

Press Release

A positive outlook for M&A activity in Egypt despite a slight downturn in 2022: Baker McKenzie Report

- M&A market in Egypt saw a slight dip in deal volumes and values in H2 2022 of FY 2022
- A slower global M&A activity in FY 2022 when compared to FY 2021 with an overall drop of 16% and 37% in volumes and values, respectively.
- Middle East deal volumes for the full year of 2022 were slightly up by 4% whereas values significantly dropped by 46% from the previous year.
- For the second half of 2022, the Kingdom of Saudi Arabia was the top acquirer country in volume and value with 14 deals totalling at USD 1.6 billion.

Cairo, Egypt, 15 February 2023 – Egypt's M&A outlook witnessed a slowdown during the second half of 2022 (H2 2022) which affected the full year outcomes of 2022 (FY 2022), according to the latest report by global law firm Baker McKenzie*, based on Refinitiv data for globally announced M&A transactions. For the second half year of 2022, total deal volume and value fell from 126 deals (with USD 4.3 billion in value) in H2 2021 to 115 deals (with USD 4.2 billion in value) in H2 2022. The average deal volume per month stood at 19 deals in H2 2022 compared to 21 deals in H2 2021. Similarly, for the full year of 2022, total deal volume and value slightly reduced from 243 deals with USD 9 billion in value in FY 2021 to 242 deals with USD 8.2 billion in value in FY 2022.

Overall M&A activity in the **Middle East** increased in volumes but decreased in values in both H2 2022 and FY 2022. Middle East dealmaking rose by 1% in H2 2022 with 248 deals and 4% in FY 2022 with 497 deals. However, total value declined by 60% to USD 18 billion in H2 2022 and by 46% to USD 40.4 billion in FY 2022.

Globally, the M&A activity experienced a slower pace in FY 2022 compared to the previous year which recorded the highest levels of dealmaking breaking a USD 5 trillion record for the first time ever. Deal volume in FY 2022 reached 52,835 compared to 62,889 in FY 2021, which is a decrease of about 16 %. Moreover, deal value reached USD 3.6 trillion in FY 2022, compared to USD 5.7 trillion in FY 2021, representing a 37% decline.

Commenting on Egypt's M&A activity for the second half of 2022, **Mohamed Ghannam, Managing Partner at Helmy, Hamza & Partners, Baker McKenzie Cairo**, said: "Despite increased global and domestic market uncertainties generally and significant devaluation of the Egyptian pound, we continue to see reasonably strong interest and opportunities in the Egyptian market preserving its momentum in dealmaking and further attracting local and international investors from across various sectors, particularly in defensive industries such as TMT, energy, healthcare and education, as well as financial services, to sign and close deals."

Total M&A Deal Activity Includes domestic and cross-border deals

On a local level, deal making in Egypt was down when looking at the half year of 2022 (H2 2022) in addition to the full year of 2022 (FY 2022). March and April were the highest two months for the period with 28 deals and value-wise, April was the top performing month for the period with USD 2.4 billion followed by August and July with USD 1.8 billion and USD 1.7 billion, respectively.

Overall, the preferred mode of M&A deals in the region for FY 2022 continued to be cross-border with companies further looking to expand its footprint in developing markets.

Domestic transactions slightly dipped in volume by 9% with 111 deals for the full year, however they significantly descended in value by almost half (46%) with USD 1.4 billion for the full year too. With regards to the half year analysis, Egypt's domestic deal volume reached 56 deals in H2 2022 compared to 59 deals in H2 2021. The country had an average of 9 domestic deals per month during 2022.

On the other hand, Egypt's **cross-border** deal volume exhibited a 12% decline, from 67 deals in H2 2021 to 59 deals in H2 2022 whereas deals value further increased from USD 3.4 billion in H2 2021 to USD 3.7 billion H2 2022. As for the full year of 2022, cross-border deals were higher than last year's in volume by 8% with 131 deals and likewise in value by 7% with USD 7 billion worth of deals.

Hani Nassef, M&A Partner at Helmy, Hamza & Partners, Baker McKenzie Cairo, said: "The second half of 2022 witnessed a number of top cross-border deals in Egypt as a key market for investors interested in the region. We have seen a number of inbound investments from gulf states, specifically from the UAE and Saudi Arabia, with appetite to continue to invest in Egypt with investments amounting at USD 2.3 billion from the UAE and USD 1.7 billion from Saudi in FY 2022."

"Additionally, when looking at the overall M&A activity in the Middle East, it is interesting to see Egypt leading the outbound destinations for companies from Middle East in 2022, with 27 deals during H2 2022 and 59 deals for the full year which further confirms the strength of Egypt's economy and its fast-paced growth in the past three years," he concluded.

Inbound Cross-Border M&A Deal Activity

Includes targets in Egypt and acquirers outside Egypt

Majority of cross-border deals were inbound in nature with 114 deals worth USD 4.8 billion compared to only 17 outbound deals totaling USD 2 billion in FY 2022.

Retail was the leading cross-border target sector in H2 2022, with 11 deals recorded during the period. This was followed by the sectors of **Financials** with 9 deals and **High Technology** with 6 deals.

In terms of value, the biggest deal in H2 2022 belonged to the **Materials** sector with USD 1.3 billion in total value featuring the acquisition of an undisclosed minority stake in Cairo-based Misr Fertilizers Production Co SAE by a unit of the Saudi Arabian state-owned Public Investment Fund - Saudi Egyptian Investment & Finance Co SAE. The same was applied to full year records as we notice **Materials** leading as a sector with a total value of USD 2.2 billion followed by **Financials** with a value of USD 1.5 billion.

Saudi Arabia was the **leading inbound acquirer** of companies in Egypt in H2 2022 and FY 2022 with 14 and 27 deals in the respective periods. Other active inbound acquirers included the United States and the United Arab Emirates with 10 deals each in H2 2022 and 21 and 24 deals in FY 2022, respectively.

The same applies when looking at value figures, where **Saudi Arabia** also came first amounting at USD 1.6 billion worth of deals followed by the United Arab Emirates with USD 248 million of deals in H2 2022. However, looking at full year figures (FY 2022), the United Arab Emirates came first with deals amounting at USD 2.3 billion followed by Saudi Arabia with deals worth USD 1.7 billion.

Outbound Cross-Border M&A Deal Activity

Includes acquirers from Egypt and targets outside Egypt

For outbound deals, the analysis reports very limited data on volume and value of deals but we have observed that deals mainly fall under the **Energy & Power** sector with 4 deals amounting at USD 1.7 billion in FY 2022.

Similarly, when analyzing the **top investment target country** for Egyptian companies in the region, we see limited data supporting this. However, looking at deal volumes, the United Arab Emirates was positioned first

in FY 2022 with 3 deals. As for values, Netherlands came first with deals worth USD 1.5 billion followed by Nigeria with deals at USD 300 million. The United Arab Emirates was also the leading outbound destination for companies from Egypt in H2 2022, with 1 deal during the period.

- Ends -

Notes to Editor:

About Baker McKenzie

Baker McKenzie helps clients overcome the challenges of competing in the global economy. We solve complex legal problems across borders and practice areas. Our unique culture, developed over 70 years, enables our 13,000 people to understand local markets and navigate multiple jurisdictions, working together as trusted colleagues and friends to instill confidence in our clients. (www.bakermckenzie.com)

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Helmy, Hamza & Partners, Baker McKenzie Cairo, is one of the oldest established international law firms in the Egyptian legal market. Combining in-depth knowledge of local laws with the experience of a global firm, we help you navigate the legal and business landscape in Egypt and worldwide.

Baker McKenzie Cairo currently employs approximately 40 lawyers, including 5 partners and 10 of counsels, all of whom have an outstanding knowledge of the local legal, business, social and cultural environment. While most of us are Egyptian by training, we are all international and global in our know-how, experience and practice.

Collaborating with colleagues in other firm offices as well as with local law firms where needed, we can seamlessly guide you through the intricacies of Egypt's regulatory environment without the interface issues that can occur between international and local counsel. Working as a cohesive team means we can provide efficient, high-quality service with less duplication.

We have unrivalled international resources across 78 offices worldwide. Practicing in Egypt since 1986, our firm is deeply committed to furthering your business interests both within the Middle East and globally.

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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 where the target is not in the same country as the acquirer ultimate parent, cross-regional (or interregional) deal-making as any M&A activity where the target and acquirer ultimate parent are based in separate regions, and domestic deal-making as any M&A activity where the target and the acquirer ultimate parent are 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 ranked as of 2 January 2023. Ranks may change after publication date due to new deal submissions and other updates after the deadline.