

May 2020

GCC M&A Report – Q1 2020

Transactions decreased by 52% compared to Q1 2019

Research Highlights:

Provides a review of M&A transactions in the GCC region.

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Throughout Q1 2020, the GCC market observed a total of 24 closed M&A transactions, a significant decrease relative to the same period in the previous year. Overall, the total number of closed transactions decreased by 51% relative to the previous quarter, and 52% relative to the previous year. The UAE dominated the market yet again as it accounted for 50% of the total closed transactions, followed by Saudi Arabia and Kuwait, who accounted for 21% and 13%, respectively. In addition, all of the GCC countries, with the exception of Qatar, experienced a reduction in the number of closed transactions when compared to the previous quarter.

Furthermore, the market attracted a significantly lower level of interest from foreign buyers, which is evident based on the fact that there was only one transaction that closed this quarter that involved a foreign buyer. The majority of the completed transactions were taken on by regional acquirers. Overall, GCC acquirers accounted for 92% of the total number of closed transactions, which is higher relative to the previous quarter, in which they accounted for 71%. In addition, these transactions spanned across multiple sectors which was also observed in Q4 2019. With that being said, the sectors that witnessed the greatest level of activity throughout the quarter were the Financials, Information Technology and Industrials sectors. Collectively, these sectors accounted for almost 50% of the total number of closed transactions. Lastly, this quarter recorded activity in three new sectors and they are the Aviation, Construction and Telecommunication Services sectors.

Overall, a majority of the GCC acquirers preferred acquiring local or GCC companies as opposed to acquiring foreign targets. The UAE, Kuwait and Saudi Arabia were the most active players in terms of regional acquisitions while the remaining acquirers each closed one transaction in their home countries. In addition, the UAE surpassed its GCC counterparts and reported seven closed transactions that involved foreign targets whereas Bahrain, Kuwait and Saudi Arabia closed one transaction each. Lastly, neither Oman nor Qatar closed any transactions involving foreign targets.

Figure: Number of Closed GCC M&A Transactions

Country	Q1 2020	Q4 2019	Q1 2019	% Change (Q4 2019)	% Change (Q1 2019)
Bahrain	2	3	0	-33%	N/A
Kuwait	3	11	16	-73%	-81%
Oman	1	3	1	-67%	0%
Qatar	1	0	1	N/A	0%
Saudi Arabia	5	10	13	-50%	-62%
United Arab Emirates	12	22	19	-45%	-37%
Total	24	49	50	-51%	-52%

Source: S&P Capital IQ, GCC Stock Exchanges, Local Newspapers, Markaz Analysis
Kindly note that % changes are in comparison to Q1 2020.

GCC Merger & Acquisition Deals

Q1 2020



M&A Transactions within GCC



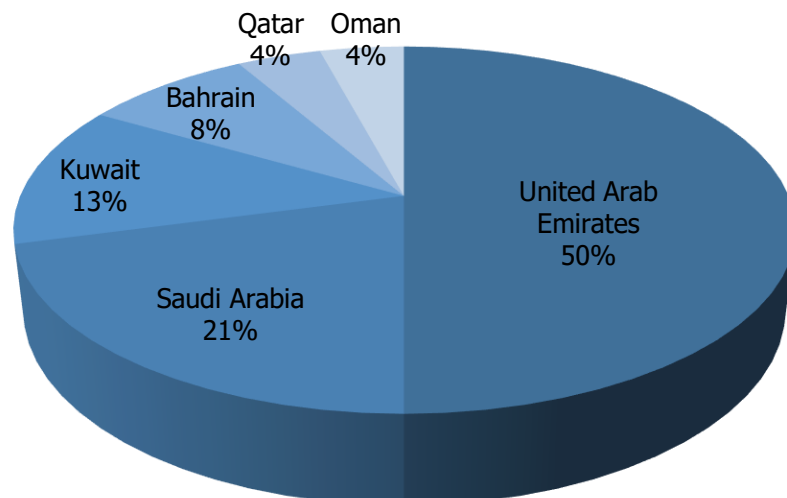
GCC Mergers & Acquisitions - Transaction History (Closed)

GCC M&A Transactions – Number of Transactions

Country	Q1 2020	Q4 2019	Q1 2019	% Change (Q4 2019)	% Change (Q1 2019)
Bahrain	2	3	0	-33%	N/A
Kuwait	3	11	16	-73%	-81%
Oman	1	3	1	-67%	0%
Qatar	1	0	1	N/A	0%
Saudi Arabia	5	10	13	-50%	-62%
United Arab Emirates	12	22	19	-45%	-37%
Total	24	49	50	-51%	-52%

Source: S&P Capital IQ, GCC Stock Exchanges, Local Newspapers, Markaz Analysis
Kindly note that % changes are in comparison to Q1 2020.

GCC M&A Transactions – Geographical Distribution by Number of Transactions (Q1 2020)



Key Takeaways

- ✧ The GCC economy experienced a significant slowdown due to the global COVID-19 outbreak and the uncertainty the pandemic has caused. One key indicator that can attest to this is the significant drop in the number of M&A transactions that closed during the period. The total number of transactions that closed decreased by 51%, relative to Q4 2019, and by 52% relative to Q1 2019.
- ✧ The UAE had yet again witnessed the greatest level of M&A activity in comparison to its GCC counterparts throughout the quarter. This is evident based on the fact that UAE targets had accounted for exactly half of the total closed transactions, followed by Saudi Arabia and Kuwait, who accounted for 21% and 13% of the total level of activity, respectively.
- ✧ All of the GCC countries with the exception of Qatar experienced a reduction in the number of closed transactions when compared to the previous quarter.

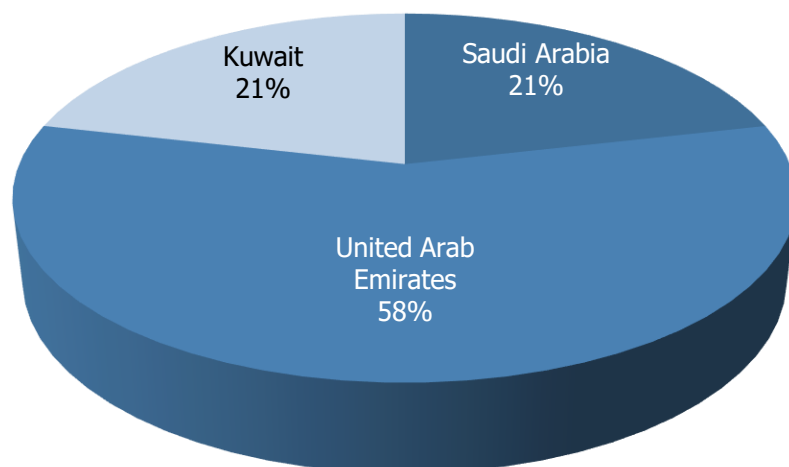
GCC Mergers & Acquisitions - Announced Transactions in the Pipeline

GCC M&A Transactions – Announced Pipeline Transactions

Country	Q1 2020	Q4 2019
Bahrain	0	1
Kuwait	3	1
Oman	0	2
Qatar	0	1
Saudi Arabia	3	5
United Arab Emirates	8	4
Total	14	14

Source: S&P Capital IQ, GCC Stock Exchanges, Local Newspapers, Markaz Analysis
Kindly note that % changes are in comparison to Q1 2020.

GCC M&A Transactions – Geographical Distribution by Number of Announced Pipeline Transactions (Q1 2020)



Key Takeaways

- By the end of Q1 2020, there was a total of 14 announced transactions within the pipeline. Only Kuwait and the UAE reported growth in announced transactions when compared to the previous quarter.
- The UAE ended the quarter with twice the amount of transactions in the pipeline in comparison to the previous quarter while Kuwait witnessed a 200% increase in the amount of announced transactions during the same period.
- Approximately 58% of the announced transactions involved UAE targets, while the remaining transactions equally involved Kuwaiti and Saudi targets at 21% each.
- Although Saudi Arabia had three transactions in the pipeline by the end of the quarter, it still represents a 40% drop in the level of activity relative to Q4 2019.
- By the end of the quarter, neither Bahrain, Oman nor Qatar had any announced transactions in the pipeline.

GCC Mergers & Acquisitions - Top 5 Deals by Reported Value

Targets & Buyers – Q1 2020

Target Company	Target Country	Buyer	Buyer Country	Percent Sought	Deal Value (USDmn)	Status
DP World	United Arab Emirates	Port & Free Zone World	United Arab Emirates	20	2,718	Announced
Qatar Fertiliser Company	Qatar	Qatar Petroleum	Qatar	25	1,000	Closed
IVI-RMA Middle East	United Arab Emirates	Gulf Capital	United Arab Emirates	100	100	Closed
Evolutionary Systems Arabia (Middle Eastern Business)	United Arab Emirates	Mastek Arabia	United Arab Emirates	100	65	Closed
Advanced Aquaculture Company	Saudi Arabia	Jazan Energy	Saudi Arabia	45	60	Closed

Source: S&P Capital IQ, GCC Stock Exchanges, Local Newspapers, Reuters, Markaz Analysis. These companies were selected based on available information.

Key Takeaways

- Port & Free Zone World announced its intention to acquire a 20% stake in DP World for a total consideration of USD 2.7 billion.
- Qatar Petroleum has acquired a 25% stake in Qatar Fertiliser Company ("QAFCO") for a total consideration of USD 1.0 billion. QAFCO produces fertilizer products such as ammonia and urea.
- Gulf Capital has fully acquired IVI-RMA Middle East for over USD 100 million. The target is the fastest growing provider of fertility treatment services in the GCC.
- Mastek Arabia fully acquired the Middle Eastern arm of Evolutionary Systems Arabia for a total consideration of USD 65 million. The target provides IT-related consulting services and develops software solutions.
- Jazan Energy & Development Company ("Jazan Energy") has agreed to merge its international aquaculture unit with the following three companies: Tabuk Fisheries Company, Tharawat Seas and Aquaculture Sharq Farms. Under the terms of this deal, Jazan Energy will own a 45% stake in Advanced Aquaculture Co. (the merged entity) worth USD 60 million.

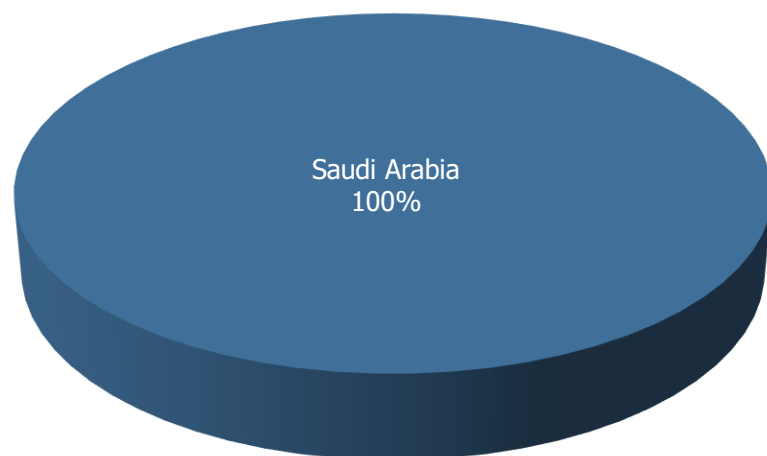
GCC Mergers & Acquisitions - Foreign (Non-GCC) Buyers (Closed)

Number of Foreign Buyers' Deals in GCC

Country	Q1 2020	Q4 2019	Q1 2019
Bahrain	0	1	0
Kuwait	0	0	1
Oman	0	0	0
Qatar	0	0	0
Saudi Arabia	1	1	4
United Arab Emirates	0	10	12
Total	1	12	17

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 (Q1 2020)



Key Takeaways

- ✧ The market attracted a significantly lower level of interest from foreign acquirers this quarter, which is in large part related to the global slowdown.
- ✧ Throughout the quarter, there was only one transaction that closed that involved a foreign buyer. This is 92% lower in comparison to the previous quarter and 94% lower in comparison to Q1 2019.
- ✧ The one transaction that closed involved a Spanish company called Aqualia and a Saudi-based company called Qatarat Saqia Desalination Company Limited ("Qatarat"). Aqualia acquired 51% of Qatartat from Haji Abdullah Ali Reza & Company Limited for an undisclosed amount. It is worth noting that Qatarat holds the concession for the desalination plant at the King Abdulaziz International Airport in Jeddah.

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

Targets & Foreign (Non-GCC) Buyers – Q1 2020

Target Company	Target Country	Buyer	Buyer Country	Percent Sought	Deal Value (USDmn)	Status
Arabian Hospitality LLC	United Arab Emirates	Egyptian Media Production City	Egypt	65	9	Announced
Qatarat Saqia Desalination Company Limited	Saudi Arabia	Aqualia	Spain	51	N/A	Closed
DBSConsult	United Arab Emirates	J.S. Held LLC	United States	100	N/A	Announced

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

Key Takeaways

- ✦ The Egyptian Media Production Company ("EMP") has announced that its board of directors have agreed to acquire a majority stake in Arabian Hospitality LLC, a UAE-based company. EMP has announced it will be acquiring a 65% stake in Arabian Hospitality at USD 7.3 per share, which brings the total transaction size to USD 9 million.
- ✦ Aqualia acquired 51% of Qatarat Saqia Desalination Company Limited ("Qatarat") for an undisclosed amount. The Spanish-based firm acquired this stake from Haji Abdullah Ali Reza & Company Limited. It is worth noting that Qatarat holds the concession for the desalination plant at the King Abdulaziz International Airport in Jeddah.
- ✦ J.S. Held LLC announced that it has entered into an agreement to acquire 100% of DBS Consult, a construction claims and disputes management firm operating in the United Arab Emirates. Neither firm has disclosed the value of the transaction.

GCC Mergers & Acquisitions - By Sector (Closed)

Sector-wise Classification of Deals – Q1 2020

Sector	GCC Acquirers	Foreign Acquirers	Other*	Grand Total	%
Financials	3	0	1	4	17
Information Technology	4	0	0	4	17
Industrials	3	0	0	3	13
Consumer Staples	2	0	0	2	8
Healthcare	2	0	0	2	8
Media	2	0	0	2	8
Real Estate	2	0	0	2	8
Aviation	1	0	0	1	4
Construction	1	0	0	1	4
Education	1	0	0	1	4
Telecommunication Services	1	0	0	1	4
Utilities	0	1	0	1	4
Grand Total	22	1	1	24	100

Sector-wise Classification of Deals – Q4 2019

Sector	GCC Acquirers	Foreign Acquirers	Other*	Grand Total	%
Industrials	6	1	1	8	17
Financials	5	2	0	7	15
Consumer Discretionary	3	2	0	5	10
Consumer Staples	3	1	1	5	10
Healthcare	4	1	0	5	10
Real Estate	5	0	0	5	10
Information Technology	3	1	0	4	8
Media	0	3	0	3	6
Materials	2	0	0	2	4
Utilities	2	0	0	2	4
Education	1	0	0	1	2
Energy	1	0	0	1	2
Logistics	0	1	0	1	2
Grand Total	35	12	2	49	100

Key Takeaways

- ✧ The majority of the transactions completed during Q1 2020 and Q4 2019 were carried out by GCC acquirers. During the most recent quarter, GCC acquirers accounted for 92% of the total number of transactions while foreign acquirers accounted for 4%. The remaining 4% is comprised of closed transactions for which the buyer information is not available.
- ✧ During Q4 2019, GCC acquirers accounted for 71% of the total number of transactions while foreign acquirers accounted for 24%. Again, the remaining 4% is comprised of closed transactions for which the buyer information is not available.
- ✧ Moreover, the transactions that closed during the most recent quarter spanned across multiple sectors which was also observed in Q4 2019.
- ✧ The sectors that witnessed the greatest level of activity throughout Q1 2020 were the Financials, Information Technology and Industrials sectors. Collectively, these three sectors accounted for almost 50% of the transactions that closed during the quarter.
- ✧ The Industrials and Financials sectors also recorded the greatest level of activity in the previous quarter.

M&A Transactions by GCC Acquirers



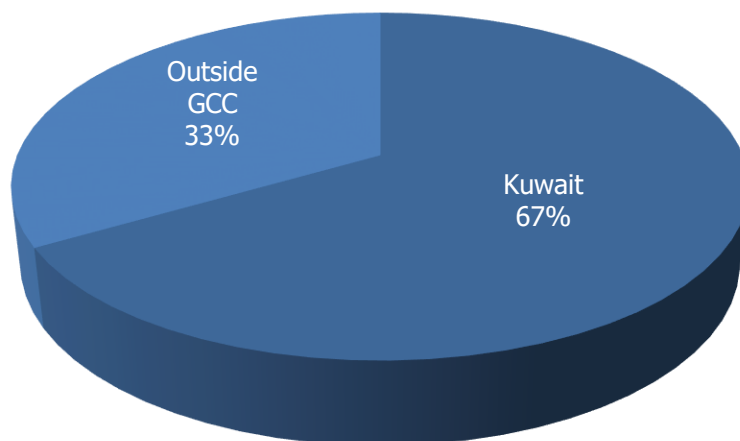
Merger & Acquisition Watch - By Kuwaiti Acquirers

Targets & Buyers – Q1 2020

Target Company	Target Country	Buyer	Percent Sought	Deal Value (USDmn)	Status
Arkan Al-Kuwait Real Estate Co.*	Kuwait	Al Khair Global for Buying & Selling Shares	64	43	Announced
Kuwait & Middle East Financial Investment Co.	Kuwait	Al Thekair General Trading & Contracting Co.	26	13	Announced
Saudi Egyptian Touristic Development Co.	Egypt	Diyar Al-Kuwait Real Estate Co.	51	7	Closed
Al-Watanya Paper Products Co.	Kuwait	Afkar Holding Co.	99	4	Announced
Bank & Clients PLC	United Kingdom	Al Ahli Bank of Kuwait	100	N/A	Announced

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

Target Companies – Geographical Distribution by Number of Transactions (Closed) (Q1 2020)



*Note: On April 4, 2020, the MTO subscription period had ended and Al Khair Global were able to acquire an additional 10% stake in Arkan.

Key Takeaways

- Al Khair Global for Buying & Selling Shares has been requested to conduct a mandatory tender offer ("MTO") on the remaining 64% stake in Arkan Al-Kuwait Real Estate Company that it does not currently own, for a total consideration of USD 43 million.
- In a similar transaction, Al Thekair General Trading & Contracting Company has also been requested to conduct a MTO to acquire a 26% stake in Kuwait & Middle East Financial Investment Company for a total consideration of USD 13 million. No additional shares were acquired by Al Thekair as no one subscribed to the MTO.
- Diyar Al-Kuwait Real Estate Company has acquired a 51% stake in the Saudi Egyptian Touristic Development Company for a total consideration of USD 7 million.
- Afkar Holding Company has announced its intent to acquire a 99% stake in Al-Watanya Paper Products Company for \$4 million.
- Al Ahli Bank of Kuwait has signed a sale and purchase agreement to fully acquire Bank & Clients PLC, a bank in the United Kingdom, for an undisclosed amount. The transaction is subject to regulatory approvals.

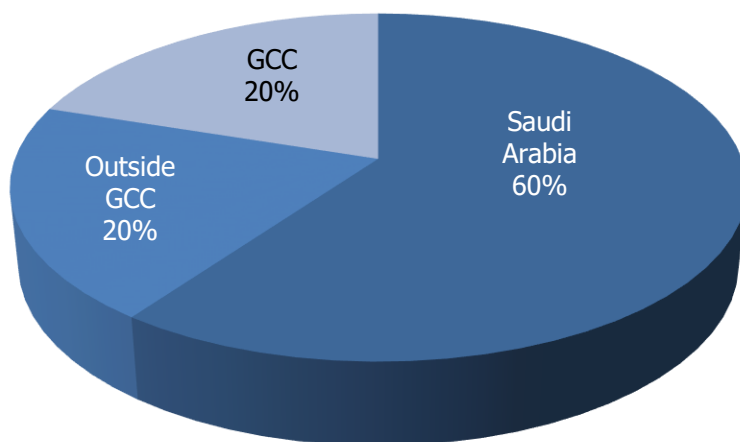
Merger & Acquisition Watch - By KSA Acquirers

Targets & Buyers – Q1 2020

Target Company	Target Country	Buyer	Percent Sought	Deal Value (USDmn)	Status
Vodafone Egypt	Egypt	STC	55	2,392	Announced
Advanced Aquaculture Co.	Saudi Arabia	Jazan Energy	45	60	Closed
Advanced Piping Solutions	Saudi Arabia	Saudi Vittrified Clay Pipe Co.	75	23	Announced
Al Khawarzmi Education Co.	Saudi Arabia	National Company for Learning & Education	100	8	Closed
United Cement Co.	Bahrain	Saudi Cement Co.	N/A	6	Closed

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

Target Companies – Geographical Distribution by Number of Transactions (Closed) (Q1 2020)



Key Takeaways

- ✦ Saudi Telecom Company ("STC") has signed a non-binding memorandum of understanding to purchase a 55% stake in Vodafone Egypt for a total consideration of USD 2.4 billion. The remaining shares are held by Telecom Egypt.
- ✦ Jazan Energy & Development Company ("Jazan Energy") has agreed to merge its international aquaculture unit with the following three companies: Tabuk Fisheries Company, Tharawat Seas and Aquaculture Sharq Farms. Under the terms of this deal, Jazan Energy will own a 45% stake in Advanced Aquaculture Co. (the merged entity) worth USD 60 million.
- ✦ The Saudi Vittrified Clay Pipes Company has entered into a non-binding agreement to acquire a 75% stake in the Advanced Piping Solutions Company ("APSC") for a total consideration of USD 23 million. APSC manufactures glass reinforced plastic and epoxy pipes.
- ✦ The National Company for Learning & Education has fully acquired Al Khawarzmi Education Company for a total consideration of USD 8 million.
- ✦ Saudi Cement Company has acquired a stake in Bahrain's United Cement Company for USD 6 million.

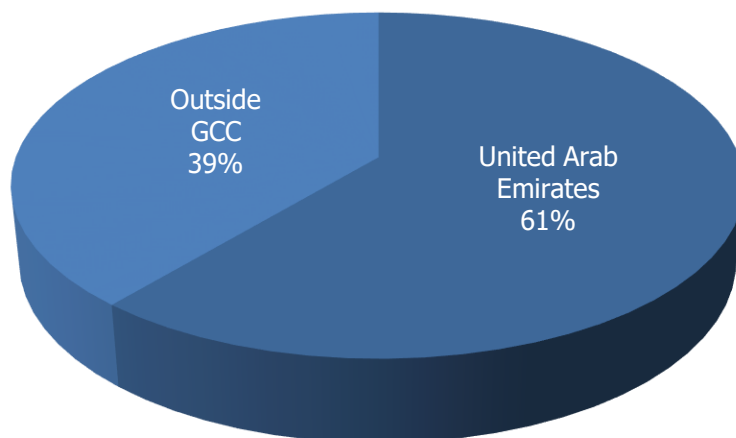
Merger & Acquisition Watch - By UAE Acquirers

Targets & Buyers – Q1 2020

Target Company	Target Country	Buyer	Percent Sought	Deal Value (USDmn)	Status
DP World	United Arab Emirates	Port & Free Zone World	20	2,718	Announced
TIS Container Terminal	Ukraine	DP World	51	257	Announced
IVI-RMA Middle East	United Arab Emirates	Gulf Capital	100	100	Closed
Evolutionary Systems Arabia (Middle East Business)	United Arab Emirates	Mastek Arabia	100	65	Closed
SHUAA Capital	United Arab Emirates	Al Ramz Corporation Investment & Development Co.	100	27	Closed

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

Target Companies – Geographical Distribution by Number of Transactions (Closed) (Q1 2020)



Key Takeaways

- Port & Free Zone World is in the midst of acquiring a 20% stake in DP World for a total consideration of USD 2.7 billion. It is worth noting that the firm currently holds an 80% stake in DP World's existing share capital.
- DP World has agreed to acquire a 51% stake in the TIS Container Terminal for a total consideration of USD 257 million. This terminal is a part of the Port of Yuzhny, based in Ukraine and is known to have one of the most efficient railway connections in the region.
- Gulf Capital has fully acquired IVI-RMA Middle East for over USD 100 million. IVI-RMA Middle East is the fastest growing provider of fertility treatment services in the GCC and is a corporate carve-out of IVI-RMA.
- Mastek Arabia fully acquired the Middle Eastern arm of Evolutionary Systems Arabia for a total consideration of USD 65 million. The target provides IT-related consulting services and develops software solutions.
- Al Ramz Corporation Investment & Development Company fully acquired SHUAA Capital's Securities and Market-Making Businesses for a total consideration of USD 27 million.

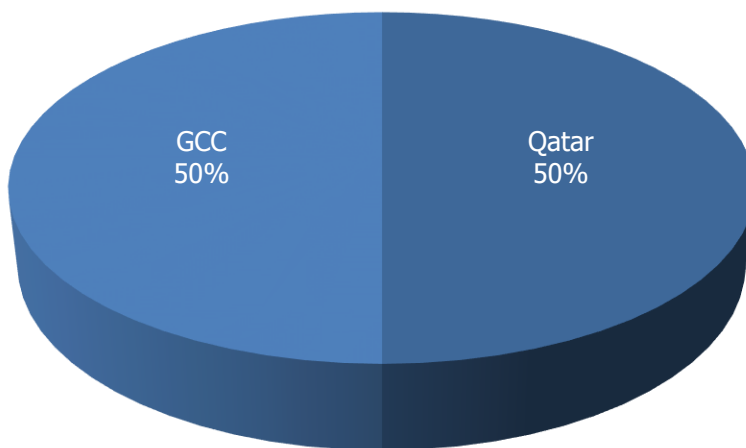
Merger & Acquisition Watch - By Qatari Acquirers

Targets & Buyers – Q1 2020

Target Company	Target Country	Buyer	Percent Sought	Deal Value (USDmn)	Status
Qatar Fertiliser Co.	Qatar	Qatar Petroleum	25	1,000	Closed
Fingerprint Consultancy	Saudi Arabia	Al Moammar Information Systems Co.	75	N/A	Closed

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

Target Companies – Geographical Distribution by Number of Transactions (Closed) (Q1 2020)



Key Takeaways

- Qatar Petroleum has acquired a 25% stake in Qatar Fertiliser Company ("QAFCO") from Yara International for a total consideration of USD 1.0 billion. QAFCO was incorporated in 1969 as a joint venture between Industries Qatar, Fertilizer Holdings AS and Yara Netherland BV.
- Al Moammar Information Systems Company has signed a sale and purchase agreement to acquire a 75% stake in Fingerprint Consultancy for an undisclosed amount. The target is a Saudi Arabian company offering IT management software and consultancy services. Fingerprint consultancy has regional offices in Egypt, Kenya, and UAE.

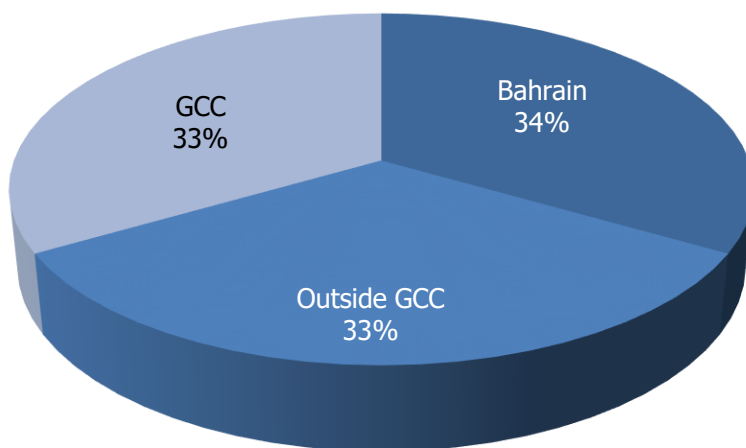
Merger & Acquisition Watch - By Bahraini Acquirers

Targets & Buyers – Q1 2020

Target Company	Target Country	Buyer	Percent Sought	Deal Value (USDmn)	Status
Marshal Equipment & Trading Co.	United Arab Emirates	GFH	70	35	Closed
Waste Harmonics	United States	Arcapita	N/A	N/A	Closed
Bahrain Airport Services	Bahrain	Gulf Air Holding Co.	N/A	N/A	Closed

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

Target Companies – Geographical Distribution by Number of Transactions (Closed) (Q1 2020)



Key Takeaways

- GFH acquired a 70% stake in Marshal Equipment & Trading Company for a total consideration of USD 35 million. The target is a leading pan-MENA FinTech company based in Dubai that currently operates in 16 countries worldwide.
- Arcapita has acquired a controlling interest in Waste Harmonics, a technology-enabled facility services company that specializes in waste management solutions and serves blue-chip clients throughout North America. Neither firm has provided any details on the size or value of the investment.
- The Gulf Air Group Holding Company ("Gulf Air Group") has increased its stake in Bahrain Airport Services ("BAS") to 44% for an undisclosed amount. BAS operates the ground handling services for airline and cargo clients in Bahrain International Airport. Gulf Air Group was founded in 2010 to consolidate the aviation assets of Mumtalakat, the Kingdom's sovereign wealth fund.

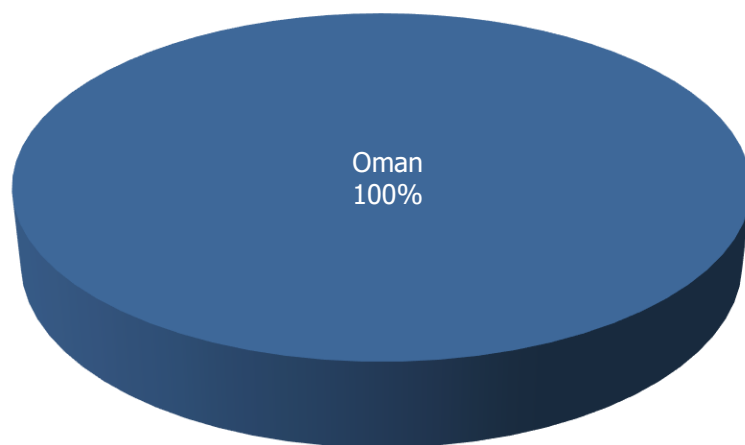
Merger & Acquisition Watch - By Omani Acquirers

Targets & Buyers – Q1 2020

Target Company	Target Country	Buyer	Percent Sought	Deal Value (USDmn)	Status
Gulf Baader Capital Markets	Oman	Ubhar Capital	100	6	Closed
Al Hilal Takaful Co.	United Emirates	Siraj Holding	100	N/A	Announced
LH Maldives Ltd	Maldives	Raysut Cement Co.	75	N/A	Announced

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

Target Companies – Geographical Distribution by Number of Transactions (Closed) (Q1 2020)



Key Takeaways

- ✧ Ubhar Capital has fully acquired Gulf Baader Capital Markets for a total consideration of USD 6 million. The target is an investment services company based in Oman.
- ✧ Siraj Holding has announced its intent to fully acquire Al Hilal Takaful Company for an undisclosed amount. Al Hilal Takaful is the Islamic insurance business unit under Al Hilal Bank, a wholly-owned subsidiary of Abu Dhabi Commercial Bank.
- ✧ Raysut Cement Company has announced it is evaluating the opportunity to acquire a 75% stake in LH Maldives Limited for an undisclosed amount. LH Maldives Limited is a cement terminal based in Maldives and is currently owned by Cementia AG, a Zurich based company.

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