

Investment Potential in the Halal Food Sector



Presented at:

**International Food and
Agricultural Congress**

February 15-19, 2012

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DinarStandard
Growth Strategies for Emerging Muslim Markets

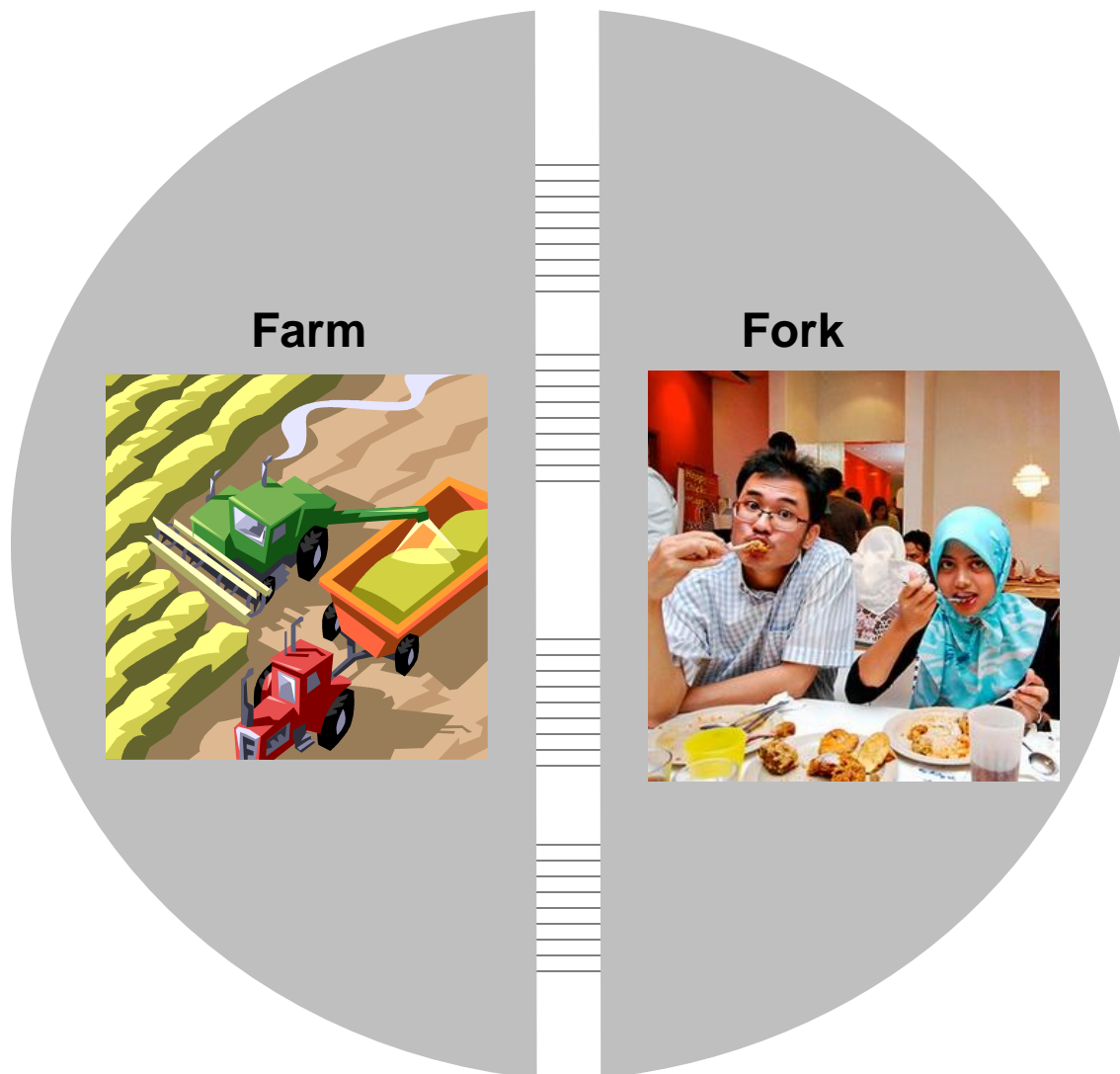
Agenda

1. Halal Food Investment context & scope
2. Halal Food Market: Opportunity Areas
3. Opportunity Geographies: Core OIC Markets
4. Largest OIC Food Market Players
5. Opportunity Geographies: Non-OIC Markets
6. Investment Opportunities
 - Public Markets: SAMI Index
 - 90% Opportunities not Listed: PE/ VC Opportunities
 - Transaction Examples

* OIC - Organization of Islamic Cooperation, 57 member countries

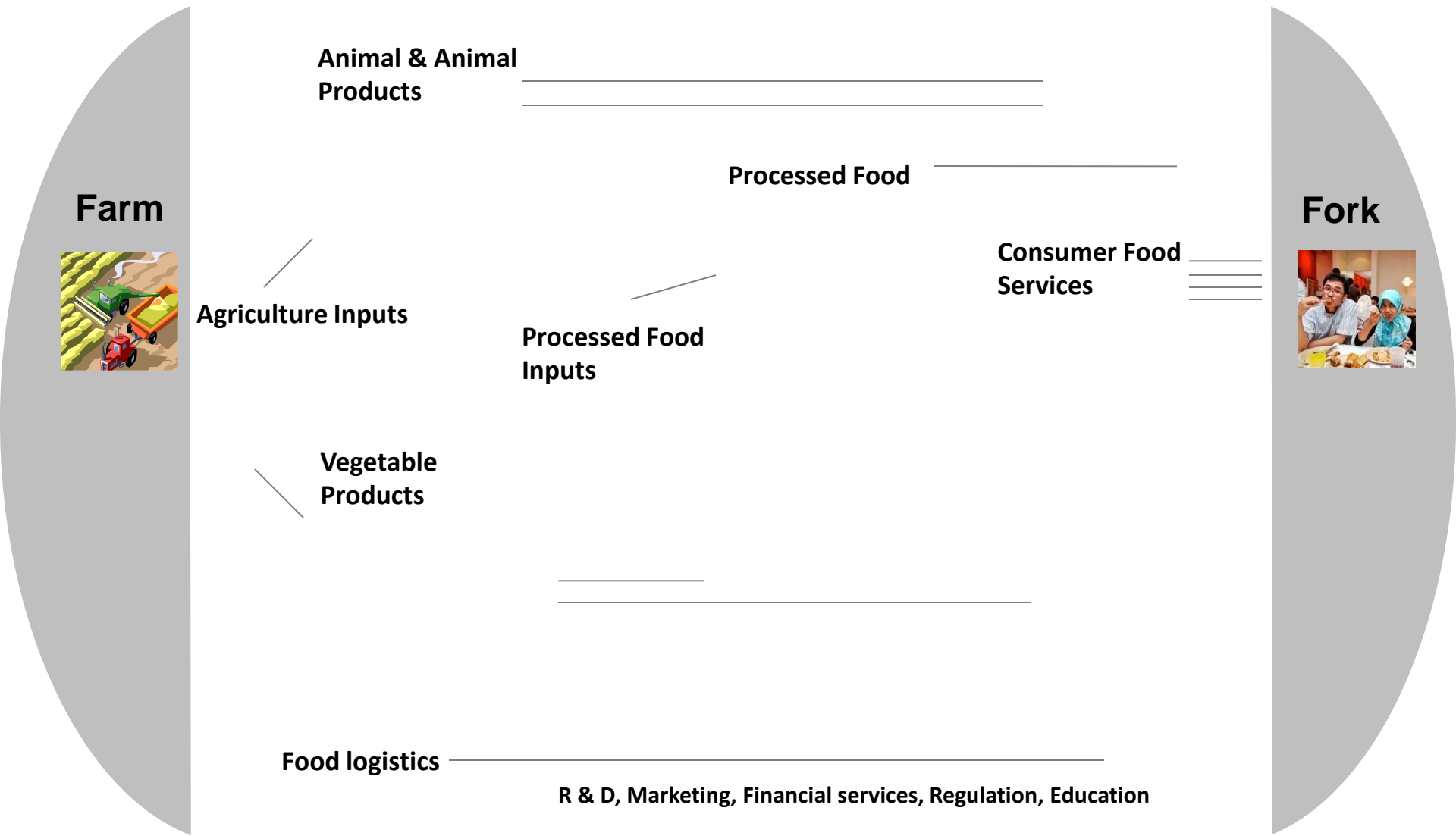
“Halal Food” Investment context & scope

From Farm to Fork... looking at the full food supply value chain.



“Halal Food” Investment context and scope

It is a huge landscape...



“Halal Food” Investment context and scope

It is a huge landscape...

Farm



Animal & Animal Products

Live animals
Meat offal
Fish...
Dairy produce; birds' eggs; honey...
Other ..

Agriculture Inputs

Fertilizers
Insecticides
Seeds
Other...

Vegetable Products

Edible vegetables...
Edible fruit, nuts...
Coffee, tea
Cereals
Oil seeds and oleaginous fruits...
Lac; gums, resins...
Vegetable fats and oils...

Food logistics

Processed Food Inputs

Preservatives
Chemicals
Other...

Processed Food

Preparations of meat, of fish...
Sugars and sugar confectionery
Cocoa and cocoa preparations
Prep of cereals, flour, milk...
Prep. of vegetables, fruit, nuts...
Beverages
Residues and food industry waste

Consumer Food Services

Food service & catering (restaurants, cafes and hotels, hospitals, etc)
Food retailing & wholesale (supermarket, etc)

Fork



R & D, Marketing, Financial services, Regulation, Education

“Halal Food” Investment context and scope

Halal & Tayyab as market dimensions

Farm



Animal & Animal Products

Live animals
Meat of all
Fish...
Dairy produce; birds'

Processed Food

Preparations of meat,

Fork



Halal – Primary/ Mandatory

Tayyab – Secondary/ Recommended

Edible vegetables...
Edible fruit, nuts...
Coffee, tea
Cereals
Oil seeds and oleaginous fruits...
Lac; gums, resins...
Vegetable fats and oils...

Residues and food (supermarket, etc)
industry waste

Food logistics

R & D, Marketing, Financial services, Regulation, Education

“Halal Food” Investment context and scope

Market sizing

Animal & Animal
Products

Farm



Global food Industry trade estimates:
US\$ 1047 bill Imports: US\$ 1013 bill Exports

OIC food industry trade estimates:
12% of global imports (US\$ 126 bill):
8% of global exports (US\$ 85 bill)

Halal Food market estimates & growth range?

Lac; gums, resins...
Vegetable fats and oils...

Food logistics

R & D, Marketing, Financial services, Regulation, Education

Fork



Importance of Global Context

Largest 'Halal Food' value chain players today and emerging are global players...

Farm



Fork



Nestle.. Other food producers
KFC..Other food services
Carrefour (eg. In France)
Airline Food Logistics
Australia/ Brazil

Halal Food Market: Opportunity Areas

Major gaps accross all segments of business value chain

- Demand/Supply gaps;
- Verification gaps;
- Productivity gaps;
- Fragmentation inefficiencies;
- Marketing gaps
- VISION gap...



Halal Food Market: Opportunity Areas

Vision Gap

Focus need NOT be Halal Food--
Focus needs to be:
**Food people love that happens to be
Halal & Tayyab**

Halal Food Market: Opportunity Areas

Vision Gap

Focus need NOT be Halal Food--
Focus needs to be:
**Food people love that happens to be
Halal & Tayyab**

....

This is the opportunity that will make Halal a
global success story

.....

This is the opportunity that will really excite
investors

Opportunity Geographies: OIC as the core market

- ▶ **57 mostly Muslim majority countries**
- ▶ **Attractive young demographic**
- ▶ **Growing economies**
- ▶ **Inter-connected by:**

Islamic Finance:
US\$ 1 trillion, 15-20% growth/year

Muslim Lifestyle MarketSM:
US\$ 2 trillion+ 'Halal' consumer market

Intra-OIC trade mandates
12%-20%

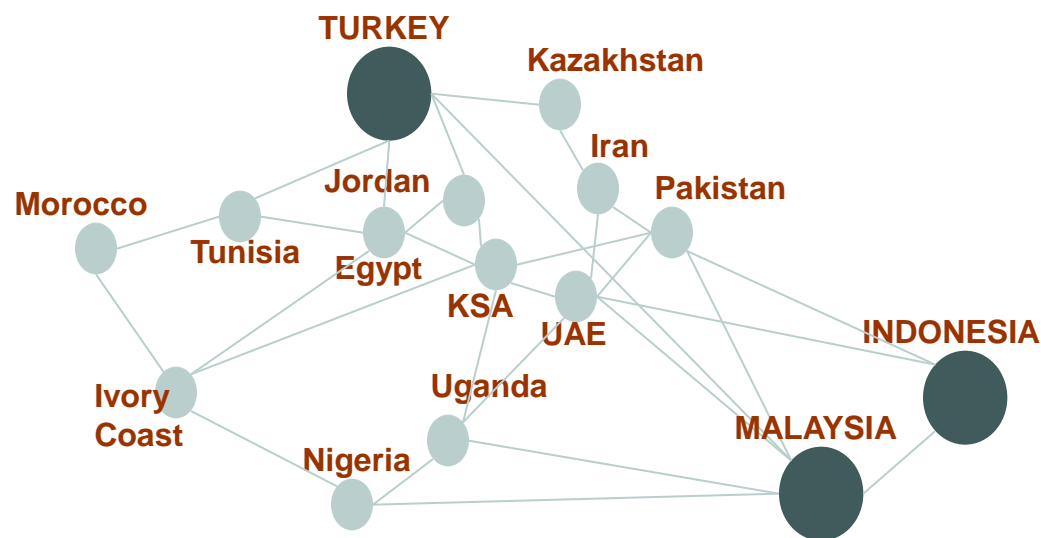
- ▶ **1.2 billion people**
- ▶ **Core Halal Food market**

OIC Food & Agri Top Exporters & Region-wide Cluster*

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COUNTRY	EXPORTS*
Indonesia	\$19,856,280
Malaysia	\$16,967,888
Turkey	\$10,701,261
Côte d'Ivoire	\$4,853,966
UAE	\$3,276,778
Morocco	\$3,213,572
Pakistan	\$3,067,587
Egypt	\$2,819,462
Nigeria	\$2,430,160
Kazakhstan	\$1,642,431

*US\$ '000; Source: ITC Trade Map Data 2009



● Hub ● Node

**Meaningful opportunities derived from sub-sector clusters
Source: DinarStandard OIC Clustering Model
Analysis - 2011*

Opportunity Geographies: OIC as the core market

Largest OIC Food manufacturers



Top 100 Companies of the OIC

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Food related from DS100:

- Koc Group, Turkey (Congl.)
- Group ONA, Morocco, (Congl.)
- Sime Darby, Malaysia
- Astra Intl, Indonesia (Congl)
- Ulker, Turkey
- IOI Group, Malaysia
- Savola Group, Saudi Arabia
- Indofood, Indonesia
- Felda Hold., Malaysia (Priv.)
- KL Kepong Berhad, Malaysia
- Turkiye Seker, Turkey (Govt.)
- PPB Group, Malaysia

Other Emerging Brands:



Opportunity Geographies: Non-OIC Countries

SME focus & different dynamic of investment opportunity and operations

China	23 million
India	177 million
France	6 million
Germany	4 million
UK	2.8 million
USA	6 million



30% population in Non-OIC countries & best opportunity for global impact.

Eg. Saffron Roads

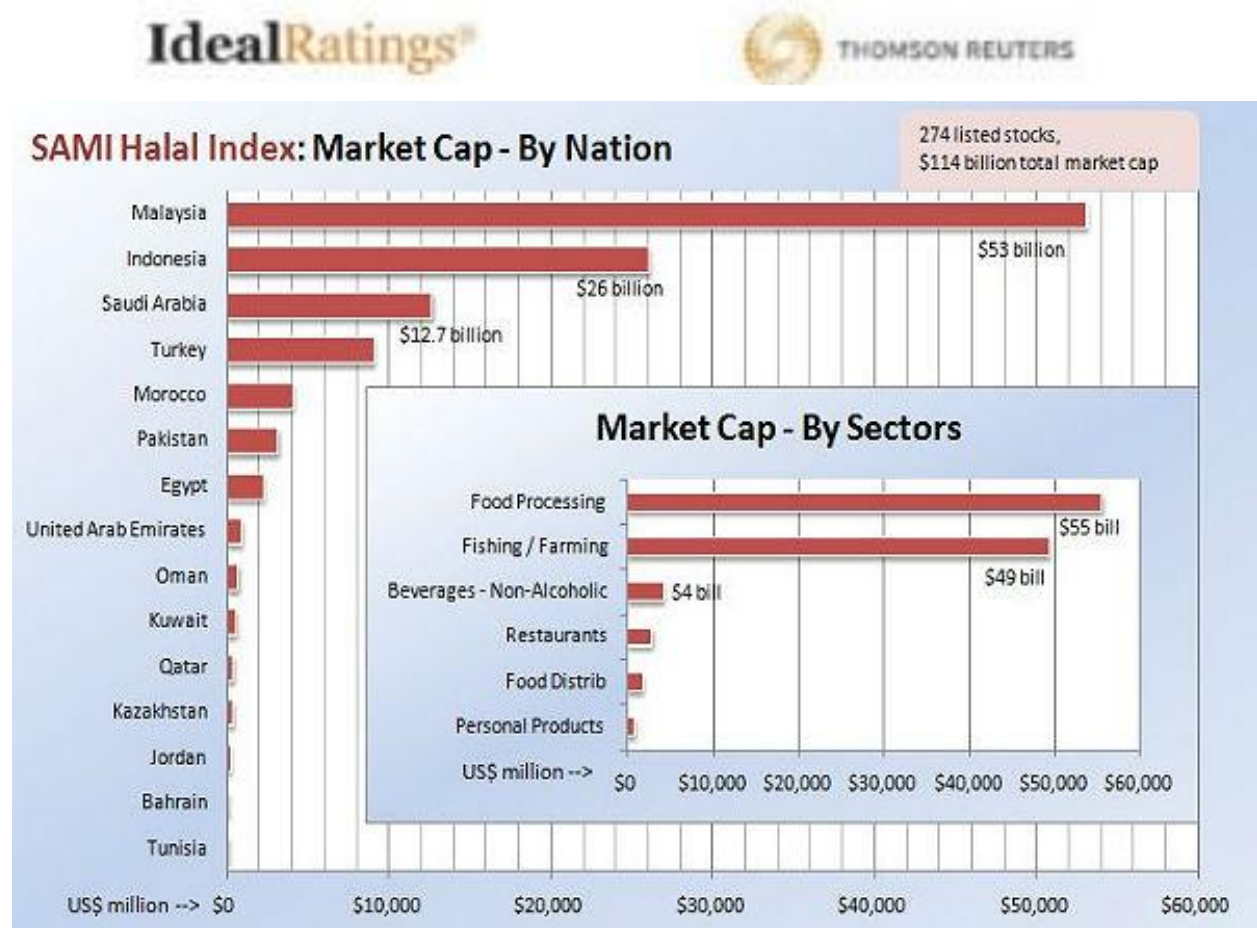


Investment Opportunities

SAMI Index: First Ever Halal Food Investable Index

ThomsonReuters, in partnership with IdealRatings, have recently launched the SAMI Halal Food Index (Socially Acceptable Market Investments)

A collection of food industry companies listed on OIC (Organization of Islamic Cooperation) member country public markets and screened for Halal compliance.



DinarStandard is on the Advisory Board of the SAMI Halal Food Index

Investment Opportunities

However, Approximately 90% of Halal market not listed

CAPITAL MARKETS OR RETAIL INVESTMENTS

For-- Institutional and
individual investors –

**Approx. 90% of base
projected Halal market not
on the Public markets**

(Rushdi Siddiqui, Thomson Reuters–
Islamic Finance Global Head,
estimates \$99 bill in market
capitalization from OIC food
companies . Compared to the global
Halal food est. potential of \$640
billion annually)

Where' are the rest?

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Where' are the rest?

**MNC's,
OIC player potential not realized,
and within the SME's not listed.**

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So, opportunity for...

MERGERS/ ACQUISITIONS, AND CORPORATE INVESTMENTS

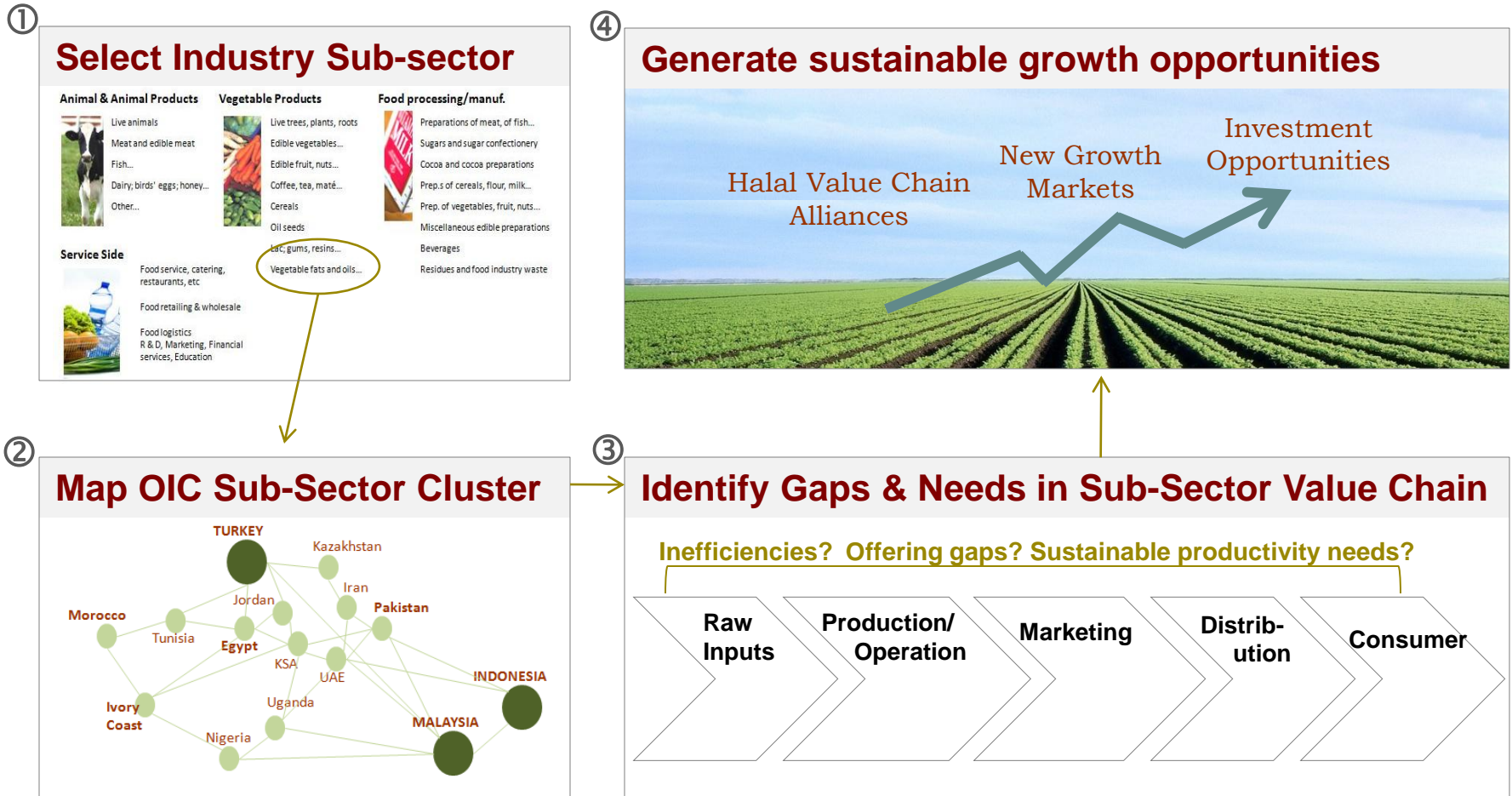
For--Halal Sector companies (OIC and multi-nationals) for growth & expansion and Private Equity firms

ANGEL/VC

For--or other such investments in individual entities

Investment Opportunities

OIC Food & Agriculture Industry Cluster Opportunities



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OIC-based Halal Food Market Investments

A few transactions are taking place – but still very much rare



Mergers/ Acquisitions:

- Allislami could sell up to a 30% stake in Al Islami to drive its international growth. Had already acquired halal fast food chain Al Farooj Fresh *
- Canada based Premium Brands Holding Corporation's USD 2.1m acquisition of the Vancouver-based halal meat distributor South Seas Meats



Corporate Investments:

- "GHANIM International Food Corporation Sdn Bhd, which manages and markets "Brunei Halal Brand" is in negotiations to buy shares in one of the largest distribution networks based in United Kingdom and Europe."**
- Many in Malaysia



PE/ VC:

- Saffron Road (American Halal Company) US based premium organic Halal packaged food brand
- Few in Malaysia

* Megamarket 27 Oct, 2010

** Brunei fm, March 4th 2010

Saffron Road: Non-OIC based SME Case Study

A rough road to investment for an early hit in the Halal Sector

- US - premium and organic Halal food line by a food industry and investment veteran, Mr. Adnan Durrani.
- Distributed across “Whole Foods Markets” in US, the largest organic products supermarket chain. “Historical launch.”
- Mr. Adnan Durrani , built:
 - Crystal Rock (2nd largest bottled water co. in NE - US),
 - Built Stonyfield Farms, Inc from \$25 mill to \$75 mill and sale to Danone. Today at \$300 mill in rev.
 - Principal of Delicious Brands Inc – build it to 5th largest cookie brand in the U.S.



Investment:

- 2009 – targeted \$5 million raise; was oversubscribed and closed at above target.
- Investors: 60% Swiss/ 40% US
- More capital raise anticipated 2012 (\$10-20 mill)

Challenges:

- First went for Islamic Capital – very disappointed
- Islamic capital investors were seeking quick return, no investment in brand, apathy toward Ummah. Ended up with success with non-Muslim traditional food industry investors.

Opportunities:

- Two key food segments: High-end premium brands building and Logistics and management.
- Food industry is very attractive.
- Current quality is low. Eg in UK. Focus on shelf-life and freshness needed

Investors to-do: A few key lessons

Halal sector companies are worth taking a good look, but with a long-term view

- Islamic capital needs to look at key 'Halal' sectors, especially food and media.
- Needs long-term (5-10yr) investment horizon to build sustainable brands (5x-15x returns/ 25-50% IRR in food industry)
- Investors need to do homework and due diligence (visit plants/ operations) and have industry specialist on team.



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