MENA M&A Activity, FY 2015

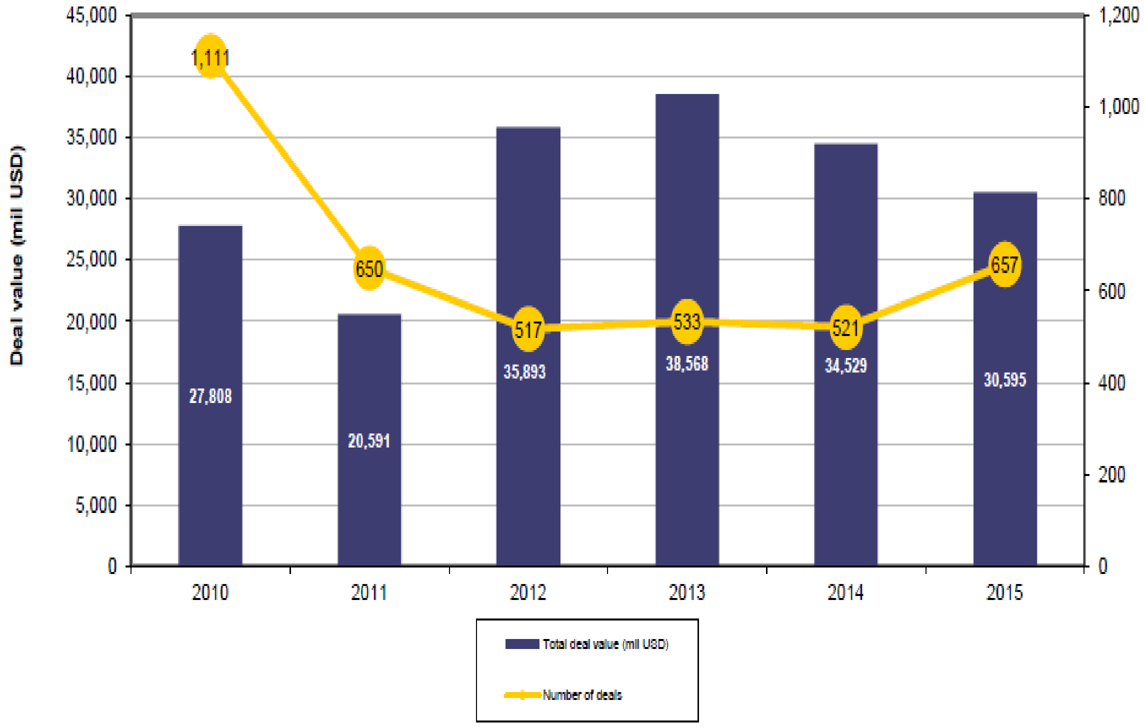
Based on data from Zephyr, the M&A database published by Bureau van Dijk

2015 has proven to be rather disappointing in terms of M&A activity targeting companies based in the Middle East and North Africa (MENA). Deal values have declined against an increase in volume year-on-year, according to Zephyr, the M&A database published by Bureau van Dijk. In total some USD 30,595 million was invested in 2015, representing an 11 per cent drop on the USD 34,529 million injected in 2014 and the second consecutive annual decline. However, it is worth noting that recent years have been quite impressive in terms of aggregate value. In 2012, 2013 and 2014 deal activity reached USD 35,893 million, USD 38,568 million and USD 34,529 million, respectively. 2015 still represents an improvement on 2010 and 2011, when deals worth USD 27,808 million and USD 20,591 million targeting the region were announced. Despite the decline in value during 2015, volume increased by 26 per cent from 521 deals in 2014 to 657. This represents the second highest yearly volume of the last six years, proving that there is an appetite for deals in the region.

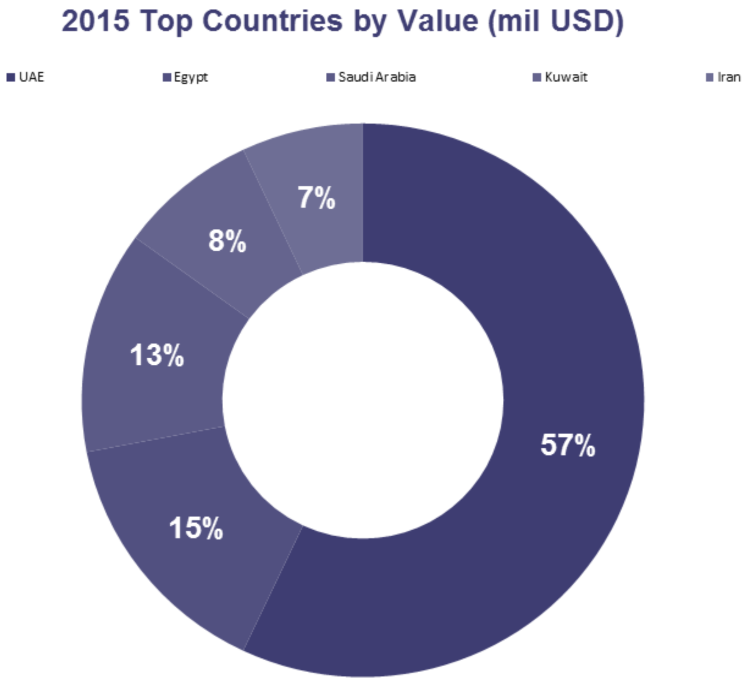
Despite disappointing values for the year, a number of large deals were announced, with five transactions worth USD 1,000 million or more agreed in 2015. The largest deal to take place in the MENA region was an asset sale by OCI worth USD 8,000 million. CF Industries, through its nitrogen fertiliser holding company Darwin Holdings, agreed to acquire OCI's global distribution business in Dubai, among other European and North American assets, in August. This deal accounted for 71 per cent of all investment in the MENA region in Q3 and 26 per cent of total value for the year. The second largest transaction of 2015 was Total's acquisition of a 10 per cent stake in Abu Dhabi Company for Onshore Oil Operations for USD 2,200 million in January.

Q4 was fairly muted in that no out-and-out "mega" deal was announced; the most valuable transaction to have been agreed during the final three months of the year was worth USD 1,215 million and involved Saudi Telecom agreeing to buy the 74 per cent stake it did not already own in Kuwait Telecom. This was closely followed by a planned USD 1,000 million purchase of a 49 per cent shareholding in UAE-headquartered payment processing firm Network International by Warburg Pincus and General Atlantic. These deals accounted for a significant portion of total values targeting the MENA region in Q4. Together they made up 29 per cent of the USD 7,644 million injected over the final quarter. They also had an impact on the ranking of the top countries in the region for the three months; Saudi Arabia led the way in terms of value with investment of USD 2,118 million, followed by the UAE (USD 1,868 million) and Kuwait (USD 1,301 million). The latter's position is almost entirely thanks to the USD 1,215 million Kuwait Telecom deal, while the UAE also benefitted considerably from the USD 1,000 million Network International transaction.

In terms of 2015 as a whole, the UAE was the most valuable country of the year, having been targeted in deals worth USD 15,186 million, 29 per cent higher than the USD 11,809 million recorded in 2014. The figure is almost four times larger than that of second-placed Egypt, which was targeted in deals worth USD 3,923 million. Saudi Arabia came third by value with USD 3,498 million, followed by Kuwait with USD 2,177 million and Iran (USD 1,947 million). Despite only placing second by value, Egypt was the most frequently targeted country in the 12 months under review, with 163 deals, an unchanged result year-on-year. Jordan followed with 121 deals, up from 82 in 2014, just ahead of the UAE, which was targeted in 107 deals.

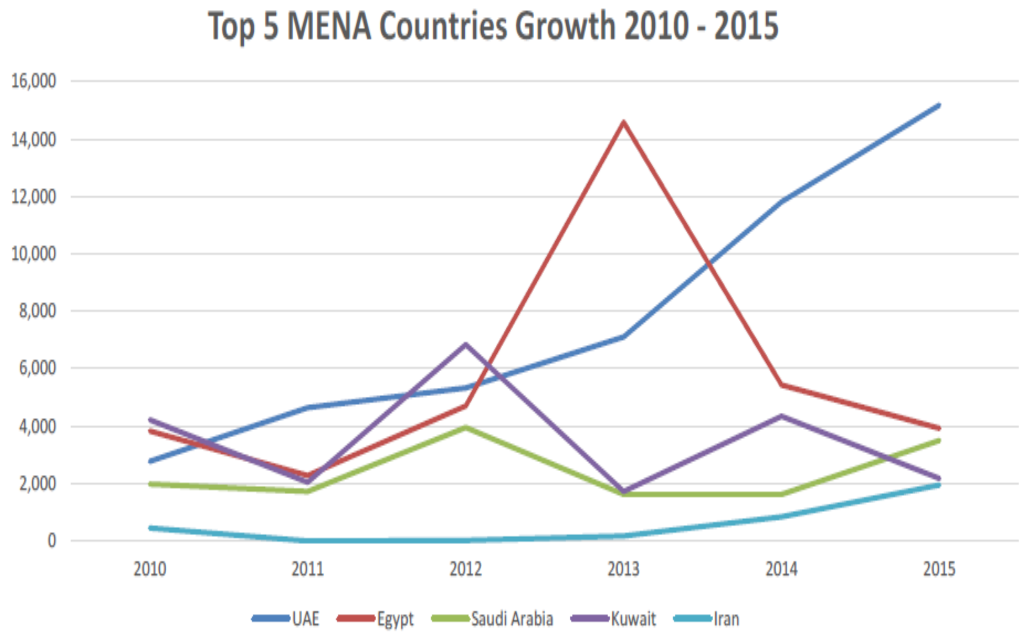


The chemicals, rubber and plastics industry was the most notable in terms of aggregate total deal value in 2015; companies in this sector were targeted in deals worth USD 9,266 million, up from USD 1,633 million in 2014. Other industries generating high deal values included the wholesale and retail trade sector, which almost tripled from USD 3,424 million to USD 9,169 million in the 12 months under review. The primary sector, defined as agriculture, mining etc. was targeted in deals worth USD 4,642 million, five times higher than the USD 775 million recorded in 2014.



GCC countries featured heavily in 2015 as the year's top five countries in terms of value included three GCC regions. As previously stated, the UAE was the year's top country by value with USD 15,186 million while Saudi Arabia and Kuwait placed third and fourth, respectively. GCC dealmaking was in line with overall M&A activity for the MENA region as value declined year-on-year in many of the six countries, with the UAE and Saudi Arabia proving to be the only exceptions. Likewise, most of GCC regions improved on 2014 by volume, with only Qatar declining year-on-year and Bahrain remaining level on 11 deals.

In all, GCC countries accounted for 73 per cent of deal value in the MENA region as a whole in 2015, which is unsurprising given that of the 20 largest deals signed off during the year, 11 featured GCC-based targets, including the year's top seven transactions. The six countries were targeted in a combined total of 289 deals, of which 107 had UAE-based targets, compared to 86 for Kuwait and 54 for Saudi Arabia. The remainder of the countries were each targeted in a few deals over the course of the year; Oman (20), Bahrain (11) and Qatar (11). The UAE's value result is the country's best yearly showing since 2007, when dealmaking of USD 28,496 million was announced. Saudi Arabia also performed well, with the USD 3,498 million invested there representing its highest yearly value since 2012 and more than double the USD 1,619 million notched up in 2014. The UAE and Saudi Arabia's impressive results come despite the fact that they only ranked third and fifth overall for the MENA region in terms of volume, respectively, thereby reinforcing that it is individual large deals which can make all the difference to a country's ranking.



As regards 2016 it is hard to predict market performance levels, although we can look at large deals which are expected to complete during 2016 to give some sort of an indication. At present there do not appear to be any “mega” deals which are scheduled to close in the near future; the largest pending transaction targeting a MENA-based company is worth USD 447 million and involves Samsung Engineering and Samsung India increasing their investments in Samsung Saudi Arabia in a deal which is expected to complete by the end of 2016. A better indication of how the year is likely to start can be gleaned from looking at transactions which are scheduled to close during the first quarter of 2016. One notable such deal is a USD 375 million purchase of a 30 per cent shareholding in Saham Finances by Sanlam, via wholly-owned subsidiary Sanlam Engineering Markets and Santam. Completion of that deal is anticipated by the end of the first quarter. Also expected to close by the end of March are deals targeting Fakih IVF, Zakhr Investment and Real Estate Development and Ateliers Mecaniques du Sahel, which are worth USD 190 million, USD 179 million and USD 2 million, respectively. It is also likely that the first half of 2016 will see a number of high value transactions signed off; the opening six months of 2015 saw two deals worth over USD 1,000 million announced, including one worth USD 2,200 million.

On top of this, there have been a number of significant rumours of deals targeting MENA companies during Q4; in October sources with knowledge of the situation told Reuters that UAE-headquartered National Food Products Company was considering a sale of a stake valued at USD 1,500 million. In December four people in the know told the news provider that Saudi Arabian dairy product manufacturer Almarai was interested in picking up a share of the business. Another valuable rumour was reported by the Jakarta Globe in October; the paper said Syamsu Alam, upstream director at Pertamina, plans to reserve between USD 900 million and USD 1,000 million for acquiring oil and gas assets overseas, including in Iran. However, as yet no indication has been given as to when such a deal is likely to occur. Naturally if these deals are signed off before the end of March they would have a considerable effect on overall dealmaking results for the MENA region for the first quarter. Even a single deal of this size can determine whether or not a quarter is deemed to have been successful and often make the difference between an improvement or a decline quarter-on-quarter. In total some 38 deals targeting the MENA region were rumoured during Q4, with other possible targets including United Arab Bank, Bandar-Abbas Oil Refining Company, Agricultural Support Services Company and Al Borg Medical Laboratories.

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