



M&A Deal Review

Q1 2020 MENA Region

Deals Snapshot

The total number of deals recorded in Q1 2020 in the MENA region was in line with Q1 2019. In the first quarter of 2020, a total of 72 deals were announced, out of which only 32 deals had disclosed value. These 32 disclosed deals represented a total deal value of USD 19.9 billion in Q1 2020 primarily driven by one large-sized transaction in the Banking, Financial Services & Insurance sector (BFSI) in Tunisia for a value of USD 13 billion – ongoing acquisition of Tunisie Valeurs SA, a brokerage firm, by Banque Internationale Arabe de Tunisie, one of Tunisia’s leading banks.

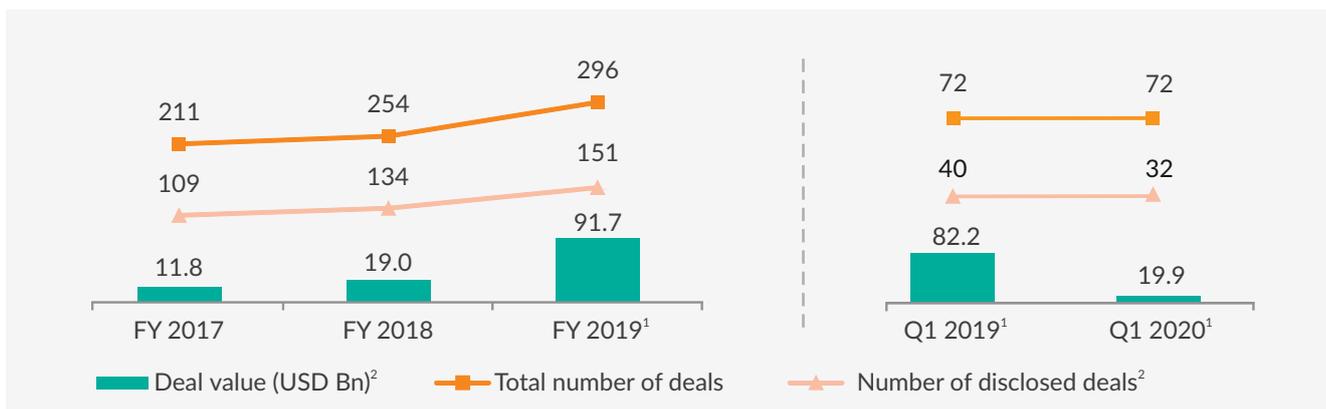
The contribution of GCC countries to the total Mergers & Acquisitions (M&A) activity in the MENA region for the Q1 2020 region was lower than Q1 2019 both by deal count and deal value (for disclosed deals). While the impact on deal count was not substantial – 36 deals in Q1 2020 as compared to 42 deals in Q1 2019 – the total deal value reduced significantly to USD 4.2 billion from USD 82.2 billion.

Key Observations

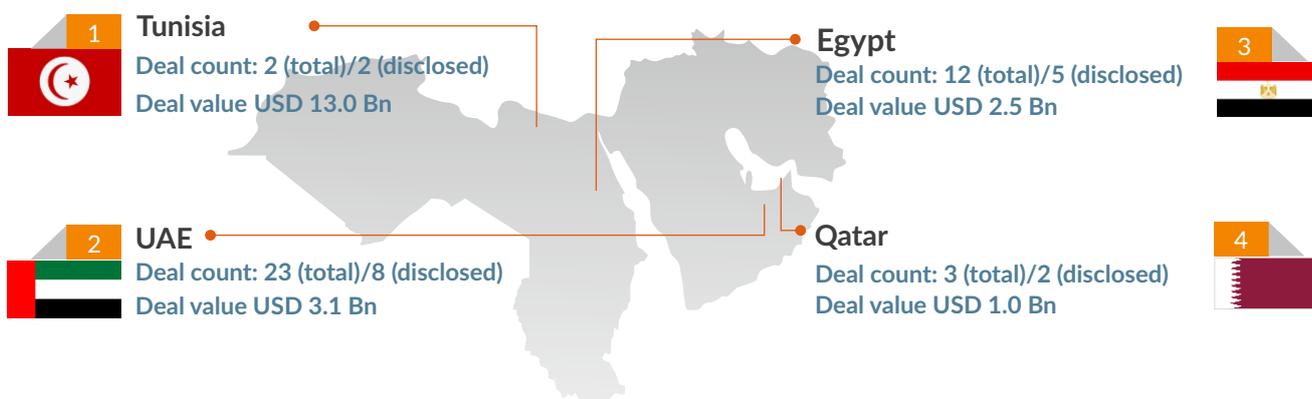
- During Q1 2020, the novel coronavirus (COVID-19) was declared a global pandemic, disrupting economies across the globe and affecting the M&A landscape across geographies and markets. There was no announcement of any large-sized deal in Q1 2020.
- BFSI, Industrials, and Telecom were the busiest sectors for M&A deal activity in the first quarter of the year with an increased deal appetite for technology, digital, and data-driven businesses across the region.



M&A Deals Trend in the MENA Region



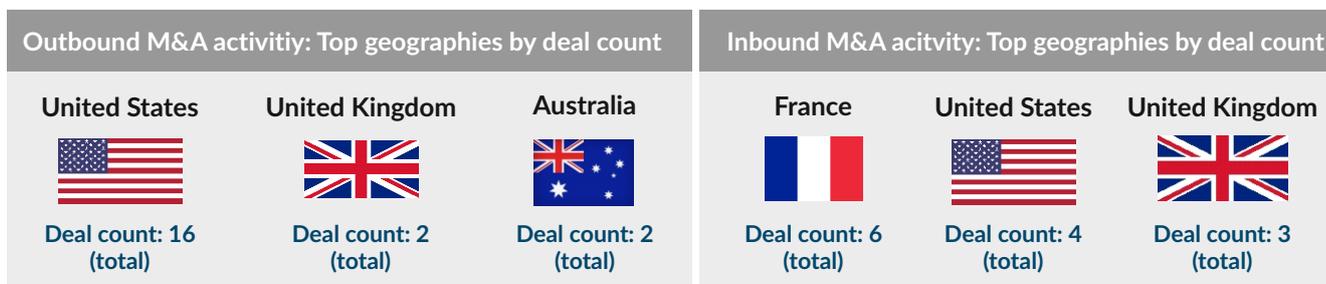
Deal Activity by Country³ (Q1 2020)



Deal Activity by Sector³ (Q1 2020)



Cross-Border Deal Activity⁴ (Q1 2020)



Notes:

- FY2019 and Q1 2020 deals include both completed and announced deal whereas for FY2017 and FY2018 deals that have been closed are included.
- All deal values and deal counts are based on publicly available information.
- 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.
- Top geographies are identified based on the total number of deals (disclosed and undisclosed).

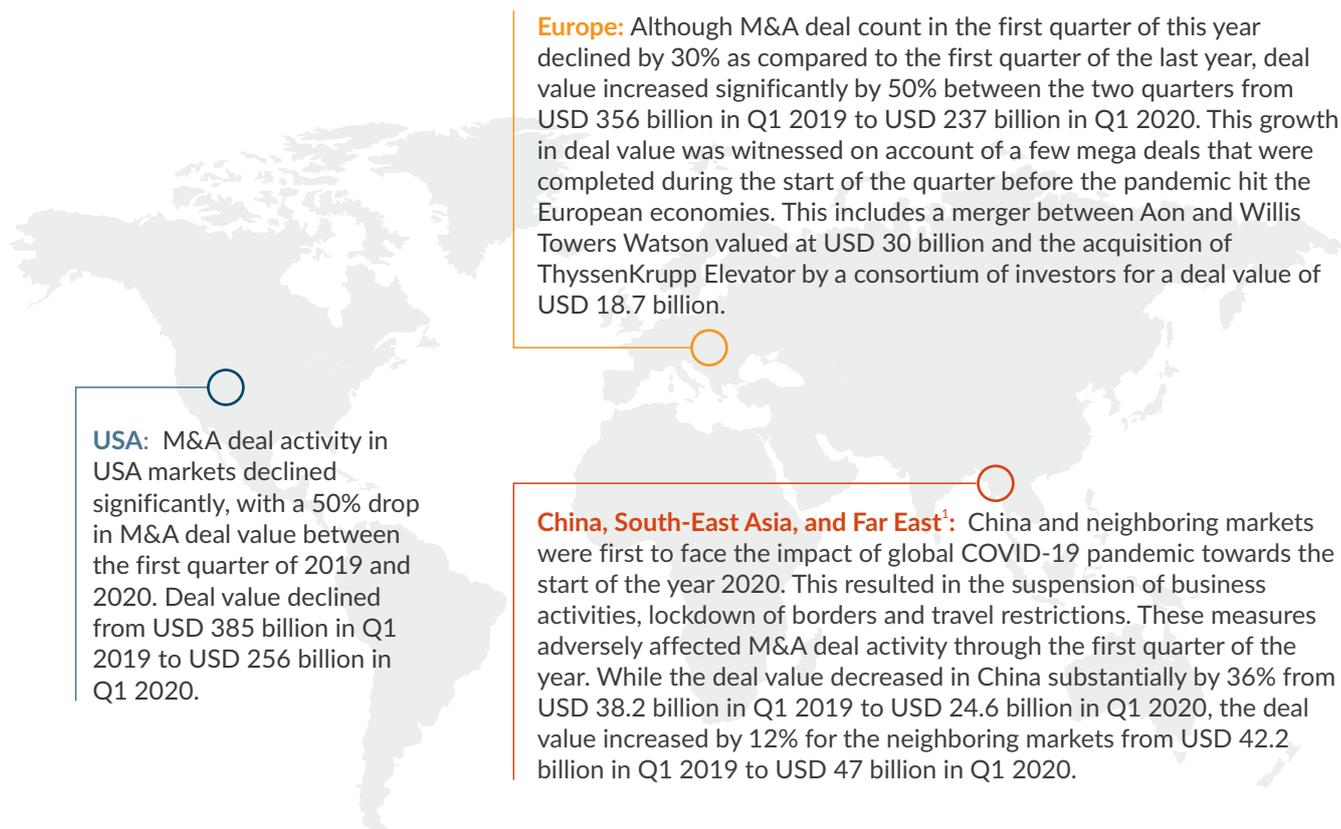
Sources: Capital IQ Database, Bloomberg, Secondary Research, Protiviti Analysis, etc.

Impact of COVID-19 on M&A Deal Activity

Global M&A Landscape

The outbreak of COVID-19 pandemic at beginning of the year 2020 severely impacted economies and have sparked economic uncertainty across the markets globally. In addition to this several measures were undertaken by the governments across countries to contain the spread, resulting in dampening the business growth. This has led to a significant change in the global M&A deal activity in Q1 2020 as compared to Q1 2019. A 35% decline was seen in the global M&A deal value between the two quarters - from USD 956 billion in Q1 2019 to USD 618 billion in Q1 2020.

Impact of this pandemic was felt across the markets and regions; the M&A deal snapshot for a few regions is summarized below:



Key Impacts on Overall M&A Activity

01

Large-sized deals previously announced have been canceled or delayed on account of economic uncertainties, limited visibility on future outcomes and lack of acquisition financing; for e.g., Xerox pulled out of its plans to undertake a USD 35 billion merger with HP

02

Ongoing M&A deals are facing several challenges leading to an increase in overall timelines; key challenges include difficulties in conducting on-ground due diligence, absence of face-to-face meetings and negotiations due to ongoing travel bans and lockdowns

03

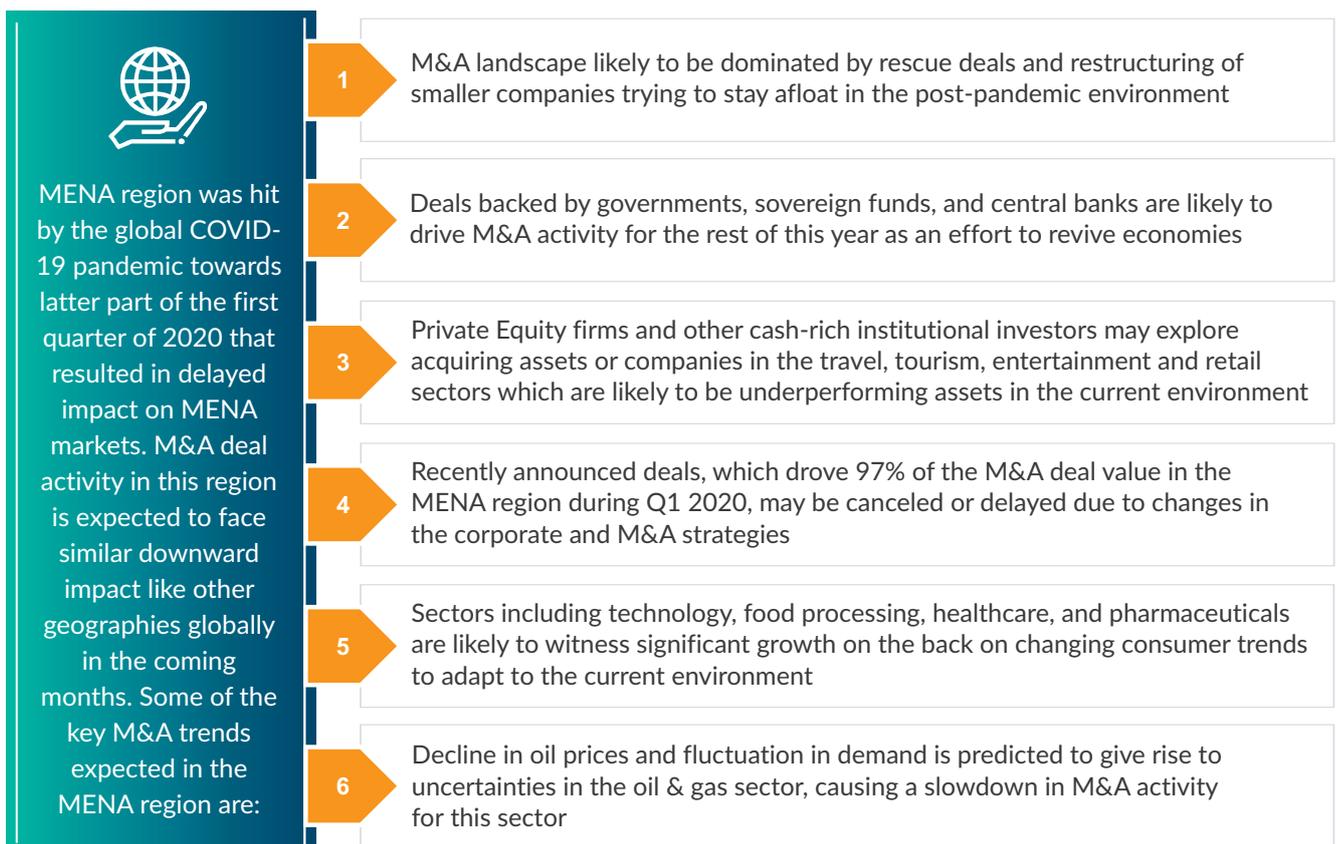
A negative shift in investor sentiments is evident, from a growth deal outlook at the start of the quarter to an expected decline in both deal value and deal count. These declining sentiments are on the back of a significant drop in global equity market indices which dropped between 30%-35% by the end of March 2020 from peak levels in Feb 2020

Notes:

1. Far East countries excluding Australia and New Zealand.

Sources: Capital iQ Database, Bloomberg, Secondary Research, Protiviti Analysis, etc.

Outlook for MENA Region's M&A Deal Landscape



Valuation and Due Diligence Implications

We expect COVID-19 pandemic to impact the way deals are valued and due diligence is conducted in the short to medium term. Businesses will require to adequately demonstrate their abilities to carry on under these challenging times. At the same time, businesses will also need to assess the impact of COVID-19 on their financial performance and justify this as a one-off event.

Some of the areas expected to come under more scrutiny by potential buyers include:



Sources: Capital IQ Database, Bloomberg, Secondary Research, Protiviti Analysis, etc.

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