



LUMINA

2024 Lumina  
Cross-Border Insights





## A watershed year as the Middle East becomes an innovative engine for global growth and dealmaking

UK-to-Middle East and North Africa (MENA) cross-border trade and deal activity showed resilience in 2023, with transaction activity reflecting the challenges facing dealmaking globally.

While M&A volumes slowed down overall, in the region this was most pronounced in earlier stage VC transactions. We noted a shift towards larger, growth capital and more classic 'buyout' transactions as regional champions were created and international firms consolidated, acquired or exited regional positions.

In the year the region became a net exporter of innovation, as a result of the regional giga-projects, digital transformation efforts, and the implementation of AI, the Middle East has shifted from talking about energy transition to becoming a world leader in implementing some of the world's most comprehensive and diverse renewable energy programmes.

Inward and outward opportunities in 2024, still, abound.

In this deal insights paper Lumina assesses the latest deal and trade data and concludes on why the Middle East will continue to be a global bright spot for transactions, even as global dealmaking recovers.



## Key report findings:

**USD56bn**

Records levels of KSA and UAE FDI with KSA overtaking the UAE for the first time

**21%**

Highest ever UK PLC MENA revenue contribution

**41%**

Fastest single company revenue growth for a UK PLC in the Middle East

**-15%**

Overall M&A volumes reduction in 2023 (globally -27%)

**USD6bn**

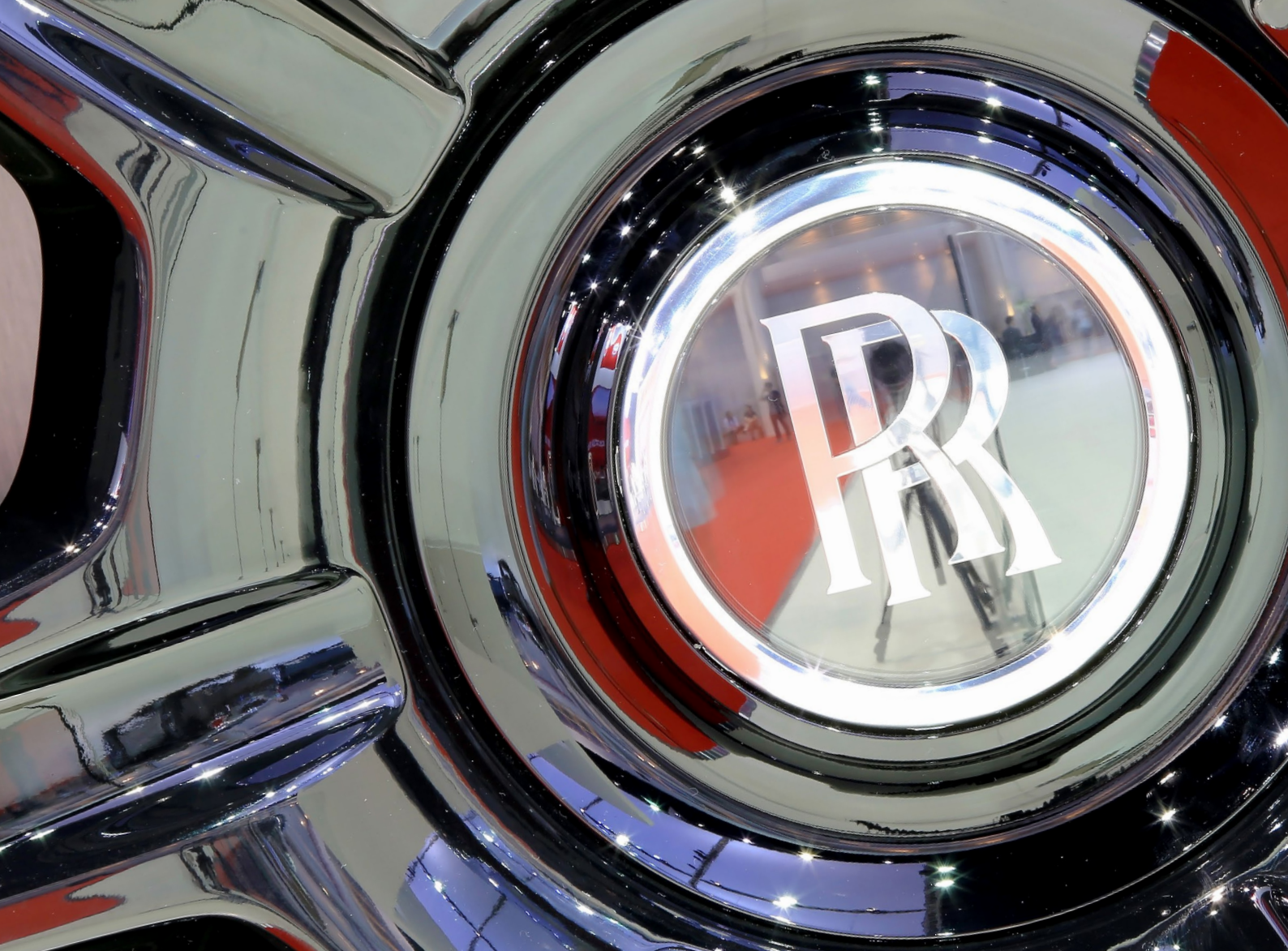
Total dry powder of regional based (non-Sovereign) Private Equity and Private Credit firms

**-22%**

Reduction in UK PLC Oil & Gas revenues from the region as successful energy transition policies take effect

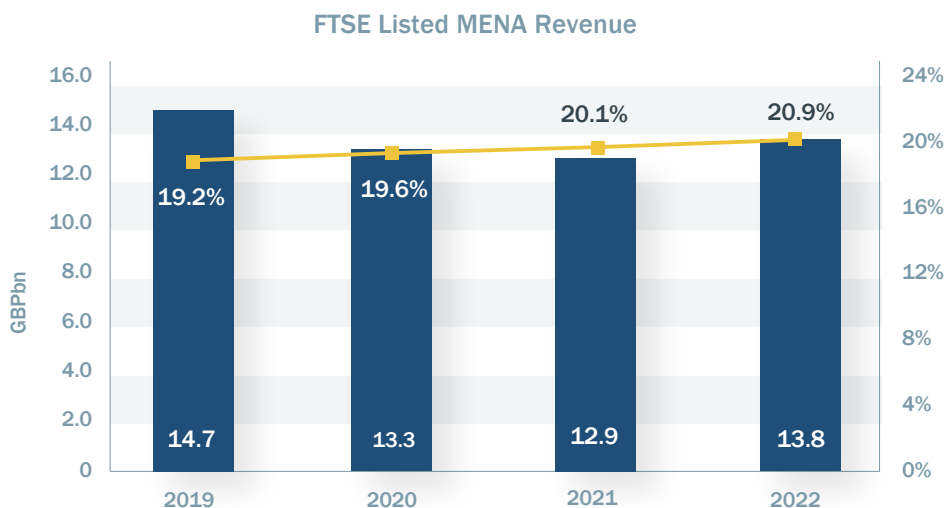
**USD1,250bn**

KSA giga-projects opportunity (up from USD900bn last year) driving UK companies to regional expansion



1

Despite overall headwinds, UK PLCs have had another record year in terms of doing deals, transacting, and partnering across the region. UK regional revenues increased overall in 2022, from GBP12.9bn to GBP13.8bn. All sectors saw improving trends except for Oil & Gas.



Source: Bloomberg



- The MENA region continues to underline its **global significance for FTSE listed companies** with those PLCs operating in the region increasing their contribution to overall global sales expanding to 20.9% in 2022, from 20.1% in 2021.
- **21 out of the top 27** FTSE 250 companies with MENA revenues demonstrated Middle East revenue growth in 2022.
- The sectors experiencing the most rapid year-on-year growth included **Transport** (Rolls Royce), **Technology** (RM plc, Ascential plc, Network International plc) and **Industrials** (Vesuvius, Essentra, Victrex).
- **Rolls Royce** ranked #1 this year for YoY increases in regional revenues closely trailed by **Burberry**, underscoring the region's ongoing **importance for the Luxury sector**.
- **Energy transition initiatives** reflect the region's position as a leader in global innovation. The UAE launched its first wind-programme, Oman extended its green hydrogen ambitions and KSA currently has over USD20bn in renewable energy projects in pre-execution phase. All have all fuelled significant inward investment.

Revenue growth/decline was seen at top UK listed companies in:

**Transport**

**+41%**

**Technology**

**+30%**

**Consumer/F&B**

**+19%**

**Industrials**

**+9%**

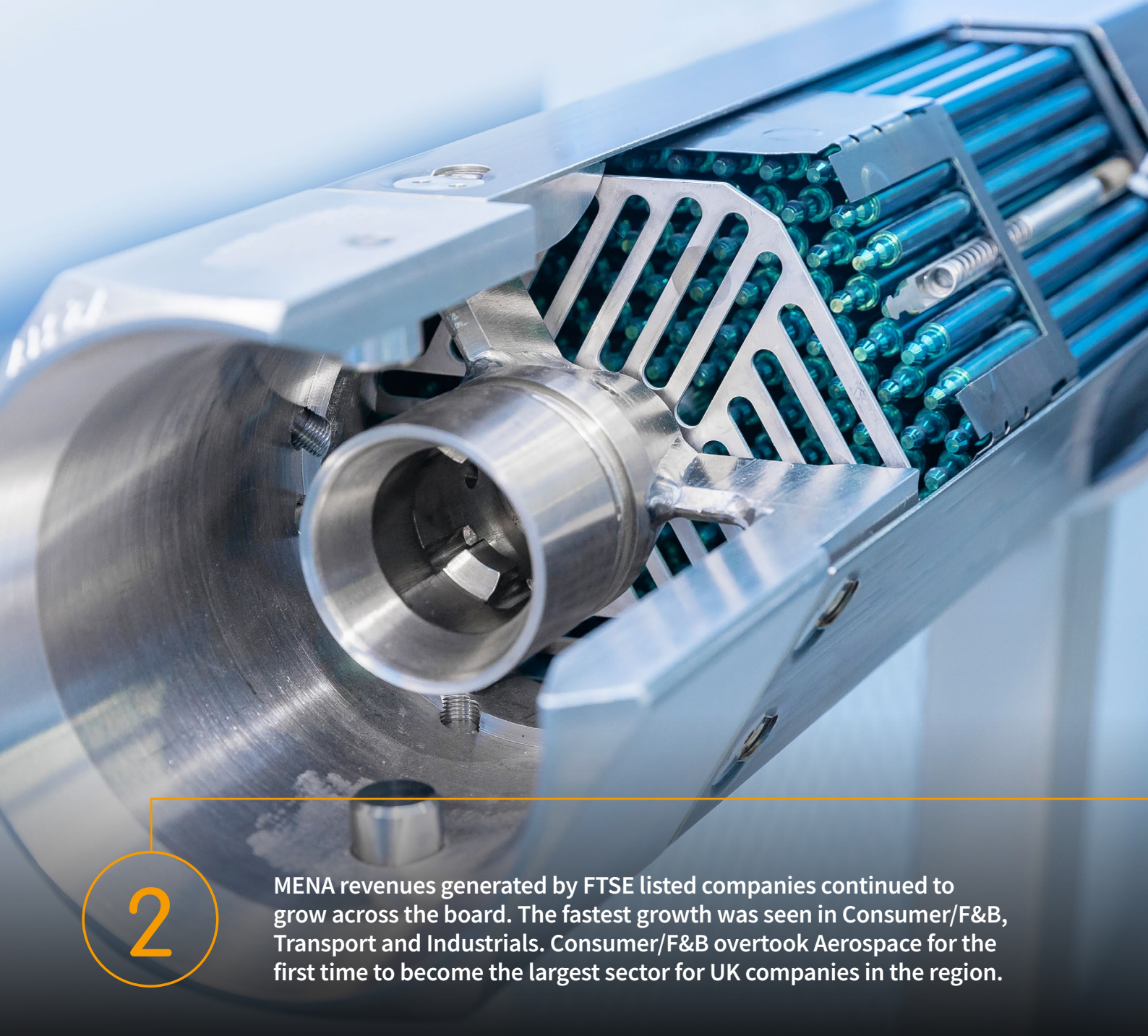
**Oil & Gas**

**-22%**



## LUMINA VIEW

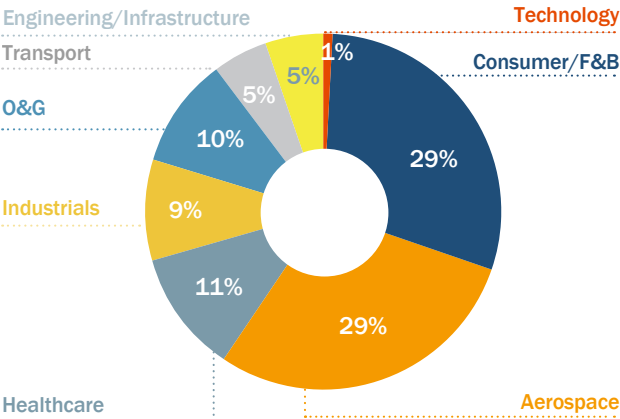
**Innovative technologies** and **advanced manufacturing capabilities** will dominate 2024 as the region forges ahead with its **energy diversification** and **localisation programmes**. The UAE's 'Make it in Emirates' and Saudi's 'Vision 2030'/In-Kingdom Total Value Add initiatives will **champion the region's manufacturing capabilities in advanced industries** such as Aerospace and precision engineering, drawing regional investment and expertise from multinational corporations. This will continue to drive UK PLCs to establish and grow their presence here.



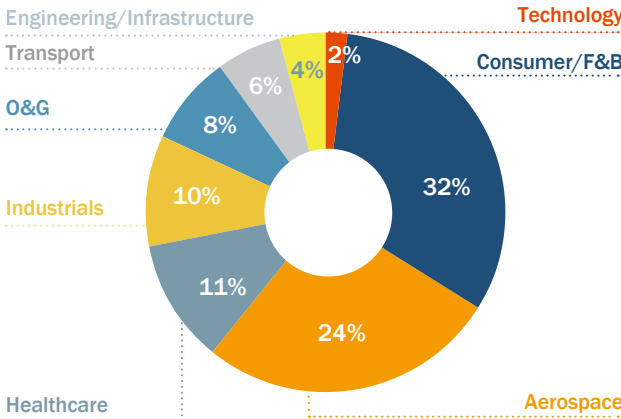
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MENA revenues generated by FTSE listed companies continued to grow across the board. The fastest growth was seen in Consumer/F&B, Transport and Industrials. Consumer/F&B overtook Aerospace for the first time to become the largest sector for UK companies in the region.

2021 FTSE MENA Revenue by Sector



2022 FTSE MENA Revenue by Sector



Source: Bloomberg, Lumina analysis

In 2022, non-oil & gas sector revenues for FTSE listed companies with MENA activities increased by **11% (an increase of GBP1.1bn year-on-year generating total UK PLC non-oil revenues of GBP12.8bn from the region)**, marking a 3% rise in non-oil overall revenue contribution. This reflects the ongoing drive to reduce reliance on fossil fuels and to establish global leadership in energy transition, AI & digital transformation and developing innovative technologies. Key growth sectors are:



## Transport

**41% year-on-year growth**

Driven by Rolls Royce, with its autos division growing sales across the MENA region, now its **largest market**. Beyond its automotive ventures, Rolls Royce is exploring opportunities to introduce its nuclear reactors in the region, **aligning with global energy transition objectives**. The company sees the UAE as **pivotal in its supply chain** as it seeks to deliver small modular reactor plants worldwide, **leveraging the country's advanced manufacturing** and established nuclear capabilities, having successfully delivered the Barakah nuclear power plant in Abu Dhabi.



## Healthcare

**10% year-on-year growth**

The region has carved out a **leading global position in digital infrastructure**, connectivity and innovation resulting in it becoming the territory of choice in the **development of virtual care settings and digital health offerings**. Mediclinic has selected the Middle East as the region with the most active trials and has also piloted and launched digital programmes such as Mediclinic at Home in the region.



## Industrials

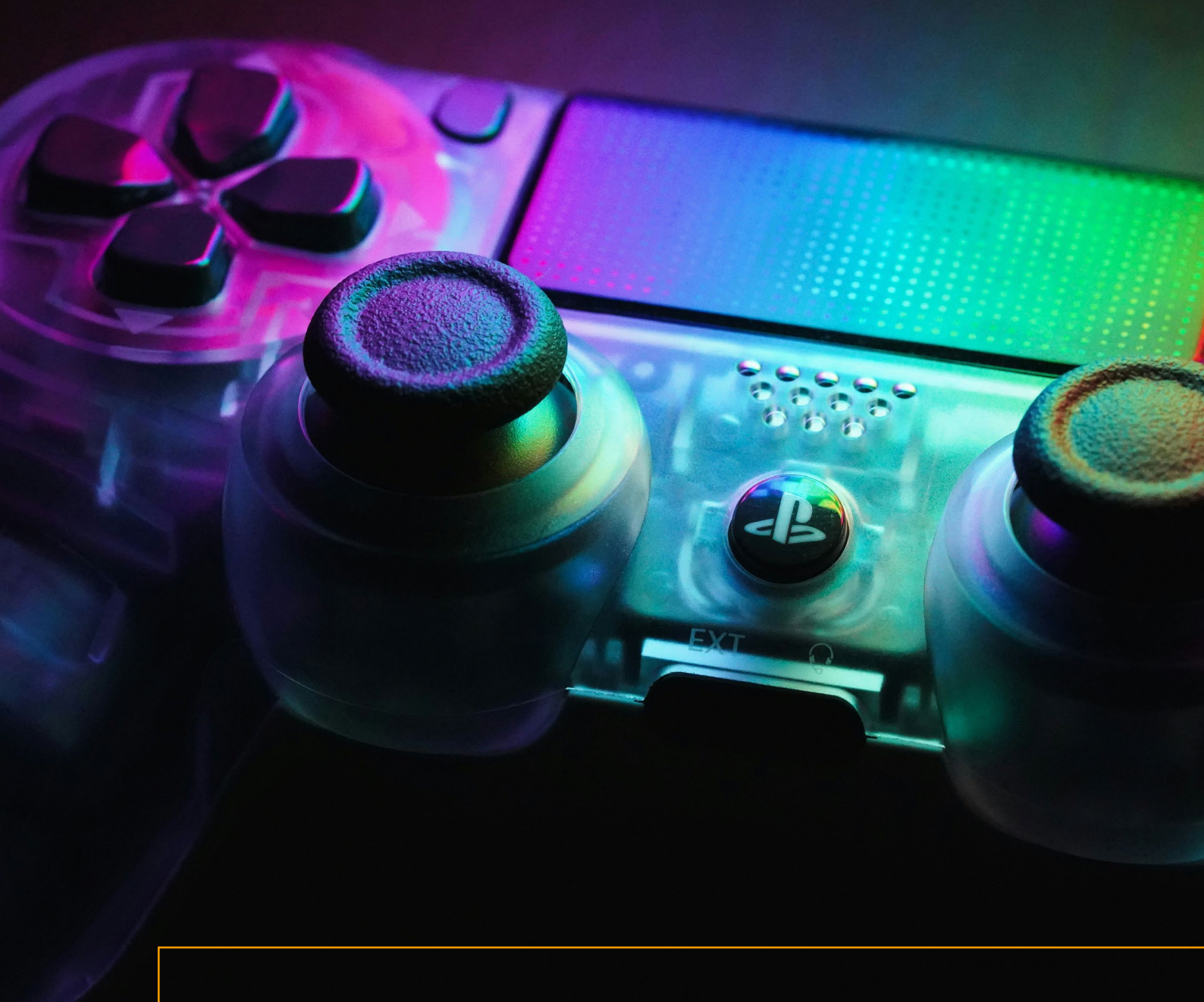
**13% year-on-year growth**

Technological differentiation through embracing and **incorporating AI** has boosted productivity, underpinning innovative product expansion and sustainable alternatives (Victrex: +4% YoY growth, a leading specialty chemicals firm, is focused on expanding across the Middle East for its innovative polymer solutions).



## LUMINA VIEW

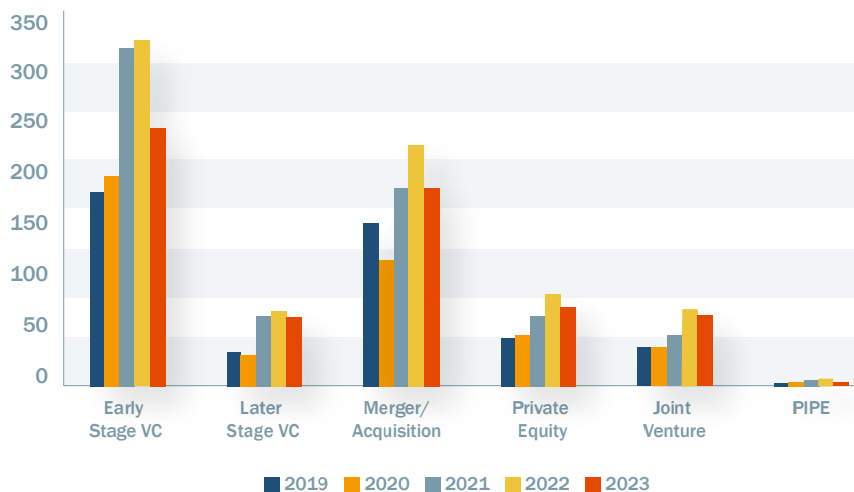
UK PLC growth across the Middle East highlights the view that regional presence is a **'must-have'** today, as opposed to the **'nice-to-have'** view, of three years ago. With some of the **highest global investment happening here, in solving unique climate, energy and social infrastructure challenges**, the region has now shifted from being a net-importer, to a **net-exporter of innovation**. This trend will continue in 2024.



# 3

The types of deals being completed in the region have shifted over the past two years from earlier stage VC to growth capital and mid-market transactions in the USD30m – USD200m range.

Type of Deals by Number of Transactions



Source: Pitchbook





- While early stage VC deals dominated transaction volumes between 2021 – 2022, volumes dropped significantly in 2023.
- At the same time since 2022, we have seen resilience in M&A and JV transactions, typically falling in the sweet-spot of USD30m – USD200m.
- It's worth noting that while regional M&A and PE deals fell by c.15% overall in 2023, globally M&A was down by 27%.
- 2023 saw a real shift in terms of 'who' has been transacting into and out of the region. In H1 we saw larger deals, typically Sovereign Wealth Fund led (SAVVY Gaming/PIF/Scopely; KSA Blackstone/ADIA/Cvent Holding; UAE). As the year progressed, we also saw an increase in private sector led deals, as well as a resurgence in Private Equity activity, focused on exits and capital raising.



## LUMINA VIEW

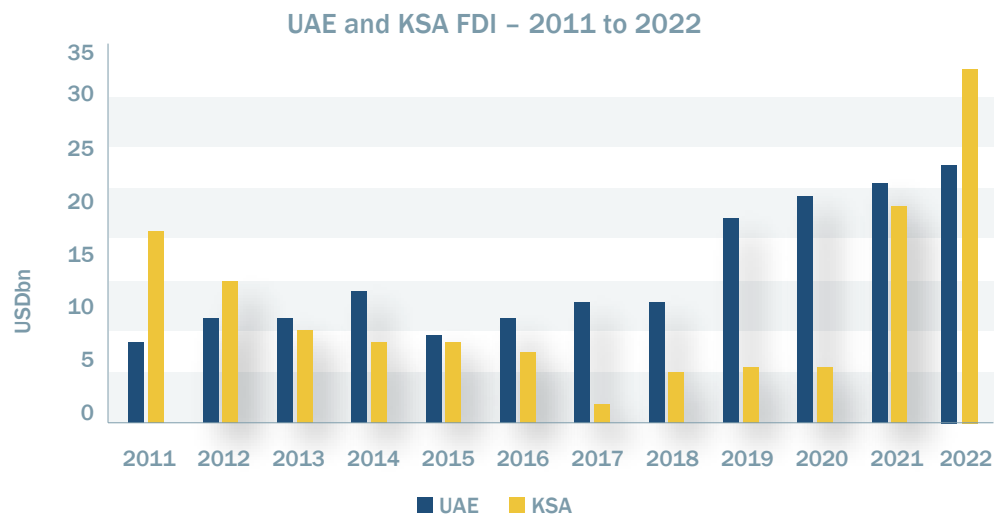
**As market participants become more sophisticated in how they execute M&A strategies, and companies consolidate their core markets, the volume of deals will continue to grow into 2024.**

**And while PE deal volumes still lag, largely due to valuation/funding costs/deal scarcity issues, we expect deal volumes to rise rapidly in 2024 as these trends reverse.**



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**FDI in the UAE and KSA, as we predicted last year, reached record levels in 2022, and for the first time KSA FDI exceeded that of the UAE. KSA FDI increased 71% in 2022:**



Source: UNCTAD, Saudi Gazette

Key MENA projects driving FDI and UK-to-Middle East investment in 2024 will be:



### Mega/Giga Mixed Development Projects

**NEOM:** A high-tech mega-city that is the flagship project of KSA's post-oil diversification plan (Vision 2030). With a total estimated cost of USD500bn, the building phase of the project has commenced with the first destination, Sindalah, set to open its doors in 2024. Other KSA mixed-development giga-projects include Roshn, Diriyah and Jeddah Central.

**Palm Jebel Ali/Tower at Creek Harbour:** A buoyant property market in the UAE has seen the relaunch of these landmark mega projects. The former will include hotels, beaches, residences and leisure attractions and is set to be twice as big as Palm Jumeirah. Construction on the Tower at Creek Harbour has been slated to commence by the second half of 2024.



### Infrastructure

**King Salman International Airport:** Located in Riyadh, when complete will have six parallel runways and is expected to contribute USD7bn annually to KSA's non-oil GDP. Other projects as part of KSA's Aviation Strategy 2030 include Abha International Airport (Abha) and the Red Sea International Airport.

**Dubai Metro Blue Line:** Announced in 2023, with an estimated cost of USD5bn and expected to be completed by 2029. It is anticipated to serve 200,000 daily passengers by 2030 and will add 14 new stations to the existing 154 stations.



### Renewable Energy

**Mohammed bin Rashid Al Maktoum Solar Park:** The largest single-site solar park in the world based on the Independent Power Producer (IPP) model. The project has a planned production capacity of 5,000 MW by 2030, with investments totalling USD13.6bn.

**Shuaibah 2 Solar Facility (Saudi Arabia):** Has a planned capacity of 2,060 MW and will be the largest in Saudi Arabia and is expected to power c.350,000 homes.



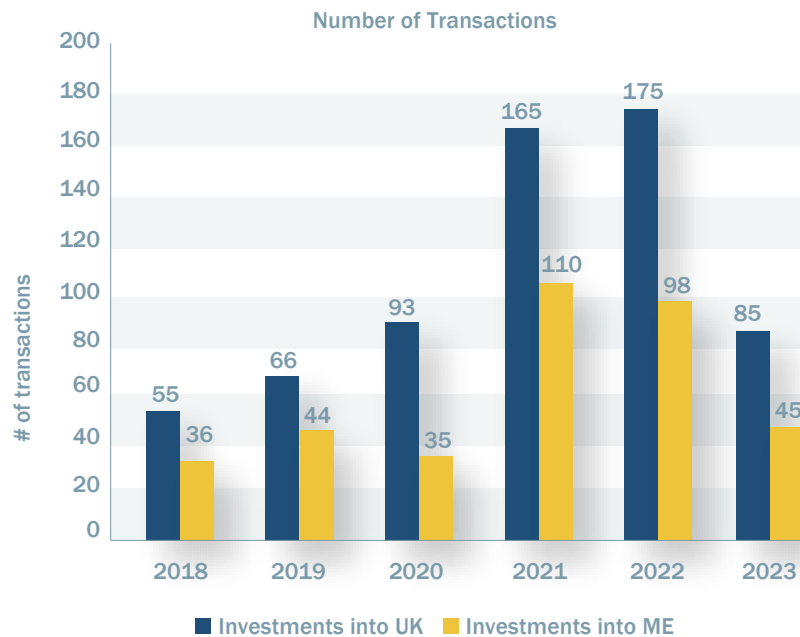
## LUMINA VIEW

The region will continue to be attractive to new companies setting up and for top talent, as individuals seek career growth and development opportunities in a relatively high growth region. While 2022 was a record year for FDI in the region, we predict a flat, or marginal decrease overall for 2023 once figures are released, due to global and regional geo-political instabilities and as ongoing project execution takes precedent over greenfield project development.



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Bilateral UK-to-Middle-East transactions dropped, overall, in 2023 but this largely reflects a shift to a lower number of early stage VC deals and an increase in later stage growth capital and strategic corporate transactions. Once again, capital flowed both ways, from the ME region into the UK and vice-versa.



Source: Pitchbook



## UAE into UK

### Policy Expert – USD1.2bn

Having made a minority investment in 2020, Abu Dhabi Investment Authority increased its investment to USD1.2bn, to take a majority stake in the company in November 2023.

### Circle Health Group – USD1.2bn

ADQ, an Abu Dhabi based Sovereign Wealth Fund, made a USD1.2bn investment in the private healthcare provider, Circle Health Group in August 2023, via its portfolio company, PureHealth.



## KSA into UK

### Rocco Forte Hotels – c.USD0.6bn

The Saudi Arabia based Public Investment Fund (PIF) acquired a 49% stake in Rocco Forte Hotels, valuing the hotel chain at c.USD1.2bn, announced in December 2023.

### Heathrow Airport – c.USD1.2bn

Saudi Arabia's Sovereign Wealth Fund, Public Investment Fund, announced that it had entered into a share purchase agreement to acquire 10% stake in London's Heathrow Airport.



## UK into Middle East

### Haqqex – USD0.4bn

Futurecraft Ventures, Optic Capital and Alpha Blue Ocean invested USD0.4bn in Haqqex, a digital asset trading platform designed for trading crypto assets in August 2023.

### Tamara – USD0.3bn

Tamara, the shopping and payments platform headquartered in KSA, achieved a valuation exceeding USD1bn following its Series C Equity Funding round.



## Other Middle East into UK

### Severn Trent – USD0.6bn

British water supplier Severn Trent, announced in September 2023 that it would raise USD1.2bn in new equity, including USD0.6bn from Qatar's Sovereign Wealth Fund.

### Builder.ai – USD0.3bn

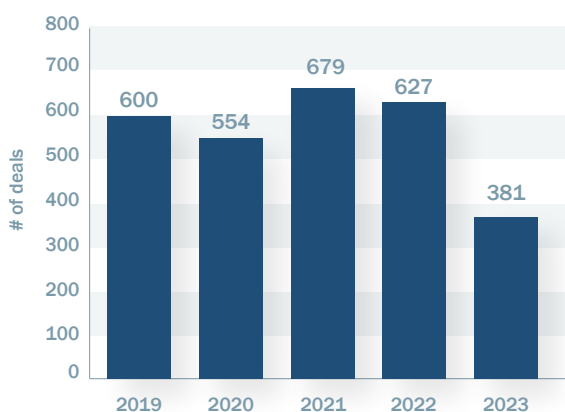
UK based software platform developer announces over USD0.3bn Series D investment led by Qatar Investment Authority for its AI powered composable software platform.



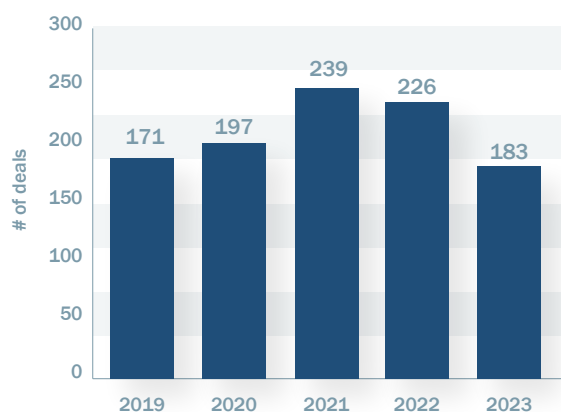
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Private Equity – both direct and secondaries – and Private Credit will become the go-to asset classes for capital starved companies seeking growth capital in 2024. With regional funds being raised from domestic, international and Sovereign Wealth Fund participants, the quality and volume of PE and Private Credit deals is on the rise. PE/PC will replace VC as the main source of growth capital funding in 2024.

Number of VC Deals in MENA



Number of PE Deals in MENA



Source: Magnitt, Pitchbook

## 2023: A reasonably active year for PE and Private Credit funds, but more to come

- Alpheya, an Abu Dhabi based new wealth technology company, received a USD300m investment from Lunate Capital and BNY Mellon.
- Bahrain’s GFH Financial buys KSA food and logistics firm Gulf Central company (deal size of USD132.7m).
- Backed by Tricap Investments and Ruya Partners, GymNation founders announced the management buyout of all equity held by previous investor, JD Gyms (deal size of USD41m).
- Gulf Capital sold 100% of AmCan, the exclusive distributor of global sports nutrition brands across the MENA region to a regional FMCG distributor.
- Gulf Capital sold its stake in Chef Middle East (“Chef ME”), a GCC food service distribution business, to The Chefs’ Warehouse, a Nasdaq-listed specialty food distributor operating across North America for USD100m.
- Affirma’s bolt on acquisition of Easy Care in Egypt (another strong example of the benefits of the PE/patient capital model).

## 2024: The return of Private Equity and Private Credit

Why?

- 1 Lower cost of deal funding as interest rates come down this year.
- 2 More reasonable deal valuations (and the recognition of the contribution sophisticated investors bring to the table in terms of growth, access, support and bolt-ons).
- 3 An increase in the flow of appropriately scaled transactions in the USD30m – USD200m sweet-spot for most regional firms.
- 4 In the case of private credit recognition that it’s relatively ‘cheap’ compared to equity – and an almost total lock out for the vast majority of corporates in seeking acquisition finance from banks.

### Active Alternative Investors Dry Powder

Name	HQ	Dry Powder (USDbn)
Investcorp	Bahrain	2.0 – 4.0
Jadwa*	KSA	0.5 – 1.0
Synergy Capital	UAE	0.5 – 1.0
Gulf Capital***	UAE	0.5 – 1.0
Affirma Capital	Singapore	0.1 – 0.5
NBK Capital	Kuwait	0.1 – 0.5
Aliph Capital**	UAE	0.1 – 0.5
Levant Capital	UAE	0.1 – 0.5
Ruya Partners	UAE	0.1 – 0.5

\* Includes JADWA’s current fund raising USD530m for GCC minority stakes

\*\* Aliph raised US125m from ADQ with an additional commitment from JADA received as it targets a USD250m fund

\*\*\* Gulf Capital announced in 2023 their intention to raise USD750m (included in dry powder)

Source: Pitchbook, Company websites



## LUMINA VIEW

New, well-funded participants in the PE and private credit markets predicate an increase in sophisticated, institutionalised investing in 2024.



# Lumina predictions

## Themes that will drive 2024 deal and trade activity

### ■ Dealmaking to remain resilient. Size and sophistication to grow

As international participants drive cross-border deals into the region, and this VC cycle continues to tail off, deal size and sophistication will grow this year. In 2023, the region shifted from talking about energy transition to becoming a world leader in implementing some of the world's most comprehensive and diverse renewable energy programs, combining best-in-class global and local skills and talent. In 2024 we will see more, larger deals, as global firms continue to seek/grow access to regional projects. We expect growth across energy transition, healthcare, travel and tourism, gaming, engineering and project management and digital transformation sectors.

### ■ Funding will return (at last)

Private Equity and Credit – both direct and secondaries – will become the fastest growing asset classes in the region in 2024. With regional funds being raised from domestic, international and Sovereign Wealth Fund participants, we predict the volume of PE and private credit deals to rise. In Lumina's view, and as a direct consequence of the tailing off of the VC boom, a greater reliance will be placed on institutional (rather than ad-hoc or individual direct) investments, leveraging sophisticated funds' experiences, contacts and expertise.





### ■ **FDI will grow across non-oil sectors, driven by SEZs and ongoing regulatory reform**

As a cornerstone in regional government's plans, FDI will continue to flow across energy transition initiatives. Special economic zones (SEZs) and regulatory reform in KSA will balance risk-return profiles. Green hydrogen projects in KSA, UAE and Oman will be implemented as a result of focussed national strategies. Complex hard and soft infrastructure project development will require regional and global firms to partner, collaborate and innovate to deliver on ambitious plans.

### ■ **Regional champions will rise**

The regional champions trend will continue across key sectors such as Construction, Healthcare and Infrastructure services, in conjunction with transactions centred around international interest in JVs and partnering, to deliver skills and technologies for complex mega projects in AI, Digital Transformation and advanced manufacturing.



## **LUMINA VIEW**

**2024 will be a year in which global economies – and dealmaking – recovers. The region has enjoyed two years in being one of the few global bright spots for deals and has attracted a broad range of high quality talent and transactions. 2024 will be the year where Middle East deal quality, sophistication and size starts to compete for attention at Board levels globally. With the myriad of opportunities available, the region is well positioned for an extremely strong 2024.**

# Contributors



**Andrew Nichol**  
Partner

Andrew leads on Lumina's private equity, family office and global corporate transactions. He combines buy-side direct investing with lead-advisory experience, with a 20-year background in cross-border M&A, private equity and capital raising mandates. Andrew has previously worked with the UK government (UKTI, now part of DIT), as a special advisor, facilitating GCC investments into the UK.



**George Traub**  
Managing Partner

George is responsible for delivering on Lumina's global expansion and overall client delivery. He is a senior banker, finance professional and entrepreneur who has enjoyed a global career as a Managing Director, a CEO and a Partner at multinational investment banks, global advisory firms and regional financial institutions.



**Gareth Williams**  
Associate Partner

Gareth is an experienced corporate financier with 15 years' experience in corporate finance and M&A across the UK and Middle East. Gareth takes an integral transaction execution role on all key mandates and works closely with both our UK and regional clients to successfully deliver cross-border transactions across multiple sectors.



**Juel Chowdhury**  
Associate Director

Juel brings over a decade of M&A experience in corporate finance, M&A and advisory services across the UK and the Middle East. Engaging closely with business owners, management, and corporate entities, Juel plays a central role in deal execution to successfully help deliver domestic and cross-border transactions spanning a broad range of sectors.



**Saheta Ochani**  
Senior Associate

Saheta is a Chartered Accountant with 7 years of experience in Corporate Finance and Transaction Advisory services. She has worked on M&A transactions across Middle East and Asia in multiple sectors including Industrials, E-commerce, Real Estate, F&B, Oil & Gas and Pharmaceuticals. In her role as a Senior Associate, she works with the team to successfully execute diverse M&A advisory engagements.



## **LUMINA**

Lumina Capital Advisers Limited (“Lumina”) focuses on transactions between the Middle East and the UK. From its hubs in London and Dubai, Lumina’s team of experienced dealmakers brings senior level international expertise to family conglomerates and private equity clients from the region, the UK or around the world.

With over 100 years of collective experience, the team at Lumina has advised on more than 100 M&A, financing and restructuring transactions across the globe. They have consistently delivered unconflicted, dynamic and international standards of deal execution with long-standing counterparty relationships. Lumina is regulated by the DFSA.



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