

## Press Release

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### Middle East M&A holds steady during the first quarter of 2020 amid COVID-19 outbreak: Baker McKenzie Report

**Dubai, UAE, 11 May 2020** – Against the backdrop of continued business and societal disruption caused by the COVID-19 pandemic, M&A activity in the Middle East still showcased some stability in the first quarter of 2020, increasing in value by over USD 5 billion and in volume by 6 additional deals in comparison to Q4 2019, according to the latest report by global law firm Baker McKenzie\*.

“It is evident that the current global situation has caused a slow down in the growth of M&A activity in the Middle East, but Q1 2020 seems to have benefited from last year’s momentum” said Omar Momany, Partner and Head of the Corporate and Commercial Practice Group at Baker McKenzie Habib Al Mulla.

“Given the current economic environment and the level of uncertainty that exists due to COVID-19, we can potentially expect two possible scenarios moving forward. The first is a further slow down in the M&A volumes and values in the next two and possible three quarters reflecting on the global uncertainty, investors’ anxiety and shift of priorities. The second scenario is that growth continues but at a much slower pace and value, similar to that of Q1 of the current year, driven by companies being interested to join forces in an attempt to mitigate losses and consolidate and driven by availability of quality assets and targets available at lower valuation. This is certainly an unprecedented time and one can only speculate as to what the short-term future will hold in relation to M&As in the region.” Momany added.

#### **Middle East M&A activity**

Total Middle East M&A deal activity jumped to USD 9.3 billion out of 95 deals in Q1 2020, up from nearly USD 4 billion out of 89 deals in Q4 2019. The top five largest deals were valued at 7.4 billion, accounting for almost 80% of total deal values. Furthermore, industries that secured the most value for its deals were Industrials with USD 1 billion followed by High Technology with USD 190 million.

**Cross-border** deal activity in the region increased slightly in Q1 2020, with 63 deals valued at USD 4.8 billion, up from 58 deals amounting to USD 3.6 billion in the previous quarter.

**Domestic** deal activity also increased in comparison to the previous quarter. While deal volumes remained relatively flat, there was a substantial increase in deal values as the region secured USD 4.44 billion in Q1

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2020, up from USD 378 million in Q4 2019. This was largely driven by Port & Free Zone World's USD 2.71 billion acquisition of DP World and Qatar Petroleum's USD 1 billion acquisition of Qatar Fertilizer.

### **Inbound Cross-regional Middle East M&A**

While the volume of deals into the Middle East remained the same in Q1 2020, the total inbound deal values increased to USD 1.19 billion, up from USD 101 million in Q4 2019.

India was the **top acquirer country** for inbound investment into the Middle East in Q1 2020 in terms of volume with 7 deals valued at USD 130 million. The US was the top acquirer country in terms value with USD 1.06 billion and ranked second in terms of volume with 4 deals. The UAE remained the **most attractive foreign investment destination** both by volume and value with 16 deals amounting to USD 1.1 billion.

High Technology was the **top target industry** by volume with seven deals valued at USD 190 million while Industrials was the top target industry by value led by Altavair's USD 1 billion acquisition of Etihad Airway's commercial aircraft portfolio.

### **Outbound Cross-regional Middle East M&A**

Outbound M&A activity from the Middle East into other regions increased by volume and value, from 30 deals valued at USD 3.47 billion in Q4 2019 to 36 deals valued at USD 3.6 billion in Q1 2020.

The UAE was the **most acquisitive country** by volume in Q1 2020, with 11 outbound deals amounting to USD 352 million. Saudi Arabia was the top acquirer country by value with USD 2.6 billion and ranked second by volume with 9 deals.

The US was the **top target country** for outbound deals in terms of volume benefiting from 12 deals valued at USD 820 million followed by Egypt (6 deals) and the United Kingdom (3 deals). Egypt however, was the **most popular target country** by value as its deals accounted for USD 2.4 billion or 66% of all outbound activity from the region.

The Telecommunications industry led by value featuring Saudi Telecom's USD 2.39 billion acquisition of Vodafone Egypt. The Real Estate industry led by volume with 7 deals and ranked second by value securing USD 547 million.

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Momany concluded, “Amid uncertain times, similar to the one we are currently facing due to the outbreak of COVID-19, some businesses will likely emerge and outperform in the medium and long-run. Dealmakers will view this as a good time to make deals at lower valuations.”

- Ends -

### Notes to editors

#### About Baker McKenzie Habib Al Mulla

Baker McKenzie Habib Al Mulla brings over 30 years' local know-how and extensive global resources to clients in the region, and is the only international law firm in the UAE with full rights of audience before all UAE and DIFC courts. We deliver unmatched on-the-ground support that reflects a deep understanding of local legal, regulatory and commercial practices. Our multidisciplinary team of 60 lawyers offers a full range of local and international legal advice across our offices in Dubai and Abu Dhabi, in both English and Arabic.

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#### \* Methodology - Cross-border M&A

The information in this press release is based on Refinitiv data for global announced M&A transactions with standard exclusions. We define cross-border deal-making as any M&A activity involving a bidder and target based in separate countries, cross-regional (or interregional) deal-making as any M&A activity involving a bidder and target based in separate regions, and domestic deal-making as many M&A activity involving a bidder and target based in the same country.

For the purpose of this report, the Middle East was defined as: Bahrain, Iran, Iraq, Jordan, Kuwait, Lebanon, Oman, Palestine, Qatar, Saudi Arabia, Syria, United Arab Emirates and Yemen. M&A activity refers to all deals announced as at 07 April 2020.