

# Merger activity to continue despite world slowdown

Report acknowledges UAE's progress

Staff Report

**Dubai** The regional mergers and acquisitions (M&A) activity is expected to weather the current economic slowdown and register a robust growth according to a recent report by Global M&A GmbH.

The annual Global M&A conference in Dubai yesterday observed that while some of the countries in the region such as Kuwait and the UAE have made great progress in promoting M&A, it urged other nations to set their agendas in perspective to match global mandates.

The report predicts a buoyant scenario for Global M&A, especially the mid-level investments. "Despite a sharp decrease in global M&A trends, in particular the high end deals in the wake of the global meltdown, the middle-market remains optimistic," said Faisal Al Sayrafi, MD and CEO of Financial Transaction House.

## Central hub

"As the Gulf becomes a central hub, we see an increase of overseas interest in the Gulf markets wherein global, in particular Asian investors are looking to make their mark in the Middle East by acquiring small and mid-size companies. This sector requires specialised knowledge of niche markets and which is catered for through Global M&A, through our 12 specialised sector teams, including business services, chemicals, leisure and retail, and packaging," he said.

The volume of mid-market deals fell 39 per cent in Europe in the third quarter this year compared to the same period last and 30 per cent in North America in the same timeframe. Value has suffered similarly. In the first three quarters of 2008, Europe saw \$58 billion (Dh213 billion) worth of

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deals compared to \$64 billion last year in this period, while North America saw \$22 billion worth deals compared to \$29 billion in the first three quarters of 2007.

Most respondent expects this downward trend to continue: 44 per cent expect mid-market M&A activity to decrease in their country (as a point of reference, 34 per cent expected their country's mid-market activity to decrease in the May 2008 edition of this report). Less than a quarter of respondents expect to see an increase in the year ahead.

Meanwhile, the remaining 21 per cent of respondents who expect mid-market M&A activity to remain at its current levels, also referenced the present economic conditions. A corporate respondent from the US states: "There is too much speculation and the market has not yet recovered. It's hard to determine value right now and people are reluctant to make any moves until this changes," said Al Sayrafi.

The market, however, is expected to see increased movement to and from the Middle East. "The funds are here and the economies are experiencing a growth despite a global slump. More investors are expected to look at the Middle East for mid-sized investment, in particular those hinging around Islamic tennets," added Al Sayrafi.