

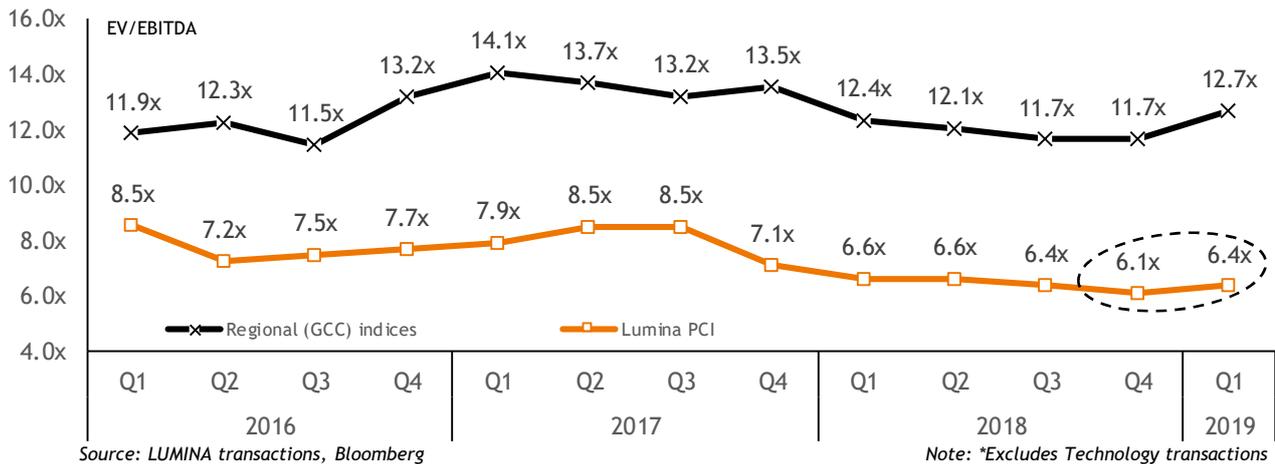


LUMINA LPC Q1 2019

INTRODUCING THE 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.



“Downward trend in LPCI with widening spread reflecting access to funding risk”

“Value seen in healthcare, food security and industrials likely to drive M&A in 2019”

“Outbound M&A set to continue, driven by know how and skills transfer into the region”

Regional GCC trends

The *downward trend* in the LPCI, and increasing spread versus GCC public company indices are reflective of continuing challenges facing the construction and contracting sector, *now affecting wider sectors* and business confidence in general.

In some cases, already strained balance sheets, compounded by a dearth of credit for private companies compared to their public peers, shows an *increasing spread* reflecting risk pricing at the private company level.

We have, however, seen some *encouraging early signs into 2019*, and some evidence is seen in Q1 2019 with a pick up from 6.1x to 6.4x.

Valuations are seen as increasingly attractive in defensive sectors such as healthcare, food security and industrials. We expect to see these sectors drive most of private company M&A in the region in 2019.

Saudi Arabia

In Saudi Arabia, we find *much more optimism going into H2 2019* and beyond. Probably the most confident we have seen the market for the past 18 months.

The recent recovery in oil price, a strong stock market performance by the Tadawul and inclusion in the MSCI index is driving a return of business confidence.

Renewed international interest in the Kingdom for Saudi Vision 2030 and some evidence of public sector investment now flowing into private sector leading to the trickle down into consumer spending.

Societal and cultural change across Saudi Arabia is creating opportunities for inbound foreign investment and, in general Middle East governments are keen to acquire skills and technologies overseas that they can attract, import and develop further within the region.

Cross-border investment

With private equity in the region playing defense, transactions are primarily driven by family offices and strategic buyers.

While we see value at current levels in healthcare, food security and industrials, investment continues to be stifled by a scarcity of quality assets and sizeable opportunities are limited. *Local and regional capital therefore continue to seek M&A opportunities outside the region.*

We expect outbound capital flows to continue with the UK and Europe continuing as prime recipients.

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