driving food consumption that is expected to increase at a CAGR of 5% between 2016 and 2019. Backed by this growing demand for food, Qatar’s F&B landscape has over the years attracted various local and international food chains. Qatar’s F&B sector is expected to reach US$1.5 Bn by 2020 from US$1 Bn in 2015.

In comparison to the UAE and Saudi Arabia, Qatar’s F&B sector is still at a nascent stage. However, robust economic growth averaging at 3.3% and rising affluence levels (highest GDP per capita in the world) have strengthened the outlook for a rise in spending on food and beverages. Urban lifestyles also have a strong influence on the eating patterns of people, leading to a rise in demand for westernised diets and global culinary choices.

An expanding tourism industry is the most significant driver for Qatar’s F&B market

The Qatari government is providing significant impetus to its tourism and hospitality sector. According to Qatar Tourism Authority (QTA), Qatar received 2.93 million visitors in 2015, increasing at an annual average rate of 11.5% in the last five years.

Qatar has also been showing resilience as a tourist destination amid the challenges faced by the global tourism industry.

Figure 25: Tourist arrivals in Qatar (in million)

In a bid to host the FIFA World Cup 2022, Qatar has been investing in infrastructure expansion to accommodate and entertain tourists. As per Qatar Vision 2030, the country envisages to leverage this opportunity to carve a distinct position in the foodservice and hospitality landscape of the GCC. For 2016, the number of hotel rooms is estimated at 23,000, a 27% growth over that in 2015. Some of the most recent openings include DoubleTree by Hilton Doha – Old Town and Shangri-La Hotel Doha. This in turn has resulted in a growing demand for restaurant and cafe chains in the country.

Growth in the number of malls and preference for international flavours are favouring growth of the F&B sector in Qatar

Qatar is making substantial investments to expand its retail space by developing malls and shopping districts. The City Centre, Lagoona mall, Villagio and Landmark together account for more than 100 F&B outlets.
The Mall of Qatar, which opened recently, offers a culinary treat for consumers, with some of the world’s choicest F&B brands under one roof. Once fully operational, it will display the most elaborate and lavish setup of foodservice chains across Qatar, with 30% of the total space dedicated to food outlets. Brands such as Cheesecake Factory, Babel, Eataly, Greek Fresh, New York Fries, Sazeli, Texas Roadhouse, TWG Tea Salon & Boutique and Zafran would be a few of them. The construction of new malls such as North Gate, Doha Festival city, Ezdan, Al Markhiyaa and the Gulf Mall is currently underway, and these are likely to accommodate numerous F&B outlets.

With 590,000 m² of gross leasable area, there is a high demand for premium restaurant chains in Doha. Sensing this immense investment potential in Qatar’s F&B landscape, scores of international F&B brands such as Megu, Tse Yang, Pampano, Mango Tree and Burj Al Hamam are now emerging. In addition, western-style restaurants are gaining popularity in Qatar.

Apart from malls, Doha has three main F&B clusters that has more than 110 F&B outlets

Souk Waqif – It is one of the top tourist destinations in Qatar. Apart from being a great shopping destination, it houses numerous restaurants and shisha lounges. It is also one of the biggest F&B hubs in Doha and hosts more than 42 food outlets.

Katara Cultural Village – It is the largest and multidimensional cultural project of Qatar that is in line with the goals set in the Qatar Vision 2030. It houses some of the finest international restaurants symbolising culinary diversity. It presents diverse and world famous cuisines with brands such as Mamig Armenian, U’sha Frshka, Al Jazeera Media Café and Ard Canaan.

Top cuisines served at Souk Waqif

- Qatari Cuisine, served best by Al Tawash
- Mediterranean Cuisine, served best by Le Gourmet Restaurant
- Yemeni Cuisine, served best by Al Bandar Aden Restaurant
- Iraqi Cuisine, served best by Al Adhamiyah Iraqi Restaurant
- Syrian Cuisine, served best by Damasca
- Indian Cuisine, served best by Royal Tandoor

Top F&B brands at Katara Cultural Village

- Mamig Armenian
- Al Jazeera Media Café
- U’sha Frshka
- Ard Canaan
Pearl Qatar – Located 350 metres offshore of Doha’s West Bay Lagoon area, it includes residential accommodation, hotels, marina and retail areas. Considered as Doha’s “Riviera Arabia”, it was developed by the Hospitality Development Company (HDC). The outlets range from TGIF to Isla (a high-end Mexican restaurant), presenting an array of cuisines and wide food service categories. Top F&B brands operated by HDC are – Megu, Wafflemeister, Urban Jazz Kitchen, and Chocolate Bar.

Top F&B Brands operated by HDC

American and Lebanese cuisines are the most preferred cuisines in Doha

International and American cuisines remain the most popular choices, representing nearly half of the total number of outlets in Doha. Lebanese culture has had a considerable influence on Qatar’s F&B sector, leading to an increased demand for Lebanese cuisine. This has also contributed to the growing popularity of the shisha concept in Doha.

Although a variety of F&B concepts are emerging in Qatar, certain gaps exist with regard to European-style cafes, American fine dining and pizzeria concepts. Irrespective of these gaps, the flourishing tourism industry in Qatar will be the main factor for F&B’s success stories in the future.

Growth in cafes and home-grown food business is catching up fast

Coffee plays an important role in Qatar’s F&B culture, and the growing preference for freshly brewed coffee provides a boost to cafes in the country. From the country’s first vegan cafe to the innovative ones, coffee shops in Qatar are offering a diverse range of products. Per-capita coffee consumption in Qatar reached 0.69 kg in 2015, while total coffee consumption is estimated to reach 1,943 tonne in 2020 from 1,670 tonne in 2015. As youth constitutes more than 60% of the population, the number of cafes are expected to further grow in the coming years.

QIFF is constantly in the limelight for developing an innovative food experience for visitors

The QIFF is the one of the most coveted annual food fests, organised jointly by the QTA and Qatar Airways, and hosts a range of F&B brands. The seventh QIFF, held in 2016, offered exciting dining options such as “dinner in the sky”, “Barbecue on the Bay”, “Dinner on the Dhow” and “Instagram market” (with 12 entrepreneurs selling their food items). Apart from these new concepts, celebrity chefs, a live cooking theatre and food trucks also captured significant attention from food admirers.
Oman

The Oman government has introduced favourable regulations to promote the expansion of its food service industry

Oman’s F&B industry is geared for growth

In the last five years, Oman’s F&B sector has expanded at a slow pace of around 1.1% CAGR to reach a market size of US$349 Mn in 2015. The recent drop in oil prices has had a negative impact on consumer spending which led to a lower demand in the country’s F&B sector.

With improved forecast for oil prices, Oman’s retail industry has regained momentum. Also, with the Omani government giving high priority to its tourism industry, the foodservice market is quite likely to expand further. To ease the process of F&B expansion, in 2015, the government has relaxed the regulation for setting up of restaurants in Oman. As per the new regulations, restaurants are no longer required to get an approval from the Ministry of Tourism (MoT) for setting up business. Only tourism restaurants would have to seek approval from the ministry.

Government initiatives have led to increased investments in the tourism sector

As tourism is one of the strategic pillars in Oman’s economic development, by 2020, the government plans to construct more than 20,000 hotel rooms to accommodate the growing number of visitors. About 1.5 million international tourists visited Oman in 2015. The country is now gearing up to welcome more than 2 million tourists by 2020.

In anticipation of this surge in tourist footfalls, the government has initiated several hospitality infrastructure projects. The dynamics of Oman’s hospitality industry is changing, with the entry of international luxury hotel chains. Anantara Group, The Kempinski and Fairmont Hotels, and Sheraton are some of the top chains.

<table>
<thead>
<tr>
<th>Project</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Wave Muscat</td>
<td>An integrated tourism complex with an area of 2.5 Mn m² valued at US$2.5 Bn. It would house scores of restaurants and coffee shops</td>
</tr>
<tr>
<td>Duqm Hotel Project</td>
<td>A four-star business hotel with 230 rooms, various facilities and restaurants</td>
</tr>
<tr>
<td>Oman Convention &amp; Exhibition Centre</td>
<td>A US$1 Bn project housing several hotels, business parks, restaurants, cafes and shopping malls</td>
</tr>
</tbody>
</table>

Tourism-oriented projects are not only confined to hospitality but also entail opening up of new malls which are one of the main sources of leisure for residents as well as tourists. One such project is the Mall of Oman, a US$470 Mn project, set to open by 2020. It will have a dining zone with five new casual-dining restaurants serving global flavours, including the Turkish Kosibasi restaurants. The Palm Mall Muscat, a US$129 Mn project set to open by 2018, will present various options in shopping, family entertainment, F&B and leisure. As a venture of Al Jarwani Hospitality, the mall would present a range of F&B brands such as Yummi-Yummi Catering, MJ Foods Production, Le Praline and La Mer Café.
Themed restaurant concepts are emerging in Oman

Oman’s foodservice landscape has transformed led by lifestyle changes, urbanisation and flourishing tourism. As per the Oman Tourism Report, the country’s hotels and restaurants industry is among the fastest growing sectors in the GCC. Contrary to the limited culinary selection in the past, the appeal of new and exciting concepts is gaining ground. Amid several restaurants and cafes, themed dining restaurants such as “The Jungle” and “Love at First Bite” have also emerged. These restaurants offer a variety of cuisines and innovative ambiance to create a memorable experience for the diners.

Like elsewhere in the GCC, Omanis are willing to experiment with a wide variety of food and prefer a high level of customisation. This has led to higher demand for international fine dining concepts. People are also gradually shifting towards healthier food options such as organic and gluten-free range of food. Being a multicultural city, Muscat offers a wide range of restaurants featuring Omani, Lebanese, Moroccan, North African, Asian, European and Continental cuisines.

Fast food and casual dining segments are gaining traction

In the last decade, the fast food and casual dining categories have undergone a major transformation, driven by robust demand and growing competition. Pizza Hut was the first international fast food chain to open in Oman about 30 years ago. Today, it has around 39 outlets in the country, accounting for 40% share in the overall fast food market and 60% share in the pizza segment. Moreover, brands such as Subway, Dominos, New York Fries and Italian coffee chains are among the top QSRs, while Pizza Express, Bin Mirza International, Steak Escape Sandwich Grill and Spun Candy are famous in the casual dining space. Fast food accounted for the largest share in terms of number of outlets, followed by cafes and casual dining segment.

Omani F&B businesses have adopted strategies such as customisation of food through local flavours, taste for high-quality ingredients and dietary options. For instance, Pizza Express chain in Oman has developed a new concept called “Leggera”, wherein the food served under this category has less than 300 calories. On the other hand, Subway introduced items such as chicken tikka, tandoori and flat bread to cater to local tastes. On similar lines, New York Fries introduced “imli fries”, “butter chicken fries” and “chili beef fries.”

However, Oman’s F&B sector is facing challenges owing to Omanisation and the lack of skilled employees which may limit the sector’s growth. Particular to Oman’s fast food industry, one of the concerns is the ban on the issue of two-wheeler licenses. Omani F&B businesses have been tackling this issue by helping their employees in getting two-wheeler licenses from other countries such as the UAE. Although the sluggishness in oil prices reduced the spending capacity of the population, Oman’s F&B industry, particularly the fast food category, has shown resilience to emerge as a recession-proof business. Nevertheless, the demand for F&B is expected to increase in the future.
Kuwait

As global food franchises and local concepts are gaining prominence in Kuwait, its F&B industry is a promising sector for investors

Kuwait’s government is making efforts to ensure food security to boost its F&B sector

Dining out is a favourite leisure activity among people in Kuwait, and this has led to the emergence of restaurants offering a variety of cuisines in recent times. Cuisines ranging from Chinese, Japanese, Thai, Italian, Indian, American and Lebanese are spread across more than 25,000 restaurants. Kuwait’s F&B market expanded to US$1 Bn during 2010–2015, at a CAGR of 4.6%, and it is expected to reach US$1.5 Bn by 2020.

With poor returns from the hydrocarbons sector, Kuwait is trying to re-orient its economy through diversification. The economy is thus emphasising on the development of the tourism and hospitality sectors, and within this, F&B would be one of the main areas of development. Moreover, Kuwait government has laid out a long-term plan to ensure food security. It aims to enhance local farming production and processing to support the F&B business in Kuwait. In terms of private investment, Kuwait is one of the most promising regions, with the government providing various incentives and subsidies to encourage local production. Furthermore, the country’s National Development Plan has identified tourism as one of the sectors for development. This will have a favourable impact on Kuwait’s F&B sector.

Growing youth population and per-capita income are major drivers of Kuwait’s F&B industry

More than 50% of Kuwait’s population falls within the age group of 25–54 years, while around 40% is below the age of 24 years. Moreover, the growing preference for a culture of eating out is backed by high income levels. After the economic slowdown, the per capita GDP of Kuwait is expected to grow at 3.3% to reach US$32,671 between 2015 and 2020. The youth population supported by a high per-capita income is more inclined towards western lifestyle, and this has led to the entry of many international F&B players in the country.

Growth in mall infrastructure is fostering expansion of F&B outlets across Kuwait

Famous malls such as The Avenues, 360 Kuwait, Marina and Salhia commercial complex house various foodservice outlets. For instance, restaurants, cafes, food courts, sweetshops and ice cream parlours occupy a 25% share in The Avenues mall. The mall is expected to undergo phase-three expansion to significantly increase the number of F&B outlets, given the high footfalls in this space. Phase three would have six extensions, and the Souk extension would be dedicated to various restaurants and cafes.

Kuwait’s F&B market presents numerous opportunities for franchises and local concepts

Restaurant chains such as McDonald’s, Domino’s, Cheesecake Factory, Costa Coffee, Red Lobster, Olive Garden and Texas Roadhouse in addition to franchises and international brands have a strong position in Kuwait. A growing trend of original food concepts is also catching up fast. Among the franchised food companies, Americana Group with brands such as KFC, Pizza Hut and TGIF dominates the market, with 175 outlets and accounts for 45% share in Kuwait’s F&B market.
Local F&B brands in Kuwait are redefining themselves to move up the value chain in terms of quality, ambiance, design and menu selection. Quality plays a major role in defining food choices as people are becoming conscious of what they eat. Sensing this trend, a local premium burger joint, Slider Station, opened in Kuwait. It is the world’s first conveyor belt burger joint offering classic and gourmet sliders and a range of American tapas, grills, flat breads and high-end desserts. On similar lines, B+F Open Flame Kitchen, an upscale designer concept-focused outlet serving global cuisines, was also launched in the country.

**Expansion of F&B clusters is gaining traction in Kuwait**

Taking cues from the US F&B market, a new trend of F&B clusters is gaining traction in the GCC, with Kuwait being a major market. A restaurant cluster is a geographic conglomeration of various F&B outlets located in close vicinity. However, each food outlet has a separate menu and offers distinctive ambiance.

**Table 5: Upcoming F&B clusters in Kuwait**

<table>
<thead>
<tr>
<th>Name</th>
<th>Number of Outlets</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arabella</td>
<td>36</td>
<td>Hawalli</td>
</tr>
<tr>
<td>Menus</td>
<td>7</td>
<td>Abu Halifa</td>
</tr>
<tr>
<td>Typhoon</td>
<td>60</td>
<td>Abu Halifa</td>
</tr>
<tr>
<td>Le Port</td>
<td>NA</td>
<td>Mahboula</td>
</tr>
<tr>
<td>Miral</td>
<td>45</td>
<td>Al Mangaf</td>
</tr>
<tr>
<td>Levels</td>
<td>NA</td>
<td>Al Mangaf</td>
</tr>
</tbody>
</table>

Source: Hodema, Ardent Advisory

Growing popularity of hospitality and food exhibitions and emergence of online food ordering portals are boosting F&B market

Various online platforms are emerging in Kuwait which are transforming the country’s F&B landscape. Founded in 2004, Talabat.com is an online food ordering portal that expanded across the GCC, within a few years of its inception. Moreover, Kuwaitis are becoming more active on social media. For instance, Yallawain.com is a Kuwaiti website focused on reviewing and rating local dining restaurants.

In the last five years, the annual hospitality and food exhibition, Horeca Kuwait, has come a long way in terms of increase in popularity and the number of exhibitors and visitors. The number of exhibitors has grown from 35 to 60, and the number of participants has risen from 100 to 250. Showcasing the live culinary event and judged by top chefs from Italy, Germany, France, Saudi Arabia and Egypt, the exhibition presents substantial investment opportunities in Kuwait’s F&B market.
Bahrain

Over the last five years, Bahrain's F&B sector has struggled amid political unrest; however, the sector is poised for growth, with the government's increased focus on the tourism sector.

Bahrain's F&B market expanded at a CAGR of 7% from 2010 to reach US$387 Mn in 2015.

As one of the smallest F&B service markets in the GCC, Bahrain has immense potential to emerge as a vibrant dining hub. The country has been one of the top destinations for Italian and Lebanese food over the last 30 years. The enthusiasm among people for dining out and appreciating global flavours has enabled the country's F&B players to serve items ranging from as exotic as caviar to as inexpensive as shawarma. Bahrain's F&B market is expected to expand to reach US$0.6 Bn by 2020 from US$0.4 Bn in 2015, at a CAGR of 8.4%.

The 2011 political unrest in Bahrain negatively affected the growth of the tourism and F&B industries. Many restaurants closed down permanently during the unrest. However, since then, the government is trying to revive the industry by attracting both regional and international visitors. Also, infrastructure developments such as Dragon City Mall and The Avenues, extension of the City Centre, and expansion of airport is expected to bolster Bahrain's tourism sector. New investments such as the US$928 Mn project have been proposed to convert Hawar Islands into an eco-friendly resort which is expected to transform the tourism landscape in the kingdom. These proposed developments would greatly benefit the F&B sector.

Bahrain's growing hospitality industry is driving the expansion of various F&B ventures.

As per the Bahrain Economic Development Board, the hotels and restaurants sector grew by 10.3% Yo-Y, much above the average GDP growth rate of 5.6% in 2015.

Over 12 million tourists are expected to visit Bahrain by 2020; the government is thus making significant investments to develop hotels and other infrastructure.

One such investment is the expansion plan for the Lost Paradise of Dilmun, a US$50 Mn standalone water park, the largest in the Middle East. This park would feature various F&B outlets, including Arabian Grill, Bubbles, Blue Lagoon Beach Bar, Mid Summer Café and Gilgamesh.

Table 6: Top three upcoming hospitality projects in Bahrain

<table>
<thead>
<tr>
<th>Project</th>
<th>Overview of F&amp;B</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dilmunia Masterplan</td>
<td>Major attractions are the three restaurants serving Chinese, Thai and French specialties</td>
</tr>
<tr>
<td>The Avenues Bahrain</td>
<td>It will house more than 50 restaurants and cafes</td>
</tr>
<tr>
<td>Marassi Al Bahrain</td>
<td>It would feature rooftop restaurants, outdoor bars, lounges and cafes</td>
</tr>
</tbody>
</table>

Source: News Articles, Ardent Advisory

With the expansion of both western and local restaurants, significant opportunities await F&B market.

According to the 2013 Index of Economic Freedom, Bahrain topped the list of the best free market economies in the MENA, with an overall score of 75.5; making the country one of the best places to invest in the restaurant business. More than 100 American franchise restaurants exist in Bahrain, with the majority being fast food joints. Fine dining is also a popular concept in Bahrain.
As a result, the number of individual food joints vis-à-vis chained outlets has increased in the country’s F&B market. Besides a growing appetite for international flavours, local chains are popular among people. Recently, two investors from Bahrain bought 50% stake in Hungry Bunny, a Saudi fast food chain.

Bahrain’s F&B sector is on a growth spree

With a wide variety of cuisines available ranging from Chinese to Greek, Bahrain’s F&B sector has been performing fairly well. Italian cuisine is among the favourite ones, with the popular restaurant choices such as Roma, Primavera, La Taverna, Cico’s, Ciro’s Pizza Pomodoro or Mamma Mia’s. This is followed by Asian cuisines, particularly those with a blend of western and eastern cuisines.

Apart from catering to people’s tastes, F&B players in Bahrain are trying to brand the dining experience by leveraging the concept of celebrity chefs. Rasoi by Vineet is the first ever Michelin-starred chef restaurant in Bahrain that was inaugurated in October 2015. Moreover, Bahrain’s food service industry emphasises on food quality as people are increasingly preferring premium options. Bahrain’s food service industry is evolving, with the rise of the F&B clusters concept.

Top three most visited F&B hubs in Bahrain

- **Adliya** – Many F&B outlets in this area have been transformed from old townhouses. Most restaurants are located here.
- **Seef** – It is more of a cosmopolitan area, with the presence of branded restaurants, offering American, Japanese, Lebanese, Indian, Chinese and French cuisines.
- **The Diplomatic Area** – Located in the heart of Manama, this area houses various upscale hotels and premium F&B outlets.
Kuwait Food Company

With more than 1,700 food outlets, the Kuwait Food Company is one of the biggest F&B franchises in the GCC

Business Description
Established in 1964, Kuwait Food Company (Americana Group) operates F&B outlets and manufactures food products under various brands. Besides being the largest operator of restaurant chains in the MENA, it is one of the most successful franchise operators in the world. With a network of over 1,700 outlets as of 2015, Americana Group has developed 12 most recognised brands under different food service categories, from fast food to fine dining. Based out of Kuwait, the company has leveraged its strong understanding of the varied F&B tastes and preferences of people in the GCC. This capability has enabled it to develop six of its home-grown brands, including Chicken Tikka, Fish Market, Samadi, Maestro, Grand Cafe and Fusion. The company has expanded operations across 13 countries and 105 cities.

Key Financials (Revenue, Operating Profit, Net Profit)
During 2011–2015, the company’s revenues increased at a CAGR of 4.3%, while its net profit decreased. This decline is attributed mainly to the fall in sales of certain products owing to challenges arising from economic and health-related issues, such as Avian Flu and Mad Cow Disease. In 2014, the sales value grew 4.6 times that in 2004. The strong historical financial position, benefits of economies of scale and diversification strategy (number of outlets increased by 8% in 2014 y-o-y) have helped the company achieve success today.

Latest News
• After much negotiations, in October 2016, Adeptio, a Dubai-based investment group, agreed to buy a 69% stake in Americana Group at US$2.4 Bn from the Kharafis (a wealthy Kuwaiti merchant family)
• In 2015, the company launched its new canned beans factory in Egypt, with a production capacity of three million cartons a year

Kuwait Food Company – Key Facts (2015)

<table>
<thead>
<tr>
<th>Established</th>
<th>1964</th>
</tr>
</thead>
<tbody>
<tr>
<td>Location</td>
<td>MENA (Kuwait)</td>
</tr>
<tr>
<td>Number of Outlets</td>
<td>1,700 (2015)</td>
</tr>
<tr>
<td>Key Brands</td>
<td>KFC, Pizza Hut, Hardee’s, TGIF, Krispy Kreme, etc</td>
</tr>
<tr>
<td>Revenue</td>
<td>US$ 3,217.3 Mn</td>
</tr>
<tr>
<td>Net Profit</td>
<td>US$ 145.9 Mn</td>
</tr>
</tbody>
</table>

Figure 26: Number of food outlets

Figure 27: Net profit margin and revenue

Source: Company Website, Annual report
Source: Annual report of Americana (2014)
KOUT Food Group

Besides introducing the franchise of top global F&B brands in the GCC, Kout Food Group is also developing local food concepts.

Business Description

Established in 1998, the Kuwait-based Kout Food Group is engaged in establishing, managing and operating international and local restaurant chains. The company also provides catering services as well as import and export of food-related items. With “Hungry Bunny” as its first local franchise in Kuwait, the company today holds the franchise rights of several international brands such as Burger King, Taco Bell, Pizza Hut and Applebee’s. Amid the growing popularity of these brands, the company has also nurtured some of its home-grown concepts such as “Scoop a Cone” and “Ayyame”.

Key Financials (Revenue, Operating Profit, Net Profit)

Between 2011 and 2015, the company's revenues increased at a CAGR of 8.7%, while its operating profit rose at a CAGR of 4.8%. Revenue from Ayyame increased by over 25% in 2014 led by growing popularity of local F&B concepts. In addition, total sales from outlets in the UK surged by 44% y-o-y and the business grew by over 6.5% in 2014. The immense popularity of “Kababji”, a restaurant specialising in Lebanese cuisine, led to the introduction of two more outlets. These factors have driven the Group’s strong performance in the recent years, with the expectation of further rise in profits over the coming years.

Latest News

• In 2014, the Group was recognised and awarded by the Applebee’s Global Convention as the fastest growing franchisee in the MENA. It also received recognition at the BKMEAA Conference for the highest home delivery sales

• The company acquired seven additional locations for expansion of Pizza Hut outlets in Kuwait in 2015. It has also opened six new Burger King outlets in Kuwait. The Kout Food Group partnered with Yum!Brands and launched the first Pizza Hut Dine-in store in Iraq.
Herfy Food Service Company

As one of the largest food chains in Saudi Arabia, Herfy is competing with global food chains

Business Description

Founded in 1981, Herfy Food Service Company (Herfy) is the biggest and the fastest growing fast food chain in Saudi Arabia, specialising in three major foodservice categories: fast food, bakery and others, and meat processing. Restaurants occupied a major share of business, with 85.2% of the total revenues accruing from its 290 outlet chains as of September 2015. With the number of restaurants increasing at a CAGR of 8.1% from 2011 to 2014, the company plans to add 25 restaurants every year. The company has well captured the local tastes and preferences, making the brand quite popular among the Saudis. Considering its wide presence in the GCC, Herfy is keen on increasing the number of outlets in the MENA.

Key Financials (Revenue, Operating Profit, Net Profit)

Between 2010 and 2014, the company’s revenues increased at a CAGR of 12.2% and its net profit surged at a CAGR of 14.2%. The vertical integration (all services are performed in the production value chain) done by Herfy has provided significant cost benefits to the company, thereby ensuring higher profits despite food inflation. The company has responded well to the growing competition among the fast food chains in Saudi Arabia by frequently introducing new options in its menu.

Latest News

• In 2016, Herfy signed an Area Development Franchise Agreement with Greenland Services Ltd., a business unit of Greenland Group of Bangladesh, to expand its business beyond the Middle East. The agreement envisons opening up of 30 Herfy outlets in Bangladesh

• In 2014, the company was conferred the MENA Franchise Award for the “Best Saudi Franchise Brand”
ARDENT is a UAE headquartered advisory firm, with a targeted focus on the GCC. The firm’s partners and directors bring over 100 years of cumulative advisory experience with the Big 4 professional firms and global investment banks. The ARDENT team members have worked with and advised some of the leading industry players in the region and have played a pivotal role in their business growth. Our client centric business model, in addition to our local expertise and extensive industry knowledge, consistently creates and adds value to our clients.