

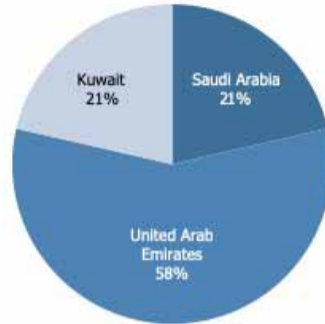
## Business

# GCC M&A transactions dropped in Q1 2020 by 51% due to COVID-19: Markaz

## Financials, IT and Industrials sectors led transactions

KUWAIT: UAE's logistics sector led the top GCC M&A transactions during Q1 2020 as per a report recently issued by the Investment Banking Department at Kuwait Financial Centre "Markaz". Port & Free Zone has announced its intention to acquire a 20percent stake in a fellow logistics company, DP World, for a total consid-

Evolutionary Systems Arabia, an IT-focused consulting firm, for a total consideration of \$65 million. Finally, Jazan Energy & Development Company (Jazan) announced that it has merged its international aquaculture unit with three local aquaculture companies. Under the terms of this deal, Jazan will own a 45percent stake worth \$60 million in Advanced Aquaculture Company (the merged entity).



Geographical Distribution by Number of Announced Pipeline Transactions (Q1 2020)

previous quarter in Q4 2019 as GCC acquirers accounted for 71percent of the total number of closed transactions while foreign acquirers accounted for 24 percent.

Overall, a majority of the GCC acquirers preferred acquiring local or GCC companies as opposed to acquiring foreign targets. The UAE, Kuwait and Saudi Arabia were the most active players in terms of local activity while the remaining acquirers each closed one transaction in their home countries. In addition, the UAE surpassed its GCC counterparts and reported seven closed transactions that involved foreign targets whereas Bahrain, Kuwait and Saudi Arabia closed one transaction each. Lastly, neither Oman nor Qatar closed any transactions involving foreign targets.

### Foreign buyers

In comparison to the previous quarter, the market attracted a significantly lower

level of interest from foreign buyers, which again, is in large part related to the global slowdown. Overall, there was only one transaction that closed that involved a foreign buyer, which is 92 percent lower relative to Q4 2019 and a decrease of 94 percent relative to Q1 2019. The one transaction that closed oversaw the Spanish company, Aqualia, acquire a 51percent stake in Qatarat Saqia Desalination Company Ltd. for an undisclosed amount.

### Sectorial view

The transactions that closed throughout the quarter spanned across multiple sectors which was also observed in the previous quarter. With that being said, the sectors that witnessed the greatest level of activity throughout Q1 2020 were the

Financials, Information Technology and Industrials sector. These three sectors collectively accounted for almost 50percent of the total transactions that closed throughout the quarter. Lastly, the quarter recorded activity in three new sectors and they are the Aviation, Construction and Telecommunication Services sectors.

### Pipeline deals

By the end of Q1 2020, there were a total of 14 announced transactions in the pipeline, which was the same as the previous quarter. Roughly 58percent of these transactions involved UAE targets while the remaining portion equally involved both Kuwaiti and Saudi targets. Neither Bahrain, Oman nor Qatar had announced any transactions throughout the quarter.

Sector-wise Classification of Deals – Q1 2020

Sector	GCC Acquirers	Foreign Acquirers	Other*	Grand Total	%
Financials	3	0	1	4	17
Information Technology	4	0	0	4	17
Industrials	3	0	0	3	13
Consumer Staples	2	0	0	2	8
Healthcare	2	0	0	2	8
Media	2	0	0	2	8
Real Estate	2	0	0	2	8
Aviation	1	0	0	1	4
Construction	1	0	0	1	4
Education	1	0	0	1	4
Telecommunications Services	1	0	0	1	4
Utilities	0	1	0	1	4
<b>Grand Total</b>	<b>22</b>	<b>1</b>	<b>1</b>	<b>24</b>	<b>100</b>

\*Other refers to deals where buyer information is not available.



### Foreign buyers fall in Q1

eration of \$2.7 billion. It is worth noting that the firm currently holds 80percent of DP World's existing share capital.

The second largest transaction was taken on by Qatar Petroleum, who acquired a 25 percent stake in Qatar Fertilizer Company for a total consideration of \$1.0 billion. The next two transactions involved UAE buyers, both of whom fully acquired local companies. The first transaction oversaw Gulf Capital acquire 100percent of IVI-RMA Middle East for a total value of \$100 million. IVI-RMA Middle East is the fastest growing provider of fertility treatment services in the Middle East. The second transaction involved Mastek Arabia fully acquiring the Middle Eastern arm of

### GCC M&A growth

According to Markaz's report, the number of closed M&A transactions in the GCC during Q1 2020 decreased by 51 percent relative to Q4 2019, and by 52 percent relative to Q1 2019. None of the GCC countries recorded a growth in the number of closed transactions relative to the previous quarter. It is worth noting that the GCC economy experienced a significant slowdown due to the global COVID-19 outbreak and the uncertainty the pandemic has caused. As such, this has significantly impacted the level of M&A activity throughout the quarter.

### Acquirers and targets

A majority of the transactions completed during Q1 2020 and Q4 2019 were carried out by GCC acquirers. Of the total number of transactions closed during Q1 2020, GCC acquirers accounted for 92 percent while foreign acquirers accounted for 4 percent. The remaining 4 percent represents transactions for which the buyer information was not available. The market witnessed a similar pattern during the pre-



LONDON: An IMNG Airlines Airbus is pictured on the tarmac at London Heathrow Airport in west London, on Monday. — AFP

## UK aviation faces crisis over quarantine

LONDON: Britain's aviation sector grappled Monday with news that international arrivals will soon face a 14-day quarantine to stop new infections of coronavirus, which has already ravaged travel demand worldwide.

Prime Minister Boris Johnson announced the proposal late Sunday under a lockdown easing plan that seeks to avoid a second spike in COVID-19, after more than 32,000 deaths so far. Most international travellers will soon have to tell border officials where they will self-isolate for 14 days, or face quarantining in government-arranged accommodation, official guidance showed Monday.

COVID-19 has already ravaged the global economy and devastated the aviation sector, with airlines axing most flights in response to collapsing demand for air travel amid national lockdowns.

### 'Makes critical situation worse'

The quarantine—which will be introduced as soon as possible—sparked outcry from industry organizations Airlines UK and the Airport Operators Association (AOA). "As leaders of UK airlines and airports, we are writing to you to express our collective and serious concern and frustration about the proposed quarantine measure for UK inbound travellers," Airlines UK and the AOA said in an open letter to Johnson.

"An open-ended quarantine, with no set end date, will make an already critical situation for UK aviation, and all the businesses we support, even worse.

"People will simply choose not to travel to and from the UK, at the same time as economies in Europe and around the world begin opening up their borders and removing their own quarantines—making the UK aviation sector unable to compete. "In short, passenger travel cannot restart, and clarity from government is needed as to whether such an outcome is the intention or expectation of this measure." They also requested an "urgent" meeting with the government and revealed that they had not yet been consulted.

"Grounding airlines indefinitely will

further exacerbate an already devastating economic impact on UK aviation, prolonging the revenue crisis and delaying even further the start of a recovery for a sector that supports over 1.5 million UK jobs."

### Heathrow traffic evaporates

Earlier Monday, fresh evidence emerged of the devastating impact on London's Heathrow airport, which is usually Europe's biggest air hub by passenger numbers. Heathrow airport, which is situated west of the British capital, revealed in a statement that the number of passengers nosedived 97 percent in April from the same month in 2019 to just 200,000. That was the same amount of travellers that normally fly through the hub in a normal day prior to the COVID-19 outbreak, while the airport only provided services for essential travel like repatriation. "Aviation is the lifeblood of this country's economy, and until we get Britain flying again, UK business will be stuck in third gear," said Heathrow chief executive John Holland-Kaye, who was also a signatory on the letter.

"The government needs to urgently lay out a roadmap for how they will reopen borders once the disease has been beaten, and to take an immediate lead in agreeing a common international standard for health in aviation that will allow passengers who don't have the infection to travel freely."

Heathrow, which is owned by a consortium led by Spanish construction giant Ferrovial, added that the 14-day quarantine plan will effectively close borders temporarily. British Airways' owner IAG had warned last week that pre-crisis passenger demand would not return until 2023 at the earliest.

IAG Chief Executive Willie Walsh—who was not a signatory on the letter—said on Monday that the quarantine announcement had been a surprise. "It's a very severe, very significant crisis," Walsh also told the parliamentary Transport Select Committee in a hearing on virus-hit demand for air travel. "The announcement of a 14 day (quarantine) is definitely going to make it worse. We will have to review the impact of that." In a separate development, Richard Branson's Virgin Group conglomerate unveiled plans Monday to sell \$500 million of shares in space tourism company Virgin Galactic to help bolster Virgin Atlantic, which cut more than 3,000 jobs last week to save money. — AFP

## IMF approves \$2.77bn crisis aid for Egypt

WASHINGTON/CAIRO: The International Monetary Fund on Monday said its executive board approved \$2.77 billion in emergency financing to help Egypt grapple with the new coronavirus pandemic that has brought tourism to a standstill and triggered major capital flight.

The IMF said it remained closely engaged with the Egyptian government and the Central Bank of Egypt, and stood ready to provide further support as needed. IMF First Deputy Managing Director Geoffrey Okamoto said Egypt would need "additional expeditious support" from multilateral and bilateral creditors to close its remaining balance of payments gap, ease the adjustment burden, and preserve Egypt's hard-won macroeconomic stability.

Egypt's Health Ministry reported 346 new cases of the novel coronavirus on Monday, bringing the total number of confirmed cases to 9,746, including 533 deaths.

The outbreak has led to the shutdown of Egypt's tourism sector, a key source of foreign revenue, and threatens income from the Suez Canal and remittances from Egyptian workers based abroad. Egypt's foreign reserves have fallen to \$37 billion from more than \$45.5 billion at the end of February.

The government has taken steps to contain the outbreak, including introduction of a night curfew and the closure of cafes and mosques, but has stopped short of imposing a full lockdown as it seeks to keep the economy going. The IMF said Egypt had carried out a successful economic program before the outbreak of COVID-19, the respiratory disease caused by the coronavirus, achieving a "remarkable turnaround" in its large external and domestic imbalances.

The new funds would help Egyptian authorities continue spending on health, social protection, and supporting the most impacted sectors and vulnerable groups, while limiting the decline in international reserves, Okamoto said. He said Egyptian authorities were committed to full transparency and accountability on crisis-related spending, and had agreed to publish information on procurement plans and awarded contracts, and carry out audits of such spending.

As the crisis abated, it would be important for Egypt to resume measures to lower its debt level and continue implementation of structural reforms, he said. — Reuters

## China cuts Australian beef imports

BEIJING: China suspended imports from four major Australian beef suppliers yesterday, just weeks after Beijing's ambassador warned of a consumer boycott in retaliation for Canberra's push to probe the origins of the coronavirus.

Analysts said the move raised concerns of a possible standoff between Australia and its most important trading partner that could

spill over into other crucial sectors as it struggles to navigate the disease-induced economic crisis. Federal Trade Minister Simon Birmingham said shipments of meat from four abattoirs had been suspended over "minor technical" breaches related to Chinese health and labelling certificate requirements.

"We are concerned that the suspensions appear to be based on highly technical issues, which in some cases date back more than a year," he added. "We will work with industry and authorities in both Australia and China to seek to find a solution that allows these businesses to resume their normal operations as soon as possible."

The four abattoirs account for around 35

percent of Australia's beef exports to China in a trade worth about Aus\$1.7 billion (US\$1.1 billion), according to national broadcaster ABC. Beijing has also flagged major tariffs on Australian barley over allegations it is dumping the grain in China—selling it for less than it costs to produce. The Australian Financial Review cited confidential documents as saying Beijing is considering duties of 73.6 percent.

Tensions between the two have increased since Australia started calling for an independent investigation into the origin of the coronavirus outbreak, which began in China before spreading around the world, killing more than 280,000, infecting millions and shattering the global economy.—AFP

## flydubai continues to focus on cargo operations

KUWAIT: In line with the updated Notice to Airmen (NOTAM) issued by the General Civil Aviation Authority (GCAA), Dubai-based flydubai's passenger operation remains suspended until Thursday 04 June 2020 as part of the precautionary measures being implemented in response to COVID-19. The carrier continues to focus its efforts on supporting government requests with repatriation flights and enabling the movement of essential goods across its network and beyond.

Since the directive came into effect on 24 March 2020, flydubai has enabled the movement of more than 1,651,929 kgs of perishables, medical supplies, express courier and essential goods. flydubai Cargo operated 101 flights, to 26 countries, utilizing six of the carrier's Next-Generation Boeing 737-800 aircraft which have been allocated to operate as all-cargo flights.

Hamad Obaidalla, Chief Commercial Officer at flydubai, said: "air cargo operations will continue to be our focus over the next few weeks. We have been working closely with our strategic partners enabling flydubai to transport cargo seamlessly to where it is needed the most, while adhering to the safety standards set by the industry and the World Health Organization (WHO)."

flydubai Cargo is maximizing its cargo capacity by transporting goods in the cargo hold on repatriation flights as well. The carrier obtained government approvals to operate 90 special repatri-

ation flights over the past few weeks. More than 12,532 passengers were able to return to their homes across 19 countries thanks to the efforts and collaboration of embassies and government authorities.



Hamad Obaidalla

These repatriation flights operated to: Afghanistan, Azerbaijan, Bangladesh, Croatia, Egypt, Georgia, Iran, Iraq, Kuwait, Kyrgyzstan, Myanmar, Pakistan, Romania, Russia, Serbia, Somaliland, Sudan, Thailand and the United Kingdom. While flydubai will continue to operate more cargo-only flights during this period, repatriation flights will be subject to government approvals and passengers are encouraged to check directly with their embassies for more information as well as flydubai.com.

flydubai received over 187,000 enquiries since March and has allocated a dedicated team to support with customer care. flydubai has not cancelled all flights in its schedule and the cancellations are being made in line with the published NOTAMS.

