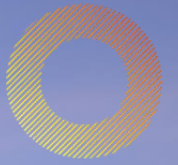


Lumina Middle East Cross-Border M&A Survey



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September 2023

Scope of survey...a barometer of real-time activity

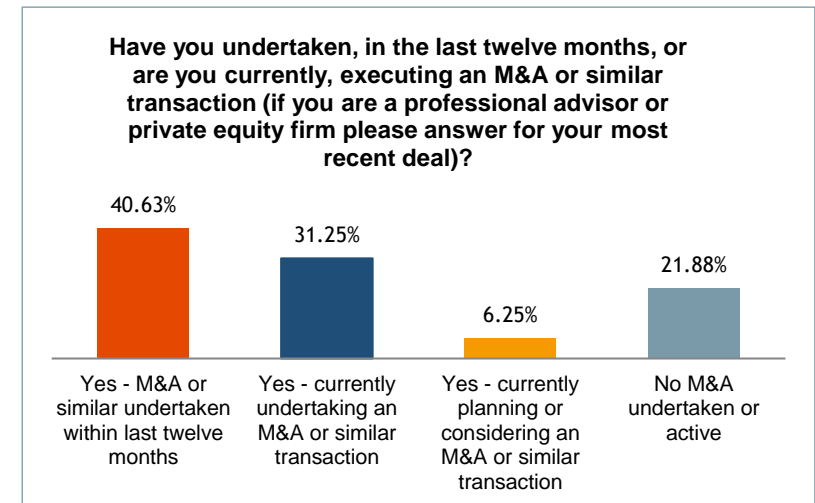
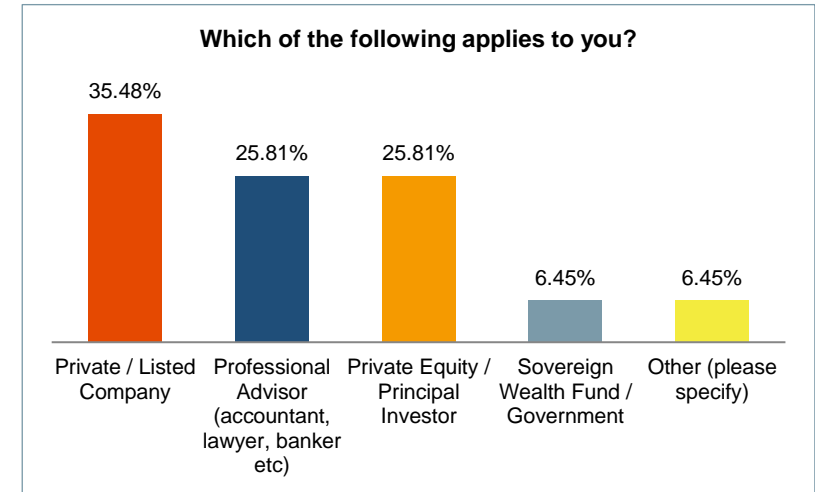
We surveyed senior M&A dealmakers from the GCC and the UK including corporates, professional advisors, private equity and Sovereign Wealth Funds (“SWFs”)

c.80% had executed an M&A or similar transaction in the GCC in the last 12 months or are currently executing a transaction

Includes results from Lumina’s own transactions, clients and experiences

Note: multiple answers to responses means that not all percentages sum to 100%

“ A barometer of current market sentiment and forward looking activity ”



Geographical trends...inbound UAE and KSA equal

Inbound interest

c.40% seeking an inbound transaction into the Middle East in the next 18 months

Regional M&A market

Continues to thrive with c.70% transacting cross border within the GCC against the backdrop of a global slowdown

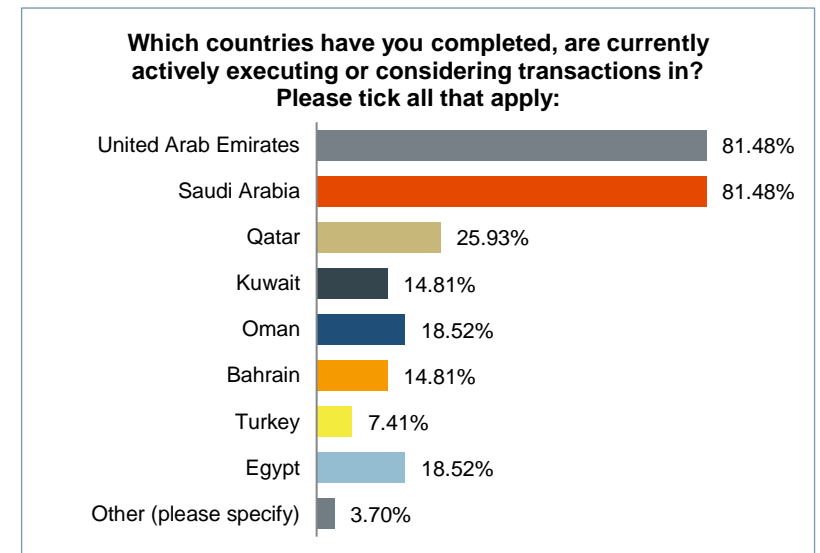
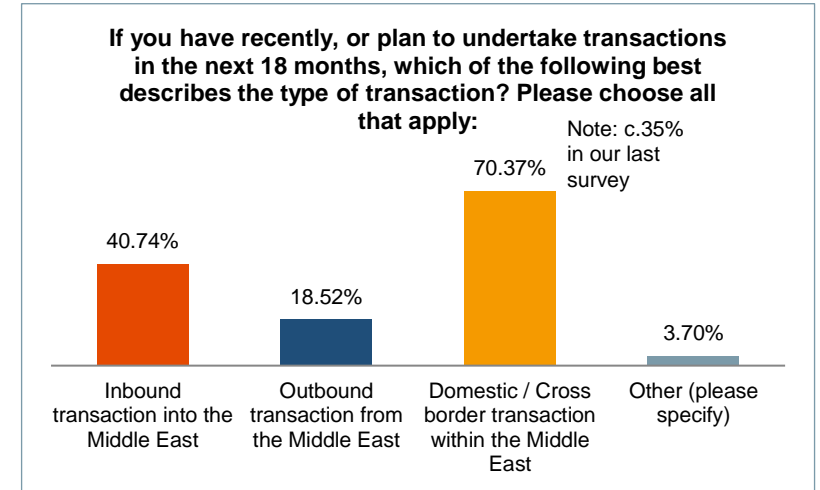
Interest equal for both UAE and KSA

Both by far the most sought after M&A markets

UAE as a regional base

With focus on specific sectors in KSA or as a regional platform on a "buy and build" out into the wider region

112% increase in inbound interest since our last survey in 2019. However, capital raising extremely challenged



Key sector themes...driven by SIPs and Vision 2030

Infrastructure services

KSA focus given \$900bn infrastructure spending plan and megacities including sustainability, technology and automation

Digital transformation

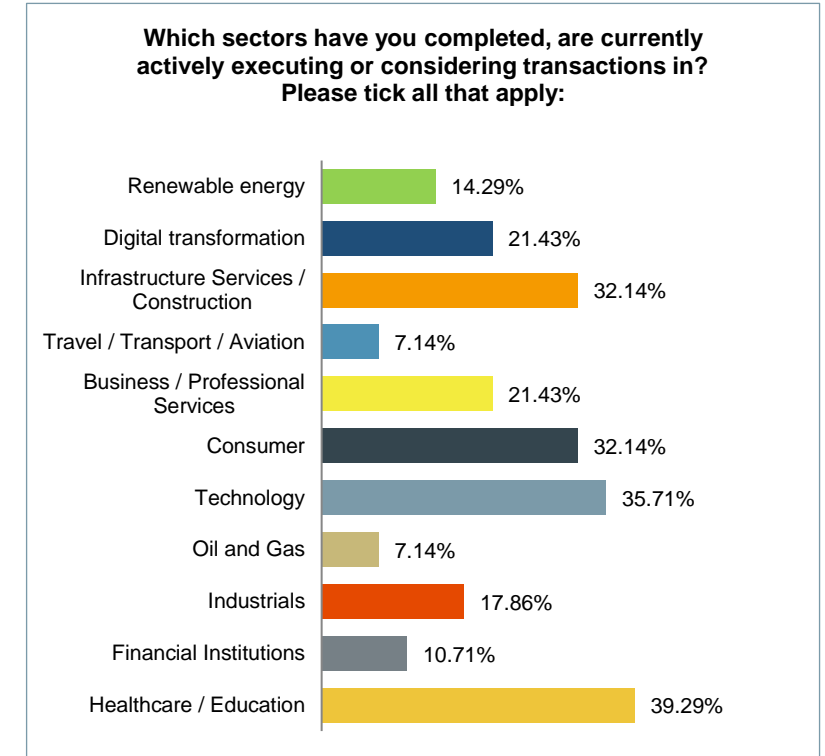
Including data centers, cybersecurity and AI critical to the development of advanced infrastructure smart services

Healthcare / Education

Population growth goals, healthcare systems and infrastructure, importing know-how, operational excellence and international partners

Consumer

Social and economic reforms in the region, focus on entertainment, sports & gaming, F&B and retail



Infrastructure services across energy transition, healthcare and technology (including digital transformation) driven by Sovereign Investment Partnerships and Vision 2030



Types of transactions...regional champions and JVs

Acquisitions

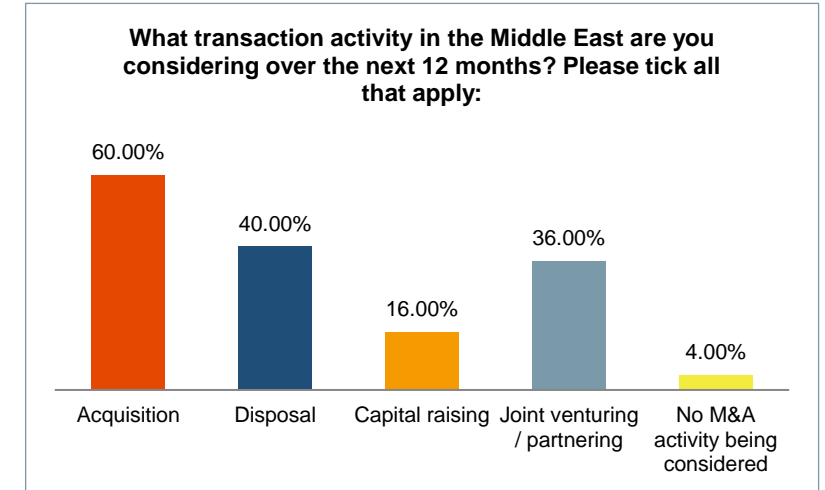
Forming of regional champions driven at a federal level in UAE, fuelling acquisitions in infrastructure, construction and contracting

Joint Venturing / Partnering

Driven by the scale of increasingly complex projects, centres of excellence approach and requirements driven by KSA

Disposals feature highly

M&A being actively used by family conglomerates across restructurings, succession planning and streamlining as part of IPO/listing preparations



Internationals seeking regional access through JVs, partnerships and capabilities in KSA.

UAE forming regional champions through acquisition strategies at a federal level



Key inbound challenges...valuation, delays to deal timing

Valuation alignment

Particularly in cross border deal situations with differing perception of in-region risk versus out-of-region inbound risk

Internal / stakeholder approvals

Top-down approach and, at times, unstructured decision-making not uncommon in region, leading to deal risks at key transaction stages

Deal timings / delays

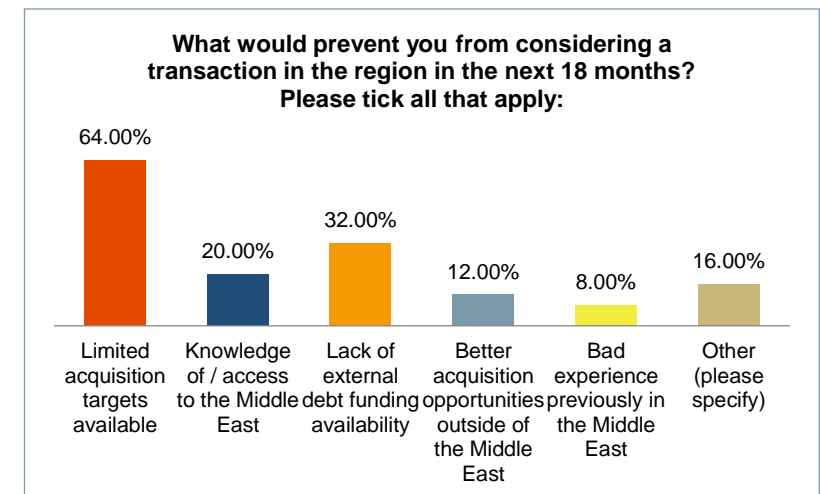
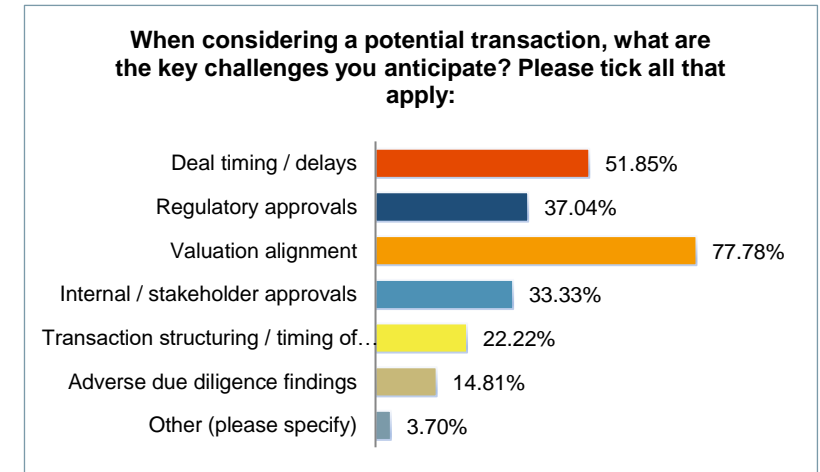
12-18 months and “second bite at cherry” approach not uncommon in the region, versus 6-9 months in UK/Europe

Limited acquisition targets

Limited size and scale of regional targets as a substantial platform for regional access



Differing risk perception of internationals leading to valuation mis-alignment. Deal delays and knowledge / access to region leading to JV / partial structures in key sectors



Deal sizes and funding...mid-market with equity still king

Deal size

Vast majority of deals in lower mid-market (below USD250m)

Equity and deferred

76% of respondents stated equity as the funding method for acquisitions, along with a significant component of deferred / earnout

Debt

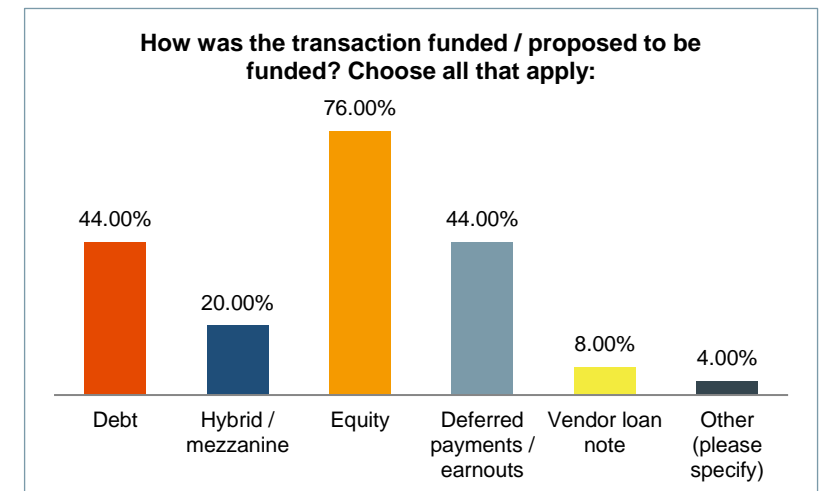
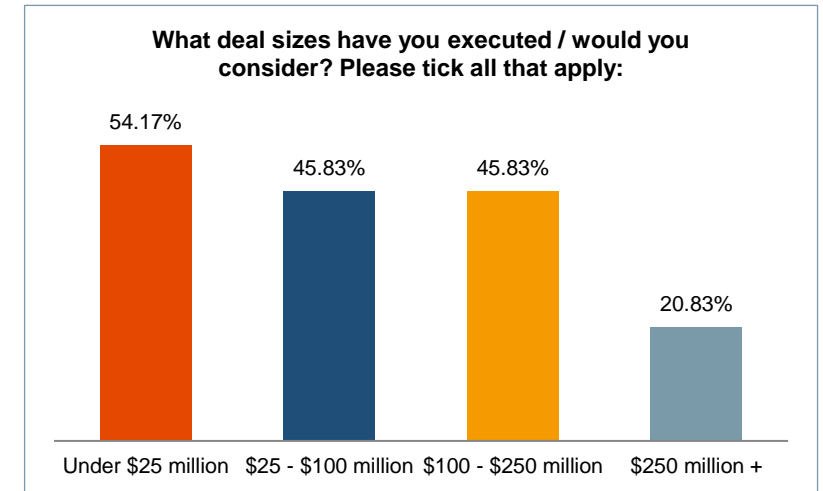
44% use debt as a major source of funding for transactions, however against a backdrop of larger deal sizes being the domain of SWFs and quasi-government access to borrowings

Hybrid / Structured

Private credit funds more competitive and flexible given higher cost of senior debt borrowing



Increasing deal sizes since our last survey, with a shift from <USD100m upwards to <USD250m. Increasing use of debt, driven by SWFs and quasi government access, however limited availability for private transactions



Advisor selection...track record, responsiveness and market access are key

Use of external advisors

Vast majority use external M&A advisors, evenly split between investment banks, Big 4 and specialist corporate finance firms

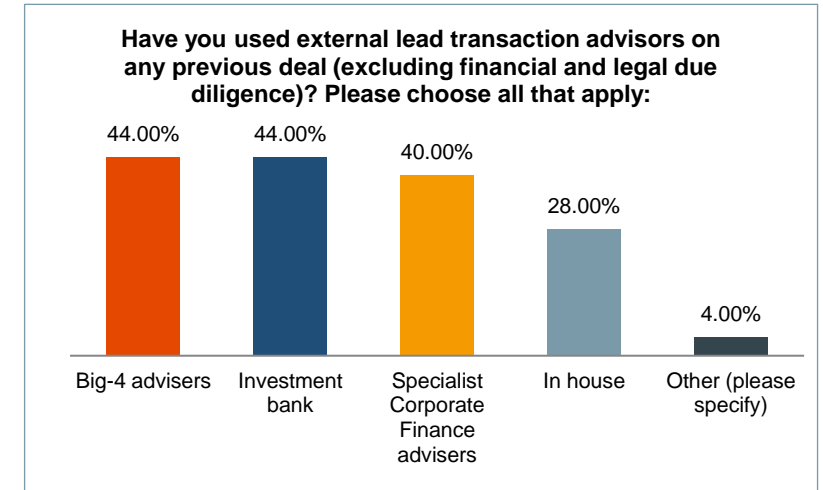
Responsiveness and market access

Market knowledge, communication and responsiveness of team stated as key elements when selecting an advisor

Fees

Do not feature as a major factor, increased understanding of M&A and increasing size and complexity of transactions

“
The market is sophisticated with the vast majority of clients relying on the expertise of regionally based advisors particularly in cross border situations
 ”





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Lumina views and key takeaways

1

112% increase in inbound interest since our last survey, however capital raising extremely challenging

2

Infrastructure services including energy transition, digital transformation and healthcare sectors driven by sovereign investment partnerships and Vision 2030

3

UAE forming regional champions in key sectors through acquisition strategies at a federal level

4

Internationals seeking regional access through JVs, Partnerships and local capabilities in KSA

5

Differing risk perception of internationals leading to valuation mis-alignment

6

Deal delays and knowledge / access key challenges to transacting

7

Increasing deal sizes since our last survey, with a shift from <USD100m upwards to <USD250m

8

Increasing use of debt, driven by SWFs and quasi government access, however, limited availability for private transactions

9

The market is sophisticated with the vast majority of clients relying on the expertise of regionally based advisors particularly in cross border situations





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