



Press Release

Date 8th March 2017

Media Contact **Rasha Adi**
PwC Middle East
+971 (0)4 515 7397
rasha.adi@pwc.com

Pages 2

Deals in consumer-led sectors to drive healthier M&A activity in Saudi this year: PwC report

- *M&A deal volumes set to recover in 2017 following two challenging years*
- *'Wait-and-see' approach to deal-making replaced by focussed and targeted execution*
 - *Foreign and private equity investors driving Saudi M&A activity*
- *Attractive valuations, sector consolidation, privatisation cited as key drivers of M&A growth*
 - *48% of total deals closed in 2016 came from consumer-led sectors; only 5% from energy sector*
 - *38% of Saudi targets acquired by PE*
 - *62% of Saudi investors are acquiring international targets*

Riyadh, Saudi Arabia, 8th March 2017 - A late flurry of M&A announcements and activity in Q4 2016 brought a more positive conclusion to a slow year for M&A in the Kingdom. A “wait-and-see” approach to transactions reflected wider local and global economic challenges. However, deals were executed and momentum is building for a stronger 2017, according to a PwC report issued today, entitled: ***“Saudi M&A landscape: Reflecting on 2016... and why 2017 will be better”***.

Commenting on the report, Andrew Nichol, Saudi Corporate Finance Leader at PwC Middle East said:

“A recovery in investor and consumer confidence in 2017 is set to breathe life back into the KSA M&A market. We have seen a much improved start to the year with a real focus on deals in consumer-led sectors - capitalising on KSA’s favourable demographics and long-term positive economic growth outlook. The Kingdom remains a key market that regional investors need exposure to and international investors have identified as having real potential for meaningful growth opportunities. We expect ongoing deal activity on the back of recent government reform and diversification efforts and, for at least the short term, as a result of a more attractive valuation environment.”

Deals volume

According to the PwC report, consumer-led sectors (Consumer, Retail and Leisure, Healthcare and Pharma, TMT and Education) dominated the M&A transactions market constituting 55% and 48% of 2015 and 2016 activity respectively, up from 25% in 2014. The energy sector’s contribution dropped from 20% in 2014 to almost 5% in 2016.



Investors

The liberalisation of foreign ownership policies is helping PE firms to capitalise on more realistic valuation levels. Meanwhile, the integration of the secondary stock market in the Kingdom is set to enhance the appetite for M&A as issuers seek value creation opportunities pre-listing and utilise the new market as an additional exit platform. The involvement of regional and international private equity (PE) firms is set to increase cross-border activity, with 38% of Saudi targets in 2016 acquired by PE investors according to PwC.

Cross-border transactions

While deal volumes decreased overall in 2016, the percentage of international transactions by Saudi investors actually increased. The report found that 62% of Saudi investors are acquiring international targets, with the top key investment destinations being the UAE, Kuwait, Germany and South Korea. Deals closed outside of the GCC were focused on industrial investments, consistent with the Kingdom's desire to invest into operations and technologies with importable skills and processes that will benefit the overall economy.

Privatisation

The Government has identified and earmarked 26 entities and agencies in the Kingdom as having potential for private sector participation. The privatisation agenda will create further M&A opportunities for international and regional investors and operators, PwC said. Key sectors expected to be affected by the wave of privatisation in Saudi include healthcare, transportation and education.

The PwC report: ***“Saudi M&A landscape: Reflecting on 2016... and why 2017 will be better”*** was issued today and can be accessed through the following link:

<http://www.pwc.com/m1/en/publications/saudi-m-and-a-landscape-reflecting-on-2016.html>

ENDS

About PwC

At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 157 countries with more than 223,000 people who are committed to delivering quality in assurance, advisory and tax services. Find out more and tell us what matters to you by visiting us at www.pwc.com.

Established in the Middle East for 40 years, PwC has firms in Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Oman, the Palestinian territories, Qatar, Saudi Arabia and the United Arab Emirates, with around 4,000 people. (www.pwc.com/me).

PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see www.pwc.com/structure for further details.

© 2017 PwC. All rights reserved