TransAct Middle East – 2026 mid-year update

Holding course in the crosswinds

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Market signals

Resilience, despite the pressure.

A solid first quarter before disruption fully filtered through suggests underlying deal appetite remains intact. If conditions stabilise, momentum could return later in the year

Regional capital stayed in the game.

Domestic and sovereign investors continued to deploy selectively, backing energy, utilities and infrastructure even as cross-border activity softened.

Capital followed strategic assets.

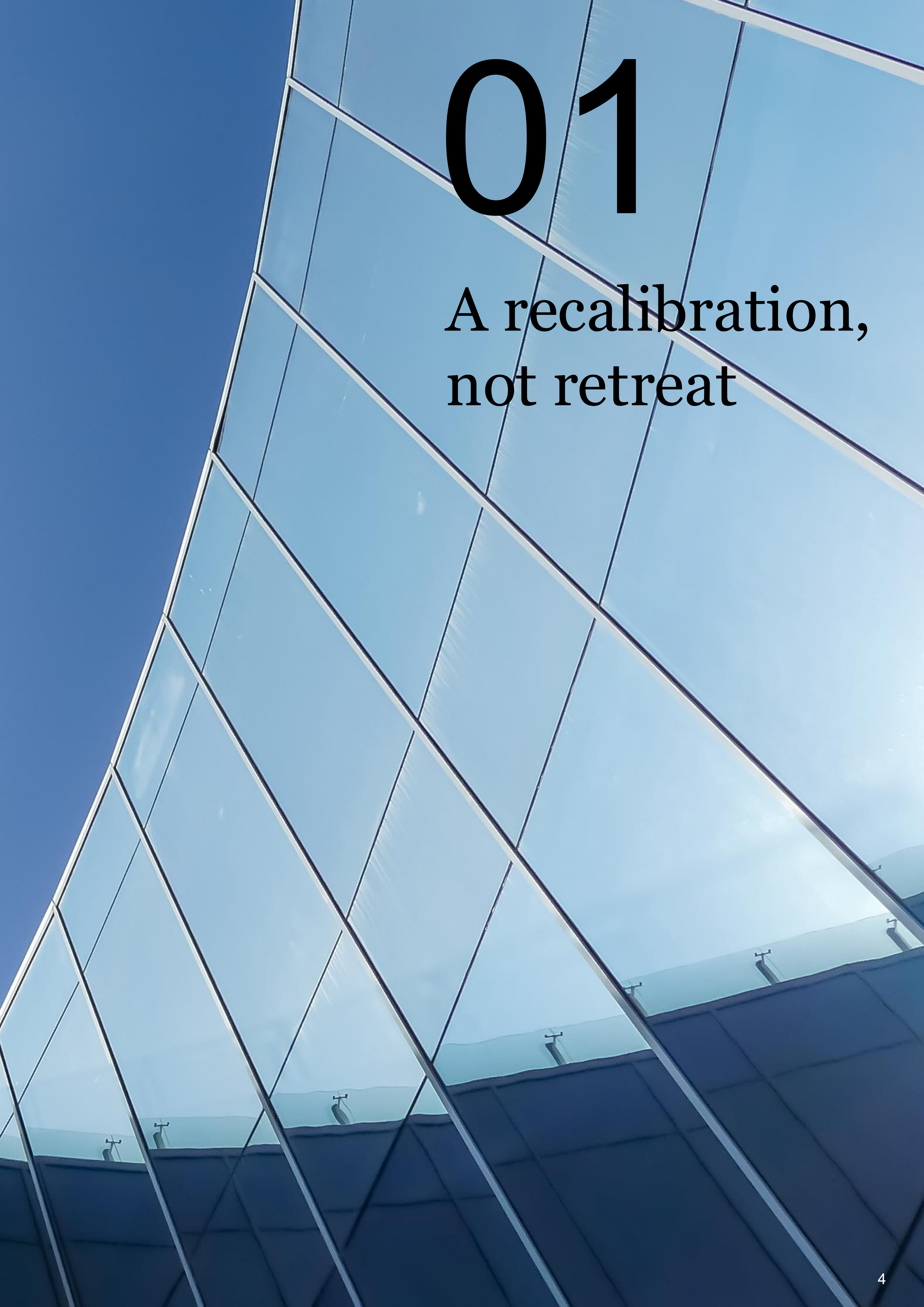
Overall volumes fell, but larger pools of capital moved towards utilities, power and operating infrastructure – assets that matter most during geopolitical uncertainty.

“The first half of 2026 was a test of the Middle East’s deal market resilience. Activity moderated, but the market didn’t lose direction. Capital became more selective; valuations were reassessed and buyers moved towards assets with clearer strategic value. At the same time, sovereign-linked and regional buyers helped keep transactions moving as inbound capital became more cautious. We see here a market turning more disciplined: less dependent on broad momentum, and more focused on national priorities and long-term value creation.”

Romil Radia

Partner, Valuations / Performance & Restructuring Leader

PwC Middle East



01

A recalibration, not retreat

01 A recalibration, not retreat

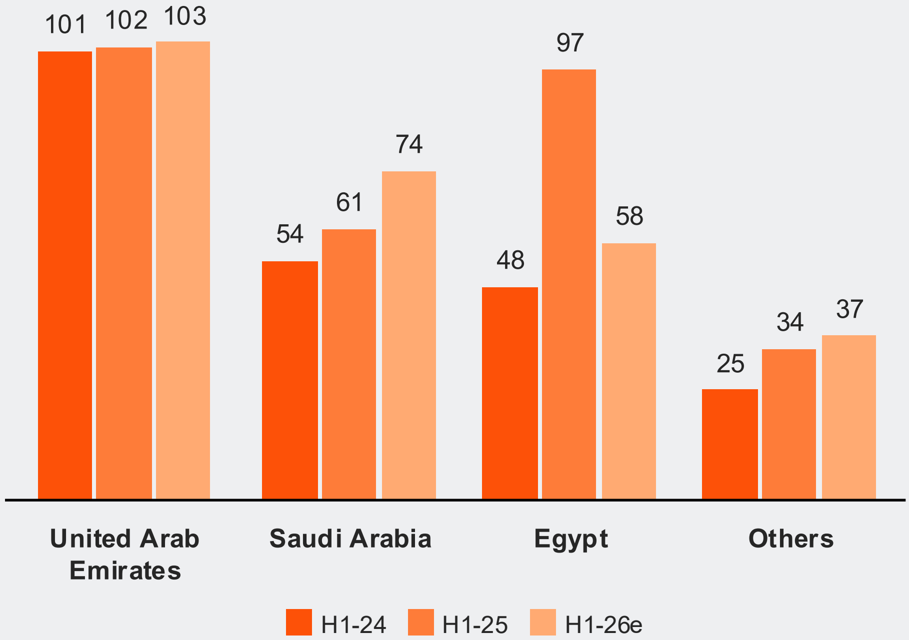
The Middle East entered 2026 with real economic momentum. The International Monetary Fund (IMF) had projected growth across Middle East and North Africa (MENA) to strengthen to of 3.9%, from 3.4% in 2025[1], supported by recovering oil output, resilient non-oil sectors and largely contained inflation. Deal activity initially reflected that confidence, with 148 transactions recorded in Q1 2026, broadly in line with 146 a year earlier, even as conditions began to shift later in the quarter.

The first half of the year, however, tested that momentum. From late February, the Middle East conflict disrupted energy flows in the region, pushed oil prices sharply higher, with Brent crude moving from around US$72 to nearly US$120 at its peak[2] and led investors to reassess risk and the cost of capital. The International Monetary Fund (MF) subsequently lowered its 2026 growth forecasts[3], with several planned listings being deferred[4] amid increased market uncertainty.

Against this backdrop, the deal market recalibrated, rather than stalled. The region recorded around 272 deals in the first half, down roughly 8% year-on-year – a moderation that points less to a loss of confidence than to a more selective market shaped by uncertainty.

Figure 1: Middle East deal volume by country

(H1-2024 to H1-2026e)



Source: PwC Analysis based on London Stock Exchange Group (LSEG) data

Note: Data only includes cross-border inbound deals and intra-regional deals and excludes outbound cross-border transactions.

Activity was led by mid-sized transactions, with the market showing resilience, but limited scale at the top end.

No transaction crossed the US$5 billion mark

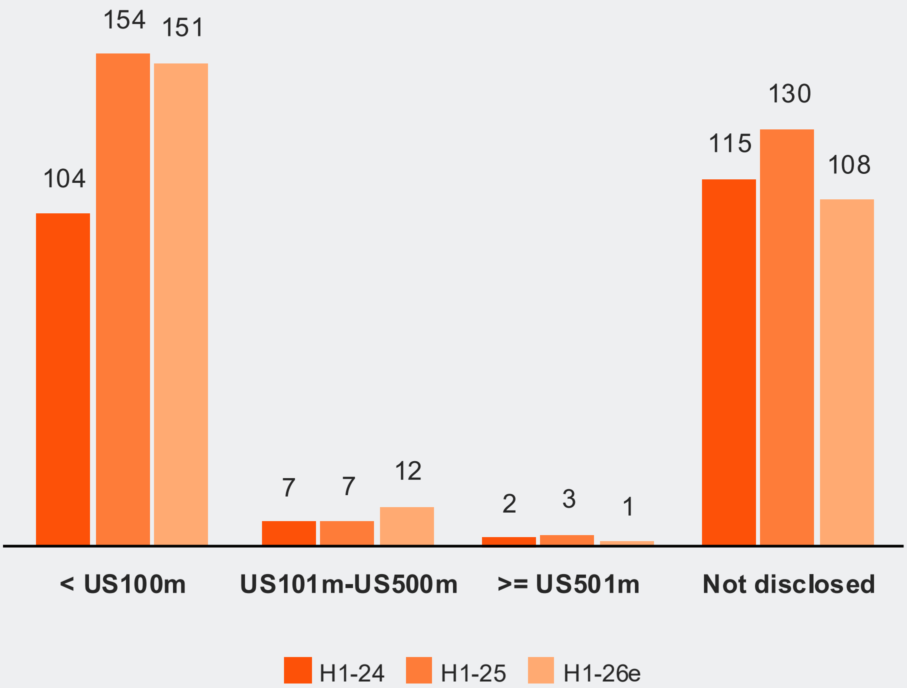
More than nine in 10 disclosed-value deals were below US$100 million

Financial services, one of the region's largest sectors by volume, fell from 75 deals to around 53, as higher funding costs and a more cautious operating environment weighed on appetite.

The global market told a different story. According to PwC's Global M&A Industry Trends, global deal value is on track to reach approximately US$4 trillion in 2026, up around 13%, , driven by megadeals accounting for close to half of that value. Global deal volumes, however, are forecast to fall around 13% over the year. The region, without a megadeal tier of its own, felt the half through volume rather than value.

Figure 2: Number of deals breakdown by values

(H1-2024 to H1-2026e)



Source: PwC Analysis based on LSEG data

Note: Data only includes cross-border inbound deals and intra-regional deals and excludes outbound cross-border transactions.

Corporate acquirers held steady at 167 deals, while private equity eased to around 105. The largest transactions were led by corporate, sovereign-linked and infrastructure capital while private equity concentrated in the lower and mid-market.

Regulatory reforms continued to reduce friction even as conditions tightened, with the UAE's maturing merger-review framework[5], faster digital licensing and Qatar's move towards broader foreign ownership improving diligence and pricing certainty for domestic and strategic dealmakers[6].

Figure 3: Middle East deal volume by transaction type

(H1-2024 to H1-2026e)

Source: PwC Analysis based on LSEG data

Note: Data only includes cross-border inbound deals and intra-regional deals and excludes outbound cross-border transactions.

02

Key mid-year M&A themes

2.1 Capital moves towards strategic assets – energy and infrastructure take the lead

In a period of geopolitical uncertainty, the largest mid-year transactions concentrated around utilities, power and operating infrastructure – assets that generate predictable cash flows and clear strategic value.

In the UAE, Dubai Electricity and Water Authority's acquisition of a further 24% stake in Emirates Central Cooling Systems Corp PJSC for approximately US$1.4 billion[7] was the largest deal during the first half of the year, and the only one above US$500 million.

In Saudi Arabia, ACWA Power completed the purchase of a 32% stake in the Shuaibah water and power company for US$224.8 million[8], moving a contracted utility asset from a sovereign holder to a listed operator.

ADNOC Drilling acquired 80% of Oman's MB Petroleum Services for US$204 million[9], extending energy-services capacity across the countries of the Gulf Cooperation Council (GCC).

In the region, the localization agenda also gathered pace. Aldar's US$177 million acquisition of an industrial and logistics portfolio from AD Ports Group[10], alongside Mair Group's purchase of the associated warehouse assets for US$80.3 million[11], moved operating infrastructure into private hands.

AD Ports Group further deepened its position in trade logistics, raising its stake in Global Feeder Shipping to 81% through an additional 30% acquisition valued at US$299.5 million[12], an asset that maintained trade connectivity through the period's disruption even as other operators pulled back.

Continued domestic consolidation across industrial and construction materials, including Man International Steel Industries' US$102 million acquisition of National Pipe Company[13], reflected sustained investment in national industrial capability.

"The UAE and Saudi Arabia have continued to demonstrate their importance as the region's most important transaction hubs. We have advised on 75 completed transactions in the past 5 years since COVID-19, and with numerous deal completions taking place in the second quarter, we are seeing an uptick in the pace of dealmaking in defensive and national priority sectors including energy, infrastructure, critical services and TMT."

Zubin Chiba

Partner, Corporate Finance Leader
PwC Middle East

This pattern extended beyond completed mergers and acquisitions (M&A). Saudi Arabia's expanded privatisation programme opened around US$64 billion of transport, water and social infrastructure among others to private capital[14]. Across the half, capital favoured the operating assets, logistics and industrial base that underpin the region's economic resilience and long-term diversification.

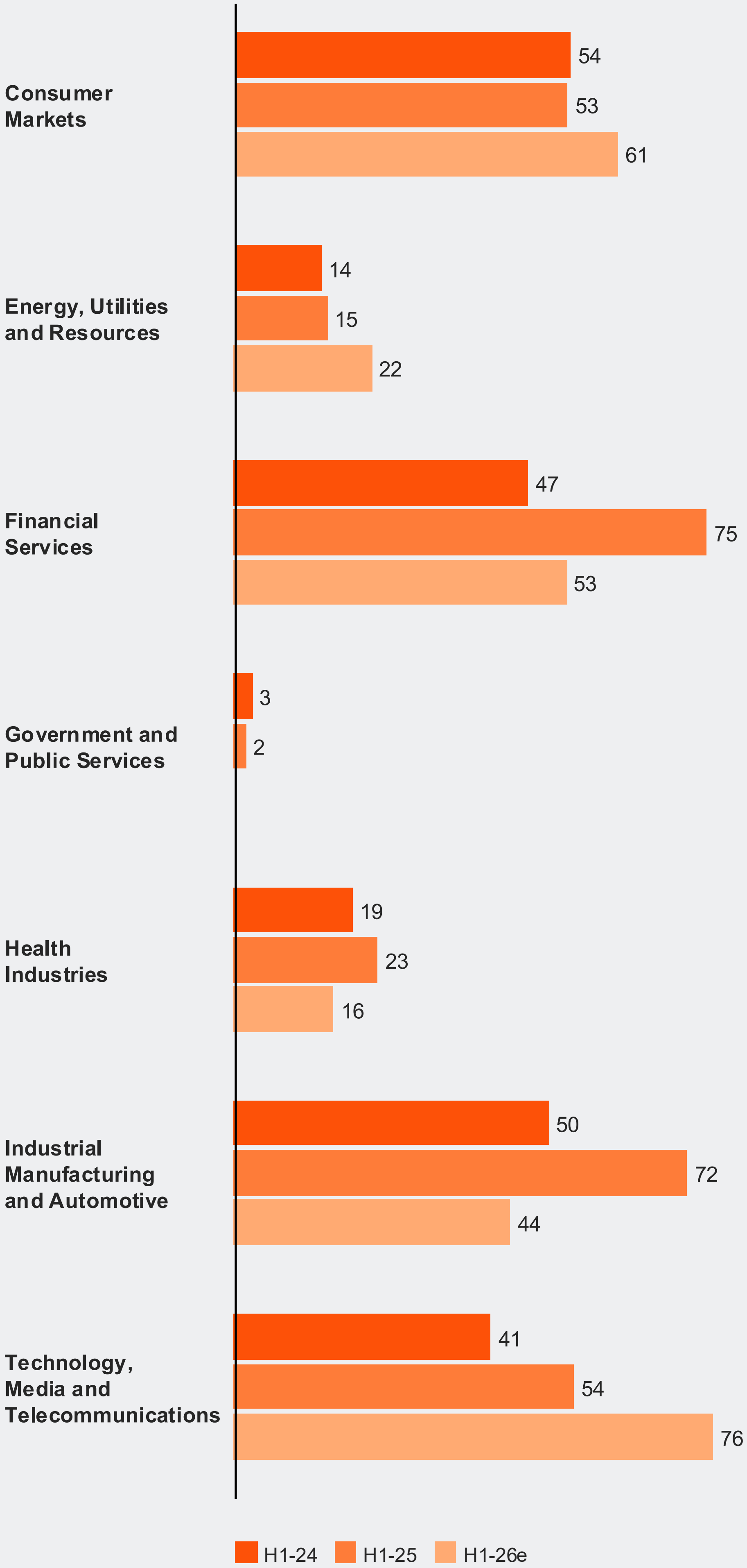
"Despite evolving uncertainty, the region continues to invest in the foundations of future growth. The next phase of M&A will be shaped by resilience, consolidation and technology, as stronger regional players build scale and investments in AI infrastructure, energy systems, logistics and industrial capability create the basis for future transactions and productivity gains."

Imad Matar

Partner, Deals Leader
PwC Middle East

Figure 4: Middle East deal volumes by sector

(H1-2024 to H1-2026e)



Source: PwC Analysis based on LSEG data

Note: Data only includes cross-border inbound deals and intra-regional deals and excludes outbound cross-border transactions.

2.2 Sovereign-linked buyers keep regional deals moving

As foreign flows thinned, the region's own capital held up the market. State and sovereign-linked entities featured on at least one side of half of the region's largest transactions, underscoring their central role as anchors of the market through a more uncertain period.

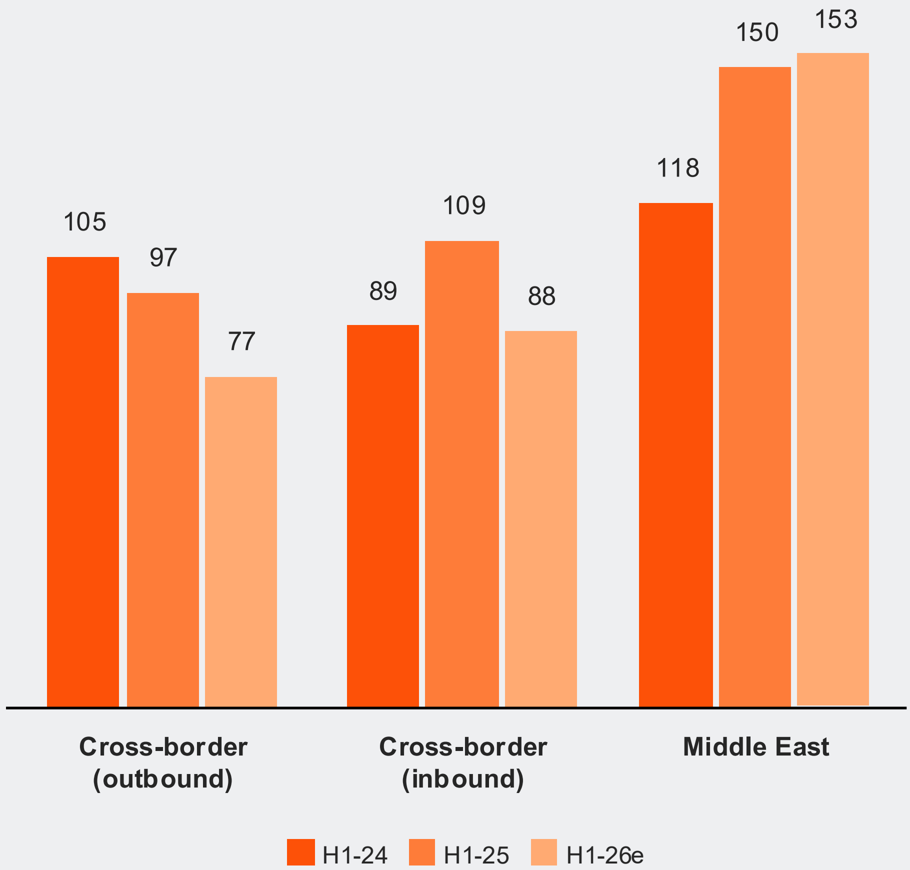
This was visible in deal flows – where regional capital led, transactions continued to clear.

Inbound cross-border activity fell around 19%, while intra-regional dealmaking held steady, edging up 2% and extending a multi-year shift towards regional dealmaking. Transactions completed most readily where they were structurally easiest to fund, financed within the region and less exposed to currency, counterparty and valuation risk.

GFH Financial Group's acquisition of a 60% stake in Byrne Equipment Rental[15], a US$400 million Bahrain-to-UAE transaction in a GCC industrial-services platform, captured the pattern: regional capital backing local assets in sectors tied to the real economy.

Figure 5: Cross border deal volume

(H1-2024 to H1-2026e)



Source: PwC Analysis based on LSEG data

2.3 Technology, Media and Telecommunications dealmaking holds firm

Technology, Media and Telecommunications (TMT) was one of the few sectors to hold its ground in the first half of 2026, extending a three-year run of consistent deal growth across different market conditions. That resilience made it one of the region's most active sectors by volume in the first half of 2026, even as the wider market became more selective.

Yet, completed M&A captures only part of the capital flowing into the region's digital economy. Some of the half's largest digital investments progressed through partnerships, infrastructure investment and greenfield development rather than traditional acquisitions.

In the UAE for instance, Stargate UAE[16], a one-gigawatt Abu Dhabi compute cluster, progressed through strategic partnerships and infrastructure investment rather than traditional M&A. Led by G42's Khazna, the first 200-megawatt phase is expected to come online later in 2026. In Saudi Arabia, the national AI company HUMAIN expanded its data-centre capacity through new financing and infrastructure partnerships[17], while export authorisations granted in late 2025 allowed both countries to scale imports of advanced Nvidia chips[18].

Completed M&A within the TMT sector reflected small-ticket, venture-style investment into software, digital and AI-enabled businesses rather than scaled corporate acquisitions.

The region's larger compute build-out, which represents one of its biggest digital commitments, therefore sit largely outside traditional deal statistics. As some of these assets reach operational scale, they are likely to attract the kind of consolidation and strategic investment that typically follows large infrastructure build-outs.

03

Five largest M&A transactions

03 Five largest M&A transactions

US$1.41bn

Dubai Electricity and Water Authority PJSC acquired a 24% stake in Emirates Central Cooling Systems Corp PJSC in the United Arab Emirates. (February 2026)

US$400m

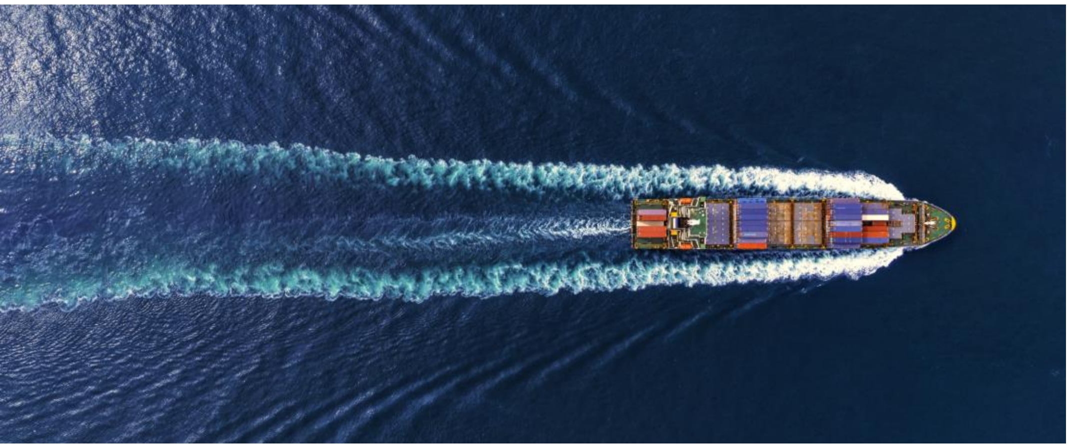
GFH Financial Group BSC acquired a 60% stake in Byrne Equipment Rental LLC in the United Arab Emirates. (February 2026)

US$299.5m

AD Ports Group PJSC acquired an addition al 30% stake in Global Feeder Shipping LLC in the United Arab Emirates. (June 2026)

US$299.5m

AHS Properties acquired the Shangri-La Hotel on Sheikh Zayed Road in the United Arab Emirates. (June 2026)

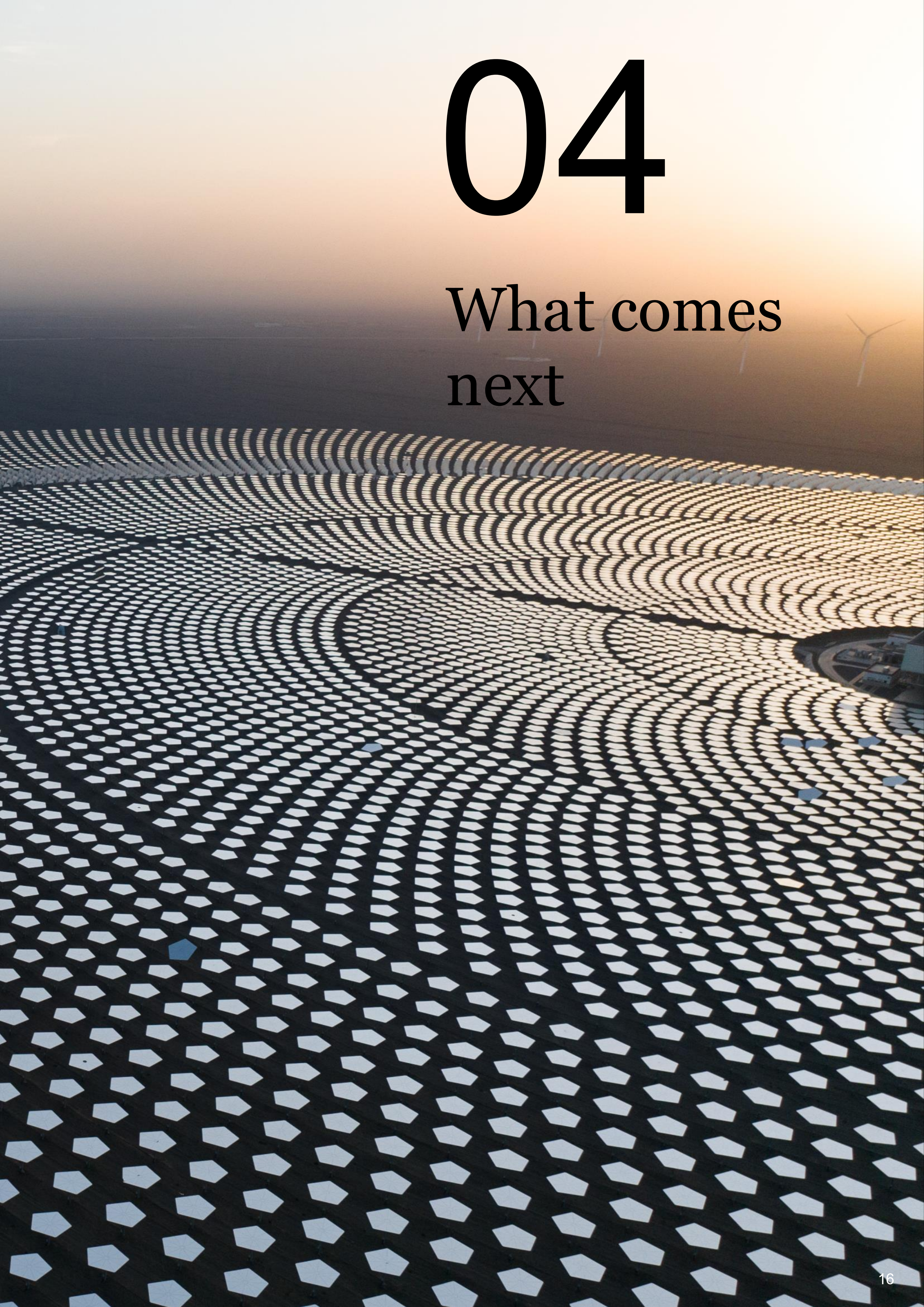


US$282.6m

Titan Holdings International FZCO acquired a 67% stake in Damas International Ltd in the United Arab Emirates. (February 2026)

04

What comes next



04 What comes next - how the second half could unfold?

Should regional conditions stabilise, activity is expected to pick up in the second half, led by the sectors that carried the market through the first half. In the near term, however, the next phase of M&A is likely to be shaped less by broad-based risk appetite and more by consolidation. As seen after COVID-19, larger players with stronger balance sheets may look to acquire smaller competitors, strengthen market position and build scale while valuations remain more selective.

Inbound capital is likely to remain more cautious until regional tensions ease. In the meantime, sovereign wealth funds, strategic buyers and well-capitalised regional players are expected to continue anchoring activity, using consolidation to support priority sectors and position the market for recovery.

As the region's resilience story continues, we outline six considerations expected to shape what comes next.

01 Recovery will favour strategic sectors

The first-half slowdown was a pause rather than a retreat. As geopolitical conditions stabilise, activity is likely to recover, though capital is expected to remain concentrated in energy, utilities, infrastructure and industrial capability – sectors aligned with national investment priorities. Activity is also expected in defence and security, as rising regional defence budgets[19] and industrial-localisation programmes draw investment into defence-adjacent industrial and technology assets. Financial services, one of the region's most historically active sectors, which saw a significant decline across the half, is expected to recover as funding conditions settle.

02 Deal structures will need to evolve

Pricing uncertainty is likely to persist beyond the first half, as targets are difficult to value against a disrupted 2026. Earn-outs and contingent consideration are expected to play a larger role in bridging valuation gaps, supported by top-up diligence on trading performance as conditions normalise. Greater flexibility in transaction structures will remain central to maintaining momentum through the recovery.

03 Tax considerations will increasingly shape the investment agenda

As investors become more selective in deploying capital, the focus is shifting from simply identifying attractive assets to maximising long-term investment returns. With tax regimes evolving across the Middle East and globally, after-tax outcomes are becoming a more important component of investment decisions alongside commercial and strategic considerations. Investors that assess tax implications early will be better positioned to allocate capital efficiently and preserve value throughout the investment lifecycle.

04 Route risk is now priced in

Trade routes, freight exposure and supplier concentration have become material valuation considerations for industrial, logistics and infrastructure assets. Buyers are applying sharper pricing scrutiny to these risks, stress-testing routing, freight costs and supplier dependencies rather than treating them as fixed assumptions. Saudi Arabia's US$7 billion Landbridge programme[20] illustrates the region's long-term investment in supply-chain resilience and the infrastructure likely to reach the market as it builds out.

05 Today's AI investment is tomorrow's M&A pipeline

What we see today is that much of the region's largest strategic capital deployment is taking place outside traditional M&A through partnerships, minority investments and greenfield development. As these platforms mature, they are likely to generate consolidation, refinancing and strategic investment opportunities. Dealmakers building relationships with these sponsors today will be better positioned as that pipeline develops.

06 Resilience will command a premium

Buyers are expected to pay more for businesses that can hold a defensive position through disruption. For sectors less able to benefit directly from the AI economy, that increasingly means strengthening competitiveness through the deal itself, whether by integrating along the value chain, widening the proposition, or acquiring the bolt-on that strengthens market position.

"

Tax is becoming an increasingly more important part of the investment equation in the Middle East. As investors become more selective, the focus is shifting from identifying attractive assets to understanding how value is created, protected and ultimately realised. Investors that integrate tax into investment decisions from the outset will be better positioned to preserve returns, enhance execution certainty and unlock long term-value."

Mohand Al-Ansari

Partner, M&A Tax Leader
PwC Middle East

About the data

This edition of TransAct Middle East – 2026 mid-year update analyses M&A activity across the Middle East based on transactions completed between January and May 2026 and extrapolated to a full half-year estimate (H1 2026e). Deal volumes are based on completed and partially completed transactions, excluding announced and pending deals, using data extracted from LSEG Data & Analytics between 1st – 8th June 2026.

H1-2026e is a PwC estimate based on the first five months of 2026. May 2026 data have been adjusted to reflect a reporting lag and the five-month period has been extrapolated to a full-half year estimate to improve trend comparability. 2026e does not represent a PwC forecast.

Our commentary on M&A trends is based on quantitative analysis, which was supplemented with independent research, to provide additional context on the macroeconomic, policy and strategic developments influencing regional M&A activity. To provide a consistent view of deal activity across the region, the source data has been aligned to PwC's industry mapping, and target countries have been mapped to PwC's regional taxonomy. Industry and geography classifications are based on the target company, and all reported values are presented in US$.

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