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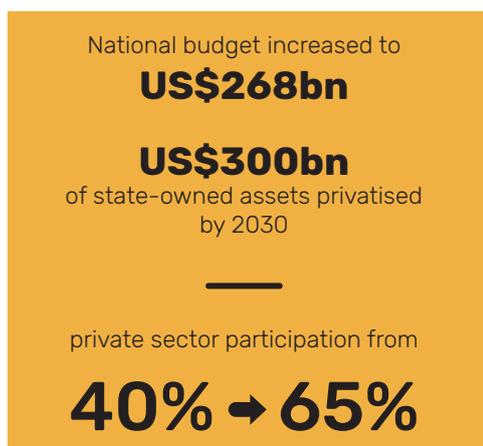
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The Middle East Investment Landscape – A Distinct Perspective

Investment in growth is firmly on the agenda within the Middle East region. Considering the strong expectations by the Cooperation Council for the Arab States of the Gulf (GCC) at the start of 2017 for deal activity and foreign direct investment (FDI), the drop of 23%* year-on-year was disappointing. FDI into the Kingdom of Saudi Arabia (KSA) over the same period was down 80%, spurring multiple initiatives to drive growth across the region.

For example, KSA increased its national budget from US\$253bn to US\$268bn and implemented initiatives to drive infrastructure investment and legislation to support the private sector and wider privatisation programmes. We believe this will accelerate GDP growth in 2018 in specific sectors that are key to the Government's vision. The case for this growth is supported by the following:

- The Saudi Arabian General Investment Authority (SAGIA) having expanded the range of sectors in which foreign investors can own 100% of a company – including retail, wholesale trade and engineering.
- Substantial activity linked to the KSA government's ambitious Vision 2030 plan and corresponding infrastructure and manufacturing investment.
- KSA privatisation driving some of largest global investment opportunities. As part of KSA's Vision 2030, the Government has ambitious plans to privatise c.US\$300bn of state-owned assets and drive private sector participation from 40% of GDP to 65% of GDP.



Lumina view: significant opportunities for UK companies and investors in phase one of KSA privatisation strategy particularly in



education, transport, aviation, ports, logistics

Societies across the Middle East are opening up and creating opportunities for foreign investment. The first four months of 2018 alone saw as many deals close in Saudi Arabia as were seen in the whole of 2017, with healthcare and industrial sectors leading the way.



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Range of sectors foreign
investors can own

100%

now includes:
engineering, retail,
wholesale trade



This move has been promoted by more reasonable valuations and the need to dispose of non-core assets. UK investors, particularly in healthcare, were highly active in this period.

Generally, sovereign wealth and government investor focus has been on renewables and technology linked sectors. Inward investments and partnerships have included Google (national IT/cloud), Raytheon (cyber security), Softbank (US\$200bn solar infrastructure), and the UK Government (Clean Energy knowledge sharing).

Outward foreign investment from the region has been relatively consistent over the last four years – although we expect to see increased levels of capital turnover in Saudi Arabia as privatisation and the Government's initiatives to attract foreign investment continue. This will allow the Public Investment

Fund (PIF) to execute its global investment mandate and diversify away from core oil revenues as demonstrated by flagship investments into Uber and Tesla. The KSA Government is extremely keen to attract and invest into foreign skills and technologies that they can import into the Kingdom.

What does this mean for UK companies?

Middle East governments are actively strengthening bilateral trading relationships with key UK partners given the implications of Brexit. In particular:

- **Priority sectors are underserved with significant growth potential** across healthcare, education, technology and social infrastructure. The UK's leading position in these areas makes a compelling case for cross-border partnerships into the Middle East
- Diversified conglomerates are seeking to focus on core skills and areas of expertise, **divesting non-core assets** creating opportunities for private equity and strategic investors
- Focussed conglomerates and Government entities seek experienced partners to **import technology and know-how** transfer into the region as a strategic priority
- Technology and skills transfer presents immediate opportunities for the UK knowledge-based sector. **Capital from the region is more readily accessible** for UK investment to achieve this objective
- Privatisation of infrastructure, power and utilities sectors are creating **institutionalised opportunities for experienced UK project financiers and operators**

**To discuss how Lumina can assist with your business in the Middle East ,
contact Andrew Nichol, Partner, by emailing anichol@lumina-advisers.com**