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Investment fund in Dubai is hungry for profits

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February 8, 2014 Updated: February 9, 2014 15:47:00

A Dubai-based investment group is putting its money where its mouth is, creating the country's first private fund focused on food and beverages.

The move reflects the stability of demand for staples amid regional turmoil – a stability that home-grown companies have seized on.

Al Mal Capital said it was raising Dh60 million for the new fund, which is to invest in casual dining, bakeries, food processing and catering opportunities across the Middle East.

Al Mal's fund plans to target the Arabian Gulf countries first, where there is high population growth and disposable income. In the Middle East, population growth is at 3.1 per cent on an annual basis, according to IMF estimates, while GDP growth is at 3.7 per cent.

The fund also plans to look at offerings in Egypt and Turkey, bringing local brands that are successful in their home countries to Dubai and the wider Arabian Gulf region.

"There are a lot of home-grown franchises that have become very successful," said Firas Hurieh, a private equity fund manager at the Dubai-based investment bank.

"They have good management, high quality and are able to access key locations. We want to target companies that are on the right track of taking the business forward but need that extra push. And that's where we come in."

Examples of successful local home grown food and beverage companies include Just Falafel, which is preparing an initial public offering on Nasdaq Dubai. Herfy's, Saudi Arabia's rival to McDonalds, listed on the kingdom's Tadawul exchange in February 2010. The stock has risen 172 per cent since its launch, and 23.9 per cent over the past year alone.

Net income margins stand between 30 per cent to 40 per cent for restaurants in the Arabian Gulf. The sector is mostly cash-based and, compared to other sectors, requires little in the way of capital expenditure.

"If you look at the restaurants in Dubai – Jumeirah Beach, the Boulevard – these restaurants will be paying the rent, operational expense and design," Mr Hurieh said. "It's not like investing in a giant food processing plant, for example."

The fund is regulated by the UAE market regulator, the Securities and Commodities Authority.

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The minimum initial investment is Dh250,000, priced at Dh100 per unit. The fund is open to subscriptions until February 26. Mr Hurieh plans to have seven to 10 underlying assets for the fund before rolling out others.

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