

GCC M&A Report – Q2 2019

Transactions dropped by 21% compared to Q2 2018

September 2019

Research Highlights:

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

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During Q2 2019, the number of closed M&A transactions in the GCC dropped by 21% compared to Q2 2018. Among the region, transactions in Oman witnessed the highest growth while Qatar was the only country among its GCC counterparts that didn't witness any transactions during the same period.

United Arab Emirates and Saudi Arabia had the highest number of closed transactions among their GCC counterparts throughout the period. During Q2 2019, they collectively accounted for 70% of the transactions, the highest, while Kuwait, Oman, and Bahrain each accounted for the lowest at 10%. Saudi Arabia was the most prevalent target country among the top deals.

GCC acquirers accounted for 77% of the total closed transactions during Q2 2019. The Industrials, Real Estate, and Telecommunications Services sectors witnessed the highest number of transactions, collectively accounting for 47% of the total closed transactions during Q2 2019. The Media, Insurance, Consumer Staples, Materials, Utilities, and Transportation sectors each accounted for 3% of the total closed transactions during Q2 2019; collectively amounting to 18% of the transactions during the period.

Each of the GCC acquirers seemed to have a different appetite with regards to M&A transactions during Q2 2019. Kuwaiti, Saudi, and Omani acquirers preferred investing in their home countries. UAE acquirers invested equally between their home country and outside the GCC and to a lesser extent in other GCC countries. Qatari acquirers preferred investing outside the GCC. Bahraini acquirers only engaged in one closed transaction and it involved a Bahraini target company.

Figure: Number of Closed GCC M&A Transactions

Country	Q2 2019	Q1 2019	Q2 2018	% Change (Q1 2019)	% Change (Q2 2018)
Bahrain	3	0	0	N/A	N/A
Kuwait	3	16	11	-81%	-73%
Oman	3	1	1	200%	200%
Qatar	0	1	1	-100%	-100%
Saudi Arabia	11	13	8	-15%	38%
United Arab Emirates	11	19	18	-42%	-39%
Total	31	50	39	-38%	-21%

Source: S&P Capital IQ, GCC Stock Exchanges, Local Newspapers, Markaz Analysis
Kindly note that % changes are in comparison to Q2 2019.

GCC Merger & Acquisition Deals

Q2 2019



M&A Transactions within GCC



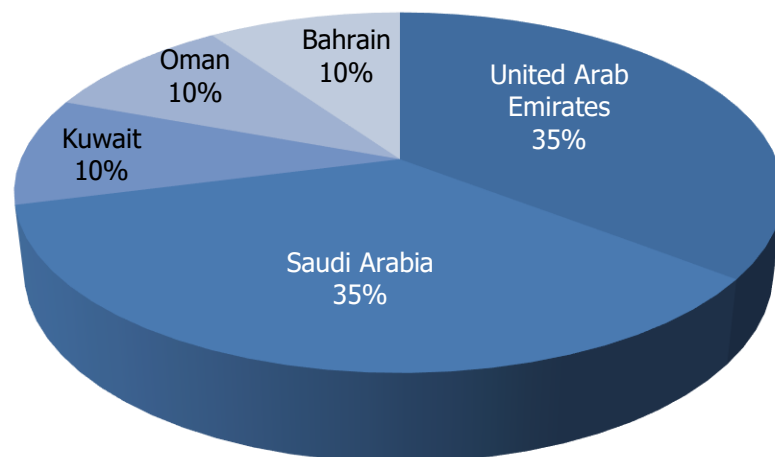
GCC Mergers & Acquisitions - Transaction History (Closed)

GCC M&A Transactions – Number of Transactions

Country	Q2 2019	Q1 2019	Q2 2018	% Change (Q1 2019)	% Change (Q2 2018)
Bahrain	3	0	0	N/A	N/A
Kuwait	3	16	11	-81%	-73%
Oman	3	1	1	200%	200%
Qatar	0	1	1	-100%	-100%
Saudi Arabia	11	13	8	-15%	38%
United Arab Emirates	11	19	18	-42%	-39%
Total	31	50	39	-38%	-21%

Source: S&P Capital IQ, GCC Stock Exchanges, Local Newspapers, Markaz Analysis
Kindly note that % changes are in comparison to Q2 2019.

GCC M&A Transactions – Geographical Distribution by Number of Transactions (Q2 2019)



Key Takeaways

- ✧ Q2 2019 witnessed a 38% decline in the number of closed transactions as compared to Q1 2019 and a 21% decline as compared to Q2 2018.
- ✧ During Q2 2019, Saudi Arabia and the UAE each accounted for 35% of the transactions, the highest, while Bahrain, Kuwait, and Oman each accounted for 10%.
- ✧ Oman reported the highest increase in the number of closed transactions in Q2 2019 compared to Q2 2018.
- ✧ There were no closed transactions involving Qatari targets during Q2 2019.

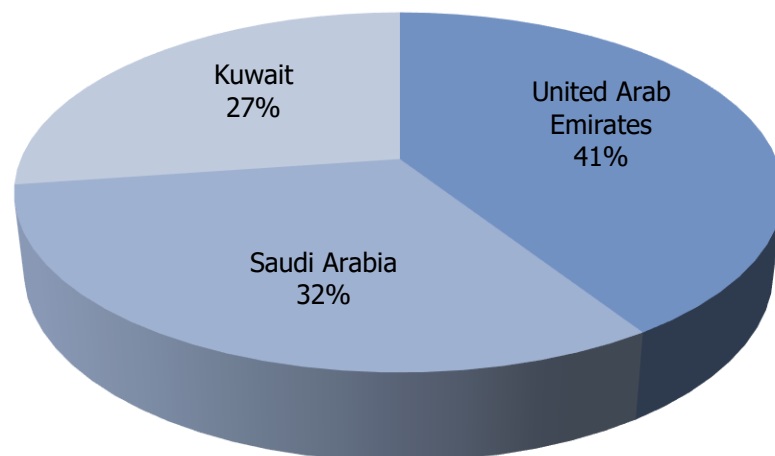
GCC Mergers & Acquisitions - Announced Transactions in the Pipeline

GCC M&A Transactions – Announced Pipeline Transactions

Country	Q2 2019	Q1 2019
Bahrain	0	2
Kuwait	6	0
Oman	0	1
Qatar	0	0
Saudi Arabia	7	3
United Arab Emirates	9	8
Total	22	14

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

GCC M&A Transactions – Geographical Distribution by Number of Announced Pipeline Transactions (Q2 2019)



Key Takeaways

- ✧ There was a total of 22 announced transactions in the pipeline during Q2 2019; representing a 57% increase in the number of announced transactions when compared to Q1 2019.
- ✧ UAE and Saudi Arabia collectively accounted for 73% of the announced transactions during Q2 2019.
- ✧ Kuwait made up 27% of the announced transactions.
- ✧ There were no announced transactions involving Bahraini, Omani, and Qatari targets during Q2 2019.

GCC Mergers & Acquisitions - Top 5 Deals by Reported Value

Targets & Buyers – Q2 2019

Target Company	Target Country	Buyer	Buyer Country	Percent Sought	Deal Value (USDmn)	Status
Alawwal Bank	Saudi Arabia	Saudi British Bank	Saudi Arabia	100	4,960	Closed
Saudi Aramco Shell Refinery Co.	Saudi Arabia	Saudi Aramco	Saudi Arabia	50	631	Announced
Gulf Bank*	Kuwait	N/A	N/A	16	502	Announced
SchlumbergerME Onshore Rig Business	Kuwait	Arabian Drilling Co.	Saudi Arabia	100	415	Announced
Ma'arif Education	Saudi Arabia	GEMS / Hassana Investment	United Arab Emirates / Saudi Arabia	100	400	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

- ✧ The top reported deal value during Q2 2019 was \$4.96 billion and involved the merger of Saudi British Bank and Alawwal Bank. The combined entity is the third largest Saudi bank by assets (\$68.5 billion).
- ✧ Saudi Aramco is announced to acquire 50% of Saudi Aramco Shell Refinery Co., its refining joint venture with Shell, for \$631 million.
- ✧ Kuwait Investment Authority (KIA) has announced its intention to sell its 16% stake in Gulf Bank for an estimated \$502 million. The sale will happen through an auction at Boursa Kuwait.
- ✧ Arabian Drilling Co. (ADC) has agreed to acquire Schlumberger's Middle East Onshore Drilling Rig Business for \$415 million.
- ✧ GEMS Education and Hassana Investment acquired a 100% of Ma'arif Education and Training for \$400 million. Ma'arif has 13 campuses across Saudi Arabia and more than 20,000 students.

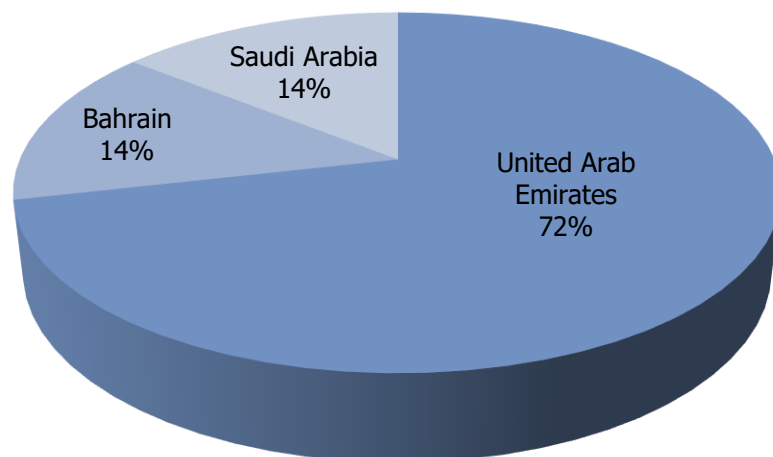
GCC Mergers & Acquisitions - Foreign (Non-GCC) Buyers (Closed)

Number of Foreign Buyers' Deals in GCC

Country	Q2 2019	Q1 2019	Q2 2018
Bahrain	1	0	0
Kuwait	0	1	0
Oman	0	0	0
Qatar	0	0	0
Saudi Arabia	1	4	1
United Arab Emirates	5	12	10
Total	7	17	11

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 (Q2 2019)



Key Takeaways

- ✦ Q2 2019 witnessed a 59% decrease in the number of completed transactions by foreign buyers compared to Q1 2019. When compared to Q2 2018, the number of such transactions fell by 36%.
- ✦ UAE targets represented 72% of the closed transactions by foreign acquirers during Q2 2019, while Bahrain and Saudi Arabia each represented 14% of such transactions during the same period.
- ✦ Saudi Arabia and the UAE seemed to have always attracted foreign acquirers as is represented in the number of closed transactions witnessed in Q2 2018, Q1 2019, and Q2 2019. However, Bahraini targets seemed to only have recently attracted foreign acquirers with one closed transaction during Q2 2019.
- ✦ Kuwaiti, Omani and Qatari targets didn't attract any foreign buyers during Q2 2019.

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

Targets & Foreign (Non-GCC) Buyers – Q2 2019

Target Company	Target Country	Buyer	Buyer Country	Percent Sought	Deal Value (USDmn)	Status
Network International	United Arab Emirates	Mastercard	United States	10	300	Closed
Sun Packaging Systems	United Arab Emirates	Thai Plaspac Public Co.	Thailand	89	15	Announced
Synergy DWC	United Arab Emirates	Alviva International Investments	South Africa	51	3	Announced
ACWA Power International	Saudi Arabia	The Silk Road Fund Co.	China	49	N/A	Closed
Muharraq STP Co.	Bahrain	Almar Water Solutions	Netherlands	35	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

- ✧ The top reported deal involved Mastercard's acquisition of a 10% stake in Network International, a provider of technology-enabled payment solutions in the Middle East, for \$300 million.
- ✧ Thai Plaspac Public Co. announced its intention to acquire an 89% stake in UAE's Sun Packaging Systems, a PET bottle and jar manufacturing firm, for a total of \$15 million.
- ✧ Alviva International is announced to acquire a 51% stake in Synergy, a company engaged in enterprise management software, for \$3 million.
- ✧ The Silk Road Fund Co. acquired a 49% stake in Saudi's ACWA Power International, a company engaged in renewable energy.
- ✧ Netherland's Almar Water Solutions acquired a 35% stake in Muharraq STP, a sewage treatment plant in Bahrain, from Mubadala Infrastructure Partners for an undisclosed amount. The plant is under a 29-year BOOT contract.

GCC Mergers & Acquisitions - By Sector (Closed)

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

Sector-wise Classification of Deals – Q1 2019

Sector	GCC Acquirers	Foreign Acquirers	Other*	Grand Total	%
Industrials	9	7	0	16	32
Financials	8	0	0	8	16
Consumer Discretionary	4	2	1	7	14
Energy	2	2	0	4	8
Real Estate	2	1	1	4	8
Healthcare	3	0	0	3	6
Consumer Staples	2	0	0	2	4
Information Technology	0	2	0	2	4
Media	0	1	0	1	2
Insurance	0	1	0	1	2
Telecommunication Services	0	0	1	1	2
Aviation	0	1	0	1	2
Grand Total	30	17	3	50	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

- ✧ GCC acquirers accounted for 77% of the total number of transactions during Q2 2019 and 60% of the transactions during Q1 2019. Foreign acquirers accounted for 23% of the total number of transactions during Q2 2019 and 34% during Q1 2019. Buyer information was not available for 6% of the transactions in Q1 2019.
- ✧ The Industrials, Real Estate, and Telecommunications Services sectors witnessed the highest number of transactions, collectively accounting for 47% of the total closed transactions during Q2 2019.
- ✧ The Media, Insurance, Consumer Staples, Materials, Utilities, and Transportation sectors each accounted for 3% of the total closed transactions during Q2 2019; collectively amounting to 18% of the transactions during the period.

M&A Transactions by GCC Acquirers

Note: No slide has been provided for Bahraini acquirers. Bahrain National Holding's acquisition of Health360 was the only closed transaction involving a Bahraini acquirer during Q2 2019.



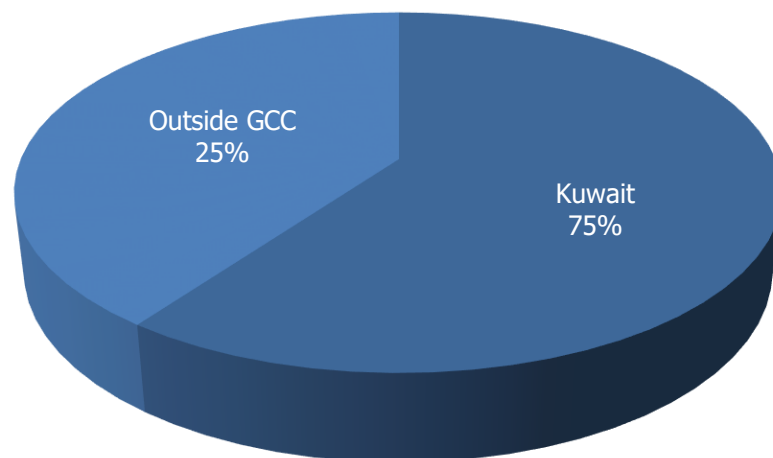
Merger & Acquisition Watch - By Kuwaiti Acquirers

Targets & Buyers – Q2 2019

Target Company	Target Country	Buyer	Percent Sought	Deal Value (USDmn)	Status
Jassim Transport	Kuwait	Qurain Petrochemical	60	139	Announced
Quality Net	Kuwait	VIVA	100	93	Closed
Kuwait Saudi Pharmaceutical	Kuwait	Mezzan Holding	67	69	Announced
First Kuwait Education Co.	Kuwait	Al Aman Investment	50	59	Closed
Aqar Real Estate Investments	Kuwait	Noor Al Salhiya Real Estate	28	22	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) (Q2 2019)



Key Takeaways

- ✧ The top reported deal during Q2 2019 was Qurain Petrochemical's announced intention to acquire Global Investment House's 60% stake in Jassim Transport & Stevedoring for \$139 million.
- ✧ VIVA has acquired a 100% of Quality Net for \$93 million from the National Bank of Kuwait (NBK) and Bahrain Telecommunications Company (BATELCO), in an effort to enhance product offerings for corporate clients.
- ✧ Mezzan Holding has announced signing an agreement to acquire a 67% stake in Kuwait Saudi Pharmaceutical Industries Co. for \$69 million from a number of the company's shareholders.
- ✧ Al Aman Investment has acquired a 50% stake in First Kuwait Education Company for \$59 million.
- ✧ Noor Al Salhiya Real Estate has acquired a 28% stake in Aqar Real Estate Investments for \$22 million from Al Shall Al Awaliya General Trading & Contracting Co.

Merger & Acquisition Watch - By KSA Acquirers

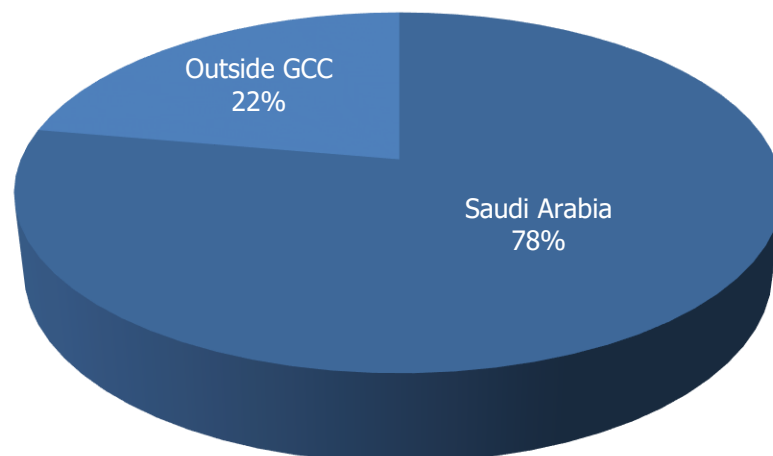
Targets & Buyers – Q2 2019

Target Company	Target Country	Buyer	Percent Sought	Deal Value (USDmn)	Status
Alawwal Bank	Saudi Arabia	Saudi British Bank	100	4,960	Closed
Hyundai Oilbank	South Korea	Saudi Aramco	17	1,250	Closed
Saudi Aramco Shell Refinery Co.	Saudi Arabia	Saudi Aramco	50	631	Announced
Schlumberger's ME Onshore Rig Business	Kuwait	Arabian Drilling Co.	100	415	Announced
Meridian Group	Mauritius	Maaden Marketing and Distribution	85	140	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) (Q2 2019)



Key Takeaways

- ✧ The top reported deal value during Q2 2019 was \$4.96 billion and involved the merger of Saudi British Bank and Alawwal Bank. The combined entity is the third largest Saudi bank by assets (\$68.5 billion).
- ✧ Saudi Aramco has acquired 17% of Hyundai Oilbank, South Korea's smallest refiner by capacity, from Hyundai Heavy Industries, for a total of \$1.25 billion.
- ✧ Saudi Aramco is announced to acquire 50% of Saudi Aramco Shell Refinery Co., its refining joint venture with Shell, for \$631 million.
- ✧ Arabian Drilling Co. (ADC) has agreed to acquire Schlumberger's Middle East Onshore Drilling Rig Business for \$415 million.
- ✧ Maaden Marketing and Distribution Company has acquired an 85% stake in Meridian Group, a manufacturer and distributor of agricultural fertilizers, for \$140 million.

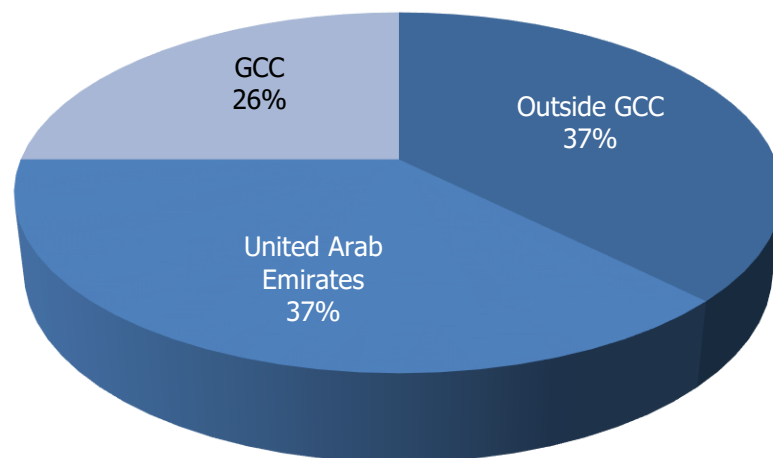
Merger & Acquisition Watch - By UAE Acquirers

Targets & Buyers – Q2 2019

Target Company	Target Country	Buyer	Percent Sought	Deal Value (USDmn)	Status
Newcastle United Limited	United Kingdom	Bin Zayed Group	100	444	Announced
Ma'arif Education and Training	Saudi Arabia	GEMS / Hassana Investment	100	400	Closed
SHUAA Capital	United Arab Emirates	Abu Dhabi Financial Group	100	N/A	Announced
Noor Bank	United Arab Emirates	Dubai Islamic Bank	100	N/A	Announced
Medica Trading	United Arab Emirates	Gulf Capital	70	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.

Target Companies – Geographical Distribution by Number of Transactions (Closed) (Q2 2019)



Key Takeaways

- ✦ Bin Zayed Group has announced its intention to acquire 100% of Newcastle United Limited, which operates a football club, for a total of \$444 million.
- ✦ UAE's GEMS Education and Saudi's Hassana Investment acquired a 100% of Ma'arif Education and Training for \$400 million. Ma'arif has 13 campuses across Saudi Arabia and more than 20,000 students.
- ✦ Abu Dhabi Financial Group (ADFG) agreed to merge with SHUAA Capital, to create an entity with around \$13 billion of assets under management.
- ✦ Dubai Islamic Bank announced its intention to acquire Noor Bank, a privately held Islamic bank located in Dubai. The assets of the combined entity will amount to \$75 billion.
- ✦ Gulf Capital has acquired a 70% stake in Medica, a provider of cosmetics, aesthetics, and dermatology equipment and products in the Middle East.

Merger & Acquisition Watch - By Qatari Acquirers

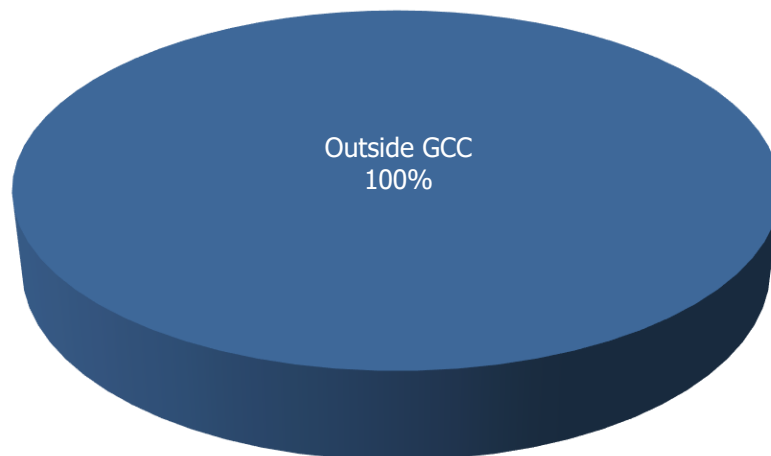
Targets & Buyers – Q2 2019

Target Company	Target Country	Buyer	Percent Sought	Deal Value (USDmn)	Status
Boyner Perakende	Turkey	Mayhoola for Investments	44	1,156	Announced
BTU Rades	Cayman Islands	Nebras Power	N/A	14	Closed
Gomet Ressources Afrique	Burkina Faso	CINI Solutions	100	1	Closed
Air Ocean Maroc	Morocco	Gulf Helicopters Company	49	1	Closed
Sunrise Foods International	Canada	Hassad Food	23	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.

Target Companies – Geographical Distribution by Number of Transactions (Closed) (Q2 2019)



Key Takeaways

- ✧ The top reported deal involved Mayhoola for Investments' announced intention to acquire a 44% stake in Boyner Perakende ve Tekstil Yatirimlari, a Turkish retailer of clothing and footwear, for a total of \$1.1 billion.
- ✧ Nebras Power acquired a stake in Cayman-based BTU Rades for a total of \$14 million.
- ✧ CINI Solutions acquired a 100% stake in Komet Ressources Afrique SA / Guiro Exploration, which engages in the exploration of metals, for a total of \$1 million.
- ✧ Gulf Helicopters Company acquired a 49% stake in Air Ocean Maroc, a provider of business aviation and medical evacuation services, for a total of \$1 million.
- ✧ Hassad Food acquired a 23% stake in Canadian agricultural product distributor, Sunrise Foods International.

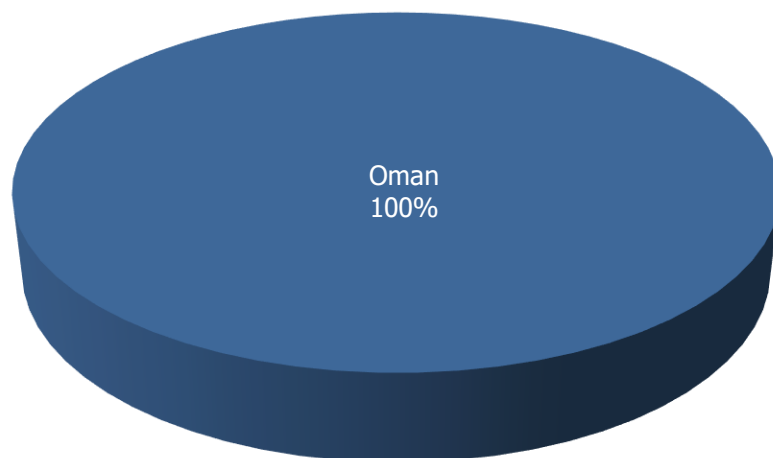
Merger & Acquisition Watch - By Omani Acquirers

Targets & Buyers – Q2 2019

Target Company	Target Country	Buyer	Percent Sought	Deal Value (USDmn)	Status
Sohar Cement Factory	Oman	Raysut Cement Company	100	60	Closed
Majan Telecom	Oman	Oman Telecom	40	13	Closed
Hema Energy	Oman	SAJ Investments	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.

Target Companies – Geographical Distribution by Number of Transactions (Closed) (Q2 2019)



Key Takeaways

- ✧ Raysut Cement Company acquired a 100% of Sohar Cement for \$60 million to better serve the northern Omani market. Sohar's average annual cement production amounts to 1.7 million tons.
- ✧ Oman Telecommunications acquired a 40% stake in Majan Telecommunications, one of the first mobile virtual network operators in Oman, for \$13 million. Majan operates under the Renna Mobile brand name.
- ✧ SAJ Investments acquired a 100% of Hema Energy, an Omani oilfield services company, for an undisclosed amount.
- ✧ All of the transactions were closed.
- ✧ Omani acquirers didn't engage in any closed transactions outside their home country.

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