

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

GCC M&A Report

Q3 2020



Asset Management | Investment Banking

GCC M&A Report – Q3 2020

Transactions decreased by 23% compared to Q3 2019

November 2020

Research Highlights:

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

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Throughout Q3 2020, the GCC market observed a total of 23 closed M&A transactions, a substantial decrease relative to the same period in the previous year however, this number remained stable relative to the previous quarter. At approximately 44%, the UAE accounted for the majority of the transactions that closed throughout the quarter followed by Kuwait and Saudi Arabia, who accounted for 26% and 22%, respectively. The remaining transactions that closed involved Bahraini and Qatari companies whereas the Omani market recorded zero closed transactions throughout the quarter. It is worth noting that the Kuwaiti market witnessed the greatest level of growth quarter-over-quarter (QoQ) as it witnessed twice as many transactions (closed) as it did in the previous quarter.

Moreover, these transactions spanned across multiple sectors which was also observed in Q3 2020. With that being said, the sectors that witnessed the greatest level of activity throughout the quarter were the Financials, Industrials and Information Technology sectors. Collectively, these sectors accounted for more than 48% of the total number of closed transactions. It is worth noting that the Financials and Industrials sectors were also among the sectors that witnessed the greatest level of activity in Q2 2020 as well. In addition, there was a notably weaker level of interest from foreign buyers when compared to the previous quarter as well as the previous year. Overall, foreign acquirers closed three transactions throughout the quarter, which is 40% lower relative to Q2 2020 and 67% lower relative to Q3 2019.

Furthermore, GCC acquirers actively acquired both regional and international companies, whereas in the past quarter, they primarily invested in the regional market. With that being said, they closed a slightly lower number of transactions cross-border relative to Q2 2020. Throughout Q3 2020, GCC acquirers closed a total of nine transactions that involved international companies, which is 23% lower in comparison to the number of cross-border transactions that closed in the previous quarter. Moreover, Saudi and UAE buyers each accounted for 33% of these transactions, followed by Bahraini, Kuwaiti and Qatari acquirers, who accounted for the remainder of the transactions. On the other hand, Omani acquirers didn't close any transaction cross border.

Figure: Number of Closed GCC M&A Transactions

Country	Q3 2020	Q2 2020	Q3 2019	% Change (Q2 2020)	% Change (Q3 2019)
Bahrain	1	4	0	-75%	N/A
Kuwait	6	3	8	100%	-25%
Oman	0	2	0	-100%	N/A
Qatar	1	0	1	N/A	0%
Saudi Arabia	5	6	8	-17%	-38%
United Arab Emirates	10	8	13	25%	-23%
Total	23	23	30	0%	-23%

Source: S&P Capital IQ, GCC Stock Exchanges, Local Newspapers, Markaz Analysis
Kindly note that % changes are in comparison to Q3 2020.

GCC Merger & Acquisition Deals (Q3 2020)

M&A Transactions within GCC

GCC Mergers & Acquisitions

Transaction History (Closed)

GCC M&A Transactions – Number of Transactions

Country	Q3 2020	Q2 2020	Q3 2019	% Change (Q2 2020)	% Change (Q3 2019)
Bahrain	1	4	0	-75%	N/A
Kuwait	6	3	8	100%	-25%
Oman	0	2	0	-100%	N/A
Qatar	1	0	1	N/A	0%
Saudi Arabia	5	6	8	-17%	-38%
United Arab Emirates	10	8	13	25%	-23%
Total	23	23	30	0%	-23%

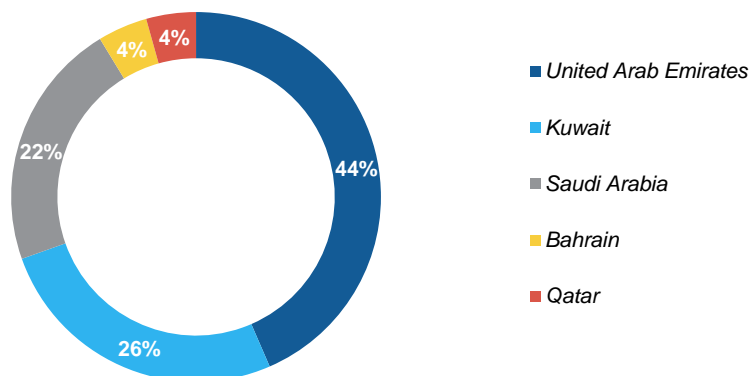
Source: S&P Capital IQ, GCC Stock Exchanges, Local Newspapers, Markaz Analysis

Kindly note that % changes are in comparison to Q3 2020.

Key Takeaways

- Throughout Q3 2020, the GCC market recorded a total of 23 closed transactions, which mirrors last quarter's activity. On the other hand, this represents a decline in the level of activity relative to Q3 2019, during which there was a total of 30 closed transactions involving GCC targets.
- Once again, the UAE accounted for the greatest level of M&A activity relative to the other GCC markets as it witnessed a total of 10 closed transactions throughout the quarter, which comprises 44% of the total number of transactions that closed.
- This is followed by Kuwait and Saudi Arabia, who accounted for 26% and 22% of the total level of activity, respectively. It is worth noting that the Kuwaiti market witnessed the greatest level of growth QoQ relative to the other GCC markets as it recorded twice as many closed transactions as it did in Q2 2020.
- The remainder of the closed transactions involved Bahraini and Qatari targets.
- There were no closed transactions during Q3 2020 that involved Omani targets.

GCC M&A Transactions – Geographical Distribution by Number of Transactions (Q3 2020)



GCC Mergers & Acquisitions

Announced Transactions in the Pipeline

GCC M&A Transactions – Announced Pipeline Transactions

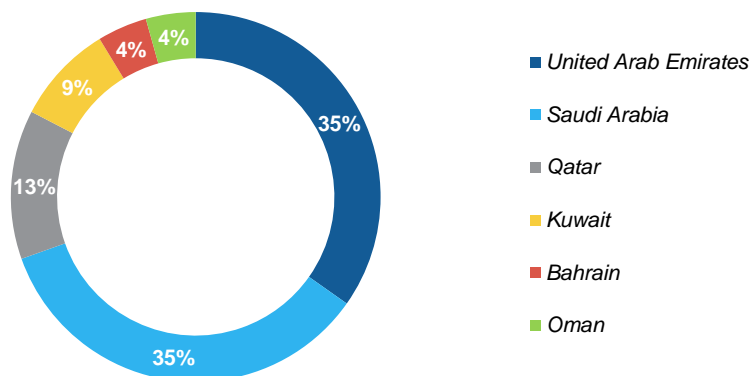
Country	Q3 2020	Q2 2020
Bahrain	1	0
Kuwait	2	0
Oman	1	1
Qatar	3	0
Saudi Arabia	8	5
United Arab Emirates	8	5
Total	23	11

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

Key Takeaways

- By the end of Q3 2020, there was a total of 23 announced transactions within the pipeline, which is significantly higher than Q2 2020.
- As witnessed last quarter, a majority of these transactions involved Saudi and UAE targets, each of whom accounted for 35% of the total announced deals. The remaining transactions primarily included Kuwaiti and Qatari targets whereas Bahrain and Oman each announced one transaction.
- Overall, each country announced a greater number of transactions relative to the previous quarter, which demonstrates an increased level of investor confidence and a sign of a potential economic recovery post-COVID-19.

GCC M&A Transactions – Geographical Distribution by Number of Announced Pipeline Transactions (Q3 2020)



GCC Mergers & Acquisitions

Top 5 Deals by Reported Value

Targets & Buyers – Q3 2020

Target Company	Target Country	Buyer	Buyer Country	Percent Sought	Deal Value (USDmn)	Status
Qatar Fertiliser Company	Qatar	Industries Qatar	Qatar	25	1,000	Announced
National Marine Dredging Company	United Arab Emirates	National Petroleum Construction Company	United Arab Emirates	70	689*	Announced
First Milling Company	Saudi Arabia	Raha AISafi Consortium	Saudi Arabia	100	540	Closed
InstaShop	United Arab Emirates	Delivery Hero	Germany	100	360	Closed
AMMROC	United Arab Emirates	Edge Group	United Arab Emirates	40	307	Announced

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

**Note: The transaction value was calculated based on the following assumptions: 1) Convertible Instrument → 575 million ordinary shares and 2) Convertible Share Price = USD 1.2*

Key Takeaways

- Industries Qatar announced their intention to acquire a 25% stake in Qatar Fertiliser Company for a total consideration of USD 1 billion. The company expects to close the transaction in Q1 2021.
- National Petroleum Construction Company has announced its intention to acquire a 70% stake in National Marine Dredging Company ("NMDC") for an estimated value of USD 689 million. NMDC is a leading contractor in the dredging and marine civil construction field.*
- Raha AISafi Consortium has been awarded a bid for the First Milling Company, one of four milling companies to be privatized by the Saudi government, for a total value of USD 540 million. The consortium is comprised of the following parties: Almutlaq Group, Al Safi, Abunayyan Holding and Essa Al Ghurair Investment Company.
- Delivery Hero has fully acquired Instashop, a leading online grocery platform within the MENA region, for a total consideration of USD 360 million. This is comprised of two components including an initial purchase price of USD 270 million and a deferred payment component dependent on future growth and profitability.
- Edge Group will acquire a 40% stake in Advanced Military Maintenance Repair and Overhaul Center (AMMROC) for a total consideration of USD 307 million. AMMROC provides maintenance, repair & overhaul and support services for fixed and rotary wing military aircraft in the MENA and South Asian regions.

GCC Mergers & Acquisitions

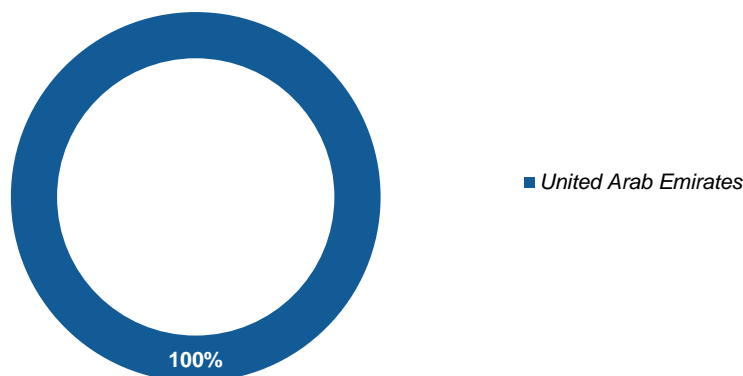
Foreign (Non-GCC) Buyers (Closed)

Number of Foreign Buyers' Deals in GCC

Country	Q3 2020	Q2 2020	Q3 2019
Bahrain	0	0	0
Kuwait	0	0	0
Oman	0	1	0
Qatar	0	0	1
Saudi Arabia	0	1	1
United Arab Emirates	3	3	7
Total	3	5	9

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 2020)



Key Takeaways

- The GCC market received a slightly weaker level of interest from foreign buyers in Q3 2020 relative to the previous quarter. Throughout Q3 2020, foreign buyers closed three transactions whereas in Q2 2020, they completed five transactions, which translates into a 40% decline QoQ and a 67% decline year-over-year.
- The UAE continued to be the most attractive target out of the regional markets, which is a trend that has persisted throughout the past quarters. With that being said, all the transactions that were completed purely involved UAE companies.
- Neither of the remaining GCC countries recorded any closed foreign buyer deals throughout the quarter. With Bahrain, and Kuwait this trend has persisted for the past two quarters.

GCC Mergers & Acquisitions

Top Deals by Reported Value (Foreign)

Targets & Foreign (Non-GCC) Buyers – Q3 2020

Target Company	Target Country	Buyer	Buyer Country	Percent Sought	Deal Value (USDmn)	Status
InstaShop	United Arab Emirates	Delivery Hero	Germany	100	360	Closed
Mediatech Design Group	United Arab Emirates	NV5 Global, Inc.	United States	100	N/A	Closed
Clinart MENA	United Arab Emirates	CTI Clinical Trial and Consulting Services	United States	100	N/A	Closed
ONGROUND Hospitality	United Arab Emirates	Airport Dimensions	United States	100	N/A	Announced

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

Key Takeaways

- Delivery Hero has fully acquired InstaShop, a leading online grocery platform within the MENA region, for a total consideration of USD 360 million. This is comprised of two components including an initial purchase price of USD 270 million and a deferred payment component dependent on future growth and profitability.
- NV5 Global, Inc. has fully acquired Mediatech Design Group ("Mediatech"), a leading technology company based in Dubai, for an undisclosed amount. Mediatech provides security, enterprise IT and building technology solutions throughout the MENA and South East Asia region.
- CTI Clinical Trial and Consulting Services announced acquiring 100% of Clinart, a full-service clinical research organization, from Kuwait Life Sciences Company for an undisclosed amount. Clinart provides an extensive array of services, from early to late-stage research and has accumulated more than 20 years of experience throughout the Middle East.
- Airport Dimensions announced the acquisition of ONGROUND Hospitality for an undisclosed amount. The target provides a range of innovative airport services solutions and is known for its Sleep Lounge concept which was launched in 2013 and was the first of its kind.

GCC Mergers & Acquisitions

By Sector (Closed)

Sector-wise Classification of Deals – Q3 2020

Sector	GCC Acquirers	Foreign Acquirers	Other*	Grand Total	%**
Financials	4	0	1	5	22
Industrials	3	0	0	3	13
Information Technology	1	2	0	3	13
Consumer Discretionary	1	0	1	2	9
Consumer Staples	2	0	0	2	9
Logistics	2	0	0	2	9
Healthcare	0	1	1	2	9
Energy	1	0	0	1	4
Insurance	0	0	1	1	4
Media	1	0	0	1	4
Real Estate	0	0	1	1	4
Grand Total	15	3	5	23	100

Sector-wise Classification of Deals – Q2 2020

Sector	GCC Acquirers	Foreign Acquirers	Other*	Grand Total	%**
Financials	3	1	0	4	18
Industrials	2	1	1	4	18
Utilities	2	0	2	4	18
Insurance	3	0	0	3	13
Logistics	0	2	0	2	9
Consumer Discretionary	1	0	0	1	4
Energy	1	0	0	1	4
Real Estate	1	0	0	1	4
Education	1	0	0	1	4
Consumer Staples	0	1	0	1	4
Marketing	1	0	0	1	4
Grand Total	15	5	3	23	100

Key Takeaways

- The majority of closed transactions during Q3 and Q2 2020 were carried out by GCC acquirers. During Q3 2020, GCC acquirers accounted for 65% of the total number of transactions while foreign acquirers accounted for 13%. The remaining 22% is comprised of closed transactions for which the buyer information is not available.
- During Q2 2020, GCC acquirers accounted for 65% of the total number of transactions while foreign acquirers accounted for 22%. The remaining 13% is comprised of closed transactions for which the buyer information is not available.
- Moreover, the transactions closed through Q3 2020 spanned across multiple sectors which was also observed in Q2 2020.
- With that being said, the sectors witnessing the greatest level of activity throughout Q3 2020 were the Financials, Industrials and Information Technology sectors. Collectively, these three sectors accounted for 48% of the transactions that closed during the quarter.

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

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

** Totals may exceed 100% due to rounding

M&A Transactions by GCC Acquirers

Note: No slide was provided for Omani acquirers as they only announced one transaction throughout Q3 2020. Towards the end of the quarter, Muscat Gases Company announced they intend to sell a 30% stake in United Industrial Gases Company for a total transaction value over USD 5 million.

Merger & Acquisition Watch

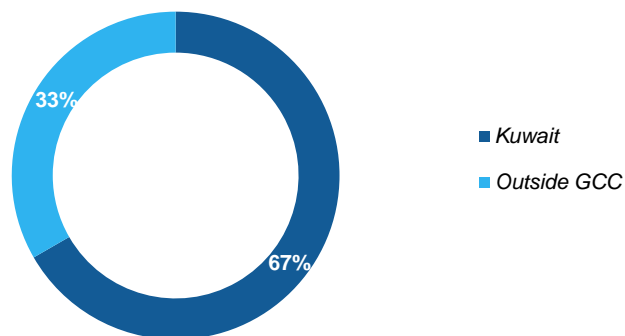
By Kuwaiti Acquirers

Targets & Buyers – Q3 2020

Target Company	Target Country	Buyer	Percent Sought	Deal Value (USDmn)	Status
Digital Colony	United States	Wafra Inc.	N/A	400	Announced
Boursa Kuwait	Kuwait	Gulf Cable and Electrical Industries Company	14	38	Closed
National Petroleum Services Company	Kuwait	Qurain Petrochemical Industries Company	9	35	Closed
Duet India Hotels	India	Asiya Capital Investment Company	40	13	Announced
Advanced Group Center for Furniture	Kuwait	Specialties Group Holding Company	90	7	Closed

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

Target Companies – Geographical Distribution by Number of Transactions (Closed) (Q3 2020)



Key Takeaways

- Wafra Inc. and its affiliates have entered into an agreement with Colony Capital, Inc, a leading global investment management firm, to acquire a minority stake in Digital Colony for a total consideration of USD 400 million. Digital Colony is the digital investment management division of Colony Capital.
- Gulf Cable and Electrical Industries Company acquired a 14% stake in Boursa Kuwait for a total consideration of USD 38 million. The company acquired this stake from First Investment Company.
- Qurain Petrochemical Industries Company acquired an additional 9% stake in National Petroleum Services Company from the Heirs of Habib Hasan Hayat for a total consideration of USD 35 million. As such, the company has subsequently increased its total ownership to approximately 61% in the company.
- Asiya Capital Investment Company's investment committee has agreed to increase the company's ownership in Duet India Hotels, it's Indian-based subsidiary, by approximately 40%. As such, this will subsequently raise the company's total investment from USD 32 million to over USD 45 million.
- Specialties Group Holding company announced that they have acquired of a 90% stake in Advanced Group Center for Furniture for approximately USD 7 million.

Merger & Acquisition Watch

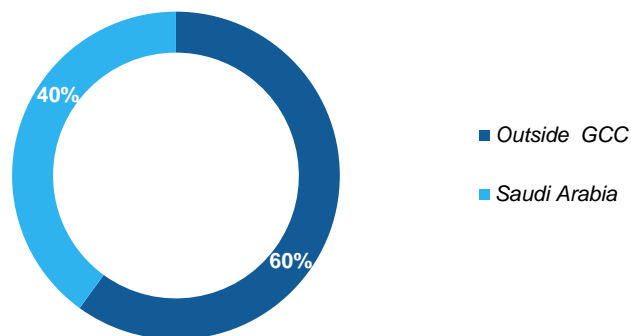
By KSA Acquirers

Targets & Buyers – Q3 2020

Target Company	Target Country	Buyer	Percent Sought	Deal Value (USDmn)	Status
First Milling Company	Saudi Arabia	Raha Al Safi Consortium	100	540	Closed
Third Milling Company	Saudi Arabia	AlRajhi-Ghurair-Masafi Consortium	100	200	Closed
National Petrochemical Company	Saudi Arabia	Saudi Industrial Investment Group	50	N/A*	Announced
Barloworld Limited	South Africa	Zahid Tractor and Heavy Machinery Company Limited	5	N/A**	Closed
Solidarity Saudi Takaful Company	Saudi Arabia	Aljazira Takaful Taawuni Company	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) (Q3 2020)



Key Takeaways

- Raha AlSafi Consortium has been awarded a bid for the First Milling Company, one of four milling companies to be privatized by the Saudi government, for a total value of USD 540 million. The consortium is comprised of the following parties: Almutlaq Group, Al Safi, Abunayyan Holding and Essa Al Ghurair Investment Company.
- Similarly, the Third Milling Company was fully acquired by another consortium known as the AlRajhi-Ghurair-Masafi consortium for a total consideration of USD 200 million. This consortium is comprised of Al Rajhi and Al Ghurair Foods.
- Saudi Industrial Investment Group and National Petrochemical Company have announced they have received the necessary approvals to initiate discussions regarding a potential merger, which is valued at over USD 1.9 billion.*
- Zahid Tractor and Heavy Machinery Company Limited has acquired an additional 5% stake in Barloworld Limited for a total consideration of USD 36 million. Barloworld Limited is a South African firm that provides automotive & equipment leasing services and logistics solutions.**
- Aljazira Takaful Taawuni Company ("Aljazira Takaful") has signed a non-binding memorandum of understanding to acquire 100% of Solidarity Saudi Takaful Company for an estimated value of USD 33 million.***

*Note: The transaction value was calculated based on the following assumptions: 1) Total Shares to be Acquired = 240.0 million shares and 2) National Petroleum Company Share Price (Closing) = USD 8.2, as of September 29, 2020.

**The transaction value was calculated based on the following assumptions: 1) Total Shares Issued = 10.4 million shares and 2) Barloworld Limited Share Price = USD 3.4 as of September 28, 2020.

***The transaction value was calculated based on the following assumptions: 1) Total Shares to be Issued = 12.1 million shares and 2) Share Price (New) = USD 2.7

Merger & Acquisition Watch

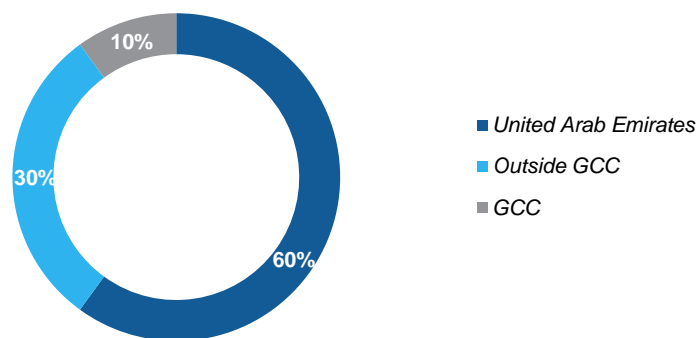
By UAE Acquirers

Targets & Buyers – Q3 2020

Target Company	Target Country	Buyer	Percent Sought	Deal Value (USDmn)	Status
National Marine Dredging Company	United Arab Emirates	National Petroleum Construction Company	70	689*	Announced
AMMROC	United Arab Emirates	EDGE Group	40	307	Announced
DPO Group	Ireland	Network International Holdings plc	100	288	Announced
Khazna Data Center Limited	United Arab Emirates	Technology Holding Company	26	218	Closed
Abu Dhabi Ship Building	United Arab Emirates	Edge Platforms and Defense Systems	50	N/A**	Closed

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

Target Companies – Geographical Distribution by Number of Transactions (Closed) (Q3 2020)



Key Takeaways

- National Marine Dredging Company ("NMDC") for an estimated value of USD 689 million. NMDC is a leading contractor in the field of dredging and marine civil construction.*
- Edge Group announced its intention to acquire a 40% stake in Advanced Military Maintenance Repair and Overhaul Center (AMMROC) for a total consideration of USD 307 million. AMMROC provides maintenance, repair and overhaul and support services for fixed and rotary wing military aircraft.
- Network International Holdings plc has entered into an agreement to acquire DPO Group, a leading digital commerce platform based in Africa, for a total consideration of approximately USD 288 million.
- Technology Holding Company LLC acquires an additional 26% stake in Khazna Data Center Limited, a commercial wholesale data center based in the UAE, for a total consideration of USD 218 million. In turn, the company raised its total shareholding to 100%.
- Edge Platforms and Defense Systems has acquired approximately 50% stake in Abu Dhabi Ship Building ("ADSB") for an estimated value of USD 64 million. ADSB specializes in the build, repair, maintenance, refit and conversion of naval and commercial vessels.**

*Note: The transaction value was calculated based on the following assumptions: 1) Convertible Instrument → 575 million ordinary shares and 2) Convertible Share Price) = USD 1.2.

** The transaction value was calculated based on the following assumptions: 1) Number of Shares Acquired = 105.9 million and 2) Share Price (Closing) = USD 0.6, as of July 28, 2020.

Merger & Acquisition Watch

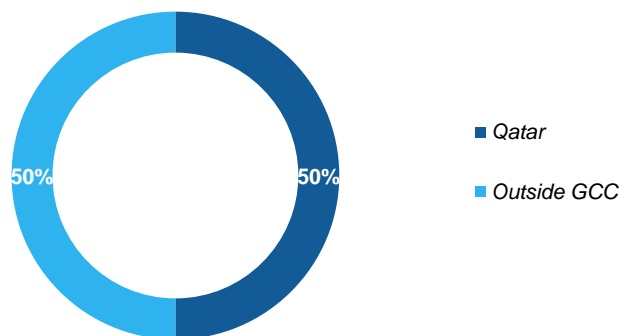
By Qatari Acquirers

Targets & Buyers – Q3 2020

Target Company	Target Country	Buyer	Percent Sought	Deal Value (USDmn)	Status
Qatar Fertilizer Company	Qatar	Industries Qatar	25	1,000	Announced
Qatar District Cooling Company	Qatar	United Development Company	49	N/A	Announced
Qatar Melamine Company	Qatar	Qatar Fertilizer Company	40	N/A	Closed
ECISA Compania General de Construcciones	Spain	Al Alfia Holding	75	N/A	Closed
Dar Al Arab for Publishing, Printing and Distribution	Qatar	Dar Al Sharq Group	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) (Q3 2020)



Key Takeaways

- Industries Qatar announced their intention to acquire a 25% stake in Qatar Fertilizer Company for a total consideration of USD 1 billion. The company expects to close the transaction in Q1 2021.
- United Development Company has announced its intention to purchase a 49% stake in Qatar District Cooling Company for an undisclosed amount, which would subsequently raise its total ownership to 100%. The target is a leading cooling company based in Qatar and was founded by the subsequent parties with the following ownership structure: United Development Company (51%), National District Cooling Company (44%) and other local shareholders (5%).
- Qatar Fertilizer Company has acquired a 40% stake in Qatar Melamine Company for an undisclosed amount. The company has acquired this stake from Qatar Petroleum.
- Al Alfia Holding has fully acquired Alicante-based company, ECISA Compania General de Construcciones ("Ecissa"), for an undisclosed amount. Al Alfia Holding previously purchased a 25% stake in the construction company for USD 473 million.
- Dar Al Sharq announces they will be fully acquiring a local publishing group, Dar Al Arab for Publishing, Printing and Distribution, for an undisclosed amount.

Merger & Acquisition Watch

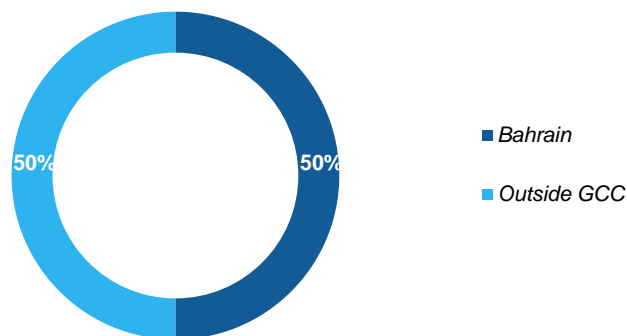
By Bahraini Acquirers

Targets & Buyers – Q3 2020

Target Company	Target Country	Buyer	Percent Sought	Deal Value (USDmn)	Status
Ahli United Bank – Egypt	Egypt	Ahli United Bank	14	81	Announced
Global Banking Corporation	Bahrain	GFH Financial Group	22	22	Closed
Paris Football Club	France	Bahrain Mumtalakat Holding Company	20	6	Closed
Bahraini Operations of Ithmaar Bank	Bahrain	Bank of Bahrain and Kuwait	100	N/A	Announced
City Super Limited	China	Investcorp Holdings; China Resources Capital Management	65	N/A	Announced

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

Target Companies – Geographical Distribution by Number of Transactions (Closed) (Q3 2020)



Key Takeaways

- Ahli United Bank has launched and concluded a tender offer to increase its shareholding in Ahli United Bank Egypt for a total consideration for USD 81 million. The transaction is subject to regulatory approvals however if successful, this will increase AUB's shareholding from 86% to 100%.
- GFH Financial Group has acquired an additional 22% stake in Global Banking Corporation for a total consideration of approximately USD 22 million. Global Banking Corporation is a local investment banking corporation.
- The Bahraini sovereign wealth fund has acquired a 20% stake in Paris FC, a second division football club based in France, for a total consideration of USD 6 million..
- The Bank of Bahrain and Kuwait has signed a memorandum of understanding with Ithmaar Holding regarding the potential acquisition of Ithmaar Bank's Bahraini operations and other specific assets owned by IB Capital, a wholly-owned subsidiary of Ithmaar Holding.
- Investcorp Holdings has entered into a definitive agreement alongside China Resources Capital Management to acquire a 65% stake in City Super Limited, a premium food retailing chain, for an undisclosed amount. The company manages branches across Hong Kong and Shanghai.

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