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2023 Lumina *Cross-Border* Insights

A pivotal moment for the Middle East as an engine of global growth and dealmaking

UK-to-Middle East and North Africa (MENA) cross-border trade and deal activity surged in 2022, driven by two-way capital flows as multinationals and funds sought Middle East access and investments.

With global economies now facing myriad challenges, from rising inflation and increased borrowing costs leading to lower real incomes, the spectre of recession looms over 2023.

In this deal insights paper Lumina assesses the latest deal and trade data, and concludes on why we believe 2023 will be another record year for cross-border Middle East transactions.

Key report findings:

USD40bn
Record (and still growing) levels of KSA and UAE FDI in 2022

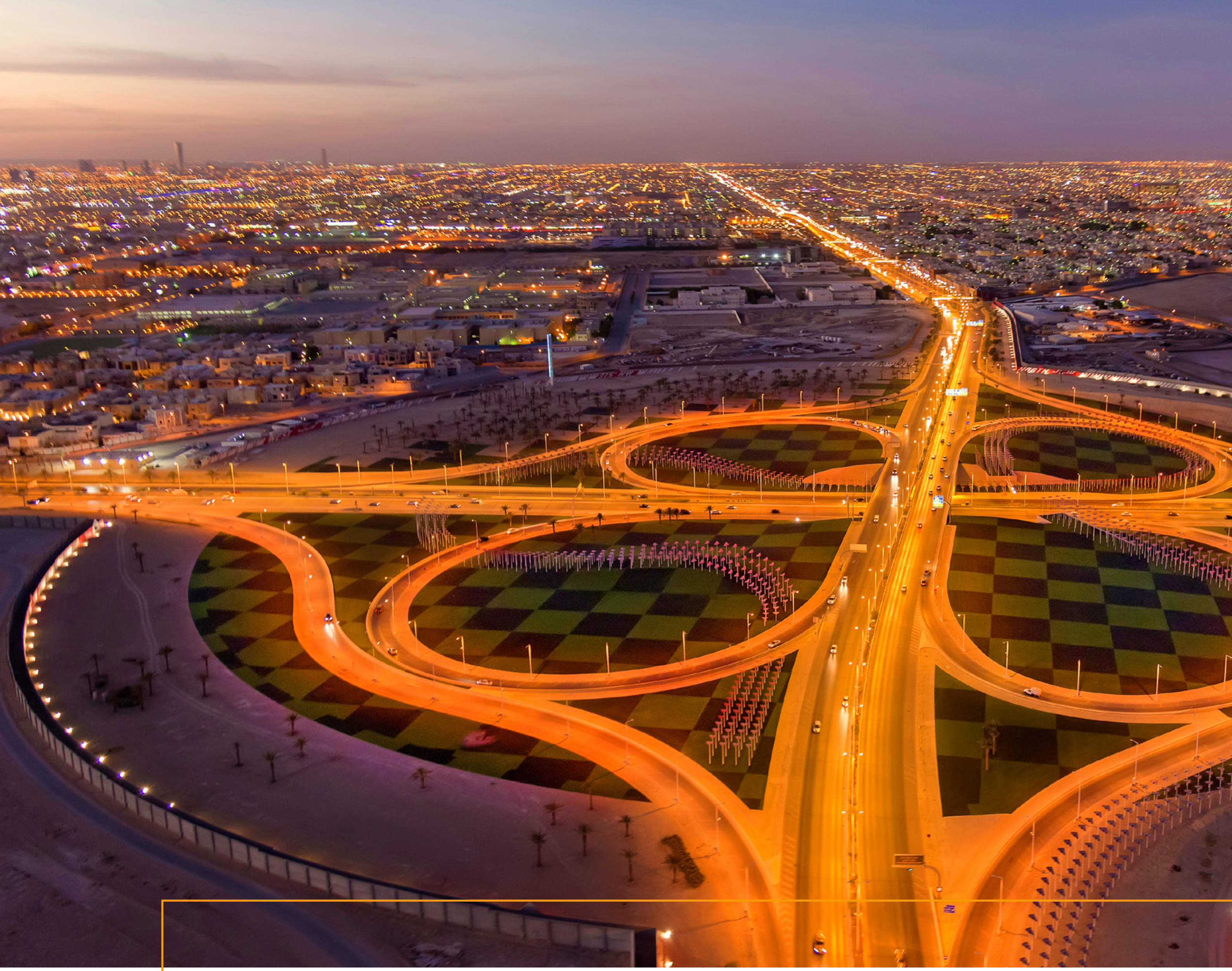
15%
Highest ever UK plc MENA revenue contribution

USD900bn
KSA opportunity driving UK companies to regional expansion

160+
Bilateral MENA-UK deals (from gaming to infrastructure, entertainment, telecoms and logistics)

USD7.6bn
Invested into VC and growth capital 2018 – 2022. Private equity (direct and secondaries) to be fastest growing 2023 asset class

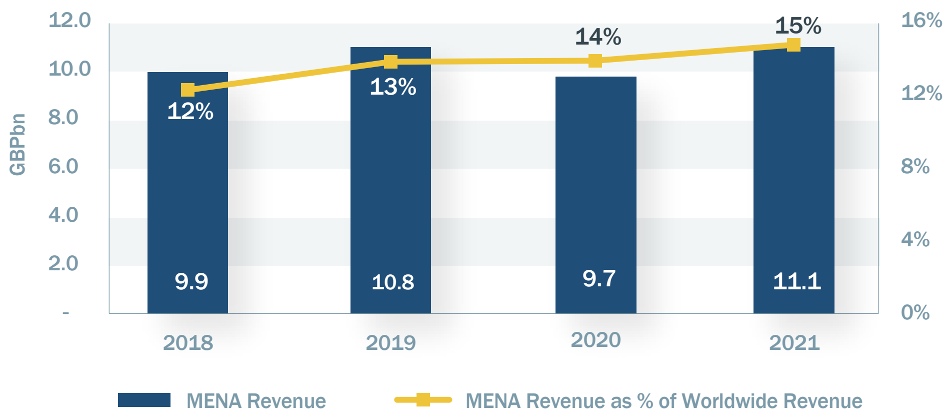
Rare bright spot
Middle East remains globally attractive



1

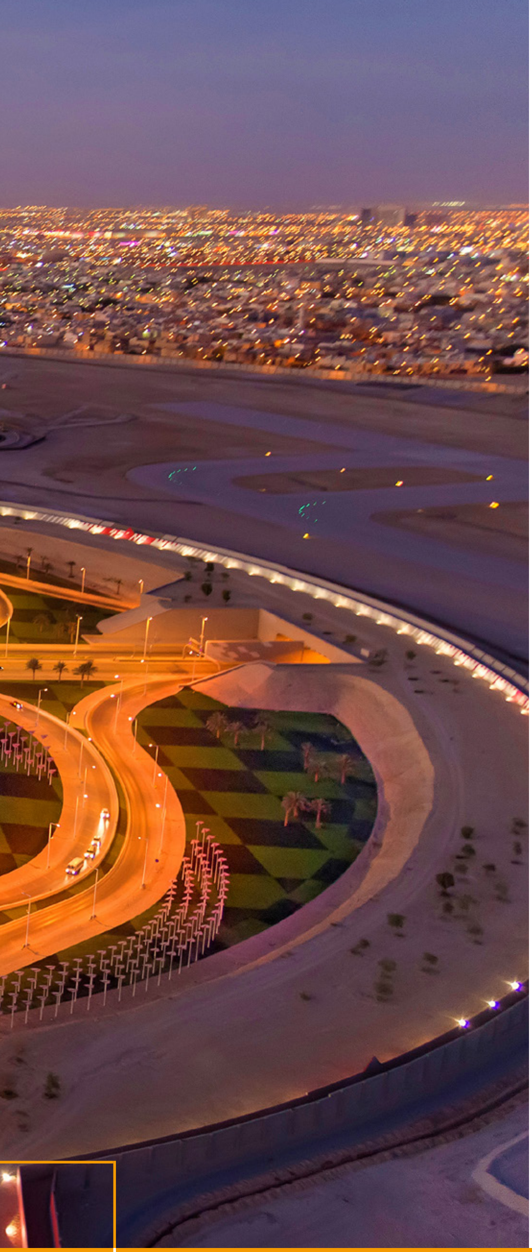
The Middle East represents a **rare global 'bright spot'** for UK companies. UK PLC revenues generated from the region in 2021 surpassed previous 2019 highs, reaching GBP11.1bn. ME revenues now reflect 15% of their global revenues.*

FTSE listed MENA Revenue



Source: Bloomberg

* UK plcs defined as those plcs generating revenue from the MENA region



- 6 of the top 10 FTSE 250 companies with MENA revenues demonstrated Middle East revenue growth in 2021.
- The MENA region, demonstrating its ongoing overall global relevance, saw Middle East **revenue contribution growing to 15% of overall global sales** for FTSE listed companies, compared to 13% in 2019.
- The fastest growing sectors for growth included sustainable energy (Energean plc – the UK listed energy transition leader), industrials (Essentra, Victrex) and healthcare (Mediclinic).
- Energean ranked #1 this year for YoY increases in regional revenues, seeing MENA GBP revenues **increasing by GBP132m YoY.**
- Buoyed by an increase in oil prices, GCC governments have increased spending on infrastructure and engineering projects, in an effort to diversify away from the oil & gas sector. This has been accompanied by a focus on **broad-scale digital transformation** in line with national visions and goals. Innovative technologies are being pursued and encouraged across different sectors including fintech, automotive, infrastructure and engineering.
- The luxury and retail sector (Burberry enjoying a notable regional recovery last year) has also been on the rise driven by pent-up Covid demand.

Double digit MENA YoY growth was seen at top UK listed companies in:

Engineering / Infrastructure	Technology	Fashion / Retail	Industrials
47%	**46%**	**25%**	**12%**

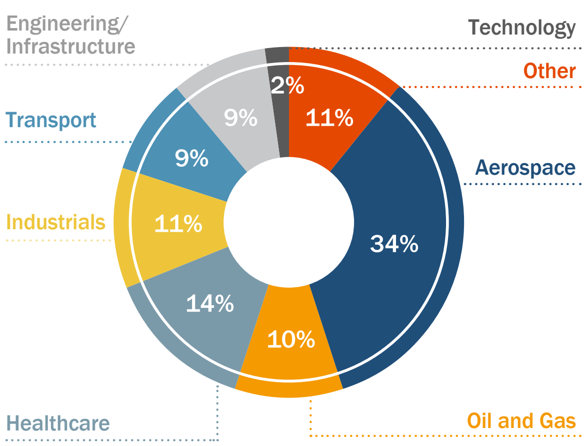
LUMINA VIEW

In the context of the **USD900bn KSA opportunity** alone we expect an acceleration of this upward trend, particularly in the green energy, industrials and infrastructure sectors. **Lumina anticipates Middle East contribution from UK PLCs to increase to 17% in 2023,** contributing an additional GBP1.6bn to UK PLC coffers.

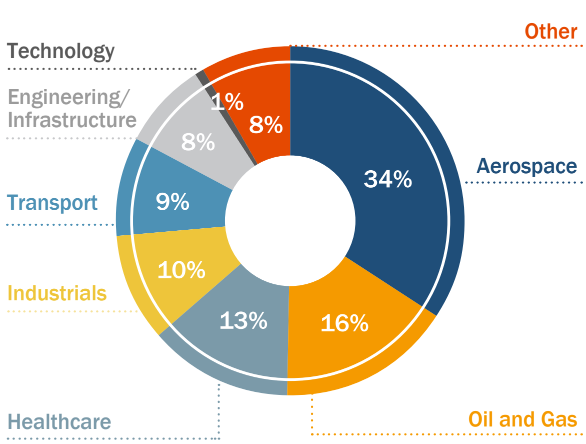
2

MENA revenue generated by FTSE listed companies is **increasingly coming from non-oil sectors**, with healthcare, industrials, infra and tech all seeing year on year gains. Aerospace remains the largest sector, but growth remained flat YoY.

2021 FTSE MENA Revenue by Sector



2020 FTSE MENA Revenue by Sector



FTSE listed MENA companies in the Oil & Gas sector contributed 10% of the total revenue generated in 2021 compared with 16% in 2020. This reflects the wide range of regional Government initiatives to launch, develop and grow income from non-oil and gas sectors. Key growth sectors are:

Healthcare

Healthcare revenue from the MENA region contributed an additional 1% of worldwide revenue between 2020 and 2021 increasing to 14% from 13%. Mediclinic and Hikma Pharmaceuticals saw 6% and 3% YoY growth respectively between 2020 and 2021.

Infrastructure

Infrastructure grew through the large projects being set up in the region with the likes of Saudi Arabia's and UAE's high-tech cities, multiple railway projects and the GCC's push towards renewables benefiting the industry. Lamprell specifically saw revenue increase by 47% between 2020 and 2021 driven by several renewable projects across both UAE and Saudi Arabia markets.

Industrials

Industrials continues to demonstrate its importance to UK companies, having contributed an additional 1% to global UK FTSE revenues between 2020 and 2021 (from 10% to 11%). This reflects regional focuses, such as Aramco's In-Kingdom Total Value Add program. Similarly in the UAE, "Make in Emirates" reflects the focus on increased productivity and local supply chain resilience, leading to opportunities for best-in-class global skills and technologies to enter the region.

LUMINA VIEW

In 2023 we only see these sectors increasing as the region continues to diversify away from oil dependency. Infrastructure investment will lead the way, with a focus on renewables and **ongoing giga projects** such as NEOM, ROSHN (Saudi's residential housing development program), Derayah Gate and the Red Sea Project. **Together these projects have an estimated cost of USD650bn.**

NEOM نيوم

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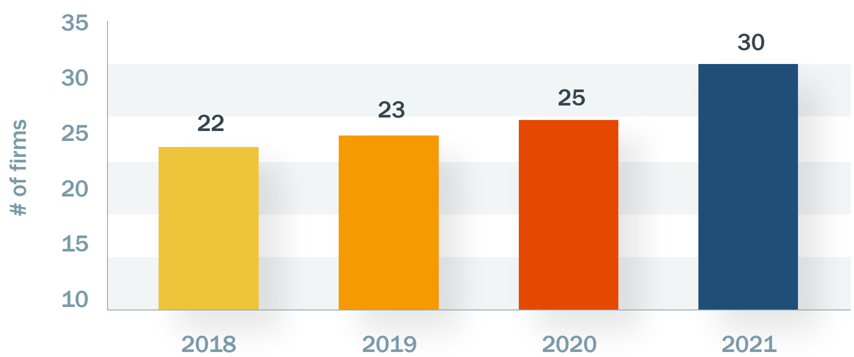
With a myriad of opportunities available it is unsurprising that UK companies established in the region grew their operations in 2022. We also saw a continued trend of new companies expanding into the region for the first time.

FTSE listed companies generating revenue in MENA



The number of FTSE listed companies with operations in MENA has increased from 22 to 30. Why?

- **Ability to diversify revenues in a relatively higher growth market**

  Countries in the MENA region continue to think 'post-oil' providing **opportunities** for global market leaders to expand activities. For example, National Express established Railway operations in Bahrain in 2015, and has **doubled revenues to GBP115m** p.a. since 2019. Opportunities in the transport sector will continue to grow, with the UAE establishing a rail link between Dubai and Abu Dhabi. Saudi Arabia is also setting up a countrywide railway system.

- **'Accessing' the region**

  One of the key challenges for UK funds and corporate is still how to '**access**' the region. As demonstrated by UK revenue growth, resulting from the myriad of regional opportunities, companies have identified the need to set up 'boots-on-the-ground' across the region.

- **Sustainability and ESG continues to be a focus**

  The region is looking to **import renewable and sustainability technology** and infrastructure in light of their COP26 commitments of reaching net zero by 2050 and 2060 for the UAE and KSA respectively. This is evidenced by MAF's USD500m issue of perpetual green bonds in 2022 and Lamprell receiving the Middle East's first green trade finance facility for its third wind farm jacket project in 2021.

- **Private companies are also paving the way into the region identifying exciting new niches in Tech, F&B and Entertainment**

  The region is becoming increasingly 'accessible', with talent, nowadays as likely to move to 'newer' financials centres including Singapore and the UAE, as they are to London, New York, Paris and Hong Kong. Events such as the **Future Investment Initiative** in Riyadh in October each year, with 2022's conference being the best attended to date, was a **fantastic showcase** both for KSA and the region. Given headwinds in other, more developed markets, the region offers attractive opportunities for career and personal growth.

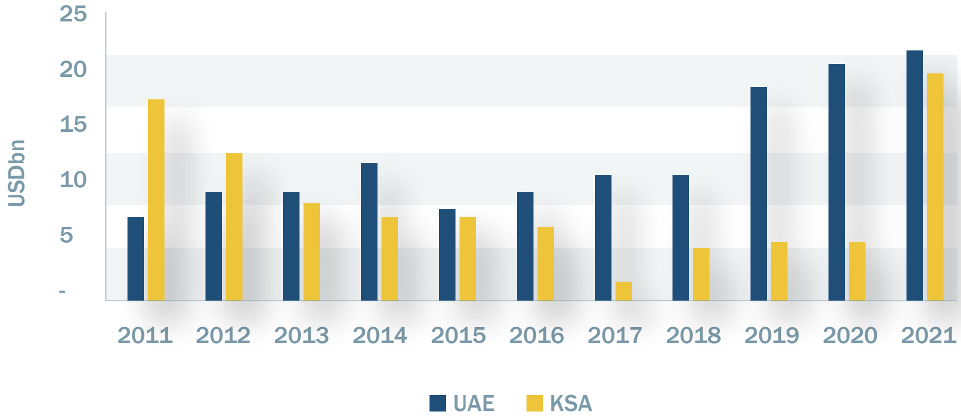
LUMINA VIEW

As an engine for **global growth in 2023**, the region will continue to be attractive to new companies setting up and for top talent **as individuals seek career growth and development opportunities** in the face of more challenging global labour markets.

4

FDI into the UAE and KSA reached record levels in 2021. 2022 has already been another record year and we anticipate KSA FDI to exceed that of the UAE for the first time since 2012.

UAE and KSA FDI – 2011 to 2021



Key MENA projects driving FDI and UK-to-Middle East investment in 2023 will be:

Infrastructure /Engineering

NEOM: A high-tech mega-city that is the flagship project of Saudi Arabia's post-oil diversification plan (Vision 2030). NEOM will include areas dedicated to future technologies in 16 sectors including biotech, food, manufacturing and technology, among others. NEOM's contribution to the kingdom's GDP is projected to reach at least USD100bn by 2030. Total cost is estimated at USD500bn.

Etihad Rail: UAE's national rail project, Etihad Rail, started in 2016. As part of the Gulf Cooperation Council (GCC) rail network, it will be one of the biggest single railway projects ever undertaken. This will establish a link between the UAE and its neighbouring nations, including Kuwait, Oman, Qatar, Saudi Arabia, and Bahrain.

Tourism / Hospitality

Red Sea Project: will include 16 hotels with 3,000 rooms across four islands and two inland sites. The first three hotels are set to open in early 2023. Once the site is fully operational in 2030, the project is expected to include 50 hotels with 8,000 hotel rooms and more than 1000 residential properties across 22 islands and six inland sites. It is forecast to contribute USD5.9bn to GDP and cap visitors to 1 million per year by 2030, in line with the Kingdom's sustainability efforts.

Clean / Renewable Energy

Al Shuaibah Project: A 2GW solar plant that will be the largest in Saudi Arabia and among the biggest planned in the Middle East due to be operating by the end of 2025. Saudi developer ACWA Power and a unit of the kingdom's Public Investment Fund (PIF) will jointly own the giant PV facility in Al Shuaibah.

Mohammed bin Rashid Al Maktoum Solar Park: The Mohammed bin Rashid Al Maktoum Solar Park in the UAE is the largest single-site solar park in the world based on the Independent Power Producer (IPP) model. It has a planned production capacity of 5GW by 2030, with investments totalling AED50bn. It is expected to save over 6.5 million tons of carbon emissions annually on completion.

LUMINA VIEW

These mega-projects represent just a handful of the infrastructure projects being developed across the region. In KSA alone the top 7 infrastructure projects (NEOM, ROSHN, Diriyah Gate, Jeddah Central, Red Sea Project, AlUla and Qiddiya) **will cost USD690bn** to build. Their scale reflects the far-reaching visions of their sponsors. **Regional presence for aspiring global firms is now seen as a must – rather a nice-to-have.**

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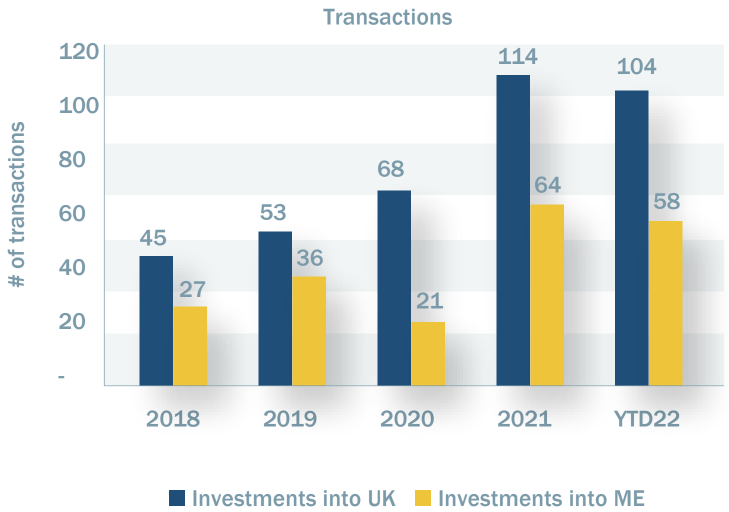
Bilateral transactions have continued to grow into 2022 with year end deal activity set to surpass total cross-border UK-to-Middle East transactions.

Inbound and Outbound UK-to-Middle East Deal Activity 2018 – YTD2022*



* YTD as at 22 November, 2022

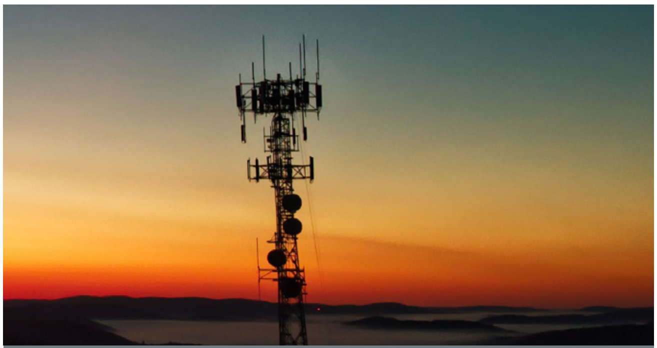
Top cross border transactions in 2022 were:

KSA into UK

Gaming – USD1.5bn
The Saudi Arabian-backed Savvy Gaming Group purchased FACEIT (UK) and ESL Gaming (Germany) for a combined USD1.5bn in January 2022.

Engineering – USD1.2bn
Industrialization and Energy Services Co., known as TAQA, acquired Tendeka, a UK-based engineering and manufacturing company for a consideration of USD1.2bn.

Automobiles – USD0.1bn
The Kingdom's Public Investment Fund invested USD0.1bn for a 16.7% stake in Aston Martin.



UAE into UK

Telecoms – USD4.4bn
E& acquired 9.8% stake in Vodafone, for consideration of USD4.4bn in May 2022 and later raised its stake to 11% in December 2022.

Logistics – USD0.2bn
Tristar Transport (UAE), an integrated energy logistics group to acquire 51% in HG Storage International for USD215m.

Clean Energy Expansion
Masdar acquired UK-based Arlington Energy, expanding Masdar's presence in the UK and giving it access to battery energy storage technology.

Kuwait into UK

Logistics – USD0.7bn
Agility, a supply chain services, infrastructure and innovation company, acquired 100% stake in John Menzies PLC for USD700m in August 2022.

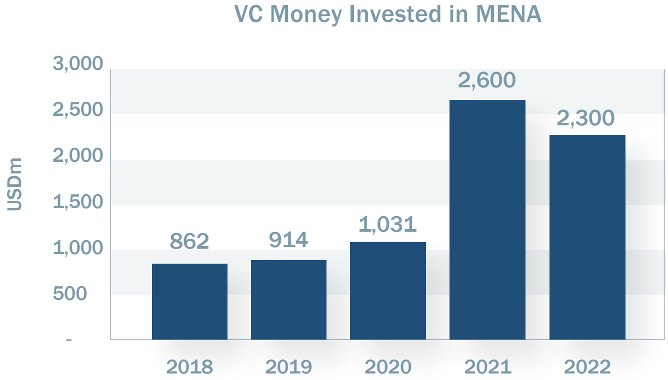
UK into Middle East

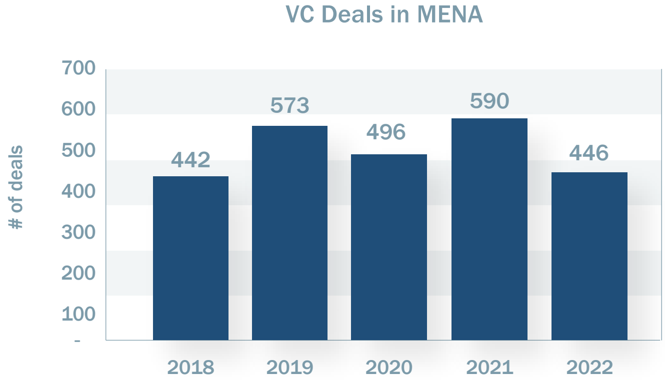
Manufacturing – USD0.9bn
J.O Steel, UK to Invest USD865m in Saudi Arabia to establish an integrated billet manufacturing plant within Ras Al-Khair Industrial City in the Saudi Arabia.

Infrastructure – USD0.5bn
Actis, a leading global investor in sustainable infrastructure acquired 50% stake in Emirates District Cooling Company (EMICOOL) for a consideration of USD500m.

6

The capital raising environment has changed dramatically over the last 18 months as the global slowdown in the tech sector has led to a marked reduction in funding rounds. VC investments and transaction activity peaked in 2021 and we anticipate 2023 activity to revert to 2019/2020 levels. Bright spots will be seen in deep tech, AI, digital transformation, cybersecurity and other technology creators.





Top 5 UAE/KSA 2022 VC led transactions by size

DATE	TARGET	INVESTORS	DEAL SIZE	COUNTRY
21 April	Foodics	Prosus, Sanabil	USD170m	KSA
30 June	PureHarvest	Metric Capital Partners, IMM Investment Corp, and Olayan Group	USD181m	UAE
4 August	Tabby	Atalya Capital Management, Partners for Growth	USD150m	UAE
12 October	Yellow Door Energy	Actis, International Finance Corporation (IFC), Mitsui & Co., Ltd. and APICORP	USD400m	UAE
28 November	Fenix Games	Phoenix Group and Cypher Capital	USD150m	UAE

Source: Pitchbook

Despite the slowdown in overall deal activity, as the VC ecosystem matures across the region we have seen 31 global private equity and VC firms establishing offices in the UAE and KSA between 2017–2022.

LUMINA VIEW

With some USD8bn being invested into regional VC over the past five years, we now anticipate **private equity, both direct and secondaries, being the fastest growing alternative asset class in 2023**. Outperforming growth stage companies will need to seek access to new rounds of funding and both GPs and LPs may seek access to levels of liquidity across their illiquid portfolios.

We're also excited about the number of **VC secondaries funds** being set up, and although nascent in the region in 2022, we anticipate seeing growth here into 2023.

Lumina predictions

Themes that will drive 2023 deal and trade activity:

- **2023 dealmaking to remain resilient despite global headwinds**

  We saw a hugely **resilient regional-led global M&A environment** in 2022, with traditional sectors such as manufacturing, oil & gas services and industrials showing strong levels of activity. With **significant infrastructure spending** announced regionally, consolidation in the construction and contracting sectors is gathering pace with the aim of building regional champions with the technology and specialist skills to service increasingly large scale, complex projects. Family conglomerates and private equity continue to utilize the IPO boom in the regional public markets to facilitate exits and raise capital.

- **Two-way investment will drive record FDI levels**

  We will continue to see a two-way street of capital flows between the Middle East and Europe and expect no let-up in the levels of regional infrastructure investment. As global corporates and funds increasingly set up roots in the region, with talent continuing to move in, we anticipate 2023 being another record year for FDI into the Middle East.

Ongoing JV and corporate restructurings

We also believe there will be a significant shift in partnerships that already exist in the region with UK companies reassessing existing Middle East JVs, and whether they are fit for purpose today given many were set up decades ago. Dividend policies, governance structures, minority protection rights, appropriate treatment of technical services costs (particularly in engineering firms) are all key focus areas, and with increased activity between the regions, many international firms will want to ensure their existing contractual arrangements are fit for purpose.

LUMINA VIEW

2023 will be a tale of two halves, with H1 seeing highly active Middle East corporates and funds continuing to invest into European companies, as domestic markets continue to face varying levels of economic turbulence. This will create a **myriad of investment opportunities to diversify globally** as well as gaining access to best-in-class skills and talents. In H2 we anticipate improving sentiment across developed markets, which will drive global demand for natural resources, oil included. The region is extremely well positioned for yet another strong year ahead.

Contributors

Andrew Nichol
Partner

Andrew leads on Lumina's private equity, family office and global corporate transactions. He combines buyside direct investing with lead-advisory experience, with a 20 year background in cross-border M&A, private equity and capital raising mandates. Andrew has previously worked with the UK government (UKTI, now part of DIT), as a special advisor, facilitating GCC investments into the UK.

George Traub
Managing Partner

George is responsible for delivering on Lumina's global expansion and overall client delivery. He is a senior banker, finance professional and entrepreneur who has enjoyed a global career as a Managing Director, a CEO and a Partner at multinational investment banks, global advisory firms and regional financial institutions.

Gareth Williams
Associate Partner

Gareth is an experienced corporate financier with 15 years' experience in corporate finance and M&A across the UK and Middle East. Gareth takes an integral transaction execution role on all key mandates and works closely with both our UK and regional clients to successfully deliver cross-border transactions across multiple sectors.

Khushbu Nehita
Senior Associate

Khushbu has experience in M&A transactions in the Middle East and Asia across technology, industrial and financial institution sectors. She works alongside our team to deliver our range of M&A advisory and funding solutions services, acting for business owners, management teams and corporates.

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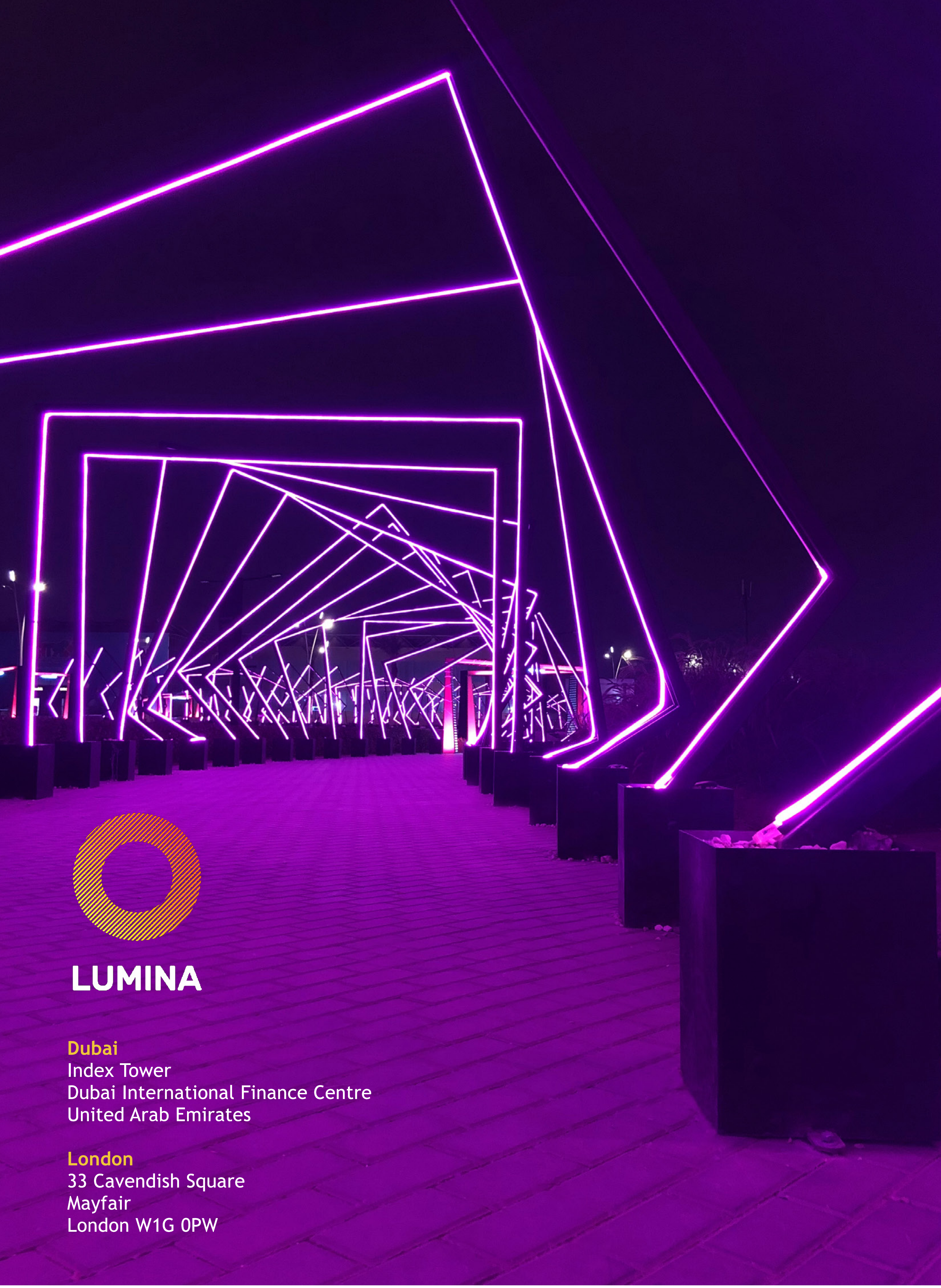
Lumina Capital Advisers Limited ("Lumina") focuses on matching capital and transactions between the Middle East and the UK. With presence in London, Dubai and Riyadh, Lumina's team of experienced dealmakers brings senior level international expertise to family conglomerates and private equity clients from the region, the UK or around the world.

With over 100 years of collective experience, the team at Lumina has advised on more than 100 M&A, financing and restructuring transactions across the globe. They have consistently delivered unconflicted, dynamic and international standards of deal execution with long-standing counterparty relationships. Lumina is regulated by DFSA.



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