

GCC M&A Report – Q3 2019

Transactions increased by 3% compared to Q3 2018

November 2019

Research Highlights:

Provides a review of M&A transactions in the GCC region as well as an overview of the largest transactions completed by GCC acquirers.

Markaz Research is available on:

Bloomberg - Type "MRKZ" <Go>
Thomson Research,
Reuters Knowledge
Nooz
Zawya Investor
ISI Emerging markets
Capital IQ
FactSet Research Connect
TheMarkets.com

Abdulrazzaq Razooqi

AVP – Investment Banking
+965 2224 8000 Ext: 1149
arazooqi@markaz.com

Fay Al Bader

Assistant Analyst – Investment Banking
+965 2224 8000 Ext: 1160
fbader@markaz.com

Throughout Q3 2019, the GCC market observed a total of 30 closed M&A transactions, a slight increase relative to the same period in the previous year and a decline of 3% as compared to Q2 2019. In addition, the UAE was the most active target market during the quarter as it accounted for 43% of the total activity, followed by Kuwait and Saudi Arabia, each of whom represented roughly 27% of the total closed transactions. Although the UAE had the highest number of closed transactions, it was the Kuwaiti market that witnessed the highest level of growth as the number of the closed transactions increased by 167% relative to the previous quarter. In terms of Oman and Bahrain, neither of these markets witnessed any closed transactions during Q3 2019.

Furthermore, companies in the GCC were successful in attracting both regional and foreign investors to the market with the majority of transactions being undertaken by regional acquirers. Overall, GCC acquirers accounted for 67% of the total number of transactions, which is lower relative to the previous quarter, where GCC acquirers accounted for 77% of the closed transactions. In addition, a majority of these transactions fell under four sectors which are the Financials, Industrials, Consumer Discretionary and Information Technology sectors. Transactions in these sectors collectively accounted for 60% of the total during Q3 2019. In comparison to the previous quarter, the Industrials sector was the only sector amongst the four sectors that attracted a high level of activity for two consecutive quarters whereas the Financials sector witnessed the greatest level of growth quarter over quarter.

Each of the GCC acquirers seemed to have a different appetite with regards to M&A transactions during Q3 2019. Kuwaiti and Saudi acquirers predominantly targeted companies within their home countries. UAE acquirers mostly invested outside of the GCC, with a slightly lower exposure to targets in their home country. Omani acquirers didn't complete a transaction within or outside the GCC during Q3 2019, while Qatari and Bahraini acquirers each closed only one transaction during the same period.

Figure: Number of Closed GCC M&A Transactions

Country	Q3 2019	Q2 2019	Q3 2018	% Change (Q2 2019)	% Change (Q3 2018)
Bahrain	0	3	3	-100%	-100%
Kuwait	8	3	8	167%	0%
Oman	0	3	2	-100%	-100%
Qatar	1	0	0	N/A	N/A
Saudi Arabia	8	11	2	-27%	300%
United Arab Emirates	13	11	14	18%	-7%
Total	30	31	29	-3%	3%

Source: S&P Capital IQ, GCC Stock Exchanges, Local Newspapers, Markaz Analysis
Kindly note that % changes are in comparison to Q3 2019.

Kuwait Financial Centre
K.P.S.C. "Markaz"

P.O. Box 23444, Safat 13095,
Kuwait
Tel: +965 2224 8000
Fax: +965 2242 5828
markaz.com

GCC Merger & Acquisition Deals

Q3 2019



M&A Transactions within GCC



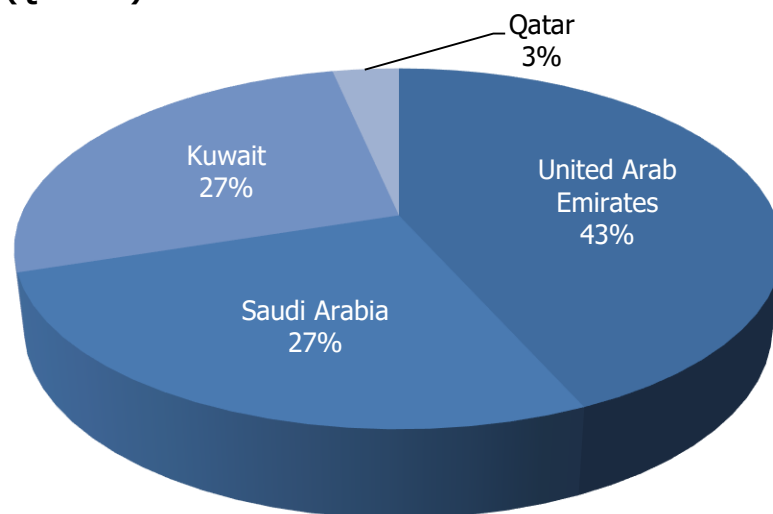
GCC Mergers & Acquisitions - Transaction History (Closed)

GCC M&A Transactions – Number of Transactions

Country	Q3 2019	Q2 2019	Q3 2018	% Change (Q2 2019)	% Change (Q3 2018)
Bahrain	0	3	3	-100%	-100%
Kuwait	8	3	8	167%	0%
Oman	0	3	2	-100%	-100%
Qatar	1	0	0	N/A	N/A
Saudi Arabia	8	11	2	-27%	300%
United Arab Emirates	13	11	14	18%	-7%
Total	30	31	29	-3%	3%

Source: S&P Capital IQ, GCC Stock Exchanges, Local Newspapers, Markaz Analysis
Kindly note that % changes are in comparison to Q3 2019.

GCC M&A Transactions – Geographical Distribution by Number of Transactions (Q3 2019)



Key Takeaways

- During Q3 2019, the market witnessed a 3% decline in the number of closed transactions relative to Q2 2019 and a growth of 3% relative to Q3 2018.
- In terms of transactions by country, the UAE experienced the highest level of activity as it accounted for 43% of the total number of transactions during Q3 2019, followed by Kuwait and Saudi Arabia, who each accounted for 27%.
- Qatar accounted for 3% of the total transactions during Q3 2019, an increase relative to the previous quarter and same period in the previous year as there was no activity recorded in each of these respective periods.
- Kuwait reported the highest increase in the number of closed transactions during Q3 2019 as compared to the previous quarter, while Saudi Arabia recorded the highest increase compared to the same period in the previous year.
- There were no closed transactions involving Bahraini and Omani targets during Q3 2019.

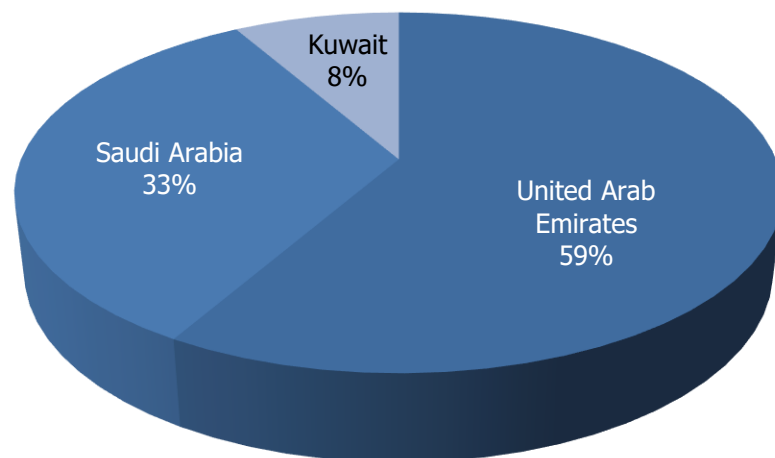
GCC Mergers & Acquisitions - Announced Transactions in the Pipeline

GCC M&A Transactions – Announced Pipeline Transactions

Country	Q3 2019	Q2 2019
Bahrain	0	0
Kuwait	1	6
Oman	0	0
Qatar	0	0
Saudi Arabia	4	7
United Arab Emirates	7	9
Total	12	22

Source: S&P Capital IQ, GCC Stock Exchanges, Local Newspapers, Markaz Analysis

GCC M&A Transactions – Geographical Distribution by Number of Announced Pipeline Transactions (Q3 2019)



Key Takeaways

- By the end of Q3 2019, there was a total of 12 announced transactions in the pipeline, which translates into a 45% decline in activity relative to the previous quarter.
- Roughly 60% of these transactions involve targets from the UAE while the remaining 40% is attributable to activity within Saudi Arabia and Kuwait.
- Overall, each country experienced a decline in the level of activity during Q3 2019 with Kuwait observing the greatest drop as its total announced transactions decreased by 83%.
- There were no announced transactions involving Bahraini, Omani, and Qatari targets during both Q2 2019 and Q3 2019.

GCC Mergers & Acquisitions - Top 5 Deals by Reported Value

Targets & Buyers – Q3 2019

Target Company	Target Country	Buyer	Buyer Country	Percent Sought	Deal Value (USDmn)	Status
Topaz Energy and Marine Limited	United Arab Emirates	DP World	United Arab Emirates	100	1,079	Closed
Saudi Aramco Shell Refinery	Saudi Arabia	Saudi Aramco	Saudi Arabia	50	631	Closed
Gulf Bank	Kuwait	AlGhanim Trading Co.	Kuwait	16	504	Closed
Jassim Transport	Kuwait	Qurain Petrochemical Industries	Kuwait	60	138	Closed
Innovative Union Company	Saudi Arabia	Fawaz Abdulaziz Alhokair & Co.	Saudi Arabia	100	91	Closed

Source: S&P Capital IQ, GCC Stock Exchanges, Local Newspapers, Reuters, Markaz Analysis.
Kindly note that top deals were chosen based on transactions which had all necessary information provided.

Key Takeaways

- ✧ The largest transaction that took place in the GCC during Q3 2019 was completed by DP World whereby it acquired 100% of Topaz Energy and Marine Limited for a total value of \$1.1 billion.
- ✧ As part of its long-term downstream growth strategy, Saudi Aramco acquired the remaining 50% of Saudi Aramco Shell Refinery Co. from Royal Dutch Shell, for a total value of \$631 million.
- ✧ AlGhanim Trading purchased Kuwait Investment Authority's 16% stake in Gulf Bank for \$504 million, nearly doubling its stake in the bank and making it the bank's largest shareholder.
- ✧ Qurain Petrochemical Industries purchased a 60% stake in Jassim Transport and Stevedoring from Global Investment House for a total consideration of \$138 million.
- ✧ Fawaz Abdulaziz Alhokair & Co. has successfully acquired 100% of the Innovative Union Company for a total of \$91 million. With the completion of this deal, Alhokair has received the franchise rights to 10 profitable international food and beverage brands.

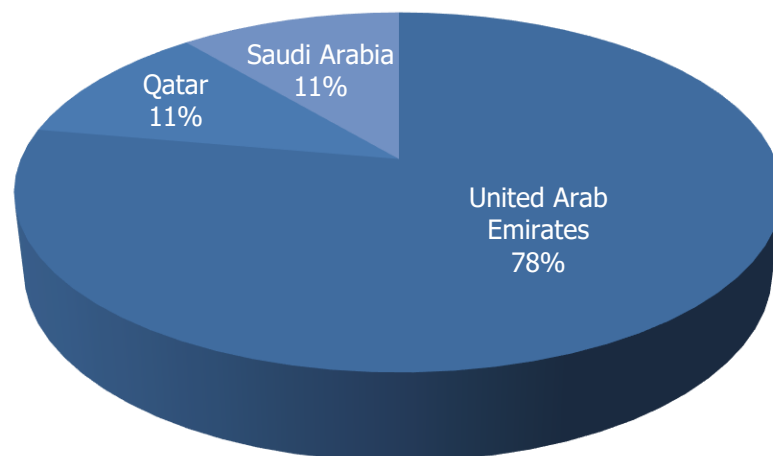
GCC Mergers & Acquisitions - Foreign (Non-GCC) Buyers (Closed)

Number of Foreign Buyers' Deals in GCC

Country	Q3 2019	Q2 2019	Q3 2018
Bahrain	0	1	0
Kuwait	0	0	0
Oman	0	0	0
Qatar	1	0	0
Saudi Arabia	1	1	0
United Arab Emirates	7	5	7
Total	9	7	7

Source: S&P Capital IQ, GCC Stock Exchanges, Local Newspapers, Markaz Analysis

GCC M&A Transactions – Geographical Distribution by Number of Transactions Involving Foreign Buyers (Q3 2019)



Key Takeaways

- During Q3 2019, there was a total of 9 transactions completed by foreign buyers, representing a 29% increase in the number of transactions compared to Q2 2019 and Q3 2018.
- In the past, foreign buyers have typically acquired companies within the UAE as is demonstrated by the number of transactions completed within the UAE relative to other countries in the GCC overtime. This trend persisted throughout this quarter as the majority of the transactions completed targeted companies in the UAE (~78%). The remaining transactions involved Qatari and Saudi targets, each of whom represented 11% of the total transactions completed.
- After a year of no activity, Qatar has recently attracted foreign investors while Kuwait, Bahrain and Oman recorded no activity for this quarter.

GCC Mergers & Acquisitions - Top Deals by Reported Value (Foreign)

Targets & Foreign (Non-GCC) Buyers – Q3 2019

Target Company	Target Country	Buyer	Buyer Country	Percent Sought	Deal Value (USDmn)	Status
ADNOC Oil Pipelines	United Arab Emirates	GIC Private Limited	Singapore	6	600	Announced
GEMS Education	United Arab Emirates	CVC Capital Partners	Luxembourg	30	N/A	Announced
Insure Direct (Brokers)	United Arab Emirates	Jardine Lloyd Thomson Group	United Kingdom	5	5	Closed
CQUR Bank	Qatar	VTB Bank	Russia	19	5	Closed
MENabytes	Saudi Arabia	Riseup	Egypt	100	N/A	Closed

Source: S&P Capital IQ, GCC Stock Exchanges, Local Newspapers, Markaz Analysis

Kindly note that top deals were chosen based on transactions which had all necessary information provided.

Key Takeaways

- ✧ GIC has agreed to invest \$600 million in an oil pipeline partnership with Abu Dhabi's National Oil Company, which comes as an addition to investments made by other companies where ADNOC received a total of \$4.9 billion.
- ✧ CVC Capital Partners is leading a consortium that is announced to acquire a minority stake in GEMS Education, the world's largest provider of K-12 education (by revenue), for an undisclosed amount.
- ✧ Following its initial purchase in 2013, JLT increased its stake in Insure Direct (Insure) by 5% for a total consideration of \$5 million. Insure is based in Dubai and operates as a subsidiary of JLT.
- ✧ VTB Bank, Russia's second largest bank, has recently purchased a 19% stake in Qatari-lender CQUR Bank, for a total consideration of \$5 million. CQUR was established earlier this year and just recently received its license to participate in lending activities.
- ✧ Egypt's Riseup has acquired a 100% of MENabytes, the leading regional startup and technology publication.

GCC Mergers & Acquisitions - By Sector (Closed)

Sector-wise Classification of Deals – Q3 2019

Sector	GCC Acquirers	Foreign Acquirers	Other*	Grand Total	%
Financials	3	2	0	5	17
Industrials	5	0	0	5	17
Consumer Discretionary	4	0	0	4	13
Information Technology	0	4	0	4	13
Insurance	1	2	0	3	10
Energy	1	0	1	2	7
Healthcare	2	0	0	2	7
Consumer Staples	2	0	0	2	7
Real Estate	1	0	0	1	3
Education	1	0	0	1	3
Media	0	1	0	1	3
Grand Total	20	9	1	30	100

Sector-wise Classification of Deals – Q2 2019

Sector	GCC Acquirers	Foreign Acquirers	Grand Total	%
Industrials	4	2	6	19
Real Estate	6	0	6	19
Telecommunication Services	3	0	3	9
Financials	1	1	2	7
Energy	1	1	2	7
Healthcare	2	0	2	7
Education	2	0	2	7
Information Technology	1	1	2	7
Media	0	1	1	3
Insurance	1	0	1	3
Consumer Staples	1	0	1	3
Materials	1	0	1	3
Utilities	0	1	1	3
Transportation	1	0	1	3
Grand Total	24	7	31	100

Source: S&P Capital IQ, GCC Stock Exchanges, Local Newspapers, Markaz Analysis

*Other refers to deals where buyer information is not available.

Key Takeaways

- ✧ A majority of the transactions completed during Q3 2019 and Q2 2019 were carried out by GCC acquirers. During Q3 2019, GCC acquirers accounted for 67% of the total number of transactions while foreign acquirers accounted for 30%. The remaining 3% is comprised of closed transactions for which the buyer information was not available.
- ✧ During Q2 2019, GCC acquirers accounted for 77% of the total number of transactions while foreign acquirers accounted for the remaining 23%.
- ✧ The sectors that witnessed the highest level of activity during Q3 2019 were the Financials, Industrials, Consumer Discretionary and Information Technology sectors. These sectors collectively accounted for 60% of the total number of transactions.
- ✧ The Financials sector recorded the greatest increase in the level of activity relative to the previous quarter. In addition, there was no activity within the Consumer Discretionary sector last quarter however, it is one of the sectors that observed a high level of activity during Q3 2019.

M&A Transactions by GCC Acquirers

Note: No slide has been provided for Qatari, Bahraini and Omani acquirers. Omani acquirers didn't complete a transaction within or outside the GCC during Q3 2019, while Qatari and Bahraini acquirers each closed only one transaction during the same period. The Qatar Investment Authority has acquired a significant stake in Oryx Midstream Services for \$550 million. Investcorp acquired 100% of Switzerland's Contentserv.



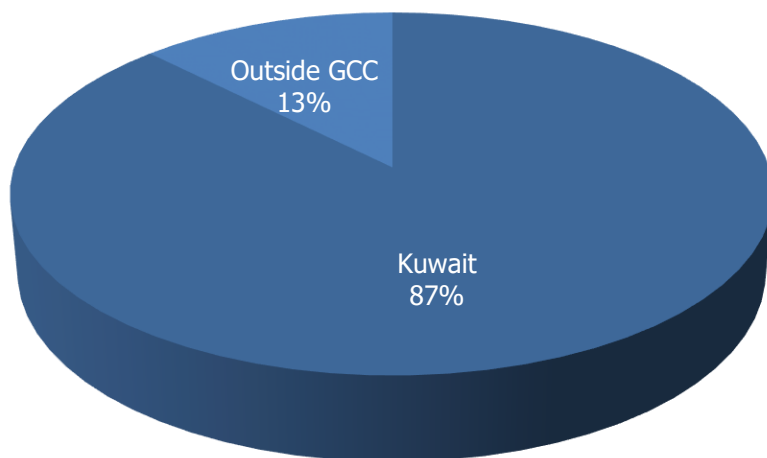
Merger & Acquisition Watch - By Kuwaiti Acquirers

Targets & Buyers – Q3 2019

Target Company	Target Country	Buyer	Percent Sought	Deal Value (USDmn)	Status
SKC Co.	South Korea	PIC	49	560	Closed
Gulf Bank	Kuwait	AlGhanim Trading	16	504	Closed
Jassim Transport	Kuwait	Qurain Petrochemical	60	138	Closed
Kuwait Saudi Pharmaceutical	Kuwait	Mezzan Holding	67	69	Closed
Uniply Industries	India	Markab Capital	21	45	Announced

Source: S&P Capital IQ, GCC Stock Exchanges, Local Newspapers, Markaz Analysis
Kindly note that top deals were chosen based on transactions which had all necessary information provided.

Target Companies – Geographical Distribution by Number of Transactions (Closed) (Q3 2019)



Key Takeaways

- ✦ The largest transaction completed by Kuwaiti acquirers during Q3 2019 was Petrochemical Industries Company's (PIC) acquisition of a 49% stake of South Korea's SKC for \$560 million.
- ✦ AlGhanim Trading also completed a relatively large transaction as it purchased KIA's 16% stake in Gulf Bank for \$504 million. With the additional stake, AlGhanim nearly doubled its ownership in the company, making it the bank's largest shareholder.
- ✦ Qurain Petrochemical Industries Company purchased Global Investment House's 60% stake in Jassim Transport and Stevedoring Co. for a total consideration of \$138 million.
- ✦ Mezzan Holding has acquired a 67% stake in Kuwait Saudi Pharmaceutical Industries Co. for \$69 million. It is worth noting that the target company is Kuwait's only manufacturer of pharmaceutical products.
- ✦ Markab Capital has acquired a 21% stake in Uniply Industries for \$45 million, which translates into a premium of roughly 28% relative to the company's closing price on the day the deal closed.

Merger & Acquisition Watch - By KSA Acquirers

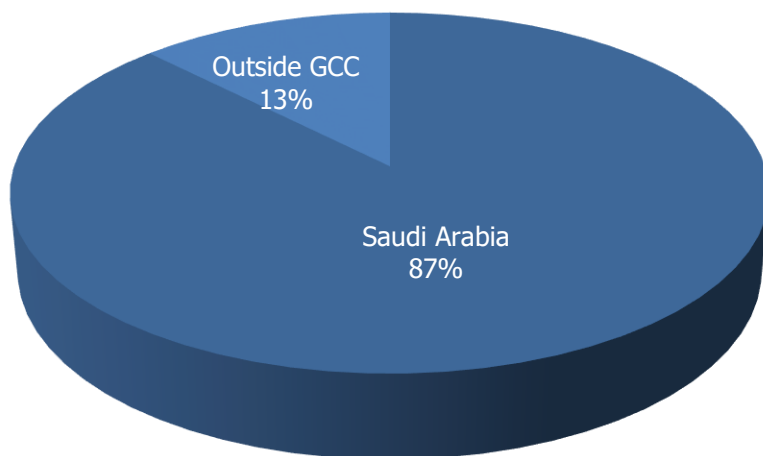
Targets & Buyers – Q3 2019

Target Company	Target Country	Buyer	Percent Sought	Deal Value (USDmn)	Status
Saudi Aramco Shell Refinery	Saudi Arabia	Saudi Aramco	50	631	Closed
Innovative Union	Saudi Arabia	Fawaz Abdulaziz AlHokair & Co	100	91	Closed
Metlife AIG ANB Cooperative	Saudi Arabia	Walaa Cooperative Insurance	100	32	Closed
Pure Breed Poultry	Saudi Arabia	Almarai	38	14	Closed
Environmental Development	Saudi Arabia	Five Capital Fund / Suez SA	65	N/A	Announced

Source: S&P Capital IQ, GCC Stock Exchanges, Local Newspapers, Markaz Analysis

Kindly note that top deals were chosen based on transactions which had all necessary information provided.

Target Companies – Geographical Distribution by Number of Transactions (Closed) (Q3 2019)



Key Takeaways

- ✧ As part of its long-term downstream growth strategy, Saudi Aramco acquired the remaining 50% of Saudi Aramco Shell Refinery Co. from Royal Dutch Shell, for a total value of \$631 million.
- ✧ Fawaz Abdulaziz Alhokair & Co. has successfully acquired 100% of the Innovative Union Company, which is owned by Warehouse Food and Entertainment Company. With the completion of this deal, Alhokair has received the franchise rights to 10 profitable international food and beverage brands.
- ✧ Walaa have signed an agreement to merge with Metlife AIG ANB for a total of \$32 million.
- ✧ Almarai has finalized a deal in which it will increase its stake in Pure Breed Poultry by 38% for a total consideration of \$14 million. With this acquisition, Almarai now owns 94% of the target's share capital.
- ✧ Five Capital Fund and Suez SA acquired a 65% stake in Environment Development Co. for an undisclosed amount. The target company is a hazardous waste management company that holds the world's largest single industrial development project.

Merger & Acquisition Watch - By UAE Acquirers

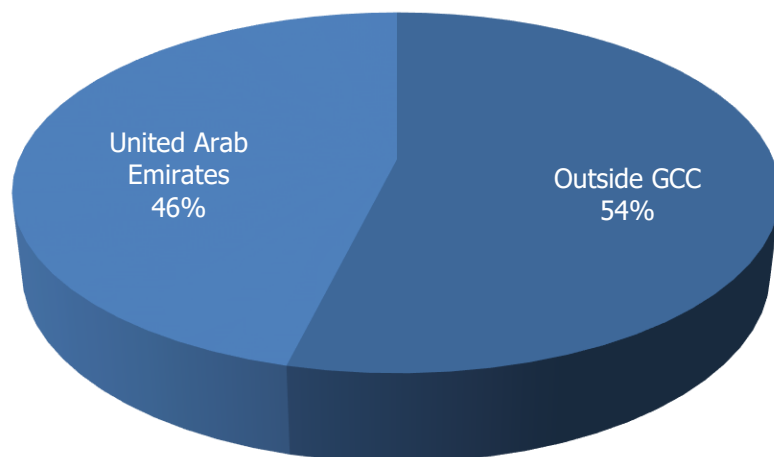
Targets & Buyers – Q3 2019

Target Company	Target Country	Buyer	Percent Sought	Deal Value (USDmn)	Status
Deniz Bank	Turkey	Emirates NBD	100	2,800	Closed
Yankees Entertainment	United States	Mubadala Capital and Consortium	80	2,276	Closed
Topaz Energy and Marine Limited	United Arab Emirates	DP World PLC	100	1,079	Closed
Roberto Cavalli	Italy	Vision Investment Company	100	179	Closed
Mirage Leisure and Development	United Arab Emirates	Emaar Properties	35	18	Closed

Source: S&P Capital IQ, GCC Stock Exchanges, Local Newspapers, Markaz Analysis

Kindly note that top deals were chosen based on transactions which had all necessary information provided.

Target Companies – Geographical Distribution by Number of Transactions (Closed) (Q3 2019)



Key Takeaways

- ✧ The largest transaction completed by Emirati acquirers during Q3 2019 was Emirates NBD's acquisition of Deniz Bank, Turkey's largest bank, for a total consideration of \$2.8 billion.
- ✧ Mubadala Capital along with a consortium of other investors acquired an 80% stake in Yankees Entertainment and Sports Network for \$2.3 billion.
- ✧ In an effort to increase its exposure to marine logistics, DP World acquired 100% of Topaz Energy and Marine Limited for a total value of \$1.1 billion.
- ✧ Vision Investment Company has signed a binding agreement to acquire 100% of Roberto Cavalli for \$179 million. The Italian fashion house used to be controlled by an Italian private equity firm called Clessidra, who purchased a 90% stake in 2015.
- ✧ Emaar Properties acquired a 35% stake in Mirage Leisure and Development for \$18 million. This acquisition follows a previous transaction Emaar completed in October 2015 in which it acquired a 65% stake in the company.

Kuwait Financial Centre K.P.S.C. "Markaz"

P.O. Box 23444, Safat 13095
State of Kuwait

Tel: +965 2224 8000
Fax: +965 2241 4499
Email: advisory@markaz.com
www.markaz.com



Disclaimer

This report has been prepared and issued by Kuwait Financial Centre K.P.S.C (Markaz), which is regulated by the Capital Markets Authority and the Central Bank of Kuwait. The report is owned by Markaz and is privileged and proprietary and is subject to copyrights. Sale of any copies of this report is strictly prohibited. This report cannot be quoted without the prior written consent of Markaz. . Any user after obtaining Markaz permission to use this report must clearly mention the source as "Markaz ". The report is intended to be circulated for general information only and should not to be construed as an offer to buy or sell or a solicitation of an offer to buy or sell any financial instruments or to participate in any particular trading strategy in any jurisdiction.

The information and statistical data herein have been obtained from sources we believe to be reliable but no representation or warranty, expressed or implied, is made that such information and data is accurate or complete, and therefore should not be relied upon as such. Opinions, estimates and projections in this report constitute the current judgment of the author as of the date of this report. They do not necessarily reflect the opinion of Markaz and are subject to change without notice. Markaz has no obligation to update, modify or amend this report or to otherwise notify a reader thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate, or if research on the subject company is withdrawn.

This report may not consider the specific investment objectives, financial situation and the particular needs of any specific person who may receive this report. Investors are urged to seek financial advice regarding the appropriateness of investing in any securities or investment strategies discussed or recommended in this report and to understand that statements regarding future prospects may not be realized. Investors should note that income from such securities, if any, may fluctuate and that each security's price or value may rise or fall. Investors should be able and willing to accept a total or partial loss of their investment. Accordingly, investors may receive back less than originally invested. Past performance is not necessarily indicative of future performance.

Kuwait Financial Centre K.P.S.C (Markaz) may seek to do business, including investment banking deals, with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. This report may provide the addresses of, or contain hyperlinks to, websites. Except to the extent to which the report refers to website material of Markaz, Markaz has not reviewed the linked site and takes no responsibility for the content contained therein. Such address or hyperlink (including addresses or hyperlinks to Markaz's own website material) is provided solely for your convenience and information and the content of the linked site does not in any way form part of this document. Accessing such website or following such link through this report or Markaz's website shall be at your own risk.

For further information, please contact 'Markaz' at P.O. Box 23444, Safat 13095, Kuwait; Email: ; Tel: 00965 1804800; Fax: 00965 22450647.