

M&A Deal Review

Q1-Q3 2020 MENA Region

Deals Snapshot

For the period Q1-Q3 2020, a total of 192 deals were announced in the MENA region, of which 87 deals had disclosed values. The disclosed deals represented a total deal value of US\$22.1 bn. The uncertainty created by the COVID-19 pandemic resulted in a 80% decline in deal value during Q1-Q3 2020 compared to the same period last year, despite a consistent level of deal volumes. Average deal size declined by c. 42% to US\$252 mn in Q1-Q3 2020 from US\$433 mn in Q1-Q3 2019 (excluding the US\$69 bn SABIC acquisition by Saudi Aramco). Q1-Q3 2020 deal value was primarily driven by one large-sized transaction in the Banking, Financial Services & Insurance (BFSI) sector in Saudi Arabia.

Key Observations

- The GCC countries as a block remained the major contributor to the total Mergers & Acquisitions (M&A) in the MENA region, with a contribution of 92% to the total MENA region deal value in Q1-Q3 2020. This was lower than 96% in Q1-Q3 2019. Deal value from GCC countries amounted to US\$20.5 bn with a total deal count of 97 (51% of total deals) in Q1-Q3 2020.
- Saudi Arabia retained its position as the leader of M&A activity by deal value in the region. This was primarily on the back of one large-sized deal – the on-going acquisition of Samba Financial Group by The National Commercial Bank, Saudi Arabia valued at US\$15 bn. UAE was the second largest M&A market by deal value and the top country by deal size with 50 deals during Q1-Q3 2020.
- In Q1-Q3 2020, the BFSI sector emerged as the key sector by deal value, overtaking the energy sector's position from Q1-Q3 2019. Significant activity was observed in the BFSI sector, driven by consolidation among financial institutions. Industrials and Information, Communication & Technology (ICT) sectors were the other top sectors emerging during Q1-Q3 2020.



192

Total Deal Count
(Disclosed & Undisclosed) in
Q1-Q3 2020

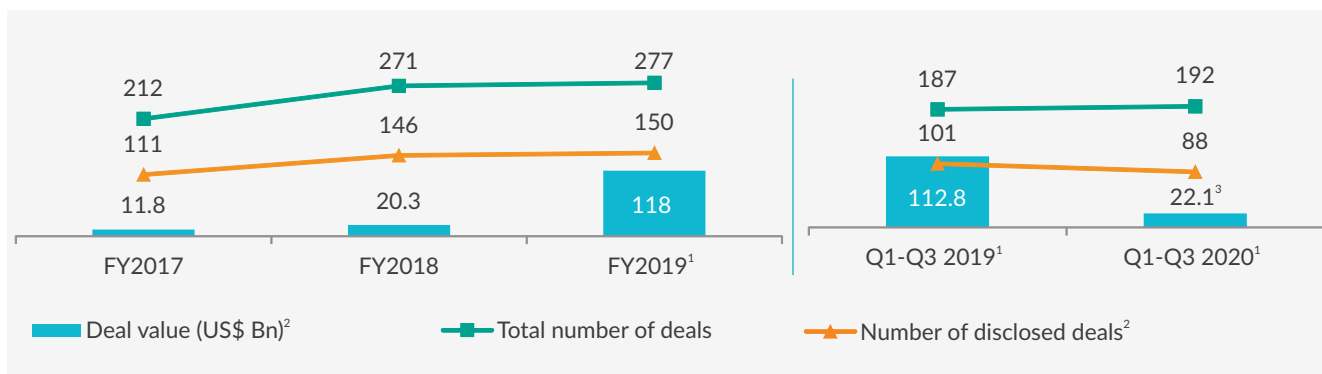
US\$22.1 Bn

Total Disclosed
Deal Value in
Q1-Q3 2020

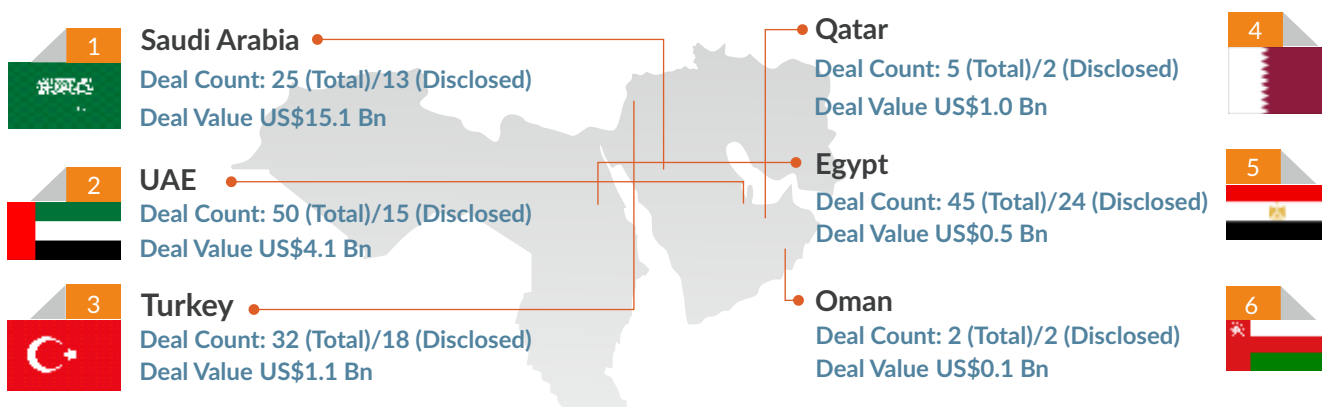
US\$15.5 Bn

BFSI sector has the highest
M&A activity by Deal Value in
Q1-Q3 2020

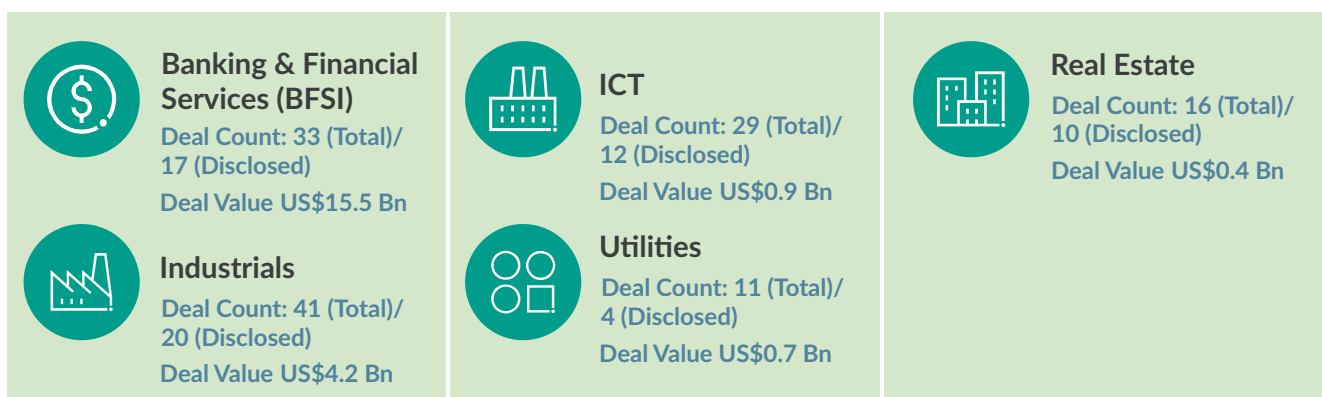
M&A Deals Trend in the MENA Region



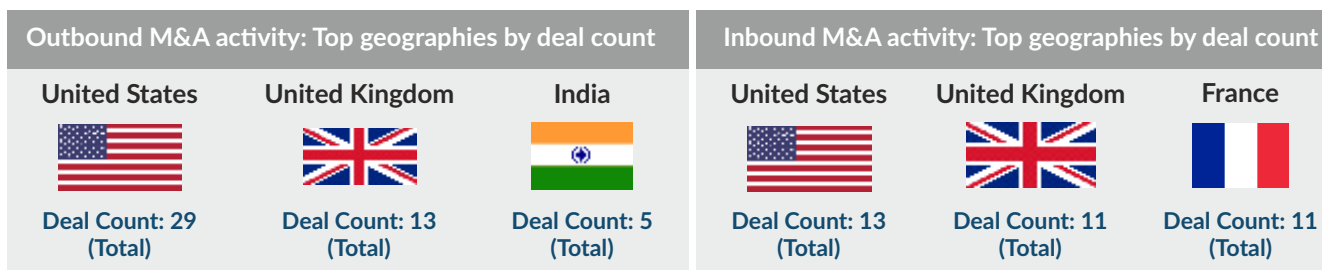
Deal Activity by Country⁴ (Q1-Q3 2020)



Deal Activity by Sector⁴ (Q1-Q3 2020)



Cross-Border Deal Activity⁵ (Q1-Q3 2020)



Notes:

- 1) FY2019 and Q1-Q3 2020 deals include both completed and announced deal whereas for FY2017 and FY2018 deals that have been closed are included.
- 2) All deal values and deal counts are based on publicly available information.
- 3) In the Q1 2020 M&A Deal Review publication, the acquisition of Tunisie Valeurs SA by Banque Internationale Arabe de Tunisie was incorrectly represented as US\$13.2 Bn instead of US\$13.6 Mn as per the publicly available data. This public information was subsequently rectified and is correctly represented in this report.
- 4) Deal activities by country and sector reflect the deals of the target country and the target sector respectively. Kindly note that rankings under these sections are based on deal value for disclosed deals.
- 5) Top geographies are identified based on the total number of deals (disclosed and undisclosed).

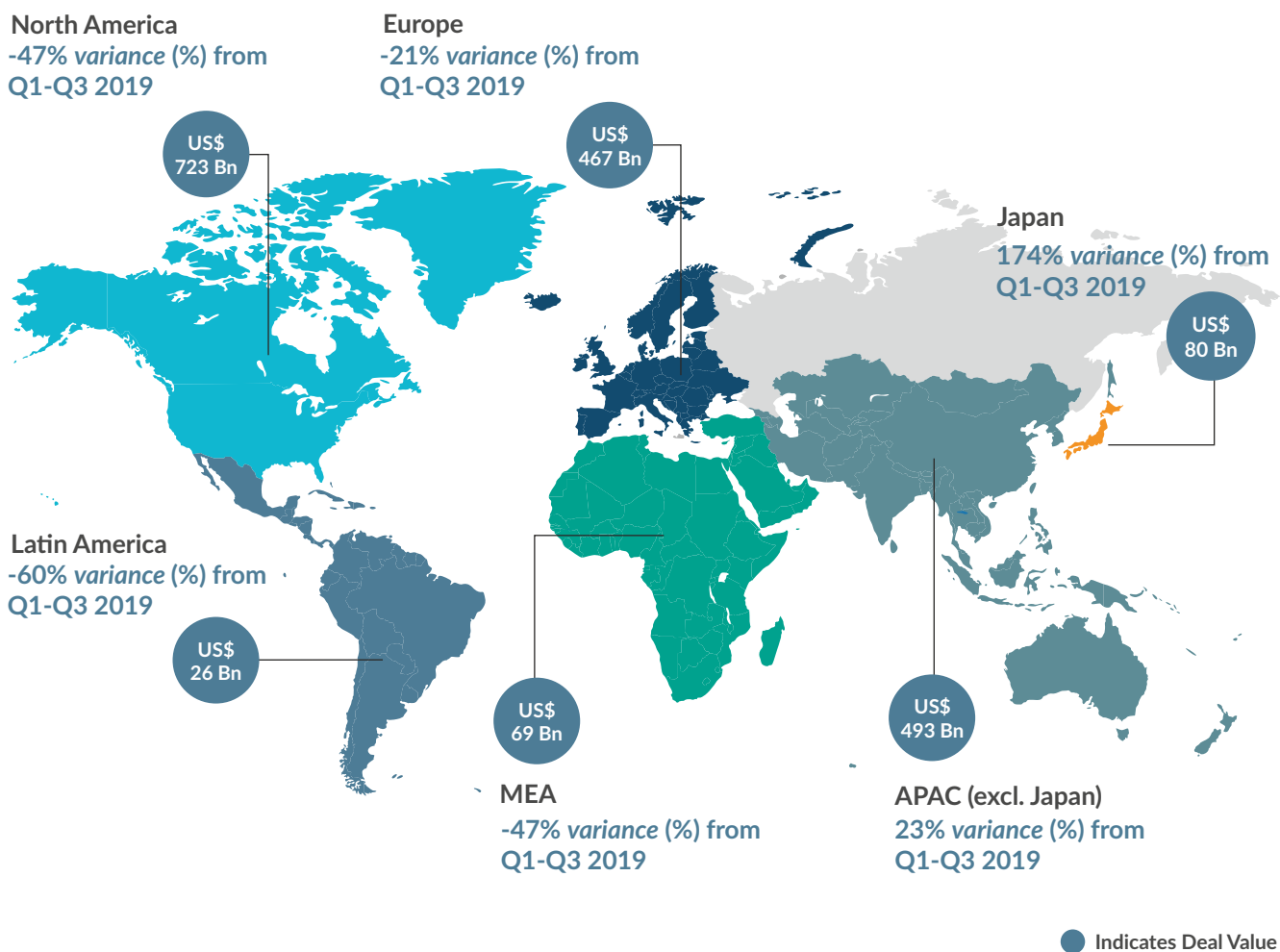
Sources: S&P Global, Bloomberg, Secondary Research, Protiviti Analysis.

Update on Global M&A Outlook

The first two quarters of 2020 witnessed a slow-down in global M&A activity due to the economic uncertainties caused by COVID-19. However, Q3 2020 witnessed a rebound in deal activity with the announcement of large deals. Global deal value declined by 32% to US\$1,860 Bn in Q1-Q3 2020 from US\$2,463 Bn in Q1-Q3 2019, with most regions across the globe recording a decline in deal value and only the APEC region witnessing an upward trend.

Nearly 48% of total deals during the first three quarters (amounting to US\$896 Bn) was recorded in Q3 2020.

Region-wise Deal Value in Q1-Q3 2020



While all global markets witnessed a slump in Q1 2020 due to the lockdown and economic standstill, APAC countries started to recover their economies in Q2 2020 and witnessed significant growth in Q3 2020 with 3 of the largest deals globally announced in China and Japan during the quarter.

The other regions observed a delayed recovery with the downward trend continuing in Q2 2020 and the recovery commencing in Q3 2020, driven by a large volumes of tech deals. For Q1-Q3 2020, deal value in North America amounted to US\$723 Bn, a 47% decline from the same period last year, while the deal value in Europe declined by 21%.

Sources: S&P Global, Bloomberg, Mergermarket, Secondary Research, Protiviti Analysis.

Key Emerging Trends



ICT sector to remain leader

- The impact of the global pandemic and the new work-from-home norms led to a surge in ICT sector deal activity during Q3 2020, with a deal value of US\$301.5 Bn from 760 deals. This represented a 126% increase in deal value compared to Q3 2019.
- Two key deals include the acquisition of Arm Ltd. by Nvidia Corporation from Softbank for a deal value of US\$40 Bn and the US\$30 Bn acquisition of Maxim by Analog Devices.
- ICT and digital technology are expected to retain their position as the top sector over the next 6 months as the world adapts to the new normal.



Rebound of energy & utilities sector

- Deals in the energy, mining and utilities sectors witnessed a slump during Q1 2020 with deals valued at US\$33 Bn; however this sector bounced back in Q3 2020 with a deal value of US\$169 Bn, 117% higher than Q3 2019.
- The largest deal was PetroChina's sale of its pipeline assets valued at US\$49.1 Bn. This was the largest deal globally during Q1-Q3 2020.



Emergence of healthcare and biotech sector

- The pharma, medical and biotech sectors attracted substantial deal activity with 364 transactions announced, valued at US\$91.7 Bn. This reflected a 9% increase in deal value from Q3 2019, despite a 20% decline in deal count for the same period.
- Notable deals include the acquisition of biotechnology firm Immunomedics for US\$19.4 Bn by Gilead and the US\$16 Bn acquisition of Varian Medical by Siemens Healthineers.

How we can help

We offer a range of bespoke transaction services in the region with our team of highly qualified professionals, having an extensive experience across industries.

Transaction Support



- Financial Due Diligence
- Buy-side, Sell-side and Management Buy Out/In Advisory
- Financial Modelling (preparation and review)
- Private Fund Raising

Valuation



- Business Valuations
- Impairment Testing (assets goodwill and intangibles etc.)
- Purchase Price Allocations
- Intangibles Valuations

IPO



- IPO Readiness Assessment and Reporting Accountant Work
- Preparation of Prospectus
- Registration Process Support

Other Transaction Services



- Bid Preparation Support
- Divestments and Disposals
- Feasibility Studies and Business Plan Support
- Market Study and Research Support
- Privatization

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