



GCC F&B RETAIL SECTOR

E-commerce the engine of the GCC retail growth

October 2021



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Foreword

The GCC is home to a large number of domestic and international F&B brands and retailers. This report outlines trends in retail sales of F&B products through online and brick & mortar stores and covers key F&B product categories in the region.

Food retail in the GCC has gained momentum over the last decade and is projected to grow at CAGR of 3.8% between 2020 and 2025 on the back of rising tourist footfalls, upcoming mega events and population growth. Even during the pandemic, the sector was resilient due to consumer shift towards buying from retail stores as opposed to visiting restaurants.

Production of food in the GCC region is at a limited scale with 80% to 90% F&B consumption being imported into the region.

One of the key emerging trends in 2020 was the shift towards online buying, which can be partly attributed to the recent pandemic. This trend is likely to gather momentum in the next few years, as people get more accustomed to online purchasing and greater convenience vis-à-vis shopping from brick & mortar stores. Penetration of the online retail F&B platforms is expected to increase from about 2% in 2020 to 6% in 2025. Brick & mortar retail stores are also establishing e-commerce platforms to provide omni channel experience to consumers.

Food security concerns have resurfaced in the GCC, with countries such as the UAE, Saudi Arabia and Qatar introducing various policies to promote local manufacturing in a bid to reduce dependence on the oil sector and focus on other areas.

This is likely to boost F&B manufacturing companies and local brands are expected to occupy more shelf space in retail compared with international brands. As the food manufacturing industry has limited players with high dependence on imports, therefore, there is scope for further growth.

Cost concerns and diversification needs are also driving retailers towards private labels. Major retailers such as LuLu and Carrefour have already launched their F&B private labels. Retailers are also trying to capitalise on this trend and introduce private labels in the healthy & organic foods segment.

The potential of F&B retail space in the region has led to 40 deals (M&As and PE/VC deals) in the last three years. Most PE/VC deals focussed on online grocery platforms, as the change in shopping habits has attracted a slew of online grocery start-ups to set up operations in the region. Also, with increasing investments towards food security by the regional governments, the market is expected to witness significant M&A activity.

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F&B RETAIL MARKET OVERVIEW

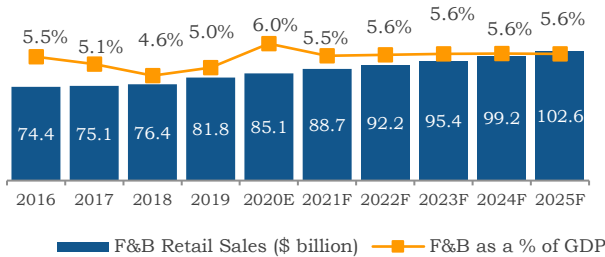
F&B Retail Market Overview

F&B retail sector in the GCC stands at US\$85.1 billion; Saudi Arabia and UAE account for ~78% food retail sales

The GCC's continued focus on economic diversification has resulted in the development of a world-class retail infrastructure. Within the retail sector, the food & beverages (F&B) sector has expanded from US\$76.4 billion in 2016 to US\$85.1 billion in 2020, driven by a growing consumer base, rising per capita income and increasing demand for healthy food items. Retail sales in the F&B sector include food and beverages sold at retail stores such as supermarkets, hypermarkets, convenience stores and online stores

Within the GCC, Saudi Arabia and the UAE cumulatively accounted for ~78% of the total F&B retail sales in 2020. Saudi Arabia is the largest market in the GCC for F&B retail sales due to its large consumer base, while F&B retail sales in the UAE are driven by higher per capita income and international tourist footfalls.

Figure 1: GCC F&B Market Retail Sales (2016-2025F, in US\$ billion)

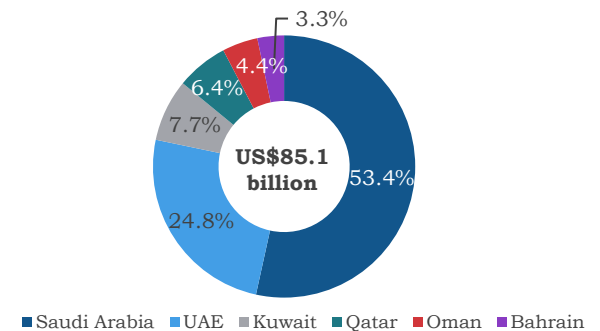


Source: ARDENT Advisory Estimates, IMF, U.S. Department of Agriculture Data Base, Fitch Solutions Report 'Food & Drink Report'

F&B retail is one of the least impacted market segments during the COVID-19 situation. Driven by the current pandemic, consumers are also moving away from their eating out habits by cooking more, thus driving up the retail sales of F&B products.

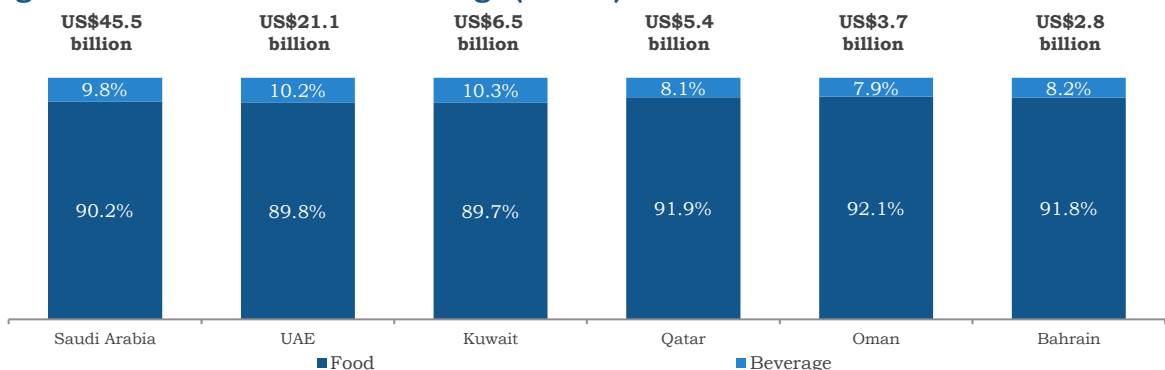
Although COVID-19 has had the least impact on the market in terms of total sales, it has definitely shifted the focus from brick & mortar to online e-commerce. Retailers such as Carrefour have reported a 300% increase in demand from online channel in the UAE. Going forward, it will be interesting to see how retailers cope with this growing shift in customer shopping preference.

Figure 2: F&B Retail Sales by Country (2020E)



Source: ARDENT Advisory Estimates, Fitch Solutions Report 'Food & Drink Report'

Figure 3: Share of Food and Beverage (2020E)







Source: ARDENT Advisory Estimates, Fitch Solutions Report 'Food & Drink Report'

F&B Retail Market by Channel

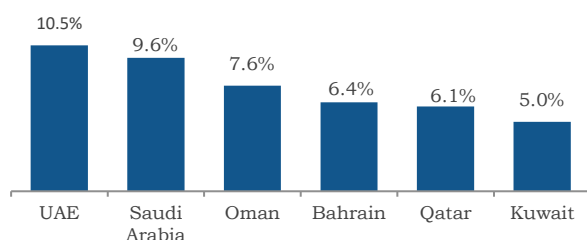
Supermarkets and hypermarkets are popular F&B retail sales channels; gradual shift in consumer preference to online grocery shopping due to ease in shopping and wide product offerings

Table 1: F&B Retail by Channels

	Hypermarkets & Department Stores	Size of such stores varies between 25,000 and 100,000 square feet. Unlike supermarkets where the SKUs are mainly limited to food and household grocery, hypermarkets offer a broad range of SKUs across different categories. LuLu Hypermarket, Carrefour, Sultan Center, Bin Dawood, Panda Retail and Kuwaiti Union of Cooperative Societies are some examples of hypermarket and department stores in the GCC region.
	Supermarkets	Size of supermarkets varies between 3,000 and 25,000 square feet. LuLu, Carrefour, Spinneys, Union Coop, Sultan Centre, SPAR and Al-Othaim Supermarket are some examples of supermarket stores in the GCC region.
	Convenience Stores	The size of these stores varies between 500 and 3,000 square feet. Meed, Zoom, ADNOC Oasis, Allday Retail, Geant Express and Circle K are some examples of convenience stores in the GCC region.
	Online Grocery and Food Delivery	Kibsons, Barakat, Instashop, Talabat, NowNow, Suncart, Qfresh Online and El Grocer are a few examples of online grocery stores in the GCC region.

Supermarkets and Hypermarkets: Brick & mortar format stores such as supermarkets and hypermarkets are popular F&B retail sales channels due to the wide product offerings under one roof. In the GCC region, F&B retail sales through supermarket and hypermarket channels grew at a CAGR of 9.1% to US\$70.1 billion between 2013 and 2018. In the UAE, supermarket and hypermarket retail accounted for ~78% of the total grocery retail sales channel due to a higher number of expatriates who prefer to shop in large retail stores.

Figure 4: Sales Growth at F&B Supermarket and Hypermarket Retail (2013–2018, % CAGR)



Source: Farrelly & Mitchell report on 'Opportunities for supply chain consolidation in GCC food sector'



Additionally, the UAE is a popular tourist and retail destination for residents, resulting in greater popularity of supermarket and hypermarket retail. Saudi Arabia's supermarket and hypermarket retail share stood at ~42%.

Convenience Stores: The number of smaller convenience stores has increased who tend to be located near residential buildings, commercial spaces and malls. This rise in the number of smaller stores is primarily ascribed to lack of large retail space in highly populated locations. For instance, retail giant Carrefour has launched new, smaller-format convenience stores in Dubai and Abu Dhabi to cater to smaller neighborhoods.

Over the last decade, convenience stores have increasingly expanded their range of daily essentials and offer a wide variety of F&B products including ready-to-eat meals to compete with the hypermarkets and supermarkets.

Countries with a large share of expat population tend to have a larger share of supermarket and hypermarket retail channels compared with countries with a low proportion of expat population. However, in Saudi Arabia, Saudisation policies have negatively impacted operations of convenience stores with convenience stores shutting down in the recent years due to lack of manpower.

Table 2: Percentage Share of Grocery Retail Sales by Channels – Country Comparison

	Supermarket & Hypermarket	Convenience Stores & Others
 UAE	78%	22%
 Saudi Arabia	42%	58%

Source: Euromonitor

Online Grocery and Food Delivery: In 2019, the average spend on an online grocery order ranged from US\$25 to US\$40 in the GCC. It is projected to double by 2022 as more and more consumers are using various online channels to purchase their weekly grocery. The margins enjoyed by online retailers are also expected to increase as orders are placed more frequently and there is a surge in delivery charges due to high demand from consumers. Lastly, vast supplier networks including large supermarkets and specialty stores have increased their online product portfolios, making this sector highly attractive.

There are more than 45 companies offering online grocery services in the GCC either through omnichannel or pure play. Omnichannel companies such as LuLu Group and Carrefour earn high margins and can maintain quality control, whereas online companies such as El Grocer, Barakat, Instashop, Kibsons and Instasalla earn high margins and focus on fulfilling orders quickly

F&B Retail Market by Product Category

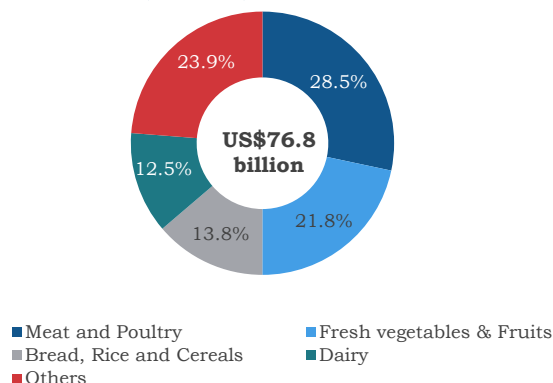
Food accounts for ~90% of the total F&B retail market, while beverages account for the remaining 10%

Food

Out of the total GCC food retail, meat and poultry, fresh fruits & vegetables, bread, rice & cereals, and dairy account for ~77% of the total market.

Countries in the GCC region import 80% to 90% of their food consumption and have secured their food and beverages supply through trade relations. It remain pivotal as the GCC region is a leading oil-based energy exporter with dependency on import of food and beverages.

Figure 5: GCC Food Retail – Product Category (2020E)

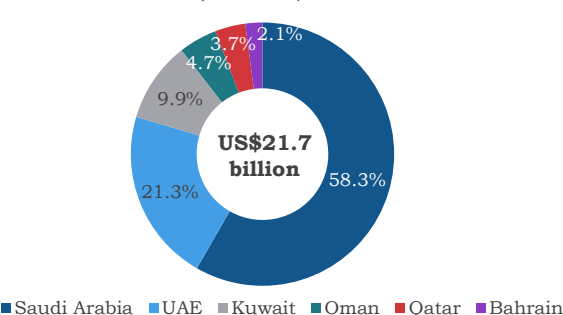


Note: Others includes baked goods, pasta products, oils & fat, sugar, fish and fish products

Source: ARDENT Advisory Estimates, Fitch Solutions Report 'Food & Drink Report'

Meat and Poultry: Meat production in the GCC region includes poultry, beef, camel meat, sheep and goat meat. Saudi Arabia is the largest producer of poultry followed by UAE.

Figure 6: GCC Meat and Poultry Retail Market Sales (2020E)



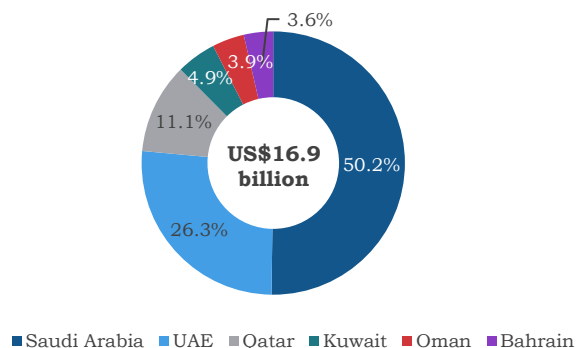
Source: ARDENT Advisory Estimates, Fitch Solutions Report 'Food & Drink Report'

GCC F&B Retail Sector Report | October 2021

By default, meat exported to the GCC region is halal. Meat and poultry segment has the highest sales across all countries in the GCC region.

Fresh Vegetables and Fruits: There is a shift in dietary supply with increasing preference for fruits and vegetables in the GCC region. The GCC vegetables and fruits retail market is expected to stand at US\$16.9 billion in 2020

Figure 7: GCC Vegetables and Fruits Retail Market Sales (2020E)

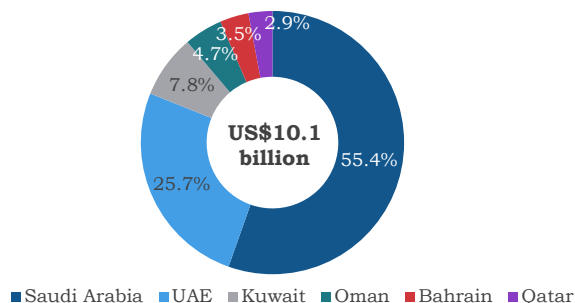


Source: ARDENT Advisory Estimates, Fitch Solutions Report 'Food & Drink Report'

In the GCC region, fruits and vegetables are produced using hydroponic farming, desert farming and seawater farming. Vegetables and fruits such as cucumbers, tomatoes, peppers, strawberries, chilies, aubergines, leafy vegetables and herbs are grown in the region using greenhouse farming techniques.

Bread, Rice and Cereals: Bread, rice and cereals form an integral part of food consumption in the GCC region. The GCC bread, cereal and rice retail market is expected to stand at US\$ 10.1 billion in 2020.

Figure 8: GCC Bread, Rice and Cereals Retail Market Sales (2020E)



Source: ARDENT Advisory Estimates, Fitch Solutions Report 'Food & Drink Report'

Countries in the GCC region such as Saudi Arabia and Qatar have phased out the production of water-intensive crops such as wheat and rice due to the scarcity of fresh water making it a key import category.

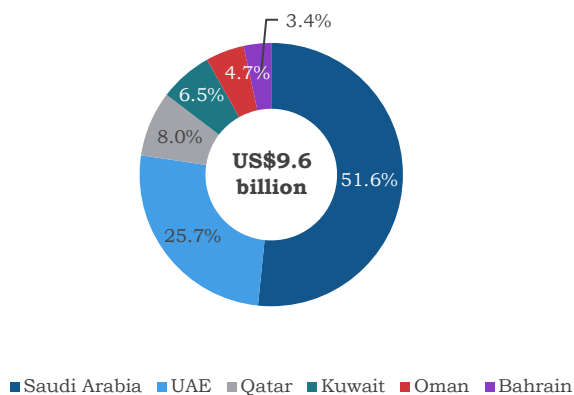
Dairy: Large dairy operations are found across the GCC region. Domestic dairy production is expected to grow due to productivity gains through improving health, breeding, nutrition, farm design, animal husbandry and crop management standards to meet the increasing domestic dairy demand.

Saudi Arabia is the largest dairy producer in the GCC region and a strong exporter to the MENA region. Qatar, on the other hand, has achieved 100% self-sufficiency in milk production and is also an exporter of fresh milk to Oman, Afghanistan and Yemen.

Consumption of value-added products have increased, driven by the lifestyle change and shift in focus of dairy producers to the value-added segment (mainly due to the potential of higher-margin realisation). The GCC dairy retail market is expected to stand at US\$9.6 billion in 2020.

Almarai Co., National Agricultural Development Co. (NADEC), Al Rawabi Dairy Co. and Al Ain Co. are among the key dairy companies in the GCC region.

Figure 9: GCC Dairy Retail Market Sales (2020E)



Source: ARDENT Advisory Estimates, Fitch Solutions Report 'Food & Drink Report'

Beverages

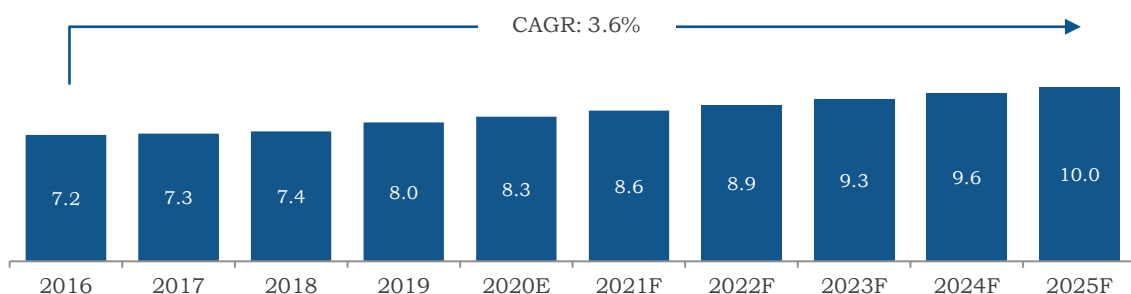
Out of the total GCC F&B retail sales, beverages account for ~10% of the total market. Non-alcoholic beverages such as coffee, tea, soft drinks, fruits and vegetable juices, mineral water and carbonated drinks accounts for 98.7% of the total market.

In 2019, governments in the GCC region imposed steep taxes on energy drinks and soft drinks as part of their efforts to fight obesity and diabetes.

Alcoholic beverages market, on the other hand, accounts for only 1.3% market share, standing at US\$0.1 billion and is sold only in the UAE, Qatar Oman and Bahrain.

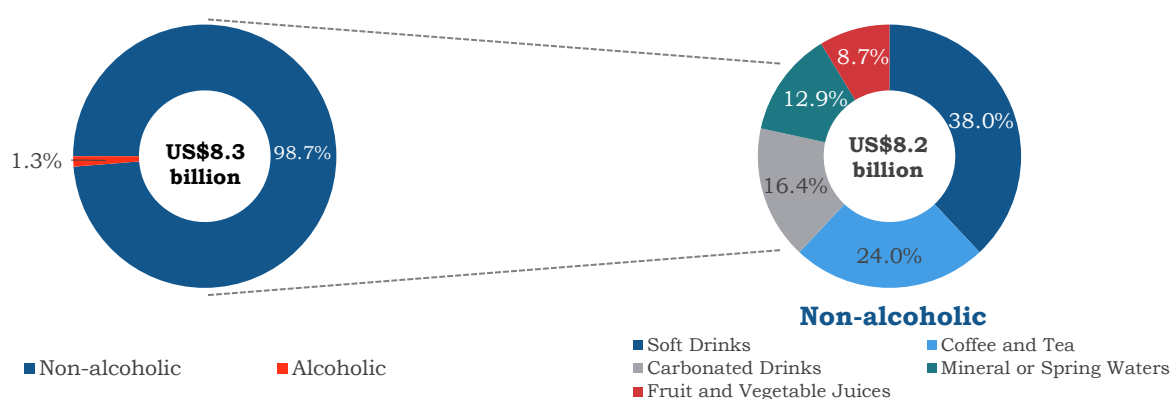
Danone, Nestle S.A, PepsiCo Inc., Rani Refreshments and Coca-Cola are popular beverage companies in the GCC region.

Figure 10: GCC Beverages Retail Market Sales (2016–2025F, in US\$ billion)



Source: ARDENT Advisory Estimates, Fitch Solutions Report 'Food & Drink Report'

Figure 11: GCC Beverages Retail – Product Category (2020E)



Source: ARDENT Advisory Estimates, Fitch Solutions Report 'Food & Drink Report'



KEY TRENDS IN F&B RETAIL MARKET

Key Trends in F&B Retail

The GCC has witnessed the rise of online grocery market and focus on food sustainability in the recent years

Emergence of Online Grocery Market

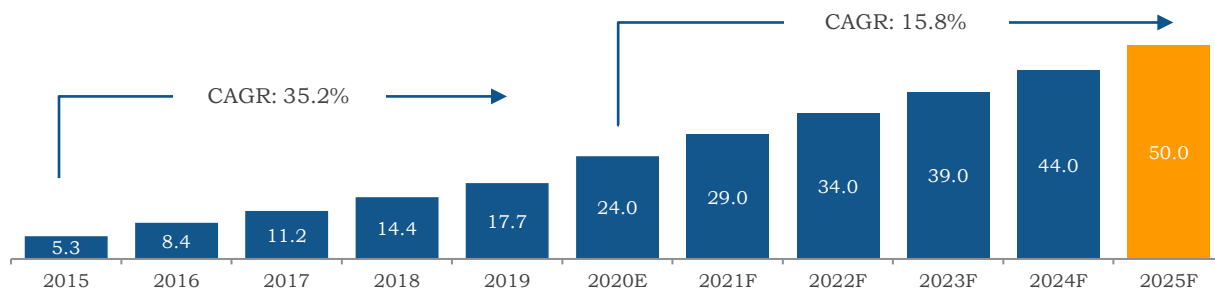
E-commerce is the engine of the GCC retail growth. In 2015, e-commerce was at its nascent stage (with a market size of US\$5.3 billion), contributing 0.4% to the GCC GDP. However, between 2015 and 2020, the e-commerce market grew rapidly, reaching US\$24 billion.

F&B category within the e-commerce market is expected to grow exponentially. The online grocery and food delivery market expanded >20% y-o-y between 2017 and 2020 to become a ~US\$2.3 billion market. Consumer shopping preferences are moving away from brick & mortar retail stores towards online due to greater convenience and competitive prices offered by e-commerce players.

This rise in the online grocery market is challenging the F&B retail market and thereby adding more pressure on the traditional retailers' margins.

Online grocers operate through three business models, i.e., pureplay operators that use the online model only and have complete control over logistics and value chain from the vendor to the consumer (such as Trolley.ae, Kibsons, Barakat and Farmbox); and aggregators that use online models to fulfill grocery orders in partnership with local stores and hypermarkets through a marketplace model (such as Noon, El Grocer InstaShop and NowNow). The third business model comprises traditional brick & mortar retailers that are venturing into the e-commerce space by launching their own websites.

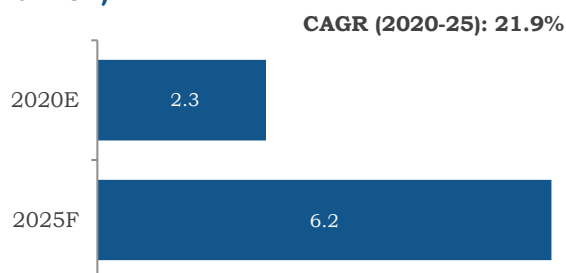
Figure 12: E-commerce Retail Sales (2015–2025F, in US\$ billion)



Note: It includes B2C e-commerce sales across categories such as food, beverages, food delivery, personal care, fashion, electronics, toys, furniture, appliances, digital music and video games

Source: Kearney's 'GCC e-commerce unleashed: A path to retail revival or a fleeting mirage' report

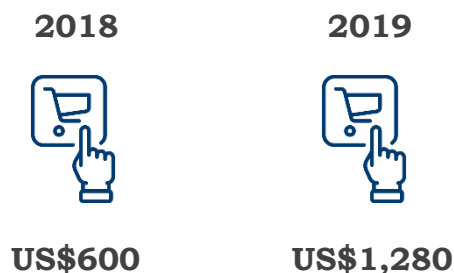
Figure 13: Online F&B Retail Market Size and its Growth (2020E and 2025F) (US\$ billion)



Note: Includes food (e-grocery included) and personal care

Source: Kearney's 'GCC e-commerce unleashed: A path to retail revival or a fleeting mirage' report

Figure 14: Average Annual Online F&B Retail Spend per User in Saudi Arabia and the UAE



Source: Kearney's 'GCC e-commerce unleashed: A path to retail revival or a fleeting mirage' report, Wamda's 'Online Grocery Retail in MENA' report

Retailers in this model offer two services including the 'Click and Collect' service, wherein customers complete online purchases and pick their orders from a designated company supermarket as per their convenience. The second service is 'Order Online with Home Delivery' model, wherein customers place their orders on the website or mobile app and choose a delivery time slot for their order to be delivered at their doorstep. This model is convenient for consumers who have busy working lives and prefer grocery deliveries at their convenience. Major retailers such as LuLu Group and Carrefour have adopted this model.

COVID-19 has emerged as a key accelerator for online grocery

With the closure of shopping malls and stores as part of lockdown restrictions to curb the spread of coronavirus, the GCC witnessed a significant transformation in consumer behaviour with most consumers opting to shop online at least partially. Most e-commerce users are tech savvy, with millennials accounting for 45% of the population base. While 60% millennials shop online, the COVID-19 pandemic has helped educate the older generation about the potential of e-commerce. This has increased awareness and created a new customer segment for online grocers.

Businesses, which were earlier reluctant to adopt digital transformation, are now rushing to create an online base to avoid losing out on opportunities. While online grocery shopping will never replace the experience of physically interacting with a product, most retailers are planning to adopt a hybrid shopping experience combining online and offline stores. Forward-looking companies are already developing an 'Augmented Reality' (AR) feature to provide consumers a virtual reality experience, wherein shoppers use a headset and enjoy the in-store experience from their couch.

Expansion into online grocery by businesses post COVID-19

- In the UAE, Noon, a popular horizontal marketplace player, launched 'NoonNow' and 'Noon Daily', which offer a wide range of fresh food items to customers
- Taxi hailing apps and package delivery companies such as Careem (UAE), Kuwait Taxi (Kuwait), Wasel (Saudi Arabia) and ToYou (Saudi Arabia) have also entered the online grocery delivery market
- Services offered by online food delivery apps such as Sprent and Talabat have further augmented the on-demand delivery of groceries and food items to customers

Growing potential of online grocery in the UAE

- Consumers in the UAE are comfortable with online grocery purchases and account for 20% of the country's total online retail sales
- Businesses have realised the potential of e-commerce and are undertaking active investments.
- Another trend being utilised by online grocers is the use of artificial intelligence—based on learning from consumer behaviour—to personalise their experiences. For example, Dubai's bulk grocery platform, BulkWhiz, encourages consumers and small businesses to buy groceries in bulk, as prices on the portal dip with the increase in quantity of a product in the cart.

Focus on Food Sustainability

Lack of arable land, scarcity of water and unfavourable weather conditions have influenced food manufacturing in the GCC. These problems are compounded by the rising population. According to the International Monetary Fund, population in GCC countries is likely to expand at a CAGR of 2.4% annually between 2020 and 2025. This will drive food consumption in the GCC.

Currently the GCC region imports 80% to 90% of its food consumption. The geopolitical situation and recent trade disruptions due to COVID-19, have forced the GCC governments to focus on initiatives, which promote food sustainability.

One of the most common initiatives adopted across the GCC is agricultural technology to overcome the shortcomings of their desert ecosystem. Governments have started using alternative farming practices such as hydroponic farming (a system of growing crops without soil, often called as 'soilless farming'), desert farming and seawater farming to increase domestic food production in their countries.

Greenhouse fresh vegetable production is also expanding across the GCC countries to reduce vegetable price fluctuations and improve access to off-season produce. Some of the GCC countries are experimenting with vertical farming (plants grown in stacked layers).

The first indoor commercial vertical farming operations in the GCC was opened in Dubai, UAE in 2018. Also, the country is making significant investments in greenhouse vegetable production and is expected to scale up in vertical greenhouse designs.

The GCC governments are also investing in agricultural land overseas, especially in Africa and CIS countries*, to guarantee food supply. African countries such as Zambia, Ethiopia, Uganda and Sudan have become the hotbeds for agriculture investments. In addition, North African countries such as Egypt and Tunisia are also expected to witness a rise in agriculture investments, as these governments are focussed on driving economic growth, following a period of political instability. In 2020, an Abu Dhabi based investment company Mubadala signed a memorandum of understanding (MoUs) with leading entities in Ukraine who are working towards food safety.

The GCC governments are also encouraging private companies to invest in the food production sector. For example, Oman's Ministry of Agriculture and Fisheries encourages local and foreign investments in sustainable food production by providing financial loans for modern irrigation systems in gardens and exempting companies from income tax in agriculture projects.



*Note: *CIS countries include Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan.*

Recent initiatives by the GCC governments for food sustainability

Saudi Arabia

- In 2019, the Ministry of Environment, Water and Agriculture invested US\$200 million to increase organic production by 300% by 2030.
- In 2019, Saudi Arabia's National Fisheries Development Programme invested US\$400 million to develop infrastructure of the seafood sector. This programme aims to boost the total aquaculture output to 600,000 tonnes over the next five years, with shrimp accounting for one-third of the total aquaculture volume by 2025.

The UAE

- In 2020, Abu Dhabi's state-owned holding company ADQ established a new company 'Silal', which acts as a food wholesaler, promotes local production and manages the country's strategic food reserves.
- In 2020, the UAE government launched the 'National System for Sustainable Agriculture' to improve efficiency in farms, enhance self-sufficiency in food and create opportunities in the sector.
- Launched in 2019, the Food Tech Challenge is a global competition that seeks to develop innovative solutions for food production and management in the UAE. The programme aims to use advanced technologies to overcome challenges in the agriculture sector and achieve sustainable food production in the country.

Qatar

- The Food Security Department of Qatar has launched the 'Qatar National Food Security Strategy 2018-2023' to increase self-sufficiency in food production and decrease dependency on imports.
- The agricultural arm of Qatar's sovereign wealth fund, Hassad Food, bought agricultural land in Sudan and Australia to undertake agriculture projects and import crops to Qatar. The country has also announced plans to invest in agricultural projects in countries such as Kenya, Brazil, Argentina, Turkey and Ukraine.

Private-label Brands and Manufacturing

Private labels have become a fast-growing route to new business for SMEs as well as established manufacturers that are planning to expand their portfolios and market presence. In the GCC, private labels are gaining popularity and have emerged as an important source of revenue for large supermarkets and hypermarkets, which continue to invest in private labels on the back of growing demand for budget-friendly healthy foods.

Cost competitiveness is one of the key drivers for the rising demand for private labels (as opposed to branded products) in the GCC. Further, GCC's reliance on food imports is also pushing retailers to explore private labels and gain market share.

The GCC private labels market is also likely to benefit from introduction of the 'discounter concept', wherein discount stores operating on this model offer high-quality products at a lower price. Discount retail shops offer a complete shopping experience and are located near densely populated areas. These stores offer both food and non-food items to cater to the large customer base. Some examples of discounters include Dukan in Saudi Arabia and Viva in the UAE (part of the Landmark Group).

In addition, changing demographics and rising health awareness have fuelled the demand for organic food items; this has led retailers to diversify their private label product portfolios. LuLu Group's private labels offer >2,500 products.

Carrefour Bio witnessed high traction by introducing a 'Healthy Kitchen section' in several outlets across the UAE. The brand offers affordable organic options of various packaged food items. Also, the retail chain continues to invest and develop Carrefour-branded products to revamp its product line including cereals, biscuits, jams, pasta, spices, vegetable cans, frozen food, dairy products and baby food.

Despite the growth witnessed in private-label products, the GCC lags behind the mature retail markets. According to the '2018 Middle East Sentiment Survey' by McKinsey & Company, 55% consumers (with Saudi Arabia in the lead) actively look for savings across markets. Further, the 'Rise and Rise Again of Private Label 2018' study by Nielsen highlighted that the Middle East and Africa recorded a 79% perception improvement (highest worldwide) for the quality of private-label products.

The Dubai World Trade Centre (DWTC) expanded the Gulfood event with the launch of Private Label & Licensing Middle East (PRIME) EXPO in 2019. The event aims to connect private-label suppliers, brand licensors and contract manufacturers with the F&B and retail industries in the MENA region.

Key Retailers with Presence in the Private Labels Segment





INVESTMENT THESIS

Investment Thesis

Growing population, changing consumption pattern, increasing disposable income and burgeoning tourism industry are boosting the GCC F&B retail market

Favourable Demographics Fuel the Demand for F&B in the Region

Population in the GCC is culturally diverse due to its vibrant expatriate community. With a population base of 57.6 million, as of 2019, the GCC recorded a CAGR 2% growth in population between 2015–2019.

The GCC's multicultural population is attributed to its vast expat base. Moreover, the continued influx of working-age expats is expected to augment the working-age population.

Change in Consumption Pattern

The consumption pattern in the GCC is changing and looks promising for companies offering consumer packaged goods (CPG). The region is also witnessing a shift in purchasing patterns, wherein consumers are buying value-added products and healthier alternatives instead of staples. For example, rather than buying powdered milk, consumers are buying fresh milk; instead of juice concentrates, consumers are buying fresh juices or smoothies.

There has also been an increase in the demand for refrigerated products with the penetration of supermarket and hypermarket retail trade outlets, such as supermarkets and convenience stores that can carry a wider range of refrigerated products. In addition, the government's policy initiatives, such as Saudi Arabia's 50% tax on carbonated soft drinks and 100% on energy drinks, are driving consumers towards more attractive and healthier options.

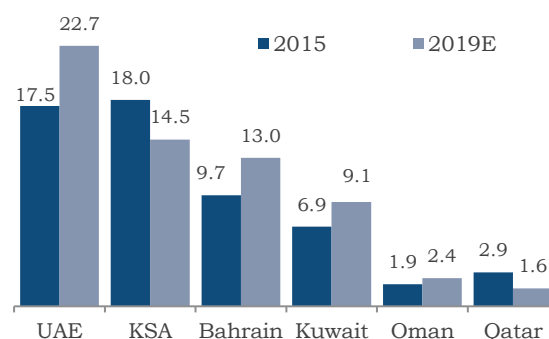
Rising Tourism and Upcoming Events such as Expo 2020 (Postponed to 2021) and FIFA 2022 are Expected to Accelerate F&B Demand in the GCC

In 2019, the tourism industry accounted for 8.6% of the GCC's combined GDP, i.e., US\$245 billion. The region witnessed a rise in the number of visitors, providing ample opportunities for a thriving F&B sector. Saudi Arabia and the UAE are currently leading the tourism landscape and thus, significantly contribute to the increasing demand for the F&B sector.

Postponed by a year, Expo 2020 will be held in October 2021 and is expected to attract ~25 million tourists to Dubai.

As the tourism sector is of strategic importance for long-term development of non-oil economies, countries such as Saudi Arabia, the UAE and Qatar are increasingly emphasising on its development.

Figure 15: Number of International Tourist Arrivals in the GCC (in million)



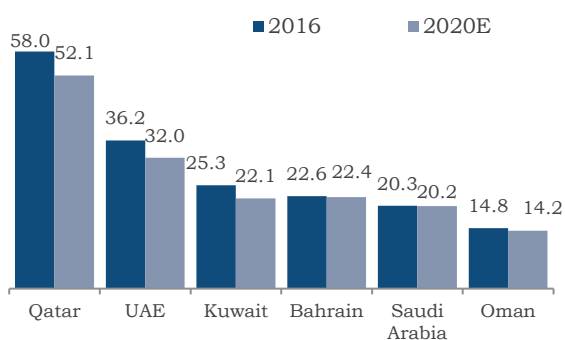
Source: World Bank, ARDENT Advisory Estimates

With Growing Disposable Income, Consumers are Willing to Spend More on F&B

With disposable incomes rising in the region, consumers are becoming more sophisticated and changing their attitudes regarding food products.

Driven by the flourishing economy, the region’s per capita income grew faster than other developing countries; this has boosted the demand for F&B sector in the region. Qatar recorded the highest per capita income in the region between 2016 and 2020.

Figure 16: Gross Domestic Income per Capita (US\$ 000)



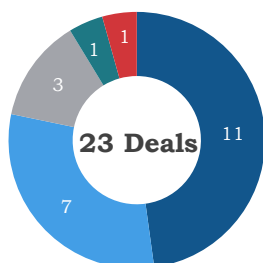
Source: International Monetary Fund Data Base

M&A and Early-stage Investment Deals (1/2)

With rapid growth in the GCC's F&B sector, many investors are vying to capture a share through M&A and early-stage investment deals

M&A Deals: Between 2018 and January 2021, 23 M&A transactions were reported in the GCC. The UAE and Saudi Arabia were the most active markets reporting a total of 18 transactions during the same time period.

Figure 17: Number of M&A Deals by Country in the F&B Sector



■ UAE ■ Saudi Arabia ■ Kuwait ■ Bahrain ■ Oman

Source: Capital IQ

Poultry & meat sector reported the highest number of transactions – 7 out of 23 deals, indicating a consolidation in the sector. Almarai, which is one of the leading companies in the F&B retail sector, completed 3 transactions during the time period. Apart from Almarai, major acquirer in the Poultry & meat sector include diversified investment holding companies—International Holdings Company. The UAE-based Agthia Group has been consolidating in the food sector through acquisitions. In January 2021, the company acquired a majority stake in Nabil Foods, a regional frozen and chilled processed protein products provider.

Three deals were recorded in the rice and cereals sector, of which two deals were for flour-milling companies in Saudi Arabia. The Saudi Grains Organisation, the state wheat purchaser received government nod for privatisation of milling operations way back in 2011. In 2020, two flouring mills were sold to a consortia consisting of investors from Saudi Arabia and the UAE.

The food retail sector in the UAE and Kuwait also reported two transactions. In 2020, Gulf Japan Fund (managed by Mizuho Gulf Capital Partners Ltd.) acquired Al Accad Department Stores, while Kuwait-based OnCost Cash & Carry acquired Gulfmart in 2018.

Early-stage Investment Deals: Between 2018 and January 2021, a total of 17 early-stage investment deals were finalised, with Saudi Arabia and the UAE leading the investment destinations with a total of 11 transactions during the period.

Figure 18: GCC's Share in the Number of Early-stage Investment Deals in the F&B Sector



■ UAE ■ Saudi Arabia ■ Kuwait ■ Bahrain ■ Oman

Source: Capital IQ

Unlike the M&A space, where the deals focussed majorly on food items such as poultry and grains, early-stage investment deals were more concentrated in online grocery platforms and delivery. As many as 11 deals out of the total 17 deals focussed on the online grocery and delivery space.

Among the online grocery delivery companies, Riyadh-based Matajer Central Co. raised a total of US\$24.6 million in two rounds between 2019 and 2020. Major investors include Saudi Telecom Ventures and Middle East Venture Partners. The company's app allows hypermarkets such as Carrefour, Panda, Spar and others to showcase their products directly to consumers.

Sustainable farming solutions are also gaining traction among the Middle East investors, with three transactions completed between 2019 and 2020.

M&A and Early-stage Investment Deals (2/2)

With rapid growth in the GCC's F&B sector, many investors are vying to capture a share through M&A and early-stage investment deals

Table 3: Top M&A Deals across the GCC (2018–Jan. 2021)¹

Target	Acquirer	Sector	Transaction Value (US\$ million)	Country
First Flour Mills Company	Al Faisaliah Group Holding Co. Ltd.; Essa Al Ghurair Investments; Raha Foods Processing Company	Cereals	540.4	Saudi Arabia
Kraft-Branded Cheese Business in Middle East and Africa of Mondelez International, Inc.	Arla Foods	Dairy Products	419.0	Bahrain
InstaShop Ltd	Delivery Hero SE	Online Grocery	360.0	UAE
Al Kabeer Group ME (51% stake)	Savola Group	Frozen Foods	152.3	Saudi Arabia
New Technology Bottling Company K.S.C.C	Abdul Razzaq Abdul Hameed Al-Sane & Sons Group	Water	66.1	Kuwait
Wadi.com	Carrefour MAF	Online Grocery	30.0	Saudi Arabia

Source: CapitalIQ

Table 4: Top Early-stage Investment Deals across the GCC (2018–Jan 2021)¹

Target	Investors	Sector	Transaction Value (US\$ million)	Country
Matajer Central Co.	Consortium of investors (including Middle East Venture Partners; Wamda Capital; Saudi Technology Ventures and Saudi Venture Capital and others)	Online Grocery	18	Saudi Arabia
ON Technologies Inc.	Consortium of investors (including Al Jammaz Group; Abunayyan Holding; Vision Ventures; Wamda Capital; Arzan Venture Capital and Others)	Online Grocery	5.5	UAE
Red Sea Farms	King Abdullah University of Science and Technology, Endowment Arm; Research Products Development Company	Agriculture Products	1.9	Saudi Arabia
Pure Harvest Smart Farms	Shorooq Partners; Mohammed Bin Rashid Innovation Fund	Organic Products	1.8	UAE
KRISPR	Kaizen FZCO	Vertical Farming	0.6	UAE

Source: CapitalIQ

Note: ¹ Only transactions that have disclosed deal values were considered



COMPETITION LANDSCAPE

Key Retailers (1/2)

High disposal incomes and large expatriate population have helped in attracting key international brands to the GCC, leading to stiff competition in the retail market

Table 5: Key Retailers in the GCC F&B Sector (by number of stores)

Multisegmented (incl. food items) Retailers	Retail Company	Number of Stores in the GCC/MENA	UAE	KSA	Qatar	Oman	Kuwait	Bahrain
	Panda Retail Co.	205 (KSA)	✗	✓	✗	✗	✗	✗
	LuLu	200 (ME)	✓	✓	✓	✓	✓	✓
	Carrefour	162 (GCC)	✓	✓	✓	✓	✓	✓
	BinDawood	73 (KSA)	✗	✓	✗	✗	✗	✗
	Al Meera	53 (Qatar)	✗	✗	✓	✗	✗	✗
	Farm Superstores	>50 (KSA)	✗	✓	✗	✗	✗	✗
	Al Safeer	28 (GCC)	✓	✗	✗	✓	✗	✗

Source: Company Websites (as of March 2021)

With expansion of the organised retail space and entry of several regional & international retailers, competition in the GCC retail sector has increased. On the back of high disposal incomes and large expatriate population, the region has attracted key international brands, stirring competition in the retail market.

Dominant hypermarket retailers are Panda Retail, LuLu Group and Carrefour in the MENA region.

Panda Retail

Established in 1978, Panda Retail is one of the largest Middle Eastern grocery retail chains, with over 106 million sales transactions through its supermarkets and hypermarkets. It operates under Savola Retail (one of Savola Group's main entities).

Some key recent developments include the following:

- In February 2021, Panda Retail's parent company Savola Group announced its expansion plans in its eight existing markets particularly Saudi Arabia and Egypt through acquisition and new product launch.
- In 2019, the company's focus was on delivering fresh products such as fruits and vegetables, and ensuring quality and availability of its produce.

LuLu Group

Headquartered in Abu Dhabi, UAE, LuLu Group is a conglomerate operating a chain of hypermarkets and retail companies.

The company is exploring new store formats and focussing on expanding its LuLu Express format. In 2020, the company opened seven express/minimart stores in the GCC, focussing on quality and diversified product offerings, as the retail chain aims to compete with local rivals and regional major—Carrefour.

Some key recent developments include the following:

- In February 2021, LuLu Group launched its 200th store globally - a new hypermarket in New Cairo, Egypt.
- In October 2020, ADQ, a UAE-based holding company, announced investments worth US\$1 billion for further expansion in Egypt in partnership with LuLu Group.
- In October 2020, the Saudi Arabian sovereign fund was in discussions to purchase a minority stake in the Lulu Group
- In April 2020, an investment firm backed by Abu Dhabi's royal family agreed to buy ~20% stake worth over \$1 billion in LuLu Group.

Key Retailers (2/2)

High disposal incomes and large expatriate population have helped in attracting key international brands to the GCC, leading to stiff competition in the retail market

Carrefour MAF

Founded in 1992 and headquartered in Dubai, Majid Al Futtaim (MAF) is a conglomerate with presence in shopping malls, retail and leisure centres across the Middle East, Africa and Asia. MAF sources >80% of its products (for Carrefour stores) from the region, showcasing its support for local producers, suppliers, families and economies.

Some key recent developments are as follows:

- In 2020, Carrefour launched Scan&Go Mobile, a feature allowing consumers to use their smartphones to scan, bag purchases and checkout by themselves.
- In July 2020, the company announced to open another 15 stores in the GCC by end-2020. This includes hypermarkets, supermarkets and small-format convenience stores across the UAE, Oman, Bahrain and Saudi Arabia.
- In April 2020, through carrefouruae.com, MAF launched an online marketplace, an e-commerce channel to help its shopping mall tenants and other businesses across the UAE reach new and existing customers.

- In 2019, MAF confirmed the acquisition of Wadi.com, the Saudi online grocery delivery platform. In 2018, MAF invested US\$30 million for a stake in Wadi.com, making Carrefour a strategic partner of Wadi for food & non-food items.

BinDawood

BinDawood Retail is the third-largest retail chain (by revenue) in Saudi Arabia, with 51 hypermarkets and 22 supermarkets. BinDawood Retail operates under two brands—BinDawood Stores (its mass mid-segment supermarket chain) and Danube (its high-end grocery brand).

Some key recent developments are as follows:

- In December 2020, BinDawood announced plans to set up its first international store for Danube in Bahrain and open it to the public in October 2021.
- In October 2020, BinDawood launched its IPO on Tadawul, Saudi Arabia's stock exchange.



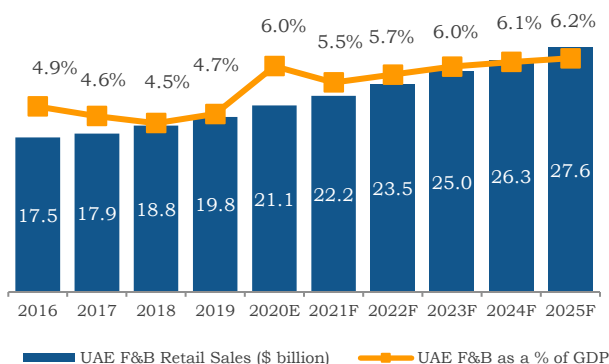
COUNTRY PROFILES

United Arab Emirates

Growth in the UAE's F&B market is driven by booming tourism, increasing expat population and high standard of living

A growing population, increasing tourist footfall and improved standard of living have attributed to the significant demand for F&B in the UAE. Dubai, one of the most prominent tourist destinations, attracted over 16.7 million visitors (in 2019) comprising mainly Indians, Britons, Chinese, Russian and Omani travellers, up 5.1% from that in 2018. A strong presence of expats at 88.5%, out of the total population, is another factor driving the country's flourishing F&B market.

Figure 19: UAE F&B Market Retail Sales (2016–2025F, in US\$ billion)



Source: ARDENT Advisory Estimates, IMF, U.S. Department of Agriculture Data Base, Fitch Solutions Report 'Food & Drink Report'

Within the GCC, the UAE accounts for ~24.8% of the total F&B retail sales in 2020. Valued at US\$21.1 billion in 2020, the UAE F&B market has expanded at a CAGR of 4.8% over the last five years. Organised retail comprising mainly of hypermarkets and supermarkets accounted for about three-fourths of the total F&B sales, while the remaining was accounted by convenience stores and traditional groceries. Increase in F&B retail sales in 2020 was driven due to the COVID-19 pandemic as consumers were cooking more at home.

The UAE is home to popular western grocery retail brands such as Carrefour and Waitrose. These western retail brands aim to expand further in the GCC countries, especially in the UAE. For instance, Dubai retail giant Majid Al Futtaim plans to open additional 15 Carrefour stores in the GCC.

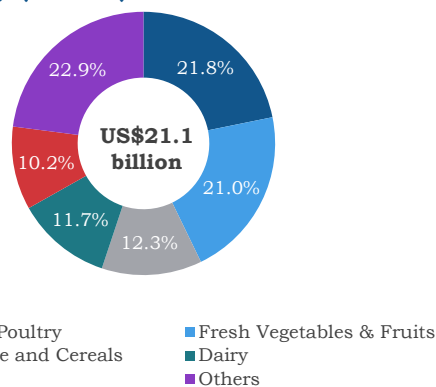
Domestic retail store such as LuLu, Spinneys and Choithram are also popular grocery retail stores among locals and expats in the country.

With the fast-paced urban lifestyle, consumers in the UAE are also preferring neighbourhood stores due to its presence in residential areas.

The UAE has also seen a gradual shift in consumer preference in adopting of online shopping. Many retailers such as LuLu Group and Carrefour too have adopted sales through online channel. In 2020, online grocery sales in the UAE crossed US\$1 billion i.e., accounting for 20% of the country's total online sales of US\$5 billion.

UAE Food & Beverages Retail Sales: Out of the total UAE F&B retail sales, bread, cereals and rice, meat and poultry, dairy and fresh fruits and vegetables account for ~67% of the total market.

Figure 20: UAE F&B Retail – Product Category (2020E)



Note: Others includes baked goods, pasta products, oils & fat, sugar, fish and fish products.

Source: ARDENT Advisory Estimates, Fitch Solutions Report 'Food & Drink Report'

As of 2020, the non-alcoholic beverages stood at 97.5% of the total beverages market with key categories such as soft drinks and fruits and vegetable juice. Dubai is the gateway to the African and Arab markets and has become the busiest hub in the Middle East in trading food products.

Currently ranked at 21 out of the 133 countries on the Global Food Security Index, the UAE aims to be in the top 10 by 2021. Under the UAE's 2018 National Food Security Strategy, there have been several government policies to boost domestic food production. The UAE government has built infrastructure, including complexes for cattle-breeding, and introduced financial measures such as exempting value-added tax on food produced on local farms to paying subsidies on fodder. Companies in the UAE are also investing heavily in purchasing land abroad. The government also provides incentives for hydroponics and fish farming. Food products such as spinach, salmon, tomatoes, mango and sardines are produced sustainably in the country to help bring food security in the country.

With the recent border shutdown during lockdown, the government has seen potential in dairy production, especially camel milk and value added-products such as yogurt, cheese and butter.

The Road Ahead...

The UAE is one of the most popular tourist attractions in the world and is visited by tourists for leisure and business. The country also has a growing expat population. Additionally, the country's political stability also adds to its attractiveness as a major tourist hub. The World Expo (to be held in Dubai in 2021) is expected to attract many tourists to the UAE. This will spur growth in multiple industries across the country including the food and beverages sector.

Key Domestic Food Production Developments

- As of 2020, the UAE has more than 1,000 hydroponic farms growing vegetables and fruits such as tomatoes, lettuce and herbs, oakleaf, strawberries and lollo rosso.
- In 2020, Smart Acres, a UAE-based agri-business company, announced the launch of UAE's first Hydroponic Vertical Farm in Abu Dhabi.
- In order to keep up with the seafood consumption of 220,000 ton a year in the UAE, Dibba Bay set up a three-hectare farm producing 25,000–30,000 oysters per month in Fujairah, UAE.
- In March 2019, Abu Dhabi's government announced that the emirate would invest US\$1.5 billion on research and development for food security and water scarcity.
- In March 2019, the Abu Dhabi government approved a series of initiatives such as local and international agricultural technology amounting to US\$272 million.

UAE F&B Retail Competitive Landscape

In the F&B retail channel, hypermarkets, supermarkets, convenience stores and hard-discounters have emerged as the dominant channel for food & grocery sales. The sector is characterised by the presence of large global retailers such as LuLu Group, Carrefour and Spinneys.

One of the key developments of F&B retail players in the UAE include focus on domestic expansion. For instance, Carrefour continues to expand its physical presence across the existing market with the opening of its stores at the City Centre Al Zahia in Sharjah and City Land Mall in Dubai. LuLu Group, Union Coop and Allday Retail also plan to expand its retail presence by opening branches across the UAE.

Another development observed across F&B retailers is the demand for fresh and healthy products such as fresh fruits and vegetables and organic products due to the emergence of healthy eating habits in the country. This is compelling retail chains to seek partnership in local and international markets.

For instance, in December 2020, LuLu Group signed contracts with apple producers in Kashmir, India, to procure 20 tonnes of fresh Kashmiri apples every week due to its popularity in the UAE and the GCC region. Carrefour has partnered with the National Agricultural Export Development Board (NAEB) in Rwanda, Africa, to sell fresh products including fruits and vegetables such as passion fruits, apple banana, pineapple and avocado at its stores in the UAE. The demand for organic food too is rising with brands such as LuLu Group and Carrefour investing in the sector. The approximate retail space stocking organic products in the country has increased by 60% over the last four years. For instance, LuLu Group has expanded its product offerings to include organic healthy options. Carrefour has partnered with Emirates Bio Farm, the largest private organic farm in the UAE, to source up to 450 tonnes of Emirates Bio Farm organic produce for Carrefour stores in the UAE.

In the wake of the COVID-19 pandemic and stores being shut for public, companies such as LuLu Group, Carrefour and Choithram have invested in launching their online marketplaces to attract online grocery sales.

Table 6: Major Retailers in the UAE

Company	Format	No. of Branches
Carrefour MAF	Hypermarkets and Supermarkets	109
LuLu Group	Hypermarkets and Supermarkets	80+
Madina	Hypermarkets and Supermarkets	75
Union COOP	Hypermarkets	64
Spinneys Dubai	Supermarkets	56
Al Maya Lal's Group	Supermarkets	55
West Zone	Supermarkets	51
T. Choithram & Sons	Supermarkets	41
Nesto Group	Hypermarkets and Supermarkets	27
Al Safeer Group	Hypermarkets and Supermarkets	27
ADNOC Oasis	Convenience Stores	300+
Zoom	Convenience Stores	230+
Freshplus	Convenience Stores	65
Allday Retail	Convenience Stores	57

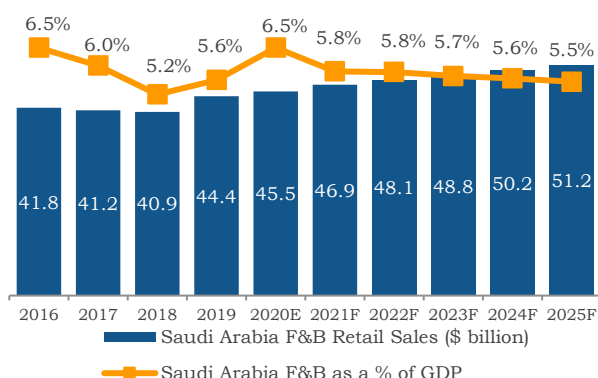
Source: Company Websites, News Articles, ARDENT Advisory Estimates

Kingdom of Saudi Arabia

Large population in the GCC region, high disposable income and the country's infertile land for cultivation are leading drivers of the F&B market in Saudi Arabia

Saudi Arabia is the largest F&B market among the other the GCC countries in the region. The F&B market is driven due to its non-permissive conditions for the cultivation of most agri-food products, coupled with high disposable income among its residents

Figure 21: Saudi Arabia F&B Market Retail Sales (2016–2025F, in US\$ billion)



Source: ARDENT Advisory Estimates, IMF, U.S. Department of Agriculture Data Base, Fitch Solutions Report 'Food & Drink Report'

Within the GCC, Saudi Arabia accounted for 53.4% of the total F&B retail sales in 2020. Valued at US\$45.5 billion in 2020, the Saudi Arabia F&B market has expanded at a CAGR of 2.1% over the last five years.

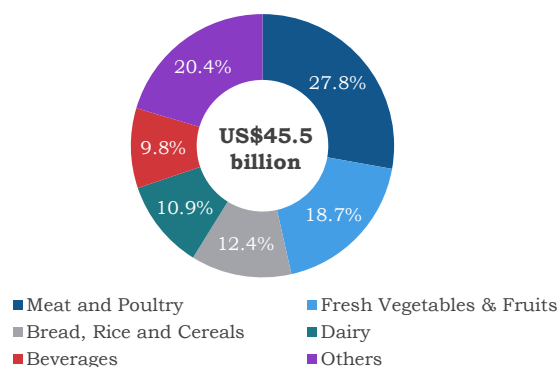
Organised retail comprising hypermarkets and supermarkets accounted for about half of the total F&B sales, while the remaining half was accounted by convenience stores and traditional groceries. Even though the presence of hypermarkets & supermarkets is strong in the country, convenience stores (also referred to as bakalas) still dominate the Saudi retail space as they are popular among Saudi women and expats due to its location in mixed-used areas near residential and office zones, making them a convenient and easily accessible option.

The development of tourism due to the yearly visit to the Islamic cities of Mecca and Madina is also leading to Saudi Arabia being one of the developed retail markets in the GCC region.

Saudi Arabia Food & Beverages Retail Sales:

Out of the total Saudi Arabia F&B retail sales, meat and poultry, fresh vegetables and fruits dairy and bread, cereals and rice account for ~70% of the total market.

Figure 22: Saudi Arabia F&B Retail – Product Category (2020E)



Note: Others include baked goods, pasta products, oils & fat, sugar, fish and fish products etc.

Source: ARDENT Advisory Estimates, Fitch Solutions Report 'Food & Drink Report'

The beverages market stood at US\$4.5 billion with coffee, tea and mineral water accounting for 76% of the total. In 2019, the Saudi government imposed a 100% excise tax on energy drinks and a 50% tax on soft drinks as it may be considered as mild intoxicants. Also, such beverages cause diseases such as diabetes and excessive obesity.

Share of agriculture in the Saudi economy has decreased in the recent years with significant investments in development of the food manufacturing and processing sectors.

The country's F&B production has moved away from large-scale, water-intensive agricultural production of wheat, rice and agri-foods towards products with greater value-added potential such as dairy products, seafood, livestock and cultivation of fruits and vegetables. Saudi Arabia is self-sufficient only in three product categories: dates, fresh milk and poultry eggs. The Saudi government too has encouraged the development of domestic food processing companies through policies such as interest-free loans and liberal foreign investments.

The Road Ahead...

Saudi Arabia's large population is its biggest strength. With a huge inflow of religious tourists. The country also has a young population with improved employment levels and rising disposable income, thereby driving the demand in the F&B sector. Various government initiatives encouraging local production have also been favorable to the sector growth. Overall, the Saudi Arabia F&B market retail sales is expected to reach US\$51.2 billion by 2025.

Domestic food production: Key developments

- In 2019, the government announced a US\$35 billion budget that is allocated for economic resources such as mega projects and initiatives under the Vision 2030 Realization Programs, which include funding initiatives to optimise the agricultural sector.
- In 2019, the Saudi Ministry of Environment, Water and Agriculture (MEWA) announced that it is looking for private sector partnership to develop the country's aquaculture and date processing projects. The ministry is also planning to build a date city in Medina through public-private partnership.
- In 2018, the Saudi government has launched the Sustainable Agricultural Rural Development Programme 2025 with a US\$1.96 billion funding for a period of seven years, targeting cultivation of rose and aromatic plants, fruit production, fish farming, Arab coffee production, beekeeping and honey production and livestock breeding.

Saudi Arabia F&B Retail Competitive Landscape

The KSA's supermarket and hypermarket food retail landscape is in the consolidation mode with the acquisition of smaller stores by large grocery stores. The F&B retail landscape in the country is increasingly competitive, marked by the presence of domestic, regional and international outlets. Panda Retail, Bin Dawood and Farm Superstores are some of the major local food retailers in the KSA.

In 2016, the Saudi government liberalised investment and ownership regulations, allowing foreign enterprises to operate in the grocery retail market with full ownership.

Established in 1978 and owned by Savola Group, Panda Retail is the largest food retail chain in Saudi Arabia. Domestically, the company intends to adopt an aggressive store-opening strategy to maintain its market leadership. Also, the parent company Savola's establishment as an independent real estate company will help the group achieve this.

The country is home to Farm Superstores, another popular grocery retail store in Saudi Arabia. The grocery retail company operates 85 supermarkets and 17 convenience stores in high-end residential complex. The stores include a wide variety of fresh products and other consumer items. The stores also stock on imported items from Asia, Africa, Europe and South America.

Another popular domestic grocery chain is Al Raya Supermarket. The company plans to expand its presence by setting up retail branches in the country.

In the wake of the COVID-19 pandemic, supermarket and hypermarket stores in Saudi Arabia have invested in setting up their online marketplaces such as websites and mobile apps. Large retail stores have also acquired online grocery delivery platforms to establish their presence in the online grocery marketplace. For instance, in May 2019, Carrefour MAF acquired Wadi.com, a Saudi online grocery delivery platform to establish presence in the online delivery market.

Table 7: Major Retailers in Saudi Arabia

Company	Format	No. of Branches
Al Othaim	<ul style="list-style-type: none"> Hypermarkets, Supermarkets Convenience Stores 	200 47
Panda Retail Company	Hypermarkets, Supermarket	205
Farm Superstores	<ul style="list-style-type: none"> Supermarkets Convenience Stores 	90 17
Bin Dawood and Danube	Hypermarkets and Supermarkets	74
Al Raya Supermarkets	Supermarkets	58
LuLu Group	Hypermarkets	35+
Carrefour MAF	Hypermarkets and Supermarkets	20
Al-Sadhan Trading Co	Hypermarkets	NA

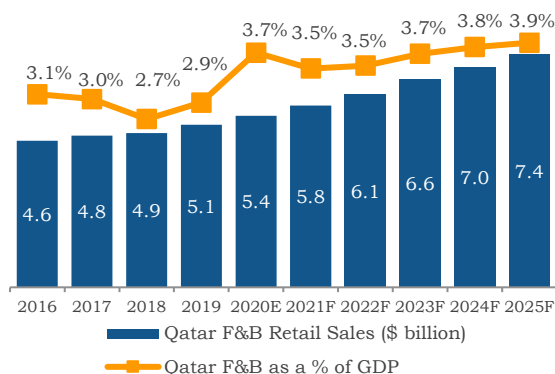
Source: Company Websites, News Articles, ARDENT Advisory Estimates

Qatar

Increasing population and rising tourism, especially due to the FIFA World Cup 2022, are expected to drive Qatar's F&B market

Due to cultural diversity in the country's population and growth in tourism, the F&B sector in Qatar has thrived over the years. According to the 'Food and Beverages Services Sector in Qatar 2018', a study conducted by Qatar Development Bank (QDB), the FIFA World Cup 2022 is likely to boost the F&B sector, as the country is expecting additional 3.1 million tourists, with an average spending of \$80 per person per day spent on F&B.

Figure 23: Qatar F&B Market Retail Sales (2016–2025F, in US\$ billion)



Source: ARDENT Advisory Estimates, IMF, U.S. Department of Agriculture Data Base, Fitch Solutions Report 'Food & Drink Report'

Within the GCC, Qatar accounted for 6.4% of the total F&B retail sales in 2020. Valued at US\$5.4 billion in 2020, the Qatar F&B market expanded at a CAGR of 4% over the last five years and is expected to increase at a CAGR of 6.3% during 2020–2025.

Local convenience stores dominate the market, with Al Meera being a popular grocery choice among consumers in the country. However, there are a few international chains that have increased their operations in Qatar. For example, LuLu Group and Carrefour are well-known, large retail stores in the country.

Supermarket chains in Qatar are supporting the shift towards locally produced foods. In 2020, Al Meera and LuLu announced that their supermarkets and hypermarkets will offer more 'Made in Qatar' products, especially agrifood products.

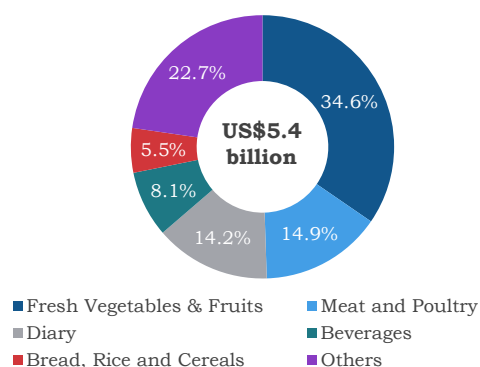
This was undertaken to support local businesses and midsized entrepreneurs in the country.

Online grocery sales are slowly gaining traction in the country. In October 2019, Qatar's Ministry of Commerce and Industry and the Ministry of Transport and Communications launched 'Theqa', an e-commerce platform comprising registered retailers offering grocery items, along with other products and services.

Qatar Food & Beverages Retail Sales: Of the total Qatar F&B retail sales, fresh fruits & vegetables, meat, bread, dairy, cereals and rice account for ~69% of the total market.

The beverages market stood at US\$0.4 billion, with soft drinks, coffee, tea and other hot drinks accounting for 93% of the total market.

Figure 24: Qatar F&B Retail – Product Category (2020E)



Note: Others includes baked goods, pasta products, oils & fat, sugar and fish & fish products

Source: ARDENT Advisory Estimates, Fitch Solutions Report 'Food & Drink Report'

Qatar ranks 1st among other GCC countries in achieving food security. According to the World Food Security Index 2019, the country ranked 13th, a big leap from its 22nd position in 2018. Qatar's national strategy has ensured food security and encouraged the government to achieve self-sufficiency in the production of various fresh food items, such as vegetables, dairy, meat and fish, by boosting local food production through advanced technologies such as hydroponic farming. In addition, the government has launched several projects with private companies to achieve self-sufficiency in food production to meet the existing and future demand. The country has attained self-sufficiency in the production of fresh milk and chicken.

The Road Ahead...

Qatar's food and beverages market is expected to record strong growth due to increasing population, rising disposable incomes and the government's effort in realising 30–70% self-sufficiency in strategic commodities such as vegetables, eggs, red meat and fish. Overall, the Qatar F&B market retail sales are expected to reach US\$7.4 billion by 2025.

Table 8: Qatar's Food Self-sufficiency

Food category	2017 production (in tonnes)	2019 production (in tonnes)	Self-sufficiency percentage
Dates	28,000	29,500	84%
Fresh Milk	60,000	230,000	106%
Fresh Chicken	11,000	28,000	124%
Table Eggs	4,000	9,000	28%
Red Meat	8,000	10,000	NA
Fresh Fish	NA	15,000	74%

Source: <https://tiq.qa/>

Domestic food production: Key Developments

With execution of the National Strategy for Food Security, Qatar has been able to achieve its set target in self-sufficiency.

- In terms of local vegetables production, the country reached 28% of the total demand in 2020 and plans to achieve self-sufficiency of up to 70% in the coming years.
- The government launched several projects for 'fish farming using floating cages technique', which is likely to increase self-sufficiency from 85% to 93% in the future.
- In 2019, the Ministry launched 10 projects to produce vegetables in greenhouses, with a total capacity of 21,000 tonnes of vegetables per year.
- The government also launched two projects to produce camel milk, with a capacity of 3,000 tonnes in a year.
- With financing from Qatar Development Bank to enhance production of table, the government introduced four projects with a capacity to produce 180 million eggs annually.

Qatar F&B Retail Competitive Landscape

Qatar's F&B retail market is fragmented, as it is dominated by small stores and family-run businesses, which are located in residential areas. In addition, a few stores provide home delivery at a nominal cost. Large retailers such as Al Meera, LuLu Group and Carrefour MAF also operate in the country.

Al Meera is a popular grocery retailer in Qatar. The company has 53 supermarkets and convenience stores and plans to expand its presence by opening new stores across the country. For example, in 2002, it opened three new stores in Qatar. Also, to keep in line with the Qatar National Vision 2030 on food sufficiency, the company partnered with the Ministry of Municipality and Environment (MME) to support >150 local farmers by stocking the local produce (fresh vegetables & fruits) at its stores

At present, LuLu Group operates 14 stores in Qatar. In 2020, the company opened three new stores in residential complexes to attract locals and expats. In order to maintain the supply of essential items to consumers, the company opened temporary supermarkets at various locations (in cooperation with the Ministry of Commerce and Industry) to provide groceries, fresh food, instant food and baked food items

Launched in 1999, Carrefour MAF operates five hypermarkets and five supermarkets in the country. The company offers products through its stores and website. In May 2020, the company expanded its online shopping capacity by opening a new fulfilment centre. In addition, the company increased the number trucks to provide timely deliveries to online customers.

Table 9: Major Retailers in Qatar

Company	Format	No. of Branches
Al Meera	<ul style="list-style-type: none"> • Supermarkets • Convenience Stores 	50 3
LuLu Group	Hypermarkets	14
Carrefour MAF	Hypermarkets and Supermarkets	10
Saudia	<ul style="list-style-type: none"> • Hypermarkets, Supermarkets • Convenience Stores 	6 2
Quality	Hypermarket	7

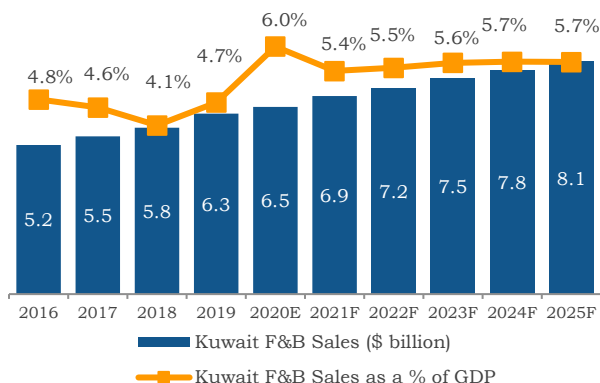
Source: Company Websites, News Articles, ARDENT Advisory Estimates

Kuwait

The F&B market in Kuwait is mainly driven by growing young population, high per capita income and constantly shifting consumer trends

Kuwait's F&B sector has significantly transformed over the years, boasting of its own distinctive F&B landscape. While the GCC food market is dominated by international chains, Kuwait is the birthplace of some home-grown concepts and the largest GCC-based F&B franchises. This is predominantly due to its vibrant food culture, with eating out being an integral part of the national culture. Over the past decade, the country has seen rapid growth in the volume and popularity of western food, particularly in the fast-food sector.

Figure 25: Kuwait F&B Market Sales (2016–2025F, in US\$ billion)



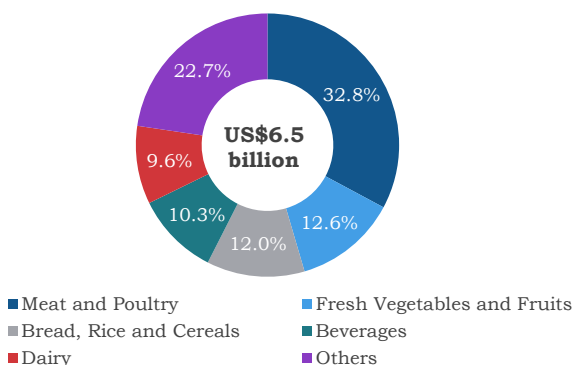
Source: ARDENT Advisory Estimates, IMF, U.S. Department of Agriculture Data Base, Fitch Solutions Report 'Food & Drink Report'

Kuwait's F&B sector sales were estimated at ~US\$6.5 billion in 2020 and are likely to increase at a CAGR of 4.4% during 2020–2025. The key tailwinds include high per capita income (third highest in the GCC), population growth and expanding disposable incomes among the youth.

Over the years, Kuwait has witnessed diversification measures implemented by the government that have led to a rise in the expatriate population (~70%). This has greatly influenced food habits and thus, shifted consumer preference from traditional Arabic food to varied cuisines.

The retail sector in the country is largely divided between government-run cooperatives (co-ops), private sector supermarkets & hypermarkets and small convenience or corner stores. The co-ops are managed and regulated via the Kuwaiti government's Union of Consumers Cooperative Societies (UCCS), leaving little room for private players in the country. These co-op societies hold the largest share of the retail landscape in Kuwait and maintain strong consumer loyalty, as the local population has invested in them.

Figure 26: Kuwait F&B Retail – Product Category (2020E)



Note: Others includes baked goods, pasta products, oils & fat, sugar and fish & fish products

Source: ARDENT Advisory Estimates, Fitch Solutions Report 'Food & Drink Report'

Due to the hot and arid climate, lack of arable land and inadequate water supply, agriculture production in the country is limited, increasing its dependency on F&B imports. The local agricultural produce is limited to seafood, dates and minimal quantities of vegetables, poultry, meat and eggs.

Of the total F&B sales in the country, the meat and poultry segment accounted for ~32.8% in 2020. Over the past decade, Kuwait's food processing industry has developed considerably with high dependence on raw material imports.

Growth in the beverages sector is mainly driven by non-alcoholic drinks. Contrary to other GCC countries, Kuwait has not yet introduced any 'sin tax' on sugary drinks, due to the ongoing political deadlock. However, in 2018, the government had announced to levy taxes on sugary drinks, but no time frame has been decided on the implementation.

The emergence of high demand for processed foods and fast-food restaurants has resulted in an increase in obesity levels among the local population. Due to rising health concerns across the GCC and Kuwait having one of the highest diabetes occurrence rates in the world, there is a potential opportunity for growth in the soft drinks sector in the form of low-calorie substitutes. Opportunities for further premiumisation in the sector are also substantial, driven by rising health consciousness and increasing demand for innovation.

The Road Ahead...

With dining out being a favourite leisure activity and F&B forming an integral part of the social fabric, this small but wealthy country in the GCC presents strong growth opportunities for F&B stakeholders.

In line with the country's Vision 2035, several new projects are scheduled for completion, including establishment of new cities; this will create a potential space for the F&B sector in the coming years.

Domestic food production: Key developments

- In May 2019, Kuwait Investment Authority (KIA) announced its decision of launching a mega investment programme in Pakistan (with an initial investment of US\$20 billion). The KIA representative emphasised that Kuwait is mainly focussed on addressing the challenges of food security and extend financial help to projects related to food security.
- In February 2019, Deliveroo, a UK-based food delivery platform, expanded to Kuwait with >900 restaurants.

Kuwait F&B Retail Competitive Landscape

Kuwait's retail sector is smaller than other GCC markets such as the UAE and Saudi Arabia; however, the country is quickly catching up with peers due to the changing consumer trends, in terms of the demand for international brands, food and shopping experiences.

The country's mass grocery retail outlets are largely concentrated in and around its capital, Kuwait City. The government-run Union of Consumer Cooperative Societies (UCCS) account for ~70% grocery sales, whereas private operators have gained market shares through expansion in the recent years.

This dominance is owed to a long history of government-subsidised prices and customer loyalty, particularly among the local population. As a result, the penetration rate of privately owned hypermarket and supermarket retail chains in Kuwait is the lowest in the GCC.

Over the years, international private operators such as LuLu Group and Carrefour MAF have steadily expanded their operations in the country and domestic private retailers such as The Sultan Center (TSC) and City Centre are also increasing their presence.

Dominance of co-ops is anticipated to change, as their share in Kuwait's grocery segment has been declining owing to the period of low global oil prices, which has forced the government to privatise unprofitable branches. Also, several co-ops are seeking to remain competitive by trying to emulate the private sector, as privately owned supermarkets offer a broad range of imported products and focus on customer experience.

The Sultan Centre (TSC) is Kuwait's largest independent retailer and a leading supplier of F&B products in the Middle East. It has ~60 outlets in the GCC, with presence in four countries—Kuwait (~36), Oman (7), Jordan (15) and Bahrain (2). According to the company, it controls ~15% of the local retail market. In February 2020, TSC celebrated the launch of its new flagship store at Al Kout Mall in Kuwait.

Table 10: Major Retailers in Kuwait

Company	Format	No. of Branches
Union of Consumer Cooperative Societies (UCCS)	Co-operatives, Hypermarkets Convenience Stores	~50
The Sultan Center	Hypermarkets and Supermarkets Convenience Stores	~25 ~10
LuLu Group	Hypermarkets	10
Carrefour MAF	Hypermarkets and Supermarkets	8
City Centre	Hypermarkets	7
ALFA Market	Convenience Stores	NA

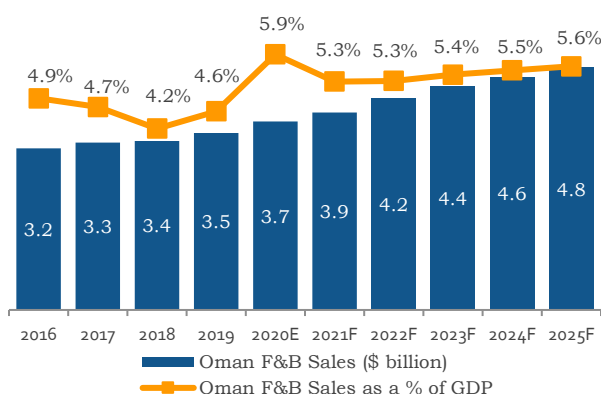
Source: Company Websites, News Articles, ARDENT Advisory Estimates

Oman

Favourable government initiatives and projects to boost self-sufficiency is one of the leading market drivers in the country

Oman has a strong heritage in the production of traditional Arabic F&B products. The country is blessed with extensive fish resources from the Indian Ocean and has a long history of agricultural activity with a variety of fruit and vegetable produce. The sultanate is one of the fastest-growing F&B markets in the region. The key factors driving the market include favourable government initiatives, rising population and growing tourism sector.

Figure 27: Oman F&B Market Sales (2016–2025F, in US\$ billion)



Source: F: ARDENT Advisory Estimates, IMF, U.S. Department of Agriculture Data Base, Fitch Solutions Report 'Food & Drink Report'

The sultanate's F&B industry is anticipated to demonstrate strong growth over the forecast period at a CAGR of ~5.1% (during 2020–2025). The market is estimated to witness such growth on the back of growing population and increasing average household income—both projected to expand at stable rates.

Within the GCC, Oman accounted for ~4.4% of the total F&B sales in 2020. Valued at US\$3.7 billion in 2020, the sultanate's F&B market expanded at a CAGR of 3.9% during 2016–2020.

The majority of F&B sales is done through small retailers (such as family-owned stores). In addition, traditional retailers retain their popularity in the Omani population, especially in rural areas, for sale of meat, fish and vegetables.

As a result, presence of a large number of small players in the market has led to a high level of market fragmentation and low penetration of the organised retail sector.

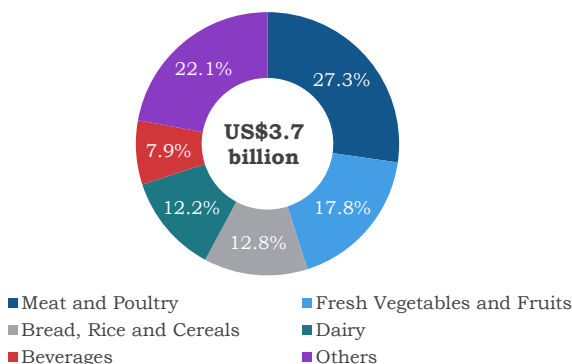
In the recent years, food security has become an important political issue in the GCC region, including Oman. The Government of Oman is focussing on growing the food production domestically and the key initiative undertaken and implemented by the government is the Oman Food Investment Holding Company (OFIC). This state-owned company produces poultry, meat and dairy products, with the aim of significantly reducing the sultanate's dependence on food imports.

As part of its 2040 Tourism Strategy, the government seeks to drive US\$51 billion investment, mainly in the private sector, which is expected to attract ~12 million tourists and create >0.5 million jobs over the next two decades, thus impacting broader spending habits and the F&B sector.

Bahrain Arabia Food & Beverages Retail Sales:

The meat and poultry category accounted for ~27% of the total food sales in Oman. The segment has a few meat producers, with A'Saffa Foods as one of the largest players in the market.

Figure 28: Oman F&B Retail – Product Category (2020E)



Note: Others includes baked goods, pasta products, oils & fat, sugar and fish & fish products

Source: ARDENT Advisory Estimates, Fitch Solutions Report 'Food & Drink Report'

The country imports about 80% of the total red meat consumed in the country, owing to which the government is focussed on promoting domestic food industries. OFIC has started two projects in this segment, which is significantly expected to boost meat and poultry production in the sultanate.

The non-alcoholic drinks (soft drinks and mineral water) segment is a sizeable segment, with the presence of large beverage manufacturers such as Oman Refreshment Company and National Mineral Water Company. Implementation of a 'sin tax' on the retail prices of sugary carbonated drinks and tobacco is likely to impact consumer spending on this category, as Omani consumers are more price conscious in their purchasing decisions compared with the other GCC countries.

The Road Ahead...

Oman has a long history of fisheries and agricultural activity; however, with time and changing economical pursuits, the agricultural sector demands modernisation, especially in the fisheries, fruits and vegetables sectors. For this, the key initiative undertaken and implemented by the Oman government is the establishment of OFIC. Since its incorporation in 2012, the OFIC has brought four of the largest state-owned agri-food value chain companies under its ambit—Oman Flour Mills Company, Oman National Livestock Development Company, Oman Fisheries Company and Oman Food International.

Oman is emerging as one of the fastest-growing markets in the region and has the potential to make significant contribution to the growth of national exports.

Domestic food production: Key developments

- In June 2019, a new excise tax was introduced, which indicated application of 100% tax to energy drinks and alcohol, while 50% tax for carbonated drinks. This new tax is expected to generate up to US\$260 million a year.
- In June 2019, Bank Nizwa signed a US\$47 million Sharia-compliant financing agreement with OFIC; this will help the group invest in new projects and promote its portfolio of food companies.
- In May 2019, OFIC invited local investors to support establishment of an Integrated Food Logistics Project, which is aimed at boosting growth of the food industry in the sultanate. With a total investment of over US\$20 million, the proposed venture will focus on the food sector and provide integrated and temperature-controlled freight and storage, and value-added services.
- In February 2019, the Ministry of Agriculture and Fisheries (MoAF) laid the foundation stone for the Al Bashayer Meat Company, with an investment of US\$96 million. The project will contribute to increasing the quality and safety of food products in the country.

Oman F&B Retail Competitive Landscape

In Oman, there are no clear leaders in the retail market, as small corner shops and family-owned business units maintain a substantial market share and cater to local communities, leading to a high level of fragmentation in the industry. However, a few foreign retailers have identified the market gap and opened outlets in the past few years.

LuLu Group has leveraged its international experience and supply chain to build the largest retail network in the sultanate. The firm currently operates 25 hypermarkets in the country and plans to open additional stores in the coming years. The retail giant competes in the low-medium price segment and attracts middle-class locals and expatriates.

In October 2020, LuLu opened its new hypermarket in Markaz Al Bahja. The newly opened outlet is aimed to expand the array of offerings and provide customers a more convenient and comfortable shopping experience.

Carrefour has eight hypermarkets in Oman and announced to open an additional hypermarket at the Mall of Oman (which is under construction). In January 2019, MAF reported that its Mall of Oman development is 50% complete with plans to commission it in early 2021. It will have a large 12,200 sq. m. Carrefour hypermarket. In May 2019, Carrefour announced that it will begin offering electronic payments through eFloos at its City Centre Muscat outlet and roll it out to the rest of the stores in the country in the near future.

The licence for SPAR in Oman was granted in 2014 to Khimji Ramdas, a US\$1 billion distribution company. Khimji Ramdas has been operational since 1870 and is a leading business conglomerate in Oman.

In August 2020, SPAR Oman opened two new supermarkets in the capital city of Muscat. Both stores are in a residential area and aimed at catering to the local customer needs. According to the company, the supermarket features an extensive fresh and vegetable department, a premium butchery and a strong value offer.

Table 11: Major Retailers in Oman

Company	Format	No. of Branches
LuLu Group	Hypermarkets	25
SPAR (Licence is owned by Khimji Ramdas in Oman)	Hypermarkets and Supermarkets	23
Mars International	Hypermarkets	~20
Carrefour MAF	Hypermarkets	8
Fathima Group	Supermarkets	4
Shell Select	Convenience Stores	NA

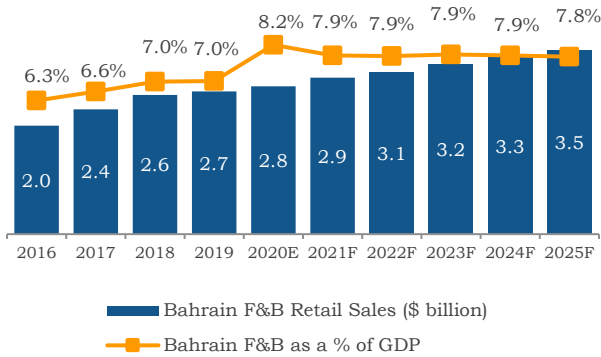
Source: Company Websites, News Articles, ARDENT Advisory Estimates

Bahrain

Based on rising population, growing purchasing power among consumers and flourishing tourism, Bahrain's F&B market is likely to augment

Being a small island country with limited arable land, Bahrain is largely dependent on strong trade policies and food security. The F&B market is forecast to expand at a steady rate on the back of rising population and increasing purchasing power of consumers in the country. In addition, blooming tourism is likely to create more opportunities for the market to grow over the next few years. For example, the launch of Bahrain shopping festival, 'Shop Retail' attracted numerous tourists, especially from the neighboring Gulf countries such as Saudi Arabia, Qatar, the UAE and Kuwait.

Figure 29: Bahrain F&B Market Sales (2016-2025F, in US\$ billion)



Source: ARDENT Advisory Estimates, IMF, U.S. Department of Agriculture Data Base, Fitch Solutions Report 'Food & Drink Report'

Within the GCC, Bahrain accounted for 3.3% of the total F&B retail sales in 2020. Valued at US\$2.8 billion in 2020, the Bahrain F&B market increased at a CAGR of 8.1% over the last five years and is expected to post a CAGR of 4.4% during 2020–2025.

Organised retail mainly comprises hypermarkets, supermarkets and convenience stores. Locals and expats in Bahrain usually shop at convenience stores and small retailers (family-owned businesses) to purchase their groceries, as these stores are in residential areas and stocked with fresh meat, vegetables and fruits.

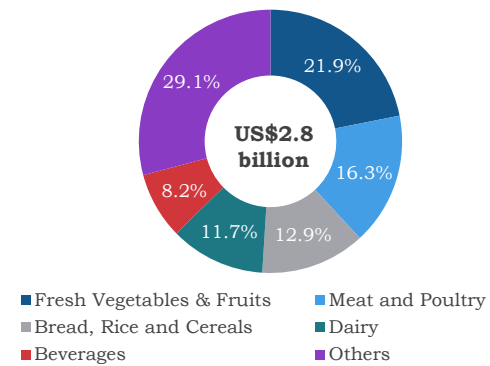
The market is highly fragmented due to many small food retailers and has low penetration of the organised retail sector.

Bahrain is home to grocery retail brands such as LuLu Hypermarket, Al Jazira Supermarket, Jawad Supermarket and Carrefour MAF

Bahrain Arabia Food & Beverages Retail Sales: Of the total Bahrain F&B retail sales, fresh fruits & vegetables, meat & poultry, bread, cereals & rice and dairy accounted for ~63% of the total market.

The beverages market stood at US\$0.2 billion, with soft drinks, coffee, tea and other hot drinks accounting for 91% of the total market.

Figure 30: Bahrain F&B Retail – Product Category (2020E)



Note: Others includes baked goods, pasta products, oils & fat, sugar and fish & fish products
Source: ARDENT Advisory Estimates, Fitch Solutions Report 'Food & Drink Report'

Share of agriculture in the Bahrain economy is less than 1% to the real GDP. Due to its limited arable land, water scarcity, high temperatures and rising groundwater salinity, the country has adopted a hydroponic agricultural method for cultivation.

For example, Al Ghalia produces vegetables using hydroponics. Peninsula Farms is another producer of hydroponic vegetables in the country. The country is also focussing on advancing the fishing sector. For example, the Agriculture and Marine Resources Agency is providing funds to shrimp fishermen with fishing gear to help them enhance production/cultivation.

The Road Ahead...

Bahrain needs to focus on lowering its food imports and increasing agricultural production to boost the contribution of agricultural sector to its gross domestic product. Bahrain's national initiative to develop agriculture is aimed in the right direction to create a positive impact on the role of local food production system. It includes increasing domestic food production from 20% to 60% of the total demand through self-sufficiency. The country plans to improve food processing facilities and develop the poultry, aquaculture and fisheries sectors.

Domestic food production: Key developments

- In May 2020, the Ministry of Agriculture and Marine Resources and Kadi Group established a new aquaculture venture in Bahrain. This was within the National Food Security strategy and in line with the government's efforts to encourage private sector investments in fish farming.
- In February 2020, Bahrain and the UAE signed a memorandum of understanding (MoU) to exchange expertise, studies and research related to food security. This project will involve conducting joint training programmes.
- The Bahrain government has set up the Bahrain International Investment Park (BIIP) for food product manufacturers and other sectors. The park offers incentives such as 100% foreign ownership of companies, zero percent tax with a 10-year guarantee, special customs services, no recruitment restrictions and dedicated assistance for all corporate and human resource formalities.

Bahrain F&B Retail Competitive Landscape

Bahrain's food retail market is fragmented, with numerous individual retail stores including the presence of domestic and international retailers. The country has many small corner shops and family-owned business units in residential areas that cater to the local communities. However, in the recent years, a few domestic and international retailers have identified the market gap and opened their outlets.

LuLu Group is the country's largest mass grocery retailer by sales. The company plans to expand by opening more stores in the country, especially the 'Express' format to penetrate further into residential areas. It currently operates eight hypermarkets in the country.

Carrefour MAF is a strong retail player in Bahrain. The company has seven stores in the country. It plans to expand its private-label products, which appeal to price-conscious consumers in the country.

Jawad Business Group is another popular grocery retailer in Bahrain. The company has 21 convenience stores, five express stores and two supermarkets in the country. The company plans to expand its regional presence. For example, in 2019, Jawad Supermarket opened the Jawad Dome, its flagship store.

Al-Jazira Supermarkets established its presence in the market by opening its store in 1965. At present, the company has 10 supermarkets across the country. In June 2020, the company opened its new store in Hoor, offering products under hot food, bakery, meat, fruit and vegetables, organic products, dairy and frozen items.

Table 12: Major Retailers in Bahrain

Company	Format	No. of Branches
Jawad Business Group	Supermarkets and Convenience Stores	20+
LuLu Group	Hypermarkets, Supermarkets and Convenience Stores	11
Al-Jazira Supermarkets	Supermarkets	10
Nesto Group	Hypermarkets and Supermarkets	10
Carrefour MAF	Hypermarkets	7

Source: Company Websites, News Articles, ARDENT Advisory Estimates

About us

ARDENT is a UAE headquartered advisory firm, with a targeted focus on the GCC region. The firm's partners and directors bring over 150 years of cumulative advisory experience with the Big 4 professional firms. 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.

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