

ZEPHYR M&A Report

Middle East, Q3 2009

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The following report details mergers and acquisitions activity in the Middle East, excluding Israel, in the third quarter of 2009 using data from the ZEPHYR database. It focuses on deal activity by target company.

[Click here to access the raw data in an Excel spreadsheet.](#)

Deals by volume and value

The third quarter of 2009 brought a new high in the total value of Middle East M&A activity, with value up fourfold quarter-on-quarter at USD 15,649 million from USD 3,736 million in Q2 2009.

In monetary terms the result represented a marginal year-on-year increase of 1 per cent from the USD 15,508 million recorded in Q3 2008.

However, despite this improvement in value, volume retreated to a new low of just 39 transactions – half the number deals signed off in Q2 2009 and a deterioration of 58 per cent from the 92 transactions recorded in Q3 2008.

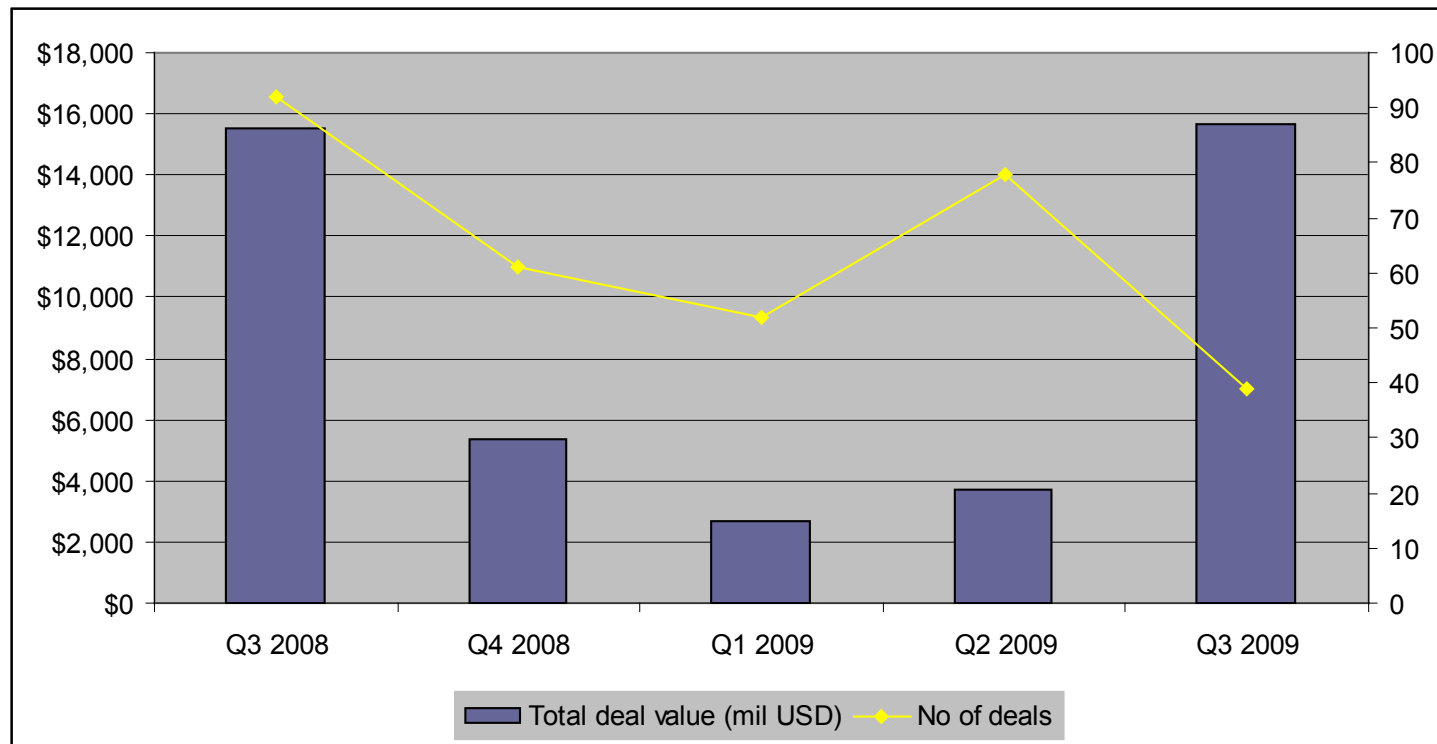
The contrast between volume and value indicates that while activity was stifled over the third quarter deals were of high value.

Announced date	No of deals	Total deal value (mil USD)
Q3 2009	39	15,649
Q2 2009	78	3,736
Q1 2009	52	2,675
Q4 2008	61	5,381
Q3 2008	92	15,508

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Deals by volume and value



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Top 20 deals by value

Kuwait-based companies were targeted in ten of the top 20 deals with the country’s telecommunications sector accounting for the largest transaction by value this quarter.

Shareholders of Mobile Telecommunications Company agreed to sell a 46 per cent stake in the Safat-based firm to Al Bukhari Group, Bharat Sanchar Nigam, Mahanagar Telephone Nigam and Vavasi Telegence for USD 13,700 million.

The number two deal by value involved Bahrain-based investment firm Gulf Finance House holding a rights issue worth up to USD 500 million and was the second of two deals targeting the country.

Private equity

Private equity investors shied away from Middle Eastern targets in the three months to September 2009 following limited activity in the region in the second quarter, when there were just four private equity-backed deals valued at a total of USD 30 million.

Instead, the focus of Q3 was on transactions backed by development capital, particularly minority stake cash injections rather than acquisitions; private equity investors appeared to be hoarding cash in the anticipation of future opportunities in the Middle East.

ZEPHYR M&A Report - Top 20 Deals

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	Deal value (mil USD)	Target	Target country	Deal type	Acquiror	Announced date
1	13,700	Mobile Telecommunications Company KSC	Kuwait	Minority stake 46%	Mahanagar Telephone Nigam Ltd; Bharat Sanchar Nigam Ltd; Vavasi Telegence Pvt Ltd; Al Bukhari Group	09/09/09
2	500	Gulf Finance House BSC	Bahrain	Minority stake 22%		06/08/09
3	408	Shuaa Capital PSC	UAE	Acquisition 52%		29/08/09
4	295	Boubyan Bank KSC	Kuwait	Minority stake increased 14% to 28%	National Bank of Kuwait SAK	22/07/09
5	223	Samba Financial Group	Saudi Arabia	Minority stake increased 10% to 12%	Public Pension Agency	13/09/09
6	184	Boubyan Bank KSC	Kuwait	Minority stake increased 33% to 40%	National Bank of Kuwait SAK	15/09/09
7	100	Maktoob.com Inc.	Jordan	Acquisition 100%	Yahoo Inc.	25/08/09
8	52	International Brokerage and Financial Markets Company	Kuwait	Acquisition 100%	Muthanna Investment Company	23/08/09
9	35	Dhofar Power Company SAOC	Oman	Minority stake 46%	Oman Technical Partners Ltd; Electricity Holding Company SAOC; Oman Power and Water Procurement Company SAOC	19/07/09
10	24	Banque Lati SAL	Lebanon	Acquisition 100%	BLC Bank SAL	03/09/09
11	16	Jordan Investment Trust plc	Jordan	Minority stake 28%		18/08/09
12	16	Petroleum Coke Industries Company	Kuwait	Minority stake 12%	Al-Mal Investment Company	14/07/09
13	15	Mubarrad Transport Company KSCC	Kuwait	Minority stake 23%		01/09/09
14	15	Yemeni Saudi Cement Company	Yemen	Minority stake 20%	Yamama Saudi Cement Company Ltd	02/07/09
15	14	First Education Holding WLL	Bahrain	Minority stake	The International Finance Corporation	09/07/09
16	9	Lube Oil Re-refining Company LLC	Saudi Arabia	Acquisition increased 42% to 83%	Hyflux Ltd	09/07/09
17	7	Gulf Glass Manufacturing Company KSC	Kuwait	Minority stake 8%	Al Sharq Holding Company	19/08/09
18	6	Munshaat Real Estate Projects Company KSC	Kuwait	Minority stake 5%		10/09/09
19	5	Metalex Energy	Kuwait	Minority stake 35%	Al Soor Fuel Marketing Company KSC	21/09/09
20	5	Kuwait International Advanced Industries Company KSCC	Kuwait	Minority stake 25%	Specialty Holding Company	17/09/09

ZEPHYR M&A Report - Deal Types

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Deal types

Minority stakes were the most prolific deal type in Q3 2009 with a total of 20 deals worth USD 15,044 million being signed off over the quarter.

This was despite volume halving quarter-on-quarter from 42 deals in Q2 2009 and being two thirds down year-on-year from 58 deals in Q3 2008. The value of these transactions was up sevenfold from USD 2,113 million in Q2 2009 and was 14 per cent higher year-on-year.

In monetary terms minority stakes sales far outstripped acquisitions; there were 18 acquisitions valued at just USD 605 million during the three months under review.

The acquisitive segment of M&A activity slumped 64 per cent from USD 1,665 million in Q2 2009 and was three quarters lower than the USD 2,386 million recorded during Q3 2008.

Deal type by volume

Deal type	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009
Minority stake	58	38	29	42	20
Acquisition	30	20	19	35	18
Merger	0	1	1	0	1
MBO	0	0	0	0	0
IBO	5	2	3	2	0

Deal type by value

Deal type	Q3 2008 (mil USD)	Q4 2008 (mil USD)	Q1 2009 (mil USD)	Q2 2009 (mil USD)	Q3 2009 (mil USD)
Minority stake	13,218	3,299	2,126	2,113	15,044
Acquisition	2,386	2,082	250	1,665	605
IBO	77	0	300	30	0
MBO	0	0	0	0	0
Merger	0	0	0	0	0

ZEPHYR M&A Report - Sectors

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Sectors

The banking industry was the most important sector by volume in Q3 2009, with 12 deals at a total value of USD 1,660 million.

It was the only segment which did not witness a slump in deal volume over the quarter, though there was a 40 per cent decline year-on-year from 20 deals in Q3 2008.

The post and telecommunications sector led the way in terms of value with a total of USD 13,700 million thanks to the transaction involving Kuwait’s Mobile Telecommunications Company.

It was one of three segments which improved over the quarter: chemicals, rubber and plastics; and gas, water and electricity fell back 89 per cent and 88 per cent, respectively.

Target sector by volume

Target sector	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009
Banks	20	24	10	12	12
Other services	24	15	15	21	10
Wholesale & retail trade	11	5	7	8	5
Chemicals, rubber, plastics	6	3	1	8	4
Primary sector	5	1	3	6	2

Target sector by value

Target sector	Q3 2008 (mil USD)	Q4 2008 (mil USD)	Q1 2009 (mil USD)	Q2 2009 (mil USD)	Q3 2009 (mil USD)
Post and telecommunications	4,572	34	0	0	13,700
Banks	3,519	3,954	1,959	1,091	1,660
Other services	4,533	914	506	411	583
Chemicals, rubber, plastics	114	36	0	357	38
Gas, water, electricity	2,451	126	1	302	35

ZEPHYR M&A Report - Regional

Middle East, Q3 2009

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Countries

Kuwait led the way by volume and value in the third quarter. Deal numbers in the region were up by a fifth quarter-on-quarter from ten to 12 but the largest gain was in monetary terms, with transaction value surging from USD 272 million to USD 14,291 million in three months.

The total value of deals targeting Kuwait was 27 times that of the nearest rival, Bahrain, and was more than the combined total of all other Middle East transactions.

Yemen featured for the first time with one transaction valued at USD 15 million, while stalwarts such as Saudi Arabia, Oman and Jordan all experienced a quarter-on-quarter decline in M&A activity.

Target country by volume

Target country	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009
Kuwait	21	8	7	10	12
UAE	38	18	19	22	8
Saudi Arabia	11	4	5	16	5
Bahrain	8	3	4	4	4
Oman	4	5	7	5	3
Jordan	7	5	5	10	3
Lebanon	1	4	0	0	1
Iraq	0	1	1	2	1
Yemen	0	0	0	0	1
Qatar	1	11	3	6	1

Target country by value

Target country	Q3 2008 (mil USD)	Q4 2008 (mil USD)	Q1 2009 (mil USD)	Q2 2009 (mil USD)	Q3 2009 (mil USD)
Kuwait	6,182	1,878	364	272	14,291
Bahrain	295	295	435	536	519
UAE	8,440	804	871	352	417
Saudi Arabia	59	218	771	706	232
Jordan	315	112	134	311	116
Oman	41	249	12	54	35
Lebanon	78	6	0	0	24
Yemen	0	0	0	0	15

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Notes to editors

- 1) Activity is based on the activity of the target company
- 2) Deal status is announced
- 3) The Middle East region covers target companies in Bahrain, Iran, Iraq, Kuwait, Jordan, Lebanon, Oman, Qatar, Saudi Arabia, Syria, UAE, Yemen
- 4) The sector breakdown uses targets' activities as defined to be 'Major Sectors' by ZEPHYR