

Economic overview

In 2014, the global economy is expected to expand 3.4–3.6%, based on estimates from the International Monetary Fund (IMF) and the Organization for Economic Cooperation and Development (OECD). Despite poor performance in 1Q 2014, growth in the US is expected to remain buoyant, aided by domestic demand, strong exports, and broadly supportive monetary conditions. Growth in Japan could be lower due to the effect of higher consumption taxes and slowing exports. However, an improving labor market is expected to provide some fillip. The Eurozone is projected to return to positive growth, albeit at a slow pace, led by improved consumer sentiment and easing fiscal consolidation. Emerging economies are expected to pick up modestly, according to the IMF. China's growth rate for 2014 is likely to be 7.5% as authorities seek a gradual transition to a more balanced and sustainable growth path.

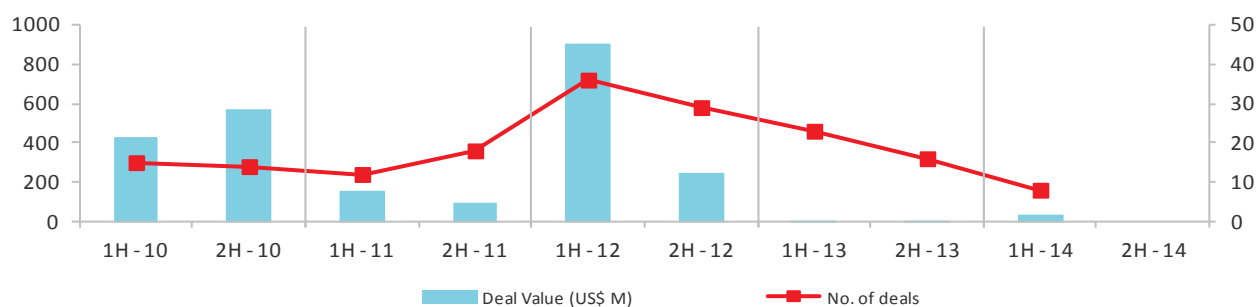
The IMF expects the MENA region to grow 3.2% in 2014. In its regional economic outlook for 2014, the IMF estimates a growth rate of 3.5% for oil-exporting countries in MENA, led by robust non-oil activity. The non-oil sectors, particularly construction and retail trade, are expected to drive economic activity, supported by high levels of public infrastructure spending. Oil & gas output is expected to remain broadly stable in 2014. However, oil importers are likely to expand at a slower pace of 2.8%, resulting in overall growth of 3.2% for the MENA region. In the Gulf Cooperation Council (GCC) region, growth remains robust, supported by strengthening global demand. Saudi Arabia is estimated to grow 4.1%, while the UAE's GDP is likely to expand 4.4%.

PE activity

Global private equity (PE) activity slowed in 1H 2014. According to data compiled by research and consultancy firm Preqin, 1,476 PE buyout deals, worth US\$159 billion¹, were struck in 1H 2014 compared with 1,499 deals worth US\$165.1 billion¹ in 1H 2013. The volume and value of deals fell 1.5% and 3.5%, respectively.

Likewise, the MENA region witnessed eight PE deals, worth US\$37.2 million¹, in 1H 2014. The number of deals was less than that in 1H 2013, but much higher in terms of value. MENA reported 23 deals worth US\$5.1 million¹ in 1H 2013. Unlike 1H 2013, when deal activity was consistent with an equal number of transactions in 1Q and 2Q, volumes in 1H 2014 were not uniform. Only two deals took place in 1Q 2014 (in January), while six were reported in 2Q 2014 – two in April, three in May, and one in June. We observed the trend in PE deals over the past three years. Deal activity was intense in 2012, but slowed in 2013, with the second half showing more lackluster performance than the first half. Activity has, however, picked up in 2014, with the second quarter witnessing far more deals than the first quarter. The UAE, which has historically received large interest from PE firms, continued to lead in 1H 2014, with the largest number of deals, both in terms of number and deal value. The Emirate reported two deals worth around US\$35 million. PE deal activity in the MENA region is being driven by a competitive business environment. In Lebanon, the PE industry is led by improving educational systems, with better quality of teaching and relatively high enrolment rates compared with some of the other countries, resulting in a well-educated workforce. Saudi Arabia has been able to create a good platform for the PE industry due to a combination of its wealth and large population as well as its positioning among the fastest reforming economies in the world. With the business environment in the MENA region turning more competitive, effects of the financial crisis wearing away, expected improvement in economic performance, and the Middle East's reputation as one of the biggest international business centers (resulting in expansion of businesses), we expect PE deal activity to increase over the next year.

Exhibit 1: MENA PE Deal Value & Volume (Half yearly)



Source: Zawya, ThomsonOne Banker

¹ disclosed value of deals

Top countries in MENA PE deal activity – 1H 2014

During 1H 2014, PE deal activity in the MENA region was largely concentrated in Jordan, the UAE, Egypt, and Lebanon. In terms of volumes, Jordan and the UAE witnessed two deals each, while Egypt, Lebanon, Morocco, and Tunisia reported one deal each.

Among the two deals in Jordan, one was in the IT sector and the other in power & utilities. Foursan Capital Partners I was involved in both transactions. Neither of the deal values was disclosed. The deals in the UAE, Egypt, and Lebanon were worth approximately US\$35 million, US\$1.2 million, and US\$1.0 million, respectively.

In the largest deal in 1H 2014, GFH Capital offered US\$34 million for undisclosed stake in a Dubai-based American curriculum private K-12 school, which has a student base of nearly 1,300. GFH Capital is a subsidiary of Bahrain-based Gulf Finance House.

Exhibit 2: Top countries by deal value (US\$ M)

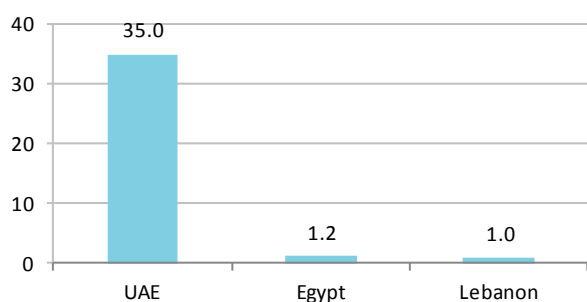
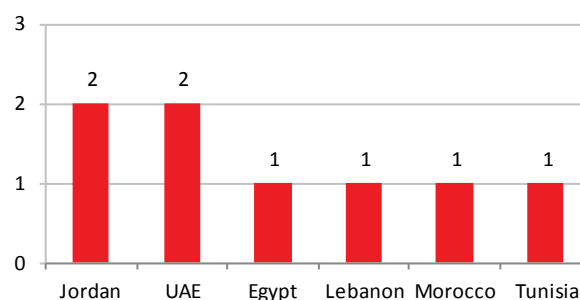


Exhibit 3: Top countries by number of deals



Source: Zawya

Top sectors in MENA PE deal activity – 1H 2014

PE investments were concentrated in education, food & beverages, and services. Other sectors such as industrial manufacturing, information technology, and power & utilities witnessed one deal each.

The deals in the education sector were worth around US\$34 million, while those in services and food & beverages were worth US\$2 million and US\$1.2 million, respectively. Deal values in the other sectors were not disclosed.

The food & beverages sector witnessed two deals. Abraaj Capital made an undisclosed investment in Morocco-based Kool Food, while Bedaya Fund invested US\$ 1.2 million in Egypt-based Modern Family Foods.

Exhibit 4: Top sector by deal value (US\$ M)

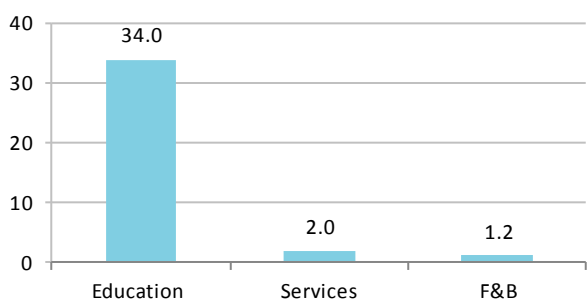
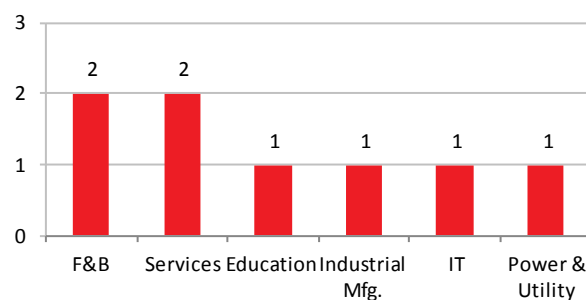


Exhibit 5: Top sector by number of deals



Source: Zawya

MENA PE exit deals – 1H 2014

There were seven exit deals in the MENA region in 1H 2014. In the largest exit deal, Havenvest Private Equity Middle East sold its stake in Byrne Equipment to Saudi Arabia's Hanco and Bahrain's Venture Capital Bank for US\$163 million. UAE-based Byrne rents office and storage buildings, generators, welding machines, and workshops. Havenvest Private Equity Middle East was previously known as HSBC Private Equity Middle East.

Another notable exit involved the sale of EFG Hermes (PE arm)'s 19% stake in Damas International to Qatar-based Mannai Corporation for US\$150 million. Dubai-based Damas is a leading international jewellery and watch retailer, operating more than 300 stores across six countries. In May 2012, EFG Hermes had acquired the stake in Damas, worth US\$85 million, through EFG Capital Partners Fund III.

Country-wise, the UAE witnessed the maximum number of exit deals (three), followed by Saudi Arabia (two). Egypt and Tunisia witnessed one deal each. Of the seven exit deals, three were in the industrial manufacturing sector and one each in leisure & tourism, construction, consumer goods, and financial services.

Exhibit 6: MENA PE exit deals during 1H 2014

Company Name	Date	Company Nation	Deal Value (US\$ M)	Sector	Fund/Company Name
El Sewedy Electric	January 2014	Egypt	12.60	Industrial Mfg.	Samena Special Situation Fund I
Damas	March 5, 2014	UAE	150.00	Consumer Goods	EFG Capital Partners Fund III
Gulf Marine Services	March 14, 2014	UAE	-	Construction	Gulf Capital Equity Partners II
Byrne Equipment Rental	March 25, 2014	UAE	163.00	Industrial Mfg.	Havenvest Private Equity Middle East
Sotipapier	March 28, 2014	Tunisia	-	Industrial Mfg.	Intaj Capital II
Abdul Mohsen Al Hokair Group	June 14, 2014	Saudi Arabia	-	Leisure and Tourism	Jadwa Tourism & Hospitality Opportunity Fund
Nayifat Installment Co	June 15, 2014	Saudi Arabia	-	Financial Services	NBK Capital Equity Partners Fund I

Source: Zawya

MENA fund raising activity—1H 2014

In the first half of 2014, six PE funds were announced in the MENA region, with a fund raising target of US\$1.2 billion. Three funds – Duet-CIC Egypt Opportunities Fund (Egyptian Investment Bank and CI Capital Holding), Riyadh Capital Venture Capital Fund (Riyadh Capital), and Al Masah Capital IPO Fund (Al Masah Capital) – were launched targeting a first close of more than US\$200 million.

Egyptian Investment Bank and CI Capital Holding launched Duet-CIC Egypt Opportunities Fund, with a capital of US\$ 300 million, to invest in Egyptian businesses, mainly in the consumer and consumer-related sectors. The main objective is to fuel economic growth, which can generate good long-term returns on the investment.

Riyadh Capital Venture Capital Fund, which is expected to make its first investment before the end of the year, is targeting the advanced materials, sustainable energy, information, communication, and technology industries. The Fund intends to capitalize on the increased interest in developing new industrial materials from companies such as Saudi Basic Industries Corp, the world's largest petrochemical manufacturer by market value.

Al Masah Capital launched Al Masah Capital IPO Fund, with a targeted capital of US\$250 million, to mainly invest in the real estate, logistics and transport sectors. The Fund is also targeting the aviation and oil & gas segments through joint ventures. The main drivers of this investment plan have been healthy macroeconomic conditions, large current surpluses, and Expo 2020, which make it lucrative to invest in the proposed sectors.

Exhibit 7: Fund raising in MENA during 1H 2014

Fund Name	Status	Announced Date	Fund Manager	Target Size (US\$ M)
Duet-CIC Egypt Opportunities Fund	Announced	June 11, 2014	CI Capital Holding	300.00
Riyadh Capital Venture Capital Fund	Fund Raising	June 2, 2014	Riyadh Capital	266.60
Al Masah Capital IPO Fund	Fund Raising	May 18,2014	Al Masah Capital	250.00
PineBridge GCC Real Estate Fund I	Fund Raising	June 3, 2014	PineBridge Investments	140.00
Compass Capital Fund I	Fund Raising	May 22,2014	Compass Capital	120.00
Al Ahli SEDCO Residential Development Fund	Investing	May 2014	NCB Capital	93.33

Source: Zawya

According to Preqin, global private equity fundraising in 1H 2014 was lower, with the closing of 407 funds, raising an aggregate US\$231 billion, vis-à-vis 514 funds, raising US\$237 billion, in 1H 2013. Ardian Secondary Fund VI was the largest fund to close during the period, securing US\$9.0 billion.

MENA IPO activity—1H 2014

During 1H 2014, the MENA region witnessed 16 IPOs, worth around US\$1.7 billion. In terms of size, Qatar-based Mesaieed Petro Chemical Holding Company (Mesaieed), a subsidiary of Qatar Petrochemical, raised the largest amount of US\$878 million. The IPO was oversubscribed nearly 5x.

This was followed by Abdul Mohsen Al Hokair Group in Saudi Arabia (US\$220 million) and Egypt Kuwait Holding Co in Egypt (US\$109 million). Country-wise, Saudi Arabia and Egypt witnessed the largest number of IPOs (four each). In terms of value, Oman and Saudi Arabia led with deals worth US\$898 million and US\$410 million, respectively. Sector-wise, industrial manufacturing led in terms of volume as well as deal value, with three IPOs worth US\$960 million.

Exhibit 8: IPO Value & Volume, by country

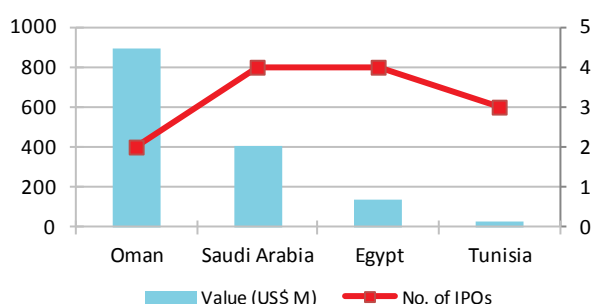
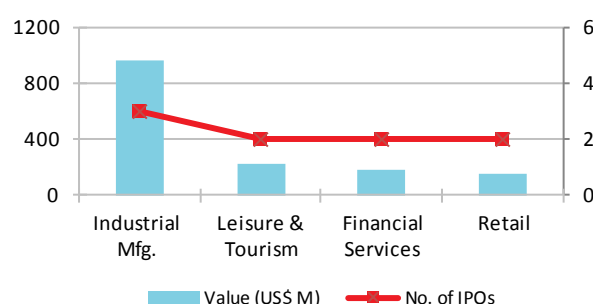


Exhibit 9: IPO Value & Volume, by sector



Source: Zawya

Exhibit 10: Major IPOs closed in MENA – 1H 2014

Company Name	IPO Close	Company Nation	Size (US\$ M)	Sector	Advisors
Mesaieed Petrochemical Holding Co	January 21, 2014	Oman	878.0	Industrial Manufacturing	Ahli Bank
Abdul Mohsen Al Hokair Group	June 3, 2014	Saudi Arabia	220.0	Leisure and Tourism	Saudi Fransi Capital
Egypt Kuwait Holding Co	June 22, 2014	Egypt	109.1	Financial Services	EFG-Hermes Holding
Marka PJSC	April 24, 2014	UAE	77.1	Retail	CAPM Investment
Umm Al-Qura Cement Co	May 5, 2014	Saudi Arabia	73.3	Industrial Manufacturing	Riyad Capital

Source: Zawya

In terms of fundraising, global IPO activity is showing strength. Data compiled by EY suggests that US\$118 billion was raised through 588 IPOs during 1H 2014 compared with US\$70 billion through 368 IPOs during the corresponding prior-year period. Compared with 1Q 2014, 2Q 2014 was particularly productive, with a 66% surge in capital raised. There were 60% more deals in 1H 2014 compared with the same period last year; total capital raised was up 66%. The average deal size was US\$200.2 million.

Appendix 1: MENA PE deals during 1H 2014

Company Name	Date	Company Nation	Deal Value (US\$ M)	Sector	Fund/Company Name
Fadel Partners	January 2014	Lebanon	1.00	Services	The Building Block Equity Fund
Potential	January 2014	UAE	1.00	Services	The Building Block Equity Fund
Modern Family Foods	April 2014	Egypt	1.21	Food & Beverages	Bedaya Fund
Kool Food	April 16, 2014	Morocco	-	Food & Beverages	Abraaj Capital
Nafith Logistics	May 1, 2014	Jordan	-	Information Tech.	Foursan Capital Partners I
Shamsuna Power	May 1, 2014	Jordan	-	Power and Utilities	Foursan Capital Partners I
American curriculum school	May 17, 2014	UAE	34.00	Education	GFH Capital
One Tech Holding	June 11, 2014	Tunisia	-	Industrial Manufacturing	Maghreb Private Equity Fund III

Source: Zawya

Appendix 2: IPOs in MENA during 1H 2014

Company Name	IPO Close	Company Nation	Size (US\$ M)	Sector	Advisors
Cellcom	January 17, 2014	Tunisia	6.0	Telecommunications	Compagnie Gestion et Finance
Mesaieed Petrochemical Holding Co	January 21, 2014	Oman	878.0	Industrial Manufacturing	Ahli Bank
Saudi Marketing Co	January 28, 2014	Saudi Arabia	72.0	Retail	FALCOM Financial Services
Marsa Marsa Alam For Tourism Development Investment SAE	March 5, 2014	Egypt	4.3	Leisure and Tourism	-
Commercial Bank of Iraq P.S.C.	March 13, 2014	Iraq	67.5	Financial Services	-
Egyptian Starch & Glucose Manufacturing Co	April 7, 2014	Egypt	15.8	Food and Beverages	-
Marka PJSC	April 24, 2014	UAE	77.1	Retail	CAPM Investment
National Gas Company SAOG	April 24, 2014	Oman	19.6	Oil and Gas	Oman Arab Bank
North Upper Egypt Development & Agricultural Production Co	April 30, 2014	Egypt	8.8	Industrial Manufacturing	-
Umm Al-Qura Cement Co	May 5, 2014	Saudi Arabia	73.3	Industrial Manufacturing	Riyad Capital
Tawasol Group Holding	May 16, 2014	Tunisia	12.4	Construction	Arab Financial Consultants
Lesieur Cristal S.A.	May 30, 2014	Morocco	70.6	Food and Beverages	Attijari Intermédiation
Abdul Mohsen Al Hokair Group	June 3, 2014	Saudi Arabia	220.0	Leisure and Tourism	Saudi Fransi Capital
Maghreb International Publicité	June 5, 2014	Tunisia	7.2	Services	Mac SA Incorporation
Al Hammadi Company for Development and Investment	June 17, 2014	Saudi Arabia	44.8	Healthcare	Samba Capital
Egypt Kuwait Holding Co	June 22, 2014	Egypt	109.1	Financial Services	EFG-Hermes Holding

Source: Zawya

Kindly note that the Al Masah Capital MENA PE Newsletter for 1H 2014 also includes some of the deals which went unreported previously in the monthly newsletters due to delayed updating by Zawya and ThomsonOne Banker.



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