



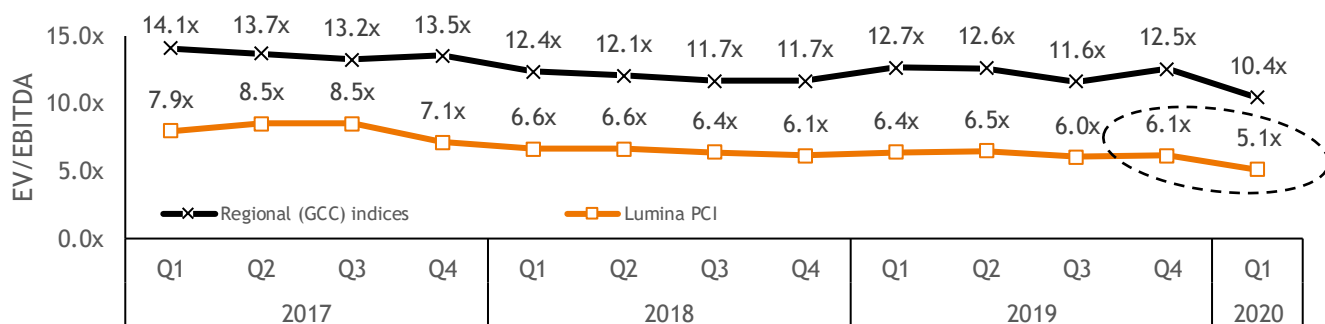
LUMINA

LPCI  
Q1 2020

# LUMINA PRIVATE COMPANY INDEX ("LPCI")

*The first private company M&A index covering the GCC.*

*The LPCI tracks private company M&A transaction multiples across a broad range of sectors in the GCC. The index contains average pricing multiples\* from proprietary transactions on which LUMINA has advised, together with publicly available information on other private transactions in the market. The GCC Indices comprise average valuation multiples of the GCC public exchanges weighted by their respective market capitalisations.*



Source: LUMINA transactions, Bloomberg, MergerMarket

Note: \*Excludes Technology deals



## Regional trends

**Decrease in the LPCI** in Q1 2020 from 6.1x to 5.1x, clearly reflects the market's reaction to Covid-19.

Note that companies have not published their Q1 2020 results yet, and hence, the Q1 multiple reflects the current market valuation compared to the Q4 performance. I.e. after publication of the Q1 results, multiples could bounce back (partly) if results are in line with investor's expectations.

The speed at which equity valuations are changing right now is unprecedented. **The gap between sellers' valuations and those of buyers widen in times of stress**, which is reflected in the number of deals that are put on hold currently.



## M&A processes put on hold

Private equity / family holdcos are focused on managing their existing portfolio companies, rather than adding new investments. We expect those with dry powder to take advantage of attractive valuations over the coming months.

**Focus is on liquidity positions**, i.e. have companies drawn on their available credit facilities? What planned expenses may now be saved and investments delayed? What additional capital is required to see out the crisis?

In the meantime **management teams are asked for updated business plans, taking account of the virus, and stress testing for a U-shaped rather than a V-shaped recovery**, along with projections for liquidity and capital needs.



## Outlook

Sectors like biotech, health-tech, cyber security and e-commerce are expected to remain attractive despite the current crisis.

During Q1 we saw two deals close in these areas just prior to Covid-19. **Etisalat acquired Help AG**, a cybersecurity solutions and services provider, whereas **Dubai based - Kitopi**, a cloud kitchen operator – **raised \$60 million** in a Series B round.

Finally, now that **NMC has been placed into administration** by a UK court following a petition brought by its biggest creditor, Abu Dhabi Commercial Bank, we expect deal activity in the form of asset disposals to emerge from this process.

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